September 29, 2011

San Diego Unified School District

Proposition S Audit

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Bond Program Variables

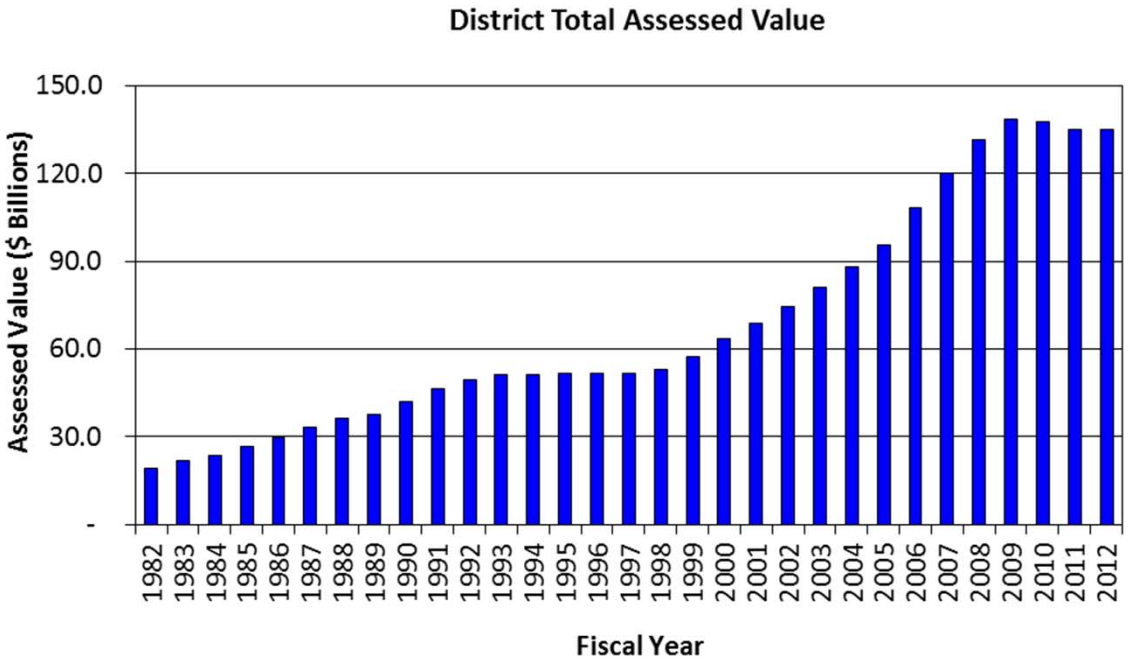
General obligation bond programs are structured based on projections of:

- District assessed valuation ("AV")
  - Projected growth impacts bond issuance schedule and issuance amounts
- Municipal bond interest rates
  - Function of:
    - Economic environment
    - Tax status
    - Length of bond repayment
    - Bond type (current interest bonds, capital appreciation bonds ("CABs") or convertible CABs)
- District facility needs
  - Construction cash flow vs. timing and amount of bond sales
- Available voter-approved tax capacity
  - Tax rate ≈ annual debt service / AV
  - Maximum estimate approved by registered voters of District
  - Proposition 39 limitations

District Assessed Value (1)

District assessed values have been negatively impacted by the real estate decline but appear to have stabilized

