February 21, 2013

Jennifer Rubin posts on a Sunday debate between George Will and Newt Gingrich on the president's right to an awful defense secretary. Pickerhead thinks it is good to have a clear match between the two. At the beginning of this administration the well qualified Bob Gates was clearly mismatched. Now we can watch as the fools compliment each other. Rubin disagrees.

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The GOP senators need to keep in mind that the phrase is not to "support and defend the Constitution of the United States against all enemies, foreign and domestic, unless I have to block someone unfit to run the Pentagon." There is no "comity" exception to their oath, and they risk losing their own standing as defenders of defense by rubber-stamping what Ruth Marcus (on the same roundtable) rightly called an "appalling" performance. ("I was going to go with execrable, but I'll settle for appalling. It was an appalling performance.")

Really, why have hearings if you can turn in a performance such as Hagel's and still get the job?

Melody Petersen, a reporter for the Orange County Register, reveals the details of the capital appreciation notes being issued by CA school districts. **Pickings of February 12th** led with the story of these frauds with this headline - ***The NY Times*** *says the spirit of barack obama lives in CA school districts.*

In early 2008, residents of Placentia and Yorba Linda approved a $200 million school construction bond after reading those fliers and being assured repeatedly that "their money will be spent wisely."

What happened instead was that Measure A led to a debt so large and long lasting that it mortgaged the future of their children's children.

With no public discussion, the school board had hired George K. Baum & Co. and its staff of political strategists to help push the measure through so the district could continue an ambitious building spree.

After the election, the board allowed the bank to sell some of the costliest bonds ever issued by a California public agency. Just one $22 million borrowing from 2011 will cost taxpayers nearly 13 times that amount – $280 million – to repay.

Those bonds, known to Wall Street traders as capital appreciation bonds, are like a loan for which no principal or interest payments are made for 35 years. Interest is charged on a growing pile of unpaid interest, causing the balance to balloon.

"It's another method of pushing debt to future generations," said state Treasurer Bill Lockyer, who compares the bonds to "payday loans."

"I just don't understand how these board members got away with this," said Alexandria Coronado, a former member of the Orange County Board of Education. "These people need to be recalled."

Placentia-Yorba Linda Unified is hardly alone. Bankers from Stone & Youngberg, Piper Jaffray and other firms have traveled all over California in recent years, pushing capital appreciation bonds as a tool to vault over legal debt limits. Hundreds of school districts, including 14 in Orange County, signed up.

But Baum's deals stand out. According to an analysis of data from the state treasurer's office, Baum has issued more than 60 capital appreciation bonds for California school districts since 2007, including the single most expensive such loan. That debt – $283,612 borrowed by San Bernardino County's Rim of the World – will cost future taxpayers 23 times the principal. ...

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... They designed capital appreciation bonds so the district could receive funds but pay nothing until 2031. Most of the money – both principal and interest – is not due until the six-year period ending in 2049 – 38 years after the bonds were sold.

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But recently, investment banks have promoted these delayed-payment bonds to California schools that do not expect such a homebuilding boom. Executives have told school officials that they need not worry about the higher debt payments in the future. They predict that real estate values will appreciate faster in the future, keeping tax rates from escalating.

"Long-term CABs help a school district better manage its annual tax by shifting debt payments to future years when assessed values are likely to be higher," advises Stone & Youngberg, a San Francisco investment bank, in an online guide for California schools.

At the same time, Wall Street analysts have been promoting these bonds to investors.

In June 2011, Vikram Rai, an analyst at Citigroup, advised the bank's clients to invest in capital appreciation bonds issued by California schools because of their high interest rate. Rai said last fall that the bonds were so attractive that even foreign investors were buying them.

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Andrew Malcolm with late night humor.
Letterman: *The Westminster Dog Show was in town this week. Very exciting. The winning dog got a blue ribbon and a toilet full of champagne.*

Leno: *When you think about it, Tiger Woods and President Obama have something in common. Both got in trouble because of their stimulus package.*

Letterman: *Show of hands, everyone. How many of you watched President Obama's State of the Union speech just for the commercials?*

Leno: *President Obama visited a pre-school in Georgia the other day. And all the kids had the same question, "Shouldn't you be working?"*

Right Turn
The right to an awful defense secretary?
by Jennifer Rubin

Sunday, on ABC's "This Week," there was an interesting debate during the roundtable on the deference owed to a president on his Cabinet picks.

