CENTER JOINT UNIFIED SCHOOL DISTRICT

BOARD OF TRUSTEES WORKSHOP MEETING
PLANNING AND FACILITIES

LOCATION: Center Joint Unified District Office - Conference Room #5
8408 Watt Avenue, Antelope, California 95843

DATE/TIME: Wednesday, March 12, 2014 @ 5:30 p.m.

AGENDA

I. **CALL TO ORDER/ROLL CALL - 5:30 p.m.**

II. **FLAG SALUTE**

III. **ADOPTION OF AGENDA**

IV. **COMMENTS FROM AUDIENCE DESIRING TO ADDRESS BOARD**
The Governing Board welcomes and encourages public comments. Members of the public may comment on items included on this agenda; however, we ask that comments are limited to 3 minutes so that as many as possible may be heard. (E.C. §35145.5, G.C. §54954.3)

V. **PRESENTATION ON OVERVIEW OF SCHOOL BONDS**

VI. **QUESTIONS AND COMMENTS**

VII. **NEXT STEPS AND NEXT WORKSHOP**

VIII. **ADJOURNMENT**

Note: If you need a disability-related modification or accommodation, including auxiliary aids or services, to participate in the public meeting, please contact the Superintendent's Office at (916) 338-6409 at least 48 hours before the scheduled Board meeting. [Government Code §54954.2] [Americans with Disabilities Act of 1990, §202.]

NOTICE: The agenda packet and supporting materials, including materials distributed less than 72 hours prior to the schedule meeting, can be viewed at Center Joint Unified School District, Superintendent's Office, located at 8408 Watt Avenue, Antelope, CA. For more information please call 916-338-6409.

AGENDA ITEM # V

Center Joint Unified School District

		AGENDA REQUEST FOR:
Dept./Site:	**Operations & Facilities**	**Action Item ____**
To:	**Board of Trustees**	**Information Item X**
Date:	**March 12, 2014**	**# Attached Pages 11**
From:	**Craig Deason, Assistant Superintendent**	

Principal/Administrator Initials: ________

SUBJECT: PRESENTATION ON OVERVIEW OF SCHOOL BONDS

RECOMMENDATION: information only

AGENDA ITEM: V

CFW
Planning and Financing Better Schools for California Students

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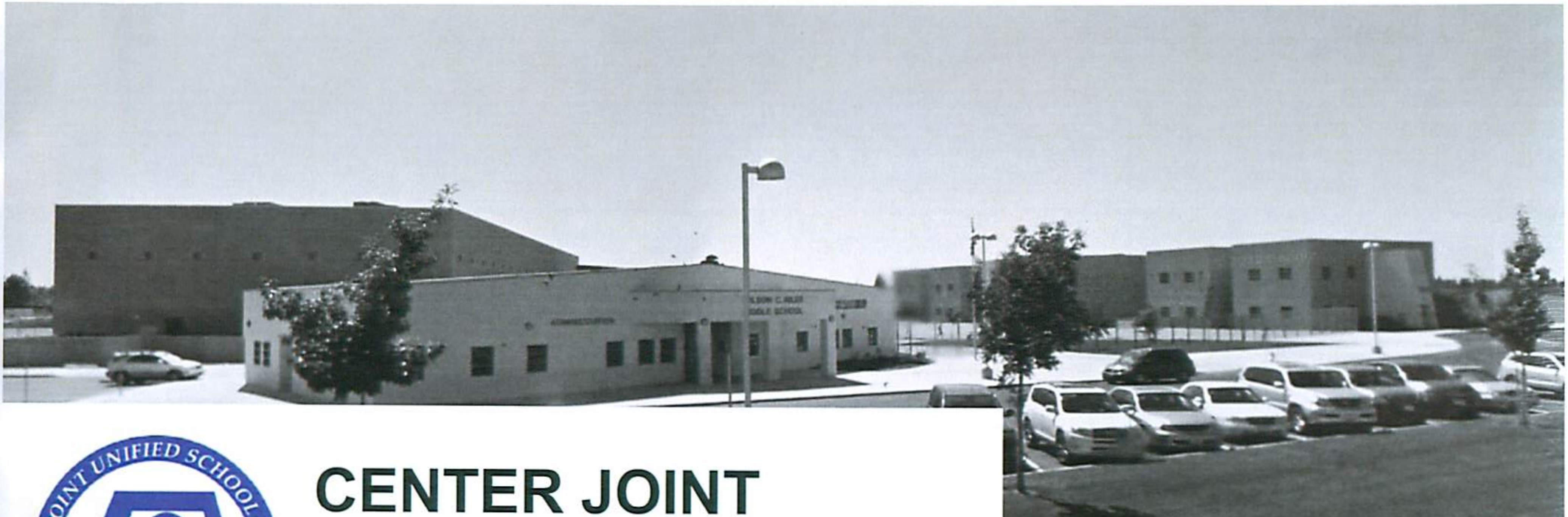


