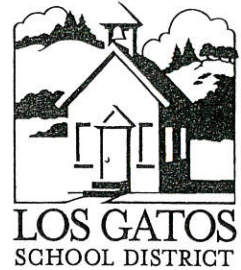


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Dr. Diana G. Abbati, Superintendent

August 13, 2013

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

FILED

SEP - 3 2013

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

Dear Judge Walsh:

**Subject: Response to the Santa Clara County Civil Grand Jury Final Report:
"Our School Districts Do Not Need Zeros"**

Pursuant to Penal Code section 933.05, the Los Gatos Union Elementary School District ("District") hereby submits its response to the Civil Grand Jury's Final Report titled "Our School Districts Do Not Need Zeros" dated June 10, 2013.

The Grand Jury report is focused on the use of "Capital Appreciation Bonds" ("CABs") by school districts to finance school construction, repairs and modernization. The Grand Jury report points out that CABs are bonds where payment of some or all of the interest is deferred, allowing the unpaid interest to compound. Whereas the issuer of a conventional bond agrees to pay interest periodically, the issuer of CABs has interest payments on the bonds deferred and interest on the CABs is compounded during the deferral period typically resulting in repayment costs that can be significantly higher than conventional bonds. *As indicated in your report, the Los Gatos Union Elementary School District did not issue CABs and intends to comply with all State and Federal regulations regarding the issuance of bonds and CABs.*

The Grand Jury noted pending Assembly Bill 182 which, if passed and signed into law, would limit the use of CABs by school districts, and further noted that both the State Superintendent of Public Instruction and the State Treasurer have called for a moratorium on the issuance of CABs pending approval of the proposed legislation.

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 Response to Finding 1

The District agrees with the finding. The Los Gatos Union Elementary School District intends to comply with all State and Federal regulations regarding the issuance of bonds and CABs.

August 14, 2013

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Grand Jury Recommendation 1

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

Recommendation 1

The recommendation as presented will not be implemented because it is not warranted as a matter for Board policy or administrative regulation. Board policies are written statements adopted by the Board, which communicate the guidelines within which the Superintendent or designee and staff may take discretionary action. The District Board Policy 9310 states: *“the Board shall review certain policies annually, as required by Education Code 35160.5. If no revisions are deemed necessary, the Board minutes shall nevertheless indicate that the review was conducted. Other policies shall be monitored and reviewed as specified in the policy itself or as needed to reflect changes in law or district circumstances.”*

Moreover, the issuance of bonds is not a discretionary action of the Superintendent or his/her designee or staff but must always be approved by the Board. The purpose of administrative regulations is to “carry out the intentions expressed in Governing Board policy” and must be “consistent with state and federal law and regulations, Board policy and negotiated employee contracts.” (District Board Bylaw 9310) Thus, neither Board policy nor administrative regulation is the appropriate forum for expression of support for the recommended moratorium. In addition, the District will continue to monitor Assembly Bill 182 as a matter of compliance.

Sincerely,



Diana G. Abbati, Ed.D.
Superintendent

cc: Los Gatos Union School District Board of Trustees
Steven P. McPherson, Foreperson, 2012-2013 Civil Grand Jury