

MEMORANDUM

May 30, 2006

TO: The Honorable Judge Rodney Melville
Superior Court
312-M East Cook Street
Santa Maria, CA 93455-5165

FROM: Tom Cooper, Superintendent Buellton Union School District

RE: Buellton Union School District G.O. Bond Program

Findings

- 1) We concur with this finding.
- 2) Based on a projected assessed value growth of 4.19% per year, (one-third of the historical average of 12.58% during 1999-00 to 2005-2006), the remaining G.O. Bond authorization could be issued in FY 2010-11. This is attributable to the increase in assessed value and the pay down of the outstanding Series "A" and "B" by 2029 and 2030 respectively. In addition, any year in which the assessed valuation increase is greater than 4.19%, the additional amount has a compounding effect on future years thus reducing the 4.19% required in the future.
- 3) Based on the opinion of the District's Bond Counsel, the outstanding bonds are unlimited tax bonds payable solely from a levy on taxable property. At the time of issuance of the bonds a projection must be made that the assessed valuation growth required to maintain a tax rate of no more than \$30 per \$100,000 is reasonable. In the unlikely event that assessed value grows at an insufficient rate, a tax rate in excess of \$30 per \$100,000 may be levied to make payments on the bonds solely from taxable property. This minimizes any likelihood in default in the repayment of these bonds as evidenced by the "A3" rating by Moody's Investors Service, a nationally recognized bond-rating agency.
- 4) The District structured its bond program to maximize funds available for construction. A lower tax rate would have resulted in reduced funds available for school improvements. School G.O. Bonds in California typically have a term of 25 years. Not all future school facility improvements will require additional bonding.

- 5) It is typical for California school districts to utilize multiple funding sources for their construction programs. State Aid, for example, requires a local match. In addition, the district did not issue an additional COP in 2006.
- 6) No additional COP was issued in March 2006 (Page 7 of the report). The COP issued in 2001 has already been partially prepaid; the District estimates it will receive sufficient revenues from developer fees and other sources to make payments on the outstanding balance.

Recommendations:

- 1) In the unlikely event that assessed valuation grows at an insufficient rate due to reduced development in the District, the issuance of the rest of the G.O. Bonds will be delayed. However, this is also likely to result in a delayed need for new facilities and the corresponding funding. If the need for accelerated funding prevails in spite of reduced development, the District should be able to qualify for additional State Aid for new construction. To the extent that additional bonds cannot be issued, and no additional funds are available, the District will defer the planned improvements.
- 2) We concur with this recommendation. The District will consider lower tax rates for future authorizations if the construction program permits the same based on the district's need to house students.
- 3) The District has already accelerated the repayment of its COPs and has not incurred any additional COP debt. We concur that the District will continue to implement the plan of utilizing any surplus funds to pay down outstanding principal.

Respectfully submitted,

Tom Cooper/Superintendent Buellton Union School District