

LEMON GROVE SCHOOL DISTRICT

**OFFICIAL MINUTES OF THE
SPECIAL MEETING OF THE INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE**

INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE SPECIAL MEETING — MAY 28, 2014 – The special meeting of the Independent Citizens' Oversight Committee of the Lemon Grove School District was held at Lemon Grove School District's Education Center, 8025 Lincoln Street, Lemon Grove, California, on Wednesday, May 28, 2014. Cary Demaree (Chair) called the meeting to order at 5:03 p.m.

Committee Members Present:

William Baber (Taxpayers' Organization)
 Thomas E. Clabby (Senior)
 Cary Demaree (Parent, PTA, At-Large Community Member – Chair)
 Mark Gracyk (Business Community & At-Large Community Member)
 Ilse Hanning (At-Large Community Member)
 Helen Ofield (At-Large Community Member – Vice Chair)
 Rosemary Putnam (Senior & At-Large Community Member)
 Gerard Selby (Parent, PTA, At-Large Community Member)
 Toni Shaw (At-Large Community Member)

Committee Members Absent:

No members absent

District Staff Members Present:

Gina Potter, Assistant Superintendent, Business Services
 Bret Felix, Projects and Facilities Supervisor
 Michelle Flores, Account Technician

Financial Advisor Present:

Dale Scott

PLEDGE OF ALLEGIANCE – Cary Demaree led the Pledge of Allegiance.

AGENDA – It was moved by Hanning and seconded by Gracyk to approve the amended agenda to move agenda item 3 to agenda item 4 and agenda item 4 to agenda item 3. The motion was called for with the following results: Ayes – Clabby, Demaree, Gracyk, Hanning, Ofield, Putnam, Selby, Shaw; Nays – None; Absent – Baber. The motion was carried.

HEARING OF CITIZENS FOR ITEMS NOT ON THE AGENDA – None

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Minutes**REAUTHORIZATION OF BONDS AND ED TECH BOND SURVEY RESULTS PRESENTATION BY DALE SCOTT THE DISTRICT'S GENERAL OBLIGATION BOND FINANCIAL ADVISOR**

Gina Potter thanked Mr. Scott for coming to this special meeting to present recent survey results regarding general obligation bond reauthorization and Ed Tech bonds. Dr. Potter shared the importance role of the Independent Citizens' Oversight Committee's (ICOC) in providing the district with feedback regarding the survey results as presented.

Mr. Scott provided all members with a handout showing the results of this random survey of voters residing within the boundaries of the Lemon Grove School District (see attached). He stated that some ICOC members were randomly called to participate. Interestingly, several registered voters never vote. Two surveys of 200 registered voters each were conducted over a ten day period from March 11, 2014 through March 20, 2014. The margin of error for each survey is +/-6.83% and +/-4.76% for the combined questions. 45% of the District's voters are Democrats.

The first question was "Do you have any children or grandchildren who are now attending or have you ever had children or grandchildren attend the district?" 23% currently have children or grandchildren who attend the District and 34% previously had children or grandchildren attend the District. 43% of the District's voters never had children attend the District.

The ages of voters within the District's boundaries are: 9% - Ages 18-24; 20% - Ages 25-34; 16% - Ages 35-44; 17% - Ages 45-54; 19% - Ages 55-64; 20% - Ages 65+.

Mr. Scott stated that the average single family home assessed valuation in the District's voting boundaries is \$193,567. Just over 300 homes were purchased for less than \$50,000 and about 1,100 homes were purchased for between \$50,000 to \$99,000.

Mark Gracyk asked if the voters were only families of the Lemon Grove School District. Mr. Scott said yes and added that many families have either lived in the District for a very long time or they passed property to their children. Very few homes are in the higher levels of assessed valuation.

Voter trend data indicates that the vast majority of voters turnout during Presidential and Gubernatorial elections. 52% of the voters in our District vote by absentee ballot.