CENTER JOINT UNIFIED SCHOOL DISTRICT

March 2014

General Obligation Bond Overview

General Obligation Bonds

- General Obligation Bonds (G.O. Bonds) may be sold by a public agency that has the legal authority to levy a tax rate on property located within its boundaries
- School districts are authorized by local voters to levy an ad valorem tax on all real property within a school district's boundaries at a rate sufficient enough to pay principal and interest on outstanding bonds
- Ad valorem taxes are levied by the county as part of the regular property tax roll and used exclusively to repay debt service and therefore typically carry no additional administration costs for tax collection
- Investors generally consider G.O. Bonds to be the most secure type of municipal bonds, and therefore they typically bear the lowest interest rates for comparable long term securities
- As a consequence, G.O. Bonds are considered the most efficient form of long term financing available
- There are two traditional types of maturities used in G.O. Bonds; first, Current Interest Bonds make semi annual interest and principal payments to investors until maturity, similar to a mortgage; second, are Capital Appreciation Bonds (CABs) which defer principal and interest payment until maturity

G.O. Bonds - Tax Rates

- G.O. Bond tax rates for a traditional 2/3rd elections do not have a tax rate limit; *this applies to the District's 1991 Election Bonds*
- G.O. Bond tax rates for Prop 39 Bonds have a limit of $60.00 per $100,000 of the assessed valuation tax projection at the time of issuance; *this applies to the District's 2008 Election Bonds*
- At the time G.O. Bonds are sold, the repayment schedule is determined and does not change unless the bonds are refinanced
- At the beginning of every fiscal year, the County calculates a tax rate that when applied to the total Assessed Valuation in the District will yield an amount sufficient to make their required upcoming bond payments
- Correspondingly, increases in Assessed Valuation or decreases in bond payments would result in a lowering of the tax rate
- The components of Assessed Valuation growth are new construction, resale of existing properties, and the 2% annual increase permitted by Prop 39

Financing Team

Financial Advisor - Caldwell Flores Winters

- The primary role of the Financial Advisor is to provide guidance and recommendations to issuers regarding the management and issuance of municipal securities
- Financial Advisors have a federally mandated fiduciary duty to municipal issuers

Bond Counsel

- The primary role of Bond Counsel is to prepare authorizing documents, provide tax opinions, prepare disclosure documents, and affirm issuer's authorization to sell bonds

Underwriter

- The underwriter's primary role is to purchase, underwrite and distribute bonds securities for resale in commercial transaction with the issuer
- The underwriter may also help the issuer organize and manage the financing structures

Key Steps

- A bond sale for an existing authorization can be completed within 45 to 60 days of District approval to proceed
- District and financial advisor establish financing plan for bond sale
- District Board Approves Bond Sale Resolution and Related Legal Documents
- Obtain Bond Rating(s) & Seek Bond Insurance if Required
- Conduct Bond Pricing with Finance Team and Establish Final Bond Structure and Interest Rates
- Execute Closing Documents
- Bond funds are deposited with the county and are available for projects