George Will made the case that "most sensible Republicans believe that a president is owed vast deference in picking his Cabinet because the Cabinet leaves when he leaves and the Cabinet exists to implement his policies. Neither is true of judicial appointments, for example." he concluded, "Now, Chuck Hagel took that principle and made it really hard to subscribe to with this appalling performance in his hearing. Nevertheless, if the president wants a terrible Secretary of Defense, he's got a right to him."

In rebuttal, Newt Gingrich argued:

Well, there's a secondary part of this, which I think George would subscribe to. The Constitution divides power. This is one of the first occasions where you see the Republicans in the Senate get together and say, you know, we want to remind the executive branch that you have to have some deference to us.

I mean, Lindsey Graham's point is, tell us the rest of the Benghazi story. Other folks would like to know more about where did Hagel's money come from.

I don't find it unseemly to say to a potential Secretary of Defense or Secretary of Treasury, tell me what you've been doing, where your money has come from while you've been out of public office.

Gingrich, on this occasion, has the better of the argument but perhaps does not go far enough.

As a preliminary matter, the Constitution does not give the president the sole power of appointment; Congress must give its advice and consent. Unless this is all for show, hearings and confirmation votes have to mean something; in order to mean something, the potential for rejecting unfit nominees must exist. And Gingrich is correct that extracting information from a recalcitrant president is perfectly legitimate in a confirmation hearing.

In this case there is every reason to flyspeck Hagel's finances. That 2007 Rutgers speech (at which Hagel is accused of labeling the State Department an "adjunct" of the Israeli government) was, as Bret Stephens points out, "co-sponsored by the university's Center for Middle Eastern Studies, chaired at the time by an Iranian-American academic named Hooshang Amirahmadi. The Middle Eastern Studies department was, in turn, generously funded by the New York-based Alavi Foundation." The Alavi Foundation? Well, it is peculiar in the extreme that Hagel would have graced that group with his presence:

"In December 2009, Farshid Jahedi, its president, pleaded guilty to a count of obstructing justice by destroying documents, after the feds charged the foundation with being a front group for the Iranian government and seized foundation assets in the U.S. worth about $500 million."

"For two decades," charged U.S. Attorney Preet Bharara, "the Alavi Foundation's affairs have been directed by various Iranian officials, including Iranian ambassadors to the United Nations, in violation of a series of American laws."

Did this same group pay Hagel for this and/or other speeches? We don't know because Hagel won't tell us.

But let's say that Hagel produced all the required information. Nevertheless, do senators have an independent obligation to stop nominees they honestly believe are incapable of performing their jobs? This, I would argue, is evident in the oath they take. They swear not to defend the president but to defend the Constitution, "against all enemies, foreign and domestic." Does that not entail ensuring a capable civilian to oversee the military?

Sen. John McCain (R-Ariz.) seems to have confused comity — trying to get along in the interests of conducting business — with deference, the deliberate sublimation of one's own judgment, whatever that may be. The former is arguably a virtue, but the latter leads to perverse results. Senators wouldn't vote to confirm someone whose substance-abuse problem made it impossible to perform his or her job; someone with intellectual shortcomings and appalling judgment should also be disqualified if the senators in good faith think these are debilitating. And I don't know how anyone watching that hearing could conclude that Hagel is competent, capable and possessing sound judgment.

Gingrich once again: “This is just such Washington nonsense. You look at what Democrats did to Clarence Thomas. You look at what Democrats did to Judge Bork, you look at the three months that John Tower was hung out to dry by the Senate.”

And he ridiculed the idea that “no matter how stupid Chuck Hagel is, no matter how bad his performance, no matter how much he keeps in secret, we all know he is an honorable man. How do we know that?”

And moreover, stupidity should be grounds for opposition as well.

This dilemma hardly ever arises because — if you want “unprecedented” — we’ve never had a nominee for a top national security post with so many problems in his record, possessing so little acumen and so incapable of responding sensibly to Senate committee members. Usually, if the president has goofed in nominating such a character, he pulls the nomination. This president has not. In such an instance, the obligation to protect the Constitution from enemies, foreign and domestic, falls to the Senate.

