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Monday, September 17, 2007

Honorable Judge Melville
Superior Court
312-M East Cook St.
Santa Maria, CA 93455

Santa Barbara County Grand Jury
Attention: Foreperson
1100 Anacapa St.
Santa Barbara, CA 93101

Re: 2006 2007 Grand Jury Report: Certificates of Participation in Public Finances

To Whom It May Concern:

The Buellton Union School District has reviewed the Grand Jury's findings for 2006-2007 and has made the following Responses to Findings and Recommendations:

1. **Finding:** Projects funded by COPs are not subject to a well-regulated, mandatory public notice, and this deficiency can preclude the general public from either registering opposition or participating as investors.

District's Response To Finding: The district disagrees with the finding.

District's Response To Recommendation: Any project funded by a COP for the school district requires the approval of the Board of Trustees through a formal resolution at a public meeting. The Board of Trustees are elected to represent our community. These meetings are held on a monthly basis and are posted in several public locations. The public has an opportunity to comment and make suggestions to the trustees during these meetings. Current regulations require that "the district cause the notice of sale be published in a financial publication generally circulated throughout California or reasonably expected to be disseminated among prospective bidders".

2. **Finding:** Taxpayers and/or investors may be at risk if standard assurances (e.g. environmental and "escrow") are not consistently required prior to issuance of COPs.

District's Response To Finding: The district disagrees with the finding.

District's Response To Recommendation: Taxpayers and investors are not at risk if environmental and escrow accounts are not required prior to the issuance of COPs. If a school district were to default on a COP payment, the district would be required to arrange a fiscal recovery plan with the County Office of Education (COE). Taxpayers and/or investors would never be at risk.

3. **Finding:** The maturity terms of COPs are often comparable to those (20-30 years) for General Obligation and Revenue Bonds, suggesting that COPs may be an inappropriate substitute for such bonds.

District's Response To Finding: The district disagrees with the finding.

District's Response To Recommendation: Maturity terms of COPs are limited to the useful life of the property leased. Many times the term is long-term, however, this is not to suggest that school districts have inappropriately substituted this type of debt financing in lieu of voter approved indebtedness. General Obligation Bonds are not controlled by school districts and may need to have other financing opportunities available for capital expenditures.

4. **Finding:** The regulations regarding the sales of COPs and the use of the proceeds from those sales are inadequate.

District's Response To Finding: The district disagrees partially.

District's Response To Recommendation: Proceeds from a COP should be used as the Board of Trustees has approved. The Board of Trustees should have the authority to make any necessary changes for the usage of the monies as they deem necessary through the normal board approval process.

5. **Finding:** Districts and government agencies are not required to give notification of the use of COPs to County or city governments which might be affected.

District's Response To Finding: The district disagrees.

District's Response To Recommendation: County and/or city governments are not affected by a COP issued by a school district. Consequently the county and/or city governments would have no obligation to repay the COP if the district were to default.

If you have any questions, please feel free to contact me at (805) 686-1223.

Sincerely,

Kathy English
Business Manager
Buellton Union School District