

California Department of Education

Executive Office

SBE-005 (REV. 1/2018)

# California State Board of Education May 2019 AgendaItem #W-04

## Subject

Request by **three local educational agencies** to waive one or more of the following California *Education Code* (*EC*) sections 15102, 15106, 15268, or 15270(a) to allow the districts to exceed their bonded indebtedness limits. Total bonded indebtedness may not exceed 1.25 percent of the taxable assessed valuation of property for high school districts and 2.50 percent for unified school districts. Depending on the type of bond, a tax rate levy limit of $30 per $100,000 of assessed value for high school districts and $60 per $100,000 for unified school districts may also apply.

## Waiver Numbers

* Natomas Unified School District 19-1-2019
* Perris Union High School District 25-2-2019
* Sanger Unified School District 23-2-2019

## Type of Action

Action, Consent

## Summary of the Issues

The Natomas Unified School District’s (Natomas USD) bonded indebtedness is statutorily limited not to exceed 2.50 percent, which prohibits them from proceeding with their proposed issuance of $102 million from Measure L (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, 3.00 percent.

The Perris Union High School District’s (Perris UHSD) bonded indebtedness is statutorily limited not to exceed 1.25 percent, which prohibits them from proceeding with their proposed issuance of the $148 million from Measure W, 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, 1.60 percent.

The Sanger Unified School District’s (Sanger USD) bonded indebtedness is statutorily limited not to exceed 2.50 percent, which prohibits them from proceeding with their proposed issuance of the $70 million from Measure B, 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, 4.04 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 limit be waived for each of the districts 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 measures noted on Attachment 1; and (5) the district complies 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 15102 and 15268, and 15106 and 15270(a) limit a high school district’s total general obligation (G.O.) bond indebtedness to 1.25 percent and a unified school district’s total 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 15268 limits the tax rate levy authorized in each election to $30 per $100,000 of taxable property for high school districts and 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.

### Natomas USD

Natomas USD wishes to proceed with their proposed issuance for $102 million from Measure L (approved by voters on November 6, 2018). The issuance will go toward increasing student safety/security; upgrading classrooms for 21st century learning and college/career readiness with technology/equipment; upgrading aging infrastructure/utilities; and repairing/constructing facilities. The proposed issuance of $102 million will increase the district’s outstanding bonded indebtedness limit to a rate up to, but not to exceed, 3.00 percent.

### Perris UHSD

Perris UHSD wishes to proceed with their proposed issuance for $148 million from Measure W (approved by voters on November 6, 2018). The issuance will go toward constructing a new high school; upgrading and renovating classrooms, labs, equipment and facilities; and to improve student safety. The proposed issuance of the $148 million will increase the district’s outstanding bonded indebtedness limit to a rate up to, but not to exceed, 1.49 percent. The district initially requested a rate of 1.60 percent; however, as a result of CDE analysis, 1.49 percent was all that could be substantiated. The district has concurred with our analysis and is in agreement with our recommendation.

### Sanger USD

Sanger USD wishes to proceed with their proposed issuance for $70 million from Measure B (approved by voters on November 6, 2018). The issuance will go toward improving college/career preparation and reducing overcrowding by constructing the Sanger USD Educational Complex. The proposed issuance of the $70 million will increase the district’s outstanding bonded indebtedness limit to a rate up to, but not to exceed, 4.04 percent.

### Demographic Information

Natomas USD has a student population of 15,295 and is located in an urban area of Sacramento County.

Perris UHSD has a student population of 9,844 and is located in a suburban area of Riverside County.

Sanger USD has a student population of 12,102 and is located in a suburban area of Fresno 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:** Natomas Unified School District General Waiver Request
19-1-2019 (2 pages). (Original waiver request is signed and on file in the Waiver Office.)
* **Attachment 3:** Perris Union High School District General Waiver Request
25-2-2019 (3 pages). (Original waiver request is signed and on file in the Waiver Office.)
* **Attachment 4:** Sanger Unified School District General Waiver Request
23-2-2019 (4 pages). (Original waiver request is signed and on file in the Waiver Office.)