The GOP senators need to keep in mind that the phrase is not to “support and defend the Constitution of the United States against all enemies, foreign and domestic, unless *I have to block someone unfit to run the Pentagon*.” There is no “comity” exception to their oath, and they risk losing their own standing as defenders of defense by rubber-stamping what Ruth Marcus (on the same roundtable) rightly called an “appalling” performance. (“I was going to go with execrable, but I’ll settle for appalling. It was an appalling performance.”)

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Orange County Register

The bank, the school and the 38-year loan

The fliers touted new ballfields, science labs and modern classrooms. They didn't mention the crushing debt or the investment bank that stood to make millions.

by Melody Petersen

In early 2008, residents of Placentia and Yorba Linda approved a $200 million school construction bond after reading those fliers and being assured repeatedly that "their money will be spent wisely."

Findings of this investigation;

- Dozens of California school districts signed up for all-inclusive bond programs that circumvented state law and government best practices. Many of them paid underwriting fees twice the national average.
- The schools hired George K. Baum with the understanding that its political consultants would help pass a bond measure in upcoming elections. This violates state law.
- The bank did not disclose the value of its political consultants’ time as a donation in election reports, as required by the state Political Reform Act.

- Most of the schools neither sold bonds through public auctions nor employed independent financial advisers.
- To avoid debt restrictions, the bank designed complex bonds that delayed payments for as long as 40 years.
- The schools sold some of the costliest bonds ever issued by the state's public agencies. San Bernardino County's Rim of the World district will pay $23 for each $1 it borrowed.

What happened instead was that Measure A led to a debt so large and long lasting that it mortgaged the future of their children's children.

With no public discussion, the school board had hired George K. Baum & Co. and its staff of political strategists to help push the measure through so the district could continue an ambitious building spree.

After the election, the board allowed the bank to sell some of the costliest bonds ever issued by a California public agency. Just one $22 million borrowing from 2011 will cost taxpayers nearly 13 times that amount – $280 million – to repay.

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Placentia-Yorba Linda Unified is hardly alone. Bankers from Stone & Youngberg, Piper Jaffray and other firms have traveled all over California in recent years, pushing capital appreciation bonds as a tool to vault over legal debt limits. Hundreds of school districts, including 14 in Orange County, signed up.

But Baum's deals stand out. According to an analysis of data from the state treasurer's office, Baum has issued more than 60 capital appreciation bonds for California school districts since 2007, including the single most expensive such loan. That debt – $283,612 borrowed by San Bernardino County's Rim of the World – will cost future taxpayers 23 times the principal.

Compare that with a 30-year home mortgage with a 5 percent interest rate, which requires payments of about twice the amount borrowed.

"Who borrows money thinking you don't have to even begin to pay interest for 20 years?" asked Kevin Graves of Lake Arrowhead, whose two children graduated from Rim of the World. "The board members knew what they were doing. They did it because there were no consequences."

The story of how Baum pushed California schools into complex bond deals that charged payments to future taxpayers is one of naïve public officials, sophisticated financiers, and laws, rules and guidelines ignored:

•It is illegal for California school officials to hire political consultants with public funds to help pass bond measures. Using the bank's political consultants is not a legal way around that law, according to the state Office of Legislative Counsel.

•Finance experts advise school districts to sell bonds through public auctions to get the lowest interest rate and to employ independent financial advisers to review the details. Placentia-Yorba Linda, like most of Baum's California school clients, did neither.

•State law requires that donated consulting work on an election be reported as an in-kind, or non-cash, political contribution. Baum did not disclose its consulting role on state campaign filings in three elections the Orange County Register reviewed.

Placentia-Yorba Linda Superintendent Doug Domene and all five board members declined repeated requests for an interview. Carol Downey, the board's president, sent a written response prepared by Domene. That statement said the district issued the capital appreciation bonds because it wanted to continue building but did not want to raise taxes. The district's construction effort, which began in 2002, has included four new schools, a football stadium and a 600-seat performing arts center.

Domene added that the district also wanted to take advantage of matching construction funds provided by the state, as well as special financing that is heavily subsidized by federal taxpayers.

"It is our belief that our community benefits from these improvements now and into the future," he wrote.

Robert Dalton, vice chairman of George K. Baum & Co., said in a written statement that the bank has followed "the letter and spirit of the many federal and state laws and regulations that govern our business."

