

PRELIMINARY OFFICIAL STATEMENT DATED MARCH [], 2025

NEW ISSUES – BOOK-ENTRY ONLY

RATINGS: Moody's: "[]"

S&P: "[]"

(See "MISCELLANEOUS – Ratings.")

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



**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA)**

§[Series 2025A Par]*
General Obligation Bonds,
Election of 2024, Series A

§[Refunding Par]*
2025 General Obligation
Refunding Bonds

Dated: Date of Delivery**Due: As shown on the inside cover**

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

The San Francisco Unified School District General Obligation Bonds, Election of 2024, Series A (the "Series 2025 Bonds") are being sold by the City and County of San Francisco (the "City") on behalf of the San Francisco Unified School District (the "District"), located in the City and issued by the District (i) to finance specific construction and modernization projects approved by the voters, (ii) to pay capitalized interest on the Series 2025 Bonds to _____, 20__* and (iii) to pay costs of issuance of the Series 2025 Bonds.

The District's 2025 General Obligation Refunding Bonds (the "Refunding Bonds" and, together with the Series 2025 Bonds, the "Bonds"), are being issued by the District (i) to refund all or a portion of the District's outstanding San Francisco Unified School District General Obligation Bonds (Proposition A, Election of 2006), Series F (2015) (the "Series F Bonds") and the San Francisco Unified School District General Obligation Bonds (Proposition A, Election of 2011), Series C (2015) (the "Series C Bonds" and, together with the Series F Bonds, the "Prior Bonds") and (ii) to pay costs of issuance of the Refunding Bonds. The outstanding Prior Bonds to be redeemed and defeased are collectively referred to herein as the "Refunded Bonds." As used herein, the "Tax-Exempt Bonds" are the Refunding Bonds and those Series 2025 Bonds maturing on and after June 15, 20__* (the "Tax-Exempt Series 2025 Bonds"), and the "Taxable Bonds" are those Series 2025 Bonds maturing on _____, 20__*. See "THE BONDS – Plan of Refunding."

The Board of Supervisors of the City is empowered and is obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

The Bonds will be issued as current interest bonds. Interest on the Tax-Exempt Bonds is payable commencing on [June 15, 2025]*, and thereafter on each June 15 and December 15 to maturity. Principal of the Tax-Exempt Bonds is payable on June 15 in each of the years and in the amounts set forth in the Maturity Schedules inside the cover page of this Official Statement. Principal and interest on the Taxable Bonds is payable on _____, 2025*, as set forth in the Maturity Schedules inside the cover page of this Official Statement. Payments of principal of and interest on the Bonds will be made by the Paying Agent, initially the Treasurer and Tax Collector of the City, as paying agent (the "Paying Agent"), to The Depository Trust Company, New York, New York ("DTC"), for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – Payment of Principal and Interest."

The Bonds will be issued in book-entry form only, and initially will be issued and registered in the name of Cede & Co., as nominee of DTC. Purchasers will not receive certificates representing their interests in the Bonds. See "THE BONDS – Form and Registration."

The Bonds are subject to redemption prior to maturity.* See "THE BONDS – Redemption."

MATURITY SCHEDULES
See Inside Cover

The Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, and for the Underwriters by their counsel, [Underwriters' Counsel, City, State]. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about _____, 2025.

* Preliminary, subject to change.

BofA Securities

Stifel

This Official Statement is dated _____, 2025.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULES

**§[Series 2025A Par]*
SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2024, SERIES A**

Taxable Bonds

Maturity Date (_____)	Principal Amount	Interest Rate	Yield [†]	CUSIP No. [‡] (79771T)
	\$	%		

Tax-Exempt Series 2025 Bonds

Maturity Date (June 15)	Principal Amount	Interest Rate	Yield [†]	CUSIP No. [‡] (79771T)
	\$	%		

\$ _____ % Term Bonds due June 15, 20__ – Yield[†] _____ % – CUSIP Number[‡] 79771T__
 \$ _____ % Term Bonds due June 15, 20__ – Yield[†] _____ % – CUSIP Number[‡] 79771T__

* Preliminary, subject to change.

[†] Yields certified by the Underwriters. The District takes no responsibility for the accuracy thereof.

[‡] CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is owned by FactSet Research Systems, Inc. (“FactSet”). FactSet will manage the CUSIP system on behalf of the American Bankers Association. Copyright© 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the City, the Underwriters, or their agents or counsel assume responsibility for the accuracy of such numbers.

[\$[REFUNDING PAR] *
SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA)
2025 GENERAL OBLIGATION REFUNDING BONDS

Maturity Date (June 15)	Principal Amount	Interest Rate	Yield [†]	CUSIP No. [‡] (79771T)
	\$	%		

\$ _____ % Term Bonds due June 15, 20__ – Yield[†] _____% – CUSIP Number[‡] 79771T __
 \$ _____ % Term Bonds due June 15, 20__ – Yield[†] _____% – CUSIP Number[‡] 79771T __

* Preliminary, subject to change.

[†] Yields certified by the Underwriters. The District takes no responsibility for the accuracy thereof.

[‡] CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is owned by FactSet Research Systems, Inc. (“FactSet”). FactSet will manage the CUSIP system on behalf of the American Bankers Association. Copyright© 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the City, the Underwriters, or their agents or counsel assume responsibility for the accuracy of such numbers.

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption under Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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

The District maintains a website and certain social media accounts. However, the information presented on the District’s website and such accounts is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

<u>Name</u>	<u>Title</u>
Rafael Mandelman (<i>District 8</i>)	President
Connie Chan (<i>District 1</i>)	Supervisor
Stephen Sherrill (<i>District 2</i>)	Supervisor
Danny Sauter (<i>District 3</i>)	Supervisor
Joel Engardio (<i>District 4</i>)	Supervisor
Bilal Mahmood (<i>District 5</i>)	Supervisor
Matt Dorsey (<i>District 6</i>)	Supervisor
Myrna Melgar (<i>District 7</i>)	Supervisor
Jackie Fielder (<i>District 9</i>)	Supervisor
Shamann Walton (<i>District 10</i>)	Supervisor
Chyanne Chen (<i>District 11</i>)	Supervisor

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Kim	President	January 2027
Jaime Huling	Vice President	January 2029
Matt Alexander	Commissioner	January 2029
Alida Fisher	Commissioner	January 2027
Parag Gupta	Commissioner	January 2029
Supryia Ray	Commissioner	January 2029
Lisa Weissman-Ward	Commissioner	January 2027

DISTRICT ADMINISTRATION

Dr. Maria Su, Superintendent
Dr. Karling Aguilera-Fort, Deputy Superintendent
Diane Beall, Esq., Interim General Counsel
Mele Lau-Smith, Superintendent's Director of Special Projects
Licina Iberri, Bond Program Director

PROFESSIONAL SERVICES

Municipal Advisor

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San Francisco, California

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Paying Agent

José Cisneros
Treasurer of the City and County of San Francisco
San Francisco, California

Escrow Agent

U.S. Bank Trust Company, National Association
San Francisco, California

Verification Agent

[Verification Agent
City, State]

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**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA)**

**§[Series 2025A Par]*
General Obligation Bonds,
Election of 2024, Series A**

**§[Refunding Par]*
2025 General Obligation
Refunding Bonds**

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto (this “Official Statement”), is provided to furnish information in connection with the San Francisco Unified School District General Obligation Bonds, Election of 2024, Series A (the “Series 2025 Bonds”), and the San Francisco Unified School District 2025 General Obligation Refunding Bonds (the “Refunding Bonds” and, together with the Series 2025 Bonds, the “Bonds”), as described more fully herein. As used herein, the “Tax-Exempt Bonds” are the Refunding Bonds and those Series 2025 Bonds maturing on and after June 15, 20__* (the “Tax-Exempt Series 2025 Bonds”), and the “Taxable Bonds” are those Series 2025 Bonds maturing on _____, 20__*.

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

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

Quotations from and summaries and explanations of the Bonds, the District Resolutions (defined herein), the City Resolution (defined herein), the Paying Agent Agreements (defined herein) providing for the issuance of the Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

The District

The San Francisco Unified School District has boundaries that are coterminous with the City and County of San Francisco (the “City”). The District provides public education from transitional kindergarten through grade twelve. The District was established in 1851. The District also administers the County Office of Education. The administrative headquarters of the District are located at 555 Franklin Street, San Francisco, California.

[The District operates seventy-three (73) elementary schools, thirteen (13) middle schools, seventeen (17) high schools, forty-seven (47) early education schools, and three (3) County and Court schools.] For fiscal year 2024-25, the District has projected enrollment of approximately [48,732] students, including special education and continuing education students. For fiscal year 2024-25, the District estimates that approximately [5,930] students will be enrolled at the [14] fiscally independent charter schools that operate within the District’s boundaries for which the District is the charter-approving agency. In its budget for fiscal year 2024-25, the District has projected [6,740] full-time equivalent employees including certificated (credentialed teaching staff), classified (non-teaching) and management

* Preliminary, subject to change.

personnel at the District and the San Francisco County Office of Education. The District has projected fiscal year 2024-25 general fund revenues of approximately \$[1.2] billion and general fund expenditures of approximately \$[1.4] billion. The total assessed valuation of taxable property in the District in fiscal year 2024-25 is approximately \$347.8 billion.

The District is governed by a Board of Education (the “Board of Education”) consisting of seven voting members. The voting members are elected to four-year terms in staggered years so that, as nearly as practicable, one-half of the members shall begin their term in each odd-numbered year. The District’s day-to-day operations are managed by a board-appointed Superintendent of Schools (the “Superintendent”). The Board of Education appointed Dr. Maria Su to serve as Superintendent in October 2024. Dr. Su has served as Executive Director of the San Francisco Department of Children, Youth and Their Families and is currently serving as the Superintendent under a Memorandum of Understanding between the District and the City wherein the City has released Dr. Su to serve as Superintendent under the direction of the Board of Education, valid through June 2026.

THE BONDS

Authority for Issuance; Purpose

Series 2025 Bonds. The Series 2025 Bonds are issued pursuant to the Constitution and laws of the State of California (the “State”), including the provisions of Chapter 1 and 1.5 of Part 10 of the Education Code of the State (the “Education Code”), Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the “Government Code”), and other applicable provisions of law. The Series 2025 Bonds are authorized by a resolution adopted by the Board of Supervisors of the City on [March 18, 2025] (the “City Resolution”), by a resolution adopted by the Board of Education on [March 11, 2025] (the “Series 2025 District Resolution”), and issued pursuant to a Paying Agent Agreement (the “Series 2025 Paying Agent Agreement”) dated as of April 1, 2025 (the “Series 2025 Paying Agent Agreement”) between the District and the Treasurer and Tax Collector of the City, as paying agent (the “Series 2025 Paying Agent”).

The District received authorization to issue the Series 2025 Bonds at an election held on November 5, 2024 (the “2024 Authorization”) by 55% or more of the votes cast by eligible voters within the District. The voter-approved measure, known locally as Proposition A (2024), authorized the District to issue bonds in an aggregate principal amount not to exceed \$790,000,000 to finance specific construction and modernization projects approved by the voters, summarized as follows: to improve earthquake safety and accessibility at San Francisco public schools; provide reliable internet in classrooms; replace worn-out plumbing, electrical and ventilation systems; improve student nutrition services; and have updated security features. The Series 2025 Bonds are the first series of the authorized bonds to be issued pursuant to the Proposition A (2024) authorization. After the issuance of the Series 2025 Bonds, there will be \$[630,000,000] in unissued authorization under Proposition A (2024).^{*} For a discussion of all outstanding bonds of the District, see APPENDIX A – “DISTRICT FINANCIAL AND OPERATING INFORMATION – District Debt Structure.”

As required by the Education Code and Proposition A (2024), the District has established a Citizens’ Oversight Committee to review District expenditures of bond proceeds and progress in completing the projects specified in the measure, and to make periodic reports to the public in order to ensure that bond funds are spent only for authorized purposes. The District utilizes an auditor to perform annual Bond Performance and Expenditure audits to ensure the bond funds are expended in conformity with the authorized purposes and audit objectives set by the Citizens’ Oversight Committee. The District makes no representations herein as to the specific application of the proceeds of the Series 2025 Bonds,

^{*} Preliminary, subject to change.

the estimated completion date of any of the projects, or whether the authorized bonds will provide sufficient funds to complete all of the projects, or any particular project.

Refunding Bonds. The Refunding Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, applicable provisions of the Education Code and other applicable provisions of law. The Refunding Bonds are authorized by a resolution adopted by the Board of Education on [March 11, 2025] (the “Refunding District Resolution” and, together with the Series 2025 District Resolution, the “District Resolutions”), and issued pursuant to a Paying Agent Agreement (the “Refunding Paying Agent Agreement” and, together with the Series 2025 Paying Agent Agreement, the “Paying Agent Agreements”) dated April 1, 2025, between the District and the Paying Agent. The Government Code permits the issuance of bonds payable from *ad valorem* property taxes without a vote of the electors solely to refund other outstanding general obligation bonds which were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds not exceed the total debt service to maturity on the bonds being refunded.

Proceeds of the Refunding Bonds will be applied (i) to refund on a current basis all or a portion of the District’s outstanding San Francisco Unified School District General Obligation Bonds (Proposition A, Election of 2006), Series F (2015) (the “Series F Bonds”) and the San Francisco Unified School District General Obligation Bonds (Proposition A, Election of 2011), Series C (2015) (the “Series C Bonds” and, together with the Series F Bonds, the “Prior Bonds”); and (ii) to pay costs of issuance of the Refunding Bonds. The outstanding Prior Bonds to be refunded and defeased are collectively referred to herein as the “Refunded Bonds.” See “THE BONDS – Plan of Refunding.”

Form and Registration

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

Payment of Principal and Interest

The Bonds will be dated the date of their delivery, and bear interest at the rates set forth on the inside cover page hereof, on June 15 and December 15 of each year, commencing on [June 15, 2025] (each, an “Interest Payment Date”), until payment of the principal amount thereof, computed using a year of 360 days consisting of twelve 30-day months. Bonds authenticated and registered on any date prior to the close of business on [June 1, 2025], will bear interest from the date of their delivery. Bonds authenticated during the period between the 1st day of the calendar month immediately preceding an Interest Payment Date (the “Record Date”) and the close of business on that Interest Payment Date will bear interest from that Interest Payment Date. Any other Bond will bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

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

Principal will be payable on the dates listed inside the front cover page hereto, or upon redemption prior to maturity, upon surrender of Bonds at such office of the Paying Agent as the Paying Agent shall designate. The interest, principal and premiums, if any, on the Bonds will be payable in lawful money of the United States of America from moneys on deposit in the interest and sinking fund of the District (the "Interest and Sinking Fund") within the City treasury, consisting of *ad valorem* property taxes collected and held by the Treasurer and Tax Collector of the City (the "Treasurer"), together with any net premium and accrued interest received upon issuance of the Bonds.

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

Redemption *

Optional Redemption of the Series 2025 Bonds. The Series 2025 Bonds maturing on or before June 15, 20__, are not subject to redemption prior to their respective stated maturity dates. The Series 2025 Bonds maturing on and after June 15, 20__ shall be subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after June 15, 20__ at a redemption price equal to 100% of the principal amount of the Series 2025 Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Optional Redemption of the Refunding Bonds. The Refunding Bonds maturing on or before June 15, 20__, are not subject to redemption prior to their respective stated maturity dates. The Refunding Bonds maturing on and after June 15, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after June 15, 20__ at a redemption price equal to 100% of the principal amount of the Refunding Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of the Series 2025 Bonds. The \$_____ Term Series 2025 Bond maturing on June 15, 20__, is also subject to mandatory sinking fund redemption on each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

* Preliminary; subject to change.

Mandatory Sinking Fund Redemption Date (June 15)	Principal Amount to Be Redeemed
<hr/>	<hr/>

†

† Maturity.

Mandatory Sinking Fund Redemption of the Refunding Bonds. The \$_____ Term Refunding Bond maturing on June 15, 20__, is also subject to mandatory sinking fund redemption on each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (June 15)	Principal Amount to Be Redeemed
<hr/>	<hr/>

†

† Maturity.

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

Selection of Bonds for Redemption. If less than all of a series of Bonds are called for redemption, such Bonds shall be redeemed in any order selected by the District or as otherwise directed by the District. Whenever less than all of the Bonds of any one maturity are designated for redemption, the Paying Agent will select the Bonds to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Bond will be deemed to consist of individual Bonds within the respective series, of \$5,000 denominations each, which may be separately redeemed.

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

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the affected Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price, if available; (v) the dates of maturity of the Bonds to be redeemed; (vi) if less than all of the Bonds are to be redeemed, the distinctive numbers of the Bonds of each maturity to be redeemed; (vii) in the case of Bonds redeemed in part only, the respective maturities or portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; and (ix) a statement that such Bonds must be surrendered by the Owners at the office of the Paying Agent designated for such purpose. The actual receipt by any Owner of any Bond of notice of such redemption will not be a condition precedent to redemption, and failure to receive such

notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds.

Rescission of Notice of Redemption. The District may rescind any redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

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

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

Defeasance

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

If at any time the District pays or causes to be paid or there is otherwise paid to the owners of any or all outstanding Bonds all of the principal, interest and premium, if any, represented by such Bonds when due, or as described above, or as otherwise provided by law, then such Owners will cease to be entitled to the obligation of the City to levy and collect taxes to pay the Bonds as described in each respective Paying Agent Agreement, and such obligation and all agreements and covenants of the District to such Owners hereunder will thereupon be satisfied and discharged and will terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by such Bonds, but only out of moneys on deposit in the Interest and Sinking Fund or otherwise held in trust

for such payment, provided, that the unclaimed moneys provisions described in such Paying Agent Agreement will apply in all events.

Unclaimed Moneys

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

Application and Investment of Series 2025 Bond Proceeds

The net proceeds of sale of the Series 2025 Bonds, exclusive of any premium and accrued interest received, will be deposited in the City treasury to the credit of the building fund of the District (the "Building Fund"). Any premium and accrued interest received will be deposited upon receipt in the Interest and Sinking Fund of the District within the City treasury.

A portion of the proceeds of the Series 2025 will be retained by the Paying Agent in a costs of issuance fund and used to pay costs associated with the issuance of the Series 2025 Bonds. Any proceeds of sale of the Series 2025 Bonds not needed to fund school construction and modernization projects pursuant to Proposition A or used to pay costs of issuance of the Series 2025 Bonds will be transferred to the Treasurer for deposit in the District's Interest and Sinking Fund in the City treasury, and applied only for payment of principal of and interest on outstanding bonds of the District. Amounts deposited into the Interest and Sinking Fund, as well as proceeds of taxes held therein for payment of the Series 2025 Bonds, will be invested at the sole discretion of the Treasurer pursuant to law and the City's investment policy. See APPENDIX F – "CITY AND COUNTY OF SAN FRANCISCO INVESTMENT POLICY AND INVESTMENT REPORT."

All funds held by the Treasurer with respect to the Series 2025 Bonds hereunder shall be invested at the Treasurer's discretion pursuant to law and the investment policy of the City. See APPENDIX F – "CITY AND COUNTY OF SAN FRANCISCO INVESTMENT POLICY AND INVESTMENT REPORT."

The District has covenanted to not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or inaction would adversely affect the exclusion from gross income of the interest payable on the Tax-Exempt Bonds under Section 103 of the Code.

In the event that at any time the District is of the opinion that it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Treasurer with respect to the Tax-Exempt Bonds, or by the Paying Agent under the Series 2025 Paying Agent Agreement, the District will so instruct the Treasurer or the Paying Agent, as appropriate, in writing, and the Treasurer and the Paying Agent will take such action as may be necessary in accordance with such instructions.

If the District provides to the Treasurer or the Paying Agent an opinion of Bond Counsel that any specified action required under the Series 2025 Paying Agent Agreement is no longer required or that some further or different action is required in order to maintain the exclusion from federal income tax of interest on Tax-Exempt Bonds under Section 103 of the Code, the Treasurer and the Paying Agent may conclusively rely on such opinion in complying with the requirements of the Series 2025 Paying Agent Agreement, and the covenants thereunder will be deemed to be modified to that extent.

Earnings on the investment of moneys in either fund will be retained in that fund and used only for the purposes to which that fund may lawfully be applied. Moneys in the Building Fund may only be applied for the purposes for which the Series 2025 Bonds were approved. Moneys in the Interest and Sinking Fund may only be applied to make payments of interest, principal and premium, if any, on bonds of the District. See APPENDIX F – “CITY AND COUNTY OF SAN FRANCISCO INVESTMENT POLICY AND INVESTMENT REPORT.”

Plan of Refunding

A portion of the proceeds from the sale of the Refunding Bonds will be deposited in an escrow fund (the “Escrow Fund”) to be created and maintained by U.S. Bank Trust Company, National Association, acting as escrow agent (the “Escrow Agent”), by and between the District and the Escrow Agent. Moneys in the Escrow Fund will be invested in cash or non-callable direct obligations of the United States Treasury or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, and applied to pay all principal of, redemption premium and interest on the Refunded Bonds on the date designated for their redemption, as tentatively set forth below.

A portion of the proceeds will be retained by the Paying Agent in a Costs of Issuance Fund and used to pay costs associated with the issuance of the Refunding Bonds and the refunding of the Refunded Bonds. Any proceeds of sale of the Refunding Bonds not needed to fund the Escrow Fund or to pay costs of issuance of the Refunding Bonds will be transferred to the Treasurer for deposit in the District’s Interest and Sinking Fund in the City treasury, and applied only for payment of principal of and interest on outstanding bonds of the District. Amounts deposited into the Interest and Sinking Fund, as well as proceeds of taxes held therein for payment of the Refunding Bonds, will be invested at the sole discretion of the Treasurer pursuant to law and the City’s investment policy. See APPENDIX F – “CITY AND COUNTY OF SAN FRANCISCO INVESTMENT POLICY AND INVESTMENT REPORT.”

[Verification Agent], a Certified Public Accountant licensed to practice in the State, acting as verification agent (the “Verification Agent”) with respect to the Escrow Fund, has verified the mathematical accuracy of the computations relating to the sufficiency of the moneys proposed to be deposited and invested in the Escrow Fund, together with earnings thereon, for the payment of interest on the Refunded Bonds to the redemption date and the payment and redemption on such dates of all said Refunded Bonds.

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The Prior Bonds to be refunded are as follows*:

**San Francisco Unified School District
General Obligation Bonds
(Proposition A, Election of 2006), Series F (2015)
(Proposition A, Election of 2011), Series C (2015)**

Redemption Date: [Redemption Date]*

Maturity Date (June 15)	Principal Amount	Interest Rate	CUSIP [†] (79771T)
2025	\$10,850,000	5.000%	KV8
2026	11,390,000	5.000	KW6
2027	11,965,000	5.000	KX4
2028	12,560,000	5.000	KY2
2029	13,190,000	3.000	KZ9
2030	13,585,000	3.000	LA3
2031	13,995,000	4.000	LB1
2032	14,550,000	3.250	LC9
2033	15,030,000	4.000	LD7
2034	15,630,000	4.000	LE5
2035	16,250,000	3.500	LF2

* Preliminary, subject to change.

† CUSIP numbers are provided for convenience of reference only. None of the District, the City, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	<u>Series 2025 Bonds</u>	<u>Refunding Bonds</u>	<u>Total</u>
Principal Amount of Bonds			
[Plus/Less] [Net] Original Issue			
[Premium/Discount]			
Total Sources:			
Uses of Funds			
Deposit to Building Fund			
Deposit to Escrow Fund			
Deposit to Interest and Sinking Fund			
Underwriters' Discount			
Costs of Issuance ⁽¹⁾			
Total Uses:			

⁽¹⁾ Includes fees of the municipal advisor, bond counsel, disclosure counsel, rating agencies, paying agent, escrow agent, verification agent, printer and other miscellaneous expenses.

SCHEDULED DEBT SERVICE

Semi-Annual Debt Service

The semi-annual debt service payments on the Bonds are summarized in the table below (without regard to optional redemption).

