

PLACE:	25 CHURCHILL AVE., PALO ALTO, CALIFORNIA ROOM A	PALO ALTO UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION
DATE:	<b>AMENDMENT</b> WEDNESDAY, AUGUST 5, 2009	<b>AGENDA</b>
TIME:	<del>11:00 A.M. OPEN SESSION</del> <b>12:30 P.M. OPEN SESSION</b>	SPECIAL MEETING

Most Board of Education meetings are cablecast live on cable services CHANNEL 28 and webcast live on <http://communitymediacenter.net/watch/schedules> Board materials are available for review on the district web site at <http://www.pausd.org/community/board/agenda.shtml> or at the District Office, 25 Churchill Avenue, Palo Alto, CA 94306.

Meetings are also available on demand at [http://www.communitymediacenter.net/watch/pausd\\_webcast/PAUSDondemand.html](http://www.communitymediacenter.net/watch/pausd_webcast/PAUSDondemand.html)

Should you need special accommodations to participate in the meeting, please contact the Superintendent's Office at 650.329.3737 or [kruegsegger@pausd.org](mailto:kruegsegger@pausd.org) Community members wishing to address the Board are allotted *THREE minutes per speaker*. Should more than 20 people wish to address any one topic, the Board may elect to allot *a shorter time per speaker*. Materials presented at the Board meeting will be copied and provided to Board members after the meeting.

*Additional instructions are listed on the back page of this agenda.*

## STRATEGIC PLAN GOALS

- A** **ACADEMIC EXCELLENCE AND LEARNING**  
Create an exceptional learning environment that engages, challenges, and supports all students so that they thrive and achieve their academic potential every year, while preparing them to pursue college and other post-secondary opportunities to be global citizens.
- B** **STAFF RECRUITMENT AND DEVELOPMENT**  
Create an exceptional teaching environment by recruiting, developing, and retaining the most talented staff.
- C** **BUDGET TRENDS AND INFRASTRUCTURE**  
Be prudent stewards of our resources through rigorous planning and budgeting and build further resources by enhancing public and private support for public education.
- E** **GOVERNANCE AND COMMUNICATION**  
Create a focused, transparent governance process that is a model of informed communication and decision making.

### I. OPENING AUGUST 4, 2009

- A. Call to Order 11:00 A.M.

### II. INFORMATION / DISCUSSION / ACTION ITEMS

- A. Establishment of Tax Rate for District Bonds for the 2009-10 Fiscal Year Action 1  
The Board will discuss setting the rate for the June 3, 2008, bonds. This item was discussed at the August 4, 2009, special meeting.
- B. Resolution 2009-10.01 - Authorizing the Completion and Submission of an Application for Qualified School Construction Bond Allocation from the California Department of Education Action 2  
The Board will discuss adopting the resolution which allows the district to apply for a bond allocation from the California Department of California. This is a lottery process with results to be announced on August 28. This item was discussed at the special meeting of August 4, 2009.

### III. ADJOURN

**BOARD OF EDUCATION**

**Attachment: Action**

**1**

**PALO ALTO UNIFIED SCHOOL DISTRICT**

**Date:**

**08.05.09**

**TO:** Dr. Kevin Skelly, Superintendent of Schools

**FROM:** Bob Golton, Co-CBO and Bond Program Manager

**SUBJECT:** Establishment of Tax Rate for District Bonds for the 2009-10 Fiscal Year

### **BACKGROUND**

Last week, the District received, from the County Controller-Treasurer's Department, the General Obligation Debt Service Schedule for the Palo Alto Unified School District for 2009-2010. The CY rate is shown as \$37.80/\$100,000AV for the June 6, 1995, bonds and \$2.50/\$100,000AV for the June 3, 2008, bonds. The total is therefore \$40.30/\$100,000AV.

The Tax Rate Statement for the June 3, 2008, bonds stated the following: "The District intends to structure the proposed bonds so the estimated combined tax rate needed to repay all of the District's bonds will not increase as a result of the issuance of the proposed bonds." The combined tax rate for the bonds during the 2007-08 fiscal year was \$44.50/\$100,000AV. The District therefore wishes to hold the tax rate at \$44.50/\$100,000AV or less.

While the combined tax rate for 2009-2010 is less than \$44.50/\$100,000AV, the District's investment advisor for these bonds, RBC Capital Markets, projects that the rate just for the bonds already issued, will rise beyond \$44.50/\$100,000AV in future years. We therefore wish to create an additional reserve amount this year that can be applied to future years' payments.

### **PROPOSAL**

It is proposed that the District request that the County Controller-Treasurer to set the rate for the June 3, 2008, bonds at \$6.70/\$100,000AV and that the additional proceeds be used to increase the reserve for bond payments in future years. The combined amount for the two bonds will then be \$44.50/\$100,000AV.

### **RECOMMENDATION**

This item was discussed on August 4, 2009. It is recommended the Board of Education approve the District request the County to set the rate for the June 3, 2008, bonds at \$6.70/\$100,000AV and that the additional proceeds be used to increase the reserve.