"As underwriters, we have a clear obligation to deal fairly at all times with issuers and we have a duty to purchase bonds from the issuer at a fair and reasonable price," he wrote. "In the extremely competitive market of California school finance, underwriters who do not treat their clients fairly and honestly, quickly lose clients."

BAUM'S OFFER

Placentia-Yorba Linda was four years into a district-wide building plan in 2006 when officials realized they did not have enough money for the classrooms, athletic fields and administrative offices they hoped to build.

They turned to bankers at Baum, a Kansas City, Mo., firm named for the man that founded it in 1928. The executives had already helped the district pass a $102 million bond measure in 2002. This time, school officials wanted to ask voters for even more.

The board rehired Baum, approving the firm's two-page agreement with no discussion.

One word in particular in that agreement put taxpayers at risk.

That word – negotiated – was part of all agreements between the bank and five California school districts that the Register reviewed. With that word, the bank ensured it would be allowed to set the terms of all bonds authorized by voters with the desires of its investor clients in mind.

As an underwriter, the bank buys bonds from the school and then has its traders sell them on Wall Street to mutual funds, hedge funds, insurance companies and individuals. Wealthy Americans have long invested in tax-free bonds as a tax shelter.

Municipal finance experts say school officials often don't realize that the underwriter has investor clients aiming to profit from school bonds.

"A school wants to pay the lowest possible interest rate," said Joy Howard, a government financial adviser in St. Louis. "But if you're an investor, you want the highest rate, and that is a conflict of interest."

In a handbook for school finance officers, the California Association of County Treasurers and Tax Collectors advises school officials to avoid negotiated bond deals. Most studies have found that they cost schools higher interest and underwriting fees. The handbook advises schools to sell bonds in an auction where banks compete by written bids. Schools then can select the bank offering the lowest interest rate the market has to offer.

Michael Bishop, deputy superintendent at Santa Ana Unified, said the district's financial adviser urged it to avoid negotiated bond sales. But Santa Ana had already signed a comprehensive agreement with Baum that included campaign management services and a specification that all bond sales be negotiated. The district could not get out of that requirement, Bishop said, until all bonds authorized by Santa Ana voters in 2008 were sold.

The treasurers' handbook counsels school districts that go ahead with a negotiated sale to hire a financial adviser who is independent from the bank and doesn't have investors to please.

Placentia-Yorba Linda did not do that either.

CREATING A CONSTRUCTION PLAN

A bank that underwrites school debt is paid as bonds are sold. Baum's business model includes a service that keeps schools' construction contractors busy and underwriting fees flowing. The bank helps schools create a construction proposal called a "capital facilities plan." School officials determine what they would like to build in the coming years, and the bank designs a package of debt to fund it.

"When your students count on you," the bank's brochure states, "you can count on George K. Baum & Company."

By early 2011, Placentia-Yorba Linda had spent all but $40 million of the $200 million in bonds that voters had authorized in 2008. But Baum executives had overestimated a key factor – real estate appreciation – that goes into the calculation of tax rates that homeowners pay to support the bonds.

The bank had estimated in 2008, just as home prices were plummeting in Orange County, that property in the district would increase in value by more than 4 percent a year for 25 years. Instead, total assessed values fell by 2 percent between 2008 and 2009, were flat the next year, and rose by about 3 percent in 2011 and 2012.

By 2011, taxes per $100,000 of property value were already above what officials had promised would be the highest rate taxpayers would ever pay for the Measure A bonds. Issuing the rest of the bonds to finish construction would push the tax rate further over that line.

The bankers offered a solution. They designed capital appreciation bonds so the district could receive funds but pay nothing until 2031. Most of the money – both principal and interest – is not due until the six-year period ending in 2049 – 38 years after the bonds were sold.

Capital appreciation bonds, or CABs, have been used in government financing for decades. Experts say they can be useful in cases where a government expects sharply higher revenues in the future, but needs money upfront to build a project. For example, a school district in a fast-growing community where large tracts of homes are planned might use such debt to build a school.

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The result of Wall Street's promotion: an increasing demand and supply of the bonds that have benefited banks and investors while costing future Californians billions.

On the afternoon of Feb. 8, 2011, the Placentia-Yorba Linda board unanimously authorized the superintendent to issue bonds that shifted the schools' funding problem three decades into the future.