In 2008, the District passed Proposition W, a \$28 million general obligation bond. Three series of bonds were issued: 1) Series A Bonds on May 21, 2009 in the amount of \$5 million; 2) Series B Bonds on October 14, 2010 in the amount of \$7,999,480; and 3) Series C Bonds on March 30, 2011 in the amount of \$5 million. As a result of the decline of assessed valuation which occurred during the Great Recession the remaining balance of Proposition W bonds of \$10,000,520 cannot be issued until assessed valuation is restored. This could take 10 to 15 more years. The \$10 million in unissued bonds doesn't go away as it's already passed by voters. The district has the option to go to the voters and ask if they would reauthorize the \$10 million of unissued Proposition W general obligation bonds. To pass a reauthorization of bonds a 55% vote would be required. If the voters say no to reauthorization then the existing Proposition W bonds awaiting issuance remain in place for future assessed valuation to be restored. If voters pass a reauthorization measure then the District is required to decertify the existing \$10 million and substitute this \$10 million with the reauthorized bonds. If voters say yes, an additional tax rate is brought forward on top of the current tax rate. Gerry Selby asked why we are required to go back and ask voters for reauthorization authority. Mr. Scott answered that current state law requires a 55% yes vote. Mr. Gracyk asked if school districts with GO bond authority have been impacted throughout the state by the inability to issue the GO bonds as a result of a drop in

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REAUTHORIZATION OF BONDS AND ED TECH BOND SURVEY RESULTS PRESENTATION BY DALE SCOTT THE DISTRICT'S GENERAL OBLIGATION BOND FINANCIAL ADVISOR (continued) - assessed valuation. Mr. Scott responded by stating that indeed this is an issue for several school districts throughout the state and that some school districts have addressed it by issuing capital appreciation bonds (CABs). The issuance of CABs has resulted in controversy due to the high interest rates associated with CABs. When the drop in assessed valuation in the District occurred the District responded by ceasing any additional issuance of Prop W after 2011. This has caused the District to be unable to complete the Prop W project list because to date only \$18 million of \$28 million has been issued from Prop W. Helen Ofield concurred that this is a problem.

Mr. Scott explained that the reauthorization survey questions began with warm up questions intended to assess the voter's opinion regarding proposed language for the ballot measure. At the beginning of the reauthorization survey 78.5% indicated Yes or Lean Yes support for a District reauthorization proposition. The survey then progressed with additional details about the measure and by the end of the survey 76% of the participants continued to have Yes or Lean Yes response supporting a District bond reauthorization measure.

Tom Clabby asked if all of the survey participants were property owners or renters. Mr. Scott stated that high propensity likely voters tend to be property owners. Mr. Gracyk asked who paid for the survey. Mr. Scott replied that his firm fronts the cost under contract with the District. If the District's Governing Board does not agree with moving forward with a bond measure or if the measure fails his firm does not recoup the cost. If voters pass the measure then his firm gets reimbursed out of bond issuance costs.

Mr. Scott shared the survey shows strong voter support for all projects tested. However, when the mobile devices were added to student accessibility, support fell somewhat. Mr. Clabby added, this is most likely due to older voter/senior citizens. Voters were asked if knowing that the reauthorization bond would annually cost the district property owners \$10/\$20/\$30 per \$100,000 of assessed valuation in property taxes would it make you more or less likely to vote for the bond; 55% voted more likely for the \$20 per \$100,000. Mr. Scott added that to reauthorize the existing \$10 million survey results indicated that approximately \$18.30 per \$100,000 assessed valuation was most favorable. (Mr. Baber arrived to the meeting at 5:30 p.m.)

