

INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
OF THE SANTEE SCHOOL DISTRICT

Wednesday, December 5, 2012

Minutes

Members Present: Eid Fakhouri, Gina Jackson, Jim Montague, Lesha Montoya, Kai Ramer Beth Selbe, and Rick Weeks

Excused: Janna Schoenborn

Attendees Present: Christina Becker, Dianne El-Hajj, Karl Christensen, Dr. Cathy Pierce and Nancy Stasch

- 1) **Call to Order at 6:03.** Presented handouts and their placement into ICOC binders.
- 2) **Established a quorum** with 7 members in attendance to begin the meeting. Karl Christensen introduced our new superintendent, Cathy Pierce, and each member introduced themselves and shared their background and roles with the ICOC & their professional backgrounds.
- 3) **Reviewed Minutes of June 6, 2012.** Eid Fakhouri motioned to approve the minutes as amended. Seconded by Lesha Montoya. All approved.
- 4) **Election of Chair Person & Vice Chair Person:** Gina Jackson has served 2 terms as Chair and Beth Selbe volunteered at the June 6, 2012, meeting to chair the committee if needed. Lesha Montoya volunteered to be the vice-chair. Kai Ramer made a motion to accept Beth Selbe as chair, and Lesha Montoya as vice-chair. ICOC members supported members that are not timing out June 2013. All approved.
- 5) There were no public comments.
- 6) **ICOC Communications: Discussion of any community comments:** Lesha said that her friends in the community had positive comments about seeing the progress throughout the district and watching it come to fruition. Dianne El-Hajj expressed how awesome it has been to see our community involvement to beautify the campuses. There were two volunteer days this year and she cannot express enough how wonderful our community is.
- 7) **Term Limits and Member Terms:**
 - **By Laws** – Handout with current by laws were in packet.
 - **Term Extensions** – The ICOC terms were extended November 16, 2010 from 2 terms to 4 terms so that the sitting members could continue on as members through the completion of the modernization program.

- **June 2013 Terms Ending – Proposition 39 Term Limits AB 1199** – Assembly Bill 1199 goes into effect on January 1, 2013. Discussion prevailed as to who could stay on as members if when the new assembly bill takes effect. The new bill allowed the terms to be extended from 2 terms to 3 terms. Eid understood the new bill to state that a term be a minimum of 2 years. Eid suggested the school board could adopt a change in the ICOC's bylaws to extend terms to 3-year terms, instead of 2-year terms. Kai said to be on the safe side, he would like the District to contact their legal counsel to go over the Prop 39 and AB 1199 language to ensure bylaws are in compliance. Karl suggested contacting the County Office of Education before calling the legal counsel. Eid motioned that the school board look into extending the term length for the ICOC members from 2 to 3 year terms. Seconded by Rick Weeks. All in favor.

- 8) **GENERAL OBLIGATION BOND ISSUES AND CAPITAL APPRECIATION BONDS:** Karl shared a handout to help explain to the members the total accumulated GO bond debt of \$45 million and the various series of bond sales for the total debt. Karl sketched a diagram to help show the complete picture of financing for the whole program and the \$50 million in additional State Grants that were, or will be, received as a result of the GO bond issues. The total debt service for the \$45 million in bonds is \$185 million, a reasonable ratio. The Union Tribune article only reported the Series E issue of \$3.5 million. This series allowed the District to qualify for \$5.5 million in State Grants and construct 1 new building and possibly 2 more, with useful lives in excess of 40 years. Kai asked if the CABS could be refinanced or paid off early. The answer was no. Kai also asked if the money was spent on items that had a life span of 5 years or less. Karl said that there was a very small amount spent on furniture and equipment, but most all was spent on modernization and new buildings that have a life span of 40 plus years. Eid wanted to share that he heard the school districts were being steered into the wrong direction by some advisors and that there were excessive fees on the back end. He said the District may have received poor financial advice from the bond underwriters/advisors. He said that maybe if a lot of Districts' have this debt problem in the future, there may be a way to pressure the government to let districts re-structure future debt. Eid wants to state that he does not support our district issuing any future CAB's. Kai asked if the staff had looked at assessed valuation escalation over time to be successful down the road. Karl said yes, they looked into the past 30-year period during which Assessed Valuation grew an average of 7% per year. Of course, this current recession has been unprecedented. There are also automatic escalators built into law. Karl said the district projected an average annual growth of 5% in Assessed Valuations over the 40 year bond period. The total GO bond debt service under this assumption stays within the \$30 per \$100,000 AV limitation. Eid asked if growth factors were taken into account. He said we should check with the San Diego County Assessor's Office and ask them to provide us with projections in 5 to 10 year increments. Dianne shared that we did get an analysis done prior to the modernization program.