A copy of the resolution shows that the amount of capital appreciation bonds to be sold was blank.

ABOVE-MARKET RATES

Inside the bond market, a private place where traders still make bids over the phone, it was quickly apparent that the Placentia-Yorba Linda bonds favored Wall Street investors.

First, the bonds were not callable. That means the district can't ever buy them back to get a better deal.

Second, the bank priced them with interest rates as high as 7.8 percent.

Market indexes of interest rates on March 30, 2011, the day the bonds were sold, show that governments were paying less than 5.5 percent for 40-year bonds that required regular payments of interest. Investors demand a higher rate for capital appreciation bonds, however, because they must wait decades for their money. But experts said the rates that Baum negotiated on most of the bonds – 7.5 percent to 7.8 percent – still appear high. A rate even a quarter of a percent lower would have saved the district millions.

Trading records from the Municipal Securities Rulemaking Board show that some investors who bought the bonds quickly resold them at a profit. One speculator bought $347,500 in bonds from the bank and resold them five days later at a 4 percent profit, more than $14,000.

Tim Schaefer, founder of Magis Advisors, a Newport Beach firm that advises governments on financial deals, said these flips by speculators are "a very strong indicator that the bonds have been mispriced."

One mutual fund company, Franklin Templeton Investments, bought two-thirds of the bonds a few months after they were issued. The fund paid less than $30 million for bonds that will pay out $200 million from 2043 to 2049.

Dalton, Baum's vice chairman, said that the interest rate on Placentia's bonds was similar to what other California schools paid for capital appreciation bonds at that time. He said school officials had decided to make the bonds non-callable to avoid an even higher rate.

"We are very proud of our ability to achieve market interest rate levels for our clients," he said.

Superintendent Domene said that the public should view the cost of all $200 million in bonds issued under Measure A, and not just the capital appreciation bonds, which require future taxpayers to pay nearly $13 for each $1 borrowed. When the other bonds are included, he said, taxpayers will pay $3.45 for each $1 received.

For its work, Baum received a fee of 1.1 percent of the bonds' principal amount, about $2 million for Measure A's $200 million in bonds.

The national average for an underwriting fee on education bonds in 2011, according to a survey by the Bond Buyer, was about half that amount or 0.613 percent. An analysis by state officials found that underwriters in California were paid an average fee of 0.95 percent from 2009 to 2011 on bond issues of the same size that Placentia sold.

"Our fees are in line with California rates," Dalton said in his statement.

POLITICAL CONSULTING

California law is clear: It is illegal for school officials to use public money to hire political consultants to pass bond measures.

You wouldn't know that if you followed Baum executives around the state.

In dozens of presentations, the executives have explained how schools get far more than a bank with decades of experience in bond underwriting. The schools also get step-by-step instructions on putting a bond measure on the ballot, the bankers explain, as well as aid from its political strategists.

If the measure fails, the bank assures schools, they owe nothing.

For dozens of districts, this was too good to pass up.

The bank has "a full-service, in-house election team comprised of a campaign specialist, a pollster, copywriters, graphic designers and database professionals," according to its website.

Its executive team in Sacramento includes Ann Marie Nock, manager of its Bond Election Group. Executives told Fountain Valley school officials in a proposal last year that Nock was "a veteran of over 200 successful elections." Another executive, according to the proposal, is Alan Gafford, a vice president "responsible for developing strategy and executing tactics for school bond elections."

Nock told the Fountain Valley board that its political campaign would be "aggressive" and include phoning voters and walking precincts. In a presentation at Burbank Unified in 2009, Nock said the bank won elections by "marketing the right message" and "creating a sense of urgency" that schools needed money, according to the meeting's minutes.

Downey, the board's president, insisted that Baum's work for Placentia-Yorba Linda did not include political consulting. She said no school funds were paid to Baum for political work.

But documents and interviews show that the bank was deeply involved in the election.

According to a 52-page campaign report the bank's political strategists prepared for Placentia-Yorba Linda officials in 2006, their pollsters surveyed 400 residents by phone to determine their likelihood of voting for the bonds and what political messages worked to persuade them.

The pollsters determined that residents responded more favorably to the message that the bonds were needed to "prepare students for vocational employment as well as college" than to one saying the district needed a "second bond" to "continue upgrading" facilities.

