

**Tustin Unified School District
Measure G Citizens' Oversight Committee
And
Measure L Citizens' Oversight Committee
Joint Special Meeting**

MINUTES

October 15, 2012

Bruce Junor, Chairperson, called a special meeting of the Citizens' Oversight Committee to order at 3 p.m., in the Board Room, 300 South C Street, Tustin, CA.

Members Present

Bruce Junor (Chairperson)
William Teter (Vice Chairperson)
David Albus (absent)
Nancy Gran
George Jeffries
Simon Russek
Margaret Sepulveda (absent)

Staff Present

Tony Soria, Chief Financial Officer
Pete Burns, Senior Director, Maintenance, Operations, and Facilities
David Miranda, Manager, Facilities & Planning

Guests

Lynn Davis, Board Member
Rob Anslow of Bowie, Arneson, Wiles and Giannone
Rod Carter of RBC Capital Markets
Christina Long of RBC Capital Markets

George Jeffries led the Pledge of Allegiance to the Flag of the United States of America.

Public Comments

None

Adoption of the Agenda

It was moved by George Jeffries, seconded by Nancy Gran, and carried unanimously to

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adopt the agenda.

Staff Presentation and Information

Tony Soria, Chief Financial Officer, shared with the Citizen's Oversight Committee (COC) an update on the lawsuit with the City of Tustin, stating that the relationship with the City of Tustin has improved with the District and no construction projects are currently being halted due to the lawsuit.

Informational Items/Presentations:

1. Measure L Series C Bond Financing Update (Measure L)

Tony Soria shared the following:

- On September 10, 2012, the Board adopted Resolution No. 09-48-12 providing for the issuance and sale, through the County of Orange, Series C Bonds in an amount not to exceed \$25 million.
- On September 19, 2012, a conference call with ratings agencies Standard & Poors and Moodys was held to secure a positive credit rating in preparation for the issuance of the Series C bonds. The District continues to receive a strong rating.
- On October 2, 2012, the County of Orange adopted its resolution authorizing TUSD to issue the Series C Bonds.

The next step in this process is an internal evaluation regarding the sizing and structure of the Series C Bond issuance. Typically, the structure of the financing focuses on maintaining a tax rate at or below the ballot measure rate (\$23.74 per \$100,000 assessed value) communicated to voters at the time of voter approval. During this time, several issues arose that necessitated a Board study session to reassess the District's position and the following was discussed:

- Cash Flow Needs – consider current General Obligation Bond cash on hand and projected expenditures through the potential Series C bond issuance period.
- \$17.6 million will be needed for unidentified future projects.
- Maintain the tax rate at or below the Ballot Measure Rate.
- Select the most cost effective forms of financing.
- Take advantage of lower construction cost bid climate.
- Recent reports of costly financial structures involving the use of Capital Appreciation Bonds (CABs).
- The impact of declining assessed valuations in the District in determining the level of additional debt proposed to be issued.
- The impact of debt financing on projected available General Obligation Bond cash to complete both current and future facility projects and possible alternatives.

Tony Soria went on to explain that the District currently has approximately \$9.6 million on hand and will need an estimated \$12.7 million to finish the committed and near

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completion projects of the FHS Event Center, Hillview Tennis Court/Athletic fields, middle school activity centers, and the Currie Middle School modernization. During this time period, the District will have a shortfall of approximately \$3 million to complete the above projects and will need to temporarily borrow from other District Funds.

Projects in the planning stage are: the District Stadium renovation, Foothill and Tustin high schools all-weather track, Tustin High School cafeteria, and Tustin High School proposed next phase (new classroom building, entry/ASB/Admin Office reconfigure, paint, minor modernization of the music and library, partial demo and relocation of weight training and sitework for circulation to Science Center). The estimated cost for these projects is \$25.8 million and the District will need the Series C issuance of \$25 million to complete the above projects.

The District's financial advisor, Rod Carter from RBC, Capital Markets and the District's Attorney Rob Anslow from Bowie, Arneson, Wiles & Giannone were in attendance to review the different financial scenarios for the Series C Bond issuance.

Rod Carter reviewed the Measure L 2008 election summary for Series A, B, C, D, and the projected tax rate, assessed valuation, timing of the bond issuance from August 2008 to October 2012, and the background of selling bonds and meeting the estimated tax rate of \$23.74 per \$100,000 assessed valuation. Under Proposition 39 the statutory maximum legal tax rate for Measure L is \$60 per \$100,000 assessed valuation. The District has already issued \$50 million (Series A and B) from the original \$95 million and \$45 million in Measure L authorization is remaining.

It was noted that when selling bonds, the timing and the amount sold is governed by the needs of the Improvement District, the District, and other factors. Hence, the actual taxes and the years in which taxes are applicable vary upon projections and estimates. To keep the current ballot measure rate of \$23.74 per \$100,000 assessed value will require internal borrowing. Financing the construction projects using a CAB will mean going over the \$23.74 ballot measure rate valuation, but in the long run this is a less costly form of borrowing. The question asked is do we stick with the current ballot measure rate of \$23.74 per \$100,000 assessed value or choose an alternative rate of \$29.70 per \$100,000 assessed value, slightly larger, but saving the taxpayers interest in the long run. What would the community like to see?

Tony Soria reiterated that moving forward with the construction projects, taking advantage of construction flow, and going with the \$25 million issuance will require internal borrowing.

Board Member, Lynn Davis, shared that the Board is sensitive to the income range perspective of the community, but must also consider that the facilities being built and modernized are here to stay for 40 years or more. Lynn shared to build earlier than later, the bid climate is good now.

Rod Carter commented and agreed that construction costs will likely increase as the economy improves and development resumes.

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COC Member, George Jeffries, shared that we must maintain the rating and be fiscally conservative, maintaining faith to the public, and not confusing the public with doubts, indecisions, and a more expensive structure.

The following comments were received from the Citizens' Oversight Committee:

- Concerns were raised in regard to selecting a financing option that exceeded the bond language of \$23.74 per \$100,000 assessed value. Members were also concern in keeping the promise to voters, taxpayers, and the community.
- Homeowners on a fixed income was a vital issue and it was agreed that the community and the school district would be supported by moving forward with the construction at a slightly higher rate to save money in the end.
- Preference for the higher rate and less interest in the long run is fiscally prudent for the community. Paying a little more now is a better alternative and still half of the allowable \$60 per \$100,000 assessed value.
- Comments were also received that the future economic outlook is expected to be a modest recovery and by raising the rate to \$29 or higher, some felt that we had broken our word to the community and maintaining public confidence is most important at this time.

In summary the committee as a whole supported moving forward with the construction projects and securing financing for the identified projects. Should the option to exceed the ballot measure rate be selected, the Committee is concerned that the message be clearly communicated to the community.

COC Chairperson, Bruce Junor, passed out a document to the COC regarding Measure S.

2. New Business

None.

Adjourn

It was moved by Simon Russek, seconded by Bruce Junor, and carried unanimously, to adjourn the meeting at 4:58 p.m.