Honorable Bryan C. Walsh, Presiding Judge
Santa Clara County Superior Court, State of California
191 North First Street
Santa Clara, CA 95113

RE: Findings and Recommendations from the 2012-2013 Santa Clara County Civil

Dear Honorable Bryan C. Walsh:

Enclosed please find responses to the Findings and Recommendations from the 2012-
2013 Santa Clara County Civil Grand Jury Final Report, Our School Districts Do Not
Need Zeros, dated June 10, 2013. The responses contained herein are submitted as
responses of both the Santa Clara Unified School District Superintendent and the
Santa Clara Unified School District Board of Trustees.

In drafting this response, the Board and Superintendent reviewed appropriate policies,
codes and guidelines, and applied all to the Grand Jury’s Findings and
Recommendations on the enclosed response.

If there is any need for clarification, please feel free to contact me directly by phone
at 408-423-2005, by email at rose@scusd.net or directly by mail.

Yours very truly,

Stanley Rosc III, Ed.D.
Superintendent

Copy: Board of Trustees

G.6.2

“The mission of Santa Clara Unified School District is to prepare students
of all ages and abilities to succeed in an ever-changing world.”
FINDINGS AND RECOMMENDATIONS FROM THE 2012-2013 SANTA CLARA COUNTY CIVIL GRAND JURY FINAL REPORT, OUR SCHOOL DISTRICTS DO NOT NEED ZEROS
June 10, 2013

FINDINGS AND RECOMMENDATIONS

Finding 1. CABs shift large, compounding interest costs to future taxpayers and will inevitably compound the burdens school districts face in operating effective schools for their students in the future.


Recommendation 1. Each school district in Santa Clara County should adopt a Board Policy and any necessary administrative regulation indicating its intent to comply with the moratorium called for by the State Treasurer and the State Superintendent of Public Instruction.

District Response: As demonstrated in the 2012-2013 Santa Clara County Civil Grand Jury Final Report, Our School Districts Do Not Need Zeros, Santa Clara Unified School District did not issue Capital Appreciation Bonds (CABs) between 2007 and 2013, and the District has no plans to issue CABs. Given that legislative action on this topic, AB-182, was signed into law by the Governor on October 2, 2013, the District's Board of Trustees affirms and will abide by the new law.
Date: October 24, 2013

Type of Agenda Item: ACTION

To: Board of Trustees

From: Stanley Rose III, Ed.D., Superintendent


Administrative Summary:

The Santa Clara County Civil Grand Jury (the Grand Jury) investigated a complaint questioning the use of “Capital Appreciation Bonds” or CABs by the Luther Burbank School District (Luther Burbank). Capital Appreciation Bonds are bonds where payment of some or all of the interest is deferred, allowing the unpaid interest to compound. If all of the interest is deferred, these are also called Zero Coupon Bonds or “Zeros.” The issuer of a conventional bond agrees to pay interest periodically. In contrast, the interest on a CAB is deferred and compounded resulting in significantly higher repayment costs.

The Grand Jury found that CABs shift large, compounding interest costs to future taxpayers and will inevitably compound the burdens school districts face in operating effective schools for their students in the future. The Grand Jury recommends each school district in in Santa Clara County should adopt a Board policy and any necessary administrative regulation indicating its intent to comply with the moratorium called for by the State Treasurer and the State Superintendent of Public Instruction.

Although Santa Clara Unified School District did not issue Capital Appreciation Bonds (CABs) between 2007 and 2013 and although recent legislative action on this topic, AB182, was signed into law by the Governor earlier this month, the district is required to respond to the Grand Jury regarding their Findings and Recommendations.

Recommendation:

It is recommended that the Board approve the response to the Finding and Recommendations from the 2012-2013 Santa Clara County Civil Grand Jury Final Report, Our School Districts Do Not Need Zeros.