FY Ending	Total AV	Annual % Change
1982	19,248,410,411	
1983	21,741,773,069	12.95%
1984	23,614,470,074	8.61%
1985	26,522,360,117	12.31%
1986	29,595,062,542	11.59%
1987	33,204,951,691	12.20%
1988	36,505,246,245	9.94%
1989	37,829,320,929	3.63%
1990	41,796,455,725	10.49%
1991	46,436,959,406	11.10%
1992	49,658,640,459	6.94%
1993	51,273,775,725	3.25%
1994	51,365,624,402	0.18%
1995	51,503,165,288	0.27%
1996	51,813,126,379	0.60%
1997	51,823,360,632	0.02%
1998	53,102,124,533	2.47%
1999	57,342,043,605	7.98%
2000	63,590,856,897	10.90%
2001	68,914,092,936	8.37%
2002	74,558,996,509	8.19%
2003	80,806,653,526	8.38%
2004	87,856,623,236	8.72%
2005	95,685,708,742	8.91%
2006	108,123,995,636	13.00%
2007	120,172,905,029	11.14%
2008	131,390,290,644	9.33%
2009	138,537,419,084	5.44%
2010	137,384,723,473	-0.83%
2011	134,714,145,620	-1.94%
2012	134,993,695,091	0.21%



Growth Statistics

Annualized Growth Rates:		*Lowest Rolling Averages:*	
1-Year:	0.21%	3-Year:	-0.86%
5-Year:	2.35%	5-Year:	0.71%
10-Year:	6.12%	10-Year:	3.89%
15-Year:	6.59%	15-Year:	5.52%
20-Year:	5.13%		
25-Year:	5.77%		
30-Year:	6.71%		

(1) Source: San Diego County. Data from 1982 to 2012.

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District Assessed Value Components (1)

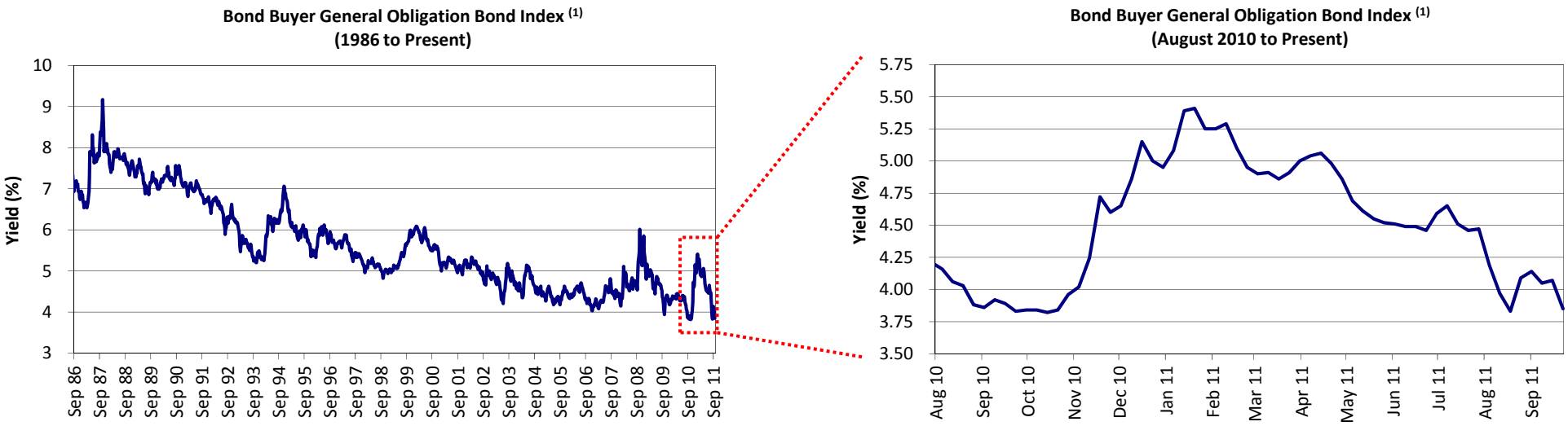
FY Ending	Total Secured	Annual % Change	Unsecured	Annual % Change	Total AV	Annual % Change
1989	35,135,768,162		2,693,552,767		37,829,320,929	
1990	38,706,742,442	10.16%	3,089,713,283	14.71%	41,796,455,725	10.49%
