

**NATOMAS UNIFIED SCHOOL DISTRICT**

**Citizens' Bond Oversight Committee - Measure J**

**Location: Discovery High School  
3401 Fong Ranch Road (MP Room-Cafeteria)**

**Monday, October 23, 2017 - 7:15 p.m.**

**MEETING AGENDA**

**I. ROLL CALL**

**II. COMMUNICATIONS**

- a) Welcome/Introductions

**III. PUBLIC COMMENTS**

*Presentations from the public are limited to two (two) minutes regarding any item that is within the Committee's subject matter jurisdiction. Please note that Government Code Section 54954.2(a) limits Committee Members responses to public comments.*

**IV. INFORMATION ITEMS**

- a) Committee Membership
- b) Board of Trustees (Items from Board Meetings)
- c) Measure J Projects and Financial Update

**V. ACTION ITEMS**

- a) Approve August 28, 2017 Meeting Minutes  
Moved by: \_\_\_\_\_ Seconded by: \_\_\_\_\_ Roll Call Vote: \_\_\_\_\_
- b) Approve Finance Sub-Committee Report - (Eric Stern, Danielle Marshall, Bob Moreno)  
Moved by: \_\_\_\_\_ Seconded by: \_\_\_\_\_ Roll Call Vote: \_\_\_\_\_
- c) Assign Members to Standing Sub-Committees  
Moved by: \_\_\_\_\_ Seconded by: \_\_\_\_\_ Roll Call Vote: \_\_\_\_\_

**VI. NEW BUSINESS**

**VII. FUTURE AGENDA ITEMS**

- Project Audits:
  - 211 - Leroy Greene Academy (Eric Stern, David Kawada)
  - 215 - Two Rivers (Eric Stern, Christopher McGreal)
- Receive and Review 2016-17 Performance Audit (January)
- Review and approve 2016-17 Annual Report (January - Eric Stern, Anita Lopez)

**VIII. ADJOURNMENT**

Next Meeting: January 22, 2018  
Location TBD

*Note: Assistance for the Disabled: Please contact the Deputy Superintendent's Office at (916) 567-5457 at least 24 hours before the scheduled Citizens' Bond Oversight Committee meeting to request disability-related accommodations in order to participate in the public Citizens' Bond Oversight Committee meeting.*

Natomas Unified School District  
 General Obligation Bonds  
 Citizens' Bond Oversight Committee

**MEASURE J**

**Board Approval (September 13, 2017)**

Committee Members:	Business Community	Senior Citizens	Taxpayers' Organization	Parent of NUSD Student	Parent and PTO Member	Community Member At-Large	Appointment by Board of Trustees
1 David Kawada				X		X	<i>2015 March 11</i>
2 Anita Lopez				X		X	<i>2015 March 11</i>
3 Danielle Marshall	X			X	X	X	<i>2015 March 11</i>
4 Christopher McGreal				X	X	X	<i>2015 March 11</i>
5 Robert Moreno		X	X			X	<i>2016 Sept 14</i>
6 Eric Stern				X		X	<i>2015 March 11</i>

**Terms - Expiration Dates**

	FIRST	SECOND	THIRD
1 David Kawada	March 2017	March 2019	March 2021
2 Anita Lopez	March 2017	March 2019	March 2021
3 Danielle Marshall	March 2017	March 2019	March 2021
4 Christopher McGreal	March 2017	March 2019	March 2021
5 Robert Moreno	March 2018	March 2020	March 2022
6 Eric Stern	March 2017	March 2019	March 2021

**Regular Board Meeting  
Natomas USD  
September 13, 2017 5:45 PM  
EDUCATION CENTER – BOARD ROOM  
6:30 PM OPEN SESSION**

**XIV.i. Approve Member Updates to Measure J Citizens' Bond Oversight Committee**

**Speaker:** William Young, Deputy Superintendent

**Rationale:** Measure J Citizens' Bond Oversight Committee (CBOC) member Jennifer Slay (appointed by the Board on March 11, 2015) has submitted her resignation effective August 28, 2017. The Board is asked to accept her resignation. Committee member Robert Moreno has joined a Senior Citizens Organization. He currently serves on the Measure J CBOC representing the Taxpayer Organization designation. Members may serve representing more than one designation as described in the Bylaws Section 5 Membership. The Board is asked to appoint Mr. Moreno to serve representing the Senior Citizens Organization designation. On March 8, 2017, the Board accepted a resignation from Anita Lopez. Ms. Lopez has continued to support the Measure J CBOC and attended the meetings held since action was taken on the resignation. She has rescinded her resignation and desires to continue her service on the committee. She has actively served on the Measure D CBOC since September 2014. The Board is asked to rescind the resignation and approve her re-appointment to continue serving her second 2-year term. Following these updates, there are six (6) active members remaining on the Measure J CBOC. Education Code requires a seven (7) member committee. Committee members and staff are reaching out to parents and the community to seek new members to fill the vacancy. The committee member list is attached showing member terms and designations.

