West Contra Costa USD

Introduction to General Obligation Bonds and the District's Bond Program

Presentation to the Bond Oversight Committee

November 7, 2012

KNN public finance

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2012 Measure E

- Last night, District voters approved 2012 Measure E by a vote of 64% in favor.
    - Authorizes the District to issue up to $360 million of general obligation bonds (subject to certain limitations).
    - Specifies the projects and purposes for which the District can expend bond proceeds.
    - Provides the District's estimates of what tax rates will be required to repay the bonds over time.
    - Approval of the bond measure obligates local taxpayers to repay any bonds issued under the authorization through a special property tax levied specifically to repay bond debt service.

District Bond Program

- 2012 Measure E represented the sixth bond measure passed by District voters since 1998.

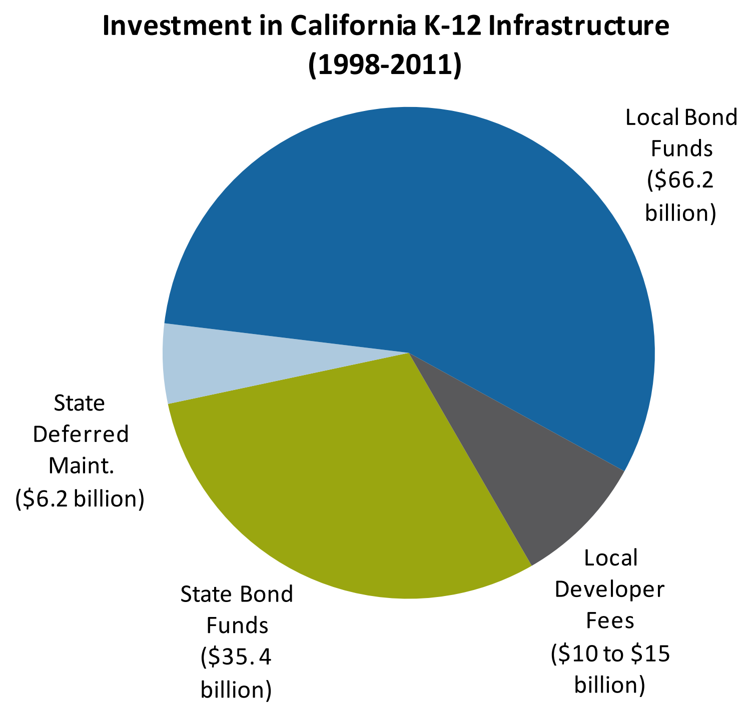
Date	Measures	Authorization	Amount Issued	Percent Yes Vote
June 2, 1998	Measure E	$40 million	$40 million	76%
November 7, 2000	Measure M	$150 million	$150 million	78%
March 2, 2002	Measure D	$300 million	$300 million	72%
November 8, 2005	Measure J	$400 million	$322.4 million	57%
June 8, 2010	Measure D	$380 million	$100 million	63%
November 6, 2012	Measure E	$360 million	$0 million	64%

Long-Term Facility Improvements

- Approval of 2012 Measure E will allow the District to continue its long-term facility improvement program.
  - Proceeds from bond sales are used to fund facility improvements.
  - The District's philosophy has been to make consistent investments in its facilities over time on a scope-driven basis.
  - Implementation of this philosophy requires a significant amount of trust between the District and the community.

GO Bonds

- Voter-approved general obligation bonds are the primary tool by which California school districts fund needed facility improvement projects.



Source: "California's K-12 Educational Infrastructure Investments," Center for Cities and Schools, University of California, Berkeley.

Bond Election

- School districts receive authority to issue general obligation bonds (subject to certain limitations) through a process of voter approval.
    - Successful bond measures represent a "grand bargain" between the school district and its taxpayers.
    - Proposition 39 established certain tax rate limitations which are met at time of issuance.
    - Proposition 39 provides accountability by requiring a citizens bond oversight committee and annual financial and performance audits.

Bond Issuance

- School districts generate funds for projects by selling bonds – typically in series over time.
    - Authorizations are often too large to be sold all at once within either self-imposed or Proposition 39 tax rate limitations.
    - As a general rule, federal tax law requires that bond proceeds be spent within three years of their date of issuance.
    - School districts and their taxpayers can benefit by taking a "dollar cost averaging"-type of approach to issuing bonds.
    - School districts implementing a long-term investment strategy with regard to their facilities are well-served by having overlapping authorizations.

Pace of Issuance

- The pace at which bonds are issued is driven by a number of competing factors.
    - Project timing considerations and program cash flow.
    - Project cost considerations.
    - Long-term program viability/flexibility considerations.
    - Tax rate and tax base growth considerations.
    - Interest rate and other market considerations.

