Citizens' Oversight Committee
of the Cajon Valley Union School District

Wednesday, July 22, 2009
4:00 p.m.

Cajon Valley Union School District
Staff Development Room
750 East Main Street
El Cajon, CA 92020

MEETING AGENDA

1.	Call to Order	
2.	Welcome and Roll Call	
3.	Public Comments	
4.	Approval of Minutes	ACTION
5.	Project Status	INFORMATION
6.	Lease, Lease-Back Overview	INFORMATION
7.	Qualified School Construction Bonds	INFORMATION
8.	Budget Update	INFORMATION
9.	Annual Report	DISCUSSION
10.	Questions/Answers	DISCUSSION
11.	Adjournment	

Next Meeting: Wednesday, October 28, 2009
Cajon Valley Union School District
Staff Development Room
4:00 p.m.

District: **Cajon Valley Union School District**

Updated: 7/22/2009

Consolidated Expenditure Report

Account-Ability

School Name - Project Name	Budget	Committed	Expenditures & Retentions	Contract Balance	Percent of Budget Expended	Budget Variance
Contingency - Contingency	1,459,931.00	0.00	0.00	0.00	0.00%	1,459,931.00
Program Management - Program Management	4,000,000.00	620,302.99	289,802.99	330,500.00	7.25%	3,379,697.01
Blossom Valley - Window Replacement, Blossom Valley	200,000.00	0.00	0.00	0.00	0.00%	200,000.00
Cajon Valley Middle - Reconstruction	20,000,000.00	1,000,222.91	69,785.41	930,437.50	0.35%	18,999,777.09
Crest - Erosion Control	65,000.00	0.00	0.00	0.00	0.00%	65,000.00
Elementary - Reconstruction	35,000,000.00	0.00	0.00	0.00	0.00%	35,000,000.00
Emerald Middle - New Gymnasium	9,000,000.00	0.00	0.00	0.00	0.00%	9,000,000.00
Flying Hills - MPR Remodel	590,000.00	68,565.00	40,971.18	27,593.82	6.94%	521,435.00
Greenfield Middle - New Gymnasium	9,000,000.00	0.00	0.00	0.00	0.00%	9,000,000.00
Lexington Elementary - Reconstruction	35,000,000.00	0.00	0.00	0.00	0.00%	35,000,000.00
Meridian - Water Line Replacement	60,000.00	54,892.00	54,892.00	0.00	91.49%	5,108.00
Montgomery Middle - New Gymnasium	9,000,000.00	0.00	0.00	0.00	0.00%	9,000,000.00
Rancho San Diego - Modernization Rancho San Diego	1,333,000.00	0.00	0.00	0.00	0.00%	1,333,000.00
Various - Add Restrooms	750,000.00	0.00	0.00	0.00	0.00%	750,000.00
Various - Clock System Upgrades	275,000.00	52,283.62	52,283.62	0.00	19.01%	222,716.38
Various - Electrical Upgrades	1,849,000.00	72,900.00	51,330.00	21,570.00	2.78%	1,776,100.00
Various - Fencing	1,610,000.00	8,684.00	7,366.00	0.00	0.46%	1,601,316.00
Various - HVAC	6,895,000.00	133.03	133.03	0.00	0.00%	6,894,866.97
Various - Library Improvements	900,000.00	0.00	0.00	0.00	0.00%	900,000.00
Various - Mechanical Screens	460,000.00	0.00	0.00	0.00	0.00%	460,000.00
Various - Minor Renovations	1,210,000.00	0.00	0.00	0.00	0.00%	1,210,000.00
Various - Parking Lot Upgrades	250,000.00	0.00	0.00	0.00	0.00%	250,000.00
Various - Phone System Upgrades	73,800.00	0.00	0.00	0.00	0.00%	73,800.00
Various - Playground Upgrades	424,365.00	177,149.58	127,709.58	49,440.00	30.09%	247,215.42
Various - Security Camera Upgrades	350,000.00	19,733.03	19,733.03	0.00	5.64%	330,266.97
Various - Security Lighting	400,400.00	0.00	0.00	0.00	0.00%	400,400.00
Various - Sidewalk Upgrades	500,000.00	0.00	0.00	0.00	0.00%	500,000.00
Various - Technology	14,864,504.00	14,000.00	5,242.74	8,757.26	0.04%	14,850,504.00
Vista Grande - Modernization Vista Grande	980,000.00	2,300.00	1,500.00	800.00	0.15%	977,699.80
	156,500,000.00	**3,091,389.07**	**720,749.58**	**1,369,098.58**	**0.46%**	**154,408,833.64**

