



June 16, 2014

ISSUE 58



Excerpts from CalBOC 2014 Statewide Conference Presentation Pay to Play in School Bond Measures What it is and Why it is Wrong

Presented by Lori Raineri of [Governmental Financial Strategies](#)

■ One Important Mission of the Bond Oversight Committee:

- Education Code Section 15278 (c) "In furtherance of its purpose, the citizens' oversight committee may engage in any of the following activities:...
- (5) Reviewing efforts by the school district or community college district to maximize bond revenues by implementing cost-saving measures, including...: (B) Mechanisms designed to reduce the costs of professional fees.

■ Not a New Concern - Discussed in 1990's

THE BIG SLEAZE IN MUNI BONDS MIX POLITICS, MONEY, AND BIG TAXPAYER SUBSIDIES, AND YOU GET A MUNI MARKET RIFE WITH CORRUPTION AND QUESTIONABLE TRANSACTIONS. IT'S TIME TO CLEAN IT UP.

■ Bond Counsel E-Mail to School District

"As of this date, we have accumulated an additional \$7,783 in time since Series A was issued under the District's 2006 bond election. Of course, we also donated an additional \$5,000 to the 2006 bond campaign for the District, giving us a total investment as of today of \$12,783. Applied to our proposed scheduled fee of \$49,110 for Series B, this would make the effective charge for work in support of Series B from today forward the sum of about \$36,327, which we hope you agree is entirely reasonable."

■ State Treasurer's View - January, 2012

"Even though there appears to be little momentum for change, California Treasurer Bill Lockyer said the time has come. 'In our view, it is probably time to end the days when underwriters, bond counsels or financial advisors fund, manage or provide other key support for local bond campaigns, then get paid to do work on the bond sales,' Lockyer spokesman Tom Dresslar said."

■ 55% Voter Approval School Bonds

- Statute Requires Strong Accountability
- Education Code 15288: - It is the intent of the Legislature that upon receipt of allegations of waste or misuse of bond funds authorized in this chapter, appropriate law enforcement officials shall expeditiously pursue the investigation and prosecution of any violation of law associated with the expenditure of those funds"

To see the complete presentation please visit:

http://calboc.org/docs/2014CalBOC_PaytoPlay.pdf

Pay to Play | Sweetwater UHD Joins Contractor Lawsuit With Guilty Board Members Gone, District Seeks Tainted Funds Back

May 28, 2014 | By Ashly McGlone | www.utsandiego.com

EXCERPT: More than two years after a citizen lawsuit was filed asking for contractors to return millions of dollars paid by the Sweetwater Union High School District, the district itself has joined the effort, seeking \$26 million.

The district asked a judge last week to skip a trial on the lawsuit and order return of the funds from the contractors - whose actions were the subject of a lengthy corruption probe - on the grounds that the initial contract awards were tainted and therefore invalid.

The money was paid to construction management firms SGI (*Seville Group Inc.*) of Pasadena and Gilbane of Providence, R.I., to oversee the district's \$644 million voter-approved Proposition O bond program and a part of an earlier bond program.

Four out of five elected members of the Sweetwater board have left office in the past six months amid a probe by District Attorney Bonnie Dumanis, who alleged that they took meals, event tickets and other considerations in exchange for favorable treatment of their hosts. The four board members pleaded guilty to accepting gifts above state limits.

The law - Government Code 1090 - generally prohibits officials from entering into a contract in which they have a financial interest and nullifies contracts made in violation of that law. It aims to discourage self-dealing and prevent public servants from having divided loyalties. ...

The criminal probe could now bolster the district's chances of getting millions of dollars in bond money back, Moot said, pointing to the guilty pleas, grand jury testimony and evidence gathered.

"The facts really aren't in dispute. The people that received the gifts admit receiving them. Those that gave the gifts admit giving them," Moot said. ...

Sweetwater's motion for summary judgment:

http://media.utsandiego.com/news/documents/2014/05/28/Sweetwemo_MSJ_-_Memo_of_Ps_and_As.pdf

To read the complete article, please visit:

<http://www.utsandiego.com/news/2014/May/28/sweetwater-joins-suit-against-contractors/>

99% of Funds can go for Construction with "Pay-As-You-Go" Public Eye: San Juan aims to pay off school bond debt more quickly

May 25, 2014 | By Diana Lambert | www.sacbee.com

EXCERPT: School districts usually pay to fix up schools and build new ones by floating bonds and repaying them over a long period, often as much as 25 years. Now the San Juan District is considering repaying its debts much faster to save on interest costs. ...

There is general agreement that the district will transition to a "pay-as-you-go" model in the future that uses only two- and three-year bonds, he said.

The reduced costs associated with selling three-year bonds will allow 99 percent of the money generated by 25-year bonds, said Kent Stephens, the district's chief financial officer, in a report to the board.

Michael Day, president of the [California League of Bond Oversight Committees](#), a watchdog group, says San Juan Unified is a trailblazer. Using a "pay-as-you-go" model is "rare right now," he said. "If this passes, there will be a lot of them (school officials) talking about it."

The hybrid approach would cost the district 11 cents in interest for each dollar borrowed. Traditional 25-year financing generally costs the district 34 cents on the dollar, while issuing two- and three-year bonds costs the district a penny for each dollar borrowed. "It's a phenomenally good deal," Day said. "The reduction in cost is substantial."

San Juan Unified already has dipped its toe into the short-term bond pool. Last year, the district sold \$20 million in two-year bonds to finance facilities projects authorized by Measure N, approved by voters for \$350 million in 2012. The debt, including \$300,000 in interest, will be paid by August 2015.

School bonds have been under scrutiny since Poway Unified School District turned to expensive capital appreciation bonds to raise \$105 million, ultimately costing San Diego County taxpayers \$1 billion over 40 years. Locally, Folsom Cordova used capital appreciation bonds to finance \$514,000 at the cost of \$9.1 million....

Masuoka said taxpayers would be more likely to support the bond if they knew almost all the proceeds would go to school facilities and upgrades. The school district has passed three bond measures, Masuoka said. "If we had been doing this from Day One, we would have no debt and significantly more infrastructure built." ...

To read the complete article, please visit:

<http://www.sacbee.com/2014/05/25/6430555/san-juan-aims-to-pay-off-school.html>

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CaLBOC Board Meetings:

August 9, 2014
Friday

November 8, 2014
Friday

February 13, 2015
Friday

May 7, 2015
Thursday

CaLBOC Annual Statewide Conference:
May 8, 2015
Friday

Sacramento

San Diego Grand Jury

Sweetwater & Southwestern - South County transcripts - By Ricky Young

www.utsandiego.com

U-T Watchdog has been covering the release of grand jury transcripts in the South County corruption case brought by District Attorney Bonnie Dumanis involving more than 200 charges against 15 officials and contractors at two school districts and one community college.

utsandiego.com/news/2013/jun/17/south-county-grand-jury-transcripts-compiled

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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.

CaLBOC May 9, 2014 Conference Presentation

Pay to Play in School Bond Measures
What it is and Why it is Wrong

[2014CaLBOC_PaytoPlay.pdf](#)

Presented by Lori Raineri of Government Financial Strategies, GFS

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calboc.org/reviews.html

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www.CaLBOC.org

California League of Bond Oversight Committees - calboc@mail.com