



Santa Barbara SCHOOL DISTRICTS

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Date: April 21, 2009
To: Dr. J. Brian Sarvis, Superintendent
From: Eric D. Smith, Deputy Superintendent
Subject: Approval of Santa Barbara School Districts' Municipal Lease Financing for the Washington Elementary School Portable Classroom Project, Resolution Number 2008/09-36

Action Agenda: (10 minutes)

Background:

As part of the Mitchum Lawsuit Settlement Agreement, the district was required to make the portable classrooms at the south end of Washington Elementary School campus accessible. In addition, the district was also required to provide additional restroom facilities in the area. A preliminary investigation by the architect indicated that it would be more cost effective and logical to re-configure the portables than to construct a series of ramps and walkways which would result in a "skateboard park with lakes between the ramps".

The project was to be done in two phases. Phase one was to move the seven portable classrooms to the asphalt playground during the summer of 2008. This would satisfy the settlement agreement requirement to have the classrooms accessible by the end of the calendar year 2008, and would clear the area so construction of the new placement pads, surface and infrastructure could take place. With the shortage of I-98 funds, elementary developer fees were used to accomplish this phase of the work. The second phase was to be completed using proceeds in the amount of \$919,373.80 from a "cash out" refunding of Measure I-98 general obligation bonds.

Following the conclusion of the "cash out" refunding, the district learned that a member of the California Legislature had solicited an opinion from the attorney general regarding the legality of using this kind of financing to fund capital projects. In December of 2008 the board approved using the refunding proceeds and phase two of the project was put out to bid. Between the opening of bids for the project and placement of the item on a board agenda for contract approval, the attorney general rendered an adverse opinion with respect to the use of proceeds from "cash out" refundings, thereby invalidating their use. On February 24, 2009 the board rejected all bids for the project as the previous funding source was no longer available.

Results

In the absence of funds from the "cash out" refunding, the district explored alternative forms of financing. Given that the remaining Measure I98 funds are already committed, and oversubscribed, staff investigated issuance of non-voter approved debt to finish the project, specifically a lease purchase arrangement. Lease-purchase financing is one means by which a school district can acquire real or personal property. It involves the purchase of an asset through periodic lease payments, which

Adams Elementary School
Cesar Chavez Charter School
Cleveland Elementary School
Franklin Elementary School

Harding Elementary School
McKinley Elementary School
Monroe Elementary School
Open Alternative School

Peabody Charter School
Roosevelt Elementary School
Santa Barbara Charter School
Santa Barbara Community Academy
Washington Elementary School

Goleta Valley Junior High School
La Colina Junior High School
La Cumbre Junior High School
Santa Barbara Junior High School

Dos Pueblos High School
La Cuesta Continuation High School
San Marcos High School
Santa Barbara High School

have principal and interest components. To a school district, the difference between lease-purchase financing and true leasing is who owns or will own the asset. In a lease-purchase, the lessee acquires an ownership interest in the asset, obtaining title to the asset at the end of the lease term. In a true lease, the lessee acquires only the right to use the asset for a period of time, but no ownership of the asset.

Staff has worked with Municipal Finance Corporation to structure a ten year lease purchase for the financing the project. The district would borrow \$850,000 at 4.5 percent interest to be re-paid over ten years. The district can pre-pay the entire amount after the first year but will incur a 2 percent premium. Staff recommends that the first call on any federal stimulus funds that can be used for new construction be to retire some or all of the debt incurred from this transaction. The project can be funded within 45 day from the date the board approves the resolution.

Fiscal Impact/Funding Source

\$1,074,220 with payments of \$107,422 per year for a period of ten years. Funding will originate from a combination of developer fees and unrestricted funds; unless federal stimulus monies are available to retire the debt.

Recommendation

That the board approve the Santa Barbara School Districts' municipal lease financing for the Washington Elementary School Portable classroom project, resolution number 2008/09-36 Authorizing the Execution and Delivery of a Sublease/Option Agreement and Site Lease and Authorizing and Directing Certain Actions in Connection Therewith.

PREPARED BY MUNICIPAL FINANCE CORPORATION DATE: April 13, 2009
 PROPOSED LEASE PURCHASE FOR: Santa Barbara School District
 RE: Facilities

NOTE: TERMS ARE BASED UPON LEASE BEING BANK QUALIFIED
 Purchase Option amount is exclusive of the rental payment due on same date.
 Interest rate quote is valid for an acceptance within 15 days and lease
 funding within 60 days.