Cajon Valley Union School District

Overview of the Lease, Lease-Back Process

Lease, Lease-Back

Advantages of Lease, Lease-Back:

- ✓ Gives the District more Control over the Project
- ✓ District Negotiates to select Contractor
- ✓ Allows for a Team Approach
- ✓ Early Constructability Review
- ✓ Value Engineering Potentials
- ✓ Can Establish Bidding Rules
- ✓ Can Establish a Guaranteed Maximum Price

Lease, Lease-Back

Lease-Lease Back can be used for:

- The construction of building(s)
- The remodeling of building(s)
- Onsite and offsite facilities necessary for the operating or function of the building(s)
- Permanent improvement of school grounds

Note: Must have DSA approved plans & specifications.

Lease, Lease-Back

- Legal authority: Education Code Section 17406
- A School District leases the site to a person, firm, or corporation (the "Builder") for $1.00 per year
- The agreement must provide for the construction of the building on the district property
- The School District may do this without advertising for bids

Lease, Lease-Back

Lease-Lease Back Contract Documents:

- Pre-Construction Services Agreement (Optional)
- Lease
- Sublease
- Construction Services Agreement

Lease, Lease-Back

The Site Lease:

- School District lease's the site to the Builder
- The minimum rental rate is $1.00 per year

Lease, Lease-Back

The Site Lease terminates upon the following events:

- End of the term of the Site Lease
- End of the term of the Sublease
- Termination of the Construction Services Agreement

Lease, Lease-Back

The Sublease:

- Builder leases the property back to the School District
- Monthly Sublease Payments based on the Guaranteed Maximum Price ("GMP") for the Project and fair market rental value of the property
- Optional Sublease "Prepayments" to the Builder

Lease, Lease-Back

The Sublease terminates upon the following events:

- End of the natural term of the Sublease.
- End of the term of the Sublease as a result of the payment of Sublease "Prepayments".
- Termination of the Construction Services Agreement.

Lease, Lease-Back

Construction Services Agreement:

- Similar to a typical construction contract.
- Requires the Builder to perform the construction of the project.
- Contains the legal requirements pertaining to construction contracts.

Lease, Lease-Back

Different from a typical construction contract:

- The Builder's compensation for the Project is negotiated ("Guaranteed Maximum Price" or "GMP").
- The GMP is the price that the parties agree will be the maximum price paid for the Project.
- The Builder is paid for work completed pursuant to the provisions of the Sublease Agreement.

Lease, Lease-Back

Title to the Improvements

- Section 17406 requires that the title to the improvements vest in the School District no later than the end of the lease/sublease term.

Lease, Lease-Back

Validation Process (optional)

- The District may initiate a court validation proceeding to determine the validity of its Lease, Lease-Back documents prior to issuance of the Notice to Proceed
- Intended to avoid future legal challenge

(ref: California Code of Civil Procedure Section 860 and Government Code Section 53511)

Lease, Lease-Back

Questions?

Cajon Valley Union School District
Proposition D
Current Projects
July 22, 2009

PROJECT	STATUS
Clock Systems	All systems have been ordered and received. Installation is being done with in-house staff. 6 of 10 schools are complete. Completion of balance is anticipated within 2 weeks.
Electrical Upgrades	Plans and specifications are complete. The Architect is scheduled to deliver them to the District Thursday 7/23/09.
HVAC	Staff is working with the manufacturer on unit specifications. A pre-qualification process will be established for potential contractors.
New Gymnasium – Greenfield	Sprotte-Watson Architecture was selected at the 7/21/09 Board meeting for the design of the new Gymnasium at Greenfield Middle School. A recommendation will be made at the 8/11/09 Board meeting to begin working with Hamann Construction early in the design phase using Lease, Lease-Back contracting.
Expanded Multipurpose Bldg – Flying Hills	Plans and specifications were received this week. Purchasing is beginning the bid process.
Playground Upgrades	Anza and Naranca are complete. W.D. Hall is in progress; completion is anticipated in 2 weeks.
Rebuild – Cajon Valley M.S.	Sprotte-Watson Architecture has been working with staff to continue to refine the plans and gather input from the school principal and other key individuals. A recommendation will be made at the 8/11/09 Board meeting to begin working with West Coast Air using Lease, Lease-Back contracting.
Security Cameras	AV is complete. Specifications for the balance of schools are underway.
Modernization – Vista Grande	The plans received from DSA were too late for completion this summer. Considering bidding for completion during winter break.

