BOARD OF SUPERVISORS AGENDA LETTER

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Submitted on:
(COB Stamp)

Department Name:	County Executive Office
Department No.:	012
For Agenda Of:	Tuesday, August 1, 2006
Placement:	Administrative
Estimate Time:	NA
Continued Item:	NO
If Yes, date from:	
Vote Required:	Majority

TO: Board of Supervisors

FROM: Department Director: Michael F. Brown, County Executive Officer

Contact Info: Ken Masuda, Assistant County Executive Officer 568-3411

SUBJECT: Board of Supervisors' Response to the 2005-06 Grand Jury Report on "School Bonds"

County Counsel Concurrence:
As to form/legality: ☐ Yes ☐ No ☒ N/A

Auditor-Controller Concurrence:
As to form: ☐ Yes ☐ No ☒ N/A

Recommended Action(s):

That the Board of Supervisors:

a. Adopt the responses in Attachment (1) as the Board of Supervisors' responses to the 2005-06 Grand Jury Report on "School Bonds", and

b. Authorize the Chair to sign the letter included in Attachment (1) forwarding the responses to the Presiding Judge.

Summary:

On May 11, 2006, the Civil Grand Jury released a report on general obligation school district bonds which are used to finance school facility improvements. The report includes 6 findings and 3 recommendations. On June 8th, the Auditor-Controller Department responded to all findings and recommendations. The Grand Jury Report requires responses from the Auditor-Controller and the Board of Supervisors.

It is recommended that the Board agree with all 6 Findings and all 3 Recommendations. Details are outlined in Attachment (1). The recommended Board actions are aligned with the Auditor-Controller department's responses.

Background:

The grand jury report was released on May 11, 2006. In accordance with California Penal Code Section 933(b), the governing body of the agency (Board of Supervisors) must respond within 90 days after issuance of the Grand Jury report. Consequently, the Board of Supervisors' responses must be finalized and transmitted to the Presiding Judge of the Courts no later than Tuesday, August 8, 2006. Consideration of the recommended Board response within the administrative agenda on August 1, 2006, will allow the Board additional time, if necessary, to discuss and adopt a response. Section 933c requires that comments to Grand Jury Findings and Recommendations be made in writing.

Fiscal and Facilities Impacts:

Budgeted: ☐ Yes ☒ No

Fiscal Analysis:

Narrative: There are no fiscal or facilities impacts from the proposed recommendations.

Staffing Impact(s):

Legal Positions:	FTEs:
0	0

Special Instructions:

The response of the Board of Supervisors must be transmitted to the Presiding Judge of the Superior Court no later than Tuesday, August 8, 2006. The Clerk of the Board is requested to return the signed letter to Jennie Esquer, County Executive Office, for distribution to the Superior Court. The signed letter, written responses and a 3 ½" computer disc with the response in a Microsoft Word file must be forwarded to the Grand Jury.

Attachments:

(1) Letter to the Presiding Judge with Board of Supervisors Responses
(2) Auditor-Controller Department's Response
(3) Copy of 2005-06 Grand Jury Report on "School Bonds"

Authored by:

Victor Zambrano, County Executive Office 568-3400

cc:

Robert Geis, Auditor-Controller

Tuesday, August 1, 2006

Honorable Judge Rodney Melville
Presiding Judge
Superior Court
312-M East Cook Street
Santa Maria, California 93455-5165

Board of Supervisors' Response to the 2005-06 Civil Grand Jury Report on:
"School Bonds"

Dear Judge Melville:

During its regular meeting of Tuesday, August 1, 2006, the Board of Supervisors adopted the following responses as its responses to the 2005-06 Grand Jury's report on "School Bonds".

The Board of Supervisors thanks the Grand Jury for its findings and recommendations on this important mater.

Finding 1

The Buellton Union School District has used realistic estimates of 10% in FY2006, 8% in FY2007, 6% in FY2008, 6% in FY2009, and 4% each year thereafter for increases in district-assessed valuation to issue general obligation school bonds, even though the County Auditor-Controller is using 12.66% in FY2006, 5% in FY2007, and 3.75% there after.

> **Response**: The Board adopted the Auditor Controller's response as its response. (Agrees with the finding).

Finding 2

The ability to issue Series C and D bonds is contingent upon the total Buellton District assessed value continuing to increase at an aggressive rate, much greater than the School District's projected 4% per year.

Response: The Board adopted the Auditor Controller's response as its response. (Agrees with the finding).

Finding 3

If the rate of the District's assessed value increases becomes less than 4%, even though this is unlikely, it may be difficult to repay the "Series A" and "Series B" bonds. Ambitious development projects can get into serious financial difficulties when unexpected events occur.

Response: The Board adopted the Auditor Controller's response as its response. (Agrees with the finding).

Finding 4

The debt service of the school bonds (repayment) puts a heavy burden on the School District for many years. This debt service does not leave much room for future school facility developments. The schedule of repayment for the 2004 bonds is nearly $30 per $100,000 of assessed value over the next 25 years. Future school facility improvements will require an additional bond election with an additional $30 per $100,000 assessed value over the same 25 years.

Response: The Board adopted the Auditor Controller's response as its response. (Agrees with the finding).

Finding 5

The total budget of all of the school facility projects is very ambitious. This budget requires extensive additional funding, including Joint Use Funds, Deferred Maintenance Funds and School Facility Program Funds from the State of California, and Certificates of Participation.

Response: The Board adopted the Auditor Controller's response as its response. (Agrees with the finding).

Finding 6

It is risky to use COP funding to financially support the current projects, because these funds require repayment along with the GO bonds. The School District indebtedness will be an ongoing issue. These liabilities may be covered by potential developer fees, but some other undefined School District funding may be needed to repay the COP funds.

Response: The Board adopted the Auditor Controller's response as its response. (Agrees with the finding).

Recommendation 1

A fallback plan should be developed in the event that the assessed value increases do not support issuance of Series C and D bonds..

> **Response**: The Board adopted the Auditor Controller's response as its response.
>
> An alternative financing could be through placement with a local financial institution, in order to avoid the cost of issuance.

Recommendation 2

Future school bond issues should have debt service scheduled below the amount allowed by law, that is, below $30 per $100,000 of assessed value. This is particularly true in the latter part of the allowed 25-year repayment period. This would leave room for a contingency fund to cover unexpected financial emergencies and still stay within the required $30 per $100,000 assessed value. Even though this would limit the size of the facility improvement, it would lower the financial risk to the School District. More bonds could then be issued at a later date within the same election option, when the risk would be lower. This would put a smaller burden on future generations and permit subsequent facility improvements without overtaxing the District residents with an additional bond election.

> **Response**: The Board adopted the Auditor Controller's response as its response.
>
> The Auditor-Controller agrees the maximizing the debt service to the legal rate creates risk at the end of the payment cycle and does not believe the Capital Appreciation Bonds are cost effective for the taxpayer. These Capital Appreciation Bonds are also being used to fund issuance costs for multiple series of bonds at an increased cost to the taxpayer.

Recommendation 3

A financial plan to repay all school district COP funds should be implemented. The financial plan should also include resolution of all outstanding district financial obligations.

> **Response**: The Board adopted the Auditor Controller's response as its response.
>
> The Auditor-Controller agrees that the use of COP financing needs secure and identified funding stream for repayment of the debt.

Sincerely,

Joni Gray
Chair, Board of Supervisors

cc: Ted Sten, Foreperson Civil Grand Jury 2005-06

Santa Barbara County Auditor-Controller Department's Response to the 2005-06 Santa Barbara County Civil Grand Jury Report on: *"School Bonds"*

FINDINGS

Finding 1: The Buellton Union School District has used realistic estimates of 10% in FY2006, 8% in FY2007, 6% in FY2008, 6% in FY2009, and 4% each year thereafter for increases in district-assessed valuation to issue general obligation school bonds, even though the County Auditor-Controller is using 12.66% in FY2006, 5% in FY2007, and 3.75% there after.

Response: Agree with the finding.

Finding 2: The ability to issue Series C and D bonds is contingent upon the total Buellton District assessed value continuing to increase at an aggressive rate, much greater than the School District's projected 4% per year.

Response: Agree with the finding.

Finding 3: If the rate of the District's assessed value increases becomes less than 4%, even though this is unlikely, it may be difficult to repay the "Series A" and "Series B" bonds. Ambitious development projects can get into serious financial difficulties when unexpected events occur.

Response: Agree with the finding.

Finding 4: The debt service of the school bonds (repayment) puts a heavy burden on the School District for many years. This debt service does not leave much room for future school facility developments. The schedule of repayment for the 2004 bonds is nearly $30 per $100,000 of assessed value over the next 25 years. Future school facility improvements will require an additional bond election with an additional $30 per $100,000 assessed value over the same 25 years.

Response: Agree with the finding.

Finding 5: The total budget of all of the school facility projects is very ambitious. This budget requires extensive additional funding, including Joint Use Funds, Deferred Maintenance Funds and School Facility Program Funds from the State of California, and Certificates of Participation.

Response: Agree with the finding.

Finding 6: It is risky to use COP funding to financially support the current projects, because these funds require repayment along with the GO bonds. The School District indebtedness will be an ongoing issue. These liabilities may be covered by potential developer fees, but some other undefined School District funding may be needed to repay the COP funds.

Response: Agree with the finding.

RECOMMENDATIONS

Recommendation 1: A fallback plan should be developed in the event that the assessed value increases do not support issuance of Series C and D bonds..

Response: The Auditor-Controller agrees that the district should carefully consider the issuance of Series C and D bonds. An alternative financing could be through placement with a local financial institution, in order to avoid the cost of issuance.

Recommendation 2: Future school bond issues should have debt service scheduled below the amount allowed by law, that is, below $30 per $100,000 of assessed value. This is particularly true in the latter part of the allowed 25-year repayment period. This would leave room for a contingency fund to cover unexpected financial emergencies and still stay within the required $30 per $100,000 assessed value. Even though this would limit the size of the facility improvement, it would lower the financial risk to the School District. More bonds could then be issued at a later date within the same election option, when the risk would be lower. This would put a smaller burden on future generations and permit subsequent facility improvements without overtaxing the District residents with an additional bond election.

Response: The Auditor-Controller agrees the maximizing the debt service to the legal rate creates risk at the end of the payment cycle and does not believe the Capital Appreciation Bonds are cost effective for the taxpayer. These Capital Appreciation Bonds are also being used to fund issuance costs for multiple series of bonds at an increased cost to the taxpayer.

Recommendation 3: A financial plan to repay all school district COP funds should be implemented. The financial plan should also include resolution of all outstanding district financial obligations.

Response: The Auditor-Controller agrees that the use of COP financing needs secure and identified funding stream for repayment of the debt.

SCHOOL BONDS

Developments in the Buellton Union School District

SUMMARY

General obligation school district bond issues are used to finance school facility improvements. They are approved by the voting residents within the school district. To understand how school bonds are issued and how the funds are utilized, the Grand Jury reviewed the Buellton Union School District facility developments utilizing the bond issue election passed in 2004. Although the financial plan for repayment of these bonds seems sound, it puts a heavy financial burden upon future generations. The ambitious school facility improvement plan requires funding from many sources including City and State governments. The use of Certificate of Participation (COP) district funds adds additional financial burden on the School District. COP funds are a financial liability which must be repaid in addition to the general obligation bonds.

INTRODUCTION

The use of general obligation (GO) bonds to finance school facility improvements allows school districts to finance school facility improvements over a 25-year period. The use of "today" dollars to improve school facilities is more prudent than waiting until a later date when the development cost is almost certain to be higher. The use of the improved facilities will cover at least a 25-year period, justifying projecting the cost of the bonds over that period. The State of California has stringent requirements to guarantee control of the funds. The rate of taxation to repay these bonds is limited to $30 per $100,000 (0.03%) of assessed property value.

To expand the school facility improvement projects, the Buellton Union School District uses several forms of funding to supplement GO school bond funding. Joint Use funding by both the State and the City of Buellton, State School Facility Program funding, State Deferred Maintenance funding, as well as School District Certificate of Participation funds are used.

The Grand Jury conducted this study by reviewing bond issue and Buellton Union School District documents, and conducting interviews with representatives of the School District and the County Auditor-Controller.

OBSERVATIONS AND ANALYSIS

Issuing School Bonds

In 2004 a general obligation bond election authorized the Buellton Union School District to issue bonds with a face value of $6,500,000 to pay for adding to and upgrading school facilities. The school facility improvements in the 2004 bond measure include:

- Complete the construction of the Oak Valley School including the library, science and computer labs, and new classrooms.
- Modernize and upgrade classrooms at Jonata School.
- Make health and safety improvements.
- Upgrade outdated electrical systems.
- Upgrade classroom systems to accommodate classroom computers and modern technology.
- Renovate playfields to improve student safety.
- Purchase school facilities the District is currently leasing.
- Modernize and renovate the multipurpose/cafeteria at Jonata School to accommodate student needs and renovate, expand and construct student support facilities.
- Furnish and equip schools to the extent permitted by law.

Following voter approval in a general election, a series of school bonds are issued through a financial institution, such as a bank, to pay for school construction projects. The total series of authorized bonds is generally not issued initially in its entirety. Instead the bonds are issued over a period of years as the funds are needed.

There are two types of general obligation bonds, series bonds and capital appreciation bonds, (CAB). Series bonds pay interest semi-annually. At the maturity date of each bond, the principal is paid. The set of series bonds issued has various maturity dates to allow for extended repayment.

The interest on a CAB is compounded semi-annually but is paid in total at bond maturity. CABs typically have a maturity date near the end of the 25-year bond payment period, at which time both total interest and principal are paid.

An “interest-only loan” is a loan where only interest is paid periodically. Principal is paid in full at the maturity date. In comparison, the combination of series and CAB bonds pays less than an “interest-only loan”, since interest on the CABs is not paid until the bond maturity date. This requires large debt service in the future.

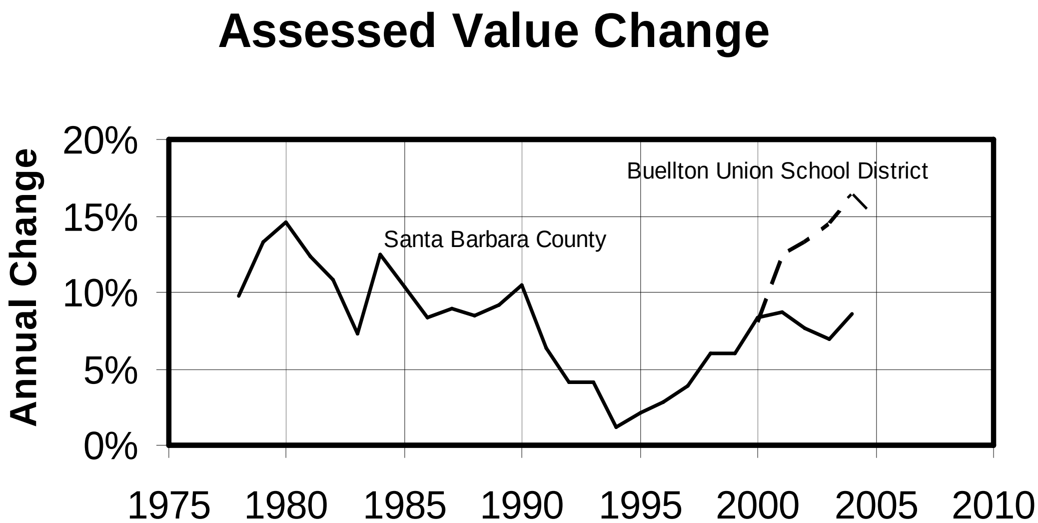
General obligation bonds authorized by the 2004 election are scheduled to be issued in several series over a ten-year period. The bond issues are a combination of the two types of bonds, series and CABs. The first "Series A" issue was sold in 2004 with a total face value of $3,877,278. The repayment schedule of all bonds issued under a given election is limited by statute to no more than $30 per $100,000 (0.03%) of assessed property values within the School District. At the time the Series A bonds were issued and sold, the total assessed value of taxable property within the Buellton Union School District was $705,805,729. At $30 per $100,000 of assessed value, this allowed a bond debt service of $211,000 in 2004. Since the assessed values are expected to increase each year, the scheduled bond debt service (repayment) also increases.

Although the assessed value is controlled by Proposition 13, the value of a property is reassessed at the sale price when it changes ownership. New real estate developments also add to the total assessed value. As a result, the Buellton School District total assessed value has increased an average of 13% per year over the last five years.

Since these increases in assessed value cannot be guaranteed to continue at a high rate, more conservative estimates of increases in assessed value are used to schedule bond repayment. Nevertheless, the assessed value increases are typically more rapid than the conservative estimates made at the time the bonds are issued. As the total assessed property value increases more rapidly than prior estimates, more bonds can be issued.

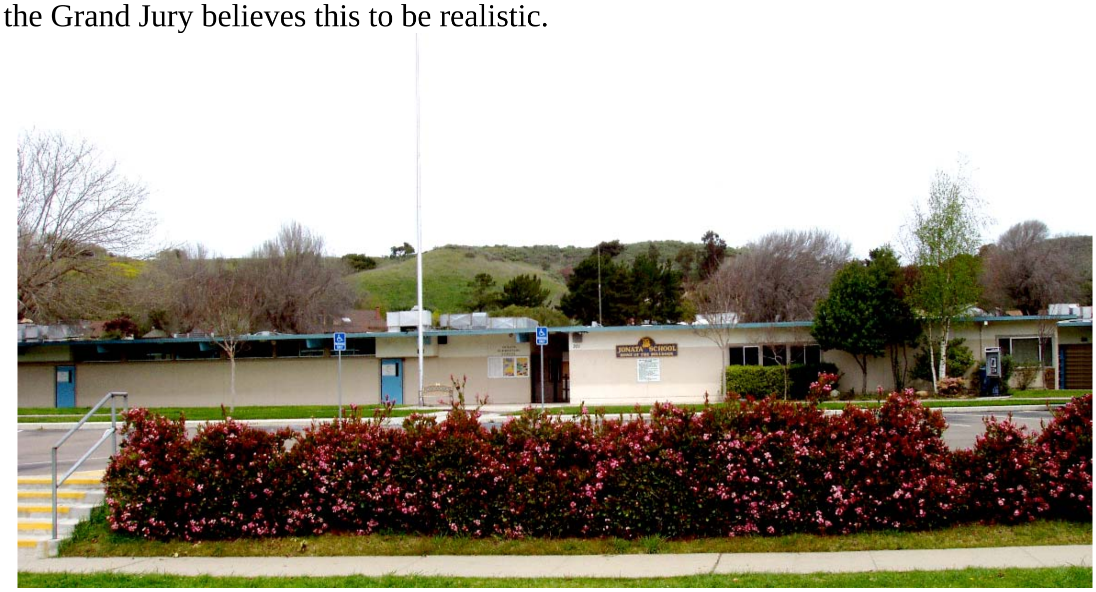
Because the total assessed value of taxable property within the School District rose to $810,458,496 in 2005, the maximum bond debt service allowed rose to $243,137 per year. This is an increase in total assessed value of 14.8% in one year. As a result, Series B bonds of $949,063 were sold in 2005. The combined debt service for both Series A and Series B bonds is planned to be within the required $30 per $100,000 of the total assessed value.

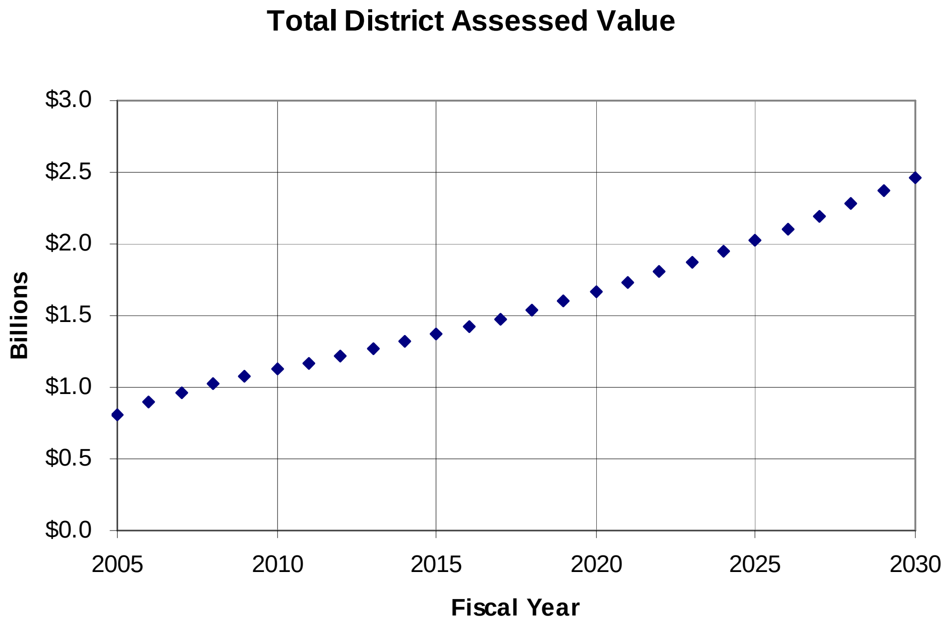
Utilizing projected increases in school district assessed value to finance school bond issues is a common practice, but this puts a heavier financial burden upon future generations. The history of Buellton Union School District total assessed value changes is plotted below along with the total Santa Barbara County assessed value changes.



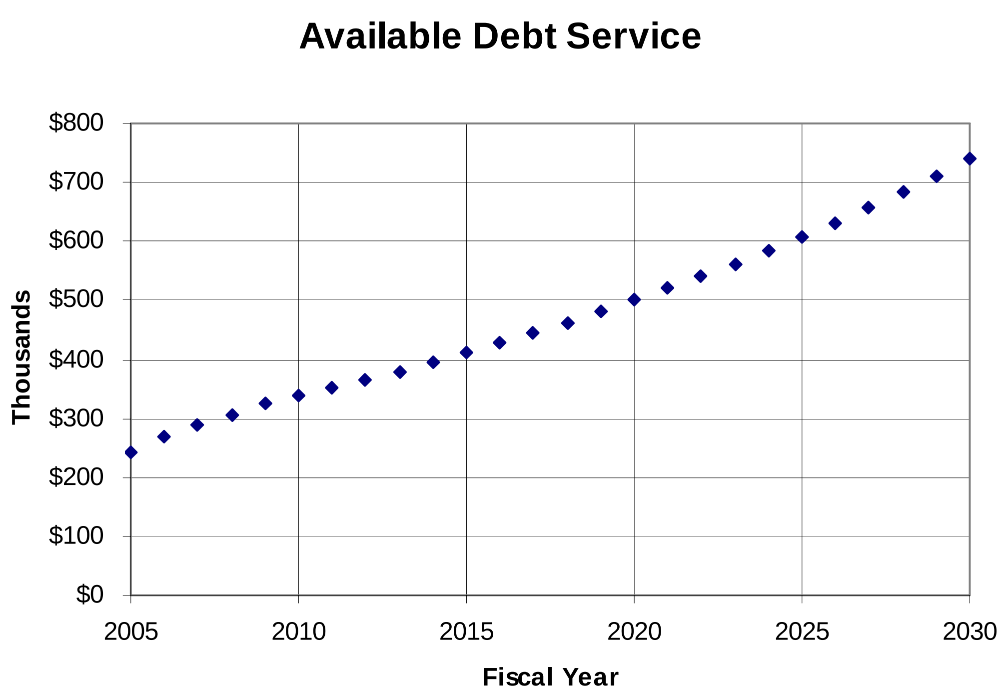
Historically, the school district total assessed value can increase very substantially as it did in the last five years. Increases can also become very slow as in Santa Barbara County during the 1990s. The bond issue debt reduction schedule over 25 years depends upon this increase in assessed value.

The expected total assessed value in the Buellton Union School District is charted, representing the estimates of 10% in FY2006, 8% in FY2007, 6% in FY2008, 6% in FY2009, and 4% per year thereafter made to support bond “Series A” and “Series B”. Fiscal year (FY) 2006 is from July 1, 2006 through June 30, 2007. In contrast, the County Auditor-Controller is using a more conservative estimate of 12.66% in FY2006, 5% in FY2007, and 3.75% thereafter. Although the projected Buellton Union School District estimate of assessed value increases threefold over 25 years, the Grand Jury believes this to be realistic.





The available debt service for repayment of the Buellton Union School District bonds is charted below. The maximum allowable debt service of the bond issues is equal to 0.03% of the assessed values in the previous chart.



The available debt service increases each year as it follows the expected total assessed property values within the Buellton Union School District. The total bond debt service schedule is planned not to exceed the available debt service within $30 per $100,000 (0.03%) of assessed value. Since the Series A and B bonds utilize the major part of the allowable total debt service for all of the bonds within the 2004 Election, Series C and D bonds can only be issued when the total assessed value increases sufficiently to support their debt service.

Buellton Union School District Facility Improvements

The Buellton Union School District has planned an ambitious school facility development program with four major projects with a total budget of $11,184,227. The Oak Valley Elementary Phase II Project is in progress and is expected to be completed in 2006. The Jonata improvement program comprises three projects: modernization, a new gymnasium, and a new roof. These three projects are planned to start in 2006.

All of the school facility improvements listed in the 2004 School Bond Election are included in these projects. The planned cost and schedule of these projects are as follows:

	Planned Cost	Planned Start Date	Planned Completion Date
Oak Valley Phase II	$5,509,227	March 2005	April 2006
Jonata Gymnasium	$3,000,000	June 2006	July 2007
Jonata Re-roofing	$720,000	July 2006	August 2006
Jonata Modernization	$1,955,000	August 2006	September 2007
Total budgeted Cost	$11,184,227		

The costs that exceed the 2004 Bond Election value of $6,500,000 are being paid for by separate funding totaling $4,872,289. Additional funding will include Joint Use Funding from the State of California and the City of Buellton, Deferred Maintenance Funding from the State, School Facility Program Funds from the State, and Certificate of Participation funds generated by the Buellton School District.

Joint Use Funding

The Jonata gymnasium is funded primarily by Joint Use Funding by the State of California and the City of Buellton. With the agreement that facilities can be used by both the School District and other governments or agencies, both the State of California and the City of Buellton governments have been petitioned to share in the cost of some of the school facilities. This is called Joint Use Funding.

Deferred Maintenance Funding

The new roof on the Jonata School is a Deferred Maintenance (DM) project paid for by the State. Eligibility for Deferred Maintenance Funding is determined by the State Office of Public School Construction for use by local educational agencies.

School Facility Program Funding

State School Facility Program (SFP) funding is authorized by the State Allocation Board. SFP funding helps pay facility-related indebtedness for school financial hardships. School districts qualify for these funds if they have issued at least 60 percent of their total bonding capacity.

COP Funds

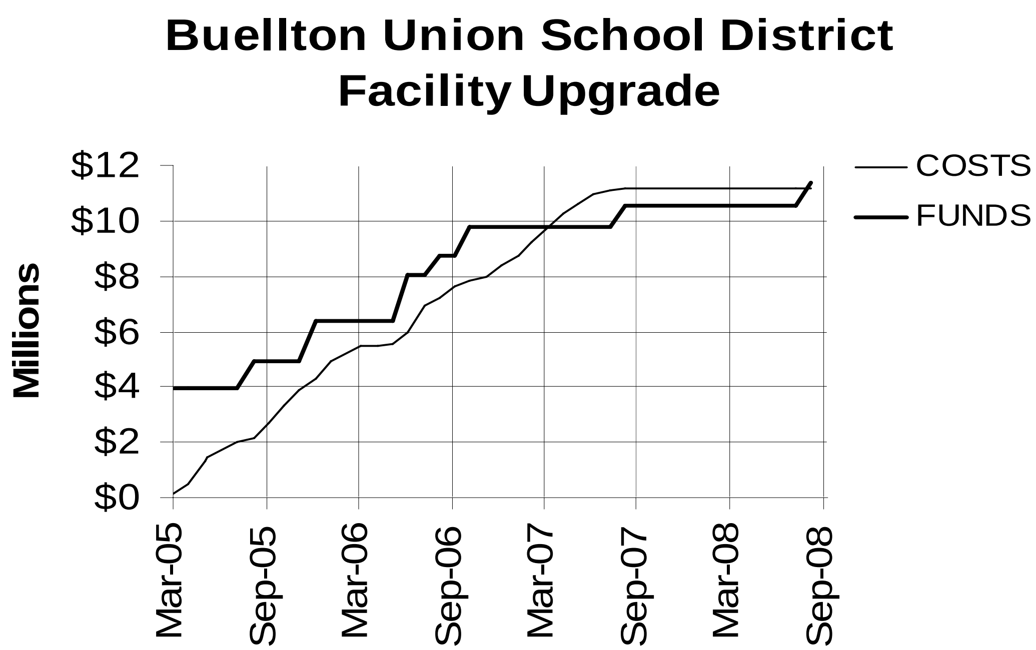
Additional funds are available to school districts as Certificates of Participation (COP). These funds are essentially a loan against the school facilities that will eventually have to be repaid. COPs are defined as lease financing agreements in the form of tax-exempt securities similar to bonds. In COP financing, title to a leased asset is assigned by the lessor to a trustee (non-profit corporation) which holds it for the benefit of the investors, the certificate holders. The participation of many investors in the lease transaction allows the transformation of what would otherwise be a straightforward financial instrument executed between a lessee and a lessor into a marketable security.

The use of COP financing allows a school district to indirectly incur debt without voter approval. Since these obligations require repayment, the debt service of these funds is required to come from several sources other than taxes including developer fees.

The total planned funding to pay for the school facilities includes:

	Total Value	Date Issued/Expected	
Series A Bonds	$3,877,278	issued	September 2004
Series B Bonds	$949,063	issued	September 2005
District COP	$1,500,000	issued	March 2006
State DM Funding	$630,000	expected	July 2006
Buellton City Joint Use	$1,000,000	expected	July 2006
State SFP Funding	$678,489	expected	September 2006
State Joint Use	$1,063,800	expected	November 2006
Series C Bonds	$800,000	expected	September 2007
Series D Bonds	$873,659	expected	September 2008
Total Funding	$11,372,289		

Cash flow of the planned projects can be reviewed by considering the cost of each project during each month of development. The following chart shows the cumulative costs and available funds for the planned projects.



The planned completion date of all projects is September 2007. The planned funding is extended to September 2008. The availability of funds from the Series C and D bonds is the scheduling problem. With Series C Bonds expected to be available in September 2007 and Series D available in 2008, there will be a funding shortfall starting in April 2007.

The ability to issue Series C and D Bonds is contingent upon the total Buellton Union School District assessed value continuing to increase at an aggressive rate, much greater than the School District's projected 4% per year. If these bonds cannot be issued earlier than expected, other funding will be required or some of the projects may be delayed.

There are some other potential funding problems related to the total assessed property valuation. If assessed value increases become very small, it may be difficult to repay the Series A and B bonds, because their debt service is based upon taxes generated by continued assessed value increases. If a recession should occur, it would also affect real estate development and student enrollment, reducing the ability to repay the COPs.

FINDINGS

Finding 1

The Buellton Union School District has used realistic estimates of 10% in FY2006, 8% in FY2007, 6% in FY2008, 6% in FY2009, and 4% each year thereafter for increases in district-assessed valuation to issue general obligation school bonds, even though the County Auditor-Controller is using 12.66% in FY2006, 5% in FY2007, and 3.75% there after.

Finding 2

The ability to issue Series C and D bonds is contingent upon the total Buellton District assessed value continuing to increase at an aggressive rate, much greater than the School District's projected 4% per year.

Finding 3

If the rate of the District's assessed value increases becomes less than 4%, even though this is unlikely, it may be difficult to repay the "Series A" and "Series B" bonds. Ambitious development projects can get into serious financial difficulties when unexpected events occur.

Finding 4

The debt service of the school bonds (repayment) puts a heavy burden on the School District for many years. This debt service does not leave much room for future school facility developments. The schedule of repayment for the 2004 bonds is nearly $30 per $100,000 of assessed value over the next 25 years. Future school facility improvements will require an additional bond election with an additional $30 per $100,000 assessed value over the same 25 years.

Finding 5

The total budget of all of the school facility projects is very ambitious. This budget requires extensive additional funding, including Joint Use Funds, Deferred Maintenance Funds and School Facility Program Funds from the State of California, and Certificates of Participation.

Finding 6

It is risky to use COP funding to financially support the current projects, because these funds require repayment along with the GO bonds. The School District indebtedness will be an ongoing issue. These liabilities may be covered by potential developer fees, but some other undefined School District funding may be needed to repay the COP funds.

RECOMMENDATIONS

Recommendation 1

A fallback plan should be developed in the event that the assessed value increases do not support issuance of Series C and D bonds.

Recommendation 2

Future school bond issues should have debt service scheduled below the amount allowed by law, that is, below $30 per $100,000 of assessed value. This is particularly true in the latter part of the allowed 25-year repayment period. This would leave room for a contingency fund to cover unexpected financial emergencies and still stay within the required $30 per $100,000 assessed value. Even though this would limit the size of the facility improvement, it would lower the financial risk to the School District. More bonds could then be issued at a later date within the same election option, when the risk would be lower. This would put a smaller burden on future generations and permit subsequent facility improvements without overtaxing the District residents with an additional bond election.

Recommendation 3

A financial plan to repay all school district COP funds should be implemented. The financial plan should also include resolution of all outstanding district financial obligations.

REQUEST FOR RESPONSE

In accordance with Section 933(c) of the California Penal Code, each agency and government body affected by or named in this report is requested to respond in writing to the findings and recommendations in a timely manner. The following are the affected agencies for this report, with the mandated response period for each:

Buellton Union School District – 90 days

Findings	1, 2, 3, 4, 5, 6
Recommendations	1, 2, 3

Santa Barbara County Auditor-Controller – 60 days

Findings	1, 2, 3, 4, 5, 6
Recommendations	1, 2, 3

Santa Barbara County Board of Supervisors – 60 days

Findings	1, 2, 3, 4, 5, 6
Recommendations	1, 2, 3

APPENDICES

A. Buellton Union School District Facility Development Cash Flow

Appendix A shows monthly expenses by project and compares monthly total expenses to available funding. Monthly cash flow is called a "draw-down" schedule.

B. Series A and B Bond Debt Service Plan

Appendix B shows both Series A and Series B bond issues including principal, interest, PI, and fiscal year debt service. It also calculates the bond tax rate as a result of total debt service per estimated assessed values. This plan does not reflect all of the adjustments to assessed value that are made by the Auditor-Controller.

C. Debt Service Scheduling

Appendix C explains the unusually high tax rate for FY2029.

Appendix A. Buellton Union School District Facility Development Cash Flow

Date	Cost Oak Valley	Jonata Gym	Jonata Modern-ization	Jonata Roof	Costs Total	Funding Proceeds (1)	Funds Total	Cash Flow
March-05	$113,672				$113,672	$3,877,278	$3,877,278	$3,763,606
April-05	$361,090				$474,762		$3,877,278	$3,402,516
May-05	$827,014				$1,301,776		$3,877,278	$2,575,502
June-05	$157,696				$1,459,472		$3,877,278	$2,417,806
July-05	$252,918				$1,712,390		$3,877,278	$2,164,888
August-05	$267,580				$1,979,970		$3,877,278	$1,897,308
September-05	$190,385				$2,170,355	$949,063	$4,826,341	$2,655,986
October-05	$501,880				$2,672,235		$4,826,341	$2,154,106
November-05	$663,486				$3,335,721		$4,826,341	$1,490,620
December-05	$566,671				$3,902,392		$4,826,341	$923,949
January-06	$421,763				$4,324,155	$1,500,000	$6,326,341	$2,002,186
February-06	$566,023				$4,890,178		$6,326,341	$1,436,163
March-06	$310,000				$5,200,178		$6,326,341	$1,126,163
April-06	$309,049				$5,509,227		$6,326,341	$817,114
May-06					$5,509,227		$6,326,341	$817,114
June-06		$60,000			$5,569,227		$6,326,341	$757,114
July-06		$180,000		$250,000	$5,999,227	$1,630,000	$7,956,341	$1,957,114
August-06		$450,000	$39,100	$470,000	$6,958,327		$7,956,341	$998,014
September-06		$120,000	$117,300		$7,195,627	$678,489	$8,634,830	$1,439,203
October-06		$120,000	$293,250		$7,608,877		$8,634,830	$1,025,953
November-06		$120,000	$78,200		$7,807,077	$1,063,800	$9,698,630	$1,891,553
December-06		$120,000	$78,200		$8,005,277		$9,698,630	$1,693,353
January-07		$300,000	$78,200		$8,383,477		$9,698,630	$1,315,153
February-07		$300,000	$78,200		$8,761,677		$9,698,630	$936,953
March-07		$300,000	$195,500		$9,257,177		$9,698,630	$441,453
April-07		$300,000	$195,500		$9,752,677		$9,698,630	-$54,047
May-07		$300,000	$195,500		$10,248,177		$9,698,630	-$549,547
June-07		$180,000	$195,500		$10,623,677		$9,698,630	-$925,047
July-07		$150,000	$195,500		$10,969,177		$9,698,630	-$1,270,547
August-07			$117,300		$11,086,477		$9,698,630	-$1,387,847
September-07			$97,750		$11,184,227	$800,000	$10,498,630	-$685,597
September-08					$11,184,227	$873,659	$11,372,289	$188,062
Totals	**$5,509,227**	**$3,000,000**	**$1,955,000**	**$720,000**		**$11,372,289**		

(1) **Funding Proceeds**

Mar-05	BONDS A	$3,877,278
Sep-05	BONDS B	$949,063
Mar-06	District COP	$1,500,000
Jul-06	State DM	$630,000
Jul-06	Buellton J.U.	$1,000,000
Sep-06	State SFP	$678,489
Nov-06	State J.U.	$1,063,800
Sep-07	Bonds C	$800,000
Sep-08	Bonds D	$873,659
		$11,372,289

Appendix B. Buellton Union School District GO Bonds – 2004 Election

Maturity Date	Fiscal Year	Series A Principal	Series A Interest	Series A PI	Series A Debt Service	Series B Principal	Series B Interest	Series B PI	Series B Debt Service	Total A+B Debt Service	Total Assessed Value	Tax per $100K
2/1/2005	2004		$84,234	$84,234	$84,234					$84,234	$705,805,729	$11.93
8/1/2005		$10,000	69,871	79,871								
2/1/2006	2005		69,771	69,771	149,643		$9,099	$9,099	$9,099	158,742	810,458,496	19.59
8/1/2006		30,000	69,771	99,771		$35,000	13,316	48,316				
2/1/2007	2006		69,321	69,321	169,093		12,791	12,791	61,106	230,199	891,504,346	25.82
8/1/2007		45,000	69,321	114,321		45,000	12,791	57,791				
2/1/2008	2007		68,646	68,646	182,968		12,116	12,116	69,906	252,874	962,824,693	26.26
8/1/2008		60,000	68,646	128,646		50,000	12,116	62,116				
2/1/2009	2008		67,746	67,746	196,393		11,366	11,366	73,481	269,874	1,020,594,175	26.44
8/1/2009		75,000	67,746	142,746		45,000	11,366	56,366				
2/1/2010	2009		66,528	66,528	209,274		10,691	10,691	67,056	276,330	1,081,829,825	25.54
8/1/2010		95,000	66,528	161,528		40,000	10,691	50,691				
2/1/2011	2010		64,865	64,865	226,393		10,091	10,091	60,781	287,174	1,125,103,018	25.52
8/1/2011		115,000	64,865	179,865		40,000	10,091	50,091				
2/1/2012	2011		62,565	62,565	242,430		9,466	9,466	59,556	301,986	1,170,107,139	25.81
8/1/2012		135,000	62,565	197,565		40,000	9,466	49,466				
2/1/2013	2012		59,865	59,865	257,430		8,816	8,816	58,281	315,711	1,216,911,425	25.94
8/1/2013		155,000	59,865	214,865		35,000	8,816	43,816				
2/1/2014	2013		56,765	56,765	271,630		8,225	8,225	52,041	323,671	1,265,587,882	25.57
8/1/2014		175,000	56,765	231,765		35,000	8,225	43,225				
2/1/2015	2014		53,265	53,265	285,030		7,525	7,525	50,750	335,780	1,316,211,397	25.51
8/1/2015		195,000	53,265	248,265		35,000	7,525	42,525				
2/1/2016	2015		49,243	49,243	297,508		6,825	6,825	49,350	346,858	1,368,859,853	25.34
8/1/2016		220,000	49,243	269,243		25,000	6,825	31,825				
2/1/2017	2016		44,431	44,431	313,674		6,325	6,325	38,150	351,824	1,423,614,247	24.71
8/1/2017		245,000	44,431	289,431		30,000	6,325	36,325				
2/1/2018	2017		38,918	38,918	328,349		5,725	5,725	42,050	370,399	1,480,558,817	25.02
8/1/2018		270,000	38,918	308,918		30,000	5,725	35,725				
2/1/2019	2018		32,843	32,843	341,761		5,125	5,125	40,850	382,611	1,539,781,169	24.85
8/1/2019		300,000	32,843	332,843		25,000	5,125	30,125				
2/1/2020	2019		25,943	25,943	358,786		4,625	4,625	34,750	393,536	1,601,372,416	24.57
8/1/2020		335,000	25,943	360,943		30,000	4,625	34,625				
2/1/2021	2020		18,196	18,196	379,139		4,006	4,006	38,631	417,771	1,665,427,313	25.08
8/1/2021		365,000	18,196	383,196		25,000	4,006	29,006				
2/1/2022	2021		9,619	9,619	392,815		3,491	3,491	32,497	425,312	1,732,044,405	24.56
8/1/2022		405,000	9,619	414,619		25,000	3,491	28,491				
2/1/2023	2022				414,619		2,959	2,959	31,450	446,069	1,801,326,182	24.76
8/1/2023		106,542	338,458	445,000		25,000	2,959	27,959				
2/1/2024	2023				445,000		2,428	2,428	30,388	475,388	1,873,379,229	25.38
8/1/2024		97,107	372,893	470,000		25,000	2,428	27,428				
2/1/2025	2024				470,000		1,881	1,881	29,309	499,309	1,948,314,398	25.63
8/1/2025		93,600	396,400	490,000		25,000	1,881	26,881				
2/1/2026	2025				490,000		1,334	1,334	28,216	518,216	2,026,246,974	25.58
8/1/2026		90,954	424,046	515,000		25,000	1,334	26,334				
2/1/2027	2026				515,000		788	788	27,122	542,122	2,107,296,853	25.73
8/1/2027		88,177	451,823	540,000		20,000	788	20,788				
2/1/2028	2027				540,000		338	338	21,125	561,125	2,191,588,727	25.60
8/1/2028		86,053	483,947	570,000		15,000	338	15,338				
2/1/2029	2028				570,000				15,338	585,338	2,279,252,276	25.68
8/1/2029		84,846	515,154	600,000		134,715	500,285	635,000				
2/1/2030	2029				600,000				635,000	1,235,000	2,370,422,367	52.10
8/1/2030						89,348	360,653	450,000				
2/1/2031	2030								450,000	450,000	2,465,239,262	18.25
SERIES		**3,230,000**				**725,000**						
CAB		**647,278**				**224,063**						
Total		**3,877,278**				**949,063**						

Appendix C. Debt Service Scheduling

A fiscal year is defined as July 1 through June 30 of the following year. FY 2005 begins on July 1, 2005 through June 30, 2006. When the second series of bonds, Series B, were issued under the 2004 election, the fiscal yearly debt service for that series was compared with the calendar yearly expenses for the first series, Series A, bonds. This erroneous comparison was used to schedule the total debt service of the combined Series A plus Series B debt service. This error resulted in scheduling the last CAB in Series A into FY2029 along with the first CAB in Series B. As a result, the combined debt service tax rate for Series A plus Series B bonds will be $52.10, almost twice the allowable tax rate of $30 per $100,000 of assessed value.

Since the bonds of these two series have already been issued, a contingency financial plan will be required to repay this indebtedness in FY2029. This indebtedness cannot be moved forward or back one year, since those years' financial obligations are already committed.

One option would be to establish a contingency fund to pay for the shortfall in 2029. The school bond tax rate for the 2004 election could be held at the maximum of $30 per $100,000 assessed value until the contingency fund equals the financial shortfall in 2029.