



West Contra Costa USD

History of the District's Bond Program

Presentation to the Board of Education
February 13, 2013



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A Division of Zions First National Bank

Summary of Presentation

- Tonight's presentation is intended to present basic facts about the District's bond issuance going back to 1998, and highlight some notable features of the program.
 - Background Information and Context.
 - Authorization by Authorization Analysis (including description of each individual series).
 - 1998 Measure E
 - 2000 Measure M
 - 2002 Measure D
 - 2005 Measure J
 - 2010 Measure D
 - 2012 Measure E
- Description of Recent Refunding Transactions.
- Past and Projected Future Tax Rate Analysis.
- Highlights and Notable Elements.

Description of Analysis

- Each new money bond issue will be analyzed based on effective interest rate, repayment ratio, and repayment structure.
 - Sources and uses of funds – how much money was raised and where was it deposited at closing.
 - Summary of transaction – where were the bonds sold, how were they sold (and by whom), and what were the results.
 - Debt service structure – what obligations did these create for future taxpayers (on an authorization-by-authorization basis).

Background Information and Context



Authorizations

- District voters have approved bonds on six occasions since June 1998.

Authorizations Achieved

Date	Name	Amount	Yes Vote ^[1]	Required Vote
June 1998	1998 Measure E	\$40,000,000	75.7%	66.6%
November 2000	2000 Measure M	\$150,000,000	77.5%	66.6%
March 2002	2002 Measure D	\$300,000,000	71.8%	55.0%
November 2005	2005 Measure J	\$400,000,000	56.9%	55.0%
June 2010	2010 Measure D	\$380,000,000	62.6%	55.0%
November 2012	2012 Measure E	\$360,000,000	64.4%	55.0%
		\$1,630,000,000		

[1] Data from smartvoter.org.

Bonds Outstanding

- The District has bonds outstanding against five of these six.

Date	Name	Amount Authorized	Amount Issued
June 1998	1998 Measure E	\$40,000,000	\$40,000,000
November 2000	2000 Measure M	\$150,000,000	\$150,000,000
March 2002	2002 Measure D	\$300,000,000	\$299,997,483
November 2005	2005 Measure J	\$400,000,000	\$322,409,709
June 2010	2010 Measure D	\$380,000,000	\$100,000,000
November 2012	2012 Measure E	\$360,000,000	\$0
		\$1,630,000,000	\$912,407,192

Total Bonds Outstanding as of June 30, 2012, is \$821,578,850

Authorization by Authorization Assessment

- The District assesses its debt profile on an authorization by authorization basis.
 - Each authorization (1) establishes a budget, (2) describes projects to be completed, and (3) discloses tax rate targets.
 - The Districts long-term practice has been to operate under a program funding model rather than a project funding model.
 - Series of bonds are not typically sold to finance specifically defined projects and projects often straddle two or more series of bonds.

Repayment Structure

- School districts have broad flexibility to establish bond repayment structures.
 - Level debt service structures are similar to home mortgages with roughly equal payments in every year.
 - Escalating repayment structures generate additional proceeds for the same maximum tax rate.
 - Bond programs based on escalating repayment structures are sometimes called “level tax rate” programs, with the expectation that tax base growth will exceed the escalation of payments.