GOVERNING BOARD AGENDA
July 21, 2009

PREPARED BY: **Sharon Dobbins**
Director, Long-Range Planning

ITEM NUMBER: **IV. D. 13.**
Approval of Resolution Authorizing Filing Application for Qualified School Construction Bond Allocation and Approving Related Actions

Qualified School Construction Bonds ("QSCBs") were created under the American Recovery and Reinvestment Act of 2009 ("ARRA" or "Stimulus Bill"). QSCBs are an interest-free financing vehicle for the construction, acquisition, rehabilitation or repair of K-12 school facilities. The bonds provide federal tax credits for bondholders in lieu of interest in order to significantly reduce an issuer's cost of borrowing. The intent of this program is to meet the ARRA goals of stimulating the economy and generating jobs.

The California Department of Education (CDE) is accepting QSCB applications (with a $25 million cap per district) through August 25, 2009. If at the end of this period, the allocation requests exceed the $700 million, a lottery will be held and awards made on August 28, 2009.

While the prospect of interest-free financing is attractive and has generated significant interest among the State's school districts, the amount borrowed under the QSCB program must still be repaid within a 15-year timeframe. The District's financial advisor, Dale Scott & Company, and bond counsel, Jones Hall, have developed a method by which the District's General Obligation Bond authorization can be used as a vehicle for the repayment of the QSCB borrowing at a significantly lower cost. In addition, if structured correctly, the use of QSCBs could result in significant additional project funds being available at no additional cost to taxpayers. This occurs because of the additional interest earned on the bond proceeds, and because the interest paid would be covered by the federal government rather than local taxpayers.

Should the District receive a QSCB allocation from the State, this program will allow for the acceleration of many of the District's proposed projects (in keeping with the guiding purpose of the Stimulus Bill).

Although this is a new funding concept which requires careful review, the apparent benefits and limited application window suggest it would be advantageous to submit a funding application as a placeholder.

The attached resolution is designed to accompany the application to the State and allow bond counsel to prepare documentation required for subsequent bond issuance if the application is approved. If, after applying and receiving an allocation, the District decides not to use all or a part of the allocation for whatever reason, it can be returned without penalty to the State.

Any subsequent financings that take place due to receipt of a QSCB allocation by the District will be brought to the Board for approval. All professional fees and expenses associated with the QSCB application process and subsequent transactions are wholly contingent on the successful completion of the necessary financings and under no circumstances will to be paid out of the District's general fund.

FISCAL IMPACT:

None

ADMINISTRATIVE RECOMMENDATION:

It is recommended that the Governing Board approve the attached resolution authorizing District Staff to submit an application for Qualified School Construction Bonds.

MOTION _____

SECOND _____

VOTE _____

RESOLUTION OF THE BOARD OF TRUSTEES OF THE CAJON VALLEY UNION SCHOOL DISTRICT AUTHORIZING FILING AN APPLICATION FOR QUALIFIED SCHOOL CONSTRUCTION BOND ALLOCATION WITH THE CALIFORNIA DEPARTMENT OF EDUCATION, AND APPROVING RELATED MATTERS AND OFFICIAL ACTIONS

WHEREAS, the Recovery and Reinvestment Act of 2009 added Section 54F to the Internal Revenue Code of 1986, authorizing the issuance of qualified school construction bonds ("QSCBs"), in a principal amount of $11 billion for calendar year 2009; and

WHEREAS, the total allocation provided to the State of California for calendar year 2009 is $773,525,000, excluding allocations which have been specifically provided to certain designated large local educational agencies; and

WHEREAS, the statewide allocation of QSCBs for California is being administered by the California Department of Education (the "Department of Education"), and applications for such allocation have recently been made available for that purpose by the Department of Education; and

WHEREAS, such application for QSCBs will be received by the Department of Education starting July 15, 2009 with a $25,000,000 cap per district; and

WHEREAS, the Cajon Valley Union School District (the "District") is in need of additional school construction funding at no additional cost to taxpayers; and