How GO Bonds Work

- When a school district sells a bond issue, it generates proceeds today by promising to make payments to investors in the future.
    - Like a mortgage, payments are spread over a time.
    - Unlike a mortgage, the borrower (in this case the District) has broad flexibility to structure its repayment schedule.
    - In California school district finance today, such flexibility generally means that payments escalate over time with projected tax base growth.

Taxpayer Cost and Tax Base Growth

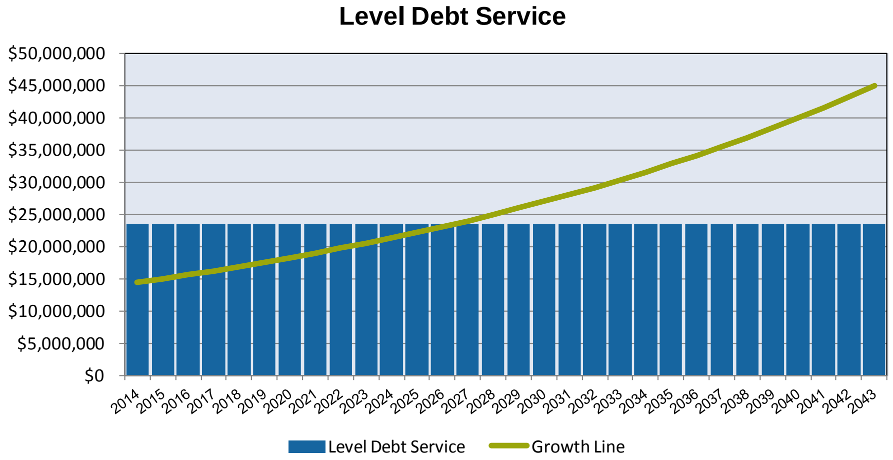
- Because the future cost to taxpayers is dependent on tax base growth, it can only be estimated at the time of issuance.