Mr. Scott moved on to discuss the results of the Ed-Tech Bond Survey. Proposition 39 allows for school districts to place a general obligation bond measure on a ballot for election for both construction and fixtures, furniture and equipment (FFE). Over the last 15 years the implementation and reliance upon technology within the educational setting has rapidly grown and school districts are in need of funds for technology infrastructure and hardware. While the purchase of technology is allowable under Proposition 39 many question the purchase of technology hardware that has a short term life of 3-4 years with bond funds that are paid back over 25 years or so. This is the very reason to develop the Edtech bonds using GO bonds which match the life of items to payback years. Edtech bonds are being considered by a number of districts around the state. Instead of issuing all at once small increments are issued and amortized over three years and so on and so forth. When these bonds are paid off the next series of bonds are issued until authorization is gone.

The interest accrued in an Ed-Tech bond method compared to conventional bond issuance is significantly lower. The Ed-Tech bond survey results at the beginning of the survey indicated 76% Yes and Lean Yes responses in favor of an Ed-Tech Bond measure and by the end of the survey a 74% positive response was received. This survey also rendered moderate voter support for approximately a \$20 per \$100,000 assessed valuation.

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- The Lemon Grove School District is interested in hybrid model or a combination of Ed-Tech and Reauthorized Conventional GO Bonds as a ballot measure for the November 2014 Election. The reason for this combination model is that the district is in need of both construction projects and technology. This next year all 3rd – 12th grade students will be required to take the Smarter Balanced Assessment Consortium (SBAC) standardized state tests. The SBAC assessments are done by students on computers that access the SBAC assessment online via the internet. At the last meeting the District allocated State Allocation Board (SAB) construction project reimbursement funds in the amount of \$1.5 million for all but one of the schools to become wireless. One school was inadvertently left off the list for the wireless construction project. The schools must be wireless by spring 2015 for the students to take SBAC assessments online. Joanne Branch from the San Diego County Office of Education, Educational Facilities Solution Group has been contracted by the District to facilitate the SAB construction projects under the guidance of the District's Projects and Facilities Supervisor, Bret Felix. The District has been receiving estimate for the districtwide wireless projects which indicate that \$1.5 million is not enough to do the wireless completely. Cost estimates for the districtwide wireless project are running between \$2-2.5 million.

Additionally, the District was not allotted adequate funds from the state to fully implement the newly adopted Common Core State Standards (CCSS) and SBAC assessments. The District received about 1/10 of the amount of funding needed from the state for full implementation of CCSS and SBAC. The District needs additional funds for a more comprehensive districtwide wireless infrastructure construction project and to purchase the technology hardware necessary for students to access CCSS curriculum and take the SBAC assessments beginning spring 2015.

Only \$18 million in projects of the \$28 million from Proposition W has been completed due to the fact that current assessed valuation is too low to issue the remaining balance of \$10 million. Bret Felix distributed the District's Long Range Master Facility Plan (LRMFP) showing completed projects from 2010 – current and all funding sources. These projects have kept Mr. Felix and Ken Fine before his retirement very busy. There remain Prop W projects that have not yet been completed due to a lack of funding available.

Rosemary Putnam asked what the surveys counted as completed conversations (busy signal, hang-ups, etc.) Mr. Scott stated that they had to be completed conversations. A large percentage of voters, once they understand they were being asked their opinion, generally were interested in giving their opinion. Ms. Ofield noticed that a huge number (32%) that were surveyed don't have children. Mr. Scott wanted to remind members of the warm up question, "Do you have any children or grandchildren who are now attending or have you ever had children or grandchildren attend the district?" It is also important and good to have some that say they don't know if they support. Mr. Gracyk wanted to know why that was important. Mr. Scott said that they aren't just giving an opinion; they're giving a good honest answer. This is better for the community to get good honest answers.

Mr. Clabby asked if the average assessed valuation was based on Lemon Grove School District (LGSD) families or City of Lemon Grove. Mr. Scott said LGSD families.

LGSD is very interested in the ICOC's opinion regarding this matter. The District is also interested in the taxpayer's association perspective from our representative, Mr. Baber.

