



# Santa Barbara SCHOOL DISTRICTS

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Date: March 30, 2009  
To: Dr. J. Brian Sarvis, Superintendent  
From: Eric D. Smith, Deputy Superintendent  
Subject: Approval of Resolution No. 08/09-34 Authorizing the Borrowing of Not to exceed \$18 million in Funds for Fiscal Year 2009-10 and the Issuance and Sale of 2009-10 Tax and Revenue Anticipation Notes (TRANS) for the Santa Barbara School Districts

Action Agenda: X (Time Required: 10)

## Background

For California school districts, the major cash "in-flow" is from state revenue limit sources, which are comprised of state aid and local property taxes. The major cash "out-flow" is for compensation, including salary and benefits. For most school districts, this component of the budget consists of 85 to 90 percent of the total expenditures in the general fund. State revenue limit funds are distributed to school districts on a monthly basis throughout the fiscal year. However, the majority of property taxes are received in December and April. Payrolls for most districts start in July and increase significantly in September when teachers return to school. As a result, fluctuations in cash flow occur in November, December, March and April, due to the unequal distribution of property taxes throughout the fiscal year.

Low cash periods can be managed through cash-flow analysis and utilizing alternative cash resources. School districts in California have traditionally managed low or negative cash periods through short-term financing, such as issuing Tax Revenue Anticipation Notes (TRANS) or borrowing from other funds. The issuance of a TRAN is the preferred alternative because the districts can borrow at tax exempt rates and invest the proceeds in taxable investment instruments. This "spread" between the interest cost to borrow and the interest earnings on investments results in increased revenue to the districts. In previous years this revenue was significant. However, as a result of declining interest rates, this margin between interest income and interest expense is nominal. As a result, the amount of interest earning from the issuance of a TRAN will be negligible. Nonetheless, we need to issue the TRANS to cover periods of low cash throughout the year.

This year we have opted to pool our TRANS with other Santa Barbara County school districts, including Goleta Union School District, Guadalupe Union Elementary School District, Orcutt Union Elementary School District and the Santa Maria Joint Union High School District.

## Fiscal Impact

Negligible.

## Recommendation

That the board approve Resolution 08/09-34 Authorizing the Borrowing of not to exceed \$18 million in Funds for Fiscal Year 2009-10 and the Issuance and Sale of a 2009-10 Tax and Revenue Anticipation Notes for the Santa Barbara School Districts.

<b>Attachment(s)?</b>	<input checked="" type="checkbox"/>	<b>Yes</b> (if so, please attach)	<input type="checkbox"/>	<b>No</b>	<input type="checkbox"/>	PowerPoint	<input type="checkbox"/>	Overhead	<input checked="" type="checkbox"/>	Consultant
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Adams Elementary School Cesar Chavez Charter School Cleveland Elementary School Franklin Elementary School Harding Elementary School	McKinley Elementary School Monroe Elementary School Open Alternative School Peabody Charter School	Roosevelt Elementary School Santa Barbara Charter School Santa Barbara Community Academy Washington Elementary School	Goleta Valley Junior High School La Colina Junior High School La Cumbre Junior High School Santa Barbara Junior High School	Dos Pueblos High School La Cuesta Continuation High School San Marcos High School Santa Barbara High School Home School Santa Barbara
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RESOLUTION NO. 2008/09-34  
BOARD OF EDUCATION  
SANTA BARBARA SCHOOL DISTRICTS  
SANTA BARBARA, CALIFORNIA

IN THE MATTER OF BORROWING FUNDS FOR FISCAL YEAR 2009-2010  
AND AUTHORIZING THE ISSUANCE AND SALE OF 2009-2010 TAX  
AND REVENUE ANTICIPATION NOTES FOR THE SANTA BARBARA  
SCHOOL DISTRICTS AND AUTHORIZING THE EXECUTION AND  
DELIVERY OF DOCUMENTS RELATED THERETO

R E C I T A L S:

WHEREAS, school districts are authorized by Sections 53850 to 53858, both inclusive, of the Government Code of the State of California (herein called, the "Act") (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code) to borrow money by the issuance of temporary notes;

WHEREAS, this Board of Education (herein called the "Board") has determined that the sum of not to exceed Eighteen Million Dollars (\$18,000,000) is needed for the requirements of the Santa Barbara School Districts (herein called the "District"), a public body corporate and politic situated in the County of Santa Barbara (herein called the "County"), to satisfy obligations 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 (herein called the "Notes") therefor in anticipation of the receipt of taxes, income, revenue, cash receipts and other moneys to be received by the District during or attributable to Fiscal Year 2009-2010;

WHEREAS, to the extent required by law, the District requests the Board of Supervisors of the County to borrow, on the District's behalf, the Notes in an amount not to exceed the authorized amount;

