

**BOARD OF EDUCATION
PALO ALTO UNIFIED SCHOOL DISTRICT
COUNTY OF SANTA CLARA, STATE OF CALIFORNIA**

RESOLUTION NO. 2018-19.14

RESOLUTION OF THE BOARD OF EDUCATION OF THE PALO ALTO UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF 2019-20 TAX AND REVENUE ANTICIPATION NOTES OF THE DISTRICT AND REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF SANTA CLARA TO ISSUE AND SELL SAID NOTES IN AN AMOUNT NOT TO EXCEED \$20,000,000

WHEREAS, pursuant to Section 53850 et seq. of the Government Code of the State of California (the "Government Code") (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of said Government Code), on or after the first day of any fiscal year (being July 1) a school district may borrow money by issuing temporary notes for any purpose for which the school district is authorized to expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the school district; and

WHEREAS, this Board of Education (the "Board") of Palo Alto Unified School District (the "District") has found and determined that a sum not to exceed \$20,000,000 is needed to satisfy obligations payable or accruing during fiscal year 2019-20 from the General Fund of the District, and that it is necessary that said sum be borrowed for such purpose at this time by the issuance of temporary notes in anticipation of the receipt or accrual during fiscal year 2019-20 of taxes, income, revenue, cash receipts and other moneys by the District for the General Fund of the District; and

WHEREAS, it appears, and the Board hereby finds and determines, that said principal amount, when added to the interest payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys which will be received by or accrue to the District for the General Fund of the District during fiscal year 2019-20 and which will be available for the payment of the principal of and interest on said notes; and

WHEREAS, no money has heretofore been borrowed by or on behalf of the District through the issuance of tax anticipation notes or temporary notes in anticipation of the receipt of, or payable from or secured by, taxes, income, revenue, cash receipts or other moneys to be received by or which will accrue to the District for the General Fund of the District during fiscal year 2019-20, and this Board does not contemplate such a financing through the issuance of any temporary notes, other than its notes as herein requested to be issued; and

WHEREAS, pursuant to Section 53856 of the Government Code, certain taxes, income, revenue, cash receipts and other moneys which will be received by or accrue to the District

for the General Fund of the District during fiscal year 2019-20 can be pledged for the payment of said notes and the interest thereon (as hereinafter provided); and

WHEREAS, the District has not been accorded fiscal accountability status under Section 42647 or 42650 of the Education Code of the State of California (the "Education Code"); and

WHEREAS, Section 53853 of the Government Code provides that such notes must be issued in the name of the school district by the board of supervisors of the county, the county superintendent of which has jurisdiction over the district, as soon as possible following the receipt of a resolution of the governing board of the school district requesting the borrowing; and

WHEREAS, the Superintendent of Schools of the County of Santa Clara (the "Superintendent") has jurisdiction over the District; and

WHEREAS, the District has not received a qualified or negative budget certification in the current fiscal year; and

WHEREAS, this Board deems it necessary and desirable that the Board of Supervisors of the County of Santa Clara (the "Board of Supervisors") shall authorize and consummate the sale and issuance of said notes according to the terms and in the manner hereinafter set forth; and

WHEREAS, Orrick, Herrington & Sutcliffe LLP serves as bond counsel and disclosure counsel ("Bond Counsel") to the District and will serve in such capacity in connection with the notes authorized hereby; and

WHEREAS, the District has appointed PFM Financial Advisors LLC, as registered municipal advisor to the District (the "Municipal Advisor") with respect to said notes; and

WHEREAS, this Board further deems it necessary and desirable to authorize the sale of the notes by a competitive sale to the responsible bidder who makes the lowest interest cost bid, and pursuant to Section 15146 of the Education Code, has found and determined that a competitive sale is expected to produce the lowest borrowing cost to the District; and

WHEREAS, Senate Bill 1029 ("SB1029") was signed by the Governor of the State of California on September 12, 2016 and places additional responsibilities on any issuer of public debt, including adopting debt management policies that meet certain criteria; and

