

California Department of Education

Executive Office

SBE-005 (REV. 1/2018)

General Waiver

# California State Board of Education July 2021 AgendaItem #W-07

## Subject

Request by the **Perris Union High School District** to waive California *Education Code* sections 15102 and 15268 to allow the district to exceed its bonded indebtedness limit. Total bonded indebtedness may not exceed 1.25 percent of the taxable assessed valuation of property for high 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 may also apply.

## Waiver Number

6-4-2021

## Type of Action

Action, Consent

## Summary of the Issues

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 its proposed issuance of $78 million from Measure T, which was approved by voters in November 2012. 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, 1.62 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 182 related to school bonds, which became effective on 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 limit a high school district’s total general obligation (G.O.) bond indebtedness to 1.25 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.

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.

Perris UHSD wishes to proceed with its proposed issuance for the $78 million from Measure T, which was approved by voters in November 2012. The issuance will go toward funding the following projects:

* A portion of the new Liberty High School
* The Paloma Valley High School Improvement Project
* The Paloma Valley High School Aquatics Center
* The Heritage High School Aquatics Center
* The Perris High School Completion Project

The issuance of $78 million will increase the district’s outstanding bonded indebtedness limit to a rate up to, but not to exceed, 1.62 percent.

The district has a previously approved waiver from the May 2019 SBE board meeting (Waiver 25-2-2019, Item W-04, <https://www.cde.ca.gov/be/ag/ag/yr19/documents/may19itemw04.docx>). That waiver was for an issuance of $148 million from Measure W, approved by voters in November 2018, which increased the district’s outstanding bonded indebtedness limit to 1.60 percent, and it expires on June 30, 2022. The current waiver request is inclusive of the issuances authorized in the May 2019 request.

### Demographic Information

Perris UHSD has a student population of 9,864 and is located in Riverside 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* 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

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

## Attachments

* **Attachment 1:** Summary Table (1 page)
* **Attachment 2:**  Perris Union High School District General Waiver Request
6-4-2021 (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** |
| --- | --- | --- | --- | --- | --- | --- |
| 6-4-2021 | Perris Union High School District | **Requested:**April 8, 2021 to June 30, 2025**Recommended:** July 15, 2021 to June 30, 2025 | **Requested:**Debt Limit: 1.62%**Recommended:**Debt Limit: 1.62% | Debt Limit 1.62%Limited to sale of bonds applicable to Measure T, approved by voters in the November 2012 electionTax Rate $30 per $100,000 (authorization approved under Proposition 39) | California School Employees Association (CSEA) Chapter 469Joshua Rushing, CSEA President2/10/2021**Support**Perris Secondary Educators Association (PSEA)Jason Miller, PSEA President1/22/2021**Support** | Local Board Approval Date: 3/17/2021Public Hearing Date: 3/17/2021Public Hearing Advertised: Published in a newspaper of general circulation, the Press-Enterprise, on 3/3/2021 and 3/10/2021Perris Union High School District Measure T and Measure W Citizen’s Bond Oversight Committee3/2/2021**No Objections** |

Created by the California Department of Education

May 2021

# Attachment 2: **Perris Union High School District General** **Waiver Request 6-4-2021**

**California Department of Education**

**WAIVER SUBMISSION – General**

CD Code: 3367207

Waiver Number: 6-4-2021

Active Year: 2021

Date In: 4/8/2021 2:58:37 PM

Local Education Agency: Perris Union High

District Address: 155 East Fourth St.

Perris, CA 92570

Start: 4/8/2021

End: 6/30/2025

Waiver Renewal: No

Waiver Topic: School Construction Bonds

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

*Ed Code* Section: 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.

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 $78,005,000 in general obligation bonds, as authorized by the District voters on November 6, 2012. This is the last remaining amount of bond financing authorized from that election. 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 due to a rising construction cost environment.

3, Approval will allow the District to take advantage of historically low interest rates.

4. Approval will satisfy the will of District voters who, at the November 2012 election, reviewed and approved the authorization of $153,420,000 of bonds, while maintaining the tax rate at or below $30 per $100,000 of assessed valuation.

Rationale: Voters in the District approved Measure T on November 6, 2012, which authorized the District to issue $153.42 million in general obligation bonds to build various school facilities. Under the Measure T authorization, the District has issued $75.24 million to date, and approximately $78 million of financing capacity remains. The Series C Bonds will fund the following projects:

• Portion of Liberty High School (new HS)

• Paloma Valley High School Improvement Project

• Paloma Valley High School Aquatics Center

• Heritage High School Aquatics Center

• Perris High School Completion Project

The District wishes to issue its $78,005,000 million of general obligation bonds authorized under Measure T in 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 also allows the District to keep pace with rapid growth of the area and to modernize outdated facilities and will potentially save hundreds of thousands of dollars in construction escalation costs.

The District requests that its outstanding bonded indebtedness limit be increased to an amount not to exceed 1.62% 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 remaining bond capacity authorized by Measure T in November 2012. 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 does not expect to issue any capital appreciation bonds, and are otherwise in compliance with the statutory requirements of Assembly Bill 182 relating to capital appreciation bonds.

Absent a waiver, the District will be limited to issuing approximately $6,650,000 million at this time, which will significantly delay Measure T projects. If the issuance of the remaining bonds were delayed, the District would not be able to complete all of the projects as designed due to escalating construction costs. By issuing the total amount now, the District debt as a percentage of assessed value will increase to approximately 1.62%, but is expected to decrease below 1.25% in fiscal year ending 2025.

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

• Attachment A – Estimated Statutory Bond Capacity for Fiscal Year 2020-21; and

• Attachment B – Projected Future Bond Capacity for General Obligation Bonds

• Attachment C – Historic Assessed Valuation of the District 1991 through 2021

• Attachment D – Resolution approving Waiver Request

Student Population: 9,864

City Type: Suburban

Public Hearing Date: 3/17/2021

Public Hearing Advertised: Published in a newspaper of general circulation, the Press-Enterprise, on March 3 and March 10, 2021.

Local Board Approval Date: 3/17/2021

Community Council Reviewed By: Perris Union High School District Measure T and Measure W Citizen’s Bond Oversight Committee

Community Council Reviewed Date: 3/2/2021

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

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Bargaining Unit Date: 02/10/2021

Name: California School Employees Association Ch. 469

Representative: Joshua Rushing

Title: CSEA President

Phone: 951-570-1492

Position: Support

Comments:

Bargaining Unit Date: 01/22/2021

Name: Perris Secondary Educators Association (PSEA)

Representative: Jason Miller

Title: PSEA President

Phone: 915-836-7331

Position: Support

Comments: