



West Contra Costa USD

2015 General Obligation Bond

Presentation to the Board of Education

February 11, 2015



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A Division of Zions First National Bank

Tonight's Presentation

- The purpose of tonight's presentation is to:
 - Provide a background on the issuance of general obligation bonds
 - Discuss the District's current bonding program and issuance schedule
 - Summarize the Board's action to date on the 2015 General Obligation Bond issuance
 - Resolution seeking approval of the Preliminary Official Statement for the 2015 General Obligation Bond issuance

General Obligation Bonds

- Voter approved general obligation bonds are the primary tool by which California school districts fund needed facility improvement projects.
 - Voters approve the total principal amount of bonds to be issued
 - The District agrees to use the bond proceeds to complete projects identified to the voters at the time of the election.
 - Ad valorem property taxes are levied on all parcels in the District sufficient to pay debt service on the bonds.
 - Laws provide the framework for the structuring of bond programs.
 - California law also has been changed from time to time to revise requirements for the issuance of general obligation bonds, including the passage of Prop. 39 (2000) and AB 182 (2013).

Participants in a New Money Bond Transaction

- **Board of Education** – sets policy, approves financing plan and financing documents.
- **District Staff** – manages overall planning and execution of the financing for the District, and provides District information for planning and disclosure work by the financing team.
- **Financial Advisor** – develops the plan of finance, manages the financing team, and oversee all aspects of financing pursuant to District direction, with a focus on protecting District’s interests and achieving lowest borrowing costs.
- **Bond counsel** – prepares legal documents and issues legal and tax opinions.
- **Disclosure counsel** – outlines disclosure obligations, prepares preliminary/final official statements and issues disclosure opinion.
- **Underwriter(s)** – in a negotiated sale assists with structuring the financing, investor outreach, and sells the bonds to investors.

External Participants

- **Rating Agencies** – evaluate credit quality of issuers and assign ratings which investors use to base investment decisions. Higher ratings typically result in lower interest rates.
- **County Assessor**—responsible for determining annual assessed valuation within Contra Costa County.
- **County Auditor-Controller** – responsible for calculating and levying taxes within Contra Costa County.
- **Bond Investors** – includes retail and institutional parties interested in purchasing bonds and ultimately dictate the interest rates associated with each bond sale.

The District's Bond Authorizations

- District voters have approved bonds on six occasions since June 1998.
- The four measures approved after 2000 used the Proposition 39 requirements.

Date	Name	Amount	Yes Vote ^[1]	Required Vote
June 1998	1998 Measure E	\$40,000,000	75.7%	66.6%
November 2000	2000 Measure M	\$150,000,000	77.5%	66.6%
March 2002	2002 Measure D	\$300,000,000	71.8%	55.0%
November 2005	2005 Measure J	\$400,000,000	56.9%	55.0%
June 2010	2010 Measure D	\$380,000,000	62.6%	55.0%
November 2012	2012 Measure E	\$360,000,000	64.4%	55.0%
		\$1,630,000,000		

[1] Data from smartvoter.org.

The District's Bond Authorizations (cont.)

- The District has issued bonds from each of its authorizations.

	Authorized Amount	Authorization Utilized	Remaining Authorization
1998 Measure E	\$ 40,000,000	\$ 40,000,000	\$ -
2000 Measure M	150,000,000	150,000,000	-
2002 Measure D	300,000,000	300,000,000	-
2005 Measure J	400,000,000	322,409,709	77,590,291
2010 Measure D	380,000,000	140,000,000	240,000,000
2012 Measure E	360,000,000	85,000,000	275,000,000
	\$1,630,000,000	\$1,037,407,192	\$592,590,291

Tax Rate Summary

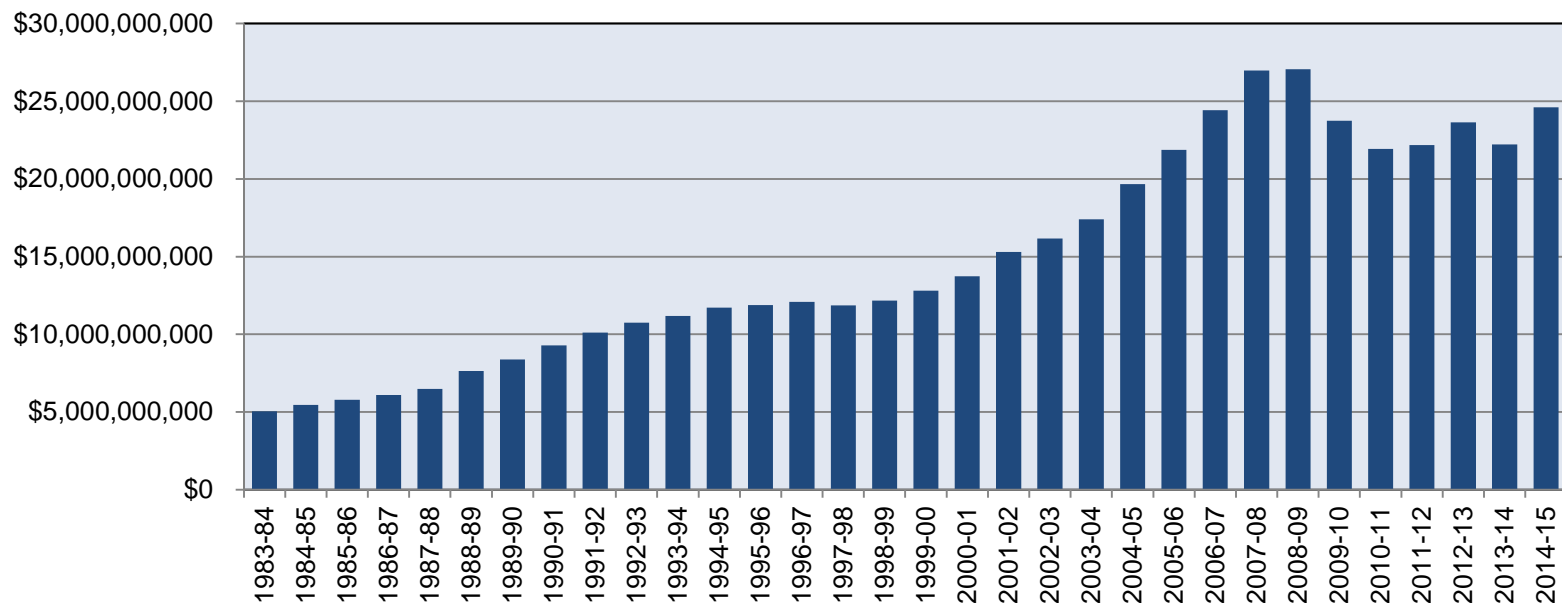
- Proposition 39 ballot measures do not allow projected tax rates to exceed a maximum threshold at the time each series of bonds are sold (\$60/\$100,000 of assessed value for unified school districts).
- 2010 Measure D and 2012 Measure E have committed to levying at tax rates less than the Proposition 39 maximums. These tax rate commitments are outlined within ballot language/tax rates statements presented to voters.

Measure	Statutory Maximum	Ballot Identified Maximum	Type of Ballot Measure
1998 Measure E	N/A	\$26.40	Proposition 46
2000 Measure M	N/A	55.60	Proposition 46
2002 Measure D	\$60.00	60.00	Proposition 39
2005 Measure J	60.00	60.00	Proposition 39
2010 Measure D	60.00	48.00	Proposition 39
2012 Measure E	60.00	48.00	Proposition 39

The District's Assessed Value

- The growth in assessed value has been uneven in the recent past for the District:
 - 30-Year compounded annual growth rate: 4.94%
 - 15-Year compounded annual growth rate: 4.45%
 - 5-Year compounded annual growth rate: 0.72%
 - 2014-15 growth was 10.74%

History of Assessed Valuations



Bond Program Overview

- The current issuance schedule assumes a tax rate of \$48 per \$100,000 of assessed value, up to 40-year maturity structure and 4% AV growth

Year	Series	2010 Measure D	2012 Measure E	Total
	Previously Issued	\$140,000,000	\$85,000,000	\$225,000,000
2014-15	Elec. 2010 Ser. C Elec. 2012 Ser. B	50,000,000	85,000,000	135,000,000
2016-17	Elec. 2010 Ser. D Elec. 2012 Ser. C	60,000,000	65,000,000	125,000,000
2018-19	Elec. 2010 Ser. E Elec. 2012 Ser. D	65,000,000	60,000,000	125,000,000
2020-21	Elec. 2010 Ser. F Elec. 2012 Ser. E	44,714,718	56,963,559	101,678,277
2045	Elec. 2010 Ser. G Elec. 2012 Ser. F	20,285,282	8,036,441	28,321,723
		\$380,000,000	\$360,000,000	\$740,000,000

Issuance amounts are subject to change based on future AV growth, market conditions, interest rates at the time of sale, and structure assumptions. Bonds issued after 2015 may be required to use AB 182 compliant capital appreciation bonds or the District may need to use Bond Anticipation Notes.

Bonding Capacity Limit Waiver

- Section 15106 of the Education Code provides that a unified school district may only issue general obligation bonds up to 2.5% of the assessed value of property within the district.
- Section 33050 of the Education Code allows the State Board of Education (“SBE”) to waive any provisions of the Education Code, following a public hearing on the matter (with certain exceptions).
- Previously, the District has requested and received four waivers of its bonding capacity, as shown below:

Date	Bonds to which Waiver Applies	Adjusted Bonding Capacity Limit (%)	Expiration Date
November 2002	2002 Measure D	3.00% of AV	November 2007
May 2009	2005 Measure J	3.50% of AV	May 2014
March 2011	2010 Measure D	5.00% of AV	December 2021
May 2013	2012 Measure E	5.00% of AV	December 2025

- With the growth in assessed value for 2014-15, the District’s remaining bonding capacity with the waivers is approximately \$400 million.
- Statutory debt capacity with the waivers will change with variations in assessed value as well as the amount of remaining debt, as the District pays off prior bonds.

2015 General Obligation Bond



2015 GO Bond - Approval Process

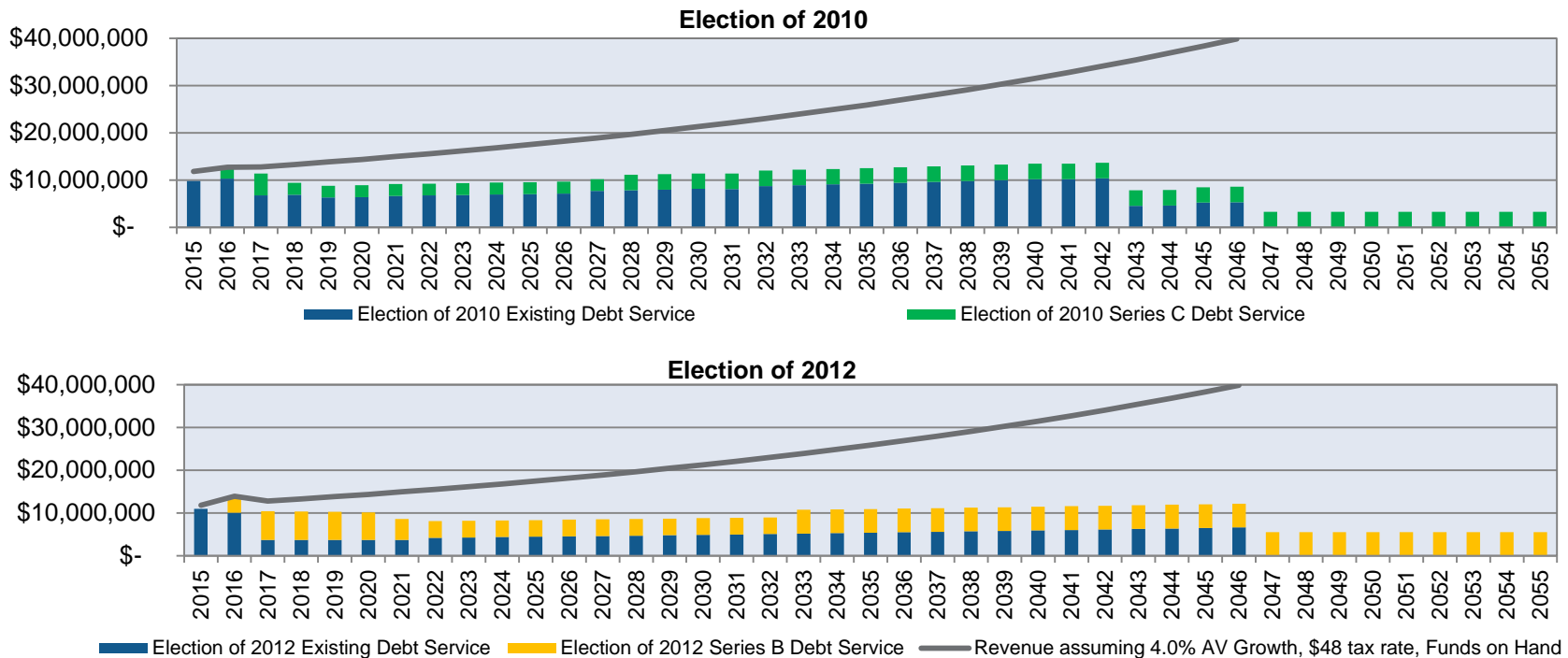
- The Board of Education already approved a resolution authorizing the issuance and sale of \$135 million in general obligation bonds on November 12, 2014.
- The Board was presented the resolution in its prior meeting on October 15, 2014 as an informational item, per the requirements of AB182.
- The resolution incorporated approval of forms of the following documents:
 - Bond Purchase Contract
 - Continuing Disclosure Certificate
 - Preliminary Official Statement
- Tonight you are being asked to approve an updated version of the Preliminary Official Statement.

