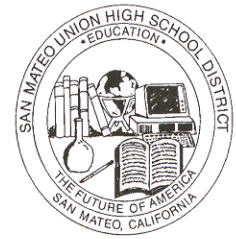


San Mateo Union High School District



David Miller, Ph.D., Superintendent

Elizabeth McManus, Deputy Supt. Business Services

Matthew Biggar, Associate Supt. Instructional Services

Kirk Black, Associate Supt. Human Relations & Admin. Services

650 North Delaware Street - San Mateo, CA 94401-1795

(650) 558-2299

(650) 762-0249 FAX

October 13, 2008

Interested Parents and Community Members:

Unlike cities, school districts in California are required to deposit their cash with the county in which that school district resides. The San Mateo Union High School District's cash is maintained and entrusted to the San Mateo County Treasurer. The San Mateo County's investment pool of \$2.9 billion recently lost \$155 million due to Lehman Brothers bankruptcy. This investment loss will impact school districts in San Mateo County based on the proportion of their balance respective to the percentage loss and the amount of time the money was retained.

The loss will be shared by those entities that had cash deposited with the County Treasurer. Lee Buffington, County Treasurer, reported that he would retain the Lehman Securities on the balance sheet but mark its value down to zero and carry them as a non-performing asset until the bankruptcy proceedings are complete. The loss in value of the Lehman Securities will result in a net negative earnings charge to the San Mateo County School Districts for the quarter. By handling the Lehman Securities in this conservative manner, it will allow the County's credit rating to be maintained at a high level.

The final loss will be based on average cash deposits held at the County between July 1, 2008 and September 30, 2008. The quarterly average will not be available from the County until approximately October 10 and the actual adjustments will be posted by December 31, 2008.

The San Mateo Union High School District's estimated loss is approximately \$5M. This loss will be spread across all of the District's funds, including the General Fund, Cafeteria Fund, Adult Fund, Building Fund, Capital Facilities Fund, Special Reserve Fund and Trust Fund. The lion's share of the loss will be experienced by the General Fund and the Building Fund. The projected loss to the General Fund, the education budget is \$1,500,000.

The District's Budget Advisory Committee has worked diligently in the past two years to align revenues and expenditures, implement prudent business practices and implement rigid controls. At the close of the 2007-08 school year, the General Fund reserve for economic uncertainty grew from 0 percent to 5.74 percent. This recent County investment loss will eliminate the financial insulation this District worked diligently hard to build and maintain. A reserve is essential to a basic aid school district to address unforeseen financial circumstances. The educational budget is in a dim light due to the investment loss and the anticipated reductions forthcoming from the State.

On June 18, 2008, the District issued the first series of Measure M General Obligation Bonds totaling \$67.2M. Of the \$4.8 million total loss for our District, it is anticipated that \$3.2M will be lost from Measure M funds.

It is unfortunate that a poor investment made by an entity outside of our control can have such a devastating impact to our students.

Sincerely,

David Miller, Ph.D.
Superintendent

Elizabeth McManus
Deputy Superintendent