

West Contra Costa USD

2014 GO Bond Refunding & Tax Rate Management

Presentation to the Board of Education

June 25, 2014



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A Division of Zions First National Bank

Tonight's Presentation

- I. 2014 GO Bond Refunding
- II. Assessed Value Growth & Long-Range Tax Rate Outlook

I. 2014 GO Bond Refunding



Refunding Objectives

- Meet tax rate targets for 2002 Measure D and 2005 Measure J in 2014-15 and, if possible, 2015-16.
- Lower debt service to achieve savings and satisfy State refunding law.
- Minimize impact on future tax rates.

2002 Measure D Tax Rate Analysis (2014-15)

- In 2014-15, revenues generated at the \$60 target with available Stabilization Funds are insufficient to pay debt service.

2014-15 Estimates

Sources of Funds	2014-15 AV Growth Rate			
	0.00%	2.00%	4.00%	6.00%
2014-15 Measure D Tax Revenue @ \$60 levy	\$13.19 M	\$13.45 M	\$13.72 M	\$13.98 M
Funds on Hand at 6/30/2014 ⁽¹⁾	\$12.54 M	\$12.54 M	\$12.54 M	\$12.54 M
Stabilization Fund at 6/30/2014	\$1.45 M	\$1.45 M	\$1.45 M	\$1.45 M
Total	\$27.17 M	\$27.43 M	\$27.70 M	\$27.96 M
18 Month Measure D Aggregate Debt Service ⁽²⁾	(\$28.12 M)	(\$28.12 M)	(\$28.12 M)	(\$28.12 M)
Net Shortfall @ \$60 levy	(\$0.95 M)	(\$0.68 M)	(\$0.42 M)	(\$0.16 M)

(1) Exclusive of Stabilization Fund; Estimate, based on June 23, 2014 data.

(2) Per County tax levy formula; inclusive of August 1, 2014, February 1, 2015 and August 1, 2015 debt service payments.

2005 Measure J Tax Rate Analysis (2014-15)

- As shown below, the estimated tax rate for 2014-15 can be kept at \$60 with the Stabilization Fund.

	2014-15 Estimates			
	0.00%	2014-15 AV Growth Rate		
		2.00%	4.00%	6.00%
Sources of Funds				
2014-15 Measure J Tax Revenue @ \$60 levy	\$13.19 M	\$13.45 M	\$13.72 M	\$13.98 M
Funds on Hand at 6/30/2014 ⁽¹⁾	\$8.75 M	\$8.75 M	\$8.75 M	\$8.75 M
Stabilization Fund at 6/30/2014	\$3.39 M	\$3.39 M	\$3.39 M	\$3.39 M
Total	\$25.33 M	\$25.60 M	\$25.86 M	\$26.12 M
18 Month Measure J Aggregate Debt Service ⁽²⁾	(\$24.92 M)	(\$24.92 M)	(\$24.92 M)	(\$24.92 M)
Net Shortfall @ \$60 levy	n/a	n/a	n/a	n/a

(1) Exclusive of Stabilization Fund; Estimate, based on June 23, 2014 data.

(2) Per County tax levy formula; inclusive of August 1, 2014, February 1, 2015 and August 1, 2015 debt service payments.

Addressing the 2014-15 Shortfall

- By refunding 2002 Measure D, Series C bonds (CIBs with portion of CABs) and 2005 Measure J, Series A bonds on a combined basis, the District could maintain target tax rates for both Measures in 2014-15 and, depending on structure, achieve annual savings in every year – i.e., no future tax increases in tax rates.
- Cash savings will be structured to emphasize up-front savings sufficiently to meet tax levy target level for 2014-15.

Considerations for 2015-16

- The analysis has focused on addressing the 2014-15 tax rates. Tax rate targets for the following fiscal year (2015-16) are dependent on final assessed valuation for the 2014-15 fiscal year.
- To the extent that tax rate targets for 2015-16 can be addressed through the refunding, it will require more front loading of savings. There is a limit to the amount of front-loaded savings that can be applied to tax rate management without raising future debt service.
- Depending on market conditions, the plan of finance may leave a portion of the 2002 and 2005 bonds unrefunded, to provide flexibility for another refunding next year after the 2015-16 assessed value is known.

Potential Combined Refunding Savings

- A single issue would refund: the 2015 maturity of the 2002 C Capital Appreciation Bonds, the 2002 C Current Interest Bonds and the 2005 Series A Bonds.
- Annual savings in every year (no future tax increases) for 2002 Measure D and 2005 Measure J tranche of bonds.
- 2002 Measure D and 2005 Measure J each keep to a \$60 tax rates in 2014-15 at an A.V. growth rate of 4.00%.
- The final amount of bonds refunded would be based on overall tax rate management strategy, and will use Convertible Capital Appreciation Bonds if and where useful.

Refunding – 2002 Series C Current Interest and 2015 Capital Appreciation Bonds and 2005 Series A Bonds*	
2014 General Obligation Refunding Bonds	
Types of Bonds Utilized	Current Interest Bonds, Convertible Capital Appreciation Bonds
Total Principal Redeemed	\$84,106,328.51
Prior Debt Service	\$137,851,807.52
Refunding Debt Service	\$125,283,190.56
Debt Service Savings	\$12,568,616.96
Net Present Value Savings	\$9,062,330.28
Percentage Savings (Refunded Bonds)	10.733%
True Interest Cost	3.746%

* Includes refunding of all of the callable 2002C and 2005A bonds. Subject to change based on debt structure, actual refunding candidates and market conditions.



II. *Assessed Value Growth & Long-Range Tax Rate Outlook*



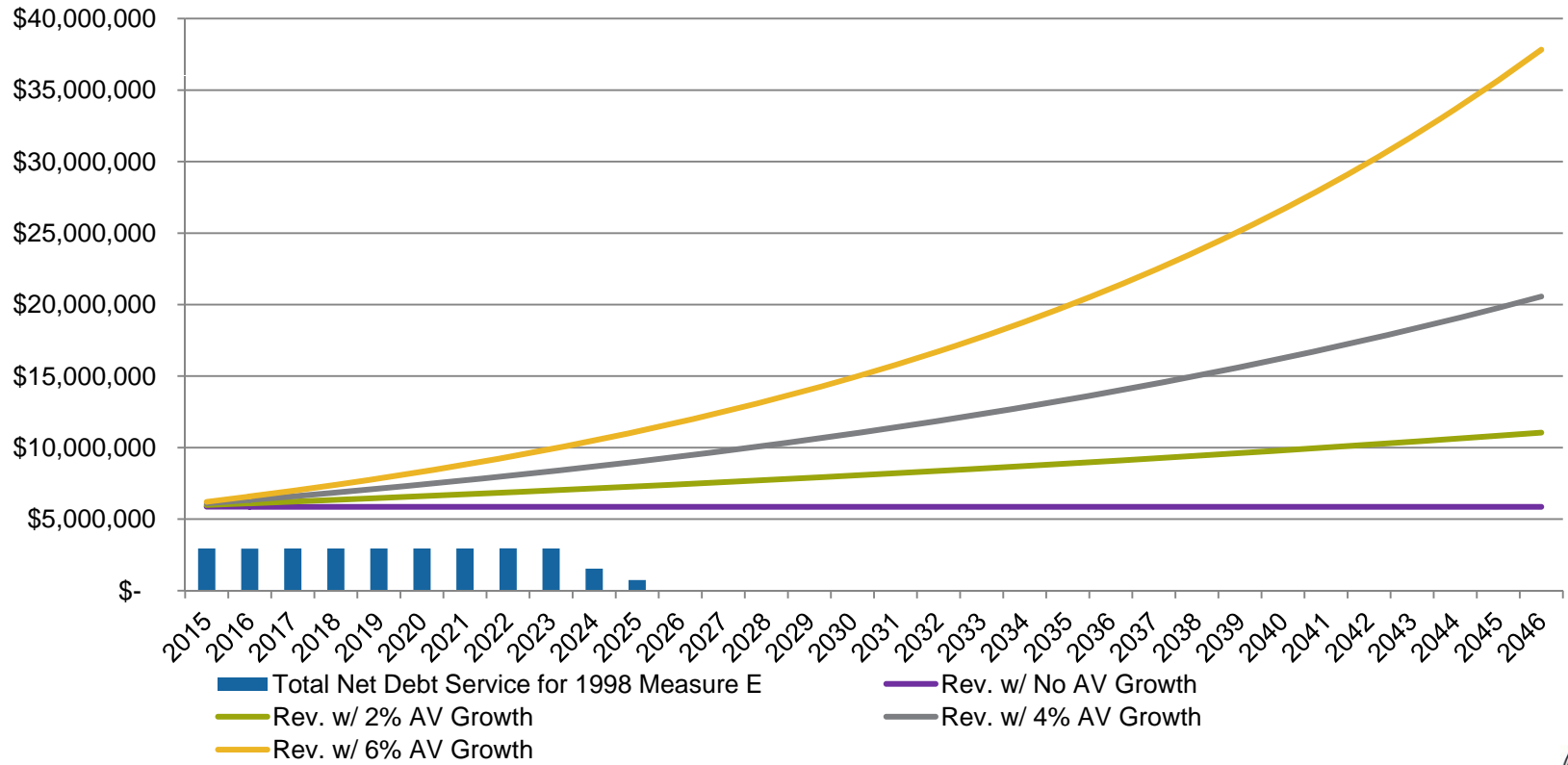
Long-Range Tax Outlook

- The District's long-term outlook on tax rates is dependent on the assumed growth of its assessed valuation.
- In addition, certain measures have Stabilization Funds on hand that would serve to mitigate lower than expected growth rates.
- Following charts show revenues at growth rates between 0% and 6% versus debt service expenditures. Debt service above a revenue line means County will have to set tax rates above the District's target rate at that particular assessed value growth rate. Debt service below a revenue line means the County can maintain (or be under) the District's target rate at that particular assessed value growth rate.

1998 Measure E (non-Prop. 39)

1998 Measure E Summary

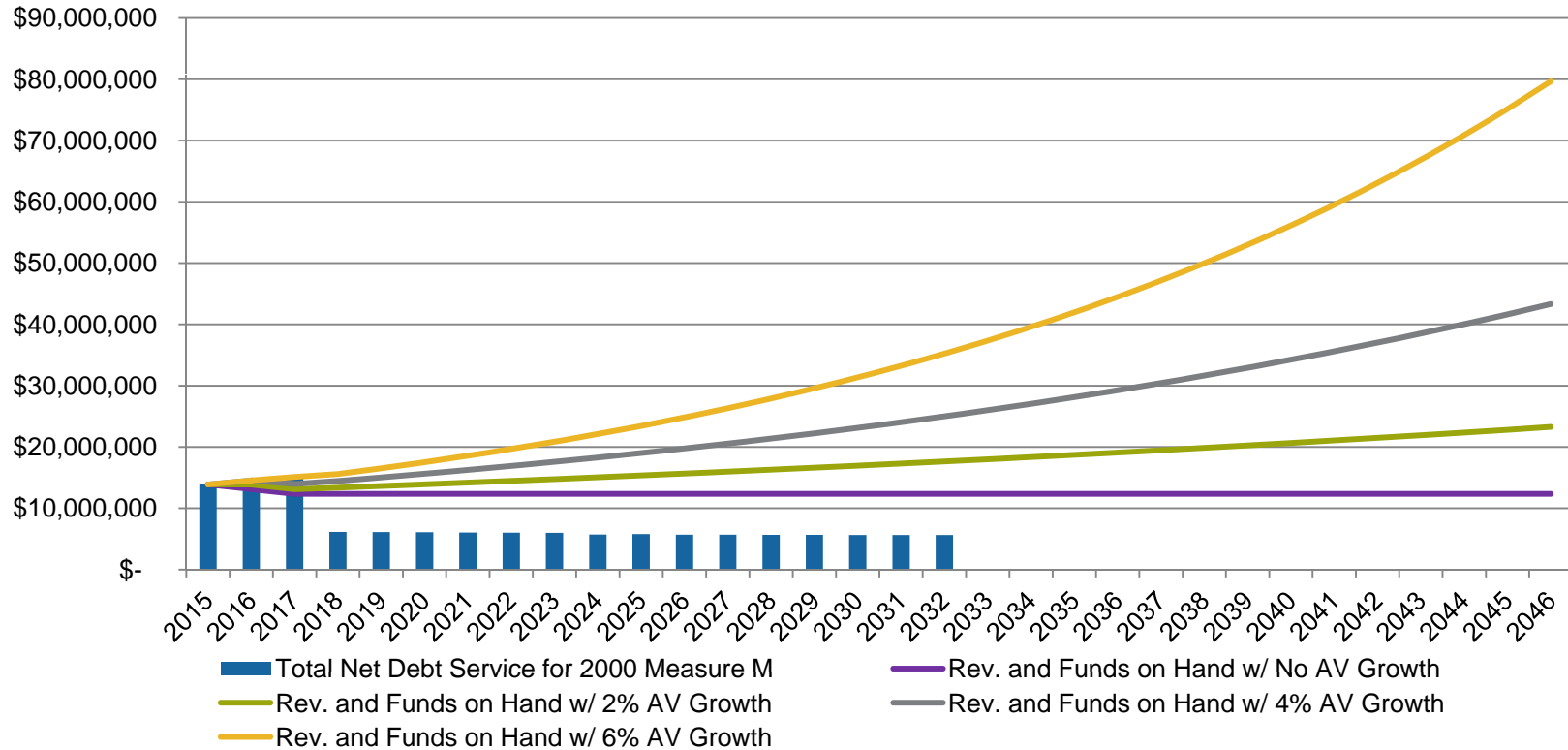
Authorization	\$40.0 million
Issued	\$40.0 million
Currently Outstanding	\$23.6 million
Remaining Authorization	\$0
Target Tax Rate	\$26.40 per \$100K AV