# Attachment 1: Summary Table

California *Education Code* (*EC*) Section 15102 et seq.

| **Waiver Number** | **District** | **Period of Request** | **District’s Request** | **CDE Recommended** | **Bargaining Unit Representatives** | **Local Board, Public Hearing, and Advisory Committee Approval** |
| --- | --- | --- | --- | --- | --- | --- |
| 19-1-2019 | Natomas Unified School District | **Requested:**July 15, 2019 to July 15, 2021**Recommended:** July 15, 2019 to July 15, 2021 | **Requested:**Debt Limit: 3.00%**Recommended:**Debt Limit: 3.00% | Debt Limit 3.00%Limited to Sale of Bonds applicable to Measure L, approved by voters in the 2018 ElectionTax Rate $60 per $100,000 (authorization approved under Proposition 39) | California School Employees AssociationNo. 745Pam Rothwell, President12/6/2018**Support**Natomas Teachers AssociationBrenda Borge, President1/22/2019**Support** | Local Board Approval Date: 1/16/2019Public Hearing Date: 1/16/2019Public Hearing Advertised: Formal notice posted at school sites, at three public places, and in The Sacramento Bee.Parent Advisory Council12/19/2018**No Objections** |
| 25-2-2019 | Perris Union High School District | **Requested:**February 21, 2018 to June 30, 2022**Recommended:** May 9, 2019 to June 30, 2022 | **Requested:**Debt Limit: 1.60%**Recommended:**Debt Limit: 1.49% | Debt Limit 1.49%Limited to Sale of Bonds applicable to Measure W, approved by voters in the 2018 ElectionTax Rate $30 per $100,000 (authorization approved under Proposition 39) | California School Employees AssociationNo. 469Joshua Rushing, President1/24/2019**Support**Perris Secondary Educators AssociationVicky Mueller, President1/24/2019**Support** | Local Board Approval Date: 2/20/2019Public Hearing Date: 2/20/2019Public Hearing Advertised: Published in a newspaper of general circulation, the Press-Enterprise, on 2/13/2019.Perris Union High School District Measure W Citizen’s Bond Oversight Committee1/31/2019**No Objections** |
| 23-2-2019 | Sanger Unified School District | **Requested:**May 10, 2019 to August 1, 2030**Recommended:** May 9, 2019 to August 1, 2030 | **Requested:**Debt Limit: 4.04%**Recommended:**Debt Limit: 4.04% | Debt Limit 4.04%Limited to Sale of Bonds applicable to Measure B, approved by voters in the 2018 ElectionTax Rate $60 per $100,000 (authorization approved under Proposition 39) | California School Employees AssociationRene Martinez, Member1/31/2019**Support**Sanger Unified Teachers AssociationChristy Olson, President1/23/2019**Support** | Local Board Approval Date: 1/22/2019Public Hearing Date: 1/22/2019Public Hearing Advertised: Posted notice at the district office. Additionally, all school board agendas are posted on the district Web page.Bond Oversight Committee1/18/2019**No Objections** |

Created by the California Department of Education

February 26, 2019

# Attachment 2: **Natomas Unified School District General** **Waiver Request 19-1-2019**

**California Department of Education**

**WAIVER SUBMISSION – General**

CD Code: 3475283

Waiver Number: 19-1-2019

Active Year: 2019

Date In: 1/31/2019 11:40:05 AM

Local Education Agency: Natomas Unified School District

District Address: 1901 Arena Blvd.

Sacramento, CA 95834

Start: 7/15/2019

End: 7/15/2021

Waiver Renewal: No

Previous Waiver Number:

Previous SBE Approval Date:

Waiver Topic: School Construction Bonds

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

*Ed Code* Sections: 15106 and 15270(a)

*Ed Code* Authority: General Waivers 33050

*Education Code* or *CCR* to Waive: 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% 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.]