The bank's strategists urged the district to get those residents that its strategists found to be most likely to support the bonds – renters, Democrats, women and parents with young children – to the polls.

Former Baum vice president Gafford confirmed in an interview that he had worked on Placentia's political campaign, including organizing volunteers, recommending designs and messages for signs and literature, and writing the script for phone bank volunteers.

In addition to the political consulting, the bank gave $25,000 to the campaign. Its donation was quickly followed by other large contributions from law firms, architects, construction contractors and other companies hoping to profit from the bonds and building projects. In all, companies from outside the community gave more than 90 percent of the $150,000 collected by the political committee.

A company paying employees to work on a campaign in California must report the value of those services as a contribution, according to the state Political Reform Act. Breaking the law can result in fines of up to $5,000 per violation.

But Baum did not report any in-kind donations for political consulting for the time spent by Nock, Gafford or its pollsters in the elections in Placentia, Santa Ana and Fountain Valley – all campaigns where executives provided many hours of services.

Dalton said the bank began reporting in-kind donations to the federal securities board after it adopted a new requirement in 2010. Asked why no state disclosures were filed, he said, "We have relied on a law firm with expertise in local and federal election law to file our disclosure forms."

Gafford said executives did not try to hide their involvement. "If they wanted technical and professional help, I was there to do that," he said. "There was no secret."

Local volunteers had the final say in the activities, he added: "Parents are the momentum behind these efforts."

Under state law, it is not illegal for a bank to work as a political consultant in a bond election. But school boards are banned from hiring political consultants to push bond measures.

In 2003 and again in 2010, the state's Office of Legislative Counsel was asked whether it was legal for a school district to hire an underwriter based on an oral or written understanding that it would also provide political consulting.

In both cases, the lawyers gave the same answer: such a deal violates the law.

NATIONAL UPROAR

There has been a growing furor over capital appreciation bonds issued by California schools since a Michigan blogger, Joel Thurtell, revealed last year that a district in San Diego County had issued $105 million in bonds that would cost taxpayers nearly $1 billion to repay. In relative terms, Placentia's bonds are even more expensive than those sold by Poway Unified, which require repayments of $9 for each $1 borrowed.

Last month, state treasurer Lockyer and Tom Torlakson, state superintendant of public instruction, urged schools to stop issuing such bonds until the Legislature considers a bill to limit their use.

"The people running school districts are educators and not generally finance experts," Lockyer said. "I don't think they knew what they were getting themselves into."

Michigan outlawed the bonds after Thurtell wrote about their cost in 1993 for the Detroit Free Press.

Underwriters are also facing more scrutiny.

Federal law has long required underwriters to "deal fairly" with governments that hire them and to not use deceptive practices. Because of questions about whether some banks were ignoring the law, the securities board in August issued new requirements for negotiated bond deals. Banks must now disclose any conflict of interest that could sway them from giving schools a fair deal. For example, the bank must disclose whether it has profit-sharing agreements with investors who buy bonds.

The securities board also said banks must tell school officials about the risks of complicated bond deals. A bank that promises schools it will get them the best deal, but fails to do that, the board said, is breaking federal law.

In a recent presentation to Rim of the World's board, Baum offered a new disclosure. At the end of a slide presentation, the bank's executives said they were not the district's "financial advisor or fiduciary... We have certain financial and other interests that differ from those of the issuer."

INCREASED CLASS SIZES

Since Measure A passed in 2008, Placentia-Yorba Linda officials have struggled to find enough money to operate classrooms.

Later that year, the district eliminated some elementary music programs. It has repeatedly forced teachers to take days off without pay. And it has increased class sizes. Before the election, there were enough teachers to have 20 students in each first- and second-grade class, according to budget documents. Now those teachers have 30 students.

The district made those cuts to cope with reduced state funding even as construction firms continued with what officials call a "massive modernization program."

The district has built four new schools since 2008. Still under construction is a $12 million concert hall that will feature a glass lobby and stage large enough for a 230-member choir.

Daily costs are eating up the district's general fund balance, its reserve for operations. In December, the district told the state it may not meet its bills in the next two years.

No bond money can pay for teacher salaries and other operating costs.

In June, Moody's, the rating agency, placed "a negative outlook" on the district's credit worthiness because its debt burden was higher than similar districts. The agency did not reduce the district's bond credit rating – Aa2 – which is just two notches below the top rating. Moody's analysts warned they may lower the rating if the district continues to borrow and spend its cash reserves.

