

California Department of Education

Executive Office

SBE-005 (REV. 1/2018)

# California State Board of Education July 2019 AgendaItem #W-09

## Subject

Request by **three local educational agencies** to waive California *Education Code* (*EC*) sections 15106 and 15270(a) to allow the districts to exceed their bonded indebtedness limits. Total bonded indebtedness may not exceed 2.50 percent of the taxable assessed valuation of property for unified school districts. Depending on the type of bond, a tax rate levy limit of $60 per $100,000 of assessed value for unified school districts may also apply.

## Waiver Numbers

* Calexico Unified School District 33-4-2019
* Parlier Unified School District 15-4-2019
* Round Valley Unified School District 32-4-2019

## Type of Action

Action, Consent

## Summary of the Issues

The Calexico Unified School District’s (Calexico USD) bonded indebtedness is statutorily limited not to exceed 2.50 percent, which prohibits them from proceeding with their proposed issuance of $8 million from Measure V, which was approved by voters on November 8, 2016. The district is requesting that the State Board of Education (SBE) authorize the district to exceed its statutory bonding capacity limit to a rate up to, but not to exceed, 2.70 percent.

The Parlier Unified School District’s (Parlier USD) bonded indebtedness is statutorily limited not to exceed 2.50 percent, which prohibits them from proceeding with their proposed issuance of $9 million from Measure H, which was approved by voters on November 6, 2018. The district is requesting that the SBE authorize the district to exceed its statutory bonding capacity limit to a rate up to, but not to exceed, 2.96 percent.

The Round Valley Unified School District’s (Round Valley USD) bonded indebtedness is statutorily limited not to exceed 2.50 percent, which prohibits them from proceeding with their proposed issuance of $4.5 million from Measure K, which was approved by voters on November 6, 2018. The district is requesting that the SBE authorize the district to exceed its statutory bonding capacity limit to a rate up to, but not to exceed, 3.30 percent.

## Authority for Waiver

California *EC* Section 33050

## Recommendation

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

The California Department of Education (CDE) recommends that the bonded indebtedness limits be waived for each of the districts with the following conditions:
(1) the periods of request do not exceed the recommended periods on Attachment 1;
(2) the total bonded indebtedness does not exceed the recommended new maximum shown on Attachment 1; (3) the districts do not exceed the statutory tax rate; (4) the waivers are limited to the sale of bonds approved by the voters on the measures noted on Attachment 1; and (5) the districts comply with the statutory requirements of Assembly Bill 182 related to school bonds, which became effective January 1, 2014.

## Summary of Key Issues

The California *EC* 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 2.50 percent.

To raise funds to build or renovate school facilities, with voter authorization, school districts may issue G.O. bonds. Under Proposition 46, school districts are allowed to increase the property tax rate above one percent for the period necessary to pay off new G.O. bonds if the following conditions are met:

* Two-thirds of those voting in a local election have approved the issuance of the bonds.
* The money raised through the sale of the bonds is exclusively used to purchase or improve land and buildings.

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 15270(a) limits 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 SBE approve related waiver requests with the condition that the statutory tax levies are not exceeded at the time the bonds are issued.

AB 182 (Chapter 477, Statutes of 2013) has 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.

### Calexico USD

Calexico USD wishes to proceed with their proposed issuance of $8 million from Measure V, which was approved by voters on November 8, 2016. The issuance will go toward modernizing and constructing additional classrooms and supporting facilities to reduce overcrowding, replacing portable classrooms and older schools with new permanent facilities, increasing student access to computers and modern classroom technology, and improving student safety. The issuance of $8 million will increase the district’s outstanding bonded indebtedness limit to a rate up to 2.64 percent. The district initially requested a rate of up to 2.70 percent; however, as a result of CDE analysis, 2.64 percent was what could be substantiated. The district has concurred with our analysis and is in agreement with our recommendation.

### Parlier USD

Parlier USD wishes to proceed with their proposed issuance of $9 million from Measure H, which was approved by voters on November 6, 2018. The issuance will go toward improving the quality of education; repairing or replacing leaky roofs; making health and safety improvements; and modernizing outdated classrooms, restrooms and school facilities. The issuance of $9 million will increase the district’s outstanding bonded indebtedness limit to a rate up to, but not to exceed, 2.96 percent.

### Round Valley USD

Round Valley USD wishes to proceed with their proposed issuance of $4.5 million from Measure K, which was approved by voters on November 6, 2018. The issuance will go toward improving the quality of education and constructing a gymnasium for school and community use that meets health, safety, and handicapped accessibility requirements. The issuance of $4.5 million will increase the district’s outstanding bonded indebtedness limit to a rate up to, but not to exceed, 3.30 percent.

### Demographic Information

The Calexico Unified School District has a student population of 9,200 and is located in a suburban area of Imperial County.

The Parlier Unified School District has a student population of 3,471 and is located in a small area of Fresno County.

The Round Valley Unified School District has a student population of 424 and is located in a small area of Mendocino County.

**Because these are general waivers, if the SBE decides to deny the waivers, it must cite one of the seven reasons in *EC* Section 33051(a), available on the California Legislation Information Web page at** <https://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 waivers would allow the districts to accelerate their issuance of voter-approved bonds.

## Attachments

* **Attachment 1:** Summary Table (3 pages)
* **Attachment 2:**  Calexico Unified School District General Waiver Request
33-4-2019 (2 pages). (Original waiver request is signed and on file in the Waiver Office.
* **Attachment 3:**  Parlier Unified School District General Waiver Request
15-4-2019 (2 pages). (Original waiver request is signed and on file in the Waiver Office.
* **Attachment 4:**  Round Valley Unified School District General Waiver Request 32-4-2019 (3 pages). (Original waiver request is signed and on file in the Waiver Office.

# Attachment 1: Summary Table

California *Education Code* (*EC*) Section 15106 et seq.

| **Waiver Number** | **District** | **Period of Request** | **District’s Request** | **CDE Recommended** | **Bargaining Unit Representatives** | **Local Board, Public Hearing, and Advisory Committee Approval** |
| --- | --- | --- | --- | --- | --- | --- |
| 33-4-2019 | Calexico Unified School District | **Requested:**July 11, 2019 to August 1, 2020**Recommended:** July 11, 2019 to August 1, 2020 | **Requested:**Debt Limit: 2.70%**Recommended:**Debt Limit: 2.64% | Debt Limit 2.64%Limited to sale of bonds applicable to Measure V, approved by voters in the November 2016 electionTax Rate $60 per $100,000 (authorization approved under Proposition 39) | Calexico Teachers’ AssociationJames Taylor, President4/8/2019**Neutral**California School Employees’ Association Chapter 399Belen Donato, President4/5/2019**Neutral** | Local Board Approval Date: 3/21/2019Public Hearing Date: 3/21/2019Public Hearing Advertised: Public notices posted at school sitesCitizens’ Oversight Committee3/4/2019**No Objections** |
| 15-4-2019 | Parlier Unified School District | **Requested:**July 1, 2019 to August 1, 2027**Recommended:** July 11, 2019 to August 1, 2027 | **Requested:**Debt Limit: 2.96%**Recommended:**Debt Limit: 2.96% | Debt Limit: 2.96%Limited to sale of bonds applicable to Measure H, approved by voters in the November 2018 electionTax Rate $60 per $100,000 (authorization approved under Proposition 39) | California School Employees’ Association Lynda Pumarijo, President4/8/2019**Neutral**Parlier Faculty AssociationLupe Leija, President4/8/2019**Support** | Local Board Approval Date: 4/8/2019Public Hearing Date:4/9/2019Public Hearing Advertised: The district posted a notice of public hearing at several school sites as well as on the district Web site. Additionally, on 3/28/19, the district published a notice in the Reedley Exponent.Local Control Accountability Plan (LCAP) District Advisory Committee4/8/2019**No Objections** |
| 32-4-2019 | Round Valley Unified School District | **Requested:**July 1, 2019 to August 1, 2026**Recommended:** July 11, 2019 to August 1, 2026 | **Requested:**Debt Limit: 3.30%**Recommended:**Debt Limit: 3.30% | Debt Limit: 3.30%Limited to sale of bonds applicable to Measure K, approved by voters in the November 2018 electionTax Rate $60 per $100,000 (authorization approved under Proposition 39) | California School Employees’ AssociationKath Britton, Classified Representative4/15/2019**Support**Round Valley Teachers' AssociationJoe Russ, Certificated Representative4/16/2019**Support** | Local Board Approval Date: 4/16/2019Public Hearing Date: 4/16/2019Public Hearing Advertised: Public notified through district Web site, emails, and other forms of communicationDistrict Board of Trustees (publicly elected, local residents, finance committee, parent groups)4/16/2019**No Objections** |

Created by the California Department of Education

May 1, 2019

# Attachment 2: **Calexico Unified School District General** **Waiver Request 33-4-2019**

**California Department of Education**

**WAIVER SUBMISSION – General**

CD Code: 1363099

Waiver Number: 33-4-2019

Active Year: 2019

Date In: 4/29/2019 11:03:42 AM

Local Education Agency: Calexico Unified School District

District Address: 901 Andrade Ave.