1991	42,951,294,777	10.97%	3,485,664,629	12.82%	46,436,959,406	11.10%
1992	46,161,685,007	7.47%	3,496,955,452	0.32%	49,658,640,459	6.94%
1993	47,650,817,173	3.23%	3,622,958,552	3.60%	51,273,775,725	3.25%
1994	47,716,002,946	0.14%	3,649,621,456	0.74%	51,365,624,402	0.18%
1995	47,657,200,518	-0.12%	3,845,964,770	5.38%	51,503,165,288	0.27%
1996	48,039,729,760	0.80%	3,773,396,619	-1.89%	51,813,126,379	0.60%
1997	47,935,288,123	-0.22%	3,888,072,509	3.04%	51,823,360,632	0.02%
1998	48,932,604,489	2.08%	4,169,520,044	7.24%	53,102,124,533	2.47%
1999	52,761,344,831	7.82%	4,580,698,774	9.86%	57,342,043,605	7.98%
2000	58,584,788,845	11.04%	5,006,068,052	9.29%	63,590,856,897	10.90%
2001	63,594,891,236	8.55%	5,319,201,700	6.26%	68,914,092,936	8.37%
2002	68,921,508,846	8.38%	5,637,487,663	5.98%	74,558,996,509	8.19%
2003	74,827,312,674	8.57%	5,979,340,852	6.06%	80,806,653,526	8.38%
2004	81,735,387,884	9.23%	6,121,235,352	2.37%	87,856,623,236	8.72%
2005	89,890,107,982	9.98%	5,795,600,760	-5.32%	95,685,708,742	8.91%
2006	102,050,513,365	13.53%	6,073,482,271	4.79%	108,123,995,636	13.00%
2007	113,538,122,272	11.26%	6,634,782,757	9.24%	120,172,905,029	11.14%
2008	125,102,539,475	10.19%	6,287,751,169	-5.23%	131,390,290,644	9.33%
2009	131,895,647,665	5.43%	6,641,771,419	5.63%	138,537,419,084	5.44%
2010	130,695,102,893	-0.91%	6,689,620,580	0.72%	137,384,723,473	-0.83%
2011	128,201,717,158	-1.91%	6,512,428,462	-2.65%	134,714,145,620	-1.94%
2012	128,882,563,303	0.53%	6,111,131,788	-6.16%	134,993,695,091	0.21%

(1) Source: San Diego County. Data from 1989 to 2012.

Interest Rates

Municipal bond interest rates have recently experienced significant volatility

- On September 22, 2011, bond interest rates declined significantly due to world recession fears (the Dow fell 391 points)



(1) Index reflects average yield to maturity of 20 general obligation bonds with 20-year maturities rated Aa2 by Moody's Investors Service. Source: The Bond Buyer & Bloomberg.

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Capital Appreciation Bonds

Below is an illustration of CAB rates when the District last issued vs. recent comps

- The District's name, rating and financing size should provide a benefit

	District:			San Diego USD	**District:**			San Diego CCD	**District:**			Belmont-Redwood Shores SD	**District:**			Escondido UHSD	
	Debt Type:			GOB	**Debt Type:**			GOB	**Debt Type:**			GOB	**Debt Type:**			GOB	
	Sale Date:			08/05/10	**Sale Date:**			07/07/11	**Sale Date:**			08/02/11	**Sale Date:**			09/22/11	
	Underlying Ratings:			Aa1/AA/--	**Underlying Ratings:**			Aa1/AA+/--	**Underlying Ratings:**			Aa2/AA/--	**Underlying Ratings:**			Aa2/AA-/--	
	Optional Redemption:			CABs: N/A	**Optional Redemption:**			CABs: N/A	**Optional Redemption:**			CABs: N/A	**Optional Redemption:**			CABs: N/A	
	Convertible CABs: 7/1/40@100%								Convertible CABs: 8/1/26@100%				Convertible CABs: 8/1/25@100%				
	Converts 7/1/2030 to coupon at yield								Converts 8/1/2021 to coupon at yield				Converts 8/1/2020 to coupon at yield				
Year	**Par (M)**	**Coupon**	**Yield**	**MMD Spread**	**Par (M)**	**Coupon**	**Yield**	**MMD Spread**	**Par (M)**	**Coupon**	**Yield**	**MMD Spread**	**Par (M)**	**Coupon**	**Yield**	**MMD Spread**	**Year**
1																	1
2																	2
3									11	-	1.860%	1.270%					3
4									38	-	2.170%	1.380%					4
5									77	-	2.590%	1.480%					5
6									106	-	3.050%	1.600%					6
7									137	-	3.530%	1.720%					7
8									160	-	3.950%	1.830%					8
9									180	-	4.310%	1.930%					9
10									93	-	4.630%	2.080%					10
11									42	-	4.990%	2.230%	13	-	4.560%	2.420%	11
12									68	-	5.260%	2.330%	24	-	4.840%	2.520%	12
13									88	-	5.500%	2.430%	34	-	5.090%	2.580%	13
14									44	-	5.720%	2.530%	43	-	5.310%	2.660%	14
15									566	-	5.450%	2.170%	50	-	5.460%	2.690%	15
16									133	-	6.000%	2.630%					16
17									60	-	6.090%	2.630%					17
18									68	-	6.180%	2.630%					18
19									171	-	6.270%	2.630%					19
20	9,423	-	6.100%	2.480%					178	-	6.370%	2.630%					20
									1,663	-	5.900%	2.160%					
21	2,986	-	6.220%	2.520%					354	-	6.460%	2.630%	2,412	-	5.450%	2.150%	21
22	3,056	-	6.320%	2.540%					472	-	6.540%	2.630%	91	-	6.060%	2.700%	22
23	3,260	-	6.410%	2.560%	2,599	-	6.530%	2.300%	284	-	6.620%	2.630%	286	-	6.110%	2.710%	23
24	3,491	-	6.440%	2.560%	2,408	-	6.590%	2.300%		-			340	-	6.120%	2.710%	24
25	5,842	-	6.460%	2.560%	2,240	-	6.630%	2.300%	3,132	-	6.300%	2.180%	354	-	6.120%	2.710%	25
26	5,901	-	6.470%	2.560%	2,092	-	6.650%	2.300%		-							26
27	5,950	-	6.480%	2.560%	1,959	-	6.660%	2.300%		-							27
28	5,986	-	6.490%	2.560%	1,832	-	6.670%	2.300%	942	-	6.790%	2.620%					28
29	6,011	-	6.500%	2.560%	1,715	-	6.680%	2.300%		-							29
30	6,027	-	6.510%	2.560%	1,605	-	6.690%	2.300%	597	-	6.810%	2.620%	2,074	-	6.150%	2.710%	30
31	5,925	-	6.580%	2.630%					361	-	6.830%	2.640%					31
32	5,829	-	6.640%	2.690%													32
33	5,775	-	6.670%	2.720%													33
34	5,676	-	6.720%	2.770%													34
35	4,007	-	6.750%	2.800%									4,583	-	6.200%	2.760%	35
36	2,568	-	6.800%	2.850%													36
37	1,159	-	6.800%	2.850%													37
38																	38
39																	39
40	74,999	-	6.625%	2.675%									9,699	-	6.300%	2.860%	40

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Proposition S Overview

On November 4, 2008, the District was authorized to issue $2.1 billion of general obligation bonds

- Voter-approved tax rate for all bonds (Proposition MM + Proposition S) of $66.70 per $100,000 of AV
- Proposition 39 maximum tax rate for Proposition S of $60 per $100,000 of AV

The District has issued $369,997,364.40 of the Proposition S authorization

- Series A on May 7, 2009 for $131,157,580.95
- Series B on May 7, 2009 for $38,840,000.00
- Series C on August 18, 2010 for $163,869,783.45
- Series D-1 on August 18, 2010 for $16,130,000.00
- Series D-2 on August 18, 2010 for $20,000,000.00

The District has unissued authorization of $1,730,002,635.60

Suggested Bond Program Adjustments

	District AV		Prop MM Tax Rate Calculation						Prop S Tax Rate Calculation				Total	
FY Ending	Total	Projected Growth	Prop MM Debt Service	Prop MM Reserve	Excess Reserves	Unsecured Taxes	Net Levy	Secured Rate (1)	Prop S Debt Service	Unsecured Taxes	Net Levy	Secured Rate (1)	Secured Rate (1)	Available Revenue/ (Amt in Excess Over Rate)
2010	137,384,723,473	-0.83%	99,484,785					66.70				-	66.70	-
2011	134,714,145,620	-1.94%	101,250,416	(5,700,000)	(7,889,787)	(4,256,936)	83,403,692	66.70		-	-	-	66.70	-
2012	134,993,695,091	0.21%	103,402,479	(8,500,000)	(7,936,141)	(3,994,625)	82,971,713	65.71	1,245,000	-	1,245,000	0.99	66.70	(0)
2013	134,993,695,091	0.00%	103,535,659	(5,736,105)		(3,935,601)	93,863,953	74.30	1,500,000	(59,023)	1,440,977	1.14	75.44	(11,044,938)
2014	137,693,111,220	2.00%	105,042,709			(4,538,931)	100,503,778	78.00	1,540,000	(69,681)	1,470,319	1.14	79.14	(16,029,205)
2015	141,823,217,897	3.00%	107,031,975			(4,907,674)	102,124,301	76.95	1,350,000	(71,797)	1,278,203	0.96	77.91	(14,879,714)
2016	147,495,231,066	4.00%	110,197,505			(5,035,246)	105,162,259	76.19	1,320,000	(63,022)	1,256,978	0.91	77.10	(14,356,134)
2017	154,868,848,187	5.00%	111,748,370			(5,234,923)	106,513,447	73.50	1,185,000	(62,572)	1,122,428	0.77	74.27	(10,970,365)
2018	162,611,146,163	5.00%	114,065,270			(5,302,226)	108,763,044	71.47	5,030,000	(55,874)	4,974,126	3.27	74.74	(12,239,132)
2019	170,740,559,039	5.00%	115,933,143			(5,414,250)	110,518,893	69.17	12,500,000	(247,613)	12,252,387	7.67	76.84	(16,199,088)
2020	179,276,442,558	5.00%	118,167,436			(5,501,695)	112,665,741	67.16	13,999,800	(609,931)	13,389,869	7.98	75.14	(14,155,556)
2021	188,239,120,253	5.00%	120,778,606			(5,608,604)	115,170,002	65.38	14,999,800	(666,560)	14,333,240	8.14	73.52	(12,008,934)
2022	197,649,931,833	5.00%	123,453,869			(5,733,305)	117,720,564	63.65	15,999,800	(713,526)	15,286,274	8.26	71.91	(9,638,562)
2023	207,531,283,992	5.00%	126,188,701			(5,860,311)	120,328,390	61.96	17,499,800	(760,974)	16,738,826	8.62	70.58	(7,531,275)
2024	217,906,703,758	5.00%	126,358,626			(5,990,167)	120,368,459	59.03	24,624,800	(833,289)	23,791,511	11.67	70.70	(8,147,980)
2025	228,800,894,513	5.00%	130,099,876			(5,992,195)	124,107,681	57.96	32,949,800	(1,184,391)	31,765,409	14.84	72.80	(13,061,249)
2026	240,239,794,806	5.00%	134,447,644			(6,178,373)	128,269,271	57.06	33,249,800	(1,581,357)	31,668,443	14.09	71.14	(9,986,029)
