



GILROY UNIFIED SCHOOL DISTRICT
Superintendent's Office

7810 Arroyo Circle Gilroy, California 95020
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SUPERINTENDENT

Dr. Deborah A. Flores

BOARD OF EDUCATION

Tom Bundros ♦ Mark Good ♦ Patricia Midtgaard
James E. Pace ♦ Dom Payne ♦ Jaime Rosso ♦ Fred Tovar

September 5, 2013

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

FILED

SEP 18 2013

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

Dear Presiding Judge Walsh:

The Gilroy Unified 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:

The District's Series A bonds issued in 2009 were comprised of \$47.6 million of Current Interest Bonds (CIBs) and \$2.4 million of CABs. The series will be repaid in 25 years and has a principal to debt service repayment ratio of 2.26 to 1. This series fully complies with all the provisions in the proposed AB 182 legislation, which would limit bond repayment terms to 25 years and set a maximum repayment ratio per series of 4.0 to 1. The 2010 \$8.9 million CABs have been repaid as of April 1, 2013. At that time, the District also refinanced \$884,120 of the Series A CABs, leaving only \$1.5 million of CABs in the District's issuance portfolio.

Had CABs not been used, the District would not have been able to fund important construction projects and upgrades which would have impaired The District's ability to operate effective schools. Therefore, 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. However, the District agrees that the use of CABs could be better controlled and should be subject to statewide standards.

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."



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District's Response:

The Grand Jury Report recommends that a moratorium on the issuance of CABs be implemented in light of potential legislative action on this topic. The Report requests that school districts in Santa Clara County implement this moratorium. The Gilroy Unified School District's Board of Education adopted the attached resolution at the September 5, 2013 Board of Education meeting indicating that it will implement the suggested Santa Clara County moratorium.

At this time, given the temporary nature of the moratorium, the District believes it is more appropriate to address the issue by way of board resolution than board policy. District board policy concerning the issuance of bonded indebtedness will be amended, if and when new laws are enacted to address this issue.

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

Sincerely,

Deborah A. Flores

Dr. Deborah Flores, Ph. D.
Superintendent of Schools

RESOLUTION NO. 13/14-15
OF THE BOARD OF EDUCATION OF THE GILROY UNIFIED SCHOOL DISTRICT
IMPLEMENTING MORATORIUM ON ISSUANCE OF CAPITAL APPRECIATION BONDS

WHEREAS, the voters of Gilroy Unified 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, published 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 Gilroy Unified 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 Gilroy Unified School District on his 5th day of September, 2013, by the following vote:

AYES: Mark Good, Patricia Midtgaard, James E. Pace, Dom Payne, Jaime Rosso, Fred Tovar

NOES: None

ABSENT: Tom Bundros

ABSTAIN: None



Deborah A. Flores, PhD
Secretary of the Board of Education
of Gilroy Unified School District
of Santa Clara County
State of California