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- Ms. Hanning stated if we wait for assessed valuation to be high enough we will have to wait 10 – 15 years! Mr. Scott said yes, assuming gentle rise in property assessed valuation.

Mr. Gracyk wanted to know which election the district was considering. Mr. Scott continued that if the Board takes action to seek a ballot measure to reauthorize bonds it would be the Gubernatorial Election of November 2014. Mr. Gracyk mentioned a sense of urgency. Mr. Scott expressed that the district has been looking at this for a long time and deliberating whether or not to proceed. Ms. Hanning stated that based on information and savings in interest and not having to wait 15 years; she feels that the voters want to get money and do things now.

Ms. Ofield expressed concern that voters may be confused that this is a new bond rather than a reauthorization bond. Mr. Scott shared in his experience that a certain percentage of voters will vote "NO" no matter what you do and others will vote "YES" to support schools. Then there is a group of voters in the middle that will sort through the information before deciding how to vote.

Ms. Hanning added that voters already authorized in 2008 the \$28 million bond and the \$10 million left is already waiting in the cloud until property values go up. She further commented that if we vote now and there will be substantial savings in interest.

Mr. Baber asked if this is for two different bonds given that the district is interested in a combination of Ed-Tech and reauthorization bonds. Mr. Scott clarified that this is not two different ballot measures but rather a single measure that includes reauthorized bonds with a portion utilized for technology.

Baber sought further clarification of the tax impact and wanted to know if two separate taxes would appear on the property tax bill: showing one as \$30 and one as \$18. Mr. Scott confirmed there would be two separate taxes on the property tax bill: one from Prop W and another from the Reauthorized Bond.

Mr. Baber also wanted to know if someone cleared this and if it didn't violate separate voter approved items which will cost current taxpayers more. Edtech bonds make life of equipment match life of debt. Mr. Scott also added that the Board has the ability to mix and match.

Mr. Baber posed a hypothetical situation and asked if the Board today establishes a combination of Ed-Tech and reauthorized construction projects how would voters be assured that the project list would remain in tact if the Board members change in the future. Mr. Scott answered they have put limitations and that will be a Board decision. The Board is not taking action until June 10, 2014.

There was discussion on how to get information to the voters, particularly regarding the fact that this is not a new bond but rather a reauthorization of the existing \$10 million of Proposition W remaining. Mr. Scott stated that most voters get the information from friends, family, and word of mouth. (Mr. Selby left the meeting at 6 p.m.)

Dr. Potter mentioned that there are only two Board meetings in the month of June and this is why she called this special meeting of the ICOC. The District did not want to move forward with a November ballot initiative without seeking feedback from the ICOC. Ed-Tech bonds and reauthorization bonds are new concepts for the District.

Mr. Baber commented that the tax payers' association looked at the reauthorization at Cajon Valley Union School District and this is new. Edtech is super new and has not yet been looked at by the tax payers' association. Mr. Baber stated, "It's your product Dale and it has not been through the full test

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- yet. Edtech model three years taking that amount of financing paid off. Giving up \$1.5 million to technology that are not to bricks and mortar (example only). Should you spend on computers giving up a portion for facilities is a weighing of priorities and someone would have to make this decision.

Mr. Scott mentioned other districts in the county have found that they need more of an influx of funds for technology needs upfront and it tapers off once the system is up and going. Then they go back to bricks and mortar projects.

Mr. Baber believes that Edtech is in harmony with Proposition W. Mr. Baber also asked if voters are amending the prior Proposition W decision; and does this bind the Board? Mr. Scott said this is a Board decision. Mr. Baber mentioned a possible argument would be binding people to pay debt 30 years and some won't be here. He posed questions: 1) Should you bind some not even born yet?; 2) Will the product purchased be there in 30 years?; 3) How much do you put towards technology and how much to bricks and mortar?; 4) It appears Edtech and reauthorization voters will never see the split.; and 5) Finally, there is always the worry about the state doing something people can't afford and the Board approving it.

