

California Department of Education

Executive Office

SBE-005 (REV. 1/2018)

Bond Waiver

# California State Board of Education January 2019 Agenda Item #W-07

## Subject

Request by the **Paramount Unified School District** to waive California *Education Code* (*EC*) Section 15270(a) 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 of $60 per $100,000 of assessed value for unified school districts may also apply.

## Waiver Number

5-11-2018

## Type of Action

Action, Consent

## Summary of the Issues

The Paramount Unified School District (USD)’s bonded indebtedness is statutorily limited not to exceed 2.5 percent, which prohibits them from proceeding with their proposed issuance of $30.50 million from Measure I, which was approved by voters in November 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, 2.8 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 Paramount USD 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 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 2.5 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 approve the issuance of the bonds, and;
* 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.

The Paramount USD wishes to proceed with their proposed issuance of $30.50 million from Measure I, which was approved by voters in November 2016. The issuance will go toward repairing and upgrading classrooms and labs for job training; improving school security, technology, electrical wiring, air conditioning, emergency alarms, earthquake safety, disabled access, aging gymnasiums, athletic fields, and tracks; repairing deteriorating roofs and water pipes; and removing lead paint and asbestos. The proposed issuance of $30.50 million will increase the district’s outstanding bonded indebtedness limit to a rate up to, but not to exceed, 2.8 percent. With the approval of Measure I, voters authorized the district to seek a waiver to issue bonds in excess of the 2.5 percent limit.

### Demographic Information

The Paramount USD has a student population of 15,175 and is located in Los Angeles County.

**Because this is a general waiver, if the State Board of Education (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 (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:**  Paramount USD General Waiver Request 5-11-2018 (4 pages). (Original waiver request is signed and on file in the Waiver Office.)

# Attachment 1: Summary Table

California *Education Code* (*EC*) Section 15270(a)

| **Waiver Number** | **District** | **Period of Request** | **District’s Request** | **CDE Recommended** | **Bargaining Unit Representatives** | **Local Board and Public Hearing Approval** |
| --- | --- | --- | --- | --- | --- | --- |
| 5-11-2018 | Paramount USD | **Requested:**  January 15, 2019 to December 15, 2021  **Recommended:**  January 15, 2019 to December 15, 2021 | **Requested:**  Debt Limit 2.8%  Tax Rate $60 per $100,000 | Debt Limit 2.8%  Limited to Sale of Bonds applicable to Measure I, Approved by Voters in the November 2016 Election  Tax Rate $60 per $100,000 (authorization approved under Proposition 39) | California School Employees Association  JoAnn Garner, President  4/5/2017  **Support**  Teachers Association of Paramount  April O’Conner, President  4/5/2017  **Support** | Local Board Approval Date: 5/8/2017  Public Hearing Date: 5/8/2017  Public Hearing Advertised: Local Press Telegram Newspaper, published on April 5, 2017  Citizens’ Bond Oversight Committee (Originally provided under Bargaining Unit Representatives)  4/5/2017  **No Objections** |

Created by the California Department of Education

November 13, 2018

# Attachment 2: Paramount Unified **School District General** **Waiver Request 5-11-2018**

**California Department of Education**

**WAIVER SUBMISSION – General**

CD Code: 1964873

Waiver Number: 5-11-2018

Active Year: 2018

Date In: 11/8/2018 2:15:11 PM

Local Education Agency: Paramount Unified School District

District Address: 5110 California Avenue

Paramount, CA 90723

Start: 1/15/2019

End: 12/15/2021

Waiver Renewal: No

Waiver Topic: School Construction Bonds

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

*Ed Code* Section: 15270(a)

*Ed Code* Authority: 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] 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 requests that its outstanding bonded indebtedness limit be increased by an amount not to exceed 2.80% from January 15, 2019 through December 15, 2021. The District's request for a future bond Statutory Bond Indebtedness Limit waiver was included as part of the bond election resolution that was approved by the voters in 2016.

The District wishes to issue up to $30.5 million of bonds in the first quarter of 2019 and the remaining $49.83 million of bonds through the issuance of approximately three (3) additional bond series through 2026.

a) $106 million of bonds authorized by the voters in 2016.

b) $25.67 million of the 2016 bond authorization issued in 2017.

c) $30.50 million of the remaining bond authorization is planned to be issued in 2019.

d) $49.83 million of the remaining 2016 bond authorization is planned to be issued periodically in three (3) additional bond series through 2026.

