



West Contra Costa Unified School District

Presentation to Joint Meeting of The West Contra Costa
Unified School District Board of Education and the City of
Hercules City Council

January 15, 2013



1333 Broadway, Suite 1000, Oakland, CA 94612
phone 510-839-8200 fax 510-208-8282

A Division of Zions First National Bank

District Bond Program

- Over the years, the District's ongoing bond program has been an active topic of discussion in the community.
 - The District has been addressing its school facilities needs on an ongoing and consistent basis since 1998.
 - Over this period of time, local voters have approved six separate bond measures totaling \$1.63 billion.
 - The District has been actively issuing bonds and expending bond proceeds at a rate typically between \$50 million and \$100 million per year for this entire period of time.
 - Issues related to bond finance and facilities are regularly discussed at meetings of the District Board of Education and the Facilities Subcommittee to the Board.
 - The District believes that this is one of the most transparent bond programs in the State.

Success of the Program

- There is no doubt that the program has been a remarkable success from a number of perspectives.
 - Facilities that were clearly inadequate in the mid-1990s have been improved.
 - The improved facilities are having a positive impact on student learning.
 - More than half of the schools in the District have been modernized.
 - 23 of 37 elementary schools.
 - 4 of 6 middle schools.
 - 3 of 6 comprehensive high schools.
 - The District hopes to modernize the remaining schools over the next ten to fifteen years.

Bonding Capacity Waiver

- At this point, the District is in the process of applying for a waiver of its bonding capacity limitations from the State Board of Education.
 - There is an old State law that prohibits a unified school district from issuing bonds if doing so causes the amount of bonds outstanding to exceed 2.5% of its tax base at the time of issuance.
 - The District currently has bonds outstanding in an amount that exceeds this limit (with \$797 million in bonds outstanding and an un-waived bonding capacity of \$591 million).
 - Without a waiver, the District will not be able to issue any bonds under 2012 Measure E.

Size and Pace of the Bond Program

- Issues relating to the size and pace of the District's bond program have been widely discussed at public meetings and in the community.
 - In the wake of unprecedented tax base declines, the District re-worked its bond program to decrease its pace and reduce long-term taxpayer costs.
 - 2005 Measure J program was suspended, a new bond measure (2010 Measure D) was placed on the ballot, and the District planned to move ahead at a rate of \$35 million per year.
 - 2012 Measure E was placed on the ballot in response to concerns about the negative impacts that such a slowing might have on the program.
 - 2012 Measure E disclosed that the District had plans to apply for a bonding capacity waiver prior to issuing bonds.
 - 2012 Measure E was approved by 64.4% of District voters at an election this past November.

Past History

- In the past, the State Board of Education has approved this type of waiver as a matter of course.
 - The State Board of Education has approved scores of bonding capacity waivers over time, and has not rejected an application that we know of.
 - West Contra Costa Unified School District has received three waivers in the recent past (in 2002, 2009, and 2011).
 - Part of their rationale seems to be that there are other appropriate limitations in place (including the super-majority vote requirement and Proposition 39 tax rate limitations among others) and that denying the waiver requests would disadvantage students (particularly in areas with relatively low tax bases).

Opposition

- This year, there has been some formal opposition to the District's bond program.
 - Opponents filed an argument against 2012 Measure E that included specific reference to state limitations on debt.
 - A representative of the California League of Bond Oversight Committees spoke against the waiver application at last Wednesday's District Board meeting, suggesting that the District is taking on too much debt and already has sufficient bonding authorization.
 - The District's position is that District voters expressed their support for the bond measure in November (by a vote of 64.4% in favor) and that issuance of previously approved bonds would require the use of more expensive debt structures such as capital appreciation bonds.

Community Support

- The District wishes to make it clear to the State Board of Education that the bond program has broad support in the community.
 - The District has requested supporting resolutions from each of the five overlapping cities and the Kensington Community Services District.
 - The purpose of these resolutions is to provide evidence of the broad support that the District's bond program has in the community and the importance of the planned projects to the community.
 - So far, the city councils of the City of Richmond, the City of El Cerrito, the City of Pinole, the City of San Pablo, and the Kensington Community Services District have approved supporting resolutions.
 - A number of special districts have also approved supporting resolutions, more will be considering doing so in January and February, and the District expects to receive a number of letters from other public officials expressing their support.

Potential Consequences

- To be clear, if the District does not achieve a bonding capacity waiver, it will not be able to issue any bonds under 2012 Measure E for a significant period of time.
 - Without the ability to issue 2012 Measure E Bonds, the program will slow considerably, and projects will need to be delayed.
 - Delays in projects will both extend the period during which students are served in inequitable facilities and are likely to result in increased costs.
 - Unanticipated delays in school district facilities projects tend to increase the pressure on school boards to consider more aggressive financing techniques such as bond anticipation notes and capital appreciation bonds.

Requested Action

- The District is requesting that the Hercules City Council approve a resolution in support of the District's bonding capacity waiver at its meeting next week.
 - Approval will complete the District's plan with regard to all overlapping cities.
 - The resolution will be delivered to the Department of Education as a supplement to the District's waiver application which was submitted this past Friday.
 - The State Board of Education will consider the District's application at its upcoming meeting in either March or May.
 - Approval by the Board will allow the District to issue bonds as planned in July or shortly thereafter.