



CALIFORNIA'S
COALITION
for ADEQUATE
SCHOOL HOUSINGSM

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C.A.S.H. WORKSHOP
“Using Local Funds to Sustain Facility Staff, Projects, and Programs”

Tuesday, April 22, 2008

9:00 a.m. to 2:30 p.m.

Doubletree Hotel
2001 Point West Way
Sacramento, California

SCHOOL DISTRICT DEBT INSTRUMENTS

BRUCE KERNS
Stone & Youngberg

CALIFORNIA'S COALITION *for* ADEQUATE SCHOOL HOUSING

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Handout materials are available online after the workshop. To download the materials, visit www.cashnet.org/meetings and click on the link labeled “Workshop and Conference Handouts.”

COALITION FOR ADEQUATE SCHOOL HOUSING

Election Dates in 2008 and 2009 for School District General Obligation Bond Measures

<u>Date of Election</u>	<u>Last Day for Board of Education to Adopt Resolution Calling Election</u>
Any Tuesday ^(a)	89 days in advance of election
February 5, 2008	November 8, 2007
April 8, 2008 ^(a)	January 10, 2008
June 3, 2008	March 6, 2008
November 4, 2008	August 7, 2008
March 3, 2009 ^(a)	December 4, 2008
June 2, 2009 ^(a)	March 5, 2009
November 3, 2009	August 6, 2009

^(a) May not be available for bond elections conducted pursuant to Proposition 39 of November 2000 unless local, regularly scheduled candidate elections coincide with such dates for public agencies whose territory encompass the district.

Timetable for General Obligation Bond Election
Coalition for Adequate School Housing

Step	Event	Primary Responsibility	Last Day for Action	Deadline for Upcoming Election Dates		
				February 5 2008	June 3 2008	November 4 2008
1	Conduct financial analysis of tax base of District	Financial Advisor	About 6 months before election	July 2007	December 2007	May 2008
2	Determine preliminary cost and timing of school facilities to be financed with bonds	District	About 6 months before election	July 2007	December 2007	May 2008
3	Estimate tax rates for preliminary cost of school facilities	Financial Advisor	About 6 months before election	July 2007	December 2007	May 2008
4	Prepare draft survey questionnaire	Survey Consultant	About 5 months before election	August 2007	January 2008	June 2008
5	Review survey questionnaire	District	About 5 months before election	August 2007	January 2008	June 2008
6	Revise questionnaire	Survey Consultant	About 5 months before election	August 2007	January 2008	June 2008
7	Pretest survey	Survey Consultant	About 5 months before election	August 2007	January 2008	June 2008
8	Revise questionnaire as needed	Survey Consultant	About 5 months before election	August 2007	January 2008	June 2008
9	Conduct survey	Survey Consultant	About 5 months before election	August 2007	January 2008	June 2008
10	Compile and analyze survey results	Survey Consultant	About 5 months before election	August 2007	January 2008	June 2008
11	Present findings of survey to District staff and Board of Education	Survey Consultant	About 5 months before election	August 2007	January 2008	June 2008

Timetable for General Obligation Bond Election
Coalition for Adequate School Housing

Step	Event	Primary Responsibility	Last Day for Action	Deadline for Upcoming Election Dates		
				February 5 2008	June 3 2008	November 4 2008
12	Revise facilities plan based on findings of survey	District	About 4 months before election	September 2007	February 2008	July 2008
13	Revise bond financing plan and tax rate estimates based on findings of survey	Financial Advisor	About 4 months before election	September 2007	February 2008	July 2008
14	Determine preferred facilities and financing plan	District	About 4 months before election	September 2007	February 2008	July 2008
15	Determine campaign strategy and organization of campaign	Campaign Consultant	As soon as possible after presentation of survey findings	September 2007	February 2008	July 2008
16	Use of SFIDs by school and college districts in county approved by County Board of Supervisors (if SFID)	County Board of Supervisors	About 4 months before election	September 2007	February 2008	July 2008
17	Prepare boundary map (if SFID)	District	About 4 months before election	September 2007	February 2008	July 2008
18	Draft language of ballot measure and prepare resolution ordering bond election and requesting consolidation with other elections	Bond Counsel	About 4 months before election	September 2007	February 2008	July 2008
19	Review and revise language of ballot measure	District / Campaign Consultant	About 4 months before election	September 2007	February 2008	July 2008
20	Adopt Resolution of Intention (if SFID)	District	105 days before election	October 23 2007	February 19 2007	July 22 2008
21	Publish notice of public hearing (if SFID)	District	103 days before election	October 25 2007	February 21 2008	July 24 2008