**BOARD OF EDUCATION**

**Attachment: Action**

**2**

**PALO ALTO UNIFIED SCHOOL DISTRICT**

**Date:**

**08.04.09**

**TO:** Dr. Kevin Skelly, Superintendent of Schools

**FROM:** Bob Golton, Co-CBO and Bond Program Manager

**SUBJECT:** Resolution #2009-10.01: Authorizing the Completion and Submission of an Application for Qualified School Construction Bond Allocation from the California Department of Education

### **BACKGROUND**

The American Recovery and Reinvestment Act (ARRA) of 2009, the federal stimulus bill passed in February 2009, provides school districts several new ways to pay the interest obligation on local bonds. One of these is Qualified School Construction Bonds ("QSCBs"), a new category of "tax credit" bonds.

A tax credit bond simply refers to any kind of bond otherwise authorized to be issued by the District under California law, such as general obligation bonds or certificates of participation, where the investor receives a tax credit from the U.S. Treasury instead of tax-exempt interest payments by the District. The investor may use the tax credit to offset any tax obligation owed to the IRS. Because the District does not need to repay principal with interest (or may pay only a very small interest supplement), QSCBs can be issued at a lower overall debt service cost, which may permit the District to borrow more money sooner, accelerate the bond construction program, and achieve savings in construction costs.

Certain significant limitations apply to QSCBs. The bonds may only be issued for specific purposes, generally limited to new construction or rehabilitation of school facilities and related capital costs, including land and equipment, which overlap closely with the District's own voter approved Bond Project List. Refunding of outstanding bonds or COPs is not a permitted purpose. Bond proceeds have to be spent within three years, and costs of issuance cannot exceed 2% of the bond amount. Other limitations also apply, as bond counsel will advise.

To issue QSCBs, the District must receive an allocation from the California Department of Education. CDE has set an application deadline of August 25, 2009, and has limited each district's application to \$25 million of tax credit bonds. Forms and procedures are posted at the CDE website. If the program is over-subscribed, a lottery will be held and the results announced on August 28. In 2010, the cycle will be repeated with the State's allocation for that year. The allocation must be used by December 31.

If the District is awarded an allocation, the District will analyze how and at what costs the bonds can be sold and make a recommendation regarding issuing the QSCBs. If it is decided to proceed further, the District's bond counsel will be requested to prepare appropriate bond documents and present these to the Board for approval at a subsequent meeting.

### **PROPOSAL**

Staff is requesting authorization to prepare and file an application with the California Department of Education seeking an allocation of authority to issue federal tax credit bonds known as "Qualified School

Construction Bonds" in the form of general obligation bonds of the District, in the maximum principal amount of \$25 million. It is unknown at this time whether the District will have the authorization to issue these bonds, if it is authorized the amount of the bonds, and whether or not the District will proceed.

**FISCAL IMPACT**

Unknown at this time.

**RECOMMENDATION**

This item was discussed at the August 4, 2009, special meeting. It is recommended the Board of Education approve this resolution.

**BOARD OF EDUCATION  
OF THE  
PALO ALTO UNIFIED SCHOOL DISTRICT  
COUNTY OF SANTA CLARA, STATE OF CALIFORNIA**

**Resolution No. 2009-10.01**

**RESOLUTION AUTHORIZING THE COMPLETION AND  
SUBMISSION OF AN APPLICATION FOR QUALIFIED SCHOOL  
CONSTRUCTION BOND ALLOCATION FROM THE CALIFORNIA  
DEPARTMENT OF EDUCATION**

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**WHEREAS**, the federal American Recovery and Reinvestment Act of 2009 authorizes the designation of certain bonds issued by or on behalf of public schools as “qualified school construction bonds” (“QSCBs”), which will provide federal income tax credits to investors, as an alternative to issuing bonds that bear interest exempt from federal income taxes, and thus may eliminate or significantly reduce the interest cost associated with financing public school facilities; and

**WHEREAS**, QSCB proceeds may be spent on the construction, rehabilitation, or repair of public school facilities, the acquisition of land on which such a facility is to be constructed with part of the QSCB proceeds, or the acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired with QSCBs proceeds; and

**WHEREAS**, prior to issuing bonds designated as QSCBs, a California school district must receive authorization from the California Department of Education (“CDE”) upon proper application to the CDE pursuant to procedures established thereby, submitted no later than August 25, 2009, which authorization shall not exceed \$25,000,000;

**WHEREAS**, the CDE procedures require that the governing board of a local education agency submitting an application must certify through a resolution that the local education agency has satisfied or will satisfy certain requirements with respect to the QSCBs; and

**WHEREAS**, the voters of the Palo Alto Unified School District (the “District”) approved a bond measure at the election held on June 3, 2008, known locally as “Measure A,” authorizing the issuance of \$378,000,000 in principal amount of bonds of the District (of which \$119,999,248.80 has been issued), the proceeds of which may be spent on the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, as specifically described in the Measure A Bond Project List; and

**WHEREAS**, this Board of Education desires to issue a portion of the Measure A Bonds and to designate such bonds as QSCBs, in an aggregate principal amount not exceeding \$25,000,000, in order to finance additional qualifying Measure A Projects (the “QSCB Projects”); and

**WHEREAS**, the District expects to pay certain expenditures in connection with the QSCB Projects prior to the issuance of the QSCBs and expects that certain of the proceeds of the QSCBs will be used to reimburse those expenditures;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Education of the Palo Alto Unified School District, as follows:

**Section 1. Recitals True.** All of the recitals herein contained are true and correct and the Board of Education of the District so finds.