Currently, the District has approximately $128.555 million of total outstanding bonded indebtedness and only has $14.374 million of remaining bond capacity under the *Education Code*'s existing 2.50% maximum. The District's current bond Statutory Debt Limit is $142.935 million. With the addition of the planned $30.50 million in new bonds in early 2019, the District's total bonded indebtedness would be $159.055 million. The $159.055 million would amount to approximately 2.782% (rounded up to 2.80%) of assessed value in 2019.

The $49.83 million balance of the District's 2016 Bond Authorization is planned to be issued periodically through 2026. Upon the completion of the issuance of all of the District's 2016 Bond Authorization, its bonded indebtedness is estimated not to exceed 2.80%, and is anticipated to be back below the Statutory Debt limit of 2.50% by the end of 2021.

Background:

2016 "Measure I" - In November 2016, the voters of the District approved "Measure I" which authorized $106 million principal amount of General Obligation Bonds ("2016 Bond Authorization) to be issued for funding the authorized school facility projects ("Authorized School Projects"). The primary purposes of the 2016 Bond Authorization are to provide funding for the following types of voter Authorized School Projects:

i. Safety, Security and Health system improvements for all of the District's 23 school campuses;

ii. Improvements and equipment to support 21st Century Learning and Classroom

Technology projects;

iii. Improve, upgrade, renovate and construct school facilities needed for Career

Technical Education ("CTE");

iv. Construct new CTE high school campus; and

v. Other School Facility and District-Wide improvement, upgrade, renovation, and athletic facilities projects.

The 2016 Bond Authorization was the third (3) bond measure election (1998, 2006, and 2016) approved by the District's voters. The 2016 Bond Authorization was approved by approximately 84% or the voters. As part of the 2016 Bond Authorization, the voters also authorized the District to seek a bonded indebtedness limit waiver (see Attachment A, Page A-4), and to issue the authorized bonds in excess of the 2.50% Statutory Debt Limit as the State Board of Education may approve. As a direct result of the District's prior two (2) bond authorizations, the waiver provision was set forth in the 2016 Bond Authorization for voter approval in order to fully issue the approved $106 million bond principal amount over a planned 8 to 10-year timeframe.

In 2017, the District issued its first series of bonds ("2017 Series A Bonds") under the 2016 Bond Authorization in the principal amount of $25.67 million. The District is planning on issuing its second series of bonds ("2019 Series B Bonds") in February 2019 in a principal amount not-to-exceed $30.50 million. The remaining $49.83 million balance of the 2016\_ Bond Authorization is planned to be periodically issued in three (3) additional bond series with the final bond series ("2026 Series E Bonds") in 2026.

The District is requesting an increase of its 2.50% Statutory Bond Limit to 2.80% through December 15, 2021 which is the year that we estimate the District's combined bonded indebtedness will be back under the 2.50% statutory limit. The requested small 0.30% increase in the Statutory Bond Limit will enable the District to complete the voter authorized school facilities projects over the planned construction timeframe and obtain the eligible matching State grant funds under the State's School Facility Program.

Analysis:

Attached to this waiver request is the following:

1. Attachment A – 2016 Measure I Ballot Measure Resolution with Voter Bond Waiver Request Authorization
2. Attachment B – Resolution of the District Board of Education and Public Hearing Requesting the Statutory Bond Limit Waiver
3. Attachment C – Historical Assessed Values forFiscal Years 1990/91 through 2018/19 (31-Years)
4. Attachment D – Analysis of General Obligation Bond Indebtedness versus Projected Debt Limits.
5. Attachment E – Tax Rate Analysis of the Planned Measure I Bond Series
6. Attachment F – Paramount USO Bond Indebtedness Limit Waiver Request (PDF Version)

Student Population: 15,175

City Type: Urban

Public Hearing Date: 5/8/2017

Public Hearing Advertised: Local Press Telegram Newspaper, published on April 5, 2017

Local Board Approval Date: 5/8/2017

Community Council Reviewed By: Board of Education

Community Council Reviewed Date: 5/8/2017

Community Council Objection: No

Community Council Objection Explanation:

Audit Penalty Yes or No: No

Categorical Program Monitoring: No

Submitted by: Mr. Michael Ogburn

Position: Senior Vice President

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Telephone: 949-282-1077

Bargaining Unit Date: 04/05/2017

Name: California School Employees Association

Representative: JoAnn Garner

Title: President

Position: Support

Bargaining Unit Date: 04/05/2017

Name: Citizens’ Bond Oversight Committee (“COC”)

Representative: Bond COC Members

Title: All Members

Position: Support

Bargaining Unit Date: 05/04/2017

Name: Teachers Association of Paramount

Representative: April O’Conner

Title: President

Position: Support