2000 Measure M (non-Prop. 39)

2000 Measure M Summary

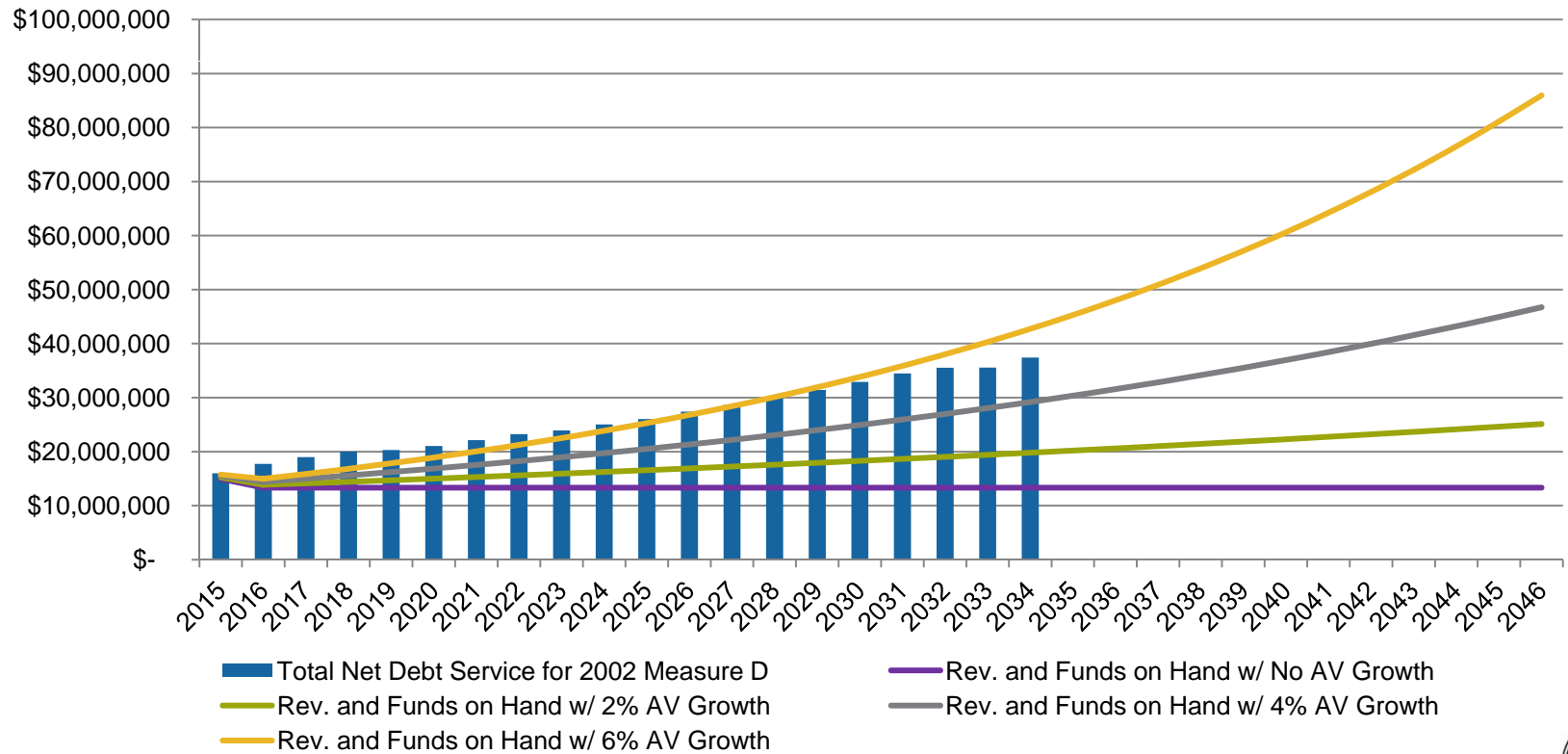
Authorization	\$150.0 million
Issued	\$150.0 million
Currently Outstanding	\$100.1 million
Remaining Authorization	\$0
Target Tax Rate	\$55.60 per \$100K AV



2002 Measure D

2002 Measure D Summary

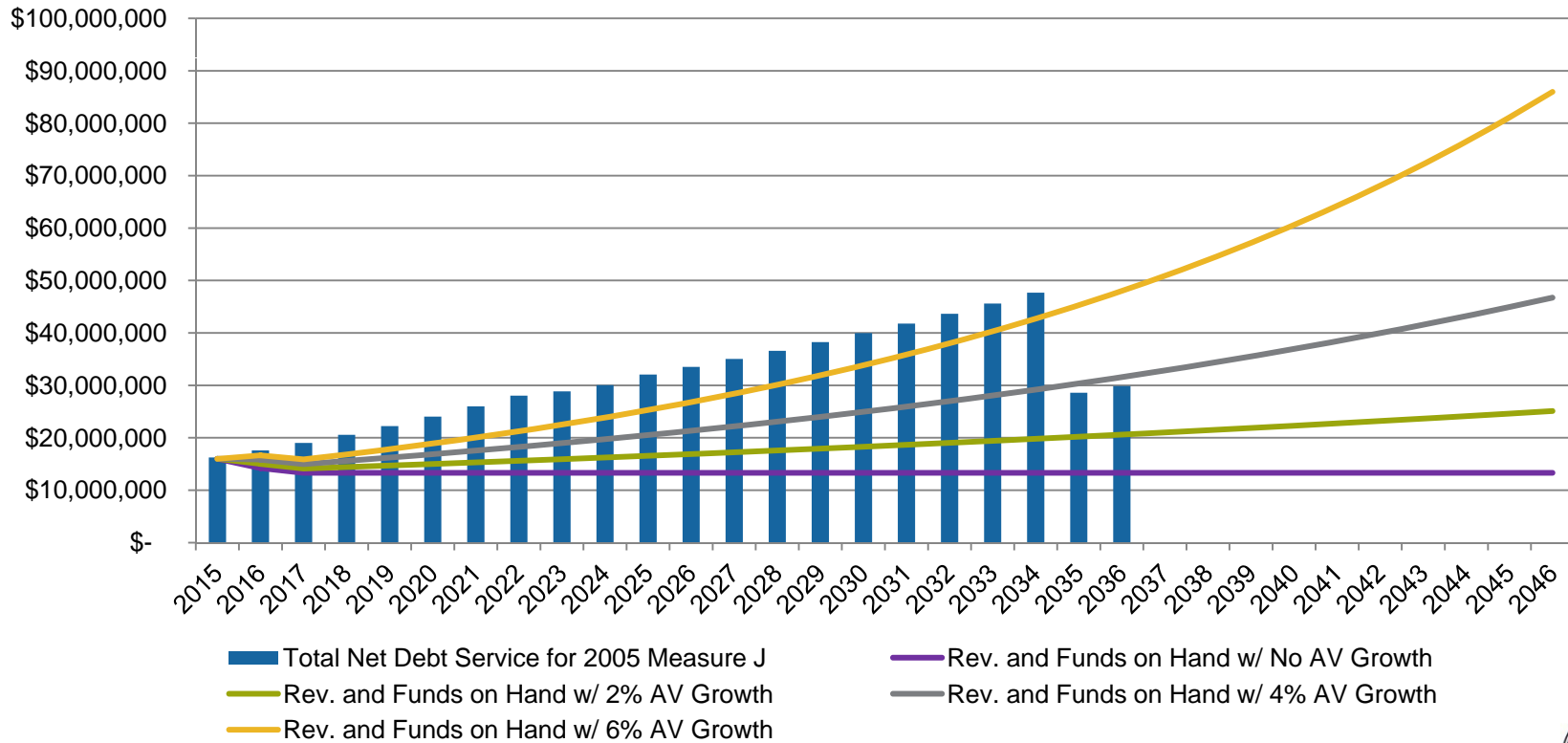
Authorization	\$300.0 million
Issued	\$300.0 million
Currently Outstanding	\$246.2 million
Remaining Authorization	\$0
Target Tax Rate	\$60.00 per \$100K AV



2005 Measure J

2005 Measure J Summary

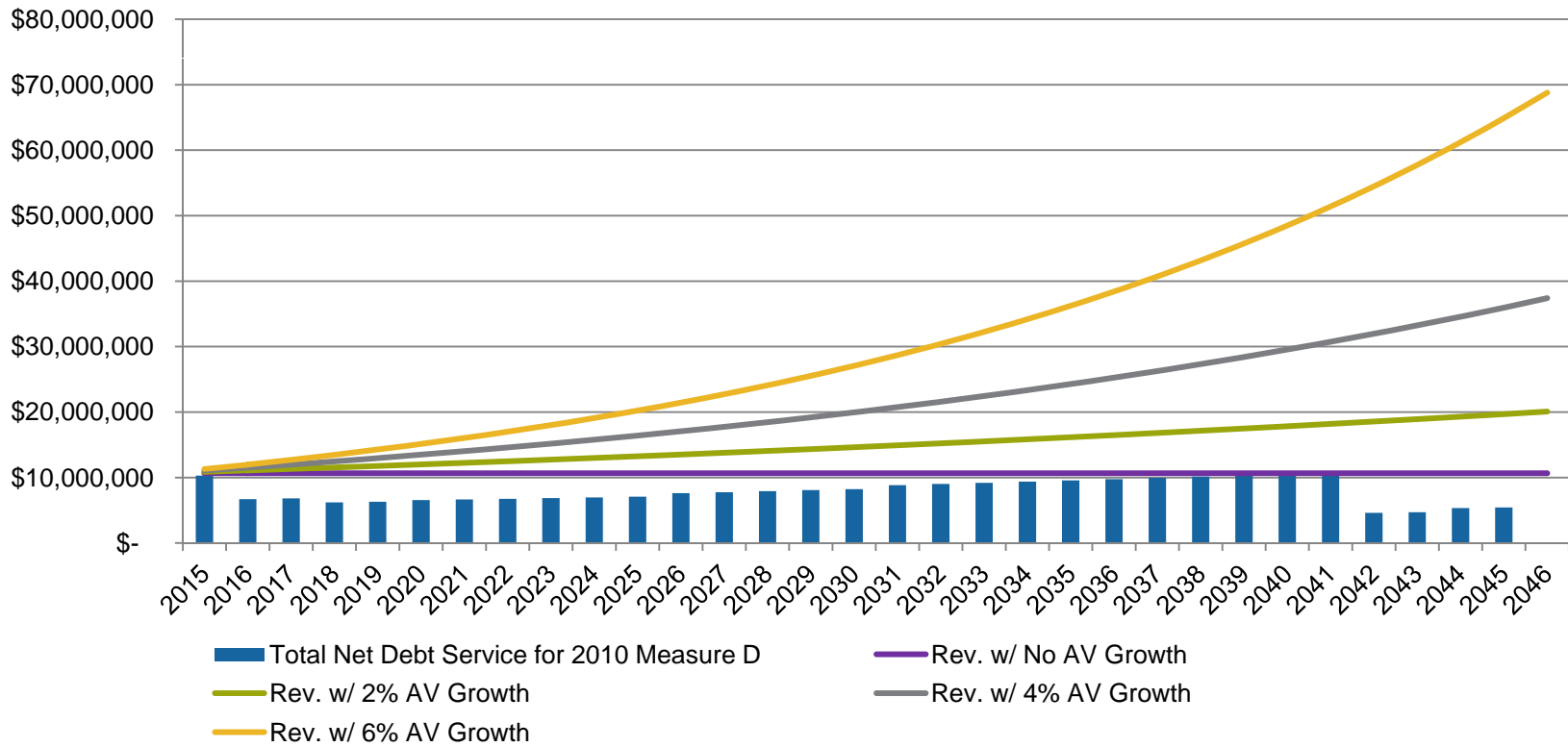
Authorization	\$400.0 million
Issued	\$322.4 million
Currently Outstanding	\$318.8 million
Remaining Authorization	\$77.6 million
Target Tax Rate	\$60.00 per \$100K AV



2010 Measure D

2010 Measure D Summary

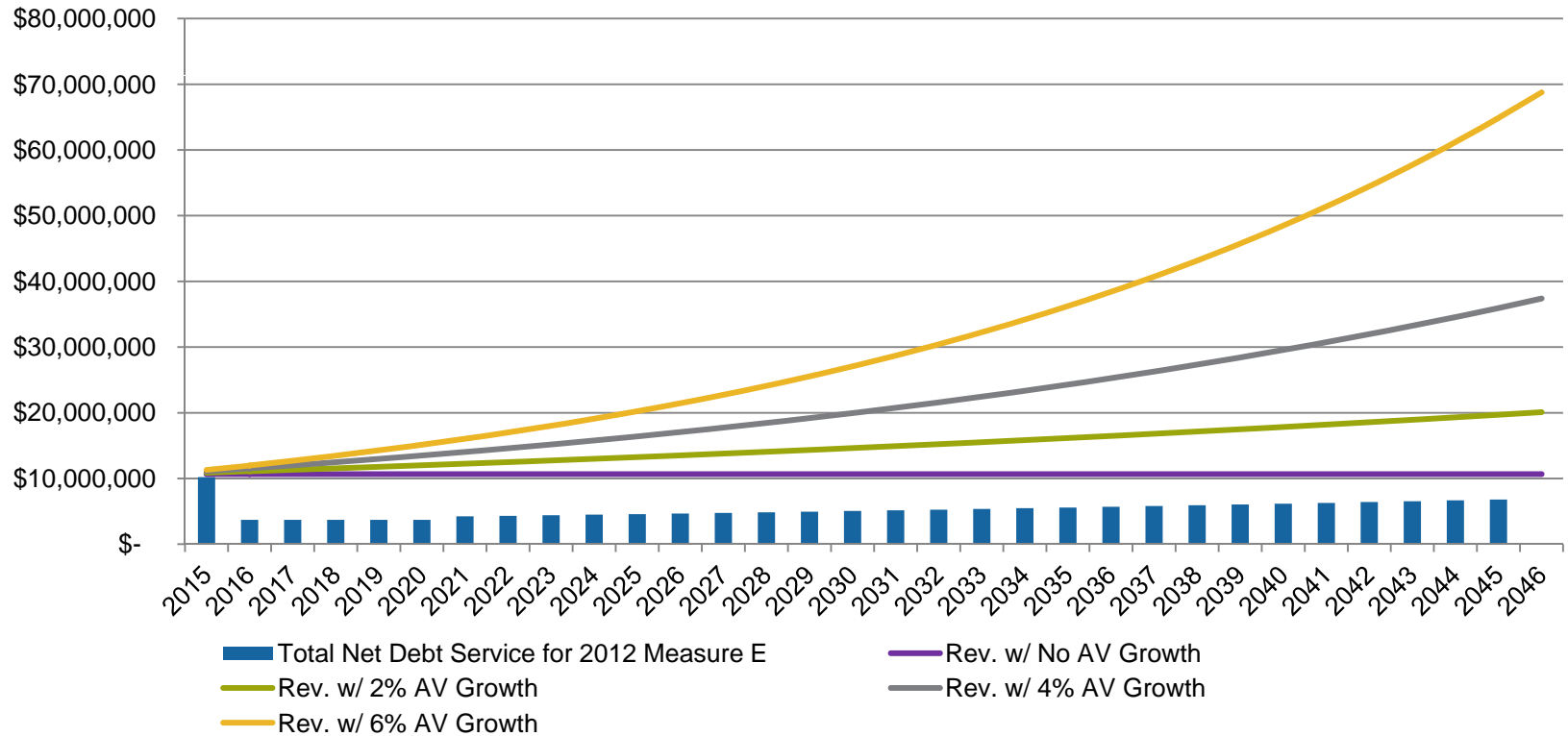
Authorization	\$380.0 million
Issued	\$100.0 million
Currently Outstanding	\$127.8 million
Remaining Authorization	\$280.0 million
Target Tax Rate	\$48.00 per \$100K AV



2012 Measure E

2012 Measure E Summary

Authorization	\$360.0 million
Issued	\$85.0 million
Currently Outstanding	\$85.0 million
Remaining Authorization	\$275.0 million
Target Tax Rate	\$48.00 per \$100K AV



Appendix



2002 Measure D Refunding Candidates

- The Series C Current Interest Bonds (“Series C CIBs”) and Series C Capital Appreciation Bonds (“Series C CABs”) are the primary refunding targets for 2002 Measure D.
- Assessed value growth for 2014/2015 and available tax stabilization dollars will ultimately determine the combination of Series C CIBs and Series C CABs included within the 2014 refunding.