WHEREAS, the District seeks to lower the borrowing cost associated with funding its school construction projects; and

WHEREAS, the financial advisory firm of Dale Scott & Company has developed a program for repaying QSCBs through the issuance of general obligation bonds which have been previously authorized by the voters of the District, without additional cost to the District or its taxpayers;

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Cajon Valley Union School District as follows:

Section 1. Authorization to File QSCBs Application. The Board of Trustees hereby authorizes the filing of an application with the Department of Education for allocation to issue QSCBs in calendar year 2009, in the principal amount of not to exceed $25,000,000. The Superintendent is hereby authorized and directed to cause the Qualified School Construction Bond 2009 Application in the form attached hereto and by this reference incorporated herein (the "Application"), and all supporting documentation, to be completed and filed with the Department of Education not later than the deadline specified by the Department of Education for filing such application. The Board of Trustees hereby certifies that the District will comply with certifications 1 through 6 of the Application, as set forth more fully herein.

Section 2. Designation and Construction of Projects. All of the proceeds received by the District from the issuance of QSCBs shall be applied for the purpose of financing (a) the construction, rehabilitation or repair of public school facilities, (b) the acquisition of land on which public school facilities will be constructed with the proceeds of the QSCBs, or (c) equipment related to the project(s) to be constructed or rehabilitated with the proceeds of the QSCBs. Such public school facilities, land and equipment shall be limited to those described in the specific list of projects for which general obligation bonds of the District have previously been authorized. As required by applicable law, all laborers and mechanics employed by contractors or subcontractors on projects funded by the QSCBs shall be paid wages and fringe benefits at rates not less than those prevailing on similar projects in the locality. Within six months of the issuance of the QSCBs, the District must have entered into contract(s) for the use of proceeds at least equal to 10% of issuance. Additionally, 100% of the proceeds of the proceeds of the QSCBs are to be used for a qualified purpose and must be spent within three years of the date of issuance of the QSCBs.

Section 3. Authorization of General Obligation Bonds; Approval of Judicial Validation Proceedings. The Board of Trustees hereby declares its intention that the QSCBs shall be issued on behalf of the District by a joint powers authority, provided that the bonds issued by such joint powers authority shall be payable from general obligation bonds issued by the District (the "General Obligation Bonds"). Following the approval of the Application, the Superintendent shall cause to be prepared and presented to the Board of Trustees a resolution authorizing the sale of General Obligation Bonds in accordance with the applicable laws of the State of California. The Board of Trustees hereby authorizes the issuance of the General Obligation Bonds in a principal amount which, together with interest thereon at a rate not exceeding the rate that such bonds would bear if sold on a conventional basis (that is, not as QSCBs), is sufficient to provide for repayment of the QSCBs which are issued by the joint powers authority. The principal amount of such General Obligation Bonds may be less than the

principal amount of the QSCBs for which the District receives an allocation from the Department of Education. The Board of Trustees hereby authorizes the filing of an action to determine the validity of the General Obligation Bonds and related matters in the Superior Court of the county in which the District is located, under the provisions of Sections 860 et seq. of the Code of Civil Procedure of the State of California. The firm of Jones Hall, A Professional Law Corporation, as bond counsel to the District, is hereby directed to prepare and cause to be filed all proceedings required for the judicial validation of the General Obligation Bonds and related matters.

Section 4. Prohibition on Financial Conflicts of Interest. The District shall assure that all applicable State of California and local law requirements governing conflicts of interest are satisfied with respect to the issuance of the QSCBs, and if additional conflict of interest rules are imposed by Internal Revenue Service regulation, such additional rules will be satisfied with respect to the issuance of the QSCBs.

Section 5. Filings with Department of Education. Within 15 days of issuing the QSCBs, the District will submit a copy of IRS Form 8038 to the Department of Education. In addition, at the conclusion of the project(s), the District shall submit a completion report to the Department of Education.

Section 6. Unused Allocation. In the event that the District does not issue the QSCBs in the full amount of the authorization by December 31, 2009, the District hereby declares that any and all unused portion of the authorization, without further action by the Board of Trustees, shall revert to the State of California (CDE), to be allocated or reallocated as determined by the Department of Education in its sole discretion.