WHEREAS, pursuant to Section 53853 of the Act, if the Board of Supervisors of the County fails or refuses to authorize the issuance of the Notes within forth-five calendar days following receipt of this Resolution, the District may issue the Notes in its name in conjunction with a note or notes of another school districts;

WHEREAS, it appears, and this Board of Education hereby finds and determines, that said sum of Eighteen Million Dollars (\$18,000,000), when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys of the District attributable to Fiscal Year 2009-2010, and available for the payment of the principal of the Notes and the interest thereon;

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 for the Fiscal Year 2009-2010;

WHEREAS, pursuant to Section 53856 of the Act, certain moneys which will be received by the District during and attributable to Fiscal Year 2009-2010 can be pledged for the payment of the principal of the Notes and the interest thereon (as hereinafter provided);

WHEREAS, the District hereby authorizes the issuance of the Notes in the aggregate principal amount not to exceed Eighteen Million Dollars (\$18,000,000);

WHEREAS, the District has determined that it is in the best interests of the District to participate in the Santa Barbara County Schools Financing Authority (the "Authority") 2009-10 Tax and Revenue Anticipation Notes, TRAns Program (the "Program"), whereby participating school districts, each as may direct by form of resolution substantially similar to this Resolution will, on one or more dates in Fiscal Year 2009-2010, simultaneously issue tax and revenue anticipation notes;

WHEREAS, the Program requires the participating school districts to deposit their tax and revenue anticipation notes with a trustee, for the benefit of the Authority, so that the Authority may pledge such notes as security for the issuance of its own 2009-10 Tax and Revenue Anticipation Notes (the "Authority Notes"), pursuant to a trust agreement, a form of which has been presented to this meeting, between the Authority and U.S. Bank National Association, as trustee thereunder (the "Trustee");

WHEREAS, the Program requires that the Authority execute and deliver the Authority Notes and that the proceeds of such Authority Notes be used to purchase the tax and revenue anticipation notes to be issued by the participating school districts, including the District's Notes, all as provided in the contract of purchase (the "Contract of Purchase"), by and among the Authority, each of the participating school districts and the underwriter named therein;

WHEREAS, pursuant to the Program, each participating school district will be responsible for its share of the fees of the Trustee and the costs of issuing the Authority Notes and the school district's notes;

WHEREAS, it is necessary to engage the services of certain professionals to assist the District in its participation in the Program; and

WHEREAS, the District has full legal right, power and authority under the Constitution and the laws of the State of California to enter into the transactions hereinafter authorized;

NOW, THEREFORE, the Board of Education of the Santa Barbara School Districts hereby finds, determines, declares and resolves as follows:

Section 1. Recitals True and Correct. All the above recitals are true and correct and this Board so finds, determines and represents.

Section 2. Authorization and Issuance.

(A) The Board hereby determines to borrow and, to the extent required by the Act, requests the Board of Supervisors of the County to borrow on behalf of the District, solely for the purpose of anticipating taxes, income, revenues, cash receipts and other moneys to be received by the District allocable to Fiscal Year 2009-2010, and not pursuant to any common plan of financing of the District, by the issuance by the Board of Supervisors of the County, in the name of the District, of the District's notes in an amount not to exceed the aggregate principal sum of Eighteen Million Dollars (\$18,000,000), by the issuance of temporary notes in one or more series under Sections 53850 *et seq.* of the Government Code, designated the "Santa Barbara School Districts, Santa Barbara County, California, 2009-2010 Tax and Revenue Anticipation Notes."

(B) The Notes shall be initially issued and registered as provided in Section 9 hereof and otherwise shall be in the denomination of \$5,000 or any integral multiple thereof, and shall be dated the date of issuance thereof, shall mature (without option of prior redemption) not more than twelve (12) months thereafter, and shall bear interest, payable not more than one year from the date of issuance and at maturity computed on the basis of a 360-day year composed of twelve 30-day months, at the rate per annum determined at the time of the sale thereof, not to exceed 4.0% and resulting in a true interest cost to the District of not to exceed 4.0% per annum.

(C) The Notes shall be issued in conjunction with the notes of one or more other school districts as part of the Program and within the meaning of Section 53853 of the Act, upon the determination of the Authorized District Representative (as described below) at the time of sale of the Notes that the participation in such Program is in the best financial interests of the District. The terms of the Notes shall be set forth in the Contract of Purchase when executed and delivered pursuant to Section 3 hereof. Interest due on each Note shall be payable on the maturity thereof. Both the principal of and interest payable at maturity on the Notes shall be payable in lawful money of the United States of America, only to the registered owners of the Notes upon surrender thereof at the office of the Trustee in Los Angeles, California, upon the maturity thereof. No interest shall be payable on any Note for any period after maturity during which the registered owner thereof fails to properly present such Note for payment.