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA)
SEMI-ANNUAL DEBT SERVICE PAYMENTS**

Period Ending	Series 2025 Bonds		Refunding Bonds		Total Semi-Annual Debt Service
	Principal	Interest	Principal	Interest	
June 15, 2025					
December 15, 2025					
June 15, 2026					
December 15, 2026					
June 15, 2027					
December 15, 2027					
June 15, 2028					
December 15, 2028					
June 15, 2029					
December 15, 2029					
June 15, 2030					
December 15, 2030					
June 15, 2031					
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June 15, 2039					
December 15, 2039					
June 15, 2040					
December 15, 2040					
June 15, 2041					
December 15, 2041					
June 15, 2042					
December 15, 2042					
June 15, 2043					
December 15, 2043					
June 15, 2044					
December 15, 2044					
June 15, 2045					
December 15, 2045					
Total					

Outstanding Bonds

General. In addition to the Bonds, the District has outstanding eleven additional series of general obligation bonds, each of which is secured by *ad valorem* property taxes upon all property subject to taxation by the District on a parity with the Bonds. See Appendix A – “DISTRICT FINANCIAL AND OPERATING INFORMATION – District Debt Structure – *General Obligation Bonds*.”

2006 Authorization. The District received authorization at an election held on November 7, 2006 to issue bonds of the District in an aggregate principal amount of \$450,000,000 (the “2006 Authorization”). The District has issued six series of bonds under the 2006 Authorization, including the San Francisco Unified School District (Proposition A, Election of 2006) General Obligation Bonds Series A (2007) in the aggregate principal amount of \$100,000,000; the San Francisco Unified School District (Proposition A, Election of 2006) General Obligation Bonds Series B (2009) in the aggregate principal amount of \$150,000,000; the San Francisco Unified School District (Proposition A, Election of 2006) General Obligation Bonds Series C (2010) in the aggregate principal amount of \$12,955,000, consisting of federally taxable Direct Subsidy Qualified School Construction Bonds (“QSCBs”); the San Francisco Unified School District (Proposition A, Election of 2006) General Obligation Bonds Series D (2010) in the aggregate principal amount of \$72,370,000, consisting of federally taxable Build America Bonds (“BABs”); the San Francisco Unified School District (Proposition A, Election of 2006) General Obligation Bonds Series E (2010) (Tax-Exempt) in the aggregate principal amount of \$99,675,000; and the San Francisco Unified School District (Proposition A, Election of 2006) General Obligation Bonds Series F (2015) in the aggregate principal amount of \$15,000,000. The District has no remaining authorized and unissued bonds under the 2006 Authorization.

2011 Authorization. The District received authorization at an election held on November 8, 2011 to issue bonds of the District in an aggregate principal amount of \$531,000,000 (the “2011 Authorization”). The District has issued three series of bonds under the 2011 Authorization, including the San Francisco Unified School District General Obligation Bonds (Proposition A, Election of 2011), Series A (2012) in the aggregate principal amount of \$115,000,000; the San Francisco Unified School District General Obligation Bonds (Proposition A, Election of 2011), Series B (2014) in the aggregate principal amount of \$205,000,000; and the San Francisco Unified School District General Obligation Bonds (Proposition A, Election of 2011), Series C (2015) in the aggregate principal amount of \$211,000,000. The District has no remaining authorized and unissued bonds under the 2011 Authorization.

2016 Authorization. The District received authorization at an election held on November 8, 2016 to issue bonds of the District in an aggregate principal amount of \$744,250,000 (the “2016 Authorization”). The District has issued three series of bonds under the 2016 Authorization, including the San Francisco Unified School District General Obligation Bonds, Election of 2016, Series A in the aggregate principal amount of \$180,000,000; the San Francisco Unified School District General Obligation Bonds, Election of 2016, Series B in the aggregate principal amount of \$280,000,000; and the San Francisco Unified School District General Obligation Bonds, Election of 2016, Series C in the aggregate principal amount of \$284,250,000. The District has no remaining authorized and unissued bonds under the 2016 Authorization.

Refunding Bonds. In addition, refunding bonds were issued (i) on March 6, 2012 (the “2012 Refunding Bonds”) for the purpose of refunding a portion of the District’s General Obligation Bonds, (Proposition A, Election of 2003), Series A (2004) and Series B (2005); (ii) on October 21, 2015 (the “2015 Refunding Bonds”) for the purpose of refunding the District’s outstanding (Proposition A, Election of 2003) General Obligation Bonds, Series C (2006) and partially refunding the District’s General Obligation Bonds (Proposition A, Election of 2006) Series A (2007); (iii) on March 21, 2017 (the “2017

Refunding Bonds” for the purpose of refunding a portion of the District’s (Proposition A, Election of 2006) General Obligation Bonds, Series B (2009); (iv) on August 27, 2020 (the “2020 Refunding Bonds” for the purpose of refunding a portion of the District’s (Proposition A, Election of 2006) General Obligation Bonds Series A (2007), (Proposition A, Election of 2006) General Obligation Bonds Series E (2010 (Tax-Exempt), General Obligation Bonds (Proposition A, Election of 2011) Series A (2012), and 2012 General Obligation Refunding Bonds; and (v) on May 26, 2022 (the “2022 Refunding Bonds”) for the purpose of refunding a portion of the District’s General Obligation Bonds (Proposition A, Election of 2011), Series B (2014).

Aggregate Debt Service

The following table summarizes the annual aggregate debt service requirements of all outstanding bonds of the District (including the Bonds), assuming no optional redemptions.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
AGGREGATE ANNUAL DEBT SERVICE**

Year Ending (June 15)	Outstanding General Obligation Bonds*	Series 2025 Bonds	Refunding Bonds	Aggregate Annual Debt Service
2025	\$118,099,771.02			
2026	109,701,482.26			
2027	106,751,618.91			
2028	98,271,613.76			
2029	97,619,636.26			
2030	97,360,007.50			
2031	83,411,937.50			
2032	83,401,437.50			
2033	77,339,300.00			
2034	64,367,150.00			
2035	64,319,750.00			
2036	47,642,600.00			
2037	47,662,700.00			
2038	34,669,800.00			
2039	34,669,000.00			
2040	34,663,500.00			
2041	18,676,250.00			
2042	18,674,250.00			
Total:	\$1,237,301,804.71			

* Includes debt service on the Refunded Bonds to be refunded.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the City (the “Board of Supervisors”) is empowered and is obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District.

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

Statutory Lien on Taxes (Senate Bill 222)

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

Pledge of and Lien on Tax Revenues

Pursuant to the District Resolutions, the District pledges, and grants a lien on and security interest in, all revenues from the property taxes collected from the levy by the Board of Supervisors of the County with respect to each voter-approved bond measure of the District for the payment of District Bonds issued under such bond measure and all amounts on deposit in any interest and sinking fund of the District related to such bond measure with respect to the District Bonds of such bond measure, in order to secure the payment of the principal or redemption price of and interest on such District Bonds. This pledge and grant is valid and binding from the date of the District Resolutions for the benefit of the owners of the District Bonds and successors thereto. The property taxes and amounts held in any interest and sinking fund of the District shall be immediately subject to this pledge and grant, and the pledge and grant constitutes a lien and security interest which immediately attaches to (i) the property taxes theretofore and thereafter collected and (ii) the amounts held in any interest and sinking fund of the District. The pledge and grant shall secure the payment of District Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge or grant and without the need of any physical delivery, recordation, filing, or further act. The pledge and grant is an agreement between the District and the owners of District Bonds to provide security for the District Bonds in addition to any statutory lien that may exist, and the District Bonds secured by the pledge and grant are or were issued to finance one or more of the projects specified in the applicable voter-approved measure.

“District Bonds” means all bonds, including refunding bonds, of the District heretofore or hereafter issued pursuant to voter-approved measures of the District, including bonds approved by the voters of the District pursuant to the 2006 Authorization, the 2011 Authorization, the 2016 Authorization and the 2024 Authorization.

Property Taxation System

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

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

Assessed Valuation of Property Within the District

All property (real, personal and intangible) is taxable unless an exemption is granted by the State Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization.

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

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

in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State’s methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

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

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The following table shows the recent history of taxable property assessed valuation in the District, each as of the date of the equalized assessment roll is established in August of each year.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Assessed Valuation of Secured and Unsecured Property
Fiscal Years 2015-16 to 2024-25**

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2015-16	\$180,311,079,707	\$250,473,678	\$11,784,296,408	\$192,345,849,793	-
2016-17	195,319,718,011	242,464,205	13,750,364,838	209,312,547,054	8.82%
2017-18	217,167,706,689	456,895,690	14,017,474,513	231,642,076,892	10.67
2018-19	241,800,535,728	453,925,863	14,410,415,905	256,664,877,496	10.80
2019-20	261,018,657,481	437,144,893	17,009,940,509	278,465,742,883	8.49
2020-21	280,818,331,421	433,728,865	17,524,316,683	298,776,376,969	7.29
2021-22	291,894,672,529	440,718,111	16,771,714,976	309,107,105,616	3.46
2022-23	308,322,777,035	462,641,841	16,699,598,804	325,485,017,680	5.30
2023-24	322,627,415,691	461,641,382	17,502,971,985	340,592,029,058	4.64
2024-25	330,530,499,851	445,515,298	16,800,021,051	347,776,036,200	2.11

Source: California Municipal Statistics, Inc.

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

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal,

commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

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

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructures the functions of the State Board of Equalization and creates two new agencies: (a) the California Department of Tax and Fee Administration (the "Tax Administration Department") and (b) the Office of Tax Appeals. Under AB 102, the Tax Administration Department will take over programs previously in the State Board of Equalization's Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the State Board of Equalization will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the State Board of Equalization only hears appeals related to the programs that it constitutionally administers and the Office of Tax Appeals hears appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Offices of Tax Appeals to adopt regulations as necessary to carry out its duties, powers and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

See APPENDIX A – "DISTRICT FINANCIAL AND OPERATING INFORMATION – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND

APPROPRIATIONS – Limitations on Revenues” for a discussion of other limitations on the valuation of real property with respect to *ad valorem* property taxes.

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

The assessed valuation of the City could be substantially reduced as a result of a major earthquake proximate to the City. The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area. Three major earthquake faults that comprise the San Andreas Fault System extend through the Bay Area. They include the San Andreas Fault, the Hayward Fault and the Calaveras Fault. On August 24, 2014, an earthquake occurred in Napa, California. The tremor’s epicenter was located approximately 3.7 miles northwest of American Canyon near the West Napa Fault and registered 6.0 on the Richter scale of earthquake intensity. The Napa earthquake caused fires, damaged buildings and roads, and injured approximately 200 people. The Napa earthquake was the largest earthquake in the Bay Area since the 1989 Loma Prieta earthquake on the San Andreas Fault, which was centered about 60 miles south of San Francisco and registered 6.9 on the Richter scale of earthquake intensity. The Loma Prieta earthquake caused fires and collapses of and structural damage to buildings, highways and bridges in the Bay Area.

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

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as drought, flood, fire, toxic dumping, acts of terrorism, pandemic, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase.

Drought. In recent years the State has experienced severe drought conditions. In January 2014, the Governor declared a Statewide Drought State of Emergency due to the State facing serious water shortfalls due to the driest year in recorded history in the State and the resultant record low levels measured in State rivers and reservoirs. The State Water Resources Control Board (the “State Water Board”) subsequently issued a Statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor of the State lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures.

On March 5, 2021, the Secretary of the United States Department of Agriculture designated 50 of 58 counties in California, including the County, as primary natural disaster areas due to drought. On April 21, 2021, the Governor issued a drought emergency proclamation (the “April Drought Proclamation”) which applied to two counties within the State. On May 10, 2021, the Governor declared a State of Emergency due to the State facing serious water shortfalls, and ordered State and local agency implementation of certain provisions to adequately respond to drought conditions, significantly expanding the April Drought Proclamation to 41 counties within the State, including the City. On July 8, 2021, the Governor expanded the

declaration further to include an additional nine counties in the State. On October 19, 2021, the Governor extended the declaration to include the remaining counties such that the drought state of emergency was then in effect Statewide. However, increased rainfall in late 2022 and early 2023 led to the rescission of certain of these restrictions as described in the following section “– *2022-23 Winter Storms.*”

It is not possible for the District to make any representation regarding the extent to which drought conditions could cause reduced economic activity within the boundaries of the District or the extent to which drought conditions may impact District facilities or the assessed value of taxable property within the District.

2022-23 Winter Storms. The State experienced an unexpected increase in the amount of winter storms and increased rainfall and snowpack, leading to an unseasonably wet winter in late 2022 and early 2023, which impacted communities across the State (the “2022-23 Winter Storms”). The increased rainfall caused by the 2022-23 Winter Storms has eased drought conditions across the State considerably. Accordingly, in March 2023, the Governor rescinded some of the State’s drought restrictions, including restrictions in the City. In addition, in January 2023, the Governor announced an extension of its tax filing deadline for residents and businesses in counties which were impacted by the 2022-23 Winter Storms and the resulting mudslides and flooding (the “2023 Winter Storm Tax Extension”). Most counties in the State were included in the 2023 Winter Storm Tax Extension, such that certain individual and business tax payments which would have typically been due at various times between January and September 2023 were then due on October 16, 2023.

2023-24 Winter Storms. Portions of the State experienced an unexpected increase in the amount of winter storms and increased rainfall and snowpack, leading to an unseasonably wet winter in late 2023 and early 2024, which impacted communities within the State (the “2023-24 Winter Storms”). In particular, portions of the City experienced severe storms and flooding. In February 2024, the Franchise Tax Board announced an extension of its tax filing deadline for residents and businesses in the City.

It is not possible for the District to make any representation regarding the extent to which the 2022-23 Winter Storms, the 2023-24 Winter Storms or any future winter storms, or related increased rainfall, mudslides or flooding conditions, could cause reduced economic activity within the boundaries of the District or the extent to which such conditions may impact District facilities or the assessed value of taxable property within the District.

Risk of Sea Level Changes and Flooding. In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the Governor’s Office of Planning and Research, and the California Energy Commission) published a report that was formally adopted in March 2018, entitled “Rising Seas in California: An Update on Sea Level Rise Science” (the “Sea Level Rise Report”) to provide a new synthesis of the state of science regarding sea level rise. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. Additionally, in March 2020, a consortium of State and local agencies, led by the Bay Area Conservation and Development Commission, released a detailed study entitled, “Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study,” on how sea level rise could alter the Bay Area, potentially leading to jobs being relocated, displacement of lower-income residents, and the loss of ecologically valuable shoreline habitat. The District may be particularly vulnerable to impacts associated with sea level rise due to development on its coastline. A wide range of critical infrastructure, such as roads, airports, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

Wildfire. In recent years, portions of California have experienced wildfires that have burned millions of acres and destroyed thousands of homes and structures. Property damage due to wildfire could result in a significant decrease in the assessed value of property in the District. It is not possible for the District to make any representation regarding the extent to which wildfires could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact the value of taxable property within the District.

Climate Change. In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property within the District. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heat waves, and rising sea levels. See “– Drought,” “– 2022-23 Winter Storms,” “– 2023-24 Winter Storms,” “– Risk of Sea Level Changes and Flooding” and “– Wildfire” above. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the District’s control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to predict when or if adverse impacts of climate change will occur or the extent of such impacts.

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

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.5% of the assessed valuation of taxable property within its boundaries. The District’s gross bonding capacity (also commonly referred to as the “bonding limit” or “debt limit”) is approximately \$8.7 billion and its net bonding capacity is approximately \$7.8 billion (prior to the issuance of the Bonds and the defeasance of the Refunded Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District’s bonding capacity.

In accordance with the law which permitted the Series 2025 Bonds to be approved by a 55% affirmative vote, bonds approved by the District’s voters pursuant to the 2024 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved at the election will require a tax rate no greater than \$60.00 per \$100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2025 Bonds, the District projects that the maximum tax rate required to repay all outstanding bonds approved at such election will be within that legal limit. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2025 Bonds in each year.

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Assessed Valuation by Land Use. The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Assessed Valuation and Parcels by Land Use
Fiscal Year 2024-25**

	2024-25 <u>Assessed Valuation⁽¹⁾</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
<u>Non-Residential:</u>				
Commercial	\$ 31,581,290,874	9.55%	9,455	4.62%
Office	60,708,701,536	18.37	1,798	0.88
Industrial	9,679,280,177	2.93	7,124	3.48
Hotel/Motel	11,985,618,134	3.63	759	0.37
Recreational	2,945,655,158	0.89	444	0.22
Government/Social/Institutional	687,723,952	0.21	1,584	0.77
Miscellaneous	<u>1,155,573,807</u>	<u>0.35</u>	<u>870</u>	<u>0.43</u>
Subtotal Non-Residential	\$118,743,843,638	35.93%	22,034	10.77%
<u>Residential:</u>				
Single Family Residence	\$ 96,081,061,988	29.07%	97,323	47.56%
Condominium/Townhouse	53,548,115,159	16.20	49,888	24.38
2+ Residential Units/Apartments	57,644,468,751	17.44	25,920	12.67
Timeshare properties	315,157,140	0.10	3,648	1.78
Subtotal Residential	\$207,588,803,038	62.80%	176,779	86.39%
Vacant Residential	\$4,197,853,175	1.27%	5,815	2.84%
Total	\$330,530,499,851	100.00%	204,628	100.00%

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

Assessed Valuation of Single-Family Residential Properties. The following table focuses on the per parcel assessed valuation of single-family residential properties only, the value of which comprised approximately 29.07% of the assessed value of taxable property in the District in fiscal year 2024-25. The average assessed value per single-family residential parcel was \$987,239, and the median assessed value was \$631,272.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2024-25**

	No. of <u>Parcels</u>	2024-25 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	97,323	\$96,081,061,988	\$987,239	\$631,272

<u>2024-25 Assessed Valuation</u>	No. of <u>Parcels⁽¹⁾</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$99,999	9,830	10.100%	10.100%	\$ 687,559,293	0.716%	0.716%
\$100,000 - \$199,999	8,048	8.269	18.370	1,179,081,926	1.227	1.943
\$200,000 - \$299,999	6,924	7.114	25.484	1,752,015,289	1.823	3.766
\$300,000 - \$399,999	7,981	8.201	33.685	2,794,016,250	2.908	6.674
\$400,000 - \$499,999	7,752	7.965	41.650	3,486,494,920	3.629	10.303
\$500,000 - \$599,999	6,290	6.463	48.113	3,447,465,509	3.588	13.891
\$600,000 - \$699,999	5,318	5.464	53.577	3,447,617,387	3.588	17.479
\$700,000 - \$799,999	4,643	4.771	58.348	3,478,187,216	3.620	21.099
\$800,000 - \$899,999	4,531	4.656	63.004	3,849,841,034	4.007	25.106
\$900,000 - \$999,999	4,513	4.637	67.641	4,283,314,745	4.458	29.564
\$1,000,000 - \$1,099,999	3,748	3.851	71.492	3,927,736,697	4.088	33.652
\$1,100,000 - \$1,199,999	3,127	3.213	74.705	3,585,826,246	3.732	37.384
\$1,200,000 - \$1,299,999	2,613	2.685	77.390	3,262,961,383	3.396	40.780
\$1,300,000 - \$1,399,999	2,276	2.339	79.728	3,066,217,197	3.191	43.972
\$1,400,000 - \$1,499,999	2,087	2.144	81.873	3,022,555,952	3.146	47.117
\$1,500,000 - \$1,599,999	1,992	2.047	83.920	3,080,484,514	3.206	50.324
\$1,600,000 - \$1,699,999	1,768	1.817	85.736	2,915,026,441	3.034	53.357
\$1,700,000 - \$1,799,999	1,465	1.505	87.241	2,559,436,742	2.664	56.021
\$1,800,000 - \$1,899,999	1,382	1.420	88.661	2,553,488,498	2.658	58.679
\$1,900,000 - \$1,999,999	1,121	1.152	89.813	2,183,623,114	2.273	60.952
\$2,000,000 and greater	<u>9,914</u>	<u>10.187</u>	100.000	<u>37,518,111,635</u>	<u>39.048</u>	100.000
	97,323	100.000%		\$96,081,061,988	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

Largest Taxpayers in District. The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2024-25 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer’s financial situation and ability or willingness to pay property taxes. In fiscal year 2024-25, the largest single taxpayer owned approximately 0.58% of the total local secured assessed valuation of property in the District. Each taxpayer listed is a unique name listed on the tax rolls. The District cannot determine from City assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Twenty Largest Local Secured Taxpayers 2024-25

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2024-25 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Transbay Tower LLC	Office Building	\$ 1,913,672,794	0.58%
2.	GSW Arena LLC	Sports Arena	1,706,142,313	0.52
3.	HWA 555 Owners LLC	Office Building	1,402,359,708	0.42
4.	Park Tower Owner LLC	Office Building	1,163,207,711	0.35
5.	Elm Property Venture LLC	Office Building	1,101,967,156	0.33
6.	KRE Exchange Owner LLC	Office Building	1,088,881,917	0.33
7.	Ponte Gadea California LLC	Office Building	955,150,642	0.29
8.	Kilroy Realty LP / Kilroy Realty 303 LLC	Office Building	940,019,208	0.28
9.	PPF Paramount One Market Plaza	Office Building	931,075,752	0.28
10.	SFDC 50 Fremont LLC	Office Building	799,444,029	0.24
11.	Market Center Owner LP	Office Building	774,221,928	0.23
12.	Parkmerced Owner LLC	Apartments	772,748,269	0.23
13.	Emporium Mall LLC	Shopping Center	751,728,664	0.23
14.	706 Mission Street Co LLC	Condominiums	720,245,083	0.22
15.	SHR St. Francis LLC	Hotel	655,917,202	0.20
16.	Uber Technologies Inc.	Office Building	648,262,780	0.20
17.	BCP-CG 650 Property LLC	Office Building	646,490,412	0.20
18.	JPPF 1155 Battery LP	Office Building	606,624,636	0.18
19.	One Front Street Eat LLC	Office Building	592,981,078	0.18
20.	222 Second Street Owner LP	Office Building	<u>568,488,421</u>	<u>0.17</u>
			\$18,739,629,703	5.67%

⁽¹⁾ 2024-25 local secured assessed valuation: \$330,530,499,851.

Source: California Municipal Statistics, Inc.

Tax Rates

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

The rate of tax necessary to pay fixed debt service on school bonds and other voter-approved indebtedness in a given year depends on the assessed value of taxable property in that year. The rate of tax imposed on unsecured property for repayment of such Bonds and indebtedness is based on the prior year's secured property tax rate. The rate of tax imposed may be affected by economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc.

One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The following table shows *ad valorem* property tax rates for the fiscal years 2020-21 through 2024-25 in the Tax Rate Area of the District.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Summary of Ad Valorem Property Tax Rates
(Dollars Per \$100 of Assessed Valuation)
2020-21 through 2024-25

	2020-21	2021-22	2022-23	2023-24	2024-25
General	\$1.00000000	\$1.00000000	\$1.00000000	\$1.00000000	\$1.00000000
City and County of San Francisco	0.11972733	0.11463663	0.10761763	0.11295032	0.10600267
San Francisco Unified School District	0.04510041	0.04503343	0.04216026	0.04025720	0.03345173
San Francisco Community College District	0.01973594	0.01681493	0.01595993	0.01108630	0.01718123
Bay Area Rapid Transit District	<u>0.01390000</u>	<u>0.00600000</u>	<u>0.01400000</u>	<u>0.01340000</u>	<u>0.01480000</u>
TOTAL	\$1.19846368	\$1.18248499	\$1.17973782	\$1.17769382	\$1.17143563

Source: California Municipal Statistics, Inc.

Tax Collections and Delinquencies

As required by State Law, the District utilizes the services of the City for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as are City and other special district taxes.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1. When necessitated by changes in assessed value in the course of a year, a supplemental assessment is prepared, and taxes are pro-rated for the portion of the tax year remaining after the change.

Property taxes on the secured roll are due in two equal installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. If the taxes have not been paid by June 30, the tax is deemed to be in default. Secured roll property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If the taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale at a public auction by the Treasurer.