Outcome Rationale: The District is facing significant growth, with over 10% assessed value growth this past year, and must prepare to accommodate an influx of new students with the construction of several schools. Since the State school construction program for new construction is fully encumbered by applications already received, the District is seeking to rely 100% on local funds, the primary source of which is general obligation bonds. The District is seeking a waiver to be able to issue sufficient obligation bonds to undertake construction of the schools. NUSD requests to increase our bonding capacity from 2.5% to 3% for the first and second issuances of Measure L. Under the waiver, total Measure L bonds issued is expected to be $102 million. During the two-year waiver period, NUSD may issue the final series of Measure J as well, $20.5 million.

Student Population: 15,295

City Type: Urban

Public Hearing Date: 1/16/2019

Public Hearing Advertised: formal notice posted at school sites, three public places in District and in the Sacramento Bee

Local Board Approval Date: 1/16/2019

Community Council Reviewed By: Parent Advisory Council

Community Council Reviewed Date: 12/19/2018

Community Council Objection: No

Community Council Objection Explanation:

Audit Penalty Yes or No: No

Categorical Program Monitoring: No

Submitted by: Ms. Javetta Cleveland

Position: Deputy Superintendent

E-mail: jcleveland@natomasunified.org

Telephone: 916-567-5457

Bargaining Unit Date: 12/06/2018

Name: California School Employees Association No. 745

Representative: Pam Rothwell

Title: President

Position: Support

Bargaining Unit Date: 01/22/2019

Name: Natomas Teachers Association

Representative: Brenda Borge

Title: President

Position: Support

# Attachment 3: **Perris Union High School District General Waiver Request 25-2-2019**

**California Department of Education**

**WAIVER SUBMISSION – General**

CD Code: 3367207

Waiver Number: 25-2-2019

Active Year: 2019

Date In: 2/21/2019 6:49:39 PM

Local Education Agency: Perris Union High School District

Address: 155 East Fourth St.

Perris, CA 92570

Start: 2/21/2018

End: 6/30/2022

Waiver Renewal: No

Waiver Topic: School Construction Bonds

*Ed Code* Title: Bond Indebtedness Limit - Non-Unified

*Ed Code* Sections: 15102 and 15268

*Ed Code* Authority: 33050

*Education Code* or *CCR* to Waive: 15102 - [The total amount of bonds issued pursuant to this chapter and Chapter 1.5 (commencing with Section 15264) shall not exceed 1.25 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.] and 15268 - [The total amount of bonds issued, including bonds issued pursuant to Chapter 1 (commencing with Section 15100), shall not exceed 1.25 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.]

Outcome Rationale: Desired Outcome: The granting of this waiver will permit the Perris Union High School District to issue up to $148,000,000 in general obligation bonds, as authorized by the District voters on November 8, 2018. Reasons to approve the waiver will permit the District to:

1. Provide essential learning facilities to its students sooner, rather the waiting until a future fiscal year when the bond indebtedness of the District is expected to fall below the 1.25% limit set forth in the California Education Code.
2. Approval will allow the District to capitalize on lower construction costs.
3. Approval will allow the District to take advantage of low interest rates.
4. Approval will satisfy the will of District voters who, at the November 2018 election, reviewed and approved the authorization of $148,000,000 of bonds, while maintaining the tax rate at or below $30 per $100,000 of assessed valuation.

Rationale: Voters in the District approved Measure Won November 6, 2018, which authorized the District to issue $148 million in general obligation bonds to do the following: (1) construct the new Liberty High School (partially funded with a previously voter-approved bond measure), (2) to complete the reconstruction of the District's oldest high school, and (3) to build a gymnasium at the District's dependent charter school. The District wishes to issue its $148 million of general obligation bonds authorized under Measure Win a single series of bonds to begin construction. Construction is scheduled to commence upon issuance of the bonds. The District is accelerating these projects due to escalating construction costs and state funding constraints. This accelerated schedule will allow the District to complete the new Liberty High School in a single phase thereby decreasing the amount of student overcrowding that is currently occurring at other existing high schools and will potentially save millions of dollars in escalation costs.