**Attachments: Measure J CBOC Member List - Sept 13, 2017**

**Citizen's Bond Oversight Committee 2014 Measure "J" Financial Report**  
Meeting Date October 23, 2017

Data as of **9/30/2017**

**Measure J Funding**  
Fund 21 Resource 9359

<b>Starting Balance</b>	
Issue#1	\$69,500,000.00
B of A Discount	\$1,649,088.50
Cost	-\$1,822,088.50
	\$69,327,000.00
Issue#2	\$39,000,000.00
Discount	\$0.00
Cost	-\$120,000.00
	\$38,880,000.00
Interest Earned	\$767,278.25
Current Issuance	
Funding Balance	\$108,974,278.25
<b>Future Funding</b>	
Issue #3	\$20,620,000.00
Cost of Issuance (estimate)	
Future Interest	\$20,620,000.00
<b>Total Project Funding</b>	<b>\$129,594,278.25</b>
<b>Allocation August 23, 2017</b>	
	\$127,061,211.75
Total Unallocated	
Measure J Balance	<b>\$2,533,066.50</b>

**Measure J Open Projects**

Project Numbers	Description	August 23, 2017 Board Approved	Current Year to Date Spending	Total Project Expenditures	Encumbered	Total Committed Funds	Project Balance
201	Star Academy new Campus	\$15,360,000.00	\$0.00	\$15,354,055.79	\$5,888.62	\$15,359,944.41	\$55.59
aa	2015 COP	\$9,500,000.00	\$9,057,743.74	\$9,057,743.74		\$9,057,743.74	\$442,256.26
202	Westlake Charter K-8	\$31,620,885.00	\$4,595,678.12	\$29,462,633.85	\$1,317,252.13	\$30,779,885.98	\$840,999.02
208	Bannon Creek Upgrades	\$2,257,000.00	\$60,117.02	\$2,936,295.60	\$60,710.17	\$2,997,005.77	\$259,994.23
210	Lighting Upgrades	\$271,144.32	\$0.00	\$271,144.32	\$0.00	\$271,144.32	\$0.00
211	Leroy Greene Academy	\$1,544,159.00	\$0.00	\$1,512,891.80	\$0.00	\$1,512,891.80	\$31,267.20
212	Heron	\$8,105,870.00	\$1,570,308.73	\$4,774,965.22	\$1,869,384.13	\$6,644,349.35	\$1,461,520.65
215	Two Rivers	\$190,000.00	\$0.00	\$185,588.90	\$0.00	\$185,588.90	\$4,411.10
214	Natomas High School	\$3,247,500.00	\$8,193.99	\$3,169,906.25	\$0.00	\$3,169,906.25	\$77,593.75
217	Discovery High	\$3,241,250.00	\$841,204.46	\$2,532,735.77	\$128,323.14	\$2,661,058.91	\$580,191.09
218	Natomas Park	\$8,505,000.00	\$2,095,875.52	\$6,701,739.46	\$918,198.44	\$7,619,937.90	\$885,062.10
235	Jefferson Modernization	\$8,311,527.00	\$17,981.88	\$17,981.88	\$900.00	\$18,881.88	\$8,292,645.12
bbb	Project Management J projects Internal/external	\$1,706,574.00	\$17,984.79	\$310,423.51	\$53,954.38	\$434,316.31	\$1,272,257.69
bbb217	Discovery High Project Management		\$18,502.50		\$7,926.25		
bbb218	Natomas Park Project Management		\$28,362.50		\$61,058.75		
bbb222	NP3 Project Management		\$16,240.00		\$953.42		
222	NP3 New 2 Story building	\$7,643,000.00	\$2,621,034.24	\$2,621,034.24	\$4,091,877.94	\$6,712,912.18	\$930,087.82
216J	Paso Verde Softcosts	\$2,500,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,500,000.00
234	Dark Fiber For SCOE IT interface	\$387,302.92	\$0.00	\$0.00	\$387,302.92		
233	Reporting for Capital Projects	\$50,000.00	\$2,056.25	\$2,056.25	\$0.00	\$2,056.25	\$47,943.75
I	District/City of Sacramento Joint use Aquatics Facility	\$1,000,000.00		\$0.00		\$0.00	\$1,000,000.00
	<b>Total Open Projects</b>	<b>\$106,441,212.24</b>	<b>\$20,951,283.74</b>	<b>\$78,911,196.58</b>	<b>\$8,903,730.29</b>	<b>\$87,427,623.95</b>	<b>\$18,626,285.37</b>
	<b>New Allocations on August 23, 2017</b>						

**Measure J Closed Projects**

Project Numbers	Description	August 23, 2017 Board Approved	Current Year to Date Spending	Total Project Expenditures	Encumbered	Total Committed Funds	Project Balance
						\$0.00	
	Total Closed Projects	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00

**Measure J Future Projects**

Project Numbers	Description	August 23, 2017 Board Approved	Current Year to Date Spending	Total Project Expenditures	Encumbered	Total Committed Funds	Project Balance
	Remaining Projects from the April 1, 2015 Board Approved FMP List	\$20,619,999.51		\$0.00		\$0.00	\$27,320,083.00
	Total Future Projects	\$20,620,000	\$0.00	\$0			\$27,320,083
<b>Grand Totals</b>		<b>\$127,061,211.75</b>	<b>\$20,951,283.74</b>	<b>\$78,911,196.58</b>			<b>\$45,946,368.37</b>

## Citizens' Bond Oversight Committee Report

**Project:** Certificates of Participation (COP)

**Project Summary:** In April 2015, the School Board authorized Certificates of Participation (COP), a type of loan that serves as a bridge-financing method, for the construction of Natomas Charter STAR Academy, not to exceed \$10 million. In March 2017, the Board approved using Measure J bond funds for the COP, which was paid off in August 2017.

