

California Department of Education

Executive Office

SBE-005 (REV. 1/2018)

General Waiver

# California State Board of EducationSeptember 2023 AgendaItem #W-12

## Subject

Request by **Palmdale 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 Numbers

4-6-2023

## Type of Action

Action, Consent

## Summary of the Issues

The Palmdale Elementary School District (Palmdale 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, 2.00 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 Palmdale ESD with the following conditions:
(1) the periods of request do not exceed the recommended period of September 15, 2023 to September 15, 2030; (2) the total bonded indebtedness does not exceed the recommended new maximum of 2.00 percent; (3) Palmdale ESD does not exceed the statutory tax rate; (4) the waiver is limited to the sale of bonds approved by the voters in measures DD, PSD, and PRM; and (5) Palmdale ESD 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 or high school districts and *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 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.

Assembly Bill (AB) 182 (Chapter 477, Statutes of 2013) has established parameters for the issuance of local educational agency 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.

Palmdale ESD previously received a waiver from the State Board of Education (SBE) (Waiver 16-6-2020-W-05, September 2020) authorizing an increase in the district’s bonded indebtedness limit in order to allow it to access the general obligation bonds authorized by voters in 2012 (Measure DD) and again in 2016 (Measure PSD). Measure PSD has been fully expended, but Measure DD has become “tax rate-constrained” and meaningful bonding capacity is not projected to be available until fiscal year (FY)
2028–29. As a result, Measure DD debt cannot be increased without exceeding the *EC* Section 15268 limit of $30 per $100,000 of taxable property for an elementary school district. This limit applies per bond election, thus, bond funding authorized at a subsequent election has its own separate $30 per $100,000 limit.

To address facilities needs prior to FY 2028–29, the district presented voters with Measure PRM, which was approved with over 58 percent of the vote on November 8, 2022. Measure PRM authorized an additional $120,000,000 of new bonds. However, as the 2020 waiver issued by the SBE was limited to the bond measures under consideration at that time, the district is seeking a new waiver authorizing increasing the District’s bond indebtedness to allow the issuance of the Measure PRM bonds. Measure PRM proceeds will be used to replace leaky roofs/windows; make school safety, security, energy, and water efficiency improvements; modernize science, technology, engineering, arts, and math labs, and acquire new learning technology/equipment. In addition to being approved by voters in the November election, the waiver request was approved without objection or public comment in opposition at both the advisory committee and the hearing by the school board.

### Demographic Information

The Palmdale ESD is a suburban district with a student population of 17,255 and serves the city of Palmdale in Los Angeles County.

**Because these are general waivers****, if the SBE decides to deny the waivers, 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. As noted, the SBE approved a previous bond waiver for Palmdale ESD at the September 2020 meeting, (Waiver 16-6-2020-W-05, Item W-05 <https://www.cde.ca.gov/be/ag/ag/yr20/documents/sep20w05.docx>). If approved, this request would fall within the range of previously approved bonding capacity waivers, in both capacity and term.

## Fiscal Analysis

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

## Attachments

* **Attachment 1:** Summary Table (1 page)
* **Attachment 2:** Palmdale Elementary School District General Waiver Request 8-4-2023 (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** |
| --- | --- | --- | --- | --- | --- | --- |
| 4-6-2023 | Palmdale Elementary School District | **Requested:** September 15, 2023 to September 15, 2030**Recommended:** September 15, 2023 to September 15, 2030 | **Requested:**Debt Limit: 2.00%**Recommended:**Debt Limit: 2.00% | Debt Limit 2.00%Limited to sale of bonds applicable to Measure DD, PSD, and PRM, approved by voters in the 2012, 2016, and 2020 elections.Tax Rate $30 per $100,000 (authorization approved under Proposition 39) | California School Employees AssociationHelena Perkins President5/12/2023**Support**Palmdale Elementary Teachers AssociationAndrew RamirezPresident5/12/2023**Support** | Local Board Approval Date: 5/16/2023Public Hearing Date: 5/16/2023Public Hearing Advertised: District website, District office, and local newspaper (Antelope Valley Press)Palmdale School District Facilities Steering Committee5/11/2023**No Objections** |

Created by the California Department of Education August 2023

# Attachment 2: Palmdale Elementary School District General Waiver Request 8-4-2023

**California Department of Education**

**WAIVER SUBMISSION - General**

CD Code: 1964857

Waiver Number: 4-6-2023

Active Year: 2023

Date In: 6/18/2023 9:10:35 AM

Local Education Agency: Palmdale Elementary

Address: 39139 10th St. East

Palmdale, CA 93550

Start: 9/15/2023

End: 9/15/2030

Waiver Renewal: No

Previous Waiver Number: 16-6-2020-W-05

Previous SBE Approval Date: 9/10/2020

Waiver Topic: School Construction Bonds

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

Ed Code Section: Sections 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 where 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 last equalized assessment of the county or counties where the district is located.

Outcome Rationale: The District requests that its Outstanding Bonded Indebtedness limit be increased to an amount not to exceed 2.00% until September 15, 2030 in order to allow it to access the general obligation bonds authorized by District voters in two separate elections.

Background:

Via letter dated September 23, 2020, the California Department of Education approved the District’s request for an increase to its Outstanding Bonded Indebtedness limit in order to allow it to access the general obligation bonds authorized by District voters in two separate elections (Waiver #: 16-6-2020-W-05).

Since that time, the following has occurred with the District’s bond program:

1. One of the bond measures that were the subject of that waiver approval, Measure PSD (approved November 2016), has been fully issued
2. The other bond measure, Measure DD (approved November 2012), has become “tax rate-constrained” and meaningful bonding capacity is not projected to be available until FY 2028-29
3. To address the lack of bonding capacity vis-a-vis significant facilities improvement needs, on November 8, 2022 the District requested and received voter approval for Measure PRM, which authorized $120,000,000 of new bonds

As the waiver approved in 2020 does not encompass the newly approved Measure PRM, the District wishes to procure the subject waiver in order to access that specific bond authorization as well as to access bonds from Measure DD (2012) when those become available in the future.

The requested waiver is critical for the District’s plans to implement the much-needed improvements to its school facilities that will provide a safer and better educational environment for District students. Without the waiver, the District effectively has no access to bonds at this time, leaving it with unmet facilities needs in the hundreds of millions of dollars and no feasible way to address such needs. At the time of this application, the District Board of Trustees has approved moving forward with high-priority facilities projects which total $150 million. Access to both bond measures is necessary in order to fund those critical projects.

Approval of this request would allow the District to make progress in its goal of meeting the health and safety and educational needs of its students and delivering to District constituents the facility improvements promised by Measures DD and PRM.

Student Population: 17255

City Type: Suburban

Public Hearing Date: 5/16/2023

Public Hearing Advertised: Published in Antelope Valley Press & posted at District Office

Local Board Approval Date: 5/16/2023

Community Council Reviewed By: Palmdale School District Facilities Steering Committee

Community Council Reviewed Date: 5/11/2023

Community Council Objection: No

Audit Penalty Yes or No: No

Categorical Program Monitoring: No

Submitted by: Dr. Raul Maldonado

Position: Superintendent

E-mail: rmaldonado@palmdalesd.org

Telephone: 661-789-6502

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Bargaining Unit Date: 05/12/2023
Name: California School Employees Association (CSEA)
Representative: Helena Perkins
Title: President
Phone: 661-947-7191
Position: Support

Bargaining Unit Date: 05/12/2023
Name: Palmdale Elementary Teachers Association (PETA)
Representative: Andrew Ramirez
Title: President
Phone: 661-433-2950
Position: Support