



West Contra Costa USD

Presentation to the Board of Education

January 9, 2013



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A Division of Zions First National Bank

Tonight's Resolution

- Tonight's resolution accomplishes four basic objectives.
 - Asserts that District voters have approved bonds that cannot be issued at this current point in time without a waiver of the statutory bonding capacity limitation.
 - Acknowledge that the State Department of Education has the power to waive this limitation.
 - Reports that the District has satisfied its obligation to seek stakeholder and public input.
 - by meeting with its representative of employee groups;
 - by meeting with appropriate councils and advisory committees; and
 - by seeking public input at an appropriately advertised public hearing.
 - Directs the Superintendent to submit a waiver request to the Waiver Office of the Department of Education.

Statutory Bonding Capacity

- Statutory bonding capacity is a limitation on the amount of bonded indebtedness that a school district can have outstanding at any one time.
 - Section 15106 and Section 15270(a) of the Education Code establishes statutory bonding capacity at 2.50% of total assessed value for a unified school district.
 - The requirement is typically met by making a certification at the time of issuance.
 - To the extent that assessed values decline in the future, a school district does not become in violation after the fact.

Why Does the District Need a Waiver?

- Factoring in the recent decreases in assessed value, the District currently has more bonds outstanding than would be allowable under the un-waived statutory bonding capacity.

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: In addition to the unprecedented declines in assessed value, following the financial collapse of 2008, it should be noted that the District's three most recent bond series were issued under two separate waivers from the State Department of Education.

Future Available Bonding Capacity

- Absent a waiver of the bonding capacity limitation, the District will not be able to issue any bonds under 2012 Measure E until at least 2018 (and more likely not until much later).

Date	Available Bonding Capacity @ 2% Growth	Available Bonding Capacity @ 4% Growth	Available Bonding Capacity @ 6% Growth	Available Bonding Capacity @ 8% Growth
10/1/13	(174,038,330)	(162,221,867)	(150,405,403)	(138,588,940)
10/1/14	(213,685,995)	(189,344,080)	(164,529,507)	(139,242,275)
10/1/15	(214,645,008)	(177,035,568)	(137,951,433)	(97,364,244)
10/1/16	(211,753,649)	(160,100,106)	(105,379,009)	(47,471,247)
10/1/17	(205,987,117)	(139,476,912)	(67,648,958)	9,809,437
10/1/18	(207,062,116)	(124,845,172)	(34,331,006)	65,137,155
10/1/19	(206,571,114)	(107,758,235)	3,138,377	127,325,869
10/1/20	(204,199,524)	(87,860,728)	45,239,341	197,129,425
10/1/21	(163,991,719)	(29,154,500)	128,103,218	310,978,157
10/1/22	(119,344,267)	35,008,208	218,519,902	435,988,502
10/1/23	(68,747,186)	106,183,591	318,197,239	574,224,813
10/1/24	(17,091,370)	179,528,925	422,454,295	721,395,251
10/1/25	29,429,290	248,900,530	525,319,961	871,953,240

Note: Assumes 2010 Measure D Bonds not yet issued are accessed at a rate of \$35 million per year and that no principal payments are made on such bonds.

Potential Consequences

- In the event the District does not apply for (or is not granted) a bonding capacity waiver, the bond program would face the following consequences.
 - Bond program could move ahead at the reduced pace allowed by 2010 Measure D.
 - Projects (including high visibility projects and student safety projects) could be further delayed.
 - Delay in projects is likely to increase costs.
 - Pressure to increase the pace of the program by using expensive or risky financing vehicles might increase.

Stakeholder and Public Input

- The District's plan to apply for a waiver has been presented to the following entities for review.
 - Citizens Bond Oversight Committee on December 5, 2012.
 - Facilities Subcommittee on December 11, 2012.
 - Representative of United Teachers of Richmond.
 - City Councils of Richmond, El Cerrito, San Pablo, and Pinole.
 - Various special districts including West County Wastewater District and Stege Sanitation District.
 - Public hearing has been held earlier tonight.

Rationale

- In its application, the District will argue that the waiver is justified based on the strong public support for the bond program and other factors.
 - 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 spend on identified projects.

Rationale (continued)

- 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.

Denial of Waiver Requests

- Section 33051 of the Education Code suggests that “the state board shall approve any and all requests for waivers” absent any of seven specific finding by the BOE.
 - Educational needs of pupils are not adequately met.
 - Affected school site councils have not approved the request.
 - Appropriate councils or advisory committees have not had adequate opportunity to review the waiver request or objections to the request were not registered in the final request.
 - Pupil or school personnel protections are jeopardized.
 - Guarantees of parental involvement are jeopardized.
 - Granting of the request would substantially increase state costs.
 - Union representatives were not provided the opportunity to participate in the development of the waiver request.

Timing and Expected Result

- Our expectation is that the State Board of Education will approve our request at their meeting of Thursday, March 14th or Thursday, May 9th subject to certain conditions.
 - Timing:
 - Application submitted by Friday, January 11th.
 - Considered by State Board of Education on Thursday, March 14th, or Thursday, May 9th, depending on internal review.
 - Conditions:
 - Specific to 2010 Measure D.
 - Limited to a certain percentage of assessed value.
 - Limited to bonds issued during a certain period of time.

Scheduled Issuance of Series A Bonds

- Either board date will accommodate the schedule issuance of the Series A Bonds.
 - The current working plan is to issue approximately \$125 million in bonds in alternate years through 2023.
 - Initial issuances will include bonds authorized under both 2010 Measure D and 2012 Measure E (in approximately equal amounts).
 - The next series of bonds is tentatively scheduled to be issued in July 2013 (after the release of 2013-14 assessed values), but could be delayed based on cash flow need.
 - Final recommendations regarding sizing and timing will be developed by the business office and presented for Bond approval.