District Bond Financing Overview

- In 1991, voters in the Center Joint Unified School District approved the sale of $59,205,525 in G.O. Bonds by a margin of 70.3%
- To date, the District has sold $48.4 million in G.O. Bonds from the 1991 authorization; approximately $10.8 million in G.O. Bonds remain authorized but unsold
- In 2008, voters approved Measure “N” approving the issuance of $500 million in G.O. Bonds for the construction and modernization of school sites in the District
- At the time of the 2008 Measure “N” election, the tax rate estimated to voters was to be $9.32 per $100,000 of assessed value (A.V.) in 2012-13 and gradually increasing to $60 thereafter
- To date, no bonds from the Measure “N” authorization have been sold
- At this time, the District is considering options to provide funding for the next school to be constructed in a timely manner in order to minimize any overcrowding that would otherwise occur

Outstanding Bonds

- The District has issued four series of bond; three new money issues and one refunding bond are currently outstanding
- Bond debt repayment ratios have all resulted in less than 3 to 1
- This is well below the ratio of 4 to 1 deemed acceptable by the State
- All outstanding bonds are scheduled to be repaid by 2031

	Remaining 1991 Authorization Annual Debt Serivce Schedule				
	Series 1993B	Series 1997C	Series 2001 Refunding	Series 2007D	Total Est. Annual Debt Service
Total Par Issued	$ 3,069,796	$ 15,974,099	$ 1,848,632	$ 24,998,234	$ 48,441,862
Total Debt Service	$ 7,701,818	$ 48,540,092	$ 3,415,056	$ 65,380,000	$ 137,433,290
Rpayment Ratio	2.51	3.04	1.85	2.62	2.84

Issuance Capacity

- There are two primary factors that drive a district's ability to issue bond debt: 1) assessed valuation; and, 2) statutory bond debt capacity
- The District's A.V. demonstrated a strong rebound in FY 2014 from the declines experienced during the Great Recession – the District lost approximately 30% of it's A.V., increasing 7.79% in FY 2013-14, with tax rates projected to decrease as A.V. recovers
- Absent a State waiver, the District can issue approximately $5.7 million in new bonds today without exceeding its statutory bonding capacity

District Assessed Valuation

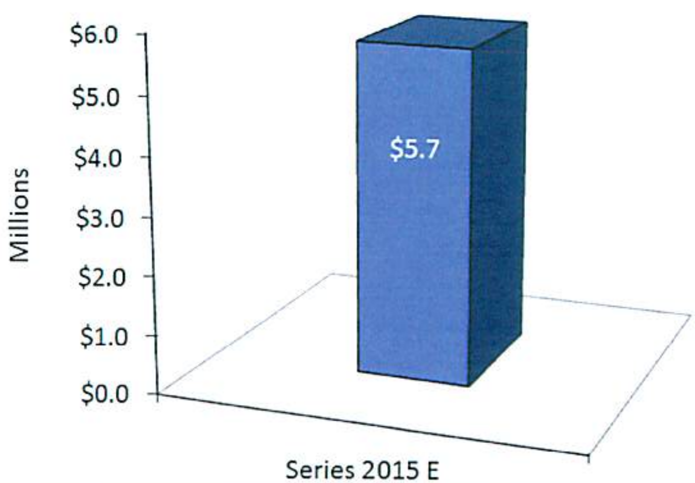
FYE	Total	%Δ
2000	1,002,313,812	
2001	1,053,503,296	5.11%
2002	1,138,859,355	8.10%
2003	1,235,414,992	8.48%
2004	1,319,389,443	6.80%
2005	1,522,293,931	15.38%
2006	1,798,123,708	18.12%
2007	2,041,136,564	13.51%
2008	2,234,300,513	9.46%
2009	2,134,022,596	-4.49%
2010	1,869,487,992	-12.40%
2011	1,737,343,465	-7.07%
2012	1,645,628,412	-5.28%
2013	1,555,517,618	-5.48%
2014	1,676,627,091	7.79%
Average		**4.15%**

BONDING CAPACITY ANALYSIS

Fiscal Year 2013/14	
ASSESSED VALUATION	
Secured Assessed Valuation	$1,665,761,912
Unsecured Assessed Valuation	$10,865,179
DEBT LIMITATION	
Total Assessed Valuation	$1,676,627,091
Applicable Bond Debt Limit	2.50%
Bonding Capacity	$41,915,677
Outstanding Bonded Indebtedness	$36,142,374
NET BONDING CAPACITY	$5,773,303

Bond Issuance Option 1.

