

California Department of Education

Executive Office

SBE-005 (REV. 1/2018)

General Waiver

# California State Board of Education March 2022 AgendaItem #W-04

## Subject

Request by the **Central Elementary 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 elementary school districts. Depending on the type of bond, a tax rate levy limit of $30 per $100,000 of assessed value for elementary school districts may also apply.

## Waiver Number

10-12-2021

## Type of Action

Action, Consent

## Summary of the Issues

The Central Elementary School District (Central ESD) is requesting to waive portions of *Education Code* (*EC*) sections 15102 and 15268 which will allow the district to exceed its statutory bonding capacity limit at a rate of up to, but not in excess of, 1.60 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 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 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 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 State Board of Education (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.

Central ESD wishes to proceed with its proposed issuance of $5 million from Measure A, which was approved by voters in November 2008, as well as the remaining $7.496 million from Measure N, which was approved by voters in November 2014, for a combined issuance of $12.496 million. The issuance will be used to upgrade schools; repair deteriorating classrooms; remove asbestos; improve school safety; update fire alarms/sprinklers; update electrical wiring; and improve classroom technology. The issuance of $12.496 million will increase the district’s outstanding bonded indebtedness limit to a rate up to, but not to exceed, 1.60 percent.

The waiver request cites $5 million from Measure A and $7.502 million from Measure N, which totals $12.502 million rather than the $12.496 million requested. It has been confirmed by the district’s financial advisor actual issuances will be slightly less than the maximum authorized amounts due to issuance protocols.

### Demographic Information

Central ESD has a student population of 4,300 and is located in San Bernardino 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:** Central Elementary School District General Waiver Request 10-12-2021 (6 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** |
| --- | --- | --- | --- | --- | --- | --- |
| 10-12-2021 | Central Elementary School District | **Requested:**January 15, 2022 to September 15, 2027**Recommended:** March 10, 2022 to September 15, 2027 | **Requested:**Debt Limit: 1.60%**Recommended:**Debt Limit: 1.60% | Debt Limit 1.60%Limited to sale of bonds applicable to Measure A, approved by voters in November 2008, and Measure N, approved by voters in November 2014.Tax Rate $30 per $100,000 (authorization approved under Proposition 39) | California School Employees Association – Chapter 605Rosemary Batista, President9/28/2021**Support**Central Teachers OrganizationJoanna Ambrozich, President9/28/2021**Support** | Local Board Approval Date: 10/14/2021Public Hearing Date: 10/14/2021Public Hearing Advertised: Inland Daily Bulletin, published on September 30, 2021, and October 7, 2021Independent Citizens’ Bond Oversight Committee9/27/2021**No Objections** |

Created by the California Department of Education

December 2020

## Attachment 2: **Central Elementary School District General** **Waiver Request 10-12-2021**

**California Department of Education**

**WAIVER SUBMISSION – General**

CD Code: 3667645

Waiver Number: 10-12-2021

Active Year: 2021

Date In: 12/14/2021 3:53:12 PM

Local Education Agency: Central Elementary

District Address: 8316 Red Oak St.

Rancho Cucamonga, CA 91730

Start: 1/15/2022

End: 9/15/2027

Waiver Renewal: No

Waiver Topic: School Construction Bonds

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

*Ed Code* Section: *EC* Sections 15102 and 15268

*Ed Code* Authority: 33050

*Education Code* or *CCR* to Waive: *EC* 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. For purposes of this section, the taxable property of a district for any fiscal year shall be calculated to include, but not be limited to, the assessed value of all unitary and operating nonunitary property of the district, which shall be derived by dividing the gross assessed value of the unitary and operating nonunitary property within the district for the 1987–88 fiscal year by the gross assessed value of all unitary and operating nonunitary property within the county in which the district is located for the 1987–88 fiscal year, and multiplying that result by the gross assessed value of all unitary and operating nonunitary property of the county on the last equalized assessment roll.

*EC* 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. 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 by a school district pursuant to this chapter, at a single election, would not exceed thirty dollars ($30) 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 XIII A of the California Constitution. For purposes of this section, the taxable property of a district for any fiscal year shall be calculated to include, but not be limited to, the assessed value of all unitary and operating nonunitary property of the district, which shall be derived by dividing the gross assessed value of the unitary and operating nonunitary property within the district for the 1987–88 fiscal year by the gross assessed value of all unitary and operating nonunitary property within the county in which the district is located for the 1987–88 fiscal year, and multiplying that result by the gross assessed value of all unitary and operating nonunitary property of the county on the last equalized assessment roll.