(D) At any time after the sale of the Notes, the District shall execute the Notes for issuance hereunder and shall deliver them to the Trustee, and thereupon such Notes shall be authenticated and delivered by the Trustee to the purchaser thereof upon the written request of the District and upon receipt of payment therefor from the purchaser thereof. Under the Program, the Notes shall be registered in the name of the Authority and held by the Trustee for the benefit of the Authority Noteholders, all as further provided in the Trust Agreement.

(E) In the event (i) the Board of Supervisors of the County fails or refuses to authorize the issuance of the Notes within forth-five calendar days following receipt of this Resolution, or (ii) the Act is amended to permit the issuance of the Notes by the District without requiring the District to first request the County to issue the Notes on its behalf, this Board hereby authorizes the issuance of the Notes, in the District's name, pursuant to the terms stated in this Resolution, with such appropriate changes to the registration and delivery thereof as determined appropriate by the Authorized District Representative (described below).

Section 3. Sale of Notes; Approval of Contract of Purchase; Program Approval.

(A) The Contract of Purchase for the purchase of the Notes is hereby approved, and the Superintendent of the District (the "Superintendent"), or the Assistant Superintendent, Business Services or a designee of any of the foregoing (each an "Authorized District Representative") is hereby authorized and requested to execute and deliver the Contract of Purchase, for and in the name and on behalf of the District, substantially in the form on file with the Clerk of the Board of Education (the "Clerk"), with such additions, changes and corrections therein as said officer shall require or approve, such approval to be conclusively evidenced by the execution thereof, and to execute and deliver such other documents required to be executed and delivered thereunder, for and in the name and on behalf of the District. The Board of Education deems it necessary and desirable to authorize the sale of said Notes by a negotiated sale to an underwriter (the "Underwriter") to be selected by the District as set forth in a Contract of Purchase to be executed at the time of the sale of the Notes.

The Authorized District Representative executing the Contract of Purchase on behalf of the District may approve an interest rate on the Notes not to exceed 4.0% per annum such that the true interest cost to the District thereon shall not exceed 4.0% per annum and may approve the sale of the Notes to the Authority, so that the Authority may, in turn, sell its Authority Notes to the Underwriter. The Underwriter's compensation (exclusive of costs of issuance) for the transaction shall not exceed Twenty-Seven Thousand Dollars (\$27,000) or 0.15%, whichever is greater, of the principal amount thereof. All the Notes shall be sold to the Authority to facilitate the sale of the Authority Notes to the Underwriter, in accordance with terms of the Contract of Purchase.

(B) The Notes shall be offered simultaneously with the notes of the other participating school districts to the Authority so that the aggregate principal amount of all such notes shall equal the principal amount of the Authority Notes to be offered and sold by the Underwriter, all as described in the Preliminary Official Statement related to the Authority Notes, all as described in Section 12 of this Resolution.

(C) The Contract of Purchase shall recite the aggregate principal amount, dated date, interest payment date or dates, maturity date, and interest rate of the Notes and shall specify the costs of issuance to be paid by the Underwriter and the Underwriter's compensation, all as shall be agreed upon by the Authorized District Representative executing the Contract of Purchase on behalf of the District, subject to the limitations set forth above.

(D) The Notes shall be marketed and sold simultaneously with the notes of the other participating school districts to facilitate the sale and marketing of the Authority Notes that evidence and represent an interest in several, and not joint, obligations of each participating school district. The obligation of the District to the holder of the Authority Notes is a several and not a joint obligation and is strictly limited to the District's repayment obligation of its Notes under this Resolution and the resolution of the County providing for the issuance of the Notes, if applicable. The District hereby recognizes the right of the holders of the Authority Notes acting directly or through the Trustee to enforce the obligations and covenants contained in the

Authority Notes, this Resolution and the Trust Agreement, as related to the payment of the principal and interest payments on the Notes and, in turn, the Authority Notes.

Section 4. Disposition of Proceeds of Notes.

(A) The proceeds of the Authority Notes allocable to the District's Notes, shall be deposited in the appropriate subaccount of the Costs of Issuance Fund and the Proceeds Fund to be held by the Trustee, all as further provided in the Trust Agreement.

Moneys deposited in the District's subaccount of the Costs of Issuance Fund shall be applied to pay the District's share of the costs of issuance as further provided in Schedule II of the Trust Agreement.

All moneys deposited in the District's subaccount of the Proceeds Fund shall be invested in the County of Santa Barbara Investment Pool or, at the written direction of the District, in Permitted Investments (as hereinafter defined), and the proceeds of such investments shall be credited to the District's subaccount of the Proceeds Fund.

Amounts in the District's subaccount of the Proceeds Fund shall be withdrawn and expended by the District for any purpose for which the District is authorized to expend funds from the General Fund of the District, but (except for costs related to the issuance of the Notes) 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 Section, "otherwise available funds" excludes amounts that are held or set aside in a reasonable working capital reserve (as described in the tax certificate of the District delivered upon issuance of the Notes and, in any event, not exceeding five percent (5%) of the District's total working capital expenditures from its available funds in fiscal year 2009-2010). If on the date that is six months from the date of issuance of the Notes all amounts attributable to the proceeds of the Notes (including investment earnings thereon) have not been so expended, the District shall promptly notify Hawkins Delafield & Wood LLP ("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 Internal Revenue Code of 1986, as amended (the "Code").

(B) The term "Permitted Investments" means any of the following:

(1) "United States Treasury and Agency Obligations" meaning:

(a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America;

(b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;

(c) obligations of or fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America, which obligations are rated at least "AA" by Standard & Poor's and "Aa2" by Moody's Investors Service; or

(d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Money market funds rated at least “AAm” or “AAm-G” by Standard & Poor’s and Aa by Moody’s Investors Service.

(3) Forward purchase and delivery agreements (i) the securities delivered under which are described above in Section 4(B)(1), and (ii) entered into with, or the obligations of which are guaranteed by, a domestic bank, financial institution, broker, dealer or insurance company the financial capacity to honor its senior obligations of which is rated at least “AA-” by Standard & Poor’s and “Aa3” by Moody’s Investors Service.

(4) Investment agreements with, or the obligations of which are guaranteed by, (a) a domestic bank, financial institution or insurance company the financial capacity to honor its senior obligations of which is rated at least “AA” by Standard & Poor’s and “Aa2” by Moody’s Investors Service; or (b) a foreign bank the long-term debt of which is rated at least “AA” by Standard & Poor’s and “Aa2” by Moody’s Investors Service (a “Qualified Provider”); provided, that, by the terms of the investment agreement:

(i) if for the Repayment Fund, interest and principal payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Notes;

(ii) if for the Proceeds Fund, the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided, that, the Trustee shall give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(iv) a fixed guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under this Resolution;

(v) the term of the investment agreement shall not exceed the term of the Notes;

(vi) the District or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the District and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms;

(vii) the investment agreement shall provide that if during its term the provider's (or, if guaranteed, the guarantor's) rating by either Standard & Poor's or Moody's Investors Service falls below "AA" or "Aa2," respectively, the provider must within 10 business days assign the investment agreement to a Qualified Provider reasonably acceptable to the District or collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") United States Treasury and Agency Obligations which are free and clear of any third-party liens or claims at the Collateral Levels set forth below in (x);

(viii) the investment agreement shall state that the Holder of the Collateral will have a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(ix) the investment agreement must provide that if during its term

(aa) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or the Trustee, as appropriate, and

(bb) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall be accelerated upon the conditions specified in the investment agreement and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or the Trustee, as appropriate.

(x) the Collateral of United States Treasury and Agency Obligations securing the investment agreement, if any, shall be maintained at such levels and valued at such frequencies as shall be necessary to maintain the highest short-term rating on the Notes by Moody's Investors Service and Standard & Poor's.

(5) The County of Santa Barbara Investment Pool.

(6) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California.



(C) At any time that the Trustee holds money hereunder and has not received direction from the District as to the investment thereof, the Trustee shall invest such moneys in the County of Santa Barbara Investment Pool described in Section 4(B)(5) above.

Section 5. Source of Payment.

(A) The principal of and interest on the Notes shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the District for the General Fund of the District for the fiscal year 2009-2010 and which are lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues").

(B) In order to effect the pledge of the District referred to in this Section 5, the District agrees to cause the establishment and maintenance of a subaccount within the Note Payment Fund as a special fund of the District to be held by the Trustee under the Trust Agreement. The District will cause the Trustee to maintain such subaccount of the Note Payment Fund established under the Trust Agreement until the payment of the principal and interest on the Notes and the District agrees to cause to be deposited (and the District shall request specific amounts from the District's funds on deposit with the County Treasurer for such purpose) directly therein on the repayment months until the amount on deposit in such subaccount of the Note Payment Fund, taking into consideration anticipated investment earnings thereon to be received and deposited therein on or before the Maturity Date, is equal in the respective repayment month as further identified in Section 5(C) of this Resolution. Amounts in the District's subaccount of the Note Payment Fund are hereby pledged to the payment of the Notes and the specific repayment amounts shall be as further provided in the Official Statement related to the Authority Notes.