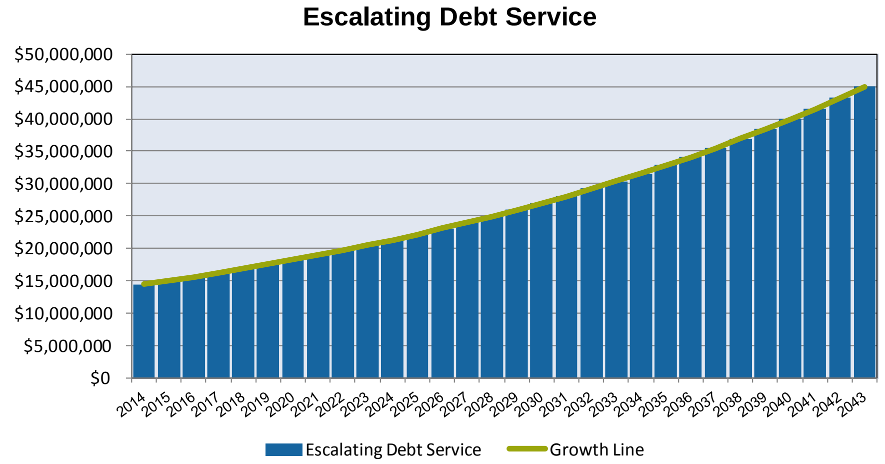
TAX RATE ANALYSIS

Bond Year/ Tax Year Ending	Aggregate Debt Service (All Series)	Estimated Tax Rates @ 2% Growth	@ 4% Growth	@ 6% Growth	@ 8% Growth
8/1/12					
8/1/13	11,796,000	48.00	48.00	48.00	48.00
8/1/14	12,267,840	48.00	48.00	48.00	48.00
8/1/15	12,758,554	48.00	48.00	48.00	48.00
8/1/16	13,268,896	48.00	48.00	48.00	48.00
8/1/17	13,799,652	48.00	48.00	48.00	48.00
8/1/18	14,351,638	48.00	48.00	48.00	48.00
8/1/19	14,925,703	48.00	48.00	48.00	48.00
8/1/20	15,522,731	48.00	48.00	48.00	48.00
8/1/21	16,143,641	48.00	48.00	48.00	48.00
8/1/22	16,789,386	57.17	48.00	40.44	34.18
8/1/23	17,460,962	58.29	48.00	39.67	32.91
8/1/24	18,159,400	59.43	48.00	38.93	31.69
8/1/25	18,885,776	60.60	48.00	38.19	30.52
8/1/26	19,641,207	61.78	48.00	37.47	29.39
8/1/27	20,426,855	62.99	48.00	36.76	28.30
8/1/28	21,243,930	64.23	48.00	36.07	27.25
8/1/29	22,093,687	65.49	48.00	35.39	26.24
8/1/30	22,977,434	66.77	48.00	34.72	25.27
8/1/31	23,896,532	68.08	48.00	34.07	24.33
8/1/32	24,852,393	69.42	48.00	33.42	23.43
8/1/33	25,846,489	70.78	48.00	32.79	22.56
8/1/34	26,880,348	72.17	48.00	32.17	21.73
8/1/35	27,955,562	73.58	48.00	31.57	20.92
8/1/36	29,073,785	75.02	48.00	30.97	20.15
8/1/37	30,236,736	76.50	48.00	30.39	19.40
8/1/38	31,446,205	78.00	48.00	29.81	18.68
8/1/39	32,704,054	79.52	48.00	29.25	17.99
8/1/40	34,012,216	81.08	48.00	28.70	17.33
8/1/41	35,372,704	82.67	48.00	28.16	16.68
8/1/42	36,787,613	84.30	48.00	27.63	16.07
8/1/43	38,259,117	85.95	48.00	27.11	15.47
8/1/44	39,789,482	87.63	48.00	26.59	14.90
8/1/45	41,381,061	89.35	48.00	26.09	14.35
8/1/46	43,036,303	91.10	48.00	25.60	13.82
8/1/47	44,757,756	92.89	48.00	25.12	13.30
8/1/48	46,548,066	94.71	48.00	24.64	12.81
8/1/49	48,409,988	96.57	48.00	24.18	12.34
8/1/50	50,346,388	98.46	48.00	23.72	11.88
8/1/51	52,360,243	100.39	48.00	23.27	11.44
		70.18 AVG	48.00 AVG	35.00 AVG	27.11 AVG

Escalating Debt Service

- Because of the urgency of facility needs, tax rate limitations, and other factors, California school districts often opt for escalating repayment structures.





Potential Issuance Schedule

- The District's current plan is to implement the 2012 Measure E Bond Program (along with remaining authorization under two prior authorizations) by issuing bonds in series over the next eight years.

Pro-Forma Issuance Schedule

Year	2005 Measure J	2010 Measure D	2012 Measure E	Total
To Date	**$322,409,709**	**$100,000,000**	**$0**	**$422,409,709**
2013	$0	$65,000,000	$60,000,000	$125,000,000
2015	$0	$65,000,000	$60,000,000	$125,000,000
2017	$0	$65,000,000	$60,000,000	$125,000,000
2019	$0	$65,000,000	$60,000,000	$125,000,000
2021	$0	$20,000,000	$105,000,000	$125,000,000
2023	$77,590,291	$0	$15,000,000	$92,590,291
Total	**$400,000,000**	**$380,000,000**	**$360,000,000**	**$1,140,000,000**

Note: The table above is provided based on pro-forma analysis and has not been approved by the District Board of Education.

Sizing of Future Bond Issues

- Decisions regarding future bonds issuances (including decisions about the sizing and repayment structure) will be made by the Board of Education based on then-current information.
    - Urgency of facility needs.
    - Bond program cash flow needs.
    - Tax rate targets.
    - Prudent debt management principles.
    - Long-term stability of the bond program.
    - Market conditions and other factors.

Series A Bonds

- Discussions are currently underway regarding the timing, sizing, and repayment structure of the 2012 Measure E Series A Bonds.
    - Discussions with Facilities Department and Finance Department.
    - District Administration review.
    - Presentation to Facilities Subcommittee.
    - Approval by the Board of Education

Bonding Capacity Waiver

- Issuance of any bonds under 2012 Measure E will depend on the District's ability to achieve a waiver of the statutory bonding capacity limitation from the State Department of Education.
    - State law provides that a unified school district is prohibited from issuing bonds if doing so would cause the total amount of such school district's bonds outstanding to exceed 2.5% of the then-present assessed value of such school district.
    - Under such conditions, the District's available bonding capacity changes every year as old bonds are paid off, new bonds are issued, and the District's tax base increases (or decreases).
    - In 2012-13, the District's total assessed value is more than $24.6 billion provided the District with a statutory bonding capacity of $615 million.

Bonding Capacity Waiver, continued

- As of today, however, the District has $797 million in bonds outstanding (and, therefore, no available bonding capacity).
- The District was able to issue bonds in December 2011 based on a bonding capacity waiver received in connection with the 2010 Measure D bonds.
- The District's plan to seek a waiver of the statutory bonding capacity was described in the official ballot material for 2012 Measure E.

Questions