

Savanna School District

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ANAHEIM, CALIFORNIA 92804-4798
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August 20, 2014

The Honorable Glenda Sanders
Presiding Judge
Orange County Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Re: Savanna School District's Response to 2013-14 Orange County Grand Jury Report, "School Bonds – The Untold Story of Assessed Values"

To the Honorable Glenda Sanders:

In accordance with California Penal Code section 933.05, the Orange County Grand Jury has requested that the Savanna School District ("District") respond to Findings 1, 2, 3, 5, 6, 7, and 8, and Recommendation 1 in the 2013-14 Orange County Grand Jury Report entitled, "*School Bonds – The Untold Story of Assessed Values.*"

Finding 1: Taxpayers in the Westminster, Cypress and Savanna Elementary School Districts will potentially be faced with significantly higher tax rates in future years to repay school construction bonds.

District Response to Finding 1: This finding is very speculative. The District is unable to determine whether there is a factual basis for this finding. Based on historical data, no school districts in Orange County have exceeded their general obligation bond tax rates for the past 40 years. Based on the Grand Jury's own data, the use of the term "significantly higher" with respect to tax rates is misleading. Even using the Grand Jury's data and projections, the projected and speculative tax increases are, on an annual basis, very small ranging from \$15.70 in the Westminster School District to \$50.63 in the Savanna School District. Based on the foregoing, the District is unable to agree or disagree with this finding.

Finding 2: The funds raised through these school bonds for the Westminster, Cypress and Savanna Elementary School Districts have been spent on much needed capital improvements. All three of these districts were faced with schools that in some cases had not been renovated in over 50 years. These districts are making tremendous progress in bringing their schools up to a 21st Century standard.

District Response to Finding 2: The District agrees with this finding.

Finding 3: Savanna Elementary School District received a waiver from the State Board of Education in July 2012 to exceed the bonded indebtedness limit of 1.25% of assessed values (AVs). Savanna applied for the waiver before exceeding the bonded indebtedness limit.

District Response to Finding 3: The District agrees with this finding.

Finding 5: The 20 year average for growth in AVs for the Savanna, Cypress and Westminster Elementary School Districts are approximately 4% per year.

District Response to Finding 5: The District agrees that over a 20 year period, the average assessed value growth rate within the District was approximately 4% per year. However, a more appropriate time period to consider would be 30 to 40 years.

Finding 6: The assumptions made for the expected growth in AVs in the future years has a very significant effect on the corresponding tax rates. For example, in the Savanna Elementary School District, the tax rate will be \$60.74 per \$100,000 of AV in the year 2052 if the AVs continue to grow at an average of 4% per year. The tax rate falls to \$20.04 per \$100,000 of AV in the year 2052 if the AVs grow at an average rate of 7%.

District Response to Finding 6: The District disagrees with this finding. The District is unable to verify the accuracy of the information contained in the Finding.

Finding 7: The homeowners and property owners will pay additional taxes of \$2,025, \$809 and \$628 per \$100,000 of AV over the term of the bonds in the Savanna, Cypress and Westminster Elementary School Districts respectively if AVs continue to grow at the historical rate of 4%.

District Response to Finding 7: The District disagrees with this finding. The District is unable to verify the accuracy of the information contained in the Finding. The District also points out that this "Finding" is highly speculative and based on extremely limited criteria.

Finding 8: The methodology used by the Savanna, Cypress and Westminster Elementary School Districts to estimate the future growth rates for AVs does not appear to be reliable to the Grand Jury. Savanna and Cypress relied on average growth of AVs over a 35-year period. The first 10 to 15 years of this historical data includes a considerable amount of original development, thereby inflating the average AV growth rate. Westminster developed an estimate of AV growth that appears to have no historical or factual basis. AV growth is projected to average around 6% from the years 2017 – 2041, and then tails off dramatically for the last 10 years of the bonds, averaging less than 2%. Using this estimate, Westminster projects the district will never exceed the legal tax rate of \$30 per \$100,000.

District Response to Finding 8: The District disagrees with this finding. The District is unable to verify the accuracy of the information contained in this Finding. The District is of the view that the data that it used to project future assessed value changes was factual and historically grounded and was, and is, reasonable.

Recommendation 1: All school districts in Orange County should include a clear explanation of the assumed future growth rate of assessed values in the bond election materials made available to voters for future bond issues. This explanation should reference the *relevant* historical assessed value data for the individual district. For instance, if the district is fundamentally built out, the historical assessed value data should not include years with significant development because that is not indicative of the district's current and future situation.

District Response to Recommendation 1: The District agrees that a clear explanation of the assumed future growth rate of assessed values in general obligation bond election

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materials made available to voters is a good recommendation for school districts. The District also agrees that the explanation should reference relevant historical assessed value data for the individual district. However, the District cannot determine if there is a factual basis for the remainder of the recommendation. The District also points out that under existing provisions and limitations of the California Elections Code that the furnishing of such data to voters in a ballot pamphlet ("bond election materials") may not be possible. Whether or not the recommendation will be, or can be, implemented will, in part, depend on future legislative changes and guidance from legal counsel.

If you have any further questions or need additional information, please contact my office at (714) 236-3800.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sue Johnson", with a long horizontal flourish extending to the right.

Dr. Sue Johnson
Superintendent

cc: Orange County Grand Jury
700 Civic Center Drive West
Santa Ana, CA 92701

Wendy Benkert, Ed.D.
Associate Superintendent, Division of Business Services

Ronald D. Wenkart, Esq.
General Counsel