

INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
OF THE SANTEE SCHOOL DISTRICT

Wednesday, March 12, 2014

Minutes

Members Present: Eid Fakhouri, Gina Jackson, Janna Schoenborn, and Beth Selbe,

Excused: Lesha Montoya, and Kai Ramer

Attendees Present: Christina Becker, Karl Christensen, Dianne El-Hajj and Nancy Stasch

- 1) **Call to Order at 6:10.** Presented handouts and their placement into ICOC binders.
- 2) **Established a quorum** with 4 members in attendance to begin the meeting.
- 3) **Reviewed Minutes of June 5, 2013.** Eid Fakhouri motioned to approve the minutes. Seconded by Gina Jackson. All approved.
- 4) There were no public comments.
- 5) **Capital Improvement Bond Funds Fiscal & Performance Audit** – Karl Christensen: Mr. Christensen highlighted a few of the key schedules of the 2012-13 GO Bond Financial Audit including page 4 Balance Sheet and page 5 Revenues & Expenditures. The transactions for 2012-13 pertain mostly to the Pepper Drive project. Other pages he referenced were page 9 Notes to Financial Statements and page 11 Schedule of Long Term Obligations and their values. He noted that on page 13, there were no adjustments to the fund balance required for the General Obligation Bond Fund. On page 19 of the audit is where auditors would list any findings and recommendations and there were none for the 2012-13 fiscal year. Mr. Christensen referenced the Performance Audit report findings on page 4. The auditors concluded that, in all materials respects, bond funds were properly accounted for and spent only for authorized bond projects.

Mr. Fakhouri provided questions regarding the financial audit report in advance by email. In response to these questions, Mr. Christensen stated that the County Treasurer's office makes debt payments on bonds twice a year. Fund 51 is where tax receipts and debt service payments are accounted for.

In response to the question on AB182, Mr. Christensen reported that this bill, which was passed in October 2013, imposes restrictions and limitations on new GO bond issues. These include a debt service ratio of no more than 4:1 and a provision that Capital Appreciation Bonds be callable no later than 10 years after issuance. If a Bond term is

greater than 30 years, there are additional requirements and it must be presented to the Board at two different Board meetings; 1st meeting for discussion, 2nd meeting for action.

Mr. Fakhouri expressed concerns regarding bonds issued by the district. These concerns were:

- The total amount of debt service for the \$45 million of bonds issued
- The term of some of the bonds being 40 years and not 25 years
- The structure of some of the bonds being Capital Appreciation Bonds with higher debt service to principal ratios
- The assumed growth rate of Assessed Valuations used for issuing the debt

He distributed several handouts to explain his concerns including a summary of Assessed Valuation growth by City for 2013-14 ([Source: County of San Diego Assessor/Recorder/County Clerk](#)), a statement from the San Diego County Taxpayers Association on the background and proposed fiscal impact of Prop R issued prior to passage ([Source: San Diego County Taxpayers Association Website](#)), a projection of tax levies to total bond debt service ([Source: Spreadsheet created by Mr. Fakhouri](#)), and a summary of AB182 provisions ([Source: County of San Diego Treasurer-Tax Collector](#)). Mr. Fakhouri suggested that the district investigate the situation further and consider pursuing action against the underwriter and financial advisors for lack of due diligence and not advising against the Capital Appreciation Bonds. He also suggested reaching out to Dan McAllister, County Treasurer and Tax Collector, for assistance.

Motion to accept the Fiscal & Performance Audit by Gina, 2nd by Janna, All in favor.

- 6) **ICOC Communications: Discussion of any community comments:** Mrs. Becker wanted to let everyone know that the neighbors of Pepper Drive School are very helpful. They call when they see inappropriate behavior around the school, such as vandalism and burglary of copper wiring, or see people on the site, etc.
- 7) **Draft Annual ICOC Report:** Discussion – Very few corrections & changes were made on the draft annual report. Nancy will send out final to all members to get final approvals and get it sent out soon.
- 8) **CIP Program Update:**

Pepper Drive School 10-Classroom Addition Project: Christina Becker – Mrs. Becker gave a construction update

- 9) **ICOC 2014/15 Meeting Schedule – Discussion:** Mrs. Becker suggested changing to a minimum meeting schedule. She suggested the ICOC meet in March 2015 to look over the 2014 Fiscal and Performance Audit, and in June for the Annual Report.
- 10) **Comments from Committee Members/Topics for Next Meeting:** Fund expenditure Closeouts to expend all the Bond dollars by the end of June.
- 11) **Board Actions Since Last Meeting: Handouts:** Handouts were presented. Mrs. Becker commented on each item.
- 12) **Adjourned at 7:50 p.m.** to next regular ICOC meeting, June 4, 2014, 6:00 to 8:00 pm.