Approved Bond Sale Parameters

- Bonds will be issued as \$50 million Election of 2010, Series C, and \$85 million Election of 2012, Series B, for a total of \$135 million.
- Fixed-rate current interest bonds, with up to 40-year final maturity
- No capital appreciation bonds
- Maximum underwriter's discount of \$5.25/bond.

Proposed 2015 Bond Amortization

- The 2015 Bonds are structured to allow remaining debt service capacity for future bond issuances and to ensure that tax rates to not exceed \$48 per \$100,000 of AV, assuming 4% AV growth.
- A longer final amortization of up to 40 years using only current interest bonds will help near-term debt service constraints and provide maximum future flexibility.



Note: Indicative debt structure, subject to change.

The Preliminary Official Statement

- The Board has a responsibility to ensure that the material contained within the Preliminary Official Statement (POS) is accurate and not misleading.
- The current POS contains information updated since November, including:
 - Audited financial statements for the fiscal year ending June 30, 2014
 - First interim report for the period ending October 31, 2014
 - Information on the Governor's 2015/2016 Budget

2015 General Obligation Bond Ratings

- The District has secured ratings of Aa3 (stable) / A+ (stable) / A+ (stable) from Moody's, S&P, and Fitch respectively.
- The most recent ratings reports have discussed credit strengths, such as the District's solid financial position and reserves.
- Credit challenges include overall debt levels as well as expenditure and enrollment pressure.

