



April 25 , 2013

ISSUE 43



Greetings!

**Friday May 10, 2013 - Sacramento
Second Annual CalBOC Statewide Conference
Transparency and Dialog in Action**



**Communication and Responsible Expenditures:
The Keys to Maintaining Public Trust in
School Bond Programs**

**Keynote Speaker:
Bill Lockyer, California State Treasurer**



**Assemblywoman Joan
Buchanan
Co-author of AB 182 - Limits
Bond Debt Ratio**

In 2013 CalBOC celebrates five years of fulfilling its twin purposes of providing support to local bond oversight committee members through training, while also advocating for them at the legislature on items of common interest. This year's conference delivers multiple perspectives on some of the most contentious issues currently affecting school bond construction programs.

Capital Appreciation Bonds (CABs) have been a hot topic since national news reports on the Poway School District broke in 2012. **Joel Thurtell**, a former reporter for the *Detroit Free Press*, provides background on how the story evolved. **Assemblywoman Joan Buchanan** (D-San Ramon) will discuss AB-182, the bill currently working its way through the legislature that seeks to deal with this issue. Finally, **State Treasurer Bill Lockyer** will discuss efforts his office has undertaken to control this issue until legislation arrives.

From the standpoint of how things look for a School District we have two long time District executives with Santa Ana Unified. Santa Ana is one of the 50 largest school districts in the country, and 6th largest in California. **Michael Bishop** recently retired after 16 years with the District as CBO, while **Joe Dixon** is the Assistant Superintendent, Facilities & Governmental Relations for SAUSD. In addition, Joe is also the current Chair of the *Coalition for Adequate School Housing* (CASH), the largest lobbying/advocacy group for the school facilities industry in the state.

Rounding out the event will be a discussion with **Kevin Carlin** on the use of the lease/lease-back school construction method. This approach has been both lauded for its ability to provide districts with a streamlined development process by some while it has been vilified as a way to avoid competitive bidding by others.

- \$50 per person includes one lunch

[2013 Conference Event Page](#)

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Lawsuit Says Financial Advisor 'Duped' School District into Overpaying

April 16, 2013 | By Randall Jensen | www.bondbuyer.com

EXCERPT: ... A small California school district said its financial advisor "duped" it into overpaying hundreds of thousands of dollars for services in a lawsuit that is playing out amid controversy in the state over school bond election and borrowing practices.

Advisory firm Caldwell Flores Winters, Inc. sued Willits Unified School District for breach of contract, resulting in a counter-complaint from the Mendocino County district with **1,800 students**.

Critics say the legal dispute has uncovered questionable, if not illegal, practices. ... The advisory firm convinced district officials to seek a bond authorization well beyond what the district would legally be able to issue because the larger figure would generate more fees for Caldwell Flores Winters, the district argues in its lawsuit.

CFW was hired in 2009 to advise the school district on the bond program that led to the issuance of four series of bonds totaling \$18.87 million in July 2010, which will cost \$38.6 million in debt service. The sale included \$3.78 million of capital appreciation bonds that will cost \$21.9 million at maturity, the official statement said. ... This, Willits Unified argues, represented a conflict of interest because CFW influenced a decision that directly affected its compensation, which is generally banned by state law. The contract also represented a breach of fiduciary duty.

The district's complaint said CFW initially assumed a \$29 tax rate per \$100,000 of assessed valuation in the district, which would have supported \$23 million of bonding. Even though it was aware that assessed values had dropped in the district after the election, CFW charged Willits a 2.5% fee for the \$43 million capital program it advised the district to adopt even though only \$18 million was available to fund school construction, according to the cross-complaint.

That fee - **\$1.075 million** - was due in 36 monthly installments after the bond election passed. CFW sued after Willits cancelled the contract, seeking six months of payments plus a \$108,993 cancellation fee for a total of \$278,961, according to CFW's complaint. ...

... **California Treasurer Bill Lockyer's** office said he is troubled because CFW had a financial interest in recommending the highest bond authorization.

"If that doesn't violate conflict of interest laws, it should," said Tom Dresslar, Lockyer's spokesman. "This is the kind of stuff that is giving schools financial a bad name." - Lockyer has been trying to limit schools' ability to issue capital appreciation bonds, arguing that they cost taxpayers too much for too long. - According to the treasurer, from 2007 to November 2012, CFW made far more money from California school bond sales that included capital appreciation bonds than any other financial advisor firm. ...

To read the complete article, please visit:

www.bondbuyer.com/issues/122_73/lawsuit-says-fa-duped-school-district-into-overpaying-1050712-1.html

In This Issue

[May 10th - Second Annual CalBOC Statewide Conference](#)

[Lawsuit on School District Financial Advisor](#)

[Archived Newsletters](#)

REGISTER NOW!

May 10, 2013
2nd Annual CalBOC Statewide Conference
Pagoda Building
429 J Street
Sacramento, CA 95814

Tentative Schedule:
9:00 to 10:00 am
Doors Open, Refreshments

10:00 to 10:15
Introduction: Michael Day

10:15 to 11:00
Michael Bishop & Joe Dixon, Santa Ana Unified School District: School District's View of Accountability in School Facilities Programs

11:00 to 11:15 - Break

11:15 to 12:00
Assemblymember Joan Buchanan: Co-author of AB 182 - Limits Bond Debt Ratio

12:15 to 1:00pm - Lunch
with Keynote Speaker: State Treasurer Bill Lockyer

1:00 to 1:15 - Break

1:15 to 2:15
Kevin Carlin: Understanding Lease Leasebacks

2:15 to 3:15
Joel Thurtell: Breaking the CAB Story

3:15 to 3:45
Michael Day, CalBOC President: Closing

2013 Conference

CalBOC Board Meeting Schedule:
May 10, 2013
August 9, 2013
November 15, 2013
Sacramento Chamber of Commerce, 1 Capitol Mall. Conference call access will be available

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Mission Statement
To promote school district accountability by improving the training and resources available to California's Proposition 39 School Bond Oversight Committees and educating the state legislature, local school boards and the public about the oversight and reporting powers these Citizens' Bond Oversight Committees (CBOCs) have, and to advocate on a state level, where appropriate, on issues of common concern to all CBOCs.

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Most recent on top
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[ISSUE 41 - Feb. 4, 2013](#)
[ISSUE 40 - Jan. 22 2013](#)
[ISSUE 39 - Jan. 9, 2013](#)
[ISSUE 38 - Dec 31, 2012](#)
[ISSUE 37 - Dec 17, 2012](#)
[ISSUE 36 - Dec 11, 2012](#)
[ISSUE 35 - Dec. 4, 2012](#)
[ISSUE 34 -Nov 27,2012](#)
[ISSUE 33 - Nov 20 2012](#)
[ISSUE 32 - Nov 13 2012](#)