



Hello Linda

## Understanding School Bond Finance 9 Key Questions (and Answers!) on Poway's Big Borrowing | Sept. 27, 2012 | Will Carless | [voiceofsandiego.org](http://voiceofsandiego.org)

**EXCERPT: -- 1. What are capital appreciation bonds?**

Traditional school bonds work just like a home mortgage: An investor buys bonds from a school district and the district pays the investor back the price of the bond, plus interest, over a certain period of time.

Essentially, bonds are loans. In their simplest form, the district repays part of that loan every year until the total debt is paid off, just like a mortgage.

Capital appreciation bonds work differently.

Rather than paying off part of the loan each year, the district agrees to just pay the investor a lump sum on a certain date decades in the future. The idea is that the district has 30 or 40 years to, in effect, save enough money to make good on that payment.

School bonds are repaid with property taxes paid to the district. And capital appreciation bonds give districts a way to get around the fact that they don't have enough money coming in from those taxes to be able to pay back a steady payment on their loan each year.

**-- 2. Why are capital appreciation bonds so controversial?**

They allow districts to borrow future tax revenues now.

Districts take a loan out, even though they don't yet have enough money coming in to pay it. They assume they'll be able to collect enough taxes in future years, before the loan is due, so they can repay it.

But capital appreciation bonds go even further. They also count on property taxes growing enough to ensure the district has enough money coming in to make good on its debts. ...

*To read the complete article please visit:*

[www.voiceofsandiego.org/education/article\\_20fbc42e-08ee-11e2-9a15-0019bb2963f4.html#user-comment-area](http://www.voiceofsandiego.org/education/article_20fbc42e-08ee-11e2-9a15-0019bb2963f4.html#user-comment-area)

## Fontina Unified School District School Financing Methods Attracting Attention

Oct. 2, 2012 | By Jim Steinberg | [www.contracostatimes.com](http://www.contracostatimes.com)

**EXCERPT:** Concern among county officials about Fontina Unified's financing methods comes at a time when more eyes are on school financing, in part because of the high-profile financing woes in San Diego County's Poway Unified School District. ...

Also catching attention was the state takeover, on Sept. 14, of the Inglewood Unified School District, which had asked the state for an emergency loan.

It was the ninth school district to request an emergency loan and state takeover since 1990, according to the California Department of Education.

FUSD would be facing a similar fate if it did not approve its capital appreciation bonds, district and county schools officials said. ...

... Statewide, school districts are scrambling to find alternative financing to finish construction projects started on bond sales years before.

"With falling property values, school districts find themselves unable to issue general obligation bonds to finish a project," said Ron Bennett, president and CEO of Sacramento-based School Services of California. ...

"The state has dumped capital funding into the laps of school districts at a time when their operating budgets are in trouble," said Bennett, who runs a school business consulting service.

"That leaves schools scrambling for ways to finish projects," he said. ...

... "Every negative aspect of today's situation emanates from 2009," San Bernardino County Treasurer Larry Walker said.

Issuance of the short-term "bridge loan" instruments, the bond anticipation notes "was woefully mishandled."

The loan unrealistically assumed that property values would increase so that funds from the 2006 voter approved bond issue could be tapped. No thought was given to how the notes would be repayed in three years ...

*To read the complete article visit:*

[www.contracostatimes.com/california/ci\\_21683895/school-financing-methods-attracting-attention](http://www.contracostatimes.com/california/ci_21683895/school-financing-methods-attracting-attention)

## Toxic Capital Appreciation Bonds (CABs)

*Examples excerpted from CalBOC PPT - Partial List:*

**Poway Unified School District:** Sold \$13.9 million CAB that will cost \$321 million (**23 times principal**)

**Santee School District:** Sold \$1.7 million CAB that will Cost \$40 million (**24 times principal**)

**Aromas - San Juan Unified School District:** Sold \$326 thousand CAB that will cost \$8.7 million (**26 times principal**)

**Hartnell Community College District:** Sold \$167 thousand CAB that will cost \$14.25 million (**86 times principal**)

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### The Next CalBOC Board Meeting is November 9, 2012

10 am - 3 pm

Sacramento Chamber of Commerce, One Capital Mall, Sacramento, CA  
Topics: 2013 Legislation  
Conference call service will be available.

This meeting is open to all

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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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[calboc.org/reviews.html](http://calboc.org/reviews.html)

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