**Records Inspection:** Records were inspected by the Finance Subcommittee members remotely. Jennifer Mellor, NUSD facilities and planning technician, emailed Finance Subcommittee members the following materials for review:

- April 29, 2015, Board agenda materials showing COP approval.
- March 22, 2017, Board agenda materials showing approval of Measure J allocation for COP.
- July 19, 2017, Board agenda materials showing approval of COP payoff.
- Account activity report showing August 1, 2017 payment.
- Reconciliation document from Governmental Financial Strategies consulting firm showing breakdown of COP payment.

The District received \$8,000,000 for project costs through the 2015 COP, with a financed amount of \$8,995,000 (including capitalized interest, underwriting, and other costs).

In order to pay off the COP early and avoid additional interest costs, the District "bid" out paying the COP through an escrow account. The lowest bidder came in at \$9,195,329.18. Of this amount, \$148,835.44 was returned to the District, leaving the net payoff amount of \$9,046,493.74, with an effective borrowing rate of 6.93%.

The costs of prepayment include consultant costs, the cost of opening an escrow account, the cost of bidding, and legal fees. These costs total \$16,650.

**Comments:** The facility needs of the Natomas Unified School District cannot be overstated. After a decade-long moratorium on building construction, the District secured passage of Measure J in 2014, which authorized \$129 million in bond funds to support an estimated \$400 million Facilities Master Plan. The District has since embarked on an aggressive construction schedule, with multiple projects now underway.

The scope and speed of this effort has prompted the District to secure waivers from the State Board of Education to allow the District to take on additional bond debt. Additionally, the District issued Certificates of Participation to complete construction for Natomas Charter School STAR Academy sooner, avoiding escalating construction cost increases as high as \$2,237,589.69.

The CBOC discussed COP financing at several committee meetings over the past three years. The conversation with District staff generally involved two issues:

1. Did the Measure J ballot measure authorize repayment of a COP (including interest and related underwriting costs) using bond funds?
2. Is it efficient to use borrowed money (Measure J bonds) to pay for other borrowed money (COPs) over a long period of time?

Those discussions have been memorialized in CBOC meeting minutes available on the District website.

While the Bond Project List in the Measure J ballot language provides “the greatest amount of flexibility possible to lease, purchase, develop, and finance charter school facilities,” Measure J did not explicitly state that bond funds will be used to pay for other financial instruments, such as COPs. This does not mean that Measure J prohibited repaying the COP with bond funding, but the CBOC believes that such arrangements could be made clearer. We note the District previously used Measure D funds to pay off a 2005 COP.

The efficiency issue also is not clear cut. The Board is implementing an ambitious Measure J project list within the limited resources of bond fund availability. It is within the Board’s purview to start multiple projects simultaneously using Measure J funds, as well as using supplemental financing to complete construction. The Board may also wish to take on fewer projects at a time, and only to the extent that bond funds are available to complete construction for each project.

In the case of the 2015 COP, the District used supplemental financing to speed construction of Natomas Charter STAR Academy, but spent approximately \$1 million on interest and other financing costs related to the COP that could have theoretically been used for other Measure J priorities.

**Recommendation:** We recommend future bond measures explicitly state that bond proceeds can be used to pay for costs associated with Certificates of Participation, or other financial instruments, so voters can determine whether those costs are appropriate to include in the bond measure.

Respectfully Submitted,

---

Danielle Marshall

---

Bob Moreno

---

Eric Stern



## Measure J Standing Sub-Committees

<b>Open Projects</b>	<b>Project No.</b>	<b>Member 1</b>	<b>Member 2</b>	<b>Member 3</b>
Star Academy	201	Eric Stern	David Kawada	
Westlake Charter K-8	202	Danielle Marshall	Bob Moreno	
Security Cameras & Lighting Upgrades	207J, 210	Anita Lopez	Christopher McGreal	
Bannon Creek Upgrades	208	Eric Stern	David Kawada	
Leroy Greene Academy	211	Eric Stern	David Kawada	
Heron	212			
Two Rivers	215	Eric Stern	Christopher McGreal	
Natomas High School	214	Anita Lopez	Eric Stern	Bob Moreno
Discovery High	217	Christopher McGreal	Danielle Marshall	
Natomas Park	218			
Hardscape Repairs	219			
Annual Report & Audit		Anita Lopez	Eric Stern	
Finance (approved 8-22-16)		Eric Stern	Danielle Marshall	Bob Moreno

Updated August 28, 2017