



Cupertino Union School District

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August 29, 2013

Hon. Brian C. Walsh
Presiding Judge
Santa Clara County Superior Court
191 North First Street
San Jose, California 95113

FILED

SEP 11 2013

DAVID H. YAMASAKI
Chief Executive Officer/Clerk,
Superior Court of CA County of Santa Clara
BY STEPHANIE WONG

Dear Presiding Judge Walsh:

The Cupertino Union School District ("District") has reviewed the Santa Clara County Civil Grand Jury's Final Report, "Our School Districts Do Not Need Zeros," and provides the following response as directed by the Penal Code.

A. Grand Jury Finding 1

"CABs shift large, compounding interest costs to future taxpayers and will inevitably compound the burdens school districts face in operating effective schools for their students in the future."

District's Response: Disagree.

The District disagrees in part with the finding because it reaches an overly broad conclusion. Although CABs can indeed shift large, compounding interest costs to future taxpayers, they do not necessarily or inevitably burden the District's ability to operate effective schools. The responsible use of CABs as part of a bond issuance may enable a District to move forward with voter-approved facility projects that were critically needed for the District to provide effective schools for both current and future students. The inability to ever use a CAB could, in some situations, prevent a District from funding important upgrades that arguably would impair their ability to operate effective schools.

That having been said, the District believes that the use of CABs could be better controlled and should be subject to statewide standards to protect against abuse.

B. Grand Jury Recommendation 1

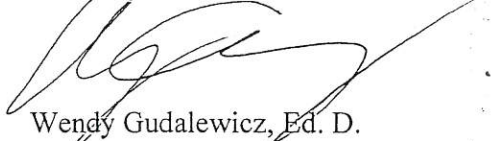
"Each school district in Santa Clara County should adopt a Board policy and any necessary administrative regulations indicating its intent to comply with the moratorium called for by the State Treasurer and the State Superintendent of Public Instruction."

District's Response: The recommendation has been implemented, as follows:

The District currently does not have any plans or intent to issue any CABs. However, given the call for a moratorium on issuance of CABs in light of potential legislative action on this topic and the Report's request that school districts in Santa Clara County implement this moratorium, the District's Board of Education has adopted the attached resolution indicating that it will implement the suggested moratorium. While the Report suggested that the moratorium be imposed via Board policy, given the temporary nature of the moratorium, the District believed it was more appropriately implemented by way of Board resolution. Board policy concerning the issuance of bonded indebtedness will be amended if necessary in 2014 once new laws have been enacted to address this issue.

Please feel free to contact me if you seek additional information or have any questions regarding this response.

Sincerely,



Wendy Gudalewicz, Ed. D.
Superintendent of Schools
Cupertino Union School District

Enclosure

**CUPERTINO UNION SCHOOL DISTRICT
RESOLUTION NO. 13-14-09**

**RESOLUTION OF THE BOARD OF EDUCATION OF THE
CUPERTINO UNION SCHOOL DISTRICT
IMPLEMENTING MORATORIUM ON ISSUANCE OF
CAPITAL APPRECIATION BONDS**

WHEREAS, the voters of the Cupertino Union School District ("District") may authorize the District to issue various types of bonds, including Capital Appreciation Bonds ("CABs") to fund District facilities; and,

WHEREAS, CABs can be an appropriate and valuable tool for funding District facilities in certain scenarios; and,

WHEREAS, recent press reports have focused on the potentially ill-advised issuance of CABs by some school districts; and,

WHEREAS, the Legislature is currently considering Assembly Bill 182 (Buchanan) which may dictate when school districts may issue CABs; and,

WHEREAS, the State Controller and State Superintendent of Public Instruction have called for a moratorium on the issuance of CABs "until the Legislature and the Governor have completed their consideration of this year's proposals to reform the CAB issuance process;" and,

WHEREAS, the Santa Clara County Civil Grand Jury recently issued a report entitled "Our School Districts Do Not Need Zeros," ("Report") which raised concerns about the use of CABs by school districts in Santa Clara County; and,

WHEREAS, the Report recommended that Santa Clara County school districts comply with the moratorium called for by the State Controller and State Superintendent of Public Instruction; and,

WHEREAS, Penal Code section 933 requires that the District respond to the Report within 90 days.

NOW, THEREFORE, the Governing Board of the Cupertino Union School District hereby finds, determines, declares, orders, and resolves as follows:

- Section 1.** The above recitals are true and correct.
- Section 2.** The District will comply with the moratorium called for by the State Controller and State Superintendent of Public Instruction as requested by the Report and as outlined in the attached Memorandum.
- Section 3.** The District's Superintendent and/or his designee shall forward this Resolution and an official response to the Report to the Presiding Judge of the Santa Clara Superior Court and is otherwise authorized to take any action and/or execute any documents which are necessary to carry out, give effect to, and comply with the terms and intent of this Resolution.

APPROVED, PASSED, AND ADOPTED by the Governing Board of the Cupertino Union School District on this 10th day of September, 2013, by the following vote:


AYES: 4
ABSENT: 1
NOES: 0
ABSTAIN: 0



Anjali Kausar, Board President



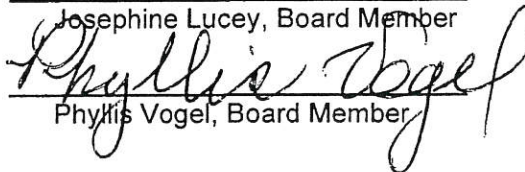
Ben Liao, Board Vice President



Gary McCue, Board Clerk

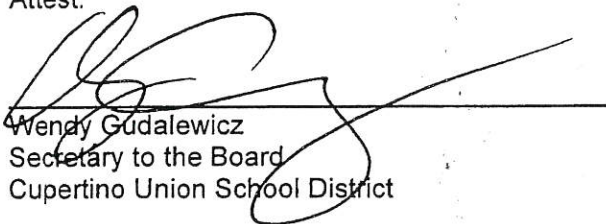
ABSENT

Josephine Lucey, Board Member



Phyllis Vogel, Board Member

Attest:



Wendy Gudalewicz
Secretary to the Board
Cupertino Union School District