



# East Side Union High School District

830 N. Capitol Avenue • San José, California 95133-1316 • (408) 347-5000

*Preparing Every Student to Thrive in a Global Society*

*Chris D. Funk, Superintendent*

October 10, 2013

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

**FILED**

OCT 10 2013

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

Re: Response to Civil Grand Jury Report

Honorable Judge Walsh:

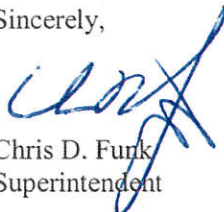
I am the Superintendent of the East Side Union High School District and, as such, am authorized to represent the District with regard to the matters addressed in this letter.

The District has received the 2012-2013 Santa Clara County Civil Grand Jury Report which was filed on June 10, 2013, relating to the issuance of Capital Appreciation Bonds by school districts in Santa Clara County. Under applicable law, the Board of Trustees of the District is required to respond to you on the findings and recommendations set forth in the Grand Jury Report, which are under the control of the Board of Trustees.

You may be aware that the matters addressed in the Grand Jury Report have also been addressed in legislation (AB 182), which was recently passed by the State Legislature and signed into law by the Governor on October 2. In response to the Grand Jury Report, the District intends to present a resolution to the Board of Trustees, which adopts the policy of complying with the pertinent provisions of AB 182 with respect to any Capital Appreciation Bonds which are issued by the District prior to the effective date of the new legislation on January 1, 2014. Once the new legislation takes effect on January 1, 2014, the District will be obligated to comply with it fully, and the proposed resolution affirms that it will do so. A final copy of the proposed resolution is attached to this letter. It will be presented to the Board of Trustees for consideration at their Board Meeting of October 17, 2013.

Should you have any questions or need any further assurances in this matter, please do not hesitate to contact me.

Sincerely,



Chris D. Funk  
Superintendent

Enclosure

**Agenda Item Details**

Meeting	Oct 17, 2013 - ESUHSD REGULAR BOARD MEETING - 4:00 P.M., DISTRICT OFFICE - BOARD ROOM, 830 N. CAPITOL AVENUE, SAN JOSE, CA 95133
Category	14. BUSINESS SERVICES - OPERATIONAL ITEMS/BOARD DISCUSSION AND/OR ACTION
Subject	14.02 Discussion and/or Action to Adopt Resolution #2013/2014-10 Adopting Policies with Respect to the Issuance of Capital Appreciation Bonds - Marcus Battle, Associate Superintendent of Business Services, Dale Scott, Financial Advisor, Dale Scott & Company, and Charles F. Adams, Bond Counsel, Jones Hall
Access	Public
Type	Action, Discussion
Recommended Action	It is recommended that the Board of Trustees approve the adoption of Resolution #2013/2014-10 Adopting Policies with Respect to the Issuance of Capital Appreciation Bonds.

**Public Content**

## EAST SIDE UNION HIGH SCHOOL DISTRICT

Item: 14.02

**TO:** Board of Trustees

**FROM:** Chris D. Funk, Superintendent

**PREPARED BY:** Marcus Battle, Associate Superintendent of Business Services, Dale Scott, Financial Advisor, Dale Scott & Company, and Charles F. Adams, Bond Counsel, Jones Hall

**SUBJECT:** Discussion and/or Action to Adopt Resolution #2013/2014-10 Adopting Policies with Respect to the Issuance of Capital Appreciation Bonds

At an election held on November 6, 2012, the voters of the District approved a ballot measure (Measure I) authorizing the issuance of general obligation bonds in the principal amount of \$120 million. The vote was held pursuant to Proposition 39, which required at least a 55% approval rate for passage, with the actual passage rate being 71.5%. The Board has previously adopted its Resolutions on August 22 and September 19, 2013 authorizing the issuance and terms of the first series of bonds under Measure I.