The District requests that its outstanding bonded indebtedness limit be increased to an amount not to exceed 1.60% of assessed value for bonds issued through June 30, 2022. The requested debt limit will allow the District to accelerate the bond issuance, and the amount requested is limited to the issuance of bonds authorized by Measure W in November 2018. The District does not expect to issue bonds that would increase the tax rate above the legal limit of $30 per $100,000 of assessed valuation.

The District expects to issue approximately $126.6 million of bonds as current interest bonds and approximately $21.4 million of bonds as capital appreciation bonds. The District will comply with the statutory requirements of Assembly Bill 182 relating to capital appreciation bonds.

Absent a waiver, the District will be limited to issuing approximately $107 .6 million at this time, which will significantly delay Measure W projects. If the issuance of the remaining bonds is delayed, the new Liberty High School is not feasible to be constructed, even in a limited first phase, and may become unaffordable while the District waits to access additional bond capacity. By issuing the total amount of bonds authorized now, the debt as a percentage of assessed value will initially increase to approximately 1.49%, but is expected to decrease below 1.25% in fiscal year ending 2021.

Please see Attachments A-D for additional supporting information regarding the District's circumstances and financing plan, including:

* Attachment A - Historic Assessed Valuation of the District 1991 through 2019
* Attachment B -Statutory Bond Capacity for Fiscal Year 2018-19
* Attachment C - Projected Future Bond Capacity for General Obligation Bonds
* Attachment D - Letters of Support from Perris Secondary Educators Association, California School Employees Association Chapter No. 469, and the District's Citizens Oversight Committee

Student Population: 9,844

City Type: Suburban

Public Hearing Date: 2/20/2019

Public Hearing Advertised: Published in a newspaper of general circulation, the Press Enterprise, on February 13, 2019.

Local Board Approval Date: 2/20/2019

Community Council Reviewed By: Perris Union High School District Measure W Citizen's Bond Oversight Committee

Community Council Reviewed Date: 1/31/2019

Community Council Objection: No

Community Council Objection Explanation:

Audit Penalty Yes or No: No

Categorical Program Monitoring: No

Submitted by: Ms. Candace Reines

Position: Deputy Superintendent, Business Services

E-mail: candace.reines@puhsd.org

Telephone: 951-943-6369 x80202

Fax: 951-940-5301

Bargaining Unit Date: 01/24/2019

Name: California School Employees Assn Chapter No. 469

Representative: Joshua Rushing

Title: CSEA President

Position: Support

Bargaining Unit Date: 01/24/2019

Name: Perris Secondary Educators Association (PSEA)

Representative: Vickey Mueller

Title: PSEA President

Position: Support

# Attachment 4: **Sanger Unified School District General Waiver Request 23-2-2019**

**California Department of Education**

**WAIVER SUBMISSION – General**

CD Code: 1062414

Waiver Number: 23-2-2019

Active Year: 2019

Date In: 2/21/2019 3:23:56 PM

Local Education Agency: Sanger Unified School District

Address: 1905 Seventh St.

Sanger, CA 93657

Start: 5/10/2019

End: 8/1/2030

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: 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: Desired Outcome

The granting of this waiver will permit the Sanger Unified School District to issue up to $70,000,000 in general obligation bonds, as authorized by the District voters on November 6, 2018.

Rationale

A. Background

The District was unified in 1965 from the combination of five independent elementary, junior high and high school districts located within the boundaries of the District. The City of Sanger, which is wholly within and near the center of the current District, is located fifteen miles southeast of the City of Fresno, a portion of which is included in the District. Other population centers in the District are the unincorporated communities of Del Rey and Centerville. The District is the fifth largest school district in the County and consists of twenty schools, including three charter schools, an alternative education school, a community day school and an adult school.