- Option 1: Based on the District's current bonding capacity, the District can issue $5.77 million in new 25-year bonds from its 1991 authorization
  - It can utilize Capital Appreciation Bonds (CABs) to defer payments on the new bonds until the maturity of the existing bonds in 2031 in order to mitigate the immediate annual tax impact on taxpayers
  - No tax rate impact will occur until fiscal year 2031-32 at which time the estimated tax rate required to repay the bonds would be $60 per $100,000 A.V. until final maturity
  - An estimated repayment ratio of less than 3.5 to 1 is anticipated
  - Bond structure to comply with Assembly Bill 182 which became effective January 1, 2014 requiring that repayment ratios not exceed 4 to 1

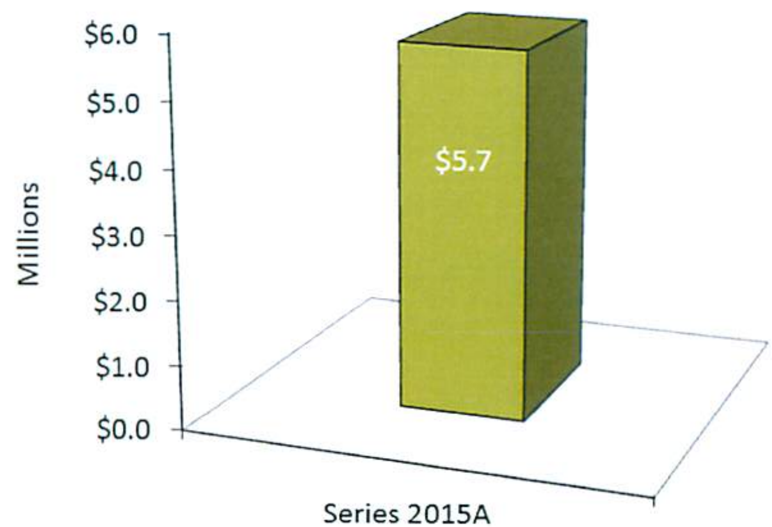


Bond Structure

Term: 25 Years
Final Maturity: 2039
AV Growth (%): 4
Est. Repayment Ratio: 3.5 to 1
AB 182 Compliant

Bond Issuance Option 2.

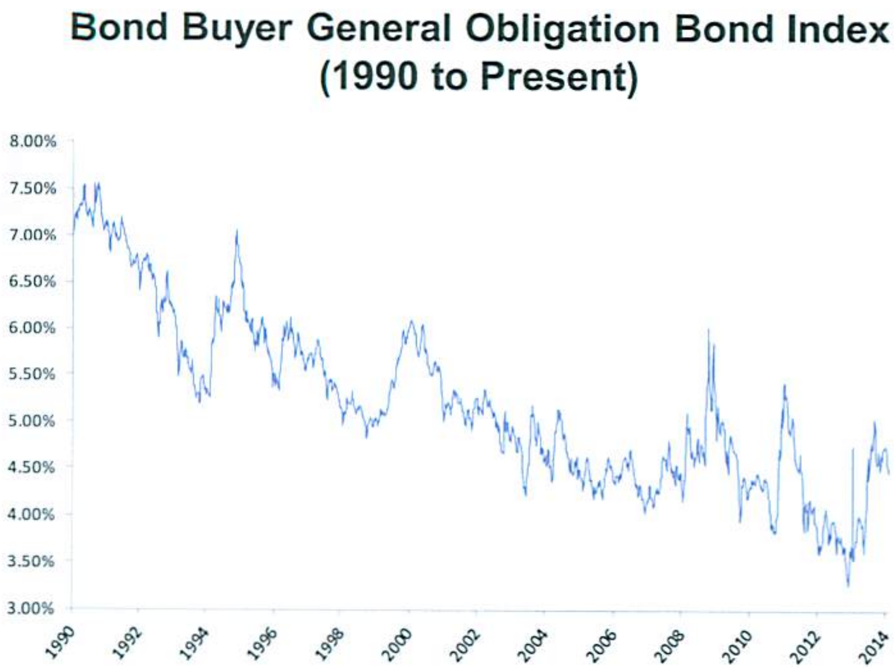
- Option 2: Based on the District's current bonding capacity, the District can issue $5.77 million in new 25-year bonds from its Measure "N" authorization
  - A new tax of $9.23 per $100,000 of A.V. (per 2008 voter pamphlet) gradually increasing to $25 over 25 years would be required
  - This utilizes a combination of Current Interest Bonds (CIBs) and CABs resulting in a lower cost of borrowing than an all CAB structure
  - The estimated repayment ratio is anticipated to be less than 3 to 1
  - Bond structure to comply with Assembly Bill 182 which became effective January 1, 2014 requiring that repayment ratios not exceed 4 to 1