Timetable for General Obligation Bond Election
Coalition for Adequate School Housing

Step	Event	Primary Responsibility	Last Day for Action	Deadline for Upcoming Election Dates		
				February 5 2008	June 3 2008	November 4 2008
22	Conduct public hearing and adopt Resolution of Formation (if SFID)	District	89 days before election	November 8 2007	March 6 2008	August 7 2008
23	Adopt Board resolution ordering bond election and requesting consolidation	District	89 days before election	November 8 2007	March 6 2008	August 7 2008
24	Deliver order of election and notice of election to County Registrar of Voters	District	88 days before election	November 9 2007	March 7 2008	August 8 2008
25	Deliver order of the election and notice of election to Clerk of the Board of Supervisors for consolidation of election	District	88 days before election	November 9 2007	March 7 2008	August 8 2008
26	Tax rate statement prepared by Financial Advisor and delivered to Registrar of Voters	Financial Advisor	88 days before election	November 9 2007	March 7 2008	August 8 2008
27	Publish notice of election and establish deadlines for filing of ballot arguments and rebuttals	Registrar of Voters	85 to 90 days before election	November 7, 2007 to November 12, 2007	March 5, 2008 to March 10, 2008	August 6, 2008 to August 11, 2008
28	Deliver draft of impartial analysis to County Counsel	Bond Counsel	About 85 days before election, but at least 5 days before deadline for impartial analysis (see step 30)	mid-November 2007	mid-March 2008	mid-August 2008
29	Last day to revise measure or withdraw it from ballot	District	83 days before election	November 14 2007	March 12 2008	August 13 2008
30	Impartial analysis delivered to Registrar of Voters	County Counsel	About 80 days before election. Deadline can vary depending on printing schedule of Registrar of Voters.	November 17 2007	March 14 2008	August 15 2008

Timetable for General Obligation Bond Election

Coalition for Adequate School Housing

Step	Event	Primary Responsibility	Last Day for Action	Deadline for Upcoming Election Dates		
				February 5 2008	June 3 2008	November 4 2008
31	Ballot arguments delivered to Registrar of Voters	District	About 80 days before election. Deadline can vary depending on printing schedule of Registrar of Voters.	November 17 2007	March 14 2008	August 15 2008
32	Rebuttal arguments delivered to Registrar of Voters	District	About 70 days before election. Deadline can vary depending on printing schedule of Registrar of Voters.	November 27 2007	March 25 2008	August 26 2008
33	Public inspection of election materials in office of Registrar of Voters	Registrar of Voters	10 days before printing of voter pamphlet			
34	Voter pamphlet mailed to registered voters	Registrar of Voters	10 to 40 days before primary elections, 21 to 40 days before other elections			
35	Election	Registrar of Voters		February 5 2008	June 3 2008	November 4 2008
36	Certification of election results delivered to District	Registrar of Voters	28 days after election	March 4 2008	July 1 2008	December 2 2008
37	Board of Education declares election results	District	Board meeting following receipt of certification from Registrar of Voters	March 2008	July 2008	December 2008

COMPARISON OF GENERAL OBLIGATION BONDS, MELLO-ROOS AND PARCEL TAXES FOR FINANCING SCHOOLS

CHARACTERISTICS	GENERAL OBLIGATION BONDS	MELLO-ROOS	PARCEL TAX
Vote Required?	Yes.	Yes.	Yes.
Minimum Affirmative Votes	Two-thirds of votes cast, or 55% of votes cast pursuant to Proposition 39.	Two-thirds of votes cast.	Two-thirds of votes cast.
Qualified Electors	Registered voters residing in entire school district (or only portion of school district if establish school facilities improvement district pursuant to Ed. Code § 15300).	Registered voters in community facilities district (CFD), if 12 or more voters reside in CFD. If fewer than 12 registered voters reside in CFD, vote is of landowners, one vote per acre.	Registered voters residing in entire school district.
Boundary of Area to be Taxed	Entire school district (or only portion of school district if establish school facilities improvement district pursuant to Ed. Code § 15300).	Territory of CFD, as defined by school board. CFD could be entire school district or a portion of district, including non-contiguous areas.	Entire school district.
Basis of Tax	Assessed value of property.	Any reasonable method, except assessed value.	Fixed annual tax rate per parcel or per square foot of building or lot area. Tax must be levied uniformly on all parcels.
Method of Tax Collection	Annual property tax bill.	Annual property tax bill.	Annual property tax bill.
Can Seniors be Exempt from Tax?	No.	Yes.	Yes.
Typical Use of Technique	Finance school facilities.	Finance school facilities.	Augment operating budget.