Property taxes on the unsecured roll are due as of the lien date of January 1 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 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the City, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The Treasurer may also bring a civil suit against the taxpayer for payment.

Generally, once an installment of property tax becomes delinquent, penalties are assessed commencing on the applicable delinquency date until the delinquent installment(s) and all assessed penalties are paid. In the event of foreclosure and sale of property by a mortgage lender, all past due property taxes, penalties, and interest are required to be paid before such property is transferred to a purchaser or new owner.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by, among other factors, high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a pandemic or natural or manmade disaster, such as earthquake, drought, flood, fire or toxic

dumping. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. If delinquencies increase substantially as a result of the unprecedented events of a pandemic, such as the COVID-19 pandemic, or other events outside the control of the District, the City does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies. Annual reserves can be used towards debt service where tax collections are insufficient to pay such debt service.

The District cannot predict the extent of delinquencies and delayed tax collections, or the resulting impact on the District’s financial condition or operations. However, the City has adopted the Teeter Plan (defined herein), according to which the City distributes to the District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. See “– *Teeter Plan.*”

The following table sets forth a recent history of tax payment delinquencies in the District, without regard to the Teeter Plan.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Secured Tax Delinquencies⁽¹⁾
Fiscal Years 2014-15 through 2023-24

Fiscal Year	Secured Tax Charge	Amount Delinquent June 30	Percent Delinquent June 30
2014-15	\$1,996,955,408	\$15,959,828	0.80%
2015-16	2,146,646,004	14,089,301	0.66
2016-17	2,310,696,197	12,020,054	0.52
2017-18	2,556,736,908	14,820,215	0.58
2018-19	2,824,518,111	17,721,353	0.63
2019-20	3,320,760,894	27,706,207	0.83
2020-21	3,627,167,123	36,315,872	1.00
2021-22	3,674,855,320	31,327,390	0.85
2022-23	3,876,031,090	30,756,555	0.79
2023-24	4,062,856,539	41,853,637	1.03

⁽¹⁾ All taxes collected by the City.

Source: California Municipal Statistics, Inc.

Teeter Plan. The City has adopted 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 State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the City, including school districts, receives the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount due from taxpayers had been collected. In return, the City receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The City applies the Teeter Plan to general taxes and secured taxes levied for repayment of school district general obligation bonds, including the Bonds.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the City (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the City. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the City if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency.

There can be no assurance that the City will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of secured property tax collections to the District. The ability of City to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies.

Direct and Overlapping Debt. Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. for debt issued as of February 1, 2025. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED DEBT**

2024-25 Assessed Valuation: \$351,900,093,338 (includes unitary utility valuation)

GENERAL OBLIGATION BONDED DEBT:	<u>Debt 2/1/25</u>
San Francisco City and County General and School Purposes	\$2,230,296,426
San Francisco Unified School District Bonds	932,935,000⁽¹⁾
San Francisco Community College District	<u>642,020,000</u>
TOTAL GENERAL OBLIGATION BONDED DEBT	\$3,805,251,426
LEASE OBLIGATION BONDS:	
San Francisco City and County	<u>\$1,593,361,013</u>
TOTAL LEASE OBLIGATION BONDED DEBT	\$1,593,361,013
TOTAL COMBINED DIRECT DEBT	\$5,398,612,439
OVERLAPPING TAX AND ASSESSMENT DEBT:	
Bay Area Rapid Transit District General Obligation Bonds (33.728%)	\$ 793,683,107
San Francisco Community Facilities District No. 6	114,415,000
San Francisco Community Facilities District No. 7	27,160,000
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,050,422
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	562,820,000
San Francisco Community Facilities District No. 2016-1 Treasure Island I.A. 1 and 2	99,140,000
San Francisco Community Facilities District No. 2020-1 Mission Rock	150,825,000
City of San Francisco Assessment District No. 95-1	145,000
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	7,805,000
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	4,275,000
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	<u>2,495,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$1,764,813,529
OVERLAPPING TAX INCREMENT DEBT:	
Successor Agency to the San Francisco Redevelopment Agency	\$745,206,913
Transbay Joint Powers Authority	<u>222,965,000</u>
TOTAL OVERLAPPING INCREMENT DEBT	\$968,171,913
OVERLAPPING TAX INCREMENT REVENUE DEBT:	
San Francisco Infrastructure and Revitalization Financing District No. 1	<u>\$37,420,000</u>
TOTAL OVERLAPPING TAX INCREMENT REVENUE DEBT	\$37,420,000
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	\$8,169,017,881 ⁽²⁾

Ratios to 2024-25 Assessed Valuation (\$351,900,093,338):

Direct General Obligation Bonded Debt (\$932,935,000).....0.27%
 Total Direct and Overlapping Bonded Debt2.32%

Ratio to 2024-25 Redevelopment Incremental Valuation (\$45,832,885,271):

Total Overlapping Tax Increment Debt2.11%

⁽¹⁾ Excludes the Bonds to be sold, but includes the Refunded Bonds to be refunded.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds.

Source: California Municipal Statistics, Inc.

TAX MATTERS

Tax-Exempt Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Tax-Exempt Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Tax-Exempt Bonds. Complete copies of the proposed forms of opinion of Bond Counsel are set forth in APPENDIX D hereto.

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

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these

covenants may result in interest on the Tax-Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax-Exempt Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

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

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

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

Payments on the Tax-Exempt Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate beneficial owner of Tax-Exempt Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Tax-

Exempt Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Tax-Exempt Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a beneficial owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain beneficial owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Taxable Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Taxable Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Taxable Bonds. The proposed forms of opinions of Bond Counsel are contained in APPENDIX D hereto.

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

As used herein, “U.S. Holder” means a beneficial owner of a Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise

primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

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

U.S. Holders

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

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

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

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

Information Reporting and Backup Withholding. Payments on the Taxable Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Bonds may be subject to backup withholding at the current rate of 24% with respect to

“reportable payments,” which include interest paid on the Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a TIN to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. Holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A U.S. Holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act (“FATCA”) – U.S. Holders and Non-U.S. Holders,” payments of principal of, and interest on, any Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, described in Section 881(c)(3)(C) of the Code, and (2) a bank which acquires such Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

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

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

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

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

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

OTHER LEGAL MATTERS

Possible Limitations on Remedies

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

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

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District or the City (including *ad valorem* property tax revenues) or to enforce any obligation of the District, without the bankruptcy court’s permission, except as described below in the case of “special revenues.” In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, including the obligation of the City and the District to raise taxes if

necessary to pay the Bonds, if the bankruptcy court determines that the plan is fair, equitable, not unfairly discriminatory and is in the best interests of creditors and otherwise complies with the Bankruptcy Code. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Limitations on Plans of Adjustments. Chapter 9 of the Bankruptcy Code provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in the state in the exercise of its political or governmental powers, including expenditures for such exercise. In addition, Chapter 9 provides that a bankruptcy court may not interfere with the political or governmental powers of the debtor, unless the debtor consents to that action or the plan so provides. State law provides that *ad valorem* property taxes may be levied to pay the principal of and interest on the Bonds and other voted general obligation bonds of the District in an unlimited amount, and that proceeds of such a levy must be used for the payment of principal of and interest on the District's general obligation bonds, including the Bonds, and for no other purpose. Under State law, the District's share of the 1% limited tax imposed by the City is the only *ad valorem* property tax revenue that may be raised and expended to pay liabilities and expenses of the District other than its voter-approved debt, such as its general obligation bonds. If the District should become a debtor in a Chapter 9 proceeding, then it must propose a plan of adjustment of its debts. The plan may not become effective until confirmed by the bankruptcy court. The court may not approve a plan unless it finds, among other conditions, that the District is not prohibited by law from taking any action necessary to carry out the plan and that the plan is in the best interests of creditors and is feasible. If the State law restriction on the levy and expenditure of *ad valorem* property taxes is respected in a bankruptcy case, then *ad valorem* property tax revenue in excess of the District's share of the 1% limited City tax could not be used by the District for any purpose under its plan other than to make payments on the Bonds and its other voted general obligation bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to state law, all general obligation bonds issued by local agencies, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* property taxes. State law provides that the lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the bonds are executed and delivered. As a result, the lien on debt service taxes will continue to be valid with respect to post-petition receipts of debt service taxes, should the District become the subject of bankruptcy proceedings. However, the automatic stay provisions of the Bankruptcy Code would apply, preventing bondholders from enforcing their rights to payment from such taxes, so payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless such taxes are "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy code. It is also possible that the bankruptcy court could approve an alternative use of such taxes, if the bondholders are afforded protection that the court determines to be adequate.

Special Revenues. If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* property taxes for payment of the Bonds. The Bonds and the District's other general obligation

bonds were approved at elections held on propositions that described the projects for which such bonds may be issued. As noted above, State law prohibits the use of the proceeds of the District's debt service tax for any purpose other than payment of its general obligation bonds, and the bond proceeds may only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payment of general obligation bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

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

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

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

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

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

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

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinions of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. Complete

copies of the proposed forms of Bond Counsel opinions are set forth in APPENDIX D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Legality for Investment in California

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (currently ending June 30), commencing with the report for the 2024-25 fiscal year (which is due no later than March 30, 2026) and to provide notice of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX E hereto. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

[A review of the District’s compliance with its previous continuing disclosure undertakings was conducted and it was found that, during the previous five years, with respect to each of its annual reports, the District did not submit certain operating data related to property tax levies and collections in the same format as had been presented in the Official Statements for two older bond issues. The format providing similar information was changed for subsequent bond issues and the District has filed that information completely and timely. In addition, a remedial filing has been completed that includes the full information required by the older undertakings (such filing only relates to one bond issue that remains outstanding). The District has also hired third parties to assist the District in complying with its continuing disclosure undertakings.]

Litigation

[Four former officials and employees of the District, who formerly held positions as Associate Superintendent, Budget Analyst, Executive Director of Student Health Programs and Excel Supervisor, respectively, were charged in 2015 with multiple felonies relating to financial crimes involving the misappropriation of approximately \$6.25 million in State and federal funds. Two of these individuals subsequently pleaded guilty; the remaining two are awaiting trial. The District has since recovered the full amount of misappropriated funds, and the California Department of Education has allowed the District to retain the recovered funds to be spent on approved uses. The District has since undertaken a review of “carryover” funds held by chief business officials of the District; revised its policies related to invoicing and delivery of services to require more detail and increased internal controls; trained departments on proper maintenance and archiving of records; clarified and strengthened enforcement of its policy relating to outside employment; and instituted a policy prohibiting any department from setting up its own information technology system and instead requiring use of District information technology servers.

Although no litigation is currently pending or threatened against the District with respect to implementation challenges of its payroll system, EMPowerSF, the District cannot provide any assurance that litigation will not ensue. Should litigation ensue, a court could find the District partially or fully liable for any damages, and the District cannot predict the potential liability, although it could run into the tens

of millions of dollars which would have a material adverse impact on the District's finances and could potentially cause the District fiscal distress. See APPENDIX A – “DISTRICT FINANCIAL AND OPERATING INFORMATION – DISTRICT FINANCIAL MATTERS – Summary of District Revenues and Expenditures – *New Payroll System and Implementation Challenges*” and “APPENDIX A – “DISTRICT FINANCIAL AND OPERATING INFORMATION – DISTRICT FINANCIAL MATTERS – Summary of District Revenues and Expenditures – Employment.”

No litigation is pending or, to the best knowledge of the District, threatened, concerning the validity of the Bonds or the District's ability to receive *ad valorem* property taxes and to collect other revenues, or contesting the District's ability to issue and retire the Bonds, the political existence of the District, the title to their offices of District or City officials who will sign the Bonds and other certifications relating to the Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the original purchasers at the time of the original delivery of the Bonds.

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

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters relating to the computation of the projected payments of principal and interest on the government obligations, and the projected payments of principal, redemption premium, if any, and interest to redeem and defease the Refunded Bonds will be verified by [Verification Agent], as Verification Agent. Such computations will be based solely on assumptions and information supplied by the District and the Underwriters. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any effort to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

MISCELLANEOUS

Risks Related to COVID-19

The outbreak of the novel strain of coronavirus called COVID-19, which was previously designated a global pandemic by the World Health Organization, impacted local and global economies, as governments, businesses, and citizens reacted to, planned for, and tried to prevent or slow further transmission of the virus. Financial markets, including both the bond and stock markets in the United States and globally, have experienced significant recent volatility that has been attributed to coronavirus concerns. The United States Centers for Disease Control and Prevention and the California Department of Public Health have been providing regular updates and guidelines to the public and to State and local governments. On March 4, 2020, as part of the State's response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, then President Donald Trump declared a national emergency, freeing up funding for federal assistance to state and local governments. Many school districts across the State temporarily closed some or all school campuses in response to local and state directives or guidance.

On March 27, 2020, the U.S. House of Representatives approved and then President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The CARES Act appropriated \$30 billion to education, of which \$3 billion was allocated to state governors to be used at their discretion to address the emergency, \$13.5 billion was allocated for K-12 education, and \$14.25 billion was allocated for postsecondary institutions.

On December 27, 2020, the United States Congress approved and then President Trump signed into law the Consolidated Appropriations Act, 2021 (“HR 133”), which included a \$900 billion COVID-19 relief package. HR 133 provided \$81.9 billion to education, specifically \$4.1 billion allocated to state governors to be used at their discretion to address the emergency, of which \$2.75 billion was reserved for private K-12 education, \$54.3 billion for K-12 education, \$22.7 billion for postsecondary institutions, and \$819 million for outlying areas and Bureau of Indian Affairs schools.

On March 12, 2021, the United States Congress approved and President Biden signed into law the American Rescue Plan Act of 2021 (“HR 1319”), a \$1.9 trillion COVID-19 relief package. HR 1319 provided direct payments to individuals, extended unemployment benefits, provided funding to distribute COVID-19 vaccines and provided funding for schools, higher education institutions, state, tribal governments and businesses.

On March 5, 2021, the Governor signed into law Assembly Bill 86 (“AB 86”), providing \$6.6 billion in State funding relating to COVID-19 relief, including \$2 billion in incentives to expedite reopening schools and \$4.6 billion to address the COVID-19 pandemic’s impact on learning. The majority of such funding was to be apportioned through the Local Control Funding Formula (as defined herein). AB 86 provided, in part, in-person instruction grants to incentivize schools to offer in-person instruction. The \$2 billion in incentives were to be utilized by school districts to reopen schools for in-person instruction for its most high-needs students.

The District received approximately \$[_.] million in federal and State funding, including allocations from CARES Act funding from Elementary and Secondary School relief (ESSER) I, HR 133, ESSER II, HR 1319, ESSER III, and AB 86. The aforementioned federal and State funding is considered one-time, restricted, emergency relief funding to address the impact COVID-19 has had on elementary and secondary schools. The District has expended approximately \$[_.] million, and expects to expend the remaining \$[_.] million by [DATE].

California fully reopened the economy on June 15, 2021. The District cannot provide any assurance that under certain circumstances, additional State measures may be put back into place or updated California Department of Public Health Orders may be issued due to variants, a significant increase in the number of COVID-19 cases, updated guidance by the Centers for Disease Control and Prevention, or other factors.

Notwithstanding the impacts the coronavirus may have on the global and national economy, the economy in the State and the District, or on the District’s revenues, the Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of ad valorem property taxes, unlimited as to rate or amount, and are not payable from the general fund of the District. Although the Bonds are payable solely from ad valorem property taxes and not from the general fund of the District, the District cannot predict what future impacts the outbreak may have on its operations and budget.

The District has in the past, and may again in the future, receive guidance on the COVID-19 pandemic from County health officials and the County Superintendent of Schools, which may monitor the coronavirus situation in accordance with coronavirus guidelines for schools published by the Centers for Disease Control and Prevention.

Cybersecurity

[The District relies on a large and complex technology infrastructure to conduct its operations. The District and its departments routinely face cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. The

District maintains insurance to cover cybersecurity incidents. No assurances can be given that the security and operational control measures of the District will be successful in guarding against any and each cyber threat and attack. The results of any attack on the computer and information technology systems could have a material adverse impact on the operations of the District and damage the digital networks and systems. The District cannot predict the outcome of any such attack, nor the effect on the operations and finances of the District.]

Ratings

The Bonds have been assigned the rating of “[]” by Moody’s and of “[]” by S&P. Rating agencies generally base their ratings on their own investigations, studies and assumptions. Generally, rating agencies base their ratings on information and material furnished directly to them and on investigations, studies and assumptions made by them. The District has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement). The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings may be obtained only from Moody’s at www.moody.com or S&P at www.standardandpoors.com. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. The District undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

The District has covenanted in its Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) notices of any ratings changes on the Bonds. See APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and as Disclosure Counsel to the District with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. Backstrom McCarley Berry & Co. LLC is acting as Municipal Advisor with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. [Underwriters’ Counsel] is acting as Underwriters’ Counsel with respect to the Bonds, and will receive compensation from the Underwriters contingent upon the sale and delivery of the Bonds.

Underwriting

The Series 2025 Bonds will be purchased by BofA Securities, Inc., as representative (the “Representative”) of itself and Stifel, Nicolaus & Company, Incorporated (collectively, the “Underwriters”) pursuant to a bond purchase agreement (the “Series 2025 Purchase Contract”) by and between the District and the Underwriters, dated _____, 2025, at a price of \$ _____ (consisting of the principal amount of the Series 2025 Bonds, plus [net] original issue premium of \$ _____ and less an Underwriters’ discount of \$ _____). Pursuant to the Series 2025 Purchase Contract, the Underwriters will purchase all of the Series 2025 Bonds if any are purchased.

The Refunding Bonds will be purchased by the Underwriters pursuant to a bond purchase agreement (the “Refunding Purchase Contract”) by and between the District and the Underwriters, dated _____, 2025, at a price of \$ _____ (consisting of the aggregate principal amount of the Refunding Bonds, [plus/less] \$ _____ [net] original issue [premium/discount] and less \$ _____ Underwriters’ discount). Pursuant to the Refunding Purchase Contract, the Underwriters will purchase all of the Refunding Bonds if any are purchased.

The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

[The Representative has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, the Representative may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, the Representative may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.]

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

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Additional Information

Quotations from and summaries and explanations of the Bonds, the City Resolution, the District Resolutions, the Paying Agent Agreements, the Escrow Agreement and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

* * *

All data contained herein have been taken or constructed from the District's records and other sources, as indicated. This Official Statement and its distribution have been duly authorized and approved by the District.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

By: _____
[Dr. Karling Aguilera-Fort
Deputy Superintendent]

APPENDIX A

DISTRICT FINANCIAL AND OPERATING INFORMATION

The information in this appendix 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 or from State revenues. The Bonds are payable from the proceeds of an ad valorem property tax approved by the voters of the District pursuant to all applicable laws and Constitutional requirements, and required to be levied by the City on property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

THE DISTRICT

General

The San Francisco Unified School District has boundaries that are coterminous with the City and County of San Francisco (the "City"). The District provides public education from transitional kindergarten through grade twelve. The District was established in 1851; however, the District has been a political subdivision of the State of California (the "State") since 1927. The administrative headquarters of the District are located at 555 Franklin Street, San Francisco, California.

[The District operates seventy-three (73) elementary schools, thirteen (13) middle schools, seventeen (17) high schools, forty-seven (47) early education schools, and three (3) County and Court schools.] For fiscal year 2024-25, the District has projected enrollment of approximately [48,732] students, including special education and continuing education students. For fiscal year 2024-25, the District estimates that approximately [5,930] students will be enrolled at the [14] fiscally independent charter schools that operate within the District's boundaries for which the District is the charter-approving agency. In its budget for fiscal year 2024-25, the District has projected [6,740] full-time equivalent employees including certificated (credentialed teaching staff), classified (non-teaching) and management personnel at the District and the San Francisco County Office of Education. The District has projected fiscal year 2024-25 general fund revenues of approximately \$[1.2] billion and general fund expenditures of approximately \$[1.4] billion. The total assessed valuation of taxable property in the District in fiscal year 2024-25 is approximately \$347.8 billion.

The District is governed by a Board of Education (the "Board of Education") consisting of seven voting members. The voting members are elected to four-year terms in staggered years so that, as nearly as practicable, one-half of the members shall begin their term in each odd-numbered year. The District's day-to-day operations are managed by a board-appointed Superintendent of Schools (the "Superintendent"). The Board of Education appointed Dr. Maria Su to serve as Superintendent in October 2024. Dr. Su has served as Executive Director of the San Francisco Department of Children, Youth and Their Families and is currently serving as the Superintendent under a Memorandum of Understanding between the District and the City wherein the City has released Dr. Su to serve as Superintendent under the direction of the Board of Education, valid through June 2026.

Superintendent and Administrative Personnel

The Superintendent is appointed by and reports to the Board of Education. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators.

The following are brief professional biographical summaries of the Superintendent and certain key administrative personnel.

Dr. Maria Su, Superintendent. [Dr. Maria Su was appointed as the Superintendent of the District on October 22, 2024. Before joining the District, Dr. Su served as Executive Director of the San Francisco Department of Children, Youth and Their Families for 15 years. In this capacity, she managed a \$350 million budget and led the Children and Youth Fund initiative, which provides comprehensive services to children, youth, transitional-age youth, and families throughout the City. Dr. Su serves under a Memorandum of Understanding between the District and the City wherein the City released Dr. Su to serve as Superintendent under the direction of the Board of Education. The Memorandum of Understanding will be valid through June 2026. Dr. Su holds a Bachelor of Science degree in psychology from Boston University and a Doctor of Psychology degree from Alliant International University. Additionally, Dr. Su completed her pre-doctoral and post-doctoral fellowships from the University of California, San Francisco and the San Francisco Chan-Zuckerberg General Hospital, specializing in children and family therapy. Dr. Su is a leader in public service, education, and children and family advocacy, with over 25 years of experience in youth-focused services in the San Francisco Bay Area.]

Dr. Karling Aguilera-Fort, Deputy Superintendent. [Dr. Aguilera-Fort was appointed as the Deputy Superintendent at the District on October 22, 2024 and has served in various roles at the District. Dr. Aguilera-Fort returned to the District in 2023 after serving in two school districts as Superintendent of Schools at Oxnard School District during the years 2019 to 2023, and El Rancho Unified School District from the year 2017 to 2019. Previously, Dr. Aguilera-Fort has served as the Senior Associate Superintendent of Educational Services and School Operations at the District and as Bilingual Special Education teacher, school principal and assistant superintendent in charge of supervising PK-12 schools. Dr. Aguilera-Fort is responsible for integrating all services and departments related to school operations including supervision, curriculum, teaching and learning, programs and services. Dr. Aguilera-Fort possesses school site, district, and regional national and international experience across PK- 12 and College levels.]

Diane Beall, Interim General Counsel. [Bio to come]

Mele Lau-Smith, Superintendent's Director of Special Projects. [Ms. Mele Lau-Smith has over 30 years of experience in the public health sector and school districts with a particular focus on transformational anti-racist policies that promote social justice in education and public health practices. Ms. Lau-Smith joined the District in 2012 as the ExCEL Program Manager and until February 2020 served as the Executive Director in Community Schools & Family Partnerships and the Office of Pupil Services. Ms. Lau-Smith was appointed as the Superintendent's Director of Special Projects in [____, 20__] has experience and expertise in partnering with community groups, community organizing and strategic planning, evaluation, policy analysis and development and mobilizing stakeholders to support and address issues impacting students and families.]

Licinia Iberri, Bond Program Director. [Ms. Licinia Iberri serves as the School Bond Program Director at the District. Ms. Iberri has previously worked at San Francisco Municipal Transportation Agency (SFMTA), Town of Woodside and San Francisco Redevelopment Agency. Ms. Iberri holds a master's degree in Urban Planning from University of Southern California. Her experience includes

Economic Development, Government Procurement, Community Outreach, Public Policy, Urban Planning and more.]

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District’s operating income consists primarily of two components: a State portion funded from the State’s general fund in accordance with the Local Control Funding Formula (the “Local Control Funding Formula” or “LCFF”) (see “– *Allocation of State Funding to School Districts; Local Control Funding Formula*”) and a local portion derived from the District’s share of the 1% local *ad valorem* property tax authorized by the State Constitution (see “– *Local Sources of Education Funding*”). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has projected to receive approximately [41.7]% of its general fund revenues from State funds (not including the local portion derived from the District’s share of the local *ad valorem* property tax), projected at approximately \$[511.1] million in fiscal year 2024-25. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see “– *Allocation of State Funding to School Districts; Local Control Funding Formula*” and “– *Attendance and LCFF*” and “– *Other District Revenues – Other State Revenues*”). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may affect the District’s revenues and operations.

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

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

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

expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2024-25 State budget on June 29, 2024.

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

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

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

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

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

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

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

Rainy Day Fund; SB 858. In connection with the 2014-15 State Budget, the Governor proposed certain constitutional amendments ("Proposition 2") to the rainy day fund (the "Rainy Day Fund") for the November 2014 Statewide election. Senate Bill 858 (2014) ("SB 858") amends the Education Code to, among other things, limit the amount of reserves that may be maintained by a school district subject to certain State budget matters, and Senate Bill 751 ("SB 751"), enacted on October 11, 2017, altered the reserve requirements imposed by SB 858. Upon the approval of Proposition 2, SB 858 became operational. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2."

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

State Budget

2024-25 State Budget. The Governor signed the fiscal year 2024-25 State budget on June 29, 2024, which was amended through a series of legislative trailer bills (the "2024-25 State Budget"). The

2024-25 State Budget notes that the State has experienced significant revenue volatility – seeing unprecedented revenue growth that was quickly followed by a sharp and deep correction back toward historical trends. The 2024-25 State Budget also notes that the unprecedented Internal Revenue Service tax filing and payment postponement in 2023 significantly clouded the State’s revenue forecast, and indicates that, with the revenue picture now clearer, the 2024-25 State Budget takes steps to ensure the State is on sound fiscal footing by setting the State on a fiscally responsible long-term path that protects vital programs.

In this regard, the 2024-25 State Budget includes provisions intended to address a budget deficit of approximately \$46.8 billion while also creating a positive fund balance in the Special Fund for Economic Uncertainties (the “SFEU”) in fiscal years 2024-25 and 2025-26 and maintaining core programs for vulnerable populations. The 2024-25 State Budget includes approximately \$16.0 billion in budgetary reductions, comprising (a) an approximately 7.95% reduction in the State’s operations budget resulting in State general fund savings of approximately \$2.2 billion, (b) a \$1.5 billion permanent reduction in State departments’ budgets for vacant positions, (c) a reduction of approximately \$358.0 million in the State Department of Corrections and Rehabilitation budget in fiscal year 2024-25 and a total reduction of approximately \$750.0 million in fiscal years 2022-23 through 2024-25, (d) a \$500.0 million reduction to the State Student Housing Revolving Loan Program (e) a \$485.0 million reduction in unspent one-time Learning-Aligned Employment Program resources, (f) an ongoing reduction of \$110.0 million to the Middle Class Scholarship Program, beginning in fiscal year 2025-26, (g) a \$1.1 billion reduction in various affordable housing programs, and (h) a \$746.1 million reduction for various healthcare workforce programs. The 2024-25 State Budget includes a \$13.6 billion increase in revenues by means of additional revenue sources and internal borrowing from special funds, which incorporates suspension of net operating loss deductions for companies with over \$1.0 million in taxable income and limits business tax credits to \$5.0 million in fiscal years 2023-24 through 2025-26, which is projected to increase revenues by \$5.95 billion in fiscal year 2024-25, \$5.5 billion in fiscal year 2025-26 and \$3.4 billion in fiscal year 2026-27. Additionally, the 2024-25 State Budget includes an increased managed care organization tax generating approximately \$5.1 billion in fiscal year 2024-25, \$4.6 billion in fiscal year 2025-26, and \$4.0 billion in fiscal year 2026-27. Significantly, the 2024-25 State Budget provides for the withdrawal of approximately \$12.2 billion from the State Rainy Day Fund over fiscal years 2024-25 and 2025-26 and approximately \$900.0 million from the State Safety Net Reserve in fiscal year 2024-25.

Additional budgeting maneuvers include \$6.0 billion in fund shifts, including (a) applying a prior CalPERS supplemental pension payment to the State’s overall pension liability which reduces the State’s required employer contributions in fiscal year 2024-25 by \$1.7 billion, (b) shifting approximately \$958.0 million from the State general fund to the State’s Greenhouse Gas Reduction Fund for the Formula and Competitive Transit and Intercity Rail Capital Program, and (c) shifting approximately \$3.0 billion from the State general fund to the State’s Greenhouse Gas Reduction Fund for clean energy and other climate programs. The 2024-25 State Budget also delays funding for programs such as the State Food Assistance Program Expansion, Developmental Services, childcare slots and the State’s broadband program by a total amount of approximately \$3.1 billion. The 2024-25 State Budget also includes approximately \$2.1 billion in payroll and University of California and California State University compact deferrals.

The 2024-25 State Budget projects total resources available in fiscal year 2023-24 of approximately \$236.5 billion, including revenues and transfers of approximately \$189.4 billion and a prior year balance of approximately \$47.1 billion, and total expenditures in fiscal year 2023-24 of approximately \$223.1 billion. The 2024-25 State Budget projects total resources available for fiscal year 2024-25 of approximately \$225.6 billion, inclusive of revenues and transfers of approximately \$212.1 billion and a prior year balance of approximately \$13.4 billion. The 2024-25 State Budget projects total expenditures in fiscal year 2024-25 of approximately \$211.5 billion, inclusive of non-Proposition 98 expenditures of approximately \$128.9 billion and Proposition 98 expenditures of approximately \$82.6 billion. The 2024-25 State Budget projects total

reserve balances of \$22.2 billion at the end of fiscal year 2024-25. This includes \$17.6 billion in the State Rainy Day Fund, \$3.5 billion in the SFEU, and \$1.1 billion in the Public School System Stabilization Account (the “PSSSA” or the “Proposition 98 Rainy Day Fund”). In addition, the 2024-25 State Budget maintains approximately \$10.6 billion in the Reserve for Liquidation of Encumbrances. The 2024-25 State Budget includes total funding of \$133.8 billion for all K-12 education programs, including \$81.5 billion from the State’s general fund and \$52.3 billion from other funds. The 2024-25 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, transitional kindergarten, nutrition, and preschool.

Certain budgeted programs and adjustments for K-12 education set forth in the 2024-25 State Budget include the following:

- Proposition 98 Minimum Guarantee. The 2024-25 State Budget suspends the Proposition 98 minimum guarantee in fiscal year 2023-24 and projects the Proposition 98 minimum guarantee to be in Test 1 in fiscal year 2024-25. In Test 1 years, the Proposition 98 minimum guarantee is equal to the percentage of State general fund appropriated for K-14 schools in fiscal year 1986-87. Suspending the Proposition 98 minimum guarantee is projected to create a maintenance factor obligation of approximately \$8.3 billion in fiscal year 2023-24 and is projected to result in a \$4.1 billion maintenance factor payment in fiscal year 2024-25, which will be paid in addition to the Proposition 98 minimum guarantee level in fiscal year 2024-25. The 2024-25 State Budget reflects Proposition 98 funding levels of \$103.7 billion in fiscal year 2022-23, \$98.5 billion in fiscal year 2023-24, and \$115.3 billion in fiscal year 2024-25. Such funding represents approximately 39.2% of the State’s general fund revenues, plus local property tax revenues and a \$4.1 billion maintenance factor payment. To accommodate enrollment increases related to the expansion of transitional kindergarten, the 2024-25 State Budget increased the funding level from approximately 38.6% to approximately 39.2% to increase the percentage of State general fund revenues obligated to the Proposition 98 minimum guarantee.
- Proposition 98 Rainy Day Fund. The 2024-25 State Budget includes a withdrawal of the entire \$8.4 billion balance in the Proposition 98 Rainy Day Fund in fiscal year 2023-24 and a discretionary payment of approximately \$1.1 billion in fiscal year 2024-25, leaving a projected balance of \$1.1 billion at the end of fiscal year 2024-25. Because there is no ending balance at the end of fiscal year 2023-24 and a balance of \$1.1 billion at the end of fiscal year 2024-25, school district reserve caps would not be triggered in fiscal year 2024-25 and are not projected to be triggered in fiscal year 2025-26. See “– *School District Reserves*” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – *SB 751.*”
- Local Control Funding Formula. The 2024-25 State Budget includes an LCFF cost-of-living adjustment of 1.07%. The cost-of-living adjustment, when combined with population growth adjustments, increases discretionary funding for local agencies by approximately \$983.0 million. To fully fund the LCFF, the 2024-25 State Budget withdraws approximately \$5.3 billion from the Proposition 98 Rainy Day Fund to support LCFF costs in fiscal year 2023-24, and uses available reappropriation and reversion funding of \$253.9 million to support ongoing LCFF costs in fiscal year 2024-25.
- Deferrals. The 2024-25 State Budget reflects LCFF apportionment deferrals from fiscal year 2023-24 to fiscal year 2024-25 of approximately \$3.6 billion and from fiscal year 2024-25 to fiscal year 2025-26 of approximately \$246.0 million. Additionally, the 2024-25 State Budget reflects approximately \$2.3 billion in categorical program deferrals from fiscal year 2022-23 to fiscal year

2023-24, with the deferred categorical amount being repaid using Proposition 98 Rainy Day Fund resources.

- Learning Recovery Emergency Block Grant. The 2024-25 State Budget focuses the use of allocated but unexpended Learning Recovery Emergency Block Grant funds on actions to address the needs of students most impacted by learning loss, based on an assessment of needs, and incorporates the use of these funds into the existing Local Control and Accountability Plan development process.
- Employee Protections. To ensure stable employment for school staff, the 2024-25 State Budget includes a suspension of the August 15, 2024, layoff window for certificated and classified staff.
- Instructional Continuity and Attendance Program. The 2024-25 State Budget includes statutory changes to allow local educational agencies to provide attendance recovery opportunities to students to make up lost instructional time, thereby offsetting student absences, and mitigating learning loss, as well as related fiscal impacts to local educational agencies. Beginning in fiscal year 2024-25, the 2024-25 State Budget allows local educational agencies to add up to 10 days of attendance recovery time per pupil to the attendance data submitted to the California Department of Education for funding purposes. Beginning July 1, 2025, the 2024-25 State Budget requires local educational agencies to include an instructional continuity plan in their School Safety Plan as a component of their emergency funding application. The plan must include procedures for student engagement within 5 days of an emergency and a plan to provide hybrid or remote learning opportunities to students within 10 instructional days. The 2024-25 State Budget also includes a \$4.0 million in one-time Proposition 98 general fund resources to research existing, and develop new models of hybrid and remote learning to support students' attendance, including developing and disseminating guidance and resources for local educational agencies to develop their own hybrid and remote learning programs to enable instructional continuity.
- Teacher Professional Development and Preparation. To expand the State's educator training infrastructure, the 2024-25 State Budget (a) provides \$25.0 million of one-time Proposition 98 general fund resources to support necessary costs, including training for educators to administer literacy screenings to meet the requirement to screen students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year; and (b) provides \$20.0 million in one-time Proposition 98 general fund resources for a county office of education to work with the University of California Subject Matter Projects, as well as other well-qualified governmental or non-profit providers, to develop and provide training aligned with the new California Mathematics Framework for mathematics coaches and leaders who in turn can provide training and support to mathematics teachers to deliver high-quality instruction.
- State Preschool Program. The 2024-25 State Budget provides approximately \$53.7 billion of State general fund resources to support reimbursement rate increases previously supported by available one-time federal stimulus funding. The 2024-25 State Budget reflects one-time savings of \$190.7 million general fund and \$522.3 million Proposition 98 general fund. The 2024-25 State Budget authorized State Preschool Program providers to serve two-year-old children, in addition to three and four-year old children, until June 30, 2027. The 2024-25 State Budget maintains that the State Preschool Program continue to require providers to reserve 5% of funded enrollment for children with disabilities. However, the 2024-25 State Budget suspends provisions to increase this requirement to 7.5% in fiscal year 2025-26 and 10% in fiscal year 2026-27.
- Transitional Kindergarten. The 2024-25 State Budget provides approximately \$988.7 million in Proposition 98 general fund resources for the 2023-24 school year to support the second year of expanded eligibility for transitional kindergarten to all children turning five-years-old between

September 2 and April 2. The 2024-25 State Budget also provides approximately \$390.2 million in Proposition 98 general fund resources to support the second year of adding one additional certificated or classified staff person in each transitional kindergarten classroom. Additionally, the 2024-25 State Budget provides approximately \$1.5 billion in ongoing Proposition 98 general fund resources beginning in fiscal year 2024-25 to support the third year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and June 2. The 2024-25 State Budget also provides approximately \$515.5 million in ongoing Proposition 98 general fund resources to support the third year of adding one additional certificated or classified staff person in each transitional kindergarten classroom.

The 2024-25 State Budget includes solution-oriented measures that directly impact funding for school districts, including forgoing planned investments of (a) \$875.0 million to support the School Facility Program, (b) \$550.0 million support to the State Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program, and (c) \$500.0 million one-time Proposition 98 general fund investment in zero-emission school buses.

Additional budgeted programs and adjustments for K-12 education set forth in the 2024-25 State Budget include the following:

- Arts and Music in Schools. The 2024-25 State Budget provides approximately \$907.1 million to support arts and music in schools.
- Nutrition. The 2024-25 State Budget provides an additional \$179.4 million in ongoing Proposition 98 general fund resources and an additional \$120.8 million one-time Proposition 98 general fund resources to fully fund the universal school meals program in fiscal years 2023-24 and 2024-25. This is in addition to the \$1.6 billion base funding for such program.

The complete 2024-25 State Budget is available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Analysis of the 2024-25 State Budget. The Legislative Analyst’s Office (the “LAO”), a nonpartisan State office which provides fiscal and policy information and advice to the State legislature, released its report on the 2024-25 State Budget entitled “The 2024-25 Budget: Overview of the Spending Plan” on September 6, 2024 (the “2024-25 State Budget Analysis”). In the 2024-25 State Budget Analysis, the LAO assesses the budget problem that was addressed in the 2024-25 State Budget and analyzes the major proposals for K-12 education.

The LAO estimates that the State addressed a budget shortfall of \$55.0 billion, which is larger than the budget shortfall of \$47.0 billion cited in the 2024-25 State Budget. The main driver for the \$8.0 billion difference is the difference in treatment of assumptions about baseline spending for schools and community colleges.

The LAO notes that the 2024-25 State Budget uses various maneuvers to address the budget shortfall, including reserve withdrawals, spending reductions, revenue increases, and cost shifts. The LAO indicates that spending-related adjustments (including school spending) were the largest component of the budget package, accounting for \$39.0 billion and approximately 70% of the total solutions. The LAO also shows that reserve withdrawals were the second largest component, totaling \$6.0 billion from the State Rainy Day Fund and the Safety Net Reserve. The report further details that cost shifts and revenue-related solutions were smaller components, amounting to \$2.0 billion and \$8.0 billion,

respectively. The LAO estimates \$16.0 billion in one time or temporary spending solutions (excluding school spending) and \$4.0 billion in ongoing reductions, which grow to approximately \$6 billion over time.

The LAO notes that the budget emergency proclamation by the Governor on June 26, 2024 allowed the 2024-25 State Budget to withdraw approximately \$5.0 billion from the State Rainy Day Fund. The 2024-25 State Budget also includes a withdrawal of the \$900.0 million balance from the Safety Net Reserve.

The LAO estimates that, pursuant to the 2024-25 State Budget, the State would end the 2024-25 fiscal year with \$21.1 billion in General Fund reserves, including \$17.6 billion in the State Rainy Day Fund and \$3.5 billion in the SFEU. The LAO also estimates that the State would have room under the State appropriations limit in fiscal years 2022-23 through 2024-25. The LAO projects that revenues from the major tax sources would grow from fiscal year 2023-24 to fiscal year 2024-25, but not enough to offset the revenue shortfalls in the prior and current fiscal years.

The LAO explains that the 2024-25 State Budget includes \$12.7 billion in reductions to Proposition 98 funding for schools and community colleges over fiscal years 2022-23 through 2024-25. This includes a reduction to the Proposition 98 funding by \$2.6 billion for fiscal year 2022-23. For fiscal year 2023-24, the 2024-25 State Budget invokes a provision allowing the State to suspend the minimum requirement and reduces the amount of Proposition 98 funding by \$8.3 billion. The LAO states that these reductions lower the Proposition 98 requirement on an ongoing basis but create an obligation to increase funding more rapidly in the future. Additionally, the 2024-25 State Budget introduces a new type of fiscal maneuver that accrues \$6.2 billion in previous school and community college payments to future fiscal years. Specifically, the State will not recognize these payments as a cost to the State general fund in the year it provided them i.e., fiscal year 2022-23. The maneuver does not delay or reduce any payments to schools or community colleges, nor does it reduce the Proposition 98 funding requirement in future fiscal years.

The LAO notes that the 2024-25 State Budget contains reserve withdrawals from the Proposition 98 Rainy Day Fund to mitigate the funding reductions to schools in fiscal year 2023-24. Additionally, the LAO estimates cost savings because the COVID-19 attendance policies preserving attendance numbers to pre-pandemic levels are being phased out. The LAO describes other minor savings for schools and community colleges from (1) deferring payments from fiscal year 2024-25 to fiscal year 2025-26, (2) reducing funding for the State Preschool program that is expected to go unused and (3) repurposing certain unspent appropriations from previous years. The payment deferral involved deferring \$487.0 million in payments from fiscal year 2024-25 to fiscal year 2025-26 by delaying a portion of payment to school districts from June 2025 to July 2025. The LAO notes that school districts may be exempt from this deferral if they can show the delay would cause fiscal insolvency. The purpose of the deferral is to reduce spending in fiscal year 2024-25 to the minimum level required by Proposition 98.

The LAO indicates that after accounting for these actions, the State has \$1.5 billion available to augment school and community college programs. The LAO highlights that the budget allocates \$1.0 billion of this amount to cover a 1.07 percent cost-of-living adjustment for existing programs. For schools, the 2024-25 State Budget also provides an increase of \$300.0 million to cover cost increases of universal school meals. For community colleges, the 2024-25 Budget also provides \$75.0 million to cover increased costs.

The 2024-25 State Budget Analysis is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy,

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

Proposed 2025-26 State Budget. The Governor released the fiscal year 2025-26 proposed State budget (the “Proposed 2025-26 State Budget”) on January 10, 2025, which reflects a stronger financial position than it has in recent years. The Proposed 2025-26 State Budget notes that although the budget framework from the 2024-25 State Budget represents significant progress on the budget shortfall from the past two years, the current fiscal outlook underscores the need for continued vigilance to strengthen budget resiliency and fiscal stability even further. Citing the State revenue volatility, which is in part due to its reliance on the top 1% of income earners and capital gains revenues, the Proposed 2025-26 State Budget is balanced and reflects a modest surplus of \$363.0 million. The Proposed 2025-26 State Budget proposes reforms to the State’s reserve funds requirements to double the size of the State’s reserve cap from 10% to 20% and to clarify that deposits in the State Rainy Day Fund are not counted as expenditures toward the State’s appropriations limit. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII B of the State Constitution.” This proposed reform will require a statewide ballot initiative. The Proposed 2025-26 State Budget reflects support for vital initiatives in education, health care, housing, and homelessness, while enhancing economic development and supporting public safety.

The Proposed 2025-26 State Budget indicates that a stronger-than-anticipated performance by the economy, stock market, and cash receipts, combined with an improved economic outlook, have contributed toward an upgraded revenue forecast in the Proposed 2025-26 State Budget. The Proposed 2025-26 State Budget projects that State general fund revenues before accounting for transfers and tax policy proposals are to increase by approximately \$16.5 billion from fiscal year 2023-24 through fiscal year 2025-26. Although the Proposed 2025-26 State Budget forecast does not reflect a recession, it does recognize volatility in personal income tax and capital gains realization and several other risk factors that could negatively affect the economy and State revenue, including stock market and asset price volatility affecting high-income earners as well as geopolitical instability. While the Proposed 2025-26 State Budget is balanced, it cautions against shortfalls in future years driven by expenditures exceeding revenues and recognizes that further action may be necessary to maintain a balanced budget. The Proposed 2025-26 State Budget notes that potential federal policy changes could also negatively impact State’s economy, specifically in the areas of international trade, immigration, and health care.

To provide for a balanced budget over two fiscal years, the 2024-25 State Budget assumed withdrawals from the State Rainy Day Fund of approximately \$5.1 billion in fiscal year 2024-25 and \$7.1 billion in fiscal year 2025-26, and the Proposed 2025-26 State Budget maintains such planned withdrawals. The Proposed 2024-25 State Budget maintains the planned withdrawal of approximately \$7.1 billion from the State Rainy Day Fund. The Proposed 2025-26 State Budget predicts a total reserve balance of \$17.0 billion at the end of fiscal year 2025-26. This includes \$10.9 billion in the State Rainy Day Fund, \$4.5 billion in the SFEU, and \$1.5 billion in the Proposition 98 Rainy Day Fund. To remove the cap on deposits to the State Rainy Day Fund and increase budget resiliency, the Proposed 2025-26 State Budget proposes statutory changes to allow the State to make larger deposits into reserve accounts during fiscal upturns, enhancing the State’s ability to protect vital programs and services during future downturns. Specifically, the Proposed 2025-26 Budget suggests increasing the mandatory deposit level in the State Rainy Day Fund from the current 10% to 20% of State general fund revenues and exempt deposits into the State Rainy Day Fund from the State’s appropriations limit. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII B of the California Constitution.”

The Proposed 2025-26 State Budget estimates total resources available in fiscal year 2024-25 of approximately \$258.4 billion, including revenues and transfers of approximately \$222.5 billion and a

prior year balance of approximately \$35.9 billion, and total expenditures in fiscal year 2024-25 of approximately \$232.1 billion. The Proposed 2025-26 State Budget projects total resources available for fiscal year 2025-26 of approximately \$251.4 billion, inclusive of revenues and transfers of approximately \$225.1 billion and a prior year balance of approximately \$26.3 billion. The Proposed 2025-26 State Budget projects total expenditures in fiscal year 2025-26 of approximately \$228.9 billion, inclusive of non-Proposition 98 expenditures of approximately \$144.3 billion and Proposition 98 expenditures of approximately \$84.6 billion. The Proposed 2025-26 State Budget includes approximately \$34.9 billion in reserves in fiscal year 2025-26 and allocates reserves as follows: approximately \$10.9 billion in the State Rainy Day Fund for fiscal emergencies, approximately \$1.5 billion in the Proposition 98 Rainy Day Fund, approximately \$18.0 billion in the Reserve for Liquidation and Encumbrances, and approximately \$4.5 billion in the SFEU.

The Proposed 2025-26 State Budget includes total funding of approximately \$137.1 billion for all TK-12 education programs, including approximately \$83.3 billion from the State's general fund and approximately \$53.8 billion from other funds. Per-pupil funding totals \$18,918 per pupil in Proposition 98 funding and \$24,764 per pupil when accounting for all funding sources.

Certain budgeted programs and adjustments for K-12 education set forth in the Proposed 2025-26 State Budget include the following:

- California for All Kids. As part of the California for All Kids Plan, the Proposed 2025-26 State Budget fully implements universal transitional kindergarten and universal before, after, and summer school for TK-6 grade students. The Proposed 2025-26 State Budget contemplates other key achievements in fiscal year 2025-26, including: State schools will serve nearly 1 billion meals through the universal school meals program; all kindergarten through second grade students will be screened for risk of reading difficulties, grants to local educational agencies for the California Community Schools Partnership Program will be fully disbursed; all educators will have access to the Literacy Roadmap; and beginning January 1, 2025, all local educational agencies may apply to participate in the Children and Youth Behavioral Health Initiative Fee Schedule Program. The Proposed 2025-26 State Budget also protects core programs by providing increased ongoing funding for the LCFF, special education, and nutrition programs.
- Proposition 98 Minimum Guarantee. The revised estimates of general fund revenues in the Proposed 2025-26 State Budget result in notable adjustments to the Proposition 98 minimum guarantee, resulting in funding estimates of approximately \$98.5 billion in fiscal year 2023-24, \$119.2 billion in fiscal year 2024-25, and \$118.9 billion in fiscal year 2025-26, representing a three-year increase in the minimum guarantee of approximately \$7.5 billion over the level funded in the 2024-25 State Budget. Recognizing the inherent risk in revenue projections, the Proposed 2025-26 State Budget appropriates the Proposition 98 minimum guarantee at \$117.6 billion, instead of the currently calculated level of \$119.2 billion in fiscal year 2024-25. This is intended to mitigate the risk of potentially appropriating more resources to the Proposition 98 minimum guarantee than are ultimately available in the final calculation for fiscal year 2024-25. Unlike fiscal year 2023-24, where Proposition 98 minimum guarantee was in a Test 2 year, it is anticipated that the minimum guarantee will be in Test 1 for fiscal years 2024-25 and 2025-26, a funding level equal to approximately 40% of the State's general fund revenues. With the Proposition 98 minimum guarantee being "rebenched" to reflect the ongoing implementation of universal transitional kindergarten, Test 1 will increase the State general fund revenues due to the Proposition 98 minimum funding guarantee from 39.2% to 39.6%.
- Proposition 98 Rainy Day Fund. The 2024-25 State Budget projected a total balance of \$1.1 billion in the Proposition 98 Rainy Day Fund. The Proposed 2025-26 State Budget reflects

revised fiscal year 2024-25 payment of approximately \$1.2 billion, a mandatory repayment that replaces the discretionary repayment, and an additional mandatory repayment of \$376.0 million in fiscal year 2025-26, into the Proposition 98 Rainy Day Fund, for a revised balance of approximately \$1.5 billion at the end of fiscal year 2025-26. The Proposed 2025-26 State Budget makes no change to the withdrawal of \$8.4 billion in fiscal year 2023-24. Under current law, there is a cap of 10% on school district reserves in fiscal years immediately succeeding those in which the balance in the Proposition 98 Rainy Day Fund is equal to or greater than 3% of the total TK-12 share of the Proposition 98 minimum guarantee. The balance of \$1.2 billion in the Proposition 98 Rainy Day Fund in fiscal year 2024-25 does not trigger school district reserve caps in fiscal year 2025-26. See “– *School District Reserves*” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – *SB 751*.”

- Local Control Funding Formula. The Proposed 2025-26 State Budget includes a LCFF cost-of-living adjustment of approximately 2.43%. When combined with population growth adjustments, this will result in an increase of approximately \$2.5 billion in discretionary funds for local educational agencies. Budgetary deferrals of \$246.6 million for TK-12 education are fully repaid in fiscal year 2025-26. To fully fund the LCFF and maintain the level of past year principal apportionments, the Proposed 2025-26 State Budget proposes using available reappropriation and reversion funding totaling \$25.9 million to support ongoing LCFF costs in fiscal year 2023-24 and deferring LCFF funding totaling \$35.1 million from fiscal year 2023-24 to fiscal year 2024-25. This one-time deferral is fully repaid in fiscal year 2024-25.
- Universal Transitional Kindergarten. For fiscal year 2024-25, the Proposed 2025-26 State Budget provides a total of \$1.5 billion ongoing Proposition 98 general fund resources to support expanded eligibility for transitional kindergarten, shifting age eligibility from all children turning five years old between September 2 and April 2 to all children turning five between September 2 and June 2, and an additional \$516.7 million Proposition 98 general fund resources to support the third year of adding one additional certificated or classified staff person to every transitional kindergarten class. For fiscal year 2025-26, the Proposed 2025-26 State Budget provides a total of \$2.4 billion (inclusive of all prior years’ investments), in ongoing Proposition 98 general fund resources to support the full implementation of universal transitional kindergarten. The Proposed 2025-26 State Budget also provides \$1.5 billion ongoing Proposition 98 general fund resources to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every transitional kindergarten classroom.
- Before School, After School, and Summer School. The Proposed 2025-26 State Budget fully implements the Expanded Learning Opportunities Program, which is a multi-year investment plan to implement before, after, and summer school instruction and enrichment for students in grades TK-6, with a focus on local educational agencies with the highest concentration of low-income students, English learners, and youth in foster care. The Proposed 2025-26 State Budget increases the number of local educational agencies that offer universal access to students, from those with an unduplicated pupil percentage of 75% to those with 55% unduplicated students. The Proposed 2025-26 State Budget also includes \$435.0 million in ongoing Proposition 98 general fund resources to cover implementation of this program, for a total program funding of \$4.4 billion.
- Master Plan for Career Education. As part of the plan to make it easier for Californians to receive college credit both in high school and in recognition of their real-world experience and create more pathways to in-demand careers in the State, the Proposed 2025-26 State Budget proposes including dual enrollment and pathways programs as allowable expenditures for funds allocated through the \$1.8 billion Student Support and Discretionary Block Grant and includes an increase

of \$3.0 million in ongoing Proposition 98 general fund resources to the California College Guidance Initiative and the Cradle-to-Career Data System. The Proposed 2025-26 State Budget also proposes to direct the Department of Education to examine feasibility of streamlining applications for TK-12 career technical education programs into a single consolidated application.

- Literacy Instruction. To support the State’s research-based English Language Arts/English Language Development (“ELA/ELD”) Framework, the Proposed 2025-26 State Budget allocates \$500.0 million in one-time Proposition 98 general fund resources for TK-12 literacy and mathematics coaches; \$40.0 million in one-time Proposition 98 general fund resources to support necessary costs, including purchasing screening materials and training for educators to administer literacy screenings; and \$5.0 million in Proposition 98 general fund resources annually through fiscal year 2029-30 to launch a Literacy Network for state-developed literacy resources, elevate high performing districts and best practices, and provide support to select local educational agencies facing persistent performance challenges. The Proposed 2025-26 State Budget also directs the Instructional Quality Commission to initiate a follow-up adoption for ELA/ELD instruction materials, and provides \$300,000 one-time non-Proposition 98 general fund resources in fiscal year 2024-25 for the Instructional Quality Commission to develop a curriculum guide and resources in personal finance, and \$1.8 billion for the Student Support and Discretionary Block Grant which can fund professional development for teachers on the ELA/ELD Framework and the Literacy Roadmap.
- Teacher Preparation and Professional Development. The Proposed 2025-26 State Budget includes proposals intended to support teachers and improve access to the educator pipeline, including \$150.0 million in one-time Proposition 98 general fund resources to provide financial assistance for teacher candidates through the Teacher Recruitment Incentive Grant Program and an additional \$100.0 million in one-time Proposition 98 general fund resources to extend the timeline of the existing National Board Certification Incentive Program to support National Board Certified Teachers to teach and mentor other staff in high poverty schools.
- Student Support and Professional Development Discretionary Block Grant. The Proposed 2025-26 State Budget includes \$1.8 billion one-time in Proposition 98 general fund resources for a discretionary block grant to provide local educational agencies with additional fiscal support to address rising costs and fund statewide priorities, including: (1) professional development for teachers on the ELA/ELD Framework and the Literacy Roadmap, with a focus on strategies to support literacy for English learners, (2) professional development for teachers on the Mathematics Framework, (3) teacher recruitment and retention strategies, and (4) career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education.
- School Facility Program. The Kindergarten through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024, approved by voters on November 5, 2024 (“Proposition 2 (2024)”), authorized a total of \$8.5 billion in State general obligation bonds for K-12 schools to be allocated through the School Facility Program. These funds are allocated across several key areas: \$4.0 billion for modernization projects, \$3.3 billion for new construction, \$600.0 million for charter schools, and \$600.0 million for career technical education projects. Proposition 2 (2024) also supports the replacement of school buildings that are at least 75 years old, funding for school districts with specific needs, such as small districts and those located in military installations, programmatic changes for energy-efficient components in new construction and modernization projects, and construction or retrofit of transitional kindergarten classrooms. Proposition 2 (2024) also includes programmatic changes that emphasize health and safety components of school facilities and

allows the State Allocation Board to provide assistance for purposes of procuring interim housing for school districts and county offices of education impacted by a natural disaster for which the Governor has declared state of emergency.

- Learning Recovery Emergency Block Grant. The Proposed 2025-26 State Budget includes \$378.6 million in one-time Proposition 98 general fund resources to support the Learning Recovery Emergency Block Grant to support local educational agencies in establishing learning recovery initiatives through the 2027-28 school year.
- Cost-of-Living Adjustments. The Proposed 2025-26 State Budget includes \$204.0 million in ongoing Proposition 98 general fund resources to reflect a 2.43% cost-of-living adjustment for specified categorical programs and the LCFF Equity Multiplier. The specified categorical programs include Special Education, Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- Kitchen Infrastructure and Training. The Proposed 2025-26 State Budget includes \$150.0 million in one-time Proposition 98 general fund resources for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.
- Local Property Tax Adjustments. The Proposed 2025-26 State Budget includes an additional \$125.0 million in ongoing Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2024-25, and a decrease of \$1.5 billion in fiscal year 2025-26, as a result of increased offsetting property taxes.
- Nutrition. The Proposed 2025-26 State Budget includes \$106.3 million in additional ongoing Proposition 98 general fund resources to fully fund the universal school meals program in fiscal year 2025-26.
- County Offices of Education. The Proposed 2025-26 State Budget includes \$12.2 million in ongoing Proposition 98 general fund resources to reflect ADA changes applicable to the county office of education LCFF, and a 2.43 % cost-of-living adjustment.
- English Language Proficiency Screener for Transitional Kindergarten Students. The Proposed 2025-26 State Budget includes \$10.0 million in one-time Proposition 98 general fund resources for the statewide use of English language proficiency screeners to support multilingual learnings in transitional kindergarten.

The complete Proposed 2025-26 State Budget is available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of Proposed 2025-26 State Budget. The LAO released its report on the Proposed 2025-26 State Budget entitled “The 2025-26 Budget: Overview of the Governor’s Budget” on January 13, 2025 (the “LAO Analysis of the Proposed 2025-26 State Budget”). In the LAO Analysis of the Proposed 2025-26 State Budget, the LAO assesses the State budget condition and analyzes the major proposals for TK-14 education.

The LAO estimates that the underlying condition of the Proposed 2025-26 State Budget is roughly balanced. The LAO notes that one of the main reasons for the balanced budget is the State Legislature's atypical action taken last year to address the deficit and withdraw more in reserves as well as proactive decisions to address the anticipated budget deficit for fiscal year 2025-26. The 2024-25 State Budget committed a total of \$28.0 billion in budgeting maneuvers for fiscal year 2025-26, which included, \$12.0 billion in spending-related reductions and approximately \$16.0 billion in all other reductions. The LAO notes that the Proposed 2025-26 State Budget does not propose any significant policy changes to the already-adopted 2024-25 State Budget, but some of the assumed savings are now lower, totaling \$23.0 billion for fiscal year 2025-26. Two key areas where these savings have eroded are in the managed care organization tax package and reductions to State operations. The LAO notes that their estimates are slightly different than the Proposed 2025-26 State Budget estimates, but the differences are small enough on net that they do not substantively change the assessment of the budget condition. Specifically, the Proposed 2025-26 State Budget estimates the revenues to be \$9.0 billion higher, but this is partially offset by the Proposed 2025-26 State Budget's estimate of constitutionally required State general fund spending on TK-14 education, which is \$4.7 billion higher than the LAO's November 2024 estimates. The Proposed 2025-26 State Budget estimates of baseline spending (for example, for caseload growth, federal reimbursements, and statutory cost increases) are lower than LAO estimates by \$600.0 million. The LAO cautions that neither LAO's November 2024 estimates nor the Proposed 2025-26 State Budget included any costs associated with the devastating wildfires in Southern California, as both were developed before those wildfires began. While the LAO anticipates some State costs as well as State policy responses to the disaster, sufficient information is not available about the extent of those costs. Both the Proposed 2025-26 State Budget and the LAO anticipate deficits in future years.

The LAO notes that the Proposed 2025-26 State Budget includes three categories of discretionary proposals that are not already committed to under current law or policy. First, some proposals provide short-term budget savings that create more budget capacity. These proposals generate a total of \$2.2 billion in State general fund savings within the budget window. The Proposed 2025-26 State Budget proposes providing \$1.6 billion less in total funding for schools and community colleges than the estimated Proposition 98 minimum guarantee for fiscal year 2024-25. This provides one-time State general fund savings in fiscal year 2024-25, but also creates a "settle-up" obligation, which will need to be paid in a future year if revenues for fiscal year 2024-25 were to remain unchanged. If revenues for fiscal year 2024-25 come in below current projections, this obligation would also decline, potentially to zero. Second, the Proposed 2025-26 State Budget includes new discretionary proposals that use budget capacity by increasing spending or reducing revenues, totaling approximately \$700.0 million. The major proposals in this category include increasing revenues by approximately \$300.0 million by changing rules for determination of taxable profits for financial institutions, shifting approximately \$300.0 million in State general fund spending on water recycling, wildfire prevention activities at State parks, and dam safety activities to funding from Proposition 4, the climate bond approved by voters on November 5, 2024, and approximately \$570.0 million in new discretionary State general fund spending in fiscal year 2025-26. Finally, the Proposed 2025-26 State Budget sets the balance of the SFEU to \$4.5 billion, which is higher than recent budgets that set the SFEU balance between \$3.5 billion and \$4.0 billion.

The LAO notes that compared to the estimates in the 2024-25 State Budget, the Proposed 2025-26 State Budget estimates the Proposition 98 minimum guarantee for school and community colleges has increased by approximately \$7.1 billion (\$3.9 billion of which is attributable to fiscal year 2024-25 and \$3.2 billion is attributable to fiscal year 2025-26). The LAO notes that this increase is due almost entirely to higher State general fund revenue estimates. In addition, approximately \$4.0 billion in one-time spending expires in fiscal year 2025-26, freeing-up the underlying funding for other school and community college purposes. The Proposed 2025-26 State Budget would make mandatory deposits into the Proposition 98 Rainy Day Fund of approximately \$1.2 billion in fiscal year 2024-25 and \$376.0 million in fiscal year 2025-26, which would bring the total balance in the Proposition 98 Rainy Day Fund

to \$1.5 billion. The mandatory deposit in fiscal year 2024-25 replaces the \$1.1 billion discretionary deposit included in the 2024-25 State Budget.

The LAO notes that the Proposed 2025-26 State Budget provides approximately \$2.5 billion to fund a 2.43% statutory cost-of-living adjustment for existing school and community college programs. Consistent with previous budgets, the Proposed 2025-26 State Budget sets aside \$1.1 billion to complete the expansion of transitional kindergarten in fiscal year 2025-26. The Proposed 2025-26 State Budget also provides \$746.0 million in funding to reduce the student-to-adult ratios in transitional kindergarten classrooms from 12:1 to 10:1, and a \$435.0 million funding increase for the Expand Learning Opportunities Program, primarily to increase the number of school districts that must offer enrichment programs (such as after school activities and summer school)) to all students. The LAO notes that the largest one-time proposal is to provide \$1.8 billion for schools through a new discretionary block grant that could be used to fund new activities or cover costs of existing programs. The Proposed 2025-26 State Budget also includes \$500.0 million to fund literacy and mathematics coaches at high poverty schools, expanding upon a program the State funded in previous budgets. The LAO notes that the Proposed 2025-26 State Budget includes a series of initiatives intended to advance teacher training and recruitment efforts at schools.

The LAO finds the Proposed 2025-26 State Budget estimates of revenues and uses of reserves reasonable, but expresses concern that recent gains are on shaky ground. The LAO notes that the tax collection gains are not tied to improvements in the State's broader economy, which has been lackluster, with elevated unemployment, a stagnant job market outside of government and healthcare, and sluggish consumer spending. Agreeing with the narrative in the Proposed 2025-26 State Budget, the LAO notes that the revenue gains appear largely tied to the booming stock market, a situation which can change rapidly and without warning. This is further complicated by the recent wildfires in Southern California which may result in tax deadline delays and make it difficult to read tax collection trends over the next several months. The LAO also emphasizes that the State costs from these fires will depend on the continually evolving situation, as well as decisions by the State Legislature and federal government, including those related to cost sharing for response, clean up, recovery, and other possible assistance. The LAO notes that the \$7.0 billion withdrawal from the State Rainy Day Fund in fiscal year 2025-26 is reasonable. Since fiscal year 2023-24, a cumulative total of \$82.0 billion in budget deficits has been addressed, but even including the fiscal year 2025-26 withdrawal, only half of the State Rainy Day Fund has been withdrawn. The LAO recommends that the State Legislature maintain last year's momentum by developing a plan for addressing potential budget problems on the horizon, as the underlying budget dynamics are particularly challenging. The LAO recommends that the State Legislature analyze which programs are working well and have grown considerably in recent years and understand the efficacy of those expansions and which programs are in need of adjustments or are no longer achieving desired outcomes within the next couple of months so that difficult choices can be made in connection with the May revision of the Proposed 2025-26 State Budget. The LAO supports the changes proposed by the Proposed 2025-26 State Budget to increase the cap on State Rainy Day Fund required deposits and to exclude the State's reserve deposits from the State appropriations limit but suggests additional changes to increase how much is saved each year.

The LAO Analysis of the Proposed 2025-26 State Budget is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2025-26 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Proposed 2025-26 State Budget. In May 2025, the Governor will revise the Proposed 2025-26 State Budget based on

updated information available at such time. Such revision in May 2025 may also differ substantially from the Proposed 2025-26 State Budget. The final fiscal year 2025-26 State budget may be affected by national and State economic conditions and other factors which the District cannot predict. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2025-26 State budget from the Proposed 2025-26 State Budget. The District cannot predict the impact that the final fiscal year 2025-26 State budget, or subsequent budgets, will have on its finances and operations.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash and could impair the State's ability to fund schools during the current fiscal year and in future fiscal years. Certain factors could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Bonds are payable from *ad valorem* property taxes, the Proposed 2025-26 State Budget and the final fiscal year 2025-26 State budget are not expected to have a material impact on the payment of the Bonds.

Fiscal Solvency Plan. Beginning in fiscal year 2018-19, the District began exhibiting signs of fiscal distress that progressed through the end of the fiscal year and carried into the fiscal year 2019-20. At that time, the District took steps to reduce deficit spending and developed a "Fiscal Recovery Plan" or "FRP." The FRP was designed to start in the calendar year 2023 and conclude in calendar year 2025. FRP identified 10 recovery recommendations and as a result the District had a balanced budget in fiscal year 2023-24 and for two subsequent years in the multi-year projection. In July 2023, negotiations with the District's three largest labor partners did not go as planned and the District agreed to unprecedented salary increases. These increases negatively impacted the District's fiscal position without budget balancing solutions to address immediate budget reductions. At that time, it was projected that salary settlements would cost approximately \$172.0 million for fiscal year 2023-24 and increase to \$178.9 million in fiscal year 2024-25. This necessitated a need to reduce expenditures of approximately \$103.1 million in fiscal year 2024-25 and an additional \$52.0 million in fiscal year 2025-26. The first interim budget report for fiscal year 2023-24 included certain budget shifts and reductions in ongoing expenditures. While these shifts allowed the District the ability to maintain the minimum 2% reserve level, the shifts did not address the structural deficit and need for additional budget balancing solutions. Additionally, the District acknowledged that \$52.0 million in on-going expenditure reductions from the unrestricted general fund for fiscal year 2025-26 were necessary in order to remain fiscally solvent and as a result, filed a qualified second interim budget certification for fiscal year 2023-24. Pursuant to Sections 1240(1) and 42131(g), the California Department of Education reviewed the District's second interim budget reports and assigned a negative certification for the second interim budget report for fiscal year 2023-24. Due to the negative certification, the California Department of Education required the District to work with Fiscal Advisors (defined herein) and submit a fiscal stabilization plan by July 1, 2024 to resolve the ongoing deficit in the budget for fiscal year 2024-25 and the two subsequent years. The District's fiscal stabilization plan, which is a work in progress, includes approximately \$103.0 million and \$13.0 million in budget balancing solutions for fiscal years 2024-25 and 2026-27 respectively. The solutions include a combination of decrease of expenditures by reduction or elimination of management, certificated and certified employees, and reduction of operating expenses and contributions to restricted programs; reduction of one-time funds which will be sunseting the current fiscal year; and increase of revenues by increase of average daily attendance and increases in restricted revenue funding. See "SUMMARY OF DISTRICT REVENUES AND EXPENDITURES – *Fiscal Expert and Fiscal Advisors*," "– *FCMAT Reports*," and "– *Fiscal Stabilization Plan*," and "RETIREMENT BENEFITS – *SERP*."

School District Reserves. The State’s economic and revenue outlook has changed. Although the 2024-25 State Budget provides for a discretionary payment of approximately \$1.1 billion to the Proposition 98 Rainy Day Fund in fiscal year 2024-25, the 2024-25 State Budget also provides for a withdrawal of the entire \$8.4 billion balance in the Proposition 98 Rainy Day Fund in fiscal year 2023-24, leaving a projected balance of \$1.1 billion at the end of fiscal year 2024-25. See “– 2024-25 State Budget.” School districts may need to access their local reserves in light of operational needs that may exceed expected funding under LCFF in a given fiscal year. The District, which has an A.D.A. of more than 30,000, is required to maintain a reserve for economic uncertainty in an amount equal to 2% of its general fund expenditures and other financing uses. [At the time of preparation of its fiscal year 2024-25 budget and its first and second interim budget reports for such fiscal year, the District projects it will [not] meet the 2% statutory reserve requirement in fiscal years 2023-24 through 2025-26. The District projects it will need to use its existing general fund balance in fiscal years 2023-24 through 2025-26 to meet its obligations.]

Payments allocated to the Proposition 98 Rainy Day Fund under the fiscal year 2021-22 State budget and the fiscal year 2022-23 State budget triggered a reserve cap for school districts in fiscal years 2022-23 and 2023-24, respectively. Such reserve cap is triggered when the amount of money in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total State general fund revenues appropriated for school districts Statewide. Given 2024-25 State Budget provisions relating to the Proposition 98 Rainy Day Fund, school district reserve caps would not be triggered in fiscal year 2024-25 and are not projected to be triggered in fiscal year 2025-26. See “– 2024-25 State Budget.” In accordance with Section 42127.01(a) of the California Education Code, when the reserve cap is triggered, a school district’s assigned and unassigned ending fund balance cannot exceed 10% of such school district’s general fund balance. Pursuant to Section 42127.01(c) of the California Education Code, community funded districts and small school districts with fewer than 2,501 units of A.D.A. are exempt from the reserve cap. [Regardless of whether the reserve cap is triggered, at the time of preparation of the Fiscal Year 2024-25 Budget, the District projects that it would not exceed the limits imposed by the reserve cap in fiscal year 2024-25.] For more information on the reserve cap legislation, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 751.”

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

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

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

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

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

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

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

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

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

The District received approximately \$[.] million in pass-through payments in fiscal year 2023-24 and projects receipt of approximately \$[.] million in pass-through payments in fiscal year 2024-25.

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

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

Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under Section 42238 *et seq.* of the State Education Code, each school district was determined to have a target funding level: a “base revenue limit” per student multiplied by the district’s student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district’s prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed

to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

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

- A Base Grant for each local educational agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2024-25, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$[10,951] per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$[10,069] per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$[10,367] per A.D.A. for grades 7 and 8; and (d) a Target Base Grant for each LEA equivalent to \$[12,327] per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. The Base Grant amount for fiscal year 2024-25 includes a cost-of-living adjustment of 1.07%.
- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional Concentration Grant equal to 65% of a local education agency's base grant, based on the number of unduplicated English Learners, free or reduced price meal-eligible students and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment.
- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, LEAs would receive the greater of the Base Grant or the ERT.

Prior to fiscal year 2022-23, school districts received their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. This apportionment method helped to temporarily mitigate the impact of LCFF funding losses on school districts that result from declining enrollment. To further mitigate the impact of LCFF funding losses in light of the COVID-19 pandemic, the fiscal year 2020-21 State budget included a temporary hold harmless provision for the purpose of calculating apportionments in fiscal year 2020-21 in which A.D.A. for fiscal year 2020-21 was based on

fiscal year 2019-20 (specifically, the period July 1, 2019 through February 29, 2020). The fiscal year 2021-22 State budget did not extend the A.D.A. hold harmless provision to fiscal year 2021-22. Nonetheless, in fiscal year 2021-22, school districts still retained the ability to receive their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. in accordance with the LCFF.

The fiscal year 2022-23 State budget, as amended (the “2022-23 State Budget”) amended the LCFF calculation to consider the greater of a school district’s current fiscal year, prior fiscal year, or the average of three prior fiscal years’ A.D.A. to allow school districts more time to adjust to enrollment-related LCFF funding declines. For purposes of fiscal year 2021-22, a school district that can demonstrate it provided independent study offerings to students in fiscal year 2021-22 may consider the greater of such school district’s fiscal year 2021-22 A.D.A. or such school district’s fiscal year 2021-22 enrollment adjusted for pre-COVID-19 absence rates. Such adjustment is applicable to fiscal year 2021-22 for purposes of calculating a school district’s fiscal year 2021-22 annual apportionment and calculating a school district’s prior year A.D.A. or the average of three prior years’ A.D.A. in fiscal year 2022-23 and future fiscal years in accordance with the amendments made in connection with the 2022-23 State budget.

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

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

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

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

Attendance and Enrollment. The District's A.D.A., including special education, for fiscal years 2015-16 through 2024-25 is set forth in the following table.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Average Daily Attendance and Student Enrollment
Fiscal 2015-16 through 2024-25

Year	Average Daily Attendance ⁽¹⁾	Enrollment
2015-16	50,734	53,561
2016-17	50,784	53,033
2017-18	50,802	52,592
2018-19	50,200	52,468
2019-20	50,517	52,778
2020-21 ⁽²⁾	50,517	52,778
2021-22 ⁽²⁾	[50,517]	[55,592]
2022-23	[44,864]	[55,537]
2023-24	[45,298]	[48,960]
2024-25 ⁽³⁾	[45,324]	[48,732]

⁽¹⁾ Includes elementary, middle and high school students in opportunity classes, home and hospital, special day class and continuation education. Excludes independent charter schools. These figures represent P-2 A.D.A. for both District and County Office programs combined. A.D.A. for each year, except for fiscal year 2024-25, is for the second period of attendance, typically in mid-April of each school year.

⁽²⁾ For fiscal years 2020-21 and 2021-22, the District utilized fiscal year 2020-21 A.D.A. to project funding under the LCFF. This estimate is typically based on A.D.A. as of the end of the seventh school month in the prior year, covering a portion of the school year referred to as Period 2 (“P-2”). However, due to school closures to protect students and staff from the COVID-19 pandemic, the P-2 data for fiscal years 2020-21 and 2024-25 reflects attendance through February 29, 2020.

⁽³⁾ Budgeted.

Source: The District.

Attendance and LCFF. The following table sets forth the District’s actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, “EL/LI Students”)), and targeted Base Grant per unit of A.D.A. for fiscal years 2015-16 through 2024-25, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education but exclude adult education.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2015-16 through 2024-25

Fiscal Year		A.D.A./Base Grant				Enrollment ⁽¹⁴⁾		
		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated Percent of EL/LI Students
2015-16	A.D.A. ⁽²⁾ :	17,073	11,904	6,878	14,880	50,734	53,561	67.48%
	Targeted Base Grant ⁽³⁾⁽⁴⁾ :	\$7,820	\$7,189	\$7,403	\$8,801	--	--	--
2016-17	A.D.A. ⁽²⁾ :	17,034	11,870	7,102	14,778	50,784	53,033	63.69
	Targeted Base Grant ⁽³⁾⁽⁵⁾ :	\$7,820	\$7,189	\$7,403	\$8,801	--	--	--
2017-18	A.D.A. ⁽²⁾ :	17,036	11,866	7,109	14,791	50,802	52,592	62.19
	Targeted Base Grant ⁽³⁾⁽⁶⁾ :	\$7,941	\$7,301	\$7,518	\$8,939	--	--	--
2018-19	A.D.A. ⁽²⁾ :	16,780	11,287	7,190	14,943	50,200	52,468	61.26
	Targeted Base Grant ⁽³⁾⁽⁷⁾ :	\$8,235	\$7,571	\$7,796	\$9,269	--	--	--
2019-20	A.D.A. ⁽²⁾ :	16,839	11,275	6,993	15,409	50,517	52,778	59.99
	Targeted Base Grant ⁽³⁾⁽⁸⁾ :	\$8,503	\$7,818	\$8,050	\$9,572	--	--	--
2020-21	A.D.A.:	16,839	11,275	6,993	15,409	50,517	52,778	59.99
	Targeted Base Grant ⁽³⁾⁽⁹⁾ :	\$8,503	\$7,818	\$8,050	\$9,572	--	--	--
2021-22	A.D.A.:	[16,839]	[11,275]	[6,993]	[15,409]	[50,517]	[52,778]	[59.99]
	Targeted Base Grant ⁽³⁾⁽¹⁰⁾ :	\$8,935	\$8,215	\$8,458	\$10,057	--	--	--
2022-23	A.D.A.:	[]	[]	[]	[]	[]	[]	[.]
	Targeted Base Grant ⁽³⁾⁽¹¹⁾ :	\$[10,119]	\$[9,304]	\$[9,580]	\$[11,391]	-	-	-
2023-24	A.D.A.:	[]	[]	[]	[]	[]	[]	[.]
	Targeted Base Grant ⁽³⁾⁽¹²⁾ :	\$[10,951]	\$[10,069]	\$[10,367]	\$[12,327]	-	-	-
2024-25 ⁽¹⁾	A.D.A.:	[]	[]	[]	[]	[]	[]	[.]
	Targeted Base Grant ⁽³⁾⁽¹³⁾ :	\$[10,951]	\$[10,069]	\$[10,367]	\$[12,327]	-	-	-

⁽¹⁾ Figures are projections.

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

⁽³⁾ Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts were not fully funded until fiscal year 2018-19.

⁽⁴⁾ Targeted fiscal year 2015-16 Base Grant amounts reflect a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.

⁽⁵⁾ Targeted fiscal year 2016-17 Base Grant amounts reflect a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.

⁽⁶⁾ Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.

⁽⁷⁾ Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts.

⁽⁸⁾ Targeted fiscal year 2019-20 Base Grant amount reflects a 3.26% cost-of-living adjustment from targeted fiscal year 2018-19 Base Grant amounts.

⁽⁹⁾ Targeted fiscal year 2020-21 Base Grant amount reflects a 0.0% cost-of-living adjustment from targeted fiscal year 2019-20 Base Grant amounts.

⁽¹⁰⁾ Targeted fiscal year 2021-22 Base Grant amount reflects a 4.05% cost-of-living adjustment from targeted fiscal year 2020-21 Base Grant amounts.

⁽¹¹⁾ Targeted fiscal year 2022-23 Base Grant amount reflects a 6.56% cost-of-living adjustment from targeted fiscal year 2020-21 Base Grant amounts, and a 6.70% discretionary increase in Base Grant funding.

⁽¹²⁾ Targeted fiscal year 2023-24 Base Grant amount reflects an 8.22% cost-of-living adjustment from targeted fiscal year 2022-23 Base Grant amounts.

⁽¹³⁾ Targeted fiscal year 2024-25 Base Grant amount reflects a 1.07% cost-of-living adjustment from targeted fiscal year 2023-24 Base Grant amounts.

⁽¹⁴⁾ Except for fiscal year 2022-23, reflects enrollment as of October report submitted to the CBEDS in each school year. For purposes of calculating Supplemental and

Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students was expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment was based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, the percentage of unduplicated EL/LI Students was and will be based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: The District.

The District received approximately \$[687.9] million in aggregate revenues allocated under the LCFF in fiscal year 2023-24, and projects receipt of approximately \$[677.4] million in aggregate revenues under the LCFF in fiscal year 2024-25 (or approximately [55.2]% of its unrestricted general fund revenues in fiscal year 2024-25). Such amount includes a projected \$[.] million in supplemental grants and \$[.] million in concentration grants in fiscal year 2024-25.

Local Sources of Education Funding

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

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

Local property tax revenues accounted for approximately [26.0]% of the District's total general fund revenues in fiscal year 2023-24, and are projected to be approximately \$[330.0] million, or [26.9]% of total general fund revenues in fiscal year 2024-25.

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

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

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the \$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs,

property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

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

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

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately [4.7]% (or approximately \$[57.2] million) of the District's general fund projected revenues for fiscal year 2024-25.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the LCFF, the District receives other State revenues which comprise approximately [13.3]% (or approximately \$[163.7] million) of the District's general fund projected revenues for fiscal year 2024-25. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected at approximately \$[10.7] million for fiscal year 2024-25.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from other local sources, such as interest earnings, which comprise approximately [26.8]% (or approximately \$[328.5] million) of the District's general fund projected revenues for fiscal year 2024-25.

Parcel Tax – Proposition G and Proposition J. On June 5, 2018, voters within the District approved Proposition G (also known as the Living Wage Educators Act) by a majority vote, establishing an annual tax of \$298 per parcel within the District, subject to annual inflation, for each year between July 1, 2018 and June 30, 2038. Proposition G was the subject of litigation. The District was successful in such litigation, and the courts upheld Proposition G, deeming that the parcel tax funds were properly set aside for the District. Subsequently such funds in the amount of approximately \$156 million were transferred to the District, consisting of \$36 million of new revenue that had not been previously accounted for and which will be spent in accordance with the requirements of Proposition G, and \$120 million, which is a reimbursement to the District for previously incurred Proposition G expenses. The \$120 million includes forgiveness of a \$26.6 million loan from the City. The City authorized forgiveness of such loan in March 2022. [The District is preparing to (a) deposit \$60 million into its OPEB trust, and (b) set aside \$40 million to restore its rainy day reserve, \$25 million for staffing stabilization investments, and \$25 million for budget stabilization.]

On November 3, 2020, voters within the City approved Proposition J, replacing Proposition G with a new parcel tax establishing an annual tax rate of \$288 per parcel, adjusted for inflation each year, from July 1, 2021 through June 30, 2038, resulting in estimated annual revenue to the District of \$48.1 million.

Parcel Tax – Quality Teacher & Education Act. The District also receives funding from the Quality Teacher & Education Act (“QTEA”), a parcel tax measure approved by the voters of the City and County of San Francisco in June 2008 (also known as Proposition A). The QTEA provides funding to the District for twenty years beginning in fiscal year 2008-09, and such parcel tax revenues are collected by the City and disbursed to the District. These resources assist in recruiting and retaining effective teachers, supporting innovative instructional strategies, increasing accountability, and improving the District’s technology infrastructure. The QTEA is a qualified special tax, and established an annual tax of \$198 per parcel commencing July 1, 2008, and adjusting for inflation each year thereafter by the San Francisco All Items Consumer Price Index for all Urban Consumers (CPI-I) as reported by the U.S. Department of Labor’s Bureau of Labor Statistics.

Parcel Tax – Proposition A. The District also receives funding from Proposition A, a parcel tax measure approved by the voters of the District in June 2010. Proposition A provides funding to the District for twenty years beginning in fiscal year 2010-11, and funds raised from the parcel tax can only be used for capital improvements. Proposition A is a renewal of an annual special tax of not to exceed \$32.20 per parcel for single-family residential and nonresidential parcels and \$16.10 per dwelling unit for mixed use and multi-family residential parcels, adjusted for inflation, for parcels within Community Facilities District No. 90-1.

The District received \$[_.] million of combined parcel tax revenues in fiscal year 2023-24 and projects receipt of \$[_.] million of combined parcel tax revenues in fiscal year 2024-25.

Sales Tax – Proposition A. A special sales tax of 0.25% was approved by voters in 1993 and continues into perpetuity (also known as Proposition A). Portions of the sales tax revenues are allocated to the District and to San Francisco Community College District. The District received \$[_.] million of Proposition A sales tax funds in fiscal year 2023-24, and projects receipt of \$[_.] million in fiscal year 2024-25.

Public Education Enrichment Fund (PEEF). In March 2004, San Francisco voters approved Proposition H, establishing the Public Education Enrichment Fund (PEEF) within the San Francisco City Charter, Section 16.123.1-10. On November 4, 2014, San Francisco voters approved Proposition C, the “Children and Families First” initiative in order to guarantee funding for PEEF through fiscal year 2040-41. The City provides annual contributions from its general fund to PEEF, in order to fund the improvement of quality of education for the youth of San Francisco. PEEF funding is split into three equal portions, with one-third of funding dedicated to preschool support, one-third dedicated to sports, libraries, arts and music (“SLAM funding”) and one-third dedicated as discretionary funding for other general uses programs such as wellness centers, student support professional, translation and peer resources. The funds allocated to SLAM funding and other general uses are allocated to and managed by the District. The District’s PEEF allocation for fiscal year 2023-24 was approximately \$90.3 million and is projected to be approximately \$[97.5] million for fiscal year 2024-25. The District’s allocation in fiscal years 2010-11 through 2040-41 is required to equal the amount for the prior fiscal year adjusted by the percentage of increase or decrease in the City’s discretionary general fund revenues for that year. The District receives two-thirds of its annual PEEF allocation from the City with the remaining one-third going to the City’s Department of Early Care and Education for support to preschool.

[In addition, Proposition C further separated the City’s previously established Rainy Day Reserve into a City Rainy Day Reserve and a School Rainy Day Reserve. If the City collects revenue that exceeds the revenue of the previous year by 5% or more, the City is required to deposit half of the excess revenue above the 5% increase into the Rainy Day Reserve; 75% of which is deposited into the City Rainy Day Reserve and 25% of which is deposited into the School Rainy Day Reserve. Proposition C further establishes the conditions and procedures pursuant to which the District can access funds in the School Rainy Day Reserve. There is currently approximately \$[.] million on deposit in the School Rainy Day Reserve.]

Accounting Practices

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

[Auditor] served as independent auditor to the District and its report for fiscal year ended June 30, 2024 is attached to this Official Statement as APPENDIX C. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has made no representation in connection with inclusion of the audit herein that there has been no material change in the financial condition of the District since the audit was concluded.

Summary of District Revenues and Expenditures

The following table summarizes the District’s general fund revenues, expenditures and fund balances from fiscal years 2019-20 through 2023-24. See “– District Budget Process and City and County Review” for a general description of the annual budget process for State school districts. The District’s audited financial statements for the year ending June 30, 2024 are reproduced in APPENDIX C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the Board of Education by September 15, and the audit report must be filed with the county superintendent of schools (if applicable) and State officials by December 15 of each year.

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SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
General Fund Revenues, Expenditures and Fund Balances⁽¹⁾
Fiscal Years 2019-20 through 2023-24

	2019-20 Actuals	2020-21 Actuals	2021-22 Actuals	2022-23 Actuals	2023-24 [Unaudited] Actuals
REVENUE/RECEIPTS					
LCFF Sources	\$534,482,712	\$531,948,014	\$595,430,529	\$658,899,172	\$687,858,215
Federal Sources	23,394,722	70,800,944	145,458,563	69,030,579	69,516,149
Other State Sources	33,603,650	114,800,591	143,438,031	224,167,362	156,748,011
Other Local Sources	255,893,651	271,242,940	424,555,203	290,396,673	353,881,604
TOTAL	\$847,374,735	\$988,792,489	\$1,308,882,326	\$1,242,493,786	\$1,268,003,978
EXPENDITURES/ DISBURSEMENTS					
Certificated Salaries	\$402,586,963	\$402,778,211	\$437,920,315	\$444,952,698	\$475,700,244
Classified Salaries	130,964,575	130,054,363	153,557,322	154,462,150	179,668,321
Employee Benefits	193,726,751	253,076,669	328,971,964	282,529,180	295,328,769
Books and Supplies	25,088,458	22,326,937	35,488,113	32,439,855	37,973,217
Services/Other Operating Expenditures	74,784,051	72,125,796	159,620,029	186,204,429	215,657,499
Capital Outlay	3,389,681	2,277,858	2,032,233	1,498,146	1,803,994
Other Outgo ⁽²⁾	48,485,534	26,908,652	7,765,213	3,958,298	4,119,138
Other Outgo -Transfers of Indirect Costs	-	-	-	(2,212,288)	(1,348,517)
Debt Service - Interest	-	-	989,966	-	-
TOTAL	\$879,026,013	\$909,548,486	\$1,126,345,155	\$1,103,832,468	\$1,208,902,665
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$(31,651,278)	\$79,244,003	\$182,537,171	\$138,661,318	\$59,101,313
OTHER FINANCING SOURCES/(USES)					
Transfers In/Other Sources	-	-	\$3,779	-	\$1,675
Transfers Out/Other Uses ⁽³⁾	\$(11,364,977)	\$(15,804,075)	(15,768,609)	\$(18,369,684)	(19,371,266)
TOTAL	\$(11,364,977)	\$(15,804,075)	\$(15,764,830)	\$(18,369,684)	\$(19,369,591)
EXCESS OF REVENUE, OTHER SOURCES OVER/ (UNDER) EXPENDITURES, OTHER USES	\$(43,016,255)	\$63,439,928	\$166,772,341	\$120,291,634	\$39,731,722
Fund Balance, beginning of year	\$105,798,362	\$62,782,107	\$126,222,035	\$292,994,376	\$413,286,010
Fund Balance, end of year	\$62,782,107	\$126,222,035	\$292,994,376	\$413,268,010	\$467,946,086

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

⁽²⁾ Decrease in Other Outgo for fiscal year 2019-20 was due to reductions in general transfer levels, relating to the District's expenditures on special education staff to meet requirements of the California Education Authority and California Department of Education.

⁽³⁾ Transfers out have been directed to the Cafeteria Fund, the Child Development Fund, and the Special Reserve Fund for capital.

Sources: District audited actuals for fiscal years 2019-20 through 2023-24.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 2.0% of its total general fund expenditures, based on total student attendance. For fiscal year 2024-25, the District has projected a general fund reserve of [2.0]%, or approximately \$[28.2] million. Substantially all funds of the District are required by law to be deposited with and invested by the Treasurer on behalf of the District, pursuant to law and the investment policy of the City. See APPENDIX F – "CITY AND COUNTY OF SAN FRANCISCO INVESTMENT POLICY AND INVESTMENT REPORT."

[Fiscal Years 2021-22 Budget. On September 15, 2021, the State Superintendent determined that the District's fiscal year 2021-22 adopted budget included multiyear projections indicating that the District might not satisfy its financial commitments and maintain required reserves in fiscal years 2022-23 and 2023-24, without implementing Board-approved budget reductions. As a result of its financial

condition, the State Superintendent designated the District as a “lack of going concern” and took statutorily required actions as it would for a District with a qualified certification at an interim reporting period, including assigning a fiscal expert to advise the District on its financial issues; directing the District to engage with the Fiscal Crisis and Management Assistance Team (“FCMAT”), providing the State Superintendent with a Board-approved fiscal stabilization plan; and directing the District to submit a first interim report for fiscal year 2021-22 that includes the Board-approved fiscal stabilization plan.

Fiscal Expert and Fiscal Advisors. In October 2021, the State Superintendent appointed Elliot Duchon to act as a fiscal expert (the “Fiscal Expert”) to the District to assist the District in identifying budget reductions and advise the District on its financial issues. Prior to his appointment as Fiscal Expert, Mr. Duchon served as Superintendent of Jurupa Unified School District for 17 years. Mr. Duchon previously served as the Jurupa Unified School District’s Deputy Superintendent of Business Services and Governmental Relations prior to his appointment as Superintendent. Prior to that, he served as an administrator at the Riverside County Office of Education, and before that as a teacher at Van Buren Elementary School. Mr. Duchon has a Bachelor’s degree in political science and a Master’s degree in education and psychology from the University of California, Riverside.

On May 3, 2024, the State Superintendent appointed Elliot Duchon and Pam Lauzon to act as fiscal advisors (the “Fiscal Advisors”) to the District to assist the District in identifying budget reductions and advise the District on its financial issues.

FCMAT Reports. In September 2021, the County Office of Education and FCMAT entered into a study agreement to conduct a fiscal health risk analysis of the County Office of Education (the “COE”). In October 2021, the District and FCMAT entered into a study agreement to conduct a fiscal health risk analysis of the District. On March 3, 2022, FCMAT delivered its fiscal health risk analysis of the District (the “District Fiscal Health Risk Analysis (2021)”) which identified issues including: deficit spending; issues with budget development, monitoring and updating; and concerns about the District’s ability to maintain sufficient reserves. In the District Fiscal Health Risk Analysis (2021), FCMAT identified budget monitoring as the area of most concern, and recommended that the District update its budget at least at each reporting period and articulate the budget revisions or clearly explain any known variances. The District Fiscal Health Risk Analysis (2021) also identified budget development and cash management as significant risk areas and recommended the use of position control as a basis for budget development and site allocations. Additionally, FCMAT raised concerns about the District’s high compensation and benefits costs, and the District’s practice of approving compensation increases prior to confirming sufficient funding for such increases. FCMAT reviewed twenty fiscal indicators in its analysis, noting that the greater the number of “no” answers to the questions in the analysis, the greater the potential risk of insolvency or fiscal issues for the District. Based on FCMAT’s analysis, the District received a risk score which initially placed the District as “moderate risk”; however, FCMAT ultimately identified the District as “high risk” due to its going concern designation by the State Superintendent.

On March 3, 2022, FCMAT delivered its fiscal health risk analysis of the COE (the “COE Fiscal Health Risk Analysis”). Although the COE and the District are separate local education agencies, they are governed by the same Board of Education, managed by the same administration, and essentially operate as a single organization. Therefore, many issues found in FCMAT’s analyses of both the District and the COE are shared by the two entities. The COE Fiscal Health Risk Analysis identified issues including: deficit spending; issues with budget development, monitoring and updating; and concerns about the ability to maintain sufficient reserves. In the COE Fiscal Health Risk Analysis, FCMAT identified budget monitoring as the area of most concern, and recommended that the COE update its budget at least at each reporting period and communicate any revisions or clearly explain any known variances. The COE Fiscal Health Risk Analysis also identified budget development as a significant risk area and recommended the use of position control as a basis for budget development. Additionally, FCMAT raised concerns about

the COE's lack of planned expenditures of restricted funds before unrestricted funds, and FCMAT noted that the COE's restricted fund balance showed significant increases in the last three years. FCMAT reviewed twenty fiscal indicators in its analysis, noting that the greater the number of "no" answers to the questions in the analysis, the greater the potential risk of insolvency or fiscal issues for the COE. Based on FCMAT's analysis, the COE received a risk score which initially placed the COE as "moderate risk"; however, FCMAT ultimately identified the COE as "high risk" due to its going concern designation by the State Superintendent.

[In December 2023, the District and FCMAT entered into an agreement for FCMAT to conduct a fiscal health Risk analysis of the District. On April 26, 2024, FCMAT delivered its fiscal health risk analysis of the District (the "District Fiscal Health Risk Analysis (2024)" and, together with the District Fiscal Health Risk Analysis (2021) and COE Fiscal Health Risk Analysis, the "Fiscal Health Risk Analyses"). FCMAT identified that the District continues to face fiscal challenges. Of the 20 sections reviewed in the District Fiscal Health Risk Analysis (2024), budget monitoring, cash management, collective bargaining, internal controls, enrollment and attendance and position control are the areas in which the district needs the most improvement. District Fiscal Health Risk Analysis (2024) noted that it would be optimal for the District's long-term stability to have permanent employees in all positions. The District's has lacked a qualified chief business official for several years and this has led to a lack of leadership, a lack of understanding of critical elements of school finance, and poor monitoring of the District's overall fiscal solvency. Additionally, per California Education Code Section 45318, nearly all of the District's classified positions, including managers, are hired through the City's civil services system, which significantly hinders the District's ability to hire for such positions. FCMAT noted that one area of concern is the District's lack of collaboration with other school districts in the State and divisions in the District could benefit by learning from and/or collaborating with other local educational agencies in the State. Particularly, FCMAT noted that the District's financial system is a significant barrier that prevents the District from conducting business in an accurate, effective and efficient manner. The payroll and human resources modules are not part of the financial system, which has caused significant errors in payroll and benefits, the impact of which the District is unable to estimate. The per-school funding allocation that the District uses hinders the District's ability to implement a position control system. FCMAT observed that the district is not following industry standards or best practices in this area, which has a great impact on the District's fiscal solvency. An inadequate position control system also affects the District's ability to comply with complex State and federal program regulations regarding how these funds are usually to supplement rather than supplant existing funding, jeopardizing millions in funding.

For further information on FCMAT's review of and conclusions regarding the District's and COE's financial condition, investors are directed to read the full version of the Fiscal Health Risk Analyses, which are publicly available on FCMAT's website at the following address: <https://www.fcmat.org/fcmat-reports>. The information referred to is prepared by FCMAT and not by the District, and the District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Since the completion of the FCMAT report, the District took three major steps to address concerns raised by FCMAT: (1) establishing a Budget Balancing Plan (defined below), (2) dedicating \$60 million to address long-term retiree health liabilities, and (3) identifying \$40 million to restore its rainy day reserve. The District's Budget Balancing Plan was developed concurrently with FCMAT's study and analysis of District's finances and addresses many of the issues identified by FCMAT. The District is in the process of implementing further controls and measures in compliance with the Fiscal Health Risk Analyses.

Fiscal Stabilization Plan. Between August and December 2021, the District actively prepared to address its structural budget deficit by following a Zero-Based Budgeting process to prioritize expenditures, as well as to explore opportunities to seek additional revenues. The Zero-Based Budget process aimed to prioritize District spending in three categories: Core Services, District Priorities, and Service Enhancements. Budget reductions were focused on Service Enhancements and an effort was made to identify ways to configure the delivery of Core and Priority services more efficiently, and preserve high leverage and high impact investments.

As part of the development of the proposed balancing plan, the District held a series of public meetings to share the proposal and staff analysis as well as to gather input from the Board of Education and the public. Staff engaged with school site leaders, labor partners, parent groups, and other stakeholders who shared valuable perspectives that informed District strategies. By organizing the budget processes in this way, all effort was made to minimize harm to students as a result of budget cuts.

The District ultimately adopted its Fiscal Year 2022-23 and Fiscal Year 2023-24 Budget Balancing Plan (the “Budget Balancing Plan”) on December 14, 2021, along with the District’s first interim budget report. At that time, the Budget Balancing Plan identified \$90 million expenditure reductions (current year costs) and \$35 million funding sources of each fiscal year, to address the projected budget deficits. Budget expenditure reductions were implemented to direct and indirect services, operations, and administration, and new funding sources included new State grants as well as prior and current year savings. As part of the Budget Balancing Plan, the District revised its Weighted Student Formula, which allocates funding to schools on a per-pupil basis according to enrollment and other student attributes, which has helped capture declining enrollment at schools, to more accurately reflect the projected number of students enrolled at such site.

On March 22, 2022, the District adopted an Update to the Fiscal Year 2022-23 and Fiscal Year 2023-24 Budget Balancing Plan (the “Budget Balancing Plan Update”) which was included in its second interim budget report. The Budget Balancing Plan Update incorporates budget assumptions from the Proposed 2022-23 State Budget, ultimately identifying \$49 million of expenditure reductions (current year costs) and \$76 million funding sources and shifts of expenditures onto restricted sources, which will address projected deficits.

New Payroll System and Implementation Challenges. In January 2022, the District transitioned to a new payroll system, EMPowerSF. Due to implementation challenges many District employees were either under- or over-paid. The District worked with its bargaining units to remediate these errors, and by addressing them at the bargaining table, attempted to avoid litigation. However, the District cannot provide any assurance that litigation will not ensue. Should litigation ensue, a court could find the District partially or fully liable for any damages, and although the magnitude of such damages, if any, is impossible to predict, the District cannot rule out the possibility that they could run into the tens of millions of dollars. A damages award of that magnitude would have a material adverse impact on the District’s finances and could potentially cause the District fiscal distress. See also “– Employment” and “OTHER LEGAL MATTERS – Litigation” in the forepart of this Official Statement.]

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The following table sets forth the budgeted revenues, expenditures and changes in fund balances for the District’s general fund for the fiscal year 2024-25. Certain adjustments may be made throughout the year based on actual State funding and actual District revenues and tax collections. The District cannot make any predictions regarding the disposition of additional pending budget legislation or its effect on the District. The District’s budget is a planning tool, and does not represent a prediction as to the actual achievement of any budgeted revenues or fund balances.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Budgeted General Fund Summary for Fiscal Year 2024-25⁽¹⁾

[to be updated]

	Adopted Budget ⁽²⁾	Second Interim Budget ⁽³⁾
REVENUES		
LCFF Sources	\$673,908,095	
Federal Revenue	45,792,184	
Other State Revenue	149,493,708	
Other Local Revenue	306,448,89	
TOTAL	\$1,175,642,887	
EXPENDITURES		
Certificated Salaries	\$512,685,779	
Classified Salaries	218,341,776	
Employee Benefits	368,038,343	
Books and Supplies	31,761,002	
Services/Other Operating Expenditures	190,479,958	
Other Outgo - Transfers of Indirect Costs	(2,748,280)	
Other Outgo (excluding Transfers of Indirect Costs)	4,259,417	
Capital Outlay	618,605	
TOTAL	\$1,323,436,601	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$(147,793,714)	
OTHER FINANCING SOURCES (USES)		
Transfers In	-	
Transfers Out ⁽⁴⁾	\$(600,000)	
TOTAL OTHER FINANCING SOURCES (USES)	\$(600,000)	
NET CHANGE IN FUND BALANCE	\$(148,393,714)	
Fund Balance – Beginning	\$467,946,086	
Fund Balance – Ending	\$319,552,371	

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

⁽²⁾ Adopted budget for fiscal year 2024-25, approved as of June 25, 2024.

⁽³⁾ Second interim budget for fiscal year 2024-25, approved as of [March __], 2025.

⁽⁴⁾ Transfers out have been directed to the Cafeteria Fund, the Child Development Fund, and the Special Reserve Fund for capital.

Source: The District.

District Budget Process and County Review

State law requires school districts to adopt a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of

schools or, with respect to the District, the State Superintendent of Public Instruction (the “State Superintendent”), a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the State Superintendent.

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

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

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

If, after taking various remedial actions, the county superintendent, or in the case of the District, the State Superintendent, determines that a school district cannot meet its current or the subsequent year’s obligations, the State Superintendent will notify the school district’s governing board, the State Superintendent and the president of the State board (or the president’s designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district’s governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district’s governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district’s governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The State Superintendent will also make a report to the president of the State board or the president’s designee about the financial condition of the school district and the remedial actions proposed by the State Superintendent. However, the State Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the State Superintendent assumed authority.

A State law adopted in 1991 (known as “A.B. 1200”) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 *et seq.*), each school district is required to file two interim certifications with the county superintendent, or in the case of the District, the State Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31), as to its ability to meet its financial obligations for the remainder of the then-current

fiscal year and, based on current forecasts, for the subsequent fiscal year. The State Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the State Superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent (if applicable), the State Controller and the State Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent, or in the case of the District, the State Superintendent, determines that the school district's repayment of indebtedness is probable. The District received a qualified certification on its first [and second] interim reports for fiscal year 2024-25.

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

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

District Debt Structure

As of March 1, 2025, the District had outstanding general obligation bonds in the aggregate principal amount of \$[Outstanding Par] (which amount excludes bonds issued by the City and County on behalf of the District) as described in the table set forth on the following page. For additional details on the District's long-term liabilities, see Note 8 to the District's audited financial statements attached as APPENDIX C hereto and "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Tax Collections and Delinquencies – *Direct and Overlapping Debt.*"

General Obligation Bonds. The District has issued \$280,000,000 of general obligation bonds authorized at an election of the registered voters held on November 4, 2003 (the "2003 Authorization"), at which more than the minimum requisite 55% of the persons voting on the measure voted to authorize the issuance and sale of up to \$295,000,000 principal amount of general obligation bonds of the District. The District has no remaining authorized and unissued bonds under the 2003 Authorization.

The District has issued \$450,000,000 of general obligation bonds authorized at an election of the registered voters held on November 7, 2006 (the "2006 Authorization"), at which more than the minimum requisite 55% of the persons voting on the measure voted to authorize the issuance and sale of up to \$450,000,000 principal amount of general obligation bonds of the District. The District has no remaining authorized and unissued bonds under the 2006 Authorization.

The District has issued \$531,000,000 of general obligation bonds authorized at an election of the registered voters held on November 8, 2011 (the "2011 Authorization"), at which more than the minimum requisite 55% of the persons voting on the measure voted to authorize the issuance and sale of up to \$531,000,000 principal amount of general obligation bonds of the District. The District has no remaining authorized and unissued bonds under the 2011 Authorization.

The District has issued \$744,250,000 of general obligation bonds authorized at an election of the registered voters held on November 8, 2016 (the "2016 Authorization"), at which more than the minimum requisite 55% of the persons voting on the measure voted to authorize the issuance and sale of up to \$744,250,000 principal amount of general obligation bonds of the District. The District has no remaining authorized and unissued bonds under the 2016 Authorization.

The Series 2025 Bonds will be the District's first issuance of general obligation bonds authorized at an election of the registered voters held on November 5, 2024 (the "2024 Authorization"), at which more than the minimum requisite 55% of the persons voting on the measure voted to authorize the issuance and sale of up to \$790,000,000 principal amount of general obligation bonds of the District. After the issuance of the Series 2025 Bonds, there will be \$[630,000,000]* of authorized and unissued bonds under the 2024 Authorization.

* Preliminary, subject to change.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Summary of Outstanding General Obligation Bond Issues⁽¹⁾
As of March 1, 2025

Series Name	Issuance Date	Original Principal Amount	Principal Amount Outstanding
(Proposition A, Election of 2006) General Obligation Bonds Series C (2010) (Federally Taxable Direct Subsidy Qualified School Construction Bonds)	5/27/10	\$12,955,000	\$
(Proposition A, Election of 2006) General Obligation Bonds Series D (2010) (Federally Taxable Build America Bonds)	5/27/10	72,370,000	
General Obligation Bonds (Proposition A, Election of 2006), Series F (2015) ⁽²⁾	10/21/15	15,000,000	
General Obligation Bonds (Proposition A, Election of 2011), Series C (2015) ⁽²⁾	10/21/15	211,000,000	
2015 General Obligation Refunding Bonds	10/21/15	63,655,000	
General Obligation Bonds, Election of 2016, Series A	4/6/17	180,000,000	
2017 General Obligation Refunding Bonds	4/6/17	53,890,000	
General Obligation Bonds, Election of 2016, Series B	8/27/20	280,000,000	
2020 General Obligation Refunding Bonds	8/27/20	166,285,000	
General Obligation Bonds, Election of 2016, Series C	5/26/22	284,250,000	
2022 General Obligation Refunding Bonds	5/26/22	<u>122,050,000</u>	
Total		\$1,461,495,000	

⁽¹⁾ Excludes legally defeased bonds.

⁽²⁾ To be refunded, in whole or in part, with proceeds of the Refunding Bonds.

Source: The District.

Capital Plan. The District has a 10-year Capital Plan that is updated periodically to take into account an annual review of changing capital needs and improved information regarding project requirements and projected costs. Because of the need for reconstruction and repair of existing facilities, including structural changes to comply with disability access standards, the District’s current 10-year Capital Plan anticipates a total capital facilities need of over \$1.5 billion. In addition, pertinent District needs are reflected in the City’s annual Capital Plan.

As part of the District’s ongoing review of the 10-year Capital Plan, the District is analyzing the needs of District properties, in order to define the scope and projected costs of required new construction, replacement, modernization and deferred maintenance for such properties. The District anticipates funding its capital needs from a combination of proceeds from the sale of general obligation bonds, State-matching funds, developer fees, parcel tax revenues, donations/capital funding campaigns, deferred maintenance allocations and other sources.

[Capital Leases. The District has an outstanding capital lease for energy retrofits that totaled approximately \$[_.] million, with final payments on such capital lease due on June 30, 2024. The capital lease has minimum lease payments as follows:]

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Minimum Capital Lease Payments**

Year Ending June 30	Lease Payment (in thousands)
2025	\$
Total	\$
Less: Amount Representing Interest Present Value of Minimum Lease Payments	

Source: The District.

Lease Revenues. Lease Agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lease. The future minimum lease payments expected to be received under these agreements are as follows:

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Minimum Lease Revenue Payments**

Year Ending June 30	Lease Revenue (in thousands)
2025	\$7,003
2026	6,444
Thereafter	9,745
Total	\$23,192

Source: The District.

Tax and Revenue Anticipation Notes. To address predictable annual cash flow deficits resulting from the different timing of revenues and expenditures, the District has issued tax and revenue anticipation notes in each recent year as shown in the following table. The District’s notes are a general obligation of the District, payable from the District’s general fund and any other lawfully available money. The District does not anticipate issuing tax and revenue anticipation notes in fiscal year 2024-25.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Tax and Revenue Anticipation Notes**

Issuance Date	Principal Amount	Interest Rate	Yield	Maturity Date
7/01/2011	\$80,000,000	2.00%	0.290%	6/29/2012
8/27/2012	85,000,000	2.00	0.190	6/28/2013
8/15/2013	90,000,000	2.00	0.179	8/14/2014
9/25/2014	52,000,000	5.00	0.130	9/24/2015
9/17/2015	60,000,000	5.00	0.190	8/31/2016
9/30/2016	45,000,000	2.00	0.750	8/31/2017
3/09/2021	100,000,000	2.00	0.150	12/31/2021

Source: The District.

Employment

The largest part of each school district’s general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

The District projects the employment of approximately [6,740.0] FTE employees, consisting of [4,007.0] FTE non-management certificated employees, [2,567.0] FTE classified non-management employees, and [166.0] FTE management, supervisor and confidential employees in fiscal year 2024-25. For fiscal year 2023-24, the total certificated and classified payrolls were approximately \$[475.7] million and \$[179.7] million, respectively. For fiscal year 2024-25, the total certificated and classified payrolls are projected to be approximately \$[515.7] million and \$[229.0] million, respectively.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
(City and County of San Francisco, California)
Labor Organizations

Employee Group	Labor Organization	Employees Represented ⁽¹⁾	Contract Expiration ⁽²⁾
Certificated	United Educators of San Francisco	[]	June 30, 20[]
Paraprofessional	United Educators of San Francisco	[]	June 30, 20[]
Classified	Service Employees International Union, Local 1021	[]	June 30, 20[]
Classified	The International Federation Of Professional and Technical Engineers, Local 21 ProTech and Non ProTech Units	[]	June 30, 20[]
Classified	International Brotherhood Of Electrical Workers, Local 6	[]	June 30, 20[]
Classified	International Union of Operating Engineers, Stationary Engineers Local 39, AFL-CIO	[]	June 30, 20[]
Classified	Laborer’s International Union Of North America AFL-CIO, Local 261	[]	June 30, 20[]
Classified	Glaziers, Local 718	[]	June 30, 20[]
Classified	Iron Workers, Local 377	[]	June 30, 20[]
Classified	Roofers and Waterproofers, Local 40	[]	June 30, 20[]
Classified	Carpenters and Locksmith, Local 22	[]	June 30, 20[]
Classified	Auto, Marine and Specialty Painters, Local 1176	[]	June 30, 20[]
Classified	Sheet Metal Workers, Local 104	[]	June 30, 20[]
Classified	Plumbers, Local 38	[]	June 30, 20[]
Classified	Teamsters, Local 853	[]	June 30, 20[]
Classified	Auto Mechanics, Local 1414	[]	June 30, 20[]
Supervisory/Other	United Administrators of San Francisco	[]	June 30, 20[]
Total		[]	

⁽¹⁾ Includes full-time and part-time employees (not FTEs).

⁽²⁾ The District is in the process of negotiating successor contracts with all District labor organizations.

Source: The District.

[In January 2022, the District transitioned to a new payroll system, EMPowerSF. Due to implementation challenges many District employees were either under- or over-paid. The District worked with its bargaining units to remediate these errors, and addressed them at the bargaining table in an

attempt to avoid litigation. However, the District cannot provide any assurance that litigation will not ensue. Should litigation ensue, a court could find the District partially or fully liable for any damages, and although the magnitude of such damages, if any, is impossible to predict, the District cannot rule out the possibility that they could run into the tens of millions of dollars. A damages award of that magnitude would have a material adverse impact on the District's finances and could potentially cause the District fiscal distress. See also “– Summary of District Revenues and Expenditures – *New Payroll System and Implementation Challenges*” and “OTHER LEGAL MATTERS – Litigation” in the forepart of this Official Statement.]

Compensated Absences (Vacation). The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2024, was \$[13,413,052].

Retirement Benefits

The District participates in retirement plans with the State Teachers Retirement Plan administered by CalSTRS which covers certificated employees hired as of or after July 1, 1972. Classified employees and certain certificated employees hired prior to July 1, 1972 are eligible to participate in the single-employer San Francisco Employees' Retirement System (“SFERS”). The District also provides pension benefits to employees not eligible for CalSTRS or SFERS systems.

CalSTRS. The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date, age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRS were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Assembly Bill 1469, signed into law by former Governor Brown as part of the fiscal year 2014-15 State budget, increased employee, employer and State contributions to CalSTRS as part of a plan to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014.

Pursuant to AB 1469, since fiscal year 2021-22, the State Teachers' Retirement Board is authorized to modify the percentages paid by employers and employees to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations and subject to certain limitations. The State Teachers' Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers' Retirement Board may also adjust the State's contribution rate by a maximum of 0.5% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations. The District cannot predict the impact of State, national, and international events on investment earnings and contribution rates or the amount the District will be required to pay for pension related costs in future fiscal years.

The employer contribution rate for fiscal year 2021-22 was 16.92%, which reflects a 2.18% reduction from the statutorily prescribed rate as a result of the State redirecting certain State supplemental pension payments to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. For fiscal years 2022-23 and 2023-24, the employer contribution rate was approximately 19.10% of covered payroll

and will remain at 19.10% for fiscal year 2024-25. The employer contribution rate is inclusive of the employer base contribution of 8.25% of payroll provided by the California Education Code. The State’s total contribution was increased from approximately 6.828% of payroll in fiscal year 2017-18 to 10.828% of payroll in fiscal year 2021-22. The State’s contribution rate was 10.828% of payroll for fiscal years 2022-23 and 2023-24, and will remain at 10.828% for fiscal year 2024-25. The State’s contribution includes an annual payment of 2.5% of payroll pursuant to a supplemental inflation protection program. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (i.e. CalSTRS 2% at 60 members) was 10.250% for fiscal years 2016-17 through 2023-24 and will remain at 10.250% for fiscal year 2024-25. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 62 members) was 9.205% for fiscal years 2016-17 and 2017-18, 10.205% for fiscal years 2018-19 through 2023-24 and will remain at 10.205% for fiscal year 2024-25.

The following table sets forth the District’s employer contributions from the general fund of the District to CalSTRS as well as the State’s non-employer contributions to CalSTRS on behalf of the District for fiscal years 2015-16 through 2023-24, and the projected contribution for fiscal year 2024-25.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT AND
COUNTY OFFICE OF EDUCATION
(City and County of San Francisco, California)
Annual CalSTRS Contributions
Fiscal Years 2015-16 through 2024-25
(\$ in thousands)**

Fiscal Year	Amount
2015-16	\$35,778
2016-17	45,510
2017-18	53,764
2018-19	67,355
2019-20	74,720
2020-21	67,839
2021-22	69,141
2022-23	84,583
2023-24 ⁽¹⁾⁽²⁾	[131,558]
2024-25 ⁽²⁾	[127,893]

⁽¹⁾ Includes on-behalf payments.

⁽²⁾ Projected.

Source: The District.

The District’s total employer contributions to CalSTRS for fiscal years 2015-16 through 2023-24 were equal to 100% of the required contributions for each year.

The actuarial valuation for the entire CalSTRS defined benefit program as of June 30, 2023 (the “2023 CalSTRS Actuarial Valuation”) showed an estimated unfunded actuarial liability of \$86.59 billion, a decrease of approximately \$1.97 billion from the June 30, 2022, valuation. Such estimated unfunded actuarial liability was projected to decrease in the June 30, 2022, valuation, which projected an unfunded actuarial liability of \$88.10 billion as of June 30, 2023. The actual unfunded actuarial liability as of June 30, 2023, represents a net actuarial gain of approximately \$1.52 billion. Such net actuarial gain is due primarily to change in actuarial value assumptions based on the most recent experience analysis, member salary increases being more than assumed, market value returns (estimated at 6.50%) being less than assumed (7.00%) and returns on actuarial value of assets (estimated at 7.20%) being greater than assumed

as the recognition of actuarial investment gains which were previously deferred had a greater impact on recognition of the less-than-assumed market return for the most recent year. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2023, and June 30, 2022, based on the actuarial assumptions, were approximately 75.90% and 74.40%, respectively. According to the 2023 CalSTRS Actuarial Valuation, the funded ratio increased by 1.50% during the past year. As described in the 2023 CalSTRS Actuarial Valuation, the increase in the funded ratio is primarily due to the new assumptions and contributions made to pay down the unfunded actuarial obligation in fiscal year 2022-23. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates or the amount the District will be required to pay for pension related costs. Accordingly, there can be no assurances that the District's required contributions to CalSTRS will not increase in the future, subject to the limitations of AB 1469.

The following are certain of the actuarial assumptions set forth in the 2023 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, 3.25% payroll growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The 2023 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPPRA (as defined herein). See "– California Public Employees Pension Reform" below for a discussion of the pension reform measure signed by the Governor in September 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

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

SFERS. SFERS is charged with administering a defined benefit pension plan that covers substantially all City employees and certain other employees. At its January 2015 meeting, after review of the analysis and recommendation prepared by the consulting actuarial firm, the Retirement Board of SFERS (the "SFERS Retirement Board") voted to change SFER's long-term investment earnings assumption from 7.50% to 7.58%, long-term wage/inflation assumption from 3.83% to 3.75% and long-term consumer prices index assumption from 3.33% to 3.25%. These economic assumptions together with demographic assumptions based on periodic demographic studies are utilized to prepare the actuarial valuation of SFERS each year. Upon receipt of the consulting actuarial firm's valuation report, SFERS staff provides a recommendation to the SFERS Retirement Board for their acceptance of the consulting actuary's valuation report. In connection with such acceptance, the SFERS Retirement Board acts to set the annual employer contribution rates required by SFERS as determined by the consulting actuarial firm and approved by the SFERS Retirement Board.

In accordance with the Charter of the City, District participants contribute 7.5% to 13.5% of their salaries to SFERS. The funding policy of SFERS provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to SFERS to pay District participants' benefits when due. The employer contribution rate for fiscal year 2023-24 was 21.35% of covered payroll and is estimated to be 18.24% for fiscal year 2024-25.

A history of the system-wide required contributions as well as the District's and the County Office of Education's combined contributions to SFERS are set forth in the following table. The District's portion of historical contributions have equaled 100% of the required contribution for each of the relevant fiscal years.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Schedule of Employer Contributions
Fiscal Years 2013-14 through 2016-17
(\$ in thousands)

Year Ended June 30	System-Wide Annual Required Contribution	Percentage Contributed	District and County Office of Education Annual Required Contribution	Percentage Contributed
2015	\$592,643	100.0%	\$18,483	100.0%
2016	526,805	100.0	15,645	100.0
2017	551,809	100.0	17,068	100.0

Source: SFERS' Actuarial Valuation reports as of July 1, 2017, July 1, 2016, and July 1, 2015; the District.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Schedule of Employer Contributions
Fiscal Years 2017-18 through 2024-25
(\$ in thousands)

Year Ended June 30	System-Wide Actuarially Required Contribution	Percentage Contributed	District and County Office of Education Actuarially Required Contribution	Percentage Contributed
2018	\$619,067	100.0%	\$19,530	100.0%
2019	645,056	100.0	20,496	100.0
2020	742,985	100.0	23,510	100.0
2021	836,559	100.0	24,100	100.0
2022	768,463	100.0	[]	100.0
2023	672,651	100.0	[]	100.0
2024 ⁽¹⁾	750,100	-	[]	-

⁽¹⁾ Projected.

Source: SFERS' Actuarial Valuation reports as of July 1, 2023, July 1, 2022, July 1, 2021, July 1, 2020, July 1, 2019, and July 1, 2018; the District.

The following table sets forth the maximum employer contribution rates for fiscal years 2014-15 through 2023-24.

**CITY AND COUNTY OF SAN FRANCISCO
San Francisco Employment Retirement System
Fiscal Years 2014-15 through 2024-25**

Fiscal Year ended June 30	Maximum Employer Contribution Rates
2015	26.76%
2016	22.80
2017	21.40
2018	23.46
2019	23.31
2020	25.19
2021	26.90
2022	24.42
2023	21.35
2024	18.24

Source: SFERS' Actuarial Valuation report as of July 1, 2023.

The following table sets forth SFERS' schedule of funding progress for fiscal years 2013-14 through 2022-23.

**CITY AND COUNTY OF SAN FRANCISCO
San Francisco Employee Retirement System
Fiscal Years 2013-14 through 2022-23
(\$ in thousands)**

Actuarial Valuation Date (July 1)	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL	Funded Ratio	Covered Payroll	Unfunded AL as a % of Covered Payroll
2014	\$18,012,088	\$21,122,567	\$3,110,479	85%	2,640,153	118%
2015	19,653,338	22,907,892	3,254,554	86	2,820,968	115
2016	20,654,703	24,403,882	3,749,179	85	3,062,422	122
2017	22,185,244	25,706,090	3,520,846	86	3,242,468	109
2018	23,866,027	27,335,147	3,469,390	87	3,385,517	102
2019	25,247,549	28,798,581	3,551,032	88	3,549,936	100
2020	26,695,845	29,499,918	2,804,074	90	3,703,103	76
2021	30,043,222	31,905,275	1,862,053	94	3,828,797	49
2022	32,275,474	33,591,565	1,316,091	96	3,984,150	33
2023	34,137,005	35,531,967	1,214,962	97	4,258,568	29

Source: SFERS' Actuarial Valuation report as of July 1, 2023.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$137,300 for 2020, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all

new public employees while adjusting the retirement formulas, requires State employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and SFERS are more fully described in Note [14] to the District's financial statements attached hereto as APPENDIX C – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

SERP. The Supplemental Employee Retirement Plan ("SERP") is an incentive plan that allows the District to enhance retiree benefits and improve job security for existing employees while providing budget and staff planning solution. The SERP is a voluntary plan for employees with active status as certificated or classified, supervisory, or confidential employee of the District with a full-time equivalency in a permanent position, who are in a paid and active status with the District as of the last day of their assigned calendar, and are at least 55 years of age with 5 years of consecutive service by June 30, 2025. Employees opting for SERP must retire from the District on or before June 30, 2025 and submit to the District a completed SERP enrollment package, a letter of resignation and an irrevocable letter of SERP Participation no later than February 21, 2025. SERP is designed to address declining enrollment, minimize reduction in force, assist in proactive staff planning, enhance retirement benefits and compensate long-term employees. The plan will be effective July 1, 2025, and the employer contribution required to fund each participant's benefit will equal 60% of the participant's annual salary for the participant's last school year of employment.

If the District determines that the enrollment in the SERP does not meet the operational and financial goals of the District, the District may rescind the plan. If the District chooses to rescind the SERP Plan, employees may revoke their letter of retirement/resignation.

Other Post-Employment Benefits. The District provides medical insurance benefits to eligible retirees and their spouses. To be eligible for retiree health benefits, employees hired after January 9, 2009 must have at least five years of credited service with a City employer: City and County of San Francisco, San Francisco Unified School District, San Francisco Community College District, or San Francisco Superior Court. Different premium contribution rates apply for classified employees hired after January 9, 2009, based on years of credited service with the City employers.

- With at least 5 years, but less than 10 years of credited service, the retiree member must pay the full premium rate and does not receive any employer premium contribution.
- With at least 10 years but less, than 15 years of credited service, the retiree will receive 50% of the employer premium contribution for themselves and eligible dependents.
- With at least 15 years, but less than 20 years of credited service, the retiree will receive 75% of the employer premium contribution for themselves and eligible dependents.
- With 20 or more years of credited service or disability retirement, the retiree will receive 100% of the employer premium contribution for themselves and eligible dependents.

Certificated teachers hired after July 1, 2004, with 20 or more years of credited service or disability retirement, the retiree will receive 100% of the employer premium contribution for themselves and eligible dependents.

Paraprofessionals hired after July 1, 2004, with 10 or more years of credited service or disability retirement, the retiree will receive 100% of the employer premium contribution for themselves and eligible dependents.

Employees who separated service from a City employer before June 30, 2001 and retire after January 6, 2012 receive the employer health premium subsidies in effect at the time of their separation. The retiree member receives 100% of the employer premium contribution defined by the City Charter. The retiree pays the full premium for any other enrolled dependents.

In 2017, the District implemented GASB Statement Number 75 (“Statement Number 75”). Under Statement Number 75, net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (“total OPEB liability”), less the amount of the OPEB plan’s fiduciary net position. As of June 30, 2024, the District’s total OPEB liability was \$[Total OPEB Liability] and its net OPEB liability was \$[Net OPEB Liability]. As of June 30, 2024, the District recognized OPEB expense was \$[OPEB Expense]. The District has established both an internal service fund and an irrevocable trust with respect to funding its accrued OPEB liability. The District has budgeted \$[.] million in transfers to be paid towards its OPEB expense in fiscal year 2024-25. As of June 30, 2024, the fiduciary net position of the OPEB trust reported in the District’s most recent actuarial valuation was \$[Fiduciary Net Position]. The balance in the OPEB trust does not yet reflect the approved transfer of approximately \$60 million in funds from Proposition G. See “– Other District Revenues – Parcel Tax – Proposition G and Proposition J.” See APPENDIX C – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024,” Note [12] for additional information regarding the OPEB obligation and the postemployment benefits plan.

The following table sets forth the District’s and the County Office of Education’s combined annual payments on post-employment benefits for fiscal years 2015-16 through 2024-25.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
AND COUNTY OFFICE OF EDUCATION
Annual OPEB Payments
Fiscal Years 2015-16 through 2024-25
(\$ in Millions)**

<u>Fiscal Year</u>	<u>Payment Amount⁽¹⁾</u>
2015-16	\$31.3
2016-17	31.1
2017-18	30.7
2018-19	30.6
2019-20	31.8
2020-21	35.0
2021-22	36.8
2022-23	[.]
2023-24	[.]
2024-25 ⁽²⁾	[.]

⁽¹⁾ Includes \$2.0 million of funds that were deposited in each respective year through 2016-17 in a separate fund to offset a portion of the District’s OPEB liability.

⁽²⁾ Projected. [The Board of Education of the District has also approved a one-time investment of approximately \$60 million to its OPEB trust.]
Source: The District.

Charter Schools

Independent charter schools operate as autonomous public schools, under charter from a school district, county office of education, or the State Board of Education, with minimal supervision by the local school district. Independent charter schools receive revenues from the State and from the District for each student enrolled, and thus effectively reduce revenues available for students enrolled in District schools. The District is also required to accommodate charter school students originating in the District in facilities comparable to those provided to regular District students.

Fourteen independent charter schools for which the District is the charter-approving agency, inclusive of three (3) elementary schools, three (3) intermediate/middle schools, and eight (8) high schools, currently operate in the District's boundaries. The District estimates that the combined attendance of the charter schools is approximately 7,129 students.

[As of the 2024-25 school year, there are also two State Board of Education authorized charter schools operating in the District: an elementary/middle school serving grades K-4 and an elementary school serving grades K-7.]

The District pays revenue in lieu of property taxes based on each charter school's individual LCFF calculation. For fiscal year 2023-24, the District's total transfer of in lieu payments to charter schools in the District was approximately \$[_.] million. For fiscal year 2024-25, the District projects a total transfer of in lieu payments to charter schools in the District of approximately \$[_.] million.

Insurance, Risk Pooling and Joint Powers Arrangements

The District has a risk management department that is responsible for all insurance and risk management activities. The current structure combines self-insurance with excess, or reinsurance, protection beyond retained levels. The risk management staff works with other departments within the District on prevention strategies to minimize the risk of loss to people and property. The current financial strategy for the risk management program includes an actuarial study each year for the workers' compensation program. The property, liability and benefits programs are studied one time per year during marketing or prior to renewals.

The District participates in Schools Excess Liability Fund ("SELF") joint powers authority. The District pays annual contributions to SELF for additional excess liability coverage. Additional commercial insurance is also purchased for excess workers' compensation, property, general liability, crime, cyber, terrorism and student accidents. For workers' compensation coverage, the District maintains a \$500,000 self-insured retention, with statutory limits through ARCH Insurance Group for excess coverage. The District maintains property coverage through Axis Insurance and RSUI Indemnity Company in the amount of \$200 million per occurrence, with a \$100,000 deductible.

The District does not maintain insurance for earthquake risks, relying on its general reserves and the expectation that funds will be available from the Federal Emergency Management Agency ("FEMA"). There is no guarantee that sufficient reserves or FEMA assistance would be available in the event of a major seismic event in the San Francisco Bay Area. The District will carry earthquake insurance when it deems it cost-effective.

The District offers its employees dental insurance through a self-insured program, life and long-term disability insurance that is purchased through commercial carriers, and health insurance that is purchased through the City Health Service System. While the District considers its insurance coverage to be adequate, the District is unable to predict the availability or cost of such insurance in the future.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, State voters approved Proposition 13 (“Proposition 13”), which added Article XIII A to the State Constitution (“Article XIII A”). Article XIII A limits the amount of any *ad valorem* property tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* property taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the Series 2025 Bonds falls within the exception described in (iii) of the immediately preceding sentence. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

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

Proposition 19. Proposition 19, which was approved by the voters of the State on November 3, 2020, among other things, allows an owner of a primary residence who is over 55 years of age, severely disabled, or a victim of a wildfire or natural disaster to transfer the taxable value (i.e., the base year value plus inflation adjustments) of their primary residence to a replacement primary residence located anywhere in the State, regardless of the location or value of the replacement primary residence, that is purchased or newly constructed as that person's principal residence within two years of the sale of the original primary residence. Proposition 19 limits a person who is over 55 years of age or severely disabled to three transfers under these provisions. Proposition 19 also excludes from the terms "purchase" and "change in ownership" for purposes of determining the "full cash value" of property the purchase or transfer of a family home or family farm of the transferor in the case of a transfer between parents and their children, or between grandparents and their grandchildren if all the parents of those grandchildren are deceased. In the case of a transfer of a family home, Proposition 19 require that the property continue as the family home of the transferee. The District is unable to predict the effect such measure may have on tax assessments within the District.

Article XIII B of the State Constitution

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

Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIII C and Article XIII D of the State Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the State Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related

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

Parcel taxes are imposed within the District which are subject to the provisions of Proposition 218. See “THE DISTRICT – Other District Revenues.” The District also receives a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

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

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

Proposition 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 of a school district or community college district 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 from the 1% *ad valorem* property tax limitation under Section 1(a) of Article XIII A of the Constitution levies to pay bonds approved by the 55% of the voters, subject to the restrictions explained above. The *ad valorem* property tax for payment on the Bonds falls within the exception described in the preceding sentence.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the California Education Code. Under amendments to Section 15268 and 15270 of the California Education Code, the following limits on *ad valorem* property taxes apply in any single election: (1) for a 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. Finally, AB 1908 requires that a citizens’ oversight committee must be appointed to review the use of the bond funds and inform the public about their proper usage. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

Proposition 98 and Proposition 111

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

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

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

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

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

Proposition 30 and Proposition 55

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

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

extend the sales tax increases imposed by Proposition 30. Revenues from the tax increase will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

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

Proposition 2

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

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

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

SB 751. SB 751, enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions

basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The District, which has an A.D.A. of more than 30,000, is required to maintain a reserve for economic uncertainty in an amount equal to 2% of its general fund expenditures and other financing uses.

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

Proposition 2 (2024)

At the November 5, 2024 Election, voters in the State approved the Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024 (“Proposition 2 (2024)”). Proposition 2 (2024) authorizes the sale and issuance of \$10.0 billion in general obligation bonds for new construction and modernization of K-14 facilities. The District makes no representation or guarantee that it will either pursue or qualify for Proposition 2 (2024) State facilities funding.

To receive funding under Proposition 2 (2024), a district must develop a five-year master plan, including (i) an inventory of existing facilities, sites and property; (ii) existing classroom capacity and projected enrollment; (iii) a capital planning budget, and (iv) a deferred maintenance plan. Specific guidelines are being developed by the Department of General Services and the Department of Education. The District shall take the requirements of Proposition 2 (2024) into consideration in the development of its facilities master plan.

TK-12 School Facilities. Proposition 2 (2024) includes \$3.3 billion for new construction of TK-12 facilities and an additional \$4.0 billion for modernization of existing TK-12 facilities. TK-12 school districts will be required to pay for 50% of new construction costs and 40% of modernization costs with local revenues. If a school district lacks sufficient local funding it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1.2 billion will be available for the modernization and new construction of charter school facilities (\$600 million) and technical education facilities (\$600 million). Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two project types may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound prior to project approval.

Community College Facilities. Proposition 2 (2024) includes \$1.5 billion for community college district facility projects, including land acquisition, new building construction, modernization of existing buildings, and equipment purchases. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then determines which projects to submit to the State Legislature and Governor based on a scoring system that considers in the amount of local funds contributed to the project. The Governor and State Legislature select among eligible projects as part of the annual state budget process.

The District may pursue funding under Proposition 2 (2024), however the District cannot predict whether such funding will be approved, or if approved, what projects will be funded or the amount of funding which will be received.

Future Initiatives

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

APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE DISTRICT

The San Francisco Unified School District has boundaries that are coterminous with City and County of San Francisco (the “City”) and serves the communities within the City. The following economic and demographic data for the City are presented for informational purposes only. The Bonds are not a debt or obligation of the City, and taxes to pay the Bonds are levied only on taxable property located within the District.

The historical data and results presented in the tables that follow may differ materially from future results as a result of economic or other factors, including as a result of the impact of COVID-19.

Population

The population of the City and County of San Francisco from 2005 to 2024 are shown in the following table.

**POPULATION GROWTH
City and County of San Francisco
2004 Through 2024**

Year	Population	Annual % Change
2005	780,187	-
2006	781,295	0.14%
2007	787,127	0.75
2008	795,002	1.00
2009	800,239	0.66
2010	805,235*	0.62
2011	816,975	1.48
2012	829,289	1.51
2013	844,169	1.79
2014	852,948	1.03
2015	863,450	1.23
2016	871,613	0.95
2017	878,697	0.81
2018	885,716	0.80
2019	886,885	0.13
2020	889,783	0.33
2021	875,010	(1.66)
2022	[]	[.]
2023	[]	[.]
2024	[]	[.]

Source: California Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2001-2024, with 2000 and 2010 Census Benchmark for City and County of San Francisco.

** As of April 1, 2010.*

Employment

The following table summarizes industry employment in the City and County of San Francisco from 2018 through 2023. Trade, transportation and utilities, professional and business services, and goods producing are the largest employment sectors in the City.

Industry	Employment ⁽¹⁾					
	2018	2019	2020	2021	2022	2023
Agriculture	200	400	200			
Mining, Logging & Construction	22,900	24,100	23,100			
Manufacturing	12,800	13,800	12,300			
Trade, Transportation & Utilities	84,000	84,300	72,900			
Information	46,600	24,200	21,500			
Financial Activities	57,700	52,500	55,600			
Professional and Business Services	203,600	62,000	60,400			
Education and Health Services	91,200	203,100	198,300			
Leisure and Hospitality	96,200	94,100	91,600			
Other Services	28,000	101,800	59,600			
Government	98,100	28,000	21,900			
Total	741,100	762,900	692,900			

⁽¹⁾ Employment is reported by place of work: it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not sum to totals due to rounding.

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

The following tables summarize the civilian labor force, employment and unemployment in the City and County of San Francisco from 2018 to 2024. The annual average unemployment rate in the City in 2024 was approximately [.]%.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City and County of San Francisco Annual Averages, 2018 Through 2024

Year	Civilian Labor Force	Employed Labor Force ⁽¹⁾	Unemployed Labor Force ⁽²⁾	Unemployment Rate ⁽³⁾
2018	569,300	555,600	13,700	2.4%
2019	583,200	570,400	12,800	2.2
2020	556,100	512,500	43,500	7.8
2021				
2022				
2023				
2024 ⁽⁴⁾				

⁽¹⁾ Includes persons involved in labor-management trade disputes.

⁽²⁾ Includes all persons without jobs who are actively seeking work.

⁽³⁾ This rate is computed from unrounded data: it may differ from rates computed from rounded figures in this table.

⁽⁴⁾ Sum average of monthly data provided; annual data not yet available.]

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

Major Employers

The following tables show the largest employers located in the City and County of San Francisco in 2022.

LARGEST EMPLOYERS City and County of San Francisco

Company	Type of Business	San Francisco Employees (FTEs)
City and County of San Francisco	Government	36,822
UCSF Health	Healthcare	29,475
Salesforce	Technology	9,450
United Airlines	Airline	9,047
San Francisco Unified School District	K-12 Education	7,021
Sutter Health	Healthcare	6,134
Wells Fargo & Co.	Financial Services	5,500
Kaiser Permanente	Healthcare	4,635
Allied Universal	Security Systems	3,500
Uber Technologies Inc.	Ridesharing	3,475

Source: Annual Comprehensive Financial Report, City & County of San Francisco, Fiscal Year 2023-24.

Taxable Sales

Taxable sales in the City and County of San Francisco from 2019 through 2023 are shown in the following table.

TAXABLE SALES 2019 through 2023 (\$ in Thousands)

	2019	2020	2021	2022	2023
Apparel Stores	\$2,024,642	\$1,163,030			
General Merchandise	754,835	560,058			
Food Stores	860,691	746,454			
Eating & Drinking Places	5,037,656	2,081,727			
Home Furnishings & Appliances	1,027,825	768,022			
Building Material & Farm Implements	702,290	642,103			
Automotive Group	601,908	593,476			
Service Stations	548,674	304,977			
Other Retail Stores	2,662,901	2,690,590			
Total Retail Stores	14,221,424	9,550,442			
All Other Outlets	6,671,324	4,839,280			
Total All Outlets ⁽¹⁾	\$20,892,749	\$14,389,722			

⁽¹⁾ Columns may not sum to totals due to rounding.
Source: California State Board of Equalization.

Income

The following tables provide a summary of per capita personal income for the City and County of San Francisco, the State of California and the United States, and personal income and annual percent change for the City and County of San Francisco, for recent calendar years.

PER CAPITA PERSONAL INCOME 2018 through 2023⁽¹⁾

Year	San Francisco	California	United States
2018	\$130,696	\$63,711	\$54,526
2019	139,405	66,661	56,663
2020	144,818	70,192	59,510
2021			
2022			
2023			

⁽¹⁾ Most recent data available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PERSONAL INCOME 2018 through 2023⁽¹⁾ (in thousands)

Year	San Francisco	Annual Percent Change
2018	\$115,444,581	-
2019	122,892,141	4.7%
2020	125,499,720	2.1
2021		
2022		
2023		

⁽¹⁾ Most recent data available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

APPENDIX C

**FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

APPENDIX D

PROPOSED FORMS OF FINAL OPINIONS OF BOND COUNSEL

[To come]

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

SAN FRANCISCO UNIFIED SCHOOL DISTRICT (CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA)

GENERAL OBLIGATION BONDS, ELECTION OF 2024, SERIES A

2025 GENERAL OBLIGATION REFUNDING BONDS

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the San Francisco Unified School District (the “District”) in connection with the issuance of \$ _____ aggregate principal amount of San Francisco Unified School District General Obligation Bonds, Election of 2024, Series A (the “Series 2025 Bonds”) and \$ _____ aggregate principal amount of San Francisco Unified School District 2025 General Obligation Refunding Bonds (the “Refunding Bonds” and, together with the Series 2025 Bonds, the “Bonds”). The Series 2025 Bonds are being issued as authorized by a resolution adopted by the Board of Supervisors of the City and County of San Francisco on [March 18, 2025] and a resolution adopted by the Board of Education of the District on [March 11, 2025] (collectively, the “Series 2025 Resolution”), and in accordance with the terms of a Paying Agent Agreement, dated as of April 1, 2025 (the “Series 2025 Paying Agent Agreement”), by and between the District and the City and County of San Francisco, as paying agent (the “Paying Agent”). The Refunding Bonds are being issued as authorized by a resolution adopted by the Board of Education of the District on [March 11, 2025] (the “Refunding Resolution” and, together with the Series 2025 Resolution, the “Resolution”), and in accordance with the terms of a Paying Agent Agreement, dated as of April 1, 2025 (the “Refunding Paying Agent Agreement” and, together with the Series 2025 Paying Agent Agreement, the “Paying Agent Agreements”), by and between the District and the Paying Agent. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

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

“Dissemination Agent” shall mean Digital Assurance Certification, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section 5(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined

in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

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

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

“Official Statement” shall mean the final official statement dated _____, 2025 relating to the Bonds.

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

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

SECTION 3. Provision of Annual Reports.

The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently June 30), commencing with the Annual Report for the fiscal year of the District ending June 30, 2025 (which is due no later than March 30, 2026), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Neither the Paying Agent nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

Not later than fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent and the Paying Agent (if the Paying Agent is not the Dissemination Agent). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District and the Paying Agent to determine if the District is in compliance with the first sentence of this subsection (b).

If the Paying Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Paying Agent shall send a notice in a timely manner, in electronic format, to the MSRB, such notice to be in substantially the form attached as Exhibit A.

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

and stating the date it was provided.

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

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

To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

* Adopted budget of the District for the then-current fiscal year, or a summary thereof, and any interim budget reports approved as of the date of filing of the Annual Report.

* District average daily attendance.

* District outstanding debt.

* Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the City and County of San Francisco.

* Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the City and County of San Francisco.

* Information regarding total assessed valuation and parcels by land use within the District, if and to the extent provided to the District by the City and County of San Francisco.

* Information regarding the assessed valuation per parcel of single family homes within the District, if and to the extent provided to the District by the City and County of San Francisco.

* Information regarding the largest local secured taxpayers within the District, if and to the extent provided to the District by the City and County of San Francisco.

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;

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

Note: For the purposes of the event identified in Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

1. Unless described in Section 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to

any such actions, other than pursuant to its terms;

7. Appointment of a successor or additional paying agent or the change of name of a paying agent; or
8. Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

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

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

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the District shall within ten 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 subsection (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Paying Agent Agreements.

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

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

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

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

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

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

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

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

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

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

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

Date: _____, 2025

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

By _____
[Dr. Karling Aguilera-Fort
Deputy Superintendent]

EXHIBIT A

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

Name of District: SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Name of Bond Issues: San Francisco Unified School District
General Obligation Bonds, Election of 2024, Series A

San Francisco Unified School District
2025 General Obligation Refunding Bonds

Date of Issuance: _____, 2025

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

Dated: _____

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

By _____ [to be signed only if filed]

APPENDIX F

CITY AND COUNTY OF SAN FRANCISCO INVESTMENT POLICY AND INVESTMENT REPORT

The following information has been furnished by the Office of the Treasurer, City and County of San Francisco. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the Treasurer and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer, 1 Dr. Carlton B. Goodlett Place, City Hall - Room 140, San Francisco, CA 94102.

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this APPENDIX G has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in 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 "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Bonds, "Issuer" means the District, and "Agent" means the Paying Agent. The District notes that it will issue one fully registered certificate for each maturity of the Bonds in the principal amount of such maturity, and suggests that this is what the first numbered paragraph below intends to convey.

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

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of

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

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from Issuer or 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer

or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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