Bond Structure

Term: 25 Years
Final Maturity: 2039
AV Growth (%): 4
Est. Repayment Ratio: 2.94 to 1
AB 182 Compliant

Historical Interest Rates



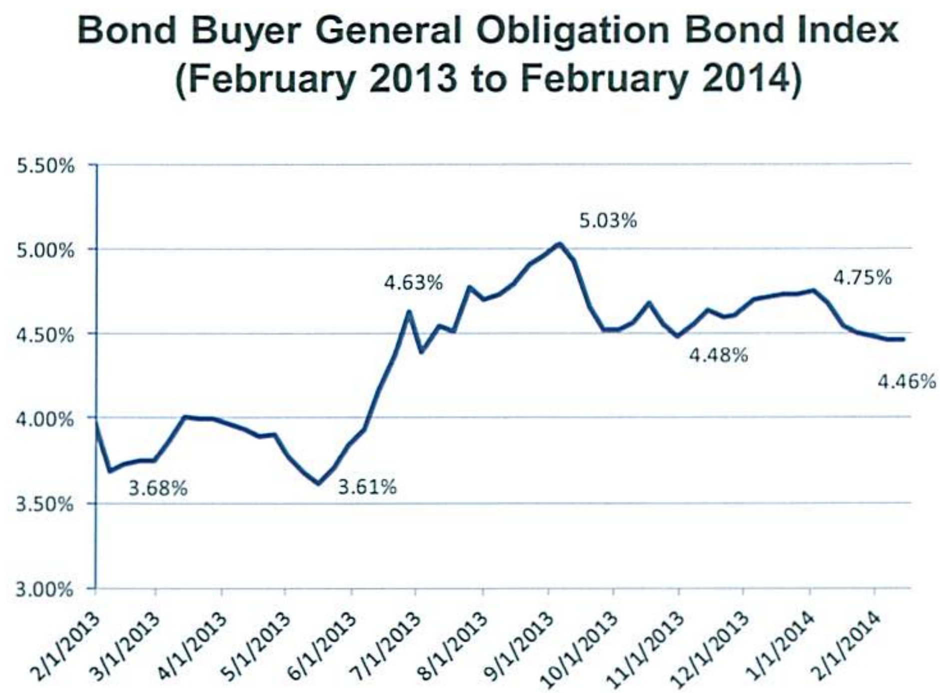


Table as of: 2/17/2014. Source: The Bond Buyer

Assembly Bill 182

- Assembly Bill 182 became effective January 1, 2014 and places restrictions on debt issuances by school and community college districts by amending the Government and Education Code by
- As approved by the Legislature, AB 182 imposes the following restrictions:
  - Limit the term of Capital Appreciation Bonds to 25 years
  - Require a principal to debt service ratio of less than 4:1
  - Mandatory 10-year call provision for all bonds
  - Additional public disclosure for issuances of CABs
- The District's current bond program may have to be adjusted to comply with these new restrictions

Considerations

- Option 1 does not require an additional tax increase until FY 2031-32
- Option 2 requires a new tax to be levied today which would gradually increase to $25 over time (the maximum presented in the 2008 voter pamphlet was $60)
- Each option generates $5.7 million in new proceeds to be used to construct school facilities
- Either option allows additional taxing capacity for the issuance of a future series of bonds from either the 1991 or 2008 authorization
- Both options would be compliant with Assembly Bill 182 which became effective January 1, 2014
- Approximately $5 million would remain from the 1991 authorization and $494.2 million from Measure "N"
- If the District desires to issue an amount of bonds greater than its statutory bonding capacity, a waiver can be acquired from the State Board of Education