(C) As security for the payment of the principal of and interest on the Notes, the District has pledged to transfer to the Trustee for deposit in the District's subaccount of the Note Payment Fund: an amount equal to twenty-five percent (25%) of the principal amount of the Notes in the month ending February 28, 2010; an amount equal to twenty-five percent (25%) of the principal amount of the Notes in the month ending March 31, 2010; an amount equal to twenty-five percent (25%) of the principal amount of the Notes in the month ending April 30, 2010; an amount equal to twenty-five percent (25%) of the principal amount of the Notes, plus an amount sufficient to pay all interest due and payable at the maturity of the Notes and any deficiency in the amount required to be deposited by that District in any prior month in the month ending May 31, 2010. The amounts pledged by the District for transfer to the Trustee for deposit into the District's subaccount of the Note Payment Fund from the Unrestricted Revenues received during each indicated period are hereinafter called the "Pledged Revenues."

(D) In the event that there have been insufficient Unrestricted Revenues received by the District by the last business day of any such period to permit the transfer to the Trustee for deposit into the District's subaccount of the Note Payment Fund of the full amount of the Pledged Revenues required to be deposited with respect to such period, then the amount of any deficiency in that subaccount of the Note Payment Fund shall be satisfied and made up from any other moneys 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 Moneys”) on such date or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Moneys are received by the District.

(E) The Note Payment Fund and the Subaccounts thereof shall be held by the Trustee, in trust, and applied only for the purposes and as directed in this Resolution and the Trust Agreement. Any moneys deposited in the District’s subaccount of the Note Payment Fund shall be for the benefit of the owners of the Notes. All amounts in the District’s subaccount of the Note Payment Fund shall be held by the Trustee, as trustee and pledge holder for the benefit of the owners of the Notes. Amounts held in the District’s subaccount of the Note Payment Fund in excess of the amount needed to pay the principal of and interest on the Notes when due shall be transferred by the Trustee to the District.

Section 6. Pledged Revenues.

(A) Unless otherwise specified in the Contract of Purchase, the Pledged Revenues with respect to the period in which received shall be transferred or caused to be transferred by the District to the Trustee for deposit in the District’s subaccount of the Note Payment Fund by the third business day prior to the end of each respective period, and applied as directed in this Resolution; and the Other Pledged Moneys, if any, shall be transferred or caused to be transferred by the District to the Trustee for deposit in the District’s subaccount of the Note Payment Fund on the last business day of such month and on each business day thereafter, until the full amount of the moneys required by Section 5(C) has been so deposited in the District’s subaccount of the Note Payment Fund; provided, that, if on the date that is six months from the date of issuance of the Notes all amounts attributable to the proceeds of such Notes (including investment earnings thereon) have not been expended in accordance with Section 4, the amounts to be transferred to the Trustee for deposit in the District’s subaccount of the Note Payment Fund during the month in which received shall be transferred to the Trustee for deposit as soon as received. The principal of and interest on the Notes constitute a first lien and charge on, and shall be payable from, moneys in the District’s subaccount of the Note Payment Fund. Moneys in the District’s subaccount of the Note Payment Fund shall be applied only as hereinafter in this Section 6 provided or as further provided in the Trust Agreement.

(B) The Trustee shall use the moneys in the District’s subaccount of the Note Payment Fund on the maturity date of the Notes to pay the principal of and interest on the Notes then due. Any moneys remaining in the District’s subaccount of the Note Payment Fund after all such payments, or after provision for such payments have been made, shall be transferred by the Trustee to the General Fund of the District.

(C) Moneys in the District’s subaccount of the Note Payment Fund shall be invested at the written direction of the District by the Trustee in Permitted Investments, except that no moneys shall be invested in investments having a maturity date later than the maturity date of the Notes to which such investment relates. If the District does not provide such direction, the Trustee shall invest in Permitted Investments described in Section 4(B)(5). The proceeds of any such investments shall be retained in the District’s subaccount of the Note Payment Fund until payment of principal of and interest on the Notes (or provision therefor) has been made in accordance with paragraph (B), at which time any excess amount shall be transferred by the Trustee to the District for deposit in the General Fund of the District.