Outcome Rationale: Current Need:

The Central School District (“District”) is requesting that its outstanding bonded indebtedness limit be increased by an amount not to exceed 1.60% from January 15, 2022, through December 31, 2022.

The District has the following two (2) outstanding Bond Authorizations under which it intends to issue additional General Obligation Bonds (“Bonds”) that were authorized under the voter approved Proposition 39 parameters.

2008 Measure “A” Bond Election: Under the District’s 2008 Measure “A” Bond Election, it has $9.774 million authorized principal amount (“2008 Bond Authorization”) of Bonds remaining to be issued. Under the 2008 Bond Authorization, the District intends to issue up to $5 million principal amount (“2022-A Series “D” Bonds”) in early 2022.

Set forth below is a summary of the status of the District’s 2008 Bond Authorization.

a) $31 million principal amount of Bonds were authorized by the voters at the November 4, 2008 election.

b) $21.226 million principal amount of the 2008 Bond Authorization under three (3) Bond Series (Series A, B and C) has been issued to date.

c) $9.774 million principal amount of the 2008 Bond Authorization remains to be issued.

d) $5 million principal amount of the 2008 Bond Authorization is planned to be issued in 2022 under the 2022-A Series D Bonds.

2014 Measure “N” Bond Election: Under the District’s 2014 Measure “N” Bond Election, it has $7.502 million authorized principal amount (“2014 Bond Authorization”) of Bonds remaining to be issued. Under the 2014 Bond Authorization, the District intends to issue all of the remaining 2014 Bond Authorization of $7.502 million principal amount (“2022-N Series “C” Bonds”) of Bonds in early 2022. Set forth below is a summary of the status of the District’s 2008 Bond Authorization.

a) $35 million principal amount of Bonds were authorized by the voters at the November 4, 2014 election.

b) $27.498 million principal amount of the 2014 Bond Authorization under two (2) Bond Series (Series A and B) has been issued to date.

c) $7.502 million principal amount of the 2014 Bond Authorization of Bonds remains to be issued.

d) All $7.502 million principal amount of the remaining 2014 Bond Authorization is planned to be issued in early 2022 under the 2022-N Series C Bonds.

The combined authorized Bond principal amount that the District plans to issue in the 2022 timeframe totals $12.496 million. Currently, the District has approximately $61.761 million of total outstanding bonded indebtedness. Under the 1.25% AV Statutory Bond Limit, the District’s current bond limit is $58.2 million principal amount.

With the addition of the $12.496 million principal amount of combined additional Bonds that are planned to be issued in the January 15, 2022 to December 31, 2022 timeframe, the District’s total bonded indebtedness will increase to approximately $74.257 million principal amount. The resulting total bond percentage will then approximate 1.60% of the District’s current FY 2021-22 AV.

Upon the completion of the issuance of all of the District’s planned $12.496 million principal amount of Bonds in 2022, its overall bonded indebtedness is estimated not to exceed 1.60% in 2022 and is then anticipated to be back below the statutory debt limit of 1.25% in 2027.

Background:

The District has the following two (2) outstanding Bond Authorizations (collectively, the “Bond Authorizations”) under which it intends to issue additional General Obligation Bonds (“Bonds”) that were authorized under the voter approved Proposition 39 parameters.

- 2008 “Measure A Bond Election” – On November 4, 2008, the voters of the Central School District (“District”) approved “Measure A” which authorized $31 million (“2008 Bond Authorization”) principal amount of general obligation bonds (“Bonds”) to be issued under the Proposition 39 parameters. Three (3) Bond Series (Series A, B, and C) consisting of a combined $21.226 million principal amount have been issued to date. $9.774 million principal amount of the 2008 Bond Authorization remains to be issued by the District.

- 2014 “Measure N Bond Election” – On November 4, 2014, the voters of the District’s voters subsequently approved “Measure N” which authorized $35 million (“2014 Bond Authorization”) principal amount of additional Bonds to be issued under the Proposition 39 parameters. Two (2) Bond Series (Series A and B) consisting of a combined $27.498 million principal amount have been issued to date. $7.502 million principal amount of the 2014 Bond Authorization remains to be issued by the District.

The primary purposes of the Bond Authorizations are to provide funding for the following types of voter authorized school facilities projects (“Authorized Projects”):

i. Safety, Security and Health system improvements to all of the District’s school campuses.