On June 8, 1993, over two-thirds of the registered voters of the District approved the authorization to issue bonds of the District in an aggregate principal amount of $26,800,000 (the "1993 Authorization"). The District issued all of the bond authorization through three series of bonds. There is no remaining authorization under the 1993 Authorization.

On June 6, 2006, over 55% of the registered voters of the District approved the authorization to issue bonds of the District in an aggregate principal amount of $30,800,000 (the "2006 Authorization"). The District issued all of the bond authorization through one series of bonds. There is no remaining authorization under the 2006 Authorization.

On November 6, 2012, over 55% of the registered voters of the District approved the authorization to issue bonds of the District in an aggregate principal amount of $50,000,000 (the "2012 Authorization"). The District issued all of the bond authorization through three series of bonds. There is no remaining authorization under the 2012 Authorization.

On November 8, 2016, over 55% of the registered voters of the District approved the authorization to issue bonds of the District in an aggregate principal amount of $60,000,000 (the "2016 Authorization"). The District issued all of the bond authorization through two series of bonds. There is no remaining authorization under the 2016 Authorization.

On November 6, 2018, over 55% of the registered voters of the District approved the authorization to issue bonds of the District in an aggregate principal amount of $70,000,000 (the "2018 Authorization"). The District anticipates issuing the bonds in three installments: $20 million on or around June 1, 2019, and the remaining $50 million on or around August 1, 2021.

Altogether, the District has outstanding $132,689,481.65 in bonds outstanding. The District's assessed valuation for 2018-19 is $4,230,479,556 and with unitary values, the total value is $4,319,253,720. The District's bond limitation (2.50%) with unitary values is -$24, 708, 139. The District anticipates needing a waiver of *Education Code* Section 15102 in order to issue the $70 million in general obligation bonds approved by voters on November 6, 2018 as described above. The District is requesting the waiver to issue bonds using a 4.04% debt limit factor until August 1, 2030 when the bonding capacity would return to positive with a 2.5% debt limit factor.

B. Financial Information

The attached Bonding Capacity Analysis shows the assessed valuation and existing and proposed debt service requirements. The bonds approved on November 6, 2018, were submitted to the voters under Proposition 39. As such, the maximum projected tax rate is $60 per $100,000 assessed valuation. The attached analysis shows that the District expects that rate not to be exceeded if the bonds are issued in accordance with the proposed debt issuance plan.

C. Reasons to approve this waiver

1. Approval will permit the District to provide essential learning facilities to its students sooner, rather the waiting until a future fiscal year when the bond indebtedness of the District is expected to fall below the 2.50% limit set forth in the California *Education Code*.
2. Approval will allow the District to capitalize on lower construction costs.
3. Approval will allow the District to take advantage of low interest rates.
4. Approval will satisfy the will of District voters who, at the November 6, 2018 election, reviewed and approved the authorization of $70,000,000 of bonds.

Student Population: 12,102

City Type: Suburban

Public Hearing Date: 1/22/2019

Public Hearing Advertised: Notice in newspaper

Local Board Approval Date: 1/22/2019

Community Council Reviewed By: Bond Oversight Committee

Community Council Reviewed Date: 1/18/2019

Community Council Objection: No

Community Council Objection Explanation:

Audit Penalty Yes or No: No

Categorical Program Monitoring: No

Submitted by: Mr. Eduardo Martinez

Position: Associate Superintendent, Administrative Services

E-mail: eduardo\_martinez@sanger.k12.ca.us

Telephone: 559-524-6521

Bargaining Unit Date: 01/31/2019

Name: California School Employees' Association

Representative: Rene Martinez

Title: Member

Position: Support

Bargaining Unit Date: 01/23/2019

Name: Sanger Unified Teachers Association

Representative: Christy Olson

Title: President

Position: Support