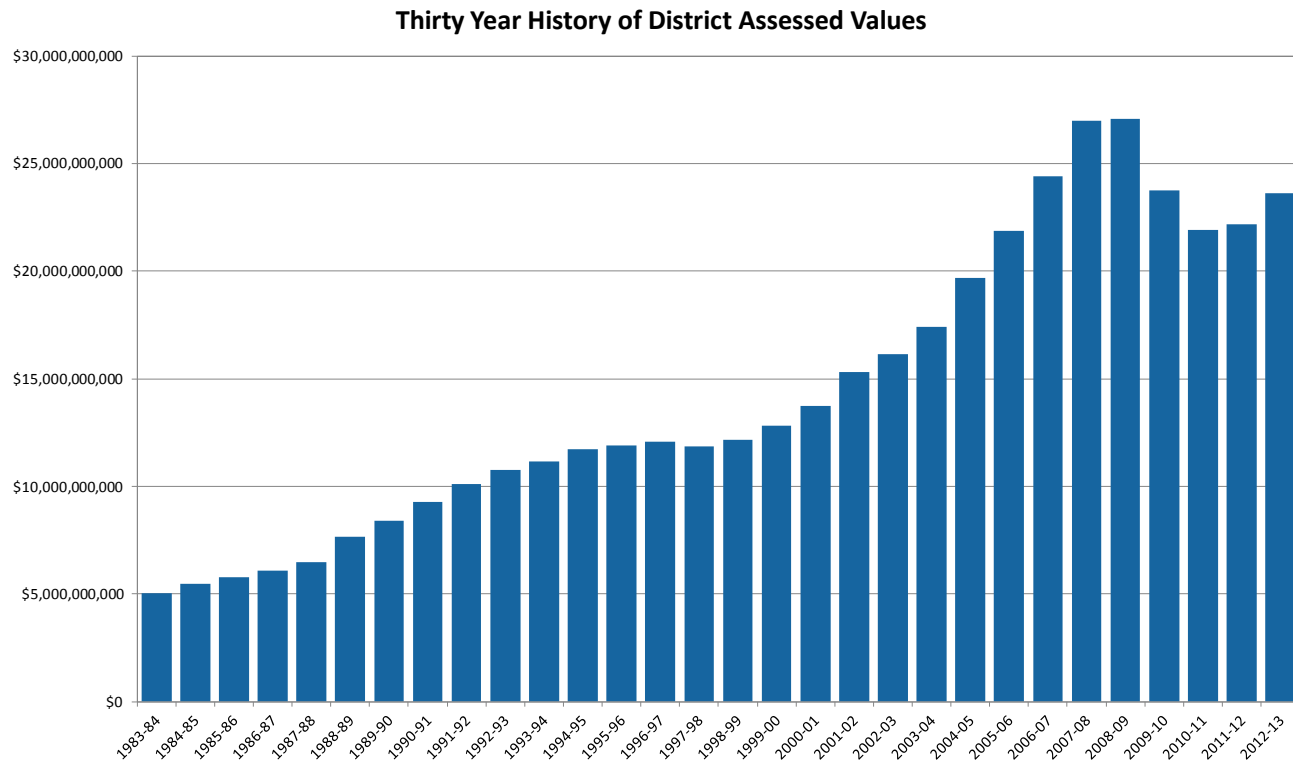
History of Assessed Valuation Growth

- Over the past thirty years, tax base growth in the District has averaged 5.65% per year, and the ten-year rolling average has never dropped below 4.00%.

Fiscal Year	Total Assessed Value	Annual Growth Rate	Ten-Year Rolling Average	Fiscal Year	Total Assessed Value	Annual Growth Rate	Ten-Year Rolling Average	Fiscal Year	Total Assessed Value	Annual Growth Rate	Ten-Year Rolling Average
1983-84	5,047,103,861	NA	NA	1993-94	11,177,877,217	3.97%	8.34%	2003-04	17,402,845,454	7.70%	4.59%
1984-85	5,463,073,364	8.24%	NA	1994-95	11,712,119,435	4.78%	7.99%	2004-05	19,672,003,633	13.04%	5.41%
1985-86	5,796,556,139	6.10%	NA	1995-96	11,890,273,449	1.52%	7.53%	2005-06	21,871,131,308	11.18%	6.38%
1986-87	6,097,087,975	5.18%	NA	1996-97	12,092,847,054	1.70%	7.19%	2006-07	24,424,392,429	11.67%	7.38%
1987-88	6,494,668,787	6.52%	NA	1997-98	11,861,438,963	-1.91%	6.34%	2007-08	26,971,665,616	10.43%	8.61%
1988-89	7,648,629,138	17.77%	NA	1998-99	12,170,543,348	2.61%	4.83%	2008-09	27,062,460,076	0.34%	8.38%
1989-90	8,391,201,672	9.71%	NA	1999-00	12,810,332,136	5.26%	4.38%	2009-10	23,745,753,348	-12.26%	6.63%
1990-91	9,293,807,668	10.76%	NA	2000-01	13,733,514,555	7.21%	4.03%	2010-11	21,927,157,161	-7.66%	5.15%
1991-92	10,117,447,572	8.86%	NA	2001-02	15,295,071,828	11.37%	4.28%	2011-12	22,170,563,072	1.11%	4.12%
1992-93	10,751,191,746	6.26%	NA	2002-03	16,158,323,943	5.64%	4.21%	2012-13	23,632,927,039	6.60%	4.22%

History of Assessed Values

- Despite recent declines, District-wide assessed values are 4.68 times what they were 30 years ago.



Impact of AV Growth on Bond Program

- Increases and/or decreases in the tax base have a direct impact on general obligation bond programs.
 - For bonds already issued, variations in the current tax base impact current and future tax rates.
 - For bonds yet to be issued, variations in the current tax base impact projections of future available revenues.
 - A school district may not issue new general obligation bonds if projections suggest that issuing such bonds will cause tax rates to exceed Proposition 39 maximums.

Effective Interest Rate and Repayment Ratio

- For purposes of the following analysis, we rely heavily on the concepts of “effective interest rate” and “repayment rate”.
 - We use the term “effective interest rate” to mean the rate required to discount future annual obligations to the gross proceeds amount.
 - We use the term “repayment ratio” to mean the total net repayment amount divided by the gross proceeds amount (not the par value).
 - As you will see, the repayment ratio has more to do with the average life and structure of the bond issue than with the effective interest rate.
 - The repayment ratio assumes that a dollar thirty-years from now is equal to a dollar today (i.e. that there is no inflation).

New Money Bonds: 1998 Measure E



1998 Measure E

- 1998 Measure E was approved by 76% of District voters in June, 1998.