COMPARISON OF GENERAL OBLIGATION BONDS, MELLO-ROOS AND PARCEL TAXES FOR FINANCING SCHOOLS

CHARACTERISTICS	GENERAL OBLIGATION BONDS	MELLO-ROOS	PARCEL TAX
Facilities Eligible for Financing	With 2/3 vote, purchase or improvement of real property (purchase of land or construction of buildings). With 55% vote pursuant to Proposition 39, construction, reconstruction, rehabilitation, or replacement of school facilities, including furnishings and equipment, and the acquisition or lease of real property.	Any facility with useful life of five years or more (including school furnishings and buses).	Any purpose without limitation.
Can School Furnishings and Equipment be Financed?	No with 2/3 vote. Yes with 55% vote pursuant to Proposition 39.	Yes, provided the equipment has a useful life of five years or longer.	Yes, without limitation.
Can Tax Revenues be Used for Purposes Other than Debt Service on Bonds?	No.	Yes. Bond debt service and pay-as-you-go expenses.	Yes. Bond debt service and pay-as-you-go expenses.
Are Operating Expenses Eligible for Financing with Tax?	No.	Yes. Maintenance of school sites and structures. Also, annual cost of administering the financing and the CFD.	Yes. Most common use of parcel taxes is to augment operating revenues.
Separate Authority Required to Issue Bonds?	No.	No.	Yes. Limited obligation bonds approved by voters or COPs authorized by school board.
Maximum Annual Tax	Not limited with 2/3 vote. With 55% vote pursuant to Proposition 39, annual tax is limited to \$30 per \$100,000 of assessed valuation in elementary or high school district, \$60 per \$100,000 of assessed valuation in unified school district, and \$25 per \$100,000 of assessed valuation in community college district.	Voters must approve a maximum annual tax amount per taxable unit and a method for levying and apportioning the tax.	Voters must approve a maximum annual tax amount per parcel.

COMPARISON OF GENERAL OBLIGATION BONDS, MELLO-ROOS AND PARCEL TAXES FOR FINANCING SCHOOLS

CHARACTERISTICS	GENERAL OBLIGATION BONDS	MELLO-ROOS	PARCEL TAX
Type of Bond Sale	Negotiated or competitive sale.	Negotiated or competitive sale.	Negotiated or competitive sale.
Debt Limit	Amount of bonds outstanding at any time cannot exceed 2.5% of total assessed value in a unified school district or 1.25% of assessed value in a non-unified school district.	Value of property in the CFD subject to special tax must be at least three times the amount of outstanding bonds. Under certain conditions the school board can approve an amount of bonds exceeding this limit.	No limitation for COPs or limited obligation bonds.
Bond Security	School district's unrestricted ability to raise property taxes to meet debt service requirements. Property tax is a lien on property. County has authority to foreclose on lien for payment of delinquent taxes.	Mello-Roos special tax is a lien on property. School district has authority to initiate accelerated foreclosure on property for payment of delinquent taxes, so long as bonds have been issued by the CFD.	Parcel tax is a lien on property. County has authority to foreclose on lien for payment of delinquent taxes.
Maximum Term of Tax Levy	As long as necessary to repay bonds authorized by voters.	As long as necessary to repay bonds or to pay directly for facilities authorized by voters. Final year of tax must be specified.	No statutory or constitutional limit on duration of levy. Gann appropriations limit does not apply to school parcel taxes. Many districts voluntarily impose a 4-10 year expiration date to appeal to voters.
Maximum Term of Bonds	Up to 25 years, or 40 years in limited circumstances.	Up to 40 years.	With limited obligation bonds, up to 31 years. With COPs, up to useful life of facility being financed.