WHEREAS, the District represents that it is in compliance with SB1029 pre-issuance requirements, the Notes will be issued in compliance with SB1029, and the District will comply with all post-issuance requirements of SB1029; and

WHEREAS, there have been submitted and are on file with the Secretary of this Board proposed forms of an Official Notice of Sale, a Notice of Intention to Sell Notes, an Official Statement and a Continuing Disclosure Certificate, all with respect to the Notes proposed to be sold;

NOW, THEREFORE, the Board of Education of the Palo Alto Unified School District does hereby FIND, RESOLVE, DETERMINE AND ORDER, as follows:

Section 1. Recitals: All of the above recitals are true and correct.

Section 2. Request for Sale of Notes; County Resolution; Certificate of Award: For the purpose of satisfying obligations payable from the General Fund of the District, the Board hereby determines to borrow an aggregate principal amount not to exceed \$20,000,000, and hereby requests the Board of Supervisors to issue in the name of the District such an aggregate principal amount of temporary notes pursuant to Section 53850 et seq. of the Government Code in anticipation of the receipt or accrual of taxes, income, revenue, cash receipts and other moneys by the District for the General Fund of the District during fiscal year 2019-20, and to designate said notes to be sold as the "Palo Alto Unified School District 2019-20 Tax and Revenue Anticipation Notes" (the "Notes").

The Board of Supervisors is hereby requested to provide by resolution (the "County Resolution") for the terms of the sale and issuance of the Notes in accordance with the particular terms and manner set forth herein and, with respect to such necessary or desirable terms as are not specified herein, as the Board of Supervisors shall otherwise see fit to determine. With respect to such necessary or desirable terms as are not finally determined by the County Resolution, the Board of Supervisors is hereby requested to provide for an Official Notice of Sale (as defined in Section 5 hereof) describing such terms to be completed and circulated prior to the sale of the Notes, and a Certificate of Award (the "Certificate of Award") to be completed upon the sale of the Notes, in which any such terms of the Notes shall be finally determined. The Board of Supervisors, or such officer or officers of the County of Santa Clara (the "County") as shall be authorized by the County Resolution to consummate the transactions contemplated herein, including by completing the Official Notice of Sale and completing and executing the Certificate of Award, is hereby requested to establish said terms of the Notes upon consultation with Superintendent of the District, the Bond Program Manager of the District, the Chief Business Official of the District, or such other officer of the District designated in writing by the Superintendent for the purpose (each, an "Authorized District Representative").

The District acknowledges that the Notes do not constitute a debt of the County and that the County is not responsible for, and makes no assurance regarding, the use or application of the proceeds of the Notes by the District.

Section 3. Amount of Borrowing: Any Authorized District Representative is hereby authorized to determine the aggregate principal amount of the Notes, which sum shall be no greater than the amount recited in Section 2 hereof, or such lesser amount as to which Bond Counsel will deliver an approving opinion regarding the exclusion from gross income for federal tax purposes of interest thereon. The aggregate principal amount of the Notes so determined shall be specified in the Certificate of Award described in Sections 2 and 6 hereof.

Section 4. Terms of Notes: The Notes shall be dated the date of their delivery. The Notes shall mature on a date which is no more than 366 days subsequent to their date of delivery, which date shall be determined at the time of sale thereof and set forth in the Certificate of Award. The Notes shall bear interest commencing on the date thereof, computed on the basis

of a 360-day year consisting of twelve 30-day months, at the rate determined at the time of sale thereof and set forth in the Certificate of Award, as provided in Section 6 hereof. The principal of and interest on the Notes shall be payable as described in Section 7 hereof. The Notes shall be issued in fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof.

Section 5. Official Notice of Sale: The Official Notice of Sale inviting bids for the Notes, in substantially the form on file with the Secretary of this Board, is hereby approved, and the Board of Supervisors is hereby requested to adopt and use said form as the Official Notice of Sale inviting bids for the Notes, subject to such corrections, revisions or additions as deemed necessary by an Authorized District Representative and as may be acceptable to the County. The Municipal Advisor is hereby authorized and directed to cause to be mailed to prospective bidders for the Notes (including by posting to an appropriate Internet website which shall be accessible to interested bidders) copies of said Official Notice of Sale in the form finally approved by the County.