Fiscal Year Ending	Election of 2002, Series C (Current Interest Bonds)		Election of 2002, Series C (Capital Appreciation Bonds)
	Principal	Interest	Maturity Value ⁽¹⁾
2015	\$0.00	\$1,193,835.00	\$1,415,000.00
2016	\$0.00	\$1,193,835.00	\$1,620,000.00
2017	\$1,035,000.00	\$1,172,617.50	\$1,840,000.00
2018	\$1,085,000.00	\$1,128,343.75	\$1,500,000.00
2019	\$1,135,000.00	\$1,081,168.75	\$1,500,000.00
2020	\$1,190,000.00	\$1,030,275.00	\$2,380,000.00
2021	\$1,250,000.00	\$975,375.00	\$2,830,000.00
2022	\$0.00	\$947,250.00	\$3,000,000.00
2023	\$0.00	\$947,250.00	\$3,000,000.00
2024	\$0.00	\$947,250.00	\$3,700,000.00
2025	\$0.00	\$947,250.00	\$4,010,000.00
2026	\$0.00	\$947,250.00	\$4,340,000.00
2027	\$1,695,000.00	\$904,875.00	\$4,690,000.00
2028	\$1,785,000.00	\$817,875.00	\$5,055,000.00
2029	\$1,880,000.00	\$726,250.00	\$5,430,000.00
2030	\$1,980,000.00	\$629,750.00	\$5,825,000.00
2031	\$2,085,000.00	\$528,125.00	\$6,235,000.00
2032	\$2,195,000.00	\$421,125.00	\$6,670,000.00
2033	\$2,315,000.00	\$308,375.00	\$7,650,000.00
2034	\$2,440,000.00	\$189,500.00	\$9,780,000.00
2035	\$2,570,000.00	\$64,250.00	\$10,270,000.00
Total	\$24,640,000.00	\$17,101,825.00	\$92,740,000.00

⁽¹⁾ Includes principal and accreted interest.



2005 Measure J Refunding Candidates

- The Series A Bonds are the primary refunding target for 2005 Measure J.
- Assessed value growth for 2014/2015 and available tax stabilization dollars will ultimately determine the amount of Series A Bonds included within the 2014 refunding.

Refunding – Election of 2005, Series A Bonds		
Year Ending	Principal	Interest
2015	\$1,710,000.00	\$2,903,002.50
2016	\$1,775,000.00	\$2,832,415.00
2017	\$1,850,000.00	\$2,757,871.25
2018	\$1,920,000.00	\$2,678,915.00
2019	\$2,000,000.00	\$2,594,365.00
2020	\$2,085,000.00	\$2,504,745.00
2021	\$2,175,000.00	\$2,409,937.50
2022	\$2,270,000.00	\$2,304,250.00
2023	\$2,370,000.00	\$2,188,250.00
2024	\$2,475,000.00	\$2,067,125.00
2025	\$2,585,000.00	\$1,940,625.00
2026	\$2,700,000.00	\$1,808,500.00
2027	\$2,820,000.00	\$1,670,500.00
2028	\$2,950,000.00	\$1,526,250.00
2029	\$3,085,000.00	\$1,375,375.00
2030	\$3,225,000.00	\$1,217,625.00
2031	\$3,375,000.00	\$1,052,625.00
2032	\$3,530,000.00	\$880,000.00
2033	\$3,695,000.00	\$699,375.00
2034	\$3,865,000.00	\$510,375.00
2035	\$4,045,000.00	\$312,625.00
2036	\$4,230,000.00	\$105,750.00
Total	\$60,735,000.00	\$38,340,501.25

* Subject to change based on debt structure and market conditions.