COMPARISON OF GENERAL OBLIGATION BONDS, MELLO-ROOS AND PARCEL TAXES FOR FINANCING SCHOOLS

CHARACTERISTICS	GENERAL OBLIGATION BONDS	MELLO-ROOS	PARCEL TAX
Election Date	<p>With 2/3 vote, school general obligation bond elections (including school facilities improvement districts) can occur on the following dates:</p> <ul style="list-style-type: none"> ✓ Any Tuesday, except within 45 days before or after a statewide election, unless conducted on the same date as the statewide election or an established election date; ✓ First Tuesday after first Monday in February in any year evenly divisible by four; ✓ First Tuesday after first Monday in March (in odd-numbered years); ✓ Second Tuesday in April (in even-numbered years); ✓ First Tuesday after first Monday in June; ✓ First Tuesday after first Monday in November <p>With 55% vote pursuant to Proposition 39, bond elections must coincide with regularly scheduled local elections, or be held on the following dates:</p> <ul style="list-style-type: none"> ✓ First Tuesday after first Monday in February in any year evenly divisible by four; ✓ First Tuesday after first Monday in June, only in even-numbered years; ✓ First Tuesday after first Monday in November, only in even-numbered years. 	<p>Consolidated with a general election (see election dates for general obligation bonds); or a special election on any Tuesday specified by the school board occurring not earlier than 90 days and not later than 180 days following the adoption of the Resolution of Formation for the CFD.</p>	<ul style="list-style-type: none"> ✓ First Tuesday after first Monday in February in any year evenly divisible by four; ✓ First Tuesday after first Monday in March (in odd-numbered years); ✓ Second Tuesday in April (in even-numbered years); ✓ First Tuesday after first Monday in June; ✓ First Tuesday after first Monday in November

COMPARISON OF GENERAL OBLIGATION BONDS, MELLO-ROOS AND PARCEL TAXES FOR FINANCING SCHOOLS

CHARACTERISTICS	GENERAL OBLIGATION BONDS	MELLO-ROOS	PARCEL TAX
Advantages	<ul style="list-style-type: none"> ✓ Simple method of taxation. ✓ Familiar to voters. ✓ Less time required to develop financing plan and put before voters. ✓ Lower cost financing (lower bond interest rates and bond issuance costs). ✓ If district has a large commercial property tax base, a large portion of tax burden could be borne by non-residential property. ✓ Pursuant to Ed. Code § 15300, school facilities improvement district can apply to limited territory for election and taxation. ✓ With Proposition 39, provision for 55% voter approval and funding of furnishings and equipment. 	<ul style="list-style-type: none"> ✓ Flexibility in determining tax rate and method of apportioning tax. ✓ Ability to specify boundaries of CFD. ✓ Wide range of facilities eligible for bond financing, including school furnishings and buses. ✓ Ability to tailor tax and area to be taxed in a manner to enhance voter approval. ✓ Provision for landowner vote if CFD has fewer than 12 registered voters. ✓ Finance facilities with bonds or directly by pay-as-you-go. ✓ Establishes spending limit for CFD separate from district's Gann appropriations limit. 	<ul style="list-style-type: none"> ✓ Simple method of taxation ✓ No limitation on use of tax proceeds. ✓ Can be used for furnishings and annual operating expenses.

COMPARISON OF GENERAL OBLIGATION BONDS, MELLO-ROOS AND PARCEL TAXES FOR FINANCING SCHOOLS

CHARACTERISTICS	GENERAL OBLIGATION BONDS	MELLO-ROOS	PARCEL TAX
Disadvantages	<ul style="list-style-type: none"> ✓ Districtwide vote required, unless create school facilities improvement district pursuant to Ed. Code § 15300. ✓ With 2/3 vote, facilities eligible for bond financing are limited to real property improvements, such as the purchase of land and construction of buildings. ✓ Assessed value method of taxation spreads tax burden on basis of property value rather than by direct benefits received from facilities constructed with bond proceeds. ✓ All property owners in district pay additional tax, unless create school facilities improvement district pursuant to Ed. Code § 15300. ✓ Bond financing technique only, no ability for pay-as-you-go. ✓ More extensive planning required if create school facilities improvement district pursuant to Ed. Code § 15300. 	<ul style="list-style-type: none"> ✓ More time required to develop financing plan and put before voters. ✓ Higher cost financing (higher bond interest rates and bond issuance costs). ✓ Unfamiliar to voters. ✓ More complex method of taxation. 	<ul style="list-style-type: none"> ✓ Districtwide vote required. ✓ To gain voter support, many districts have periodic elections to renew authority. ✓ Requirement for uniform taxes reduces flexibility of tax levy. ✓ Separate authority needed to issue bonds.

For additional information on the use of tax-exempt financing for constructing school facilities, contact Stone & Youngberg.

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SCHOOL FACILITIES IMPROVEMENT DISTRICTS

School Facilities Improvement Districts provide funding for projects in a limited area of a K-12 or community college district. The financing technique uses general obligation bonds to provide the source of funds, and the general obligation bonds are repaid by an *ad valorem* property tax imposed only on the territory in the improvement district. The school district must specify the area to be included in the improvement district, and an election must be conducted of the registered voters residing in the improvement district. Approval is subject to a 2/3 affirmative vote, or a 55% affirmative vote pursuant to Proposition 39.