Section 7. Execution of Notes. Any one of the County Treasurer, or, in the absence of said officer, his or her duly appointed assistant, the Chairperson of the Board of Supervisors of the County or the Auditor (or comparable financial officer) of the County shall be authorized to execute the Notes by manual or facsimile signature and the Clerk of the Board of Supervisors of the County or any Deputy Clerk shall be authorized to countersign the Notes by manual or facsimile signature and to affix the seal of the County to the Notes either manually or by facsimile impression thereof. In the event the Notes are issued by the District under the circumstances described in Section 2(E) hereof, any one of the Chair or President of the Board of Education of the District or any other member of such board shall be authorized to execute the Notes by manual or facsimile signature and the Secretary of the Board of Education of the District, the Superintendent of the District, or any other Authorized District Representative is hereby authorized to countersign the Notes by manual or facsimile signature and to affix the seal of the District thereto by impressing the seal or by imprinting a facsimile of the seal thereon. Said officers are hereby authorized to cause the blank spaces in Exhibit A to be filled in as may be appropriate and to deliver the Notes to the Trustee.

In case any officer whose signature appears on the Notes shall cease to be such officer before the delivery of the Notes to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Notes.

Only those Notes bearing thereon a certificate of authentication and registration in the form hereinafter recited, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Notes so authenticated have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 8. Form of Notes and Certificate of Authentication and Registration. The Notes shall be issued in fully registered form without coupons and the Notes and the Certificate of Authentication and Registration shall be substantially in the form and substance set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures.

Section 9. Delivery of Notes; Non-Negotiability of Notes.

The Authorized District Representatives are hereby requested and directed to deliver the Notes to the Trustee, to be held in trust for the benefit of the Authority, upon payment therefor in accordance herewith and in accordance with the terms of the Contract of Purchase executed in connection with the Notes, the Authority Notes and the Trust Agreement. All actions heretofore taken by the officers and agents of the District with respect to the Notes are hereby approved, confirmed and ratified, and the officers of the District are hereby authorized and directed to do any and all things and take any and all actions including but not limited to those described herein, 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 and any resolutions hereafter adopted by this Board.

Upon delivery of the Notes to the Trustee, such Notes shall be lodged in trust with the Trustee and maintained in such trust until their scheduled maturity and payment in full. The Notes shall not be transferable or assignable by the Trustee. Notwithstanding the foregoing, in the event that the Notes should be lost, stolen, destroyed or mutilated prior to their stated maturity, the District shall cause to be issued a new Note or Notes of the same tenor, term and maturity as the original to replace the same upon such reasonable terms and conditions, including the payment of costs and the posting of a surety bond, as may from time to time be determined and prescribed by the Authorized District Representative.

Section 10. General Covenants. It is hereby covenanted and warranted by the District that all representations and recitals contained in this Resolution are true and correct and that the Board and the District, and their 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, the Trust Agreement and the Notes and shall cause the Notes to be paid when due in accordance with their terms.

Section 11. Tax Covenants: Rebate Fund.

(A) The District covenants that it shall 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, shall segregate and set aside from lawfully available sources the amount such calculations may indicate may be required to be paid to the United States Treasury and shall 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 referred to in Section 4 hereof, to assure that interest paid on the Notes shall, for the purposes of federal income taxes and California personal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation. As part of the performance of the covenant contained in the preceding sentence, promptly after six months from the date of the issuance of each series of Notes, the District will reasonably and prudently calculate the amount of the Note proceeds which have been expended, with a view to determining whether or not the District has met the requirements of Section 148(f)(4)(B) of the Code with respect to the Notes, and if it has not met such requirements, it will reasonably and prudently calculate the amount, if any, of investment profits which must be rebated to the United States and will immediately set aside, from revenues attributable to the 2009-2010 Fiscal Year or, to the extent not available from such revenues, from any other moneys lawfully available, the amount of any such rebate in the Fund referred to in paragraph (B) of this Section 11.

(B) If the District has not met the requirements of Section 148(f)(4)(B) of the Code with respect to the Notes, the District shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the "2009-2010 Tax and Revenue Anticipation Note Rebate Fund" (the "Rebate Fund"). There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein in accordance with the written instructions from Bond Counsel pursuant to Section 4 hereof.

(C) Notwithstanding any other provision of this Resolution to the contrary, upon the District's failure to observe, or refusal to comply with, the covenants contained in this Section, no one other than the owners or former owners of the Notes or the Trustee 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, such covenants.

(D) The covenants contained in this Section shall survive the payment of the Notes.

(E) Notwithstanding any provision of this Section, if the District shall provide to the Trustee 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 Trustee and 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.

(F) Small Issuer Exemption from Bank Nondeductibility Restriction. The District hereby designates the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code and hereby covenants that (i) the Notes do not constitute private activity bonds as defined in Section 141 of the Code, and (ii) not more than \$30,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income taxes (excluding, however, private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the Notes, have been or shall be issued by or on behalf of the District, including all subordinate entities of the District, during the calendar year 2009.