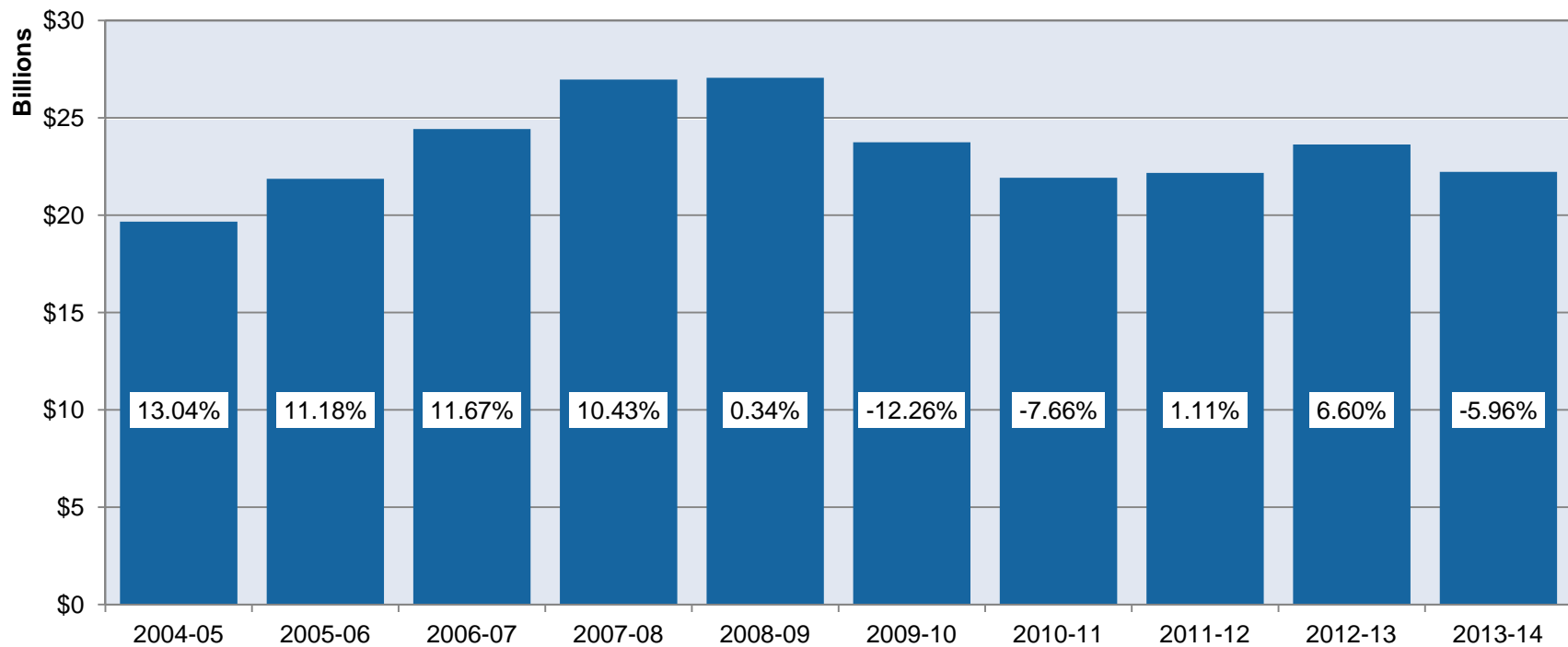


Utilizing Tax “Rate Stabilization”

- Historically the County has annually agreed to District requests to set tax rates at somewhat higher level than the County tax levy formula would require, to aid in keeping the following year’s actual tax rate at a desired level. The difference between the actual and formula required tax rates creates a “rate stabilization” component in the year end cash balance in the County held Interest and Sinking Fund, which balance is incorporated in the next year tax rate calculation. This is a particularly useful tool when the bond measure tax rate requirement is closely approaching \$60 per \$100,000 of assessed value.

History of Assessed Valuation

- The District's tax base unexpectedly declined by 5.96% in 2013-14, largely due to the Chevron refinery fire.
 - 10-year annual growth rate was 1.4%
 - Growth rate from 2004-09 was 8.3%



Source: California Municipal Statistics.



Tax Rates

- The District has been able to maintain their tax rate target in connection with each of their bond programs.

	1998 Measure E	2000 Measure M	2002 Measure D	2005 Measure J	2010 Measure D	2012 Measure E
1998/99	\$6.10	N/A	N/A	N/A	N/A	N/A
1999/00	\$12.50	N/A	N/A	N/A	N/A	N/A
2000/01	\$20.40	N/A	N/A	N/A	N/A	N/A
2001/02	\$18.00	\$6.90	N/A	N/A	N/A	N/A
2002/03	\$16.10	\$25.00	\$11.50	N/A	N/A	N/A
2003/04	\$12.30	\$45.40	\$48.70	N/A	N/A	N/A
2004/05	\$16.10	\$46.90	\$52.30	N/A	N/A	N/A
2005/06	\$11.50	\$43.70	\$48.90	N/A	N/A	N/A
2006/07	\$10.50	\$38.60	\$48.70	\$16.50	N/A	N/A
2007/08	\$9.00	\$34.20	\$44.20	\$16.10	N/A	N/A
2008/09	\$9.30	\$36.50	\$48.40	\$28.80	N/A	N/A
2009/10	\$10.50	\$55.20	\$58.10	\$59.00	N/A	N/A
2010/11	\$11.30	\$55.60	\$60.00	\$60.00	N/A	N/A
2011/12	\$8.60	\$55.60	\$60.00	\$60.00	\$48.00	N/A
2012/13	\$8.70	\$55.60	\$60.00	\$60.00	\$31.40	N/A
2013/14	\$10.20	\$55.60	\$60.00	\$60.00	\$48.00	\$48.00
Target	\$26.40	\$55.60	\$60.00	\$60.00	\$48.00	\$48.00