



West Contra Costa USD

Presentation to the Bond Oversight Committee

December 5, 2012



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A Division of Zions First National Bank

Purpose of the Presentation

- The purpose of this presentation is to provide the Bond Oversight Committee with an opportunity to review the District's plan to request a waiver of the Education Code's bonding capacity limitation from the State Board of Education.
 - What is statutory bonding capacity?
 - Why does the District need a waiver?
 - Why is the District requesting that the BOC review the plan to request a waiver?
 - What rationale will be described in the request?
 - What is the likely outcome of the request?

Authority to Issue GOBs

- California state law restricts a school district's authority to issue general obligation bonds in a variety of ways.
 - Voter approval.
 - Proposition 39 restrictions.
 - Statutory bonding capacity limitations.

Education Code Provisions

- There are two sections of the Education Code that reference statutory bonding capacity for unified school districts.
 - Section 15106.
 - Limits outstanding debt to 2.5% of assessed value.
 - Defines outstanding debt.
 - A school district may issue bonds that shall not exceed ...
 - Section 15270.
 - Restates bonding capacity limits in the context of Proposition 39.

Required Certifications

- School districts typically meet this requirement by making a certification at the time that a new series of bonds are issued.
 - Current assessed value.
 - Applicable percentage.
 - Bonding capacity.
 - Amount of bonds outstanding at close (including bonds being issued).

Note: A school district is not in violation of the provision if subsequent declines in assessed value or the expiration of prior waivers causes such district's bonding capacity to decrease below the amount of bonds outstanding.

Current Status

- As of now, the District could not make the necessary certification to allow for the issuance of any new bonds under the recently approved 2012 Measure E.

Current assessed value:	\$23,632,927,039
Applicable percentage:	2.50%
Bonding capacity:	\$590,823,176
Amount of bonds outstanding:	\$796,875,137
Amount of new bonds that can be issued:	\$0

Note: Each of the District's past three bond issues were sold pursuant to two separate waivers from the State Department of Education

Prior Waiver Requests – 2005 Measure J

- In March 2009, the District has achieved bond capacity waiver in connection with 2005 Measure J.
 - Increased bonding capacity to 3.5% for all 2005 Measure J Bonds issued through December 31, 2019.
 - District issued Series C Bonds in September 2009 and Series D Bonds in June 2010.
 - \$77.6 million of 2005 Measure J Bonds remain authorized but unissued.

Prior Waiver Requests – 2010 Measure D

- In March 2011, the District achieved a bonding capacity waiver in connection with 2010 Measure D.
 - Increased bonding capacity to 5.0% for all 2010 Measure D Bonds issued through December 31, 2020.
 - District issued Series A Bonds in November 2011.
 - \$280 million of 2010 Measure D Bonds remain authorized but unissued.

General Waivers

- The California Education Code gives the State Board of Education the authority to waive any provision of the Education Code by request of a petitioning school district. Education Code Section 33050 and following describes:
 - Board of Education’s broad authority.
 - Exceptions to such authority.
 - Conditions that must be met.
 - Section 33051 of the Education Code states that “the State Board shall approve any and all requests for waivers” except under certain conditions.

Content of Request

- The Department of Education requires that our request include the same certifications as all waiver requests. The eight question application includes the following questions:
 - Have any advisory committees reviewed the waiver?
 - Has the District consulted with its bargaining units?
 - Has the District held a public hearing?
 - What is the rationale for the request and what is the desired outcome?

Ballot Language

- The 2012 Measure E ballot language references bonding capacity both in the summary (not shown) and, more extensively, toward the end of the full text.

“In order to fund the projects and prior to the issuance of any bonds authorized by this Measure, the District may seek a waiver from the State Board of Education of the applicable bonding limit requirements of Section 15106 of the Education Code.”

Rationale

- The District's rationale for the waiver request will be based largely on public support for the bond program.
 - The community is supportive of the District's ongoing bond program.
 - There is a need for further improvements to the District's schools, including improvements that improve student safety.
 - Voter approval of 2012 Measure E (with over 64% support) is clear evidence that the community desires that authorized dollars be spent on identified projects.
 - Voters are aware that the District has a large bond program, that school facility tax rates are relatively high, and that issuing new bonds under 2012 Measure E would require a bonding capacity waiver.
 - The District will be able to implement its program within Proposition 39 tax rate constraints and has no current plans to issue bond anticipation notes or capital appreciation bonds.
 - Restricting access to bond proceeds based on the size of the tax base is not equitable, and works to the disadvantage of students in West Contra Costa USD specifically.

Request Level

- The amount of the waiver request will be somewhere between 5.0% and 6.0%.

REQUEST LEVEL	2.5%	4.5%	5.0%	5.5%	6.0%
TAX YEAR 2012--13 [1]					
Adjusted Bonding Capacity	590,823,176	1,063,481,717	1,181,646,352	1,299,810,987	1,417,975,622
Bonds Currently Outstanding	796,875,176	796,875,176	796,875,176	796,875,176	796,875,176
Available for New Bonds [2]	(206,052,000)	266,606,541	384,771,176	502,935,811	621,100,446
TAX YEAR 2024-25 (assuming 2% growth) [1]					
Adjusted Bonding Capacity	749,306,645	1,348,751,961	1,498,613,290	1,648,474,619	1,798,335,948
Bonds to Be Outstanding [3]	486,398,015	486,398,015	486,398,015	486,398,015	486,398,015
Available for New Bonds [2]	262,908,630	862,353,946	1,012,215,275	1,162,076,604	1,311,937,933
TAX YEAR 2024-25 (assuming 4% growth) [1]					
Adjusted Bonding Capacity	945,926,940	1,702,668,492	1,891,853,881	2,081,039,269	2,270,224,657
Bonds to Be Outstanding [3]	486,398,015	486,398,015	486,398,015	486,398,015	486,398,015
Available for New Bonds [2]	459,528,925	1,216,270,477	1,405,455,865	1,594,641,253	1,783,826,641

[1] Assumes the period of August 2nd to January 31st in each given tax year.

[2] New bonds will include 2010 Measure D Bonds (\$280 million remain to be issued), 2012 Measure E Bonds (all \$360 million remain to be issued), and any additional bonds approved in the future.

[3] Includes only the bonds that have been issued to date assuming no refundings and restructurings.

Anticipated Concerns

- Although the State Board of Education has consistently approved requests of bonding capacity waivers in the past, the financing team anticipates that recent developments may be cause of concern.
 - General concern about debt.
 - Size of the requested increase.
 - Existing and prospective tax burden in the District.
 - Ability to meet prospective tax rate commitments.
 - Potential use of bond anticipation notes or capital appreciation bonds.

Timing

- Our expectation is that our request will be considered at the March meeting of the State Board of Education.
 - Presentation of the plan to bond oversight committee, the facilities subcommittee, and union representatives in December.
 - Board approval of resolution calling for the submission of an application on Wednesday, December 12th (after public hearing).
 - Application to be submitted to the State Board of Education by Friday, December 21st (or earlier).
 - Support will be solicited from the Cities of Richmond, Pinole, Hercules, El Cerrito, and San Pablo in December and January.

Conditional Approval

- Our expectation is that the request will be given provisional approval.
 - Specific to 2012 Measure E.
 - Limited to a certain percentage of assessed value.
 - Limited to bonds issued during a certain period of time.