(G) Exemption from Rebate Requirement. The District is a governmental unit with the power to impose taxes of general applicability which, when collected, may be used for general purposes of the District; the Notes are not private activity bonds within the meaning of Section 141 of the Code; and ninety-five percent (95%) of the Net Sale Proceeds of the Notes are to be used for local governmental activities of the District. The aggregate face amount (or, issue prices, in the case of issues with a net original issue discount or net original issue premium in excess of two percent (2%) of the principal amount of the issue, excluding original issue premium used for reasonable underwriter's compensation) of all tax-exempt obligations (other than private activity bonds as defined in section 141 of the Code) issued by the District, including all subordinate entities of the District and all entities which may issue obligations on behalf of the District, during the calendar year during which the Notes are being issued, is not reasonably expected to exceed \$15,000,000, of which no more than \$5,000,000 is for other than the construction of public school facilities, excluding, however, that portion of current refunding obligations having a principal amount not in excess of the principal amount of the refunded obligation. By reason of the statements set forth in this subparagraph, the District will not rebate excess investment earnings, if any, to the federal government.

Section 12. Official Statement for Notes. The proposed form of the Official Statement relating to the Authority Notes and the Notes, in substantially the form on file with the Clerk, is hereby approved with such additions, changes and corrections as an Authorized District

Representative may approve. The Underwriter is hereby authorized to distribute copies of such Official Statement in preliminary form to the potential purchasers of the Authority Notes and the Notes and is hereby authorized and directed to deliver such Official Statement in final form to all purchasers of the Notes. The Superintendent or any other Authorized District Representative is authorized to certify to the Underwriter on behalf of the District that the preliminary form of the Official Statement is 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).

Section 13. Continuing Disclosure Certificate. The form of instrument, entitled "Continuing Disclosure Certificate," to be dated as of its date of execution, in substantially the form submitted to this meeting (a copy of which is on file with the Clerk as an exhibit to the proposed form of Official Statement), is hereby approved. The Superintendent, the Assistant Superintendent, Business Services, or any other Authorized District Representative is authorized and directed to execute and deliver on behalf of the District an instrument in substantially said form, with such changes therein as such officer executing such instrument may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate consistent with the requirements of the Securities and Exchange Commission Rule 15c2-12.

Section 14. Approval of Actions. All actions heretofore taken by the officers and agents of the District or this Board with respect to the sale and issuance of the Notes are hereby approved, confirmed and ratified and the officers and agents of the District and this Board are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions and execute any and all certificates, 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 and to manage the Note proceeds and repayment funds, including without limitation the execution and delivery of agreements with paying agents, security depositories and investment agreement providers.

Section 15. This Resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this 14th day of April, 2009 by the following vote:

AYES:

NOES:

ABSENT:

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Clerk of the Board of Education  
of Santa Barbara School Districts

EXHIBIT A  
FORM OF NOTE

REGISTERED

REGISTERED

No. R-\_\_

\$ \_\_\_,000,000

SANTA BARBARA SCHOOL DISTRICTS  
SANTA BARBARA COUNTY, CALIFORNIA,  
2009-2010 TAX AND REVENUE ANTICIPATION NOTE

Rate of Interest:

Note Date:

Maturity Date:

July 1, 2009

June 30, 2010

Registered Owner:

Principal Amount: \_\_\_\_\_ MILLION DOLLARS

FOR VALUE RECEIVED, the Santa Barbara School Districts (the "District"), State of California, acknowledges itself indebted to and promises to pay to the Registered Owner identified above, or registered assigns, at the office of the U.S. Bank National Association in Los Angeles, California, as trustee (the "Trustee"), under that certain Trust Agreement, dated as of July 1, 2009 (the "Trust Agreement"), the Principal Amount specified above, in lawful money of the United States of America, on the Maturity Date specified above, together with interest thereon payable at the maturity thereof, at the Rate of Interest per annum set forth above (computed on the basis of a 360-day year composed of twelve 30-day months) in like lawful money from the Note Date specified above until payment in full of said principal sum. The principal of and interest on this Note payable at the maturity thereof shall be payable only to the registered owner hereof upon surrender of this Note at the office of the Trustee as the same shall fall due; provided, however, that no interest shall be payable for any period after maturity during which the registered owner hereof fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note is one of a series of Notes of the series specified above and is part of an issue of Notes entitled "Santa Barbara School Districts, Santa Barbara County, California, 2009-2010 Tax and Revenue Anticipation Notes" (the "Notes"), authorized in the aggregate principal amount of not to exceed \_\_\_\_\_ Million Dollars (\$ \_\_\_\_\_), all of like tenor, made, executed and given pursuant to the authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code and all laws amendatory thereof or supplemental thereto, and under and pursuant to the provisions of a resolution (the "Resolution"), of the Board of Education of the District, duly passed and adopted on April 14, 2009, authorizing the issuance of the Notes, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.