Payments: Annually in arrears 10 years 4.50%

PMT #	Due Date	Rent Payment	To Principal	To Interest	Purchase Option
1		\$107,422.00	\$69,172.00	38,250.00	800,348.70
2		107,422.00	72,284.74	35,137.26	726,256.84
3		107,422.00	75,537.55	31,884.45	648,830.85
4		107,422.00	78,936.74	28,485.26	567,920.69
5		107,422.00	82,488.90	24,933.10	483,369.57
6		107,422.00	86,200.90	21,221.10	395,013.65
7		107,422.00	90,079.94	17,342.06	302,681.71
8		107,422.00	94,133.53	13,288.47	206,194.84
9		107,422.00	98,369.54	9,052.46	105,366.06
10		107,422.00	102,796.16	4,625.84	0.00

TOTALS: \$1,074,220.00 \$850,000.00 \$224,220.00

Approved and agreed to:

Santa Barbara School District

By: _____

Title: _____

Date: _____

SANTA BARBARA SCHOOL DISTRICTS

RESOLUTION NO. 2008/09-36

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY
OF A SUBLEASE/OPTION AGREEMENT AND SITE LEASE AND AUTHORIZING
AND DIRECTING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Santa Barbara School District (the "District") is a public school district duly organized and existing under and pursuant to the Constitution and laws of the State of California; and

WHEREAS, the District desires to provide for financing in the approximate amount of \$850,000.00 for the relocation of seven modular classroom buildings, the acquisition of a modular restroom building and related site work (the "Project"); and

WHEREAS, Municipal Finance Corporation (the "Corporation") has proposed a cost-effective lease financing arrangement for a term not to exceed ten years and at an interest rate not to exceed 4.50% interest rate;

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Santa Barbara School District as follows:

SECTION 1. Sublease/Option Agreement and Site Lease. The Superintendent, Deputy Superintendent or a designee (each, an "Authorized Officer") is hereby authorized to enter into a Sublease/Option Agreement and Site Lease with the Corporation of certain District-owned real property to provide funds to finance the Project, subject to approval as to form by the District's legal counsel.

SECTION 2. Attestations. The Clerk or other appropriate District officer is hereby authorized and directed to attest the signature of an Authorized Officer or of such other person or persons as may have been designated by an Authorized Officer, and to affix and attest the seal of the District, as may be required or appropriate in connection with the execution and delivery of the Sublease/Option Agreement and the Site Lease.

SECTION 3. Other Actions. An Authorized Officer and other officers of the District are each hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements, documents and certificates which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms of this Resolution, the Sublease/Option Agreement, and the Site Lease. Such actions are hereby ratified, confirmed and approved.

SECTION 4. Qualified Tax-Exempt Obligations. The Sublease/Option Agreement is hereby designated as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The District, together with all subordinate entities of the District, do not reasonably expect to issue during the calendar year in which the Sublease/Option Agreement is issued more than \$30,000,000 of obligations which it could designate as "qualified tax-exempt obligations" under Section 265(b) of the Code.

SECTION 5. Reimbursement of Prior Expenditures. The District declares its official intent to be

reimbursed from the proceeds of the Lease approved hereby for a maximum principal amount of \$850,000.00 of expenditures occurring no earlier than sixty days prior to the adoption of this Resolution. All reimbursed expenditures will be capital expenditures as defined in Section 1.150-1(b) of the Federal Income Tax Regulations.

SECTION 6. Effect. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this _____ day of _____ 2009, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

President of the Board

I hereby certify that the foregoing resolution was duly introduced, passed and adopted by the vote as noted above.


Clerk of the Board



April 20, 2009

SBAS-7972

TO: Eric D. Smith, Deputy Superintendent
Santa Barbara School Districts

FROM: Priscilla Diamond, Administrator 

SUBJECT: **Review of Non-Voter-Approved Debt Issuance**

In accordance with the provisions of Education Code Section 17150(a), our office has completed a review of the Santa Barbara School Districts' Municipal Lease Debt Disclosure for the Washington School Portable Classroom Project. Based on the debt repayment schedules and multi-year projections provided by the districts and information currently available regarding California school funding, we believe that the districts have the ability to repay the obligation while maintaining the required minimum level Reserve for Economic Uncertainties for 2008-09, 2009-10, and 2010-11.

clc

c Meg Jetté, Director, Fiscal Services
Dr. Brian Sarvis, District Superintendent
Gary Pickavet, Assistant Superintendent, SBCEO