Section 6. Sale of Notes: (a) Advertisement for Bids. The form of proposed Notice of Intention to Sell Notes, in substantially the form on file with the Secretary of this Board, is hereby approved, and the Board of Supervisors is hereby requested to adopt said form of proposed Notice of Intention to Sell Notes, subject to such corrections, revisions or additions as deemed necessary by an Authorized District Representative and as may be acceptable to the County, and to cause said Notice of Intention to Sell Notes to be published once at least five days before the date of sale in a financial publication generally circulated throughout the State of California or which the Municipal Advisor advises is expected to be disseminated among prospective bidders for the Notes.

(b) Award of Notes; Certificate of Award. The Board of Supervisors is hereby requested to authorize and direct the Director of Finance of the County (the "Director of Finance"), on behalf of the District and the County, to accept the lowest net interest cost bid for the Notes, provided that (i) all bids must be for all of the Notes; (ii) all Notes must bear the same rate of interest; (iii) no Note shall bear more than one rate of interest; (iv) each Note shall bear interest from the date of delivery to the stated Maturity Date at the interest rate specified in the bid; (v) the interest rate specified must be in a multiple of 1/1,000 of 1%; (vi) the maximum net interest cost shall not exceed 2.0%; and (vii) the maximum interest rate for the Notes shall not exceed the maximum rate permitted by law. If such net interest cost and price are acceptable to the Director of Finance, the Director of Finance or his designee, acting at the direction of the Board of Supervisors, is hereby authorized to award the sale of the Notes to the maker of the best responsive bid; provided, however, that if no bid is acceptable, the Director of Finance is requested to reject all bids and to re-bid the Notes or, if necessary, to sell the Notes by negotiated sale as permitted by law, upon consultation with the District and its Municipal Advisor, and upon terms and conditions otherwise in conformity with the limitations contained in this Resolution.

Section 7. Payment of Notes; Pledge of Revenues; Repayment Fund: (a) Paying Agent. The Director of Finance, in San Jose, California, is hereby requested and authorized to act as paying agent for the District with respect to the Notes.

(b) Payment of Principal and Interest. The principal amount of the Notes shall be payable only at the maturity thereof, without option of prior redemption. Interest on the Notes shall be payable at the maturity of the Notes.

(c) Pledge of Unrestricted Revenues. The principal of and interest on the Notes shall be payable from taxes, income, revenue, cash receipts and other moneys received or accrued by the District for the General Fund of the District for the fiscal year 2019-20 and lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues").

As security for the payment of the principal of and interest on the Notes, the District hereby covenants to deposit in trust for the registered owners of the Notes in a special fund designated as the "Palo Alto Unified School District 2019-20 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund"), such amounts as shall be necessary to provide for payment of all such sums when due, on the dates and in the amounts, or in the proportions of the total amount due, as shall be specified in the Certificate of Award described in Section 6 hereof, from the first Unrestricted Revenues to be received by the District in each period specified in the Certificate of Award. The Official Notice of Sale may provide, and the Certificate of Award may confirm, that the District shall set aside moneys in the Repayment Fund from the Unrestricted Revenues for repayment of the Notes in up to five periodic deposits; provided, that the last such deposit shall be made no later than June 30, 2020. The Controller-Treasurer of the County of Santa Clara (the "County Controller") is hereby requested to create and hold the Repayment Fund in the funds of the District, acting as the responsible agent to maintain such fund until the payment of the principal of the Notes and the interest thereon.

The amounts pledged by the County (for and on behalf of the District) for deposit into the Repayment Fund from the Unrestricted Revenues received during each indicated period are hereinafter called the "Pledged Revenues," and the principal of and the interest on the Notes shall constitute a first lien and charge thereon and shall be payable therefrom, and to the extent not so paid shall be paid from any other money of the District lawfully available therefor.

