



Hello Linda

Dozens of Bay Area school districts have used a risky and costly form of financing

Nov. 30, 2012 | By Theresa Harrington | contracostatimes.com

EXCERPT: Dozens of school districts in the Bay Area are among 200 statewide that have borrowed billions of dollars to build and upgrade schools using bond financing that critics are blasting because it burdens homeowners with high debts that take up to 40 years to pay off at exorbitant interest rates. ...

...Districts essentially have two basic options when issuing bonds: Current interest bonds or capital appreciation bonds. Current interest bonds cost less over the long term but could cost more up front, as homeowners make regular payments.

With capital appreciation bonds, or CABs, most of the debt is deferred until later in the repayment term, by which time large amounts of interest have accrued and taxpayers are on the hook for huge payments.

Districts in Alameda, Contra Costa, San Mateo and Santa Clara counties have turned to the risky financing tool in part to compensate for sinking property values that have made it harder for districts to raise money and keep tax rates to repay the bonds below the state's cap of \$60 per \$100,000 in assessed valuation, per bond measure. ...

... Districts throughout the Bay Area have them in their portfolios:

- **Gilroy:** Its \$49.9 million bond portfolio includes a \$2.4 million CAB that has a total repayment cost of \$30.6 million.

- **Jefferson Union in Daly City:** The district issued about \$15 million in CABs twice, with the repayment period of its 2011 issue expected to take 30.5 years and cost nearly \$127 million, or \$8.40 for every \$1 it received.

- **Hayward:** A \$21 million CAB issued in 2010 has a repayment cost of \$131 million, more than six times the amount of the bond.

- **Acalanes Union in Lafayette:** The district issued \$13.6 million in CABs in 2011, with a repayment totaling \$136.2 million.

- **West Contra Costa:** The district issued a \$2.5 million CAB in 2010 to raise the money to issue a \$25 million federally subsidized bond. The \$2.5 million CAB requires \$33.8 million total to pay off. ...

To read the complete article visit: www.contracostatimes.com/news/ci_22093543/dozens-bay-area-districts-have-used-risky-and

Data Center: School capital appreciation bonds in California:

http://www.contracostatimes.com/data/ci_22101008/data-center-school-capital-appreciation-bonds-california?source=pgk.

Northern California, Bay Area School Districts

Borrowing Millions, Paying Many Times More: Taxpayers On Hook For Risky School Bonds

Nov. 30, 2012 | Posted by Laird Harrison | www.kqed.org

EXCERPT: Would you take out a loan if you had to pay interest worth 10 or more times the amount you borrowed? Dozens of school districts in all Bay Area counties except for Oakland and San Francisco have issued bonds under those terms, according to the [LA Times](http://latimes.com), and property owners will ultimately have to pay them off.

State Treasurer Bill Lockyer thinks the deals are a big mistake. "My personal view is that voters are going to have to defeat some people running for school board, and fire school superintendents who have done this stuff," he told KQED's Stephanie Martin on Thursday. "It's irresponsible and it's going to require a public reaction that's severe to stop it."

In the world of public finance, Lockyer said, the ratio of money borrowed to money owed is typically more like one to three. But some districts in the Bay Area, as well as all around California, will owe 11, 12, or 13 times as much as they borrow, according to the [Times database](http://timesdatabase.com). ...

... For example, in 2010 the West Contra Costa Unified School District in Richmond issued bonds worth \$2,499,949. Over the course of 26.1 years, the district will have to pay \$33,820,000. That's an amount 13.5 times more than what the district borrowed.

Among the other Bay Area districts with debt ratios of 10 to 1 or more are Acalanes Union High School in Lafayette (10.0 to 1), John Swett Unified School District in Rodeo (11.3 to 1) and Bellevue Union Elementary School District in Santa Rosa (10.8 to 1). ...

To read the complete post visit: <http://blogs.kqed.org/newsfix/2012/11/30/borrowing-millions-paying-many-times-more-school-districts-take-heat-for-risky-bonds>

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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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