



October 20, 2011

The Honorable Richard Barrera and Members of the Board of Education
San Diego Unified School District
4100 Normal Street
San Diego, California 92103

SUBJECT: POSSIBLE SCHOOL CLOSURES

Dear Honorable Trustees:

The Board of Education at its September 14th meeting has adopted a process that may lead to the closure and/or realignment of ten schools with a final decision to be made in December 2011. Therefore, during its September 15, 2011 meeting, the ICOC voted to make the following recommendation to the Board of Education:

If there is a decision to close selected schools:

- There should not be any additional Proposition S funded construction work done on schools to be closed.
- Any saved money from canceled construction work should not be used for new projects or to reshuffle existing project sequencing or priorities.
- Any saved funds should be used to accelerate existing Proposition S projects in accord with original priority sequencing.

The ICOC has consistently reported that there will not be sufficient funds to complete all work listed in the Proposition S ballot as referenced in the 2009 and 2010 ICOC annual reports based on the Total Indicated Costs (TIC) report. The most significant factor in the TIC risk adjusted cost projections is how soon construction can be completed. Based on an analysis presented to the ICOC by the district's financial advisors, Loop Capital and Keygent Advisors, current TIC projections may be overly optimistic.

As reported in the ICOC October-December 2010 Quarterly Status report:

- The best-case cost projection scenario, which shows a \$10 million funding shortfall, is based on completing the Proposition S program by 2019.
- The worst-case cost projection scenario, which shows a \$140 million funding shortfall, is based on completing the program by 2024.
- Loop Capital's October 2010 presentation to the ICOC showed the expected last issuance of Proposition S bonds would be between 2021 and 2028. Final funding

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may not be available until 2–4 years beyond current best-case and worst-case cost projections.

Keygent's September 29, 2011 presentation to the ICOC Finance, Planning & Controls subcommittee used more conservative analysis assumptions that indicated that the earliest that bonds could be sold is between 2028 and 2032. This is 8–9 years beyond current best-case and worst-case cost projections.

Cost projections and financial analysis will be revised in the next several months using updated data; however, there are no indicators that the ability to complete all promised work will improve. Any and all achieved cost savings should be focused on delivering the promises made by Proposition S in accord with original sequencing priority of projects.

Respectfully,

ICOC Chairman, Gil Johnson

GJ:LG:ac