Section 7. Engagement of Professional Services. The Board of Trustees hereby approves the engagement of the firm of Dale Scott & Company Inc. to act as financial advisor to the District and the firm of Jones Hall, A Professional Law Corporation, to serve as bond counsel to the District, in connection with the issuance of the QSCBs and any related general obligation bonds. All fees and expenses payable to such firms shall be contingent upon the approval to issue the QSCBs by the Department of Education and the issuance and sale of the QSCBs and general obligation bonds by the District. The Superintendent is hereby authorized and directed to execute the agreement between each of said firms and the District, in the form on file with the Superintendent or to amend any prior agreements with said firms.

Section 8. Official Actions. The Superintendent, the Assistant Superintendent of Business Services, and all other officers of the District, are hereby authorized and directed for and in the name and on behalf of the District to do any and all things and take any and all actions relating to the execution and delivery of any and all certificates, requisitions, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the matters approved by this Resolution.

Section 9. Effective Date of Resolution. This Resolution will take effect from and after the date of its passage and adoption.

* * * * * * *

PASSED AND ADOPTED on July __, 2009, by the following vote:

AYES:

NOES:

ABSENT:

_____
President of the Board of Trustees

ATTEST:

_____
Clerk of the Board of Trustees

CALIFORNIA DEPARTMENT OF EDUCATION
SCHOOL FACILITIES PLANNING DIVISION

QUALIFIED SCHOOL CONSTRUCTION BOND 2009 APPLICATION

APPLICATION INFORMATION

County	County	District Code
District Name		

CONTACT INFORMATION

Contact Person		Title
Telephone Number	Fax Number	E-mail Address

CERTIFICATION OF ELIGIBILITY

The Governing Board of the above named local educational agency (LEA) (school district/county office of education) has certified through a Board resolution that the LEA satisfies Certifications 1-6. Date of resolution adoption: _____

Project(s) and Cost:

Attach project list and estimated cost. (The California Department of Education realizes that the project list may change prior to completion).

Certification 1: Qualified by virtue of use of bond proceeds:

For purposes of the application, 100 percent of the proceeds of the Qualified School Construction Bond will be used for:

- Construction of public school facilities;
- Rehabilitation or repair of public school facilities;
- Acquisition of land on which public school facilities will be constructed with proceeds of issuance; or
- Equipment related to the project(s) constructed or rehabilitated with the proceeds of issuance.

Within six months of issuance, the LEA must have entered into contract(s) for use of proceeds equal to ten percent of issuance. Additionally, 100 percent of the bond proceeds are to be used for a qualified purpose and must be spent within three years of the date of issuance.

Certification 2: Davis-Bacon Act:

All laborers and mechanics employed by contractors or subcontractors on projects funded by Qualified School Construction Bond proceeds shall be paid wages and fringe benefits at rates not less than those prevailing on similar projects in the locality.

Certification 3: Prohibition on Financial Conflicts of Interest:

Applicable State and local law requirements governing conflicts of interest are satisfied with respect to this issue, and if additional conflict of interest rules are imposed by Internal Revenue Service regulation, such additional rules will be satisfied with respect to the issue.

Certification 4: Submittal of IRS Form 8038, Information Return for Tax-Exempt Private Activity Bonds:

Within fifteen days of bond issuance the LEA will submit a copy of IRS Form 8038 to the California Department of Education.

Certification 5: Completion Report:

At the conclusion of the project(s) a completion report must be submitted to the California Department of Education.

Certification 6: Unused Authorization:

In the event that the LEA does not issue the Qualified School Construction Bond in the full amount of authorization by December 31, 2009, the LEA hereby declares that any and all unused portion of the authorization, without further action by the Governing Board, shall revert to the State (CDE), to be allocated or reallocated as determined by the CDE in its sole discretion.

AMOUNT OF BOND AUTHORIZATION REQUESTED

Bond Authorization Amount in Numbers **$**	Bond Authorization Amount in Written Words
Bond Type	Estimated Date of Issuance

Any non-voter approved debt must comply with *Education Code* sections 17150-17150.1 and 42133 concerning the LEAs repayment of the indebtedness.

CERTIFICATION

I certify under penalty of perjury that to the best of my knowledge, the information in this application is true and correct and is in compliance with statutes and administrative provisions of the California Department of Education. The Governing Board of the above named LEA has authorized me to sign this application on its behalf.

Signature of LEA Superintendent	Title	Date