(d) Other Pledged Money. In the event that there have been insufficient Unrestricted Revenues received by the District by the third business day prior to the end of any period in which a deposit in the Repayment Fund is required to be made to permit the required deposit, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from any other money of the District lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in Sections 53856 and 53857 of the Government Code) (the "Other Pledged Money") on such date or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Money are received by the District.

Section 8. Tax Covenants: (a) General. The District hereby covenants that it will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Notes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Without limiting the generality of the foregoing, the District hereby covenants that on the date of delivery of the Notes, it will deliver its Tax Certificate to the initial purchaser of the Notes containing representations and covenants with respect to such actions (the "Tax Certificate"), and that it will comply with the

requirements of the Tax Certificate. The provisions of this Section shall survive payment in full or defeasance of the Notes.

(b) Rebate Exception. Amounts in the Proceeds Fund, defined in Section 9 hereof, shall be withdrawn and deposited in the General Fund of the District, and expended for any purpose for which the District is authorized to expend funds from its General Fund, but only after exhausting funds otherwise available for such purposes (which are not restricted funds) and only to the extent that on any given day such other funds are not then available, and for purposes of this paragraph, funds otherwise available excludes amounts that are held or set aside in a reasonable working capital reserve in the amount set forth in the Tax Certificate, which shall be no greater than 5% of the District's working capital expenditures from its available funds in fiscal year 2019-20; provided, that if on the date that is six months from the date of issuance of the Notes, all amounts in the Proceeds Fund (including investment earnings thereon) shall not have been so withdrawn and spent, the District hereby covenants to promptly notify Bond Counsel, and, to the extent of its power and authority, comply with the instructions from Bond Counsel as to the means of satisfying the rebate requirements of Section 148 of the Code. For purposes of this Section, the "proceeds" of the Notes are equal to the initial offering price of the Notes to the public, as certified by the underwriter of the Notes.

(c) Rebate Calculation and Payment. The District covenants that, in the event it is or becomes subject to the rebate requirements of Section 148 of the Code, it shall (i) make all calculations in a reasonable and prudent fashion relating to any rebate of excess investment earnings on the proceeds of the Notes due to the United States Treasury; (ii) cause the Director of Finance to segregate and set aside from lawfully available sources the amount such calculations indicate may be required to be paid to the United States Treasury; and (iii) otherwise at all times do and perform all acts and things necessary and within its power and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and complying with the instructions of Bond Counsel, to ensure that interest paid on the Notes shall, for the purposes of federal income taxes, be excludable from the gross income of the recipients thereof and exempt from such taxation. If such calculation is required, the District will immediately cause the Director of Finance to set aside, from revenues received or accrued during fiscal year 2019-20 or, to the extent not available from such revenues, from any other moneys lawfully available, the amount of any such rebate in a separate fund which the District hereby agrees to cause the County Controller to establish and maintain and designate as the "Palo Alto Unified School District 2019-20 Tax and Revenue Anticipation Note Rebate Fund."

(d) Remedies Limited to Note Owners. Notwithstanding any other provision of this Resolution to the contrary, no one other than the owners or former owners of the Notes shall be entitled to exercise any right or remedy under this Resolution on the basis of the District's failure to observe, or refusal to comply with, the covenants contained in this Section.

(e) Reliance on Opinion of Bond Counsel. Notwithstanding any provision of this Section, if the District shall obtain an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the District may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

Section 9. Investment of Funds: Proceeds of the Notes shall be deposited in a note proceeds fund which the County Controller is hereby requested to establish as a separate fund in the funds of the District in the County treasury (the "Proceeds Fund"). All money held by the Director of Finance in the Proceeds Fund and in the Repayment Fund shall be invested to the greatest extent possible at the Director of Finance's discretion in the County's Pooled Investment Fund and as otherwise permitted by the Government Code and the investment policy of the County, and the proceeds of such investments shall be retained in each such respective Fund; provided, that no proceeds shall be invested for a term that exceeds the term of the Notes. The District acknowledges that neither the County nor the Director of Finance shall be responsible for the proper expenditure of proceeds of the Notes.