Dr. Potter shared that the ICOC's notes and minutes will be sent prior to the June 10th Governing Board meeting to the Board so they may know the comments, questions, concerns and opinions of the ICOC regarding the potential of a reauthorization/Ed-Tech bond election measure.

Mr. Baber added that people will think it's a different bond. Mr. Scott thought this as well however; by doing the survey it targets voters before going on the ballot. Mr. Gracyk agreed that the ballot wording will be very important. He agrees the average voter coming in reading the ballot book will think the measure is more bonds for the school district.

Mr. Clabby expressed his appreciation with the thoroughness of data and is also uncomfortable how this will be perceived by the public.

Mr. Gracyk closed by appreciating the efforts of Dr. Potter to ensure the ICOC had an opportunity to see the survey results and provide feedback prior to the Board making a decision regarding whether or not to place a reauthorization/Ed-Tech bond on the ballot for the November 2014 election. He too thinks the average voter will be confused. Say it doesn't pass then what? Mr. Scott understands the concerns and reiterated that this is why the survey is done to find out whether or not people understand; why information is given.

Ms. Hanning added that in 1998 she worked on the ballot measure (Prop LL) and in 2008 she worked with Ms. Ofield on the school district ballot measure (Prop W); wording was of the utmost importance. She shared there were many graphs, input from leaders, school district, knowing families before they arrive at polls; timing is of utmost importance. There was a 73% voter approval in 2008 even though the economy was in a bad place. Keeping constituents in mind and reaching out to all components of the community is critical during a school district bond measure. She recommends making the measure as simple and clear, without hiding anything.

Mrs. Shaw asked if school sites have computer labs? Dr. Potter explained that the is starting to buy computers on wheels (COWs) that hold 15-20 computers and will charge in a technology charge and security cart. This means only half of the class can take the test at a time. Mrs. Shaw shared that San Diego Unified School District did SBAC testing by grade level. Mr. Scott referenced Cajon Valley Union School District as taking existing authority and spending it technology.

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- Dr. Potter expressed appreciation to the ICOC for their valuable and insightful feedback. The District's Governing Board will be provided the ICOC minutes to this meeting prior to their June 10th Board meeting wherein they will deliberate on whether or not to approve a resolution seeking the placement of a bond reauthorization measure on the November Gubernatorial Election in 2014.

UPDATE BYLAWS TO EXTEND COMMITTEE MEMBERS TERM

Dr. Potter conveyed that Board Member and the ICOC Board representative, Larry Loschen observed the ICOC terms currently in place and spoke to Sophie Akins, legal council from Best Best & Krieger asking her how long the ICOC's terms could be extended to. Ms. Akins stated the terms can't go beyond three terms and they may extend the number of years in each term up to three years. The District understands that the ICOC members have served several years now and may have other obligations to attend to.

There was some discussion surrounding the need for a committee if the voters approve the reauthorization and Edtech bonds. Mr. Scott said that typically they would simply use the same ICOC and layer on top of current committee.

Dr. Potter shared that the Board accepted the resignation of two previous ICOC members and directed staff to do a public posting that runs three weeks to recruit ICOC replacement members. Mr. Scott added that he believes the law is that there is a maximum of nine years that a committee member may serve or three years per term.

Ms. Ofield stated that it is practical to make an amendment to the Bylaws. It was moved by Ofield and seconded by Clabby to amend the ICOC Bylaws in section 5.5 Term to read: Each member of the Committee shall serve for a term of three years without compensation and for no more than three consecutive terms. The motion was called for with the following results: Ayes – Baber, Clabby, Demaree, Gracyk, Hanning, Ofield, Putnam, Shaw; Nays – None; Absent – Selby. The motion was carried.

ADJOURNMENT – Meeting was adjourned at 6:40 p.m.



 Chair


 Account Technician