Improvement districts may be appropriate for school districts that have facility needs limited to one or several attendance areas, districts with separate communities of strong, independent identities, and districts that need to provide facility improvements in territory not within an existing Mello-Roos district being used to finance schools.

Purpose	Permits K-12 and community college districts to establish general obligation bond authority for territories smaller than the entire school district
Authorizing Statute	Education Code Section 15300 and following
Permitted Facilities	Same as for general obligation bonds. For 2/3-vote elections, proceeds from the sale of bonds may be used only for the acquisition and improvement of real property, and not for furnishings and equipment. For 55%-vote elections pursuant to Proposition 39, proceeds may be used for the construction, reconstruction, rehabilitation, or replacement of school facilities, including furnishings and equipment, and the acquisition or lease of real property.
Vote Requirement	2/3 of votes cast, or 55% of votes cast pursuant to Proposition 39
Eligible Voters	Registered voters in the territory of the school facilities improvement district
Prerequisite	Approval by the Board of Supervisors for use by school districts in the county



Governing Board Actions	<ol style="list-style-type: none">1. Resolution of Intention adopted no later than 105 days prior to the election2. Public hearing conducted no sooner than 14 days following the adoption of the Resolution of Intention3. Resolution of Formation and election resolution adopted no later than 89 days prior to the election
Election Dates	<ul style="list-style-type: none">✓ Any Tuesday if a 2/3-vote election (except within 45 days before or after a statewide election or established election date)✓ February in any year evenly divisible by four✓ April, June, and November in even-numbered years✓ March, June, and November in odd-numbered years✓ Proposition 39 elections must occur in June or November of even-numbered years, or in February in any year divisible by four, unless the bond election coincides with another regularly scheduled election for a public agency whose boundary encompasses the territory of the improvement district
Excluded territory	None. Improvement district may include or exclude any territory of school district.
Needed for initial action	<ul style="list-style-type: none">✓ Map of the boundaries of the improvement district✓ Description and cost of the facilities to be funded✓ Designation of the time and place for a public hearing
Bonding Capacity	Same as for general obligation bonds. 1.25% of assessed valuation in an improvement district for an elementary or high school district, and 2.50% of assessed valuation in an improvement district for a unified school district.
Annual Tax Rate Limitation	<ul style="list-style-type: none">✓ Same as for general obligation bonds✓ No annual tax limit if the election is conducted with a 2/3 vote✓ With a 55% vote election pursuant to Proposition 39:<ul style="list-style-type: none">▪ \$25 per \$100,000 of assessed value for community

- college districts
- \$30 per \$100,000 of assessed value for elementary and high school districts
- \$60 per \$100,000 of assessed value for unified school districts

Application

- ✓ Trustee areas
- ✓ School attendance areas
- ✓ Vicinity of college campus for multi-campus community college district
- ✓ Feeder elementary districts in a high school district
- ✓ Geographical or political jurisdictions
- ✓ Areas of separate community identity
- ✓ Exclusion of existing Mello-Roos districts formed by school districts

Issues of Concern

- ✓ Fairness of unequal tax rates in different areas of the school district
- ✓ Access to school facilities in the improvement district by students living outside the improvement district
- ✓ Creating an improvement district for an area with little development or limited diversity in property ownership
- ✓ Timing requirements of the State Board of Equalization for placing the first levy on the tax roll

School District Tax and Bond Elections
Summary of Registered Voter Election Results
1983 - February 2008

Results by Type of Election
All School Districts

	General Obligation Bonds					Parcel Taxes	Mello-Roos (1)
	Proposition 39 Elections	2/3 Elections					
	All Elections	Districtwide	School Facilities Improvement Districts	Districtwide	School Facilities Improvement Districts		
Number of Tax and Bond Elections	1,770	391	14	889	30	398	48
% of All Elections	100%	22%	0.8%	50%	2%	22%	3%
Number of Successful Elections	1,036	316	12	488	8	199	13
Number of Unsuccessful Elections	734	75	2	401	22	199	35
Percentage Successful Elections	59%	81%	86%	55%	27%	50%	27%

(1) Registered voter elections only. Excludes landowner elections for Mello-Roos special taxes and bonds.

Source: Stone & Youngberg LLC, compiled from information provided by School Services of California, EdSource, Coalition for Adequate School Housing, California School Boards Association, California Taxpayers Association, California Association of Realtors, California Debt Advisory Commission, the State Department of Education, The Bond Buyer, and other sources.