Calexico, CA 92231

Start: 7/11/2019

End: 8/1/2020

Waiver Renewal: No

Waiver Topic: School Construction Bonds

*Ed Code* Title: Bond Indebtedness Limit - Unified after 2000

*Ed Code* Section: 15106 & 15270

*Ed Code* Authority: 33050

*Education Code* or *CCR* to Waive: [(a) Notwithstanding Sections 15102 and 15268, any unified school district may issue bonds pursuant to this article that, in aggregation with bonds issued pursuant to Chapter 1 (commencing with Section 15100), may not exceed 2.5 percent of the taxable property of the district as shown by the last equalized assessment of the county or counties in which the district is located.] The bonds may only be issued if the tax rate levied to meet the requirements of Section 18 of Article XVI of the California Constitution in the case of indebtedness incurred pursuant to this chapter at a single election, by a unified school district, would not exceed sixty dollars ($60) per year per one hundred thousand dollars ($100,000) of taxable property when assessed valuation is projected by the district to increase in accordance with Article XI 11A of the California Constitution.

Outcome Rationale: On November 8 2016, District voters approved Measure V, a $45 million general obligation bond measure which authorized the District to issue bonds for the purpose of facilities construction and improvements including but not limited to the following: (1) the construction of additional classrooms to reduce overcrowding, (2) increase student access to computers and modern classroom technology, and (3) student safety improvements. To date, the District has issued $23.4 million measure V bonds.

The California Education Code contains provisions that limit the amount of general obligation bonds a school district can have at any given time. For unified school districts, this limitation is 2.5% of total assessed valuation of property within the District. As a result of slower than expected AV growth over the last few years, the District finds its availability bonding capacity near this limitation, with the ability to currently issue only about $5.2 million in bonds. However, to adequately fund Measure V projects in a timely manner, the District currently requires approximately $8 million in funding.

As a result of this funding need, Calexico Unified School District wishes to apply for a waiver of the standard 2.5% debt limitation. Said waiver request is seeking a waiver amending the bonding capacity limit up to 2.70% through August 1, 2020.

Student Population: 9,200

City Type: Suburban

Public Hearing Date: 3/21/2019

Public Hearing Advertised: Public notices posted at school sites

Local Board Approval Date: 3/21/2019

Community Council Reviewed By: Citizens' Oversight Committee

Community Council Reviewed Date: 3/4/2019

Community Council Objection: No

Community Council Objection Explanation:

Audit Penalty Yes or No: No

Categorical Program Monitoring: No

Submitted by: Mr. Joe Crump

Position: Financial Analyst

E-mail: [jcrump@dalescott.com](file:///%5C%5CCDE.Cal%5CDATA%5CSFTSDATA%5CSHARED%5CSBE-Waivers-Items%5CWAIVERS%5C2019%5CJuly%202019%5CBonded%20Indebtedness%5Cjcrump%40dalescott.com)

Telephone: 415-956-1030

Bargaining Unit Date: 4/8/2019

Name: Calexico Teachers' Association

Representative: James Taylor

Title: President

Position: Neutral

Bargaining Unit Date: 4/5/2019

Name: CSEA Chapter 399

Representative: Belen Donato

Title: President

Position: Neutral

# Attachment 3: **Parlier Unified School District General Waiver Request 15-4-2019**

**California Department of Education**

**WAIVER SUBMISSION – General**

CD Code: 1062364

Waiver Number: 15-4-2019

Active Year: 2019

Date In: 4/18/2019 4:08:30 PM

Local Education Agency: Parlier Unified School District

Address: 900 Newmark Ave.

Parlier, CA 93648

Start: 7/1/2019

End: 8/1/2027

Waiver Renewal: No

Waiver Topic: School Construction Bonds

*Ed Code* Title: Bond Indebtedness Limit - Unified S.D.

*Ed Code* Section: 15106

*Ed Code* Authority: 33050

*Education 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 four years, Parlier Unified School District would like to issue multiple series of general obligation bonds under their $9 million Election of 2018 GO Bond Authorization ("2018 Authorization"). The District currently has $2.8 million of net debt capacity, which is not sufficient to issue bonds for their entire 2018 Authorization. The District expects each of the bonds to be repaid over a 30-year repayment term using only current interest bonds. The District does not expect to issue bonds that would cause the tax rate to increase above the legal requirement of $60 per $100,000 of assessed valuation. The increase in bonding capacity to 2.96% and the issuances described would allow the District to move ahead with its voter-supported facility improvements without delay.