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

iii. Improve, upgrade, renovate, expand, and construct school facilities needed for 21st Century Education; and

iv. Other priority school facility and district-wide improvement, upgrade, renovation, and playground and recreational school facilities projects.

To date, the District has completed many of the planned renovation, repair and upgrades to each of its school facilities. The District’s remaining current and planned future Authorized Projects consist of the following primary types of Authorized Projects:

i. Completion of a new district-wide communication and emergency school campus telephone/alert system; and

ii. Expansion and construction of new Pre-Kindergarten (“Pre-K”) and Traditional Kindergarten (“T-K”) facilities (“Remaining School Projects”) at each of the District’s elementary school campuses.

In order to fund the Remaining School Projects, the District plans to issue the following amounts under its Bond Authorizations:

i. Under the 2008 Bond Authorization, the District intends to issue up to $5 million principal amount (“2022-A Series “D” Bonds”) of Bonds in early 2022; and

ii. Under the 2014 Bond Authorization, the District also intends to issue all of the remaining 2014 Bond Authorization of $7.502 million principal amount (“2022-N Series “C” Bonds”) of Bonds in early 2022.

The combined authorized Bond principal amount that the District plans to issue in 2022 is $12.496 million of Bonds to fund the Remaining School Projects. Currently, the District has approximately $61.761 million of total outstanding bonded indebtedness. Under the 1.25% AV Statutory Bond Limit, the District’s current bond limit is $58.2 million principal amount.

The District is requesting that its outstanding bonded indebtedness limit be increased by an amount not to exceed 1.60% for a period commencing from January 15, 2022, through December 31, 2022. This bond limit increase will enable the District to complete the issuance of its planned $12.496 million combined Bond principal amount in early 2022. Issuance of the two (2) planned Bond Series (2022-A Series “D” Bonds and 2022-N Series “C” Bonds) will enable the District to accelerate the completion of its Remaining School Projects by several years.

Analysis:

Attached to this waiver request is the following:

i. Attachment A – Resolution of the District Board of Education and Public Hearing Requesting the Statutory Bond Limit Waiver

ii. Attachment B – Historical Assessed Values for Fiscal Years 1986/87 Through 2021/22 (35-years)

iii. Attachment C – Summary of General Obligation Bond Indebtedness Versus Projected Debt Limits

iv. Attachment D – Tax Rate Analysis of the Planned Future Bond Series

Student Population: 4,300

City Type: Urban

Public Hearing Date: 10/14/2021

Public Hearing Advertised: Inland Daily Bulletin, published on September 30, 2021, and October 7, 2021.

Local Board Approval Date: 10/14/2021

Community Council Reviewed By: Independent Citizens’ Bond Oversight Committee

Community Council Reviewed Date: 9/27/2021

Community Council Objection: No

Community Council Objection Explanation:

Audit Penalty Yes or No: No

Categorical Program Monitoring: No

Submitted by: Ms. Lori Isom

Position: Assistant Superintendent, Business Services

E-mail: [lisom@csd.k12.ca.us](file:///%5C%5CCDE.Cal%5CDATA%5CSFTSDATA%5CSHARED%5CSBE-Waivers-Items%5CWaivers%5C2022%5C03%20March%202022%5CBond%20Indebtedness%5Clisom%40csd.k12.ca.us)

Telephone: 909-989-8541

Fax:

Bargaining Unit Date: 09/28/2021

Name: California School Employees Association – Chapter 605

Representative: Rosemary Batista

Title: President

Email: [rbatista@csd.k12.ca.us](file:///%5C%5CCDE.Cal%5CDATA%5CSFTSDATA%5CSHARED%5CSBE-Waivers-Items%5CWaivers%5C2022%5C03%20March%202022%5CBond%20Indebtedness%5Crbatista%40csd.k12.ca.us)

Position: Support

Comments:

Bargaining Unit Date: 09/28/2021

Name: Central Teachers Organization

Representative: Joanna Ambrozich

Title: President

Email: [jambrozich@csd.k12.ca.us](file:///%5C%5CCDE.Cal%5CDATA%5CSFTSDATA%5CSHARED%5CSBE-Waivers-Items%5CWaivers%5C2022%5C03%20March%202022%5CBond%20Indebtedness%5Cjambrozich%40csd.k12.ca.us)

Position: Support

Comments: