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December 14, 2012

Mr. Bill Kowba
Superintendent
San Diego Unified School District
4100 Normal Street, Room 2219
San Diego, CA 92103

Re: Delivery and Oversight of Proposition S and Z Bond Projects

Dear Superintendent Kowba:

At the December 4, 2012 San Diego Unified School District (District) Board of Trustees meeting, the Proposition S Independent Citizens' Oversight Committee (ICOC) presented a series of recommendations regarding bond programs under Proposition S and Proposition Z. The San Diego County Taxpayers Association (SDCTA) supports a number of the recommendations made by the ICOC to ensure a successful program on behalf of the students and taxpayers within the District.

First and foremost, we support the ICOC's recommendation to revise the current financing of technology. The District should work to discontinue the use of long-term financing, especially Capital Appreciation Bonds (CABs), to finance the i21 technology program. SDCTA is currently working with experts to evaluate alternative options for financing short-term assets such as student devices and smartboards, and we will be providing our findings and recommendations to Districts across the county.

Second, while we agree that the District should not delay the expenditure of Proposition Z funds (until the remaining \$1.6 billion in Proposition S funds are spent), the first priority of the District should be to determine which projects will be funded by the two bond measures and the timeline for delivery of those projects. While projects at campuses may overlap between the two funding sources, it would be prudent to complete those projects at the same time so as to minimize disruptions to classrooms.

The presentation made by staff estimated approximately \$125 million in bonds may be issued annually under Proposition Z using 25-year Current Interest Bonds, and \$40 million using 25-year or less CABs. As the District moves to issue the first series of Proposition Z bonds next year, we urge the preparation of a long-term project list with budgets and schedules for each project based on the financial modeling that was used to provide this estimate. This list for Proposition Z projects, in conjunction with a list of project budget and schedules based off a new

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financing plan for Proposition S, will allow the ICOC to properly determine if the District is completing the projects promised to voters. It will further enhance transparency and allow residents, parents and stakeholders to have an understanding of the priorities of the District and schedule for estimated start and completion dates for school projects.

As the District outlines its priorities for Proposition Z, we further agree with the ICOC that Major Repair & Replacement projects should be put at the forefront of these lists. Based off the latest Quarterly Status Report provided to the ICOC, only \$500,000 has been expended on MRR projects when there was \$501 million in needs outlined. Since the ICOC believes that funding for these needs will not happen under Proposition S, it is imperative these critical needs are addressed sooner rather than later under Proposition Z.

SDCTA will continue to monitor the progress of the two bond programs moving into the new year and provide feedback. We will also keep you apprised of our research on alternative financing options for technology. Please contact me at (619) 234-6423 or at lanil@sdcta.org if SDCTA can be of assistance or if you have any questions regarding our recommendations and comments. Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lani Lutar".

Lani Lutar
President & CEO

LL/cjc

cc: Honorable Board of Trustees
Mr. Andy Berg, Chairman, Proposition S ICOC