The district is negotiating contracts with two labor unions, Domene said, and hopes to reverse its expected budget shortfalls. "Residents should not be concerned with the financial condition of the district," he wrote in a statement.

A bigger problem may come in the future, long after current school officials have retired or stepped down from the board. If property values do not appreciate fast enough to keep up with escalating bond payments, tax rates will have to go up to pay for 35-year-old classrooms. Future administrations may find it hard to borrow money for new construction.

"How are they going to build schools for children in the future?" asked Schaefer, the financial adviser.

Investors.com

Late Night Humor

by Andrew Malcolm

Letterman: President Obama really got kind of cocky at his State of the Union last week. At the end he showed America his birth certificate from Kenya.

Fallon: A California judge says Kim Kardashian’s divorce trial from Kris Humphries begins on May 6th. While the preshow on E! will begin March 1st.

Fallon: The Grammy Awards were the other night. Gotye won Record of the Year. Parents said, “Who’s Gotye?” While their kids said, “What’s a record?"

Fallon: President Obama gave his annual State of the Union Address. If you're not familiar, the State of the Union is where the president faces Congress and asks them to work together and fix America's problems and Congress says, “No.”

Conan: A new app is out that tells you how smart your dog is. Here’s how it works — If you bought the app, your dog is smarter than you.

Conan: Chinese New Year started the other day. Of course, if we don’t fix our debt, Americans will soon refer to the Chinese New Year as the New Year.

Leno: Pope Benedict is retiring. I guess he took that Notre Dame BCS loss more seriously than we knew.

Conan: Pope Benedict announced that he is retiring. It’s a pretty dramatic change — it means he’ll go from wearing a robe all day to wearing a robe all day.

Conan: In the Grammy category of best spoken word album, ex-President Bill Clinton lost along with Ellen DeGeneres and Rachel Maddow. Afterwards, Clinton said, “It was an honor just to hear my name sandwiched between two lesbians.”

Fallon: Apple CEO and NASA engineer sit with Michelle Obama at the State of the Union. The president was sending a message that if you can’t sit with your wife, surround her with nerds.

Fallon: Hours after Pope Benedict retires lightning struck St. Peters. Pope said, 'I guess that’s a ‘No’ on getting paid for my unused vacation."

Fallon: Picking a new pope next month the cardinals will meet and send white smoke if they succeed, black smoke if not and a text if they find out it's 2013.

Conan: Lean Cuisine recalls some frozen dinners because they may contain glass shards. Too bad because people were really losing weight with those.

Letterman: The Westminster Dog Show was held here in New York City. You know, experts say it's a pretty good indicator of the Academy Awards.

Leno: An interesting break with tradition at the State of the Union in Congress the other night. When Obama walked in, instead of “Hail to the Chief,” they played, "Hey, Big Spender."

Fallon: A new couples tradition developing where they agree there’s no need to exchange Valentine’s gifts because they love each other every day. A tip for the guys: Don’t fall for that! It's a trap!

Letterman: The Westminster Dog Show was in town this week. Very exciting. The winning dog got a blue ribbon and a toilet full of champagne.

Leno: When you think about it, Tiger Woods and President Obama have something in common. Both got in trouble because of their stimulus package.

Letterman: Show of hands, everyone. How many of you watched President Obama's State of the Union speech just for the commercials?

Leno: President Obama visited a pre-school in Georgia the other day. And all the kids had the same question, "Shouldn't you be working?"

Letterman: This week North Korea set off another nuclear bomb. And the next day they said they are very close to developing their own Kardashian.

Conan: TheVatican says when the Pope resigns, he'll no longer be infallible. The Vatican explained, “It’s the same thing that happened to Oprah.”

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We don't have a spending problem.
Food stamps are a sure-fire way to stimulate the economy.
If you like your healthcare plan you can keep your healthcare plan. Period.
You don't need a gun to protetct yourself from rape. It's why we have call boxes, it's why we have safe zones, it's why we have the whistles.
This is the most transparerent administration in history.
we will cut the dficit in half by the end of my first term in office.
we're going to go through our books page by page, line by line to eliminate waste and inefficiency.
Nothing we are proposing should increase our defict by one single dime. Not one dime.
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