Student Population: 3,471

City Type: Small

Public Hearing Date: 4/9/2019

Public Hearing Advertised: The District posted a notice of public hearing at at least three school sites as well as on the District website. Additionally, on 3/28/19, the District published a notice in the Reedley Exponent

Local Board Approval Date: 4/8/2019

Community Council Reviewed By: Ruben Diaz, Stakeholder - Local Control Accountability Plan

Community Council Reviewed Date: 4/8/2019

Community Council Objection: No

Community Council Objection Explanation:

Audit Penalty Yes or No: No

Categorical Program Monitoring: No

Submitted by: Mr. Rene Rodriguez

Position: Director Classified Projects

E-mail: [rrodriquez2@parlierunified.org](file:///%5C%5CCDE.Cal%5CDATA%5CSFTSDATA%5CSHARED%5CSBE-Waivers-Items%5CWAIVERS%5C2019%5CJuly%202019%5CBonded%20Indebtedness%5Crrodriquez2%40parlierunified.org)

Telephone: 559-646-2731

Bargaining Unit Date: 4/8/2019

Name: California School Employees’ Association

Representative: Lynda Pumarijo

Title: President

Position: Neutral

Bargaining Unit Date: 4/8/2019

Name: Parlier Faculty Association

Representative: Lupe Leija

Title: President

Position: Support

# Attachment 4: **Round Valley Unified School District General Waiver Request 32-4-2019**

**California Department of Education**

**WAIVER SUBMISSION – General**

CD Code: 2365607

Waiver Number: 32-4-2019

Active Year: 2019

Date In: 4/26/2019 1:39:33 PM

Local Education Agency: Round Valley Unified School District

Address: 76280 High School St.

Covelo, CA 95428

Start: 7/1/2019

End: 8/1/2026

Waiver Renewal: No

Waiver Topic: School Construction Bonds

*Ed Code* Title: Bond Indebtedness Limit - Unified S.D.

*Ed Code* Section: 15106 & 15270(a)

*Ed Code* Authority: 33050

*Education Code* or *CCR* to Waive: 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. In computing the outstanding bonded indebtedness of a unified school district or community college district for all purposes of this section, any outstanding bonds shall be deemed to have been issued for elementary school purposes, high school purposes, and community college purposes, respectively, in the respective amounts that the proceeds of the sale of those outstanding bonds, excluding any premium and accrued interest received on that sale, were or have been allocated by the governing board of the unified school district or community college district to each of those purposes respectively.

15270. (a) Notwithstanding Sections 15102 and 15268, any unified school district may issue bonds pursuant to this article that, in aggregation with bonds issued pursuant to Chapter 1 (commencing with Section 15100), [may not exceed 2.5 percent of the taxable property of the district] as shown by the last equalized assessment of the county or counties in which the district is located. The bonds may only be issued if the tax rate levied to meet the requirements of Section 18 of Article XVI of the California Constitution in the case of indebtedness incurred pursuant to this chapter at a single election, by a unified school district, would not exceed sixty dollars ($60) per year per one hundred thousand dollars ($100,000) of taxable property when assessed valuation is projected by the district to increase in accordance with Article XlllA of the California Constitution.

Outcome Rationale: The District anticipates issuing $4.5 million of general obligation bonds in July 2019; the bonds will be issued pursuant to the District's 2018 Election (Measure K) in which more than 55% of the District's voters authorized the sale of not to exceed $4.5 million of GO Bonds. Measure K was authorized pursuant to Prop 39 and the expected maximum tax rate is $60.00 per $100,000 of assessed valuation. Proceeds will be used to construct a gym and classrooms for school and community use that meet health, safety, and handicapped accessibility requirements. Current bonding capacity does not allow the District to issue the necessary $4.5 million in general obligation bonds at this time to finance the much-needed projects. Further, increasing interest rates and construction costs make it beneficial to sell bonds now instead of waiting. To achieve these goals, we are requesting a waiver to 3.30% as supported in the additionally provided documents (Word document Attachment A).

Student Population: 424

City Type: Small

Public Hearing Date: 4/16/2019

Public Hearing Advertised: Public notified through District website, emails, and other forms of communication

Local Board Approval Date: 4/16/2019

Community Council Reviewed By: District Board of Trustees (publicly elected, local residents, finance committee, parent groups)

Community Council Reviewed Date: 4/16/2019

Community Council Objection: No

Community Council Objection Explanation:

Audit Penalty Yes or No: No

Categorical Program Monitoring: No

Submitted by: Mr. Jeff Pickett

Position: Principal

E-mail: [jeff@1somadvisors.com](file:///%5C%5CCDE.Cal%5CDATA%5CSFTSDATA%5CSHARED%5CSBE-Waivers-Items%5CWAIVERS%5C2019%5CJuly%202019%5CBonded%20Indebtedness%5Cjeff%401somadvisors.com)

Telephone: 925-478-7450

Bargaining Unit Date: 4/15/2019

Name: California School Employees' Association

Representative: Kath Britton

Title: Classified Representative

Position: Support

Bargaining Unit Date: 4/16/2019

Name: Round Valley Teachers' Association

Representative: Joe Russ

Title: Certificated Representative

Position: Support