

California Department of Education

Executive Office

SBE-005 (REV. 1/2018)

General Waiver

# California State Board of Education July 2020 Agenda Item #W-06

## Subject

Request by the **Centinela Valley 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

8-4-2020

## Type of Action

Action, Consent

## Summary of the Issues

The Centinela Valley Union High School District (Centinela Valley UHSD)’s bonded indebtedness is statutorily limited not to exceed 1.25 percent, which prohibits the district from proceeding with its proposed issuance of $125 million from Measure SP, which was approved by voters on March 3, 2020. 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, 2.28 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 for the district 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 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 an elementary or 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 elementary and 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.

Through a joint exercise of powers agreement, and pursuant to California *Government Code* Section 6500 et. seq., the Centinela Valley UHSD and Wiseburn Unified School District created the Local Public Schools Funding Authority (LPSFA), a joint powers authority, wherein both school districts were members. On March 3, 2020, voters approved Measure SP, authorizing the LPSFA, through its School Facilities Improvement District No. 2016-1, to issue $125 million in G.O. bonds. Centinela Valley UHSD wishes to proceed with its issuance of the $125 million, which will be used to provide students with additional opportunities for career and academic success at local schools, including Hawthorne, Lawndale, and Leuzinger High Schools, and to optimize athletic facilities for joint use with local communities. The issuance of $125 million will increase the district’s outstanding bonded indebtedness limit to a rate up to, but not to exceed, 2.28 percent.

The district’s proposed issuance schedule shows that they will fall back under their debt limit in 2034, when their available bonding capacity will be at $19,375,293.

One of the two bargaining units consulted, the Centinela Valley Secondary Teachers’ Association (CVSTA), is taking a neutral position to the district applying for this bonded indebtedness waiver. This is after the district re-engaged in discussions with the CVSTA to clarify the bargaining unit’s stance, but the CVSTA was unable to come to an internal consensus and is being represented as having a neutral position.

### Demographic Information

Centinela Valley UHSD has a student population of 7,473 and is located in Los Angeles 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 waivers would allow the district to accelerate their issuance of voter-approved bonds.

## Attachments

* **Attachment 1:** Summary Table (1 page)
* **Attachment 2:** Centinela Valley Union High School District General Waiver Request 8-4-2020 (3 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** |
| --- | --- | --- | --- | --- | --- | --- |
| 8-4-2020 | Centinela Valley Union High School District | **Requested:** 4/23/2020 to 8/1/2034  **Recommended:** 7/9/2020 to 8/1/2034 | **Requested:** Debt Limit: 2.28%  **Recommended:** Debt Limit: 2.28% | Debt Limit 2.28%  Limited to sale of bonds applicable to Measure SP, approved by voters in March 2020  Tax Rate $30 per $100,000 (authorization approved under Proposition 39) | California Schools Employees Association Kilika Wedermyer, Acting President **Support**  Centinela Valley Secondary Teachers’ Association Temisha Brame, President **Neutral** | Local Board Approval Date: 4/21/2020  Public Hearing Date: 4/21/2020  Public Hearing Advertised: The District advertised notice of the public hearing in the local newspaper, the Daily Breeze  School Site Councils from Hawthorne High School, Leuzinger High School, and Lawndale High School 4/22/2020 **No Objections** |

Created by the California Department of Education

May 5, 2020

## Attachment 2: **Centinela Valley Union High School District General** **Waiver Request 8-4-2020**

**California Department of Education**

**WAIVER SUBMISSION – General**

CD Code: 1964352

Waiver Number: 8-4-2020

Active Year: 2020

Date In: 4/23/2020 4:28:52 PM

Local Education Agency: Centinela Valley Union High

District Address:14901 South Inglewood Ave.

Lawndale, CA 90260

Start: 4/23/2020

End: 8/1/2034

Waiver Renewal: No

Waiver Topic: School Construction Bonds

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

*Ed Code* Section: 15102 & 15268 (see also Sec. 35582(b) and (d) and Sec. 15334.5)

*Ed Code* Authority: 33050-33053

*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: Current Need: The current statutory debt limit for non-unified school districts is 1.25% of the total assessed valuation of taxable property within a district’s boundaries. Effective July 1, 2014, Wiseburn School District (“Wiseburn”), previously a feeder school district for Centinela Valley Union High School District (the “District”), became a unified school district, which reduced the assessed valuation of the District. Section 35582 provides for the statutory bonding limits for each of the District and Wiseburn following the reorganization of Wiseburn, and specifically subsections 35582(b) and (d) provide for the application of Sections 15102 and 15268, respectively, to the District following such reorganization.

Through a joint exercise of powers agreement (the “JPA Agreement”), and pursuant to Section 6500 et. seq. of the California Government Code, the District and Wiseburn created the Local Public Schools Funding Authority (the “LPSFA”), a joint powers authority, wherein each of the District and Wiseburn were members. Through the LPSFA and pursuant to Sections 35582(b) and (d), the District may levy ad valorem taxes against taxable property within the District, as well as non-residential properties within Wiseburn, by issuing future general obligation bonds through the LPSFA, or through a School Facilities Improvement District formed by the JPA. On March 3, 2020, voters approved Measure SP authorizing the Local Public Schools Funding Authority, through its School Facilities Improvement District No. 2016-1, to issue $125 million in general obligation bonds. Pursuant to Cal. Ed. Code 35582(c), the bonding limit applicable to bonds payable from ad valorem property taxes of the LPSFA is equal to the sum of the respective bonding limits applicable to the members of the LPSFA. In order to access the proposed amount of proceeds, the District is requesting an increase in its debt limit to 2.28% of assessed valuation. Based on our analysis of the District’s position, the District should fall below the 1.25% debt limit by fiscal year 2034-35. The attached table illustrates the District’s assessed valuation and statutory debt limitation.

Section 35582(d) provides for the method of allocating bonds issued by the LPSFA to the District and Wiseburn.

Analysis: Attached to this waiver request is the following: i. Notice of Public Hearing (Attachment A) ii. Historical Assessed Values for Fiscal Years 1987 through 2020 and Bonding Capacity Calculations (Attachment B) iii. Tax Rate Analysis (Attachment C) iv. Board Approved Resolution (Attachment D).

Based on the Tax Rate Analysis figures, the District anticipates that the tax rate will not exceed applicable Proposition 39 tax rate limit for Measure SP, should the California Department of Education grant this waiver request. The District anticipates the use of current interest bonds only (no capital appreciation bonds) for Measure SP.

Student Population: 7473

City Type: Urban

Public Hearing Date: 4/21/2020

Public Hearing Advertised: The District advertised notice of the public hearing in the local newspaper, the Daily Breeze.

Local Board Approval Date: 4/21/2020

Community Council Reviewed By: School Site Councils from Hawthorne High School, Leuzinger High School, and Lawndale High School

Community Council Reviewed Date: 4/22/2020

Community Council Objection: No

Community Council Objection Explanation:

Audit Penalty Yes or No: No

Categorical Program Monitoring: No

Submitted by: Mr. Ron Hacker

Position: Assistant Superintendent, Business Services

E-mail: <hackerr@centinela.k12.ca.us>

Telephone: 310-263-3220

Bargaining Unit Date: 04/20/2020

Name: California Schools Employees Association

Representative: Kilika Wedermyer

Title: Acting President

Phone: N/A

Position: Support

Comments:

Bargaining Unit Date: 04/20/2020

Name: Centinela Valley Secondary Teachers’ Association

Representative: Temisha Brame

Title: President

Phone: N/A

Position: Neutral

Comments: