

California Department of Education
Executive Office
SBE-005 (REV. 10/2017)
General Waiver

# California State Board of Education January 2018 AgendaItem #W-08

## Subject

Request by **Mendota Unified School District** to waive California *Education Code* Section 15106 to allow the district to exceed its bonded indebtedness limit. Total bonded indebtedness may not exceed 2.5 percent of the taxable assessed valuation of property for unified school districts. Depending on the type of bond, a tax rate levy limit to $60 per $100,000 of assessed value for unified school districts may also apply.

## Waiver Number

10-10-2017

## Type of Action

Action, Consent

## Summary of the Issue(s)

The Mendota Unified School District’s bonded indebtedness is statutorily limited not to exceed 2.5 percent, which prohibits them from issuing the entirety of $8 million in bonds authorized in November 2014. The district requests to increase the limit to 3.12 percent.

## Authority for Waiver

California *Education Code (EC)* Section 33050

## Recommendation

* Approval: No
* Approval with conditions: Yes
* Denial: No

The California Department of Education (CDE) recommends that the bonded indebtedness limit be waived with the following conditions: (1) the period of request does not exceed the recommended period on Attachment 1, (2) the total bonded indebtedness does not exceed the recommended new maximum shown on Attachment 1, (3) the district does not exceed the statutory tax rate, (4) the waiver is limited to the sale of bonds approved by the voters on the measure noted on Attachment 1, and (5) the district complies with the statutory requirements of Assembly Bill (AB) 182 related to school bonds which became effective January 1, 2014.

## Summary of Key Issues

The *Education Code* provides limits related to a district’s total bonded indebtedness. *EC* sections 15106 and 15270(a) limit a unified school district’s total general obligation (G.O.) bond indebtedness to 2.5 percent.

To raise funds to build or renovate school facilities, with voter authorization, school districts may issue G.O. bonds. Prior to 2001, districts needed a two-thirds voter approval. In November 2000, districts were given another option for authorizing and issuing bonds when California voters passed Proposition 39, which allows school bonds to be approved with a 55 percent majority vote if the district abides by several administrative requirements, such as establishing an independent Citizens’ Oversight Committee to oversee the use of the funds. Once G.O. bonds are authorized, school districts issue the bonds in increments as needed to fund their facility projects. When the voters authorize a local G.O. bond, they are simultaneously authorizing a property tax increase to pay the principal and interest on the bond. For Proposition 39 bonds, *EC* Section 15268 limit the tax rate levy authorized in each election to $60 per $100,000 of taxable property for unified school districts.

Without a waiver, school districts that are close to their bonding capacity must decide either to issue fewer bonds, delay the issuance of bonds until their assessed valuation increases, or obtain other more expensive non-bond financing to complete their projects, the costs of which could be paid from district general funds. Therefore, the CDE has historically recommended that the State Board of Education (SBE) approve related waiver requests with the condition that the statutory tax levies are not exceeded at the time the bonds are issued.

On October 2, 2013, Governor Brown signed AB 182 (Chapter 477, Statutes of 2013) which established parameters for the issuance of local education bonds that allow for the compounding of interest, including capital appreciation bonds (CABs). AB 182 requires a district governing board to do the following:

* Before the bond sale, adopt a resolution at a public meeting that includes specific criteria, including being publicly noticed on at least two consecutive meeting agendas.
* Be presented with an agenda item at a public board meeting that provides a financial analysis of the overall costs of the bonds, a comparison to current interest bonds, and reasons why the compounding interest bonds are being recommended.
* After the bond sale, present actual cost information at the next scheduled public meeting and submit the cost information of the sale to the California Debt and Investment Advisory Commission.

Over the next six months, the Mendota Unified School District expects to issue its last series of bonds under the Election of 2014 Authorization. After this issuance, the District will have no remaining authorization unissued. The amount of bonds to be issued is $8 million over a 25-year repayment term using only current interest bonds. The District does not expect to issue bonds that would increase the tax rate above the legal requirement of $60 per $100,000 of assessed valuation per authorization. The increase in bonding capacity to 3.12 percent through December 31, 2023 and this final issuance of $8 million would allow the District to move ahead with its voter-supported facility improvements without delay.

The District’s original request came in as 3.5 percent and with an end date of December 31, 2027, neither of which could be substantiated with the cumulative issuance of $8 million nor the data provided for debt as percentage of assessed valuation. Since 3.12 percent is the maximum limit that can be substantiated at the requested issuance amount and December 31, 2023, is the date that corresponds with the data provided for debt as a percentage of assessed valuation, the District has, via e-mail correspondence, amended their original request to reflect these revisions.

**Demographic Information:** Mendota Unified School District has a student population of 3,476 and is located in Fresno County.

**Because this is a general waiver, if the SBE decides to deny the waiver, it must cite one of the seven reasons in EC 33051(a), available at** <http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=33051>.

## Summary of Previous State Board of Education Discussion and Action

The SBE has approved all bond limit waiver requests limited to the sale of already authorized bonds and at the tax rate levy stated on the bond measure.

## Fiscal Analysis (as appropriate)

Approval of the waiver would allow the district to accelerate the issuance of voter approved bonds.

## Attachment(s)

* **Attachment 1:** Summary Table (1 page)
* **Attachment 2:** Mendota Unified School District General Waiver Request 10‑10-2017 (2 pages). (Original waiver request is signed and on file in the Waiver Office.)

# Attachment 1: Summary Table

| Waiver Number | District | Period of Request | District’s Request | CDE Recommended | Bargaining Unit Representatives Consulted, Date and Position | Local Board and Public Hearing Approval |
| --- | --- | --- | --- | --- | --- | --- |
| 10-10-2017 | Mendota Unified School District | **Requested:** January 1, 2018, to December 31, 2027**Recommended:** January 1, 2018, to December 31, 2023 | **Requested:** Debt Limit 3.5%Tax Rate $60**Recommended:** Debt Limit 3.12%Tax Rate $60 | Debt Limit 3.12%Limited to Sale of Bonds Approved by Voters on the November 2014 ElectionTax Rate $60.00 | Classified School Employees AssociationSalvador Villa, President9/25/17**Support**Mendota Teachers AssociationBob Hamasaki, President9/25/17**Support** | Initial Public Hearing 9/27/17Local Board Approval 9/27/17Notice in local newspaper, Fresno Bee. Postings at each of the District’s school sites 9/3/27District Advisory Council (Parent/ Community Group) 9/25/17**No objections** |

Created by the California Department of Education
October 31, 2017

# Attachment 2: Mendota Unified School District General Waiver Request

**California Department of Education
WAIVER SUBMISSION – General**

CD Code: 1075127
Waiver Number: 10-10-2017
Active Year: 2017

Date In: 10/16/2017 4:04:38 PM

Local Education Agency: Mendota Unified School District
Address: 115 McCabe Ave. Mendota, CA 93640

Start: 1/1/2018
End: 12/31/2027

Waiver Renewal: No
Previous Waiver Number: None
Previous SBE Approval Date: N/A

Waiver Topic: School Construction Bonds
Ed Code Title: Bond Indebtedness Limit - Unified S.D.
Ed Code Section: 15106
Ed Code Authority: 33050

Ed Code or *CCR* to Waive: *EC* 15106: A unified school district or community college district may issue bonds that, in aggregation with bonds issued pursuant to Section 15270, shall not exceed 2.5 percent of the taxable property of the school district or community college district, or the school facilities improvement district, if applicable, as shown by the last equalized assessment of the county or counties in which the district is located.

Outcome Rationale: Over the next six months, the District expects to issue its last series of bonds under the Election of 2014 Authorization. After this issuance, the District will have no remaining authorization unissued. The amount of bonds expected to be issued is $8 million over a 25-year repayment term using only current interest bonds. The District does not expect to issue bonds that would increase the tax rate above the legal requirement of $60 per $100,000 of assessed valuation per authorization. The increase in bonding capacity to 3.5% and this final issuance of $8 million would allow the District to move ahead with its voter-supported facility improvements without delay.

Student Population: 3476

City Type: Small

Public Hearing Date: 9/27/2017
Public Hearing Advertised: The public was notified through a notice in a local paper - the Fresno Bee - on September 13, 2017, as well as postings at each of the District's school sites from September 13 through September 27.

Local Board Approval Date: 9/27/2017

Community Council Reviewed By: District Advisory Council (Parent/Community Group) - Bert Escobedo
Community Council Reviewed Date: 9/25/2017
Community Council Objection: No
Community Council Objection Explanation: None

Audit Penalty: No

Categorical Program Monitoring: No

Submitted by: Mr. Paul Lopez
Position: Superintendent
E-mail: plopez@mendotaschools.org
Telephone: 559-655-4942
Fax: None

Bargaining Unit Date: 09/25/2017
Name: Classified School Employees Association
Representative: Salvador Villa
Title: President
Position: Support
Comments: None

Bargaining Unit Date: 09/25/2017
Name: Mendota Teachers Association
Representative: Bob Hamasaki
Title: President
Position: Support
Comments: None