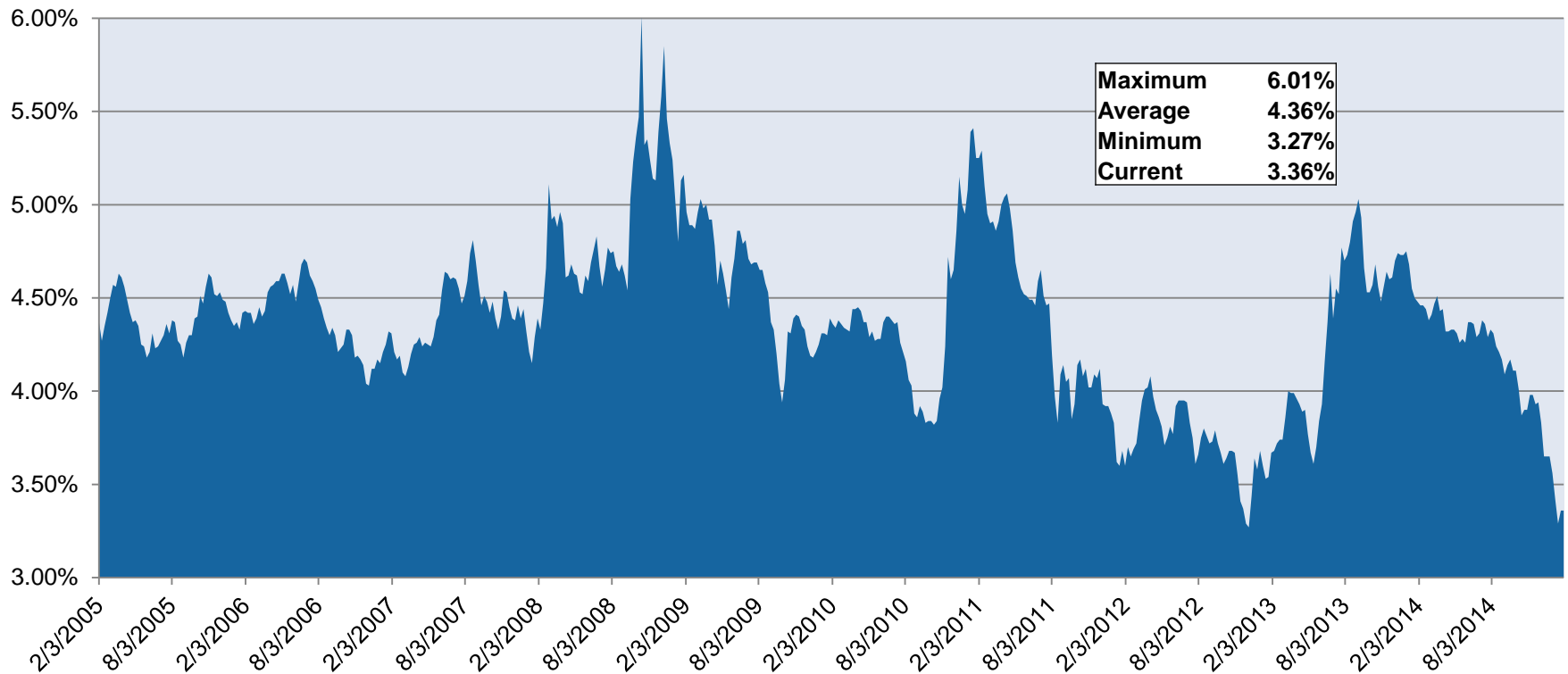
Financing Schedule

Date	Activity
September 9, 2014	Subcommittee approval of financing schedule and structure
September 17, 2014	Board approval of financing team
September 18, 2014	Financing Kickoff Meeting
September-October	Drafting of legal documents and preliminary official statement
October 15, 2014	Informational item: resolution authorizing sale (1st of 2 required consecutive meetings)
November 12, 2014	Board approval of resolution, legal documents, and preliminary official statement
Week of January 12, 2015	Meetings with rating agencies
February 11, 2015	Board approval of updated preliminary official statement
February 12, 2015	Post Preliminary Official Statement
Week of February 16	Investor outreach & discussion
February 26 or March 4	Pricing
March 11, 2015	Closing

*Subject to change

Bond Buyer 20-Bond Index

- The Bond Buyer 20-Index is composed of general obligation municipal bonds, with an average “AA” rating and a 20 year maturity.
- Current rates are below average over a 10 year period.



Appendix



Proposition 39 (2000)

- Proposition 39 was a California Constitutional amendment (along with companion legislation) that added an alternative voter threshold for general obligation bonds issued by school and community college districts:
 - Instituted a 55% approval threshold as an alternative to a two-thirds (2/3) voter requirement. The following are requirements introduced specific to the 55% option:
 - A list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list of projects.
 - The governing board must conduct annual financial and performance audits to ensure that the bond funds have been used only for projects listed in the measure.
 - Legislation required the governing board to appoint a citizen's oversight committee to inform the public on the expenditures of the bond proceeds.
 - Projected tax rate may not exceed a maximum amount at the time of issuance of each series of bonds (\$60/\$100,000 of assessed value for unified school districts).

AB 182 (2013)

- AB 182 was approved by the Governor and State Legislature in 2013, and went into effect on January 1, 2014
- No school bond series can exceed a 4:1 debt service to principal ratio
- Current Interest Bonds – Bonds that pay interest semiannually
 - Can be issued under the education or government code. Education code allows a maximum maturity of 25 years, government code allows up to 40 years.
 - For current interest bonds between 30 and 40 years, two consecutive board meetings are required for approval, and the board must find that the assets financed have an expected useful life at least as long as the term of the bonds
- Capital Appreciation Bonds (CABs) – Deep discount bonds that defer “interest” payment until maturity, in the form of an increased bond value paid at maturity
 - Required to be issued under the education code (25 year maximum maturity)
 - Required to have a 10-year or earlier optional call
 - Board needs two consecutive meetings to approve the issuance of CABs
 - Generally have a higher interest expense relative to current interest bonds