The principal of and interest on the Notes shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the District for the General Fund of the District for the fiscal year 2009-2010 and which are 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 has pledged to transfer to the Trustee for deposit in the District's subaccount of the Note Payment Fund (as defined in the Resolution): an amount equal to twenty-five percent (25%) of the principal amount of the Notes in the month ending February 28, 2010; an amount equal to twenty-five percent (25%) of the principal amount of the Notes in the month ending March 31, 2010; an amount equal to twenty-five percent (25%) of the principal amount of the Notes in the month ending April 30, 2010; an amount equal to twenty-five percent (25%) of the principal amount of the Notes, plus an amount sufficient to pay all interest due and payable at the maturity of the Notes and any deficiency in the amount required to be deposited by that District in any prior month in the month ending May 31, 2010. The amounts pledged by the District for transfer to the Trustee for deposit into the District's subaccount of the Note Payment Fund from the Unrestricted Revenues received during each indicated period are hereinafter called the "Pledged Revenues." The Pledged Revenues shall be transferred to the Trustee for deposit in the District's subaccount of the Note Payment Fund at the intervals specified in the Resolution. The principal of and interest on the Notes shall constitute a first lien and charge on, and shall be payable from, moneys in the District's subaccount of the Note Payment Fund.

In addition, in the event that there have been insufficient Unrestricted Revenues received by the District by the last business day of any such period to permit the transfer to the Trustee for deposit into the District's subaccount of the Note Payment Fund of the full amount of the Pledged Revenues required to be deposited with respect to such period, then the amount of any deficiency in the District's subaccount of the Note Payment Fund shall be satisfied and made up from any other moneys 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 Moneys") on such date or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Moneys are received by the District.

This Note shall be held by the Trustee for the benefit of the Authority as the registered owner until the scheduled maturity and payment of the Note. This Note shall not be transferable or assignable by the Trustee.

The District and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the District nor the Trustee shall be affected by any notice to the contrary.

This Note shall not be valid or become obligatory for any purpose until the Certificate of Registration hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the Santa Barbara School Districts has caused this Santa Barbara School Districts, Santa Barbara County, California, 2009-2010 Tax and Revenue Anticipation Note to be executed by the manual or facsimile signature of the President of its Board of Education and countersigned by the manual or facsimile signature of the Clerk of its Board of Education and caused its official seal to be impressed hereon, all as of the Note Date specified above.

SANTA BARBARA SCHOOL DISTRICTS

By: \_\_\_\_\_  
President of the Board of Education

(SEAL)

Countersigned:

\_\_\_\_\_  
Clerk of the Board of Education

FORM OF TRUSTEE'S CERTIFICATE OF  
AUTHENTICATION AND REGISTRATION

This Note is one of the Santa Barbara School Districts, Santa Barbara County, California, 2009-2010 Tax and Revenue Anticipation Notes, which Note has been authenticated and registered on the date set forth below.

Date of Authentication: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By: \_\_\_\_\_  
Authorized Officer

CLERK'S CERTIFICATE

I, \_\_\_\_\_, Clerk of the Board of Education of the Santa Barbara School Districts, County of Santa Barbara, hereby certify as follows:

The foregoing is a full, true and correct copy of a Resolution duly passed and adopted by said Board of Education at a regular meeting of the Board of Education of said District duly and regularly held at the regular meeting place thereof on the 14th day of April, 2009, of which meeting all of the members of said Board of Education had due notice and at which a majority thereof were present; and at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSENT:

An agenda of said meeting was posted at least 72 hours before said meeting at 720 Santa Barbara Street, Santa Barbara, California, a location freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda.

I have carefully compared the same with the original minutes of said meeting on file and of record in my office; the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and 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 \_\_\_\_\_ day of April, 2009.

\_\_\_\_\_  
Clerk of the Board of Education  
Santa Barbara School Districts  
County of Santa Barbara, California

AFFIDAVIT OF POSTING OF AGENDA

STATE OF CALIFORNIA    )  
  ) ss.  
COUNTY OF SANTA BARBARA    )

\_\_\_\_\_ hereby declares that \_he is a citizen of the United States of America, over the age of 18 years; that acting for the Board of Education of the Santa Barbara School Districts, County of Santa Barbara \_he posted on \_\_\_\_\_, 2009 at 720 Santa Barbara Street, Santa Barbara, California, a location freely accessible to members of the public, at least 72 hours prior to said meeting, an agenda for the regular meeting of the Board of Education of the Santa Barbara School Districts, County of Santa Barbara, to be held on April 14, 2009, a copy of which is attached hereto.

Dated: \_\_\_\_\_, 2009.

I declare under penalty of perjury that the foregoing is true and correct.

\_\_\_\_\_