

California Department of Education

Executive Office

SBE-005 (REV. 1/2018)

Bond Waiver

# California State Board of Education September 2018 Agenda Item #W-05

## Subject

Request by the **Lakeside Union Elementary School District** to waive California *Education Code* (*EC*) 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. Depending on the type of bond, a tax rate levy limit of $30 per $100,000 of assessed value may also apply.

## Waiver Number

16-6-2018

## Type of Action

Action, Consent

## Summary of the Issue

The Lakeside Union Elementary School District’s (District) bonded indebtedness is statutorily limited not to exceed 1.25 percent, which prohibits them from proceeding with their proposed issuance of $15 million from Measure L, which was approved by voters on November 4, 2014. 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, 1.37 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 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 Issue**

The California *EC* provides limits related to a district’s total bonded indebtedness. *EC* sections 15102 and 15268 limit an elementary 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. 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 limits the tax rate levy authorized in each election to $30 per $100,000 of taxable property for elementary 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.

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.

The Lakeside Union Elementary School District wishes to proceed with their proposed issuance of $15 million from Measure L, which was approved by voters on November 4, 2014. The issuance will go toward facilities improvements throughout the District. The proposed issuance of $15 million will increase the District’s outstanding bonded indebtedness limit to a rate up to, but not to exceed, 1.37 percent. The District’s requested end date of September 1, 2020 could not be substantiated by the data submitted, therefore CDE is recommending that the end date be revised to September 1, 2021. This revised end date reflects when the District projects they will be back under the statutorily mandated 1.25 percent of assessed valuation.

### Demographic Information

The Lakeside Union Elementary School District has a student population of 5,157 and is located in San Diego 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 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 waiver would allow the District to accelerate its issuance of voter approved bonds.

## Attachments

* **Attachment 1:** Summary Table (1 page)
* **Attachment 2:**  Lakeside Union Elementary School District School District General Waiver Request 16-6-2018 (2 pages). (Original waiver request is signed and on file in the Waiver Office.)

# Attachment 1: Summary Table

California *EC* Section 41402

| **Waiver Number** | **District** | **Period of Request** | **District’s Request** | **CDE Recommended** | **Bargaining Unit, Representatives** | **Local Board and Public Hearing Approval** |
| --- | --- | --- | --- | --- | --- | --- |
| 16-6-2018 | Lakeside Union Elementary School District | **Requested:**  September 7, 2018 to September 1, 2020  **Recommended:**  September 7, 2018 to September 1, 2021 | **Requested:**  Debt Limit 1.37%  Tax Rate $30  **Recommended:**  Debt Limit 1.37%  Tax Rate $30 | Debt Limit 1.37%  Limited to Sale of Bonds applicable to Measure L, Approved by Voters in the 2014 Election  Tax Rate $30 | California School Employees Association (CSEA) Chapter 240  Rick Klain, President  5/30/2018  **Support**  Lakeside Teachers' Association  Cathy Sprecco, President  5/29/2018  **Support** | Local Board Approval Date: 6/14/2018  Public Hearing Date: 6/14/2018  Public Hearing Advertised: Posted notices at District office and all school sites  Citizens' Bond Oversight Committee  5/30/2018  **No Objections** |

Created by the California Department of Education

June 25, 2018

# Attachment 2: Lakeside Union Elementary School District General Waiver Request 16-6-2018

**California Department of Education**

**WAIVER SUBMISSION – General**

CD Code: 3768189

Waiver Number: 16-6-2018

Active Year: 2018

Date In: 6/21/2018 7:10:17 PM

Local Education Agency: Lakeside Union Elementary School District

District Address: 12335 Woodside Ave.

Lakeside, CA 92040

Start: 9/7/2018

End: 9/1/2020

Waiver Renewal: No

Waiver Topic: School Construction Bonds

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

*Ed Code* Section: 15102 and 15268

*Ed Code* Authority: 33050

*Education Code* or *CCR* to Waive: Pursuant to Education Code Sections 15102 and

15268, the total amount of bonds issued by an elementary school district or high school district 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: On November 4 2014, District voters approved Measure L, a $31 million general obligation bond measure which reauthorized bonds previously approved by voters in November 2008. To date, the District has issued $2.9 million of Measure L bonds. In order to fund continuing technology and facilities improvements, the District wishes to issue $15 million in additional Measure L bonds.

The California *Education Code* contains provisions that limit the amount of general obligation bonds a school district can have outstanding at any given time. For elementary school districts, the principal amount of bonds that may be outstanding at any one time is equal to 1.25% of the total assessed value for the school district. As of June 2018, this constraint would limit the amount of Measure L bonds that could be issued to approximately $8.9 million.

Student Population: 5157

City Type: Small

Public Hearing Date: 6/14/2018

Public Hearing Advertised: Posted notices at District office and all school sites

Local Board Approval Date: 6/14/2018

Community Council Reviewed By: Citizens' Bond Oversight Committee

Community Council Reviewed Date: 5/30/2018

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](mailto:jcrump@dalescott.com)

Telephone: 415-956-1030

Bargaining Unit Date: 05/30/2018

Name: CSEA Chapter 240

Representative: Rick Klain

Title: President

Position: Support

Bargaining Unit Date: 05/29/2018

Name: Lakeside Teachers' Association

Representative: Cathy Sprecco

Title: President

Position: Support