

Governing Board

Grossmont-Cuyamaca Community College District

Telephone: 644-7682

Action

**Subject: RESOLUTION 13-006
SCHOOL BOND FUNDING METHODS**

Date: AUGUST 21, 2012

1. PROPOSAL

Adopt Resolution 13-006 School Bond Funding Methods to comply with the San Diego County Taxpayers Association's financing mechanism policy, as recommended by the Chancellor.

2. INFORMATION IN SUPPORT OF PROPOSAL

a. Summary of Issue

On August 7, 2012, upon adoption of Resolution 13-004 Ordering an Election and Establishing Specifications of the Election Order, by the Grossmont-Cuyamaca Community College District (GCCCD) Governing Board, the District submitted an application for consideration of endorsement to the San Diego County Taxpayers Association (SDCTA). As part of the evaluation and accountability process, SDCTA requires a Board resolution regarding the District's financing mechanism for General Obligation bonds.

The District does not engage in financing mechanisms opposed by the SDCTA. The District has determined it appropriate to adopt Resolution 13-006 ([Attachment A](#)) as recommended by the SDCTA.

b. Background

SDCTA recently became aware of a new financing mechanism which had not seen before: Capital Appreciation Bonds (CABs) with long term maturity rates up to 40 years. CABs with long term maturity rates result in significant debt burden for the taxpayer and are more expensive than more traditional financing methods. This raised concerns so SDCTA researched and considered the issue so that it could inform our members, help educate the public and offer recommendations protecting the taxpayers' interests. Following the study of CABs, the following policy was adopted by SDCTA:

SDCTA opposes the use of Capital Appreciation Bonds with maturities greater than 25 years as a financing mechanism for General Obligation bonds because of the increased debt burden on taxpayers. CABs with maturities of 25 years or less should only be pursued if it can be demonstrated that its use will result in less debt service than other financing instruments. Other financing options that should be compared to the potential use of CABs include voter approved tax increases, including voter approved bond reauthorization. Defensible assumptions for growth in assessed value shall be used for development of any proposed financing method.

Recommended:

Approved for Consideration:

Sue Rearic, Vice Chancellor Business Services

Cindy L. Miles, Chancellor

Docket Item No.

306.1

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c. **Support of Strategic Planning**

- (1) Efficient and effective operation of the District;
- (2) Sound fiscal management, fiscal stability, and accountability.

d. **Fiscal Impact**

SDCTA endorsement increases the successful chances of a successful bond measure, which will generate \$398 million of funds restricted to the repair and upgrade of District facilities-related equipment and infrastructure.

No District funds may be used to advocate for the passage of the bond. District funds may be used to provide information to the public and to register voters as long as there are no District-financed efforts to advocate for the passage of the bond.

3. BOARD ACTION

The Governing Board grants authority to take action as specified in Item One of this docket exhibit.

Docket Item No.

306.2