The Santa Clara County Civil Grand Jury has recently filed its Final Report with the Board relating to the issuance of Capital Appreciation Bonds ("CABs") by school districts. CABs are a specific type of bond, whereby the interest on the bond compounds to the final maturity date. The Grand Jury Report recommended restricting the usage of CABs in any new bond issuance.

Recently, the California State Legislature passed Assembly Bill 182 ("AB 182"), which implements specific restrictions on the ability of school districts to use CABs. The new law is effective January 1, 2014.

The Board is required to respond to the Grand Jury Report. The purpose of the new proposed Board Resolution is to formally adopt the findings and recommendations of the Grand Jury Report including the provisions set forth under AB 182, effectively implementing the restrictions on CABs now, rather than waiting until the January 1, 2014 effective date.

The adoption of the resolution will not impact the bonds to be issued under Measure I since capital appreciation bonds were not authorized in either of the Board's prior resolutions.

**Fiscal Impact:**  
Not Applicable

**Funding Source:**  
Not Applicable

**Recommendation:**  
It is recommended that the Board of Trustees approve the adoption of Resolution #2013/2014-10 Adopting Policies with Respect to the Issuance of Capital Appreciation Bonds.

[Resolution\\_CABs.pdf \(14 KB\)](#)

**Executive Content**

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Last Modified by Betty Banderas on October 10, 2013

**BOARD OF TRUSTEES  
EAST SIDE UNION HIGH SCHOOL DISTRICT**

**ADOPT RESOLUTION #2013/2014-10 ADOPTING POLICIES  
WITH RESPECT TO THE ISSUANCE OF CAPITAL  
APPRECIATION BONDS**

**WHEREAS**, the 2012-2013 Santa Clara County Civil Grand Jury has filed its Final Report (the "Grand Jury Report") with the Board of Trustees of the District relating to the issuance of Capital Appreciation Bonds by school districts generally, and the Board of Trustees is required to respond to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the Board of Trustees; and

**WHEREAS**, the matters which are addressed in the Grand Jury Report have also been addressed by the California State Legislature in Assembly Bill 182, which was signed by the Governor and filed with the Secretary of State on October 2, 2013 ("AB 182"), the provisions of which take effect on January 1, 2014; and

**WHEREAS**, the Board of Trustees has previously adopted its Resolutions on August 22, 2013, and on September 19, 2013, authorizing the issuance of its East Side Union High School District (Santa Clara County, California) General Obligation Bonds, 2012 Election, Series A, in the aggregate principal amount of not to exceed \$20,000,000 (the "Series A Bonds"), which are expected to be issued prior to the date on which AB 182 takes effect; and

**WHEREAS**, the Board of Trustees of the District wishes at this time to respond to the Grand Jury Report by adopting guidelines which will be applicable to the Series A Bonds and to all other general obligation bonds to be issued by the District;

**NOW, THEREFORE, THE BOARD OF TRUSTEES OF THE EAST SIDE UNION HIGH SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:**

**Section 1. Adopted Policy Relating to Capital Appreciation Bonds.** The Board of Trustees hereby declares its intention, and adopts as a policy, that the Series A Bonds shall comply with all of the requirements of AB 182 relating to the issuance and sale of Capital Appreciation Bonds, notwithstanding that the Series A Bonds may be issued prior to the date on which AB 182 takes effect. The Board of Trustees further declares its intention, and adopts as a policy, that all general obligation bonds issued by the District following the date on which AB 182 takes effect shall fully comply with the provisions of AB 182.

**Section 2. Filing of Resolution.** Following the adoption hereof, the Clerk of the Board is hereby directed to file this Resolution with the Presiding Judge of the Superior Court.

**Section 3. Effective Date of Resolution.** This Resolution shall take effect from and after the date of its passage and adoption.

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I hereby certify that the foregoing Resolution was passed and adopted by the Board of Trustees of the East Side Union High School District at a regular meeting thereof duly held on October 17, 2013, by a majority vote of all of its members.

Adopted by the following votes:

AYES:

NOES:

ABSENT:

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President of the Board

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Clerk of the Board