2027	252,250,640,114	5.00%	138,624,156			(6,385,579)	132,238,577	56.02	37,129,800	(1,576,538)	35,553,262	15.06	71.08	(10,343,318)
2028	264,862,027,687	5.00%	142,286,194			(6,583,213)	135,702,981	54.75	25,999,800	(1,769,943)	24,229,857	9.78	64.53	5,387,360
2029	278,103,984,638	5.00%	119,531,994			(6,755,711)	112,776,283	43.33	29,949,800	(1,206,237)	28,743,563	11.04	54.38	32,333,814
2030	292,008,039,437	5.00%				(5,614,374)	(5,614,374)	-	80,429,800	(1,430,949)	78,998,851	28.91	28.91	86,553,090
2031	306,607,296,976	5.00%				-	-	-	81,581,038	(3,932,839)	77,648,199	27.06	27.06	98,733,962
2032	321,936,517,392	5.00%				-	-	-	83,051,138	(3,865,613)	79,185,525	26.28	26.28	106,278,939
2033	338,032,198,829	5.00%				-	-	-	84,941,238	(3,942,162)	80,999,076	25.61	25.61	113,854,670
2034	354,932,664,338	5.00%				-	-	-	33,991,238	(4,032,462)	29,958,776	9.02	9.02	174,743,792
2035	372,678,153,122	5.00%				-	-	-	46,536,238	(1,491,474)	45,044,764	12.92	12.92	172,634,871
2036	391,310,916,345	5.00%				-	-	-	48,786,238	(2,242,525)	46,543,713	12.71	12.71	181,342,753
2037	410,875,317,730	5.00%				-	-	-	51,156,238	(2,317,157)	48,839,081	12.70	12.70	190,478,530
2038	431,417,939,184	5.00%				-	-	-	53,636,238	(2,431,438)	51,204,800	12.68	12.68	200,079,595
2039	452,987,691,710	5.00%				-	-	-	56,246,238	(2,549,221)	53,697,017	12.67	12.67	210,154,714
2040	475,635,931,863	5.00%				-	-	-	58,986,238	(2,673,303)	56,312,935	12.65	12.65	220,734,089
2041	499,416,584,023	5.00%				-	-	-	61,861,238	(2,803,543)	59,057,695	12.64	12.64	231,844,432
2042	524,386,268,791	5.00%				-	-	-	64,881,238	(2,940,198)	61,941,040	12.62	12.62	243,509,043
2043	550,604,437,798	5.00%				-	-	-	68,046,238	(3,083,753)	64,962,485	12.61	12.61	255,762,884
2044	578,133,515,255	5.00%				-	-	-	71,386,238	(3,234,184)	68,152,054	12.60	12.60	268,612,667
2045	607,039,046,585	5.00%				-	-	-	74,881,238	(3,392,985)	71,488,253	12.58	12.58	282,116,939
2046	637,389,854,482	5.00%				-	-	-	78,546,238	(3,559,086)	74,987,152	12.57	12.57	296,301,175
2047	669,258,202,773	5.00%				-	-	-	82,396,238	(3,733,288)	78,662,950	12.56	12.56	311,192,873
2048	702,719,968,479	5.00%				-	-	-	86,446,275	(3,916,297)	82,529,978	12.55	12.55	326,821,619
2049	737,854,822,470	5.00%				-	-	-	90,689,688	(4,108,827)	86,580,861	12.54	12.54	343,240,927
2050	774,746,419,160	5.00%				-	-	-	95,152,150	(4,310,511)	90,841,639	12.53	12.53	360,474,323
2051	813,482,595,686	5.00%				-	-	-		(4,522,645)	(4,522,645)	-	-	473,884,479
⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮

(1) Tax rate per $100,000 of AV.

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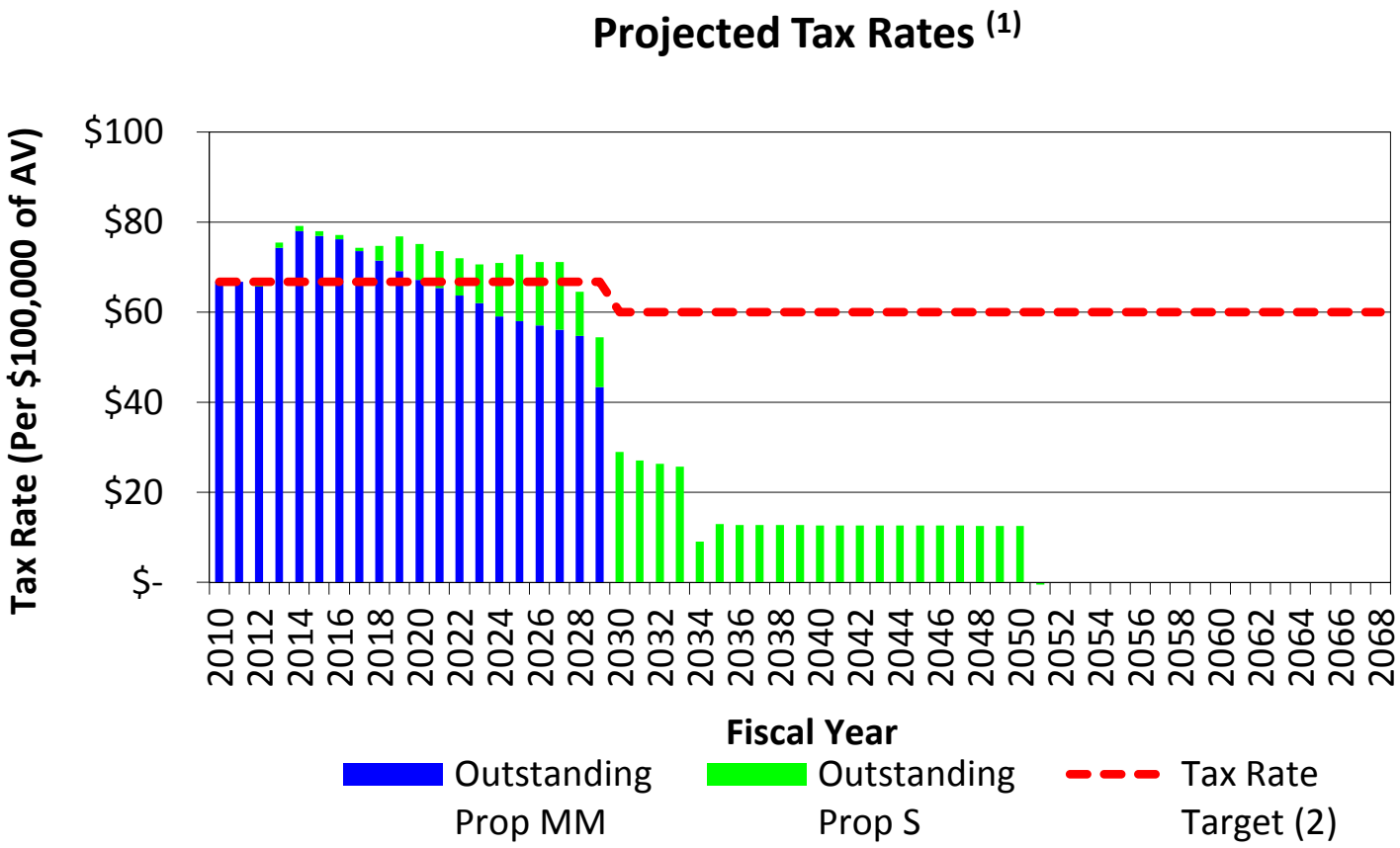
Projected Tax Rates



(1) Assumes AV growth of 0.0% in 2012-13, 2.0% in 2013-14, 3.0% in 2014-15, 4.0% in 2015-16, and 5.0% annually thereafter.
(2) $66.70 per $100,000 of AV through 2028-29 and $60.00 per $100,000 of AV thereafter.

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Adjustment Assumptions

County Reserves

- Per County, $20 million Proposition MM reserve is projected to be expended by 2012-13
- Per County, assumption of excess reserves of $7.5 million annually is not reasonable
  - Removes approx. $300-$350 million in assumed tax revenues from 25 and 40-year scenarios

Assessed Valuation

- With recent AV weakness, slower growth for the bond program is assumed in early years
  - 2012-13: 0.0%
  - 2013-14: 2.0%
  - 2014-15: 3.0%
  - 2015-16: 4.0%
  - Annually thereafter: 5.0%
  - Upcoming bond issuance can be even more conservative, e.g. 0.0%, 0.0%, 2.0%, 2.0%, 4.5%

Interest Rates

- Higher rates commensurate with the market are assumed and reflected in the longer financing terms
  - 25-year financings:
    - Rates ranging from 6.25% to 6.75%
  - 40-year financings:
    - Rates ranging from 6.75% to 7.25%

Illustrative Bond Program Scenarios

Prospective Issuance Schedule [1]
(25-Year Financings)

Issue	Issue Date	Proceeds
Series A	May 2009	$ 131,157,581
Series B	May 2009	38,840,000
Series C	August 2010	163,869,783
Series D-1	August 2010	16,130,000
Series D-2	August 2010	20,000,000
Series E	2011	70,000,000
Series F	2012	75,000,000
Series G	2013	75,000,000
Series H	2014	80,000,000
Series I	2015	80,000,000
Series J	2016	80,000,000
Series K	2017	80,000,000
Series L	2018	64,500,000
Series M	2019	51,100,000
Series N	2020	53,700,000
Series O	2021	56,400,000
Series P	2022	59,300,000
Series Q	2023	62,200,000
Series R	2024	65,400,000
Series S	2025	68,700,000
Series T	2026	91,100,000
Series U	2027	95,500,000
Series V	2028	100,300,000
Series W	2029	105,300,000
Series X	2030	110,500,000
Series Y	2031	116,100,000
Series Z	2032	89,902,636
Total		$ 2,100,000,000

Prospective Issuance Schedule [1]
(40-Year Financings)

Issue	Issue Date	Proceeds
Series A	May 2009	$ 131,157,581
Series B	May 2009	38,840,000
Series C	August 2010	163,869,783
Series D-1	August 2010	16,130,000
Series D-2	August 2010	20,000,000
Series E	2011	96,000,000
Series F	2012	96,000,000
Series G	2013	96,000,000
Series H	2014	96,000,000
Series I	2015	96,000,000
Series J	2016	96,000,000
Series K	2017	96,000,000
Series L	2018	96,000,000
Series M	2019	96,000,000
Series N	2020	96,000,000
Series O	2021	96,000,000
Series P	2022	96,000,000
Series Q	2023	96,000,000
Series R	2024	96,000,000
Series S	2025	96,000,000
Series T	2026	96,000,000
Series U	2027	96,000,000
Series V	2028	98,002,636
Total		$ 2,100,000,000

(1) Actual amounts and dates will be tailored to the District's facility needs.

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Financing Term Comparison

	25-Year Issuances	40-Year Issuances
Total proceeds generated	$2.1 billion	$2.1 billion
Total number of issuances	24	20
Date of final issuance	2032	2028
Date of final payment	2057	2068
Average proceeds per each remaining issuance	$78.6 million	$96.1 million
Present value of remaining proceeds @ 5% discount rate (1)	$1.05 billion	$1.18 billion
Total estimated debt service	$10.17 billion	$19.21 billion
Present value of total estimated debt service @ 5% discount rate (1)	$2.04 billion	$2.76 billion

(1) The discount rate is provided for illustrative purposes only and not meant to be indicative of construction inflation or borrowing costs.

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