Section 10. Official Statement: The Official Statement relating to the Notes, in substantially the form submitted to and on file with the Secretary of this Board, is hereby approved and adopted as the Official Statement of the District with respect to the Notes (the "Official Statement"), with such additions, changes and corrections as the Authorized District Representative may require or approve, and the Municipal Advisor is hereby authorized to distribute copies of such Official Statement in preliminary form to persons who may be interested in purchasing the Notes. The Authorized District Representative is hereby authorized to certify to the underwriter of the Notes, on behalf of the District, that the preliminary form of the Official Statement was deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Authorized District Representative is hereby authorized and directed to sign said Official Statement in its final form, including the final pricing information, and the underwriter of the Notes is hereby authorized and directed to deliver copies of such Official Statement in final form to all subsequent purchasers of the Notes.

Section 11 Continuing Disclosure: The Authorized District Representative is hereby authorized to execute a Continuing Disclosure Certificate on behalf of the District in substantially the form submitted to and on file with the Secretary of this Board, with such changes thereto as deemed necessary in order to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate.

Section 12. Notice to California Debt and Investment Advisory Commission: Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, on behalf of this Board is hereby authorized and directed to cause notices of the proposed sale and final sale of the Notes to be filed in a timely manner with the California Debt and Investment Advisory Commission pursuant to Section 8855(g) of the Government Code and to specify that the issuance of the Notes will be made in compliance with the District's adopted debt policy.

Section 13. Filing with Board of Supervisors: The Clerk or the Secretary of this Board is hereby authorized and directed to file a certified copy of this Resolution with the Board of Supervisors, which shall constitute the request of this Board that the Board of Supervisors issue and sell the Notes as soon as practicable, and to simultaneously provide certified copies of this Resolution to the Superintendent and to the Director of Finance.

Section 14. Further Assurances: The District, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the levy, collection and enforcement of the taxes, income, revenue, cash receipts and other moneys pledged hereunder in accordance with law and for carrying out the provisions of this Resolution and the Notes.

Section 15. Approval of Actions: All actions heretofore taken by the officers and agents of the District with respect to the sale and issuance of the Notes are hereby approved, and the President of the Board, the Secretary of the Board, the Superintendent of the District, the Bond Program Manager of the District, the Chief Business Official of the District, and any other officer of the District to whom authority is delegated by one of the named officers for the purposes of the Notes are hereby authorized and directed for and in the name of and on behalf of the District, to do any and all things and take any and all actions relating to the execution and delivery of any and all certificates, requisitions, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this Resolution. Whenever the Superintendent is authorized to take any action hereunder, the Authorized District Representative is hereby authorized to take such action on behalf of this Board.

Section 16. Effective Date: This Resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED this day, June 11, 2019, by the following vote:

AYES: DiBrienza, Collins, Baten Caswell, Dauber, Dharap

NOES:

ABSTAIN:


ABSENT:

APPROVED:



President of the Board of Education
of the Palo Alto Unified School District

ATTEST:



Secretary of the Board of Education
of the Palo Alto Unified School District

SECRETARY'S CERTIFICATE

I, Dr. Don Austin, Secretary of the Board of Education of the Palo Alto Unified School District (the "Board of Education"), County of Santa Clara, California, do hereby certify as follows:

The attached is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education duly and regularly held at the regular meeting place thereof on June 11, 2019, and entered in the minutes thereof, of which meeting all of the members of said Board of Education had due notice and at which a quorum thereof was present, and said resolution was adopted by the following vote:

AYES: DiBrienza, Collins, Baten Caswell, Dauber, Dharap

NOES:

ABSTAIN:

ABSENT:

An agenda of said meeting was posted at least 72 hours before said meeting at 25 Churchill Avenue, Palo Alto, California, a location freely accessible to members of the public, and a brief description of said resolution appeared on said agenda. A copy of said agenda is attached hereto.

I have carefully compared the same with the original minutes of said meeting on file and of record in my office. Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand this 11th day of June, 2019.



Secretary of the Board of Education
Palo Alto Unified School District