**Section 2. Authorizing Application for QSCB Allocation.** The Superintendent of the District, the Co-Chief Business Officer of the District, and such other officer or employee of the District as either of the named officers may designate (the "Authorized District Representative"), are each hereby authorized and directed, on behalf of the District, to do any and all things which they may deem necessary or advisable in order to properly apply to the CDE for QSCB allocation in an amount not exceeding \$25,000,000, in substantially the form on file with the Clerk-Secretary of the Board of Education, with such changes therein as the Authorized District Representative executing the same may require or approve, such approval to be conclusively evidenced by the execution and filing thereof. Neither this resolution nor a submitted application for QSCB allocation shall be deemed to commit the District to issue any bonds.

**Section 3. Required Certifications.** As required by the CDE, the Board of Education of the District hereby certifies, with respect to the proposed QSCB financing, as follows:

- (a) 100% of the available project proceeds of the QSCBs received by the District will be used for (i) construction of public school facilities (ii) rehabilitation or repair of public school facilities, (iii) acquisition of land on which public school facilities will be constructed with proceeds of issuance, or (iv) acquisition of equipment related to the project(s) constructed or rehabilitated with proceeds of issuance, or otherwise in accordance with the requirements of the Internal Revenue Code of 1986 and applicable regulations;
- (b) The District reasonably expects (i) that 100% of the available project proceeds of the QSCBs received by the District will be spent for one or more qualified purposes within three years of date of issuance of the QSCBs, and (ii) that the District will incur a binding commitment with a third party to spend at least 10% of the available project proceeds of the QSCBs within six months of the date of issuance of the QSCBs;
- (c) All laborers and mechanics employed by contractors or subcontractors on projects funded by QSCB proceeds shall be paid wages and fringe benefits at rates not less than those prevailing on similar projects in the locality (federal Davis-Bacon prevailing wage rules apply);
- (d) Applicable State and local law requirements governing conflicts of interest are satisfied with respect to the proposed QSCB issue, and if additional conflict of interest rules are imposed by Internal Revenue Service regulation, such additional rules will be satisfied with respect to the QSCB issue;
- (e) Within 15 days of the QSCB issuance, the District will submit a copy of IRS Form 8038, Information Return for Tax-Exempt Private Activity Bonds, to the CDE;
- (f) At the conclusion of the QSCB projects, a completion report will be submitted to the CDE;
- (g) In the event that the District does not issue the QSCBs in the full amount of authorization by December 31, 2009, the Board of Education declares that any and all unused portion of the authorization, without further action, shall revert to the CDE, to be allocated or re-allocated as determined by the CDE in its sole discretion; and
- (h) The District will comply with the provisions of California Education Code Sections 17150-150.1 and 42133, to the extent such sections are applicable.

**Section 4. Declaration of Intent to Reimburse.** The District hereby declares its official intent to use proceeds of the QSCBs to reimburse itself for expenditures incurred on QSCB Projects prior to the issuance of the QSCBs. This declaration is made solely for purposes of establishing compliance with the requirements of

Section 54A(d)(2)(D) of the Internal Revenue Code of 1986. This declaration does not bind the District to make any expenditure, incur any indebtedness, or proceed with any QSCB Projects.

**Section 5. Ratification of Actions.** All actions heretofore taken by the officers, employees and agents of the District with respect to the proposed QSCBs are hereby approved, confirmed and ratified.

**Section 6. Further Authorization.** The President of this Board of Education, the Clerk-Secretary of this Board of Education, the Superintendent of the District, the Co-Chief Business Officer of the District, and other officers and employees of the District, are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution.

**Section 7. Effective Date.** This Resolution shall take effect from and after its date of adoption.

**PASSED AND ADOPTED** this day, August \_\_\_\_, 2009, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

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President of the Board of Education  
of the Palo Alto Unified School District

Attest:

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Clerk-Secretary of the Board of Education of  
the Palo Alto Unified School District

CLERK-SECRETARY'S CERTIFICATE

I, Kevin Skelly, Clerk-Secretary of the Board of Education of the Palo Alto Unified School District, County of Santa Clara, California, do hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly held at the regular meeting place thereof on the \_\_\_\_th day of August, 2009, of which meeting all of the members of said Board of Education had due notice and at which a quorum thereof was present; and at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of said meeting was posted at least 72 hours before said meeting at 25 Churchill Avenue, Palo Alto, California, a location freely accessible to members of the public, and a brief description of said resolution appeared on said agenda. A copy of said agenda is attached hereto.

I further certify that said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand this \_\_\_\_\_ day of August, 2009.

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Clerk-Secretary of the Board of Education of  
Palo Alto Unified School District