9) **CIP Program Update:**

- **Pepper Drive School Projects – Phase 3 Construction** - Karl shared a handout as to where the remaining fund balances will be spent and how we are short about \$600,000, based on current estimates, for completing the 2 planned buildings as originally designed. Christina is looking into value engineering for the next project to help us meet the budget.
- **Hand Out – Timeline Brochure** – Karl spoke about the full page fold out in the Santee Magazine which showed the CIP program's exemplary performance.
- **Remaining Projects List** – Karl shared his summary of the money that has been spent on all projects and what is left to be done to complete the CIP program. Christina explained how the district is being creative in trying to get additional funding through other State match programs. She has applied for State grants from aged-out relocatables and by getting the applications in prior to the new November 1, 2012, deadline, our district is in line to possibly receive a 60-40 match instead of whatever program the State may initiate in 2014-2016 which she heard could possibly be a 20-80 or 50-50 match program. Christina is very excited that the district will be getting funded \$2.2 million for the shovel ready project at Pepper Drive on December 12, 2012 for the 10-classroom addition. She is also working on getting DSA approval to receive joint use funds of \$1.1 million for the Administration/LRC building at Pepper Drive. The plan is to begin construction next year, 2013. Gina asked if our district is still in declining enrollment. Karl said no and that this year we actually had an increase in Kindergarten in excess of 8th graders in the prior year which is a good sign. Gina asked if the district would ever issue the remaining G.O. bonds. Karl said that as long as projects on the list are still open, the G.O. bonds can be issued even if 10 years has passed; however the property valuations must increase. Karl mentioned that the old Santee school site development plans are actually gaining momentum and that there may be a ground lease in place by the end of next year which will generate additional income. The goal is to get everyone of the projects on the list completed.

- 10) Power Plant Update – Eid passed out a flyer and updated the committee on the status of the power plant that has been designated to be built just across from West Hills High School on San Diego County property. The plant is in close proximity to Carlton Oaks School. He is concerned because the toxins that will be emitted have shown to be very harmful for the people in the surrounding vicinity. He also believes that the ICOC should be concerned because with the power plant so close to the City of Santee, the property values would be lowered even more. He was very impressed that the Santee School Board passed a resolution against the power plant at their September 4, 2012, Board meeting. Eid made a motion that the ICOC accept the Santee School Board's Resolution #1213-02. Seconded by Gina. All in favor. One abstained.

- 11) **Comments from Committee Members/Topics for Next Meeting:**
1. San Diego County's Tax Assessor's Report.
 2. Discussion on the fiscal & performance audits due in March. Then the ICOC can prepare their draft annual report.
 3. Term limit review and by law changes from what develops from discussions with legal counsel regarding term length.
- 12) **Board Actions Since Last Meeting:** Handouts were presented.
- Arbitrage Liability for 2007 Series A General Obligation Bond – Karl reported that the district paid \$94,000 to the IRS because when the district initially received funding from the State, it was held in the county treasury's account earning about 5% in interest. The district earned approximately \$800,000 in interest and the IRS regulations calculated a return of \$94,000 since the district earned a higher rate of interest on the funds held prior to the start of the CIP program than was being spent on debt services. Current interest earnings are less than 1%.
- 13) **Adjourned at 7:55 p.m.** to next regular ICOC meeting, March 5, 2013, 6:00 to 8:00 pm.