Date of Election:	June 1998
Type of Election:	Two-thirds vote
Amount of Authorization:	\$40,000,000
Implementation Period ^[1] :	1998 through 2001
Estimated Maximum Tax Rate ^[1] :	\$26.40

^[1] Based on information included in the ballot statement.

New Money Bond Issues

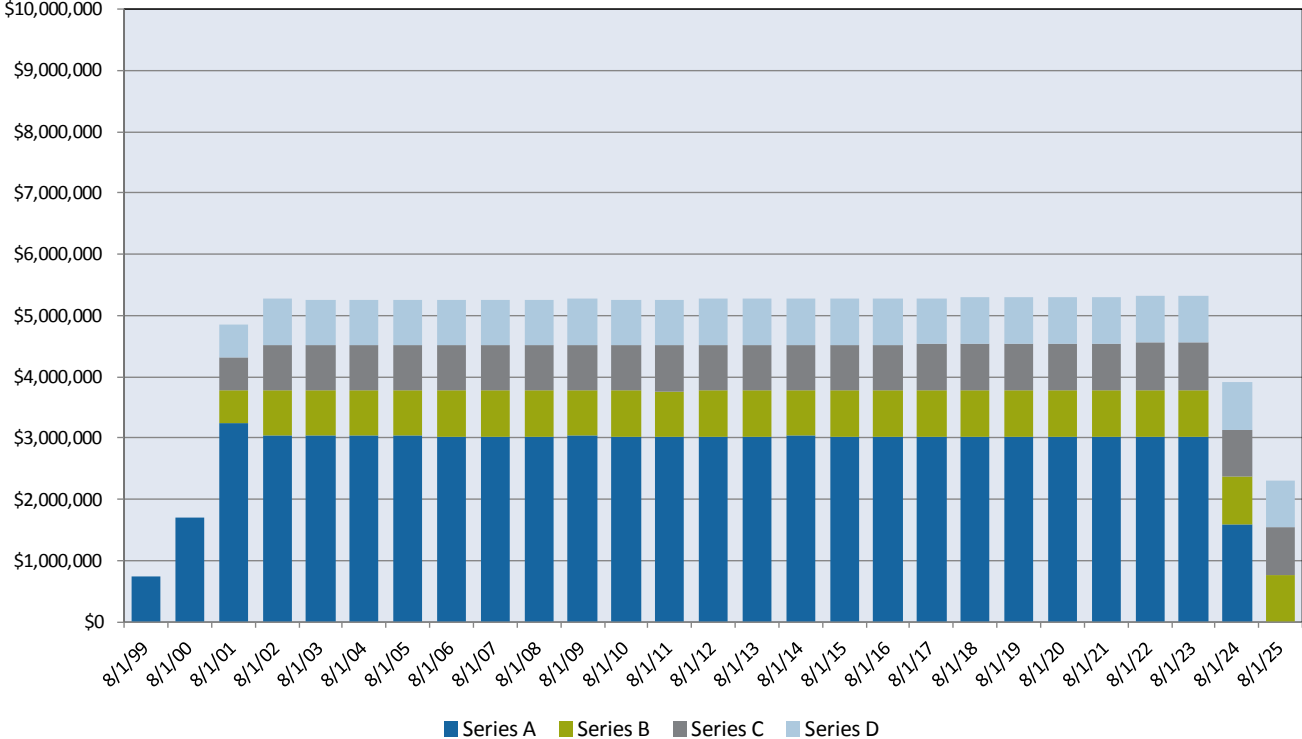
- The District issued its 1998 Measure E Bonds in four series over time.

Date	Name	Amount	Type of Bonds	Type of Sale	Effective Interest Rate	Repayment Ratio
8/18/98	Series A	\$10,000,000	CIBs	Competitive	4.8724%	1.75
2/9/99	Series B	\$10,000,000	CIBs	Competitive	4.8339%	1.74
2/7/00	Series C	\$10,000,000	CIBs	Competitive	5.5900%	1.90
8/9/00	Series D	\$10,000,000	CIBs	Competitive	5.1824%	1.84
		<u>\$40,000,000</u>				

1998 Measure E Debt Service Structure

- After issuance of the final series of bonds, the repayment structure for 1998 Measure E was essentially level.

1998 Measure E Series A, Series B, Series C, and Series D Annual Debt Service



Summary of Measure E New Money Issuance

- Issued in four series each of equal size over two years.
- Each bond series sold as current interest bonds with level debt service structure and twenty-five year maximum maturity.
- All bonds were sold by competitive sale.
- Effective interest rates ranged from 4.83% to 5.59%.
- Repayment ration ranged form 1.74 to 1.90.

New Money Bonds: 2000 Measure M



2000 Measure M

- 2000 Measure M was approved by 78% of District voters in November 2000.

Date of Election:	November 2000
Type of Election:	Two-thirds vote
Amount of Authorization:	\$150,000,000
Implementation Period ^[1] :	2001 through 2010
Estimated Maximum Tax Rate ^[1] :	\$55.60

^[1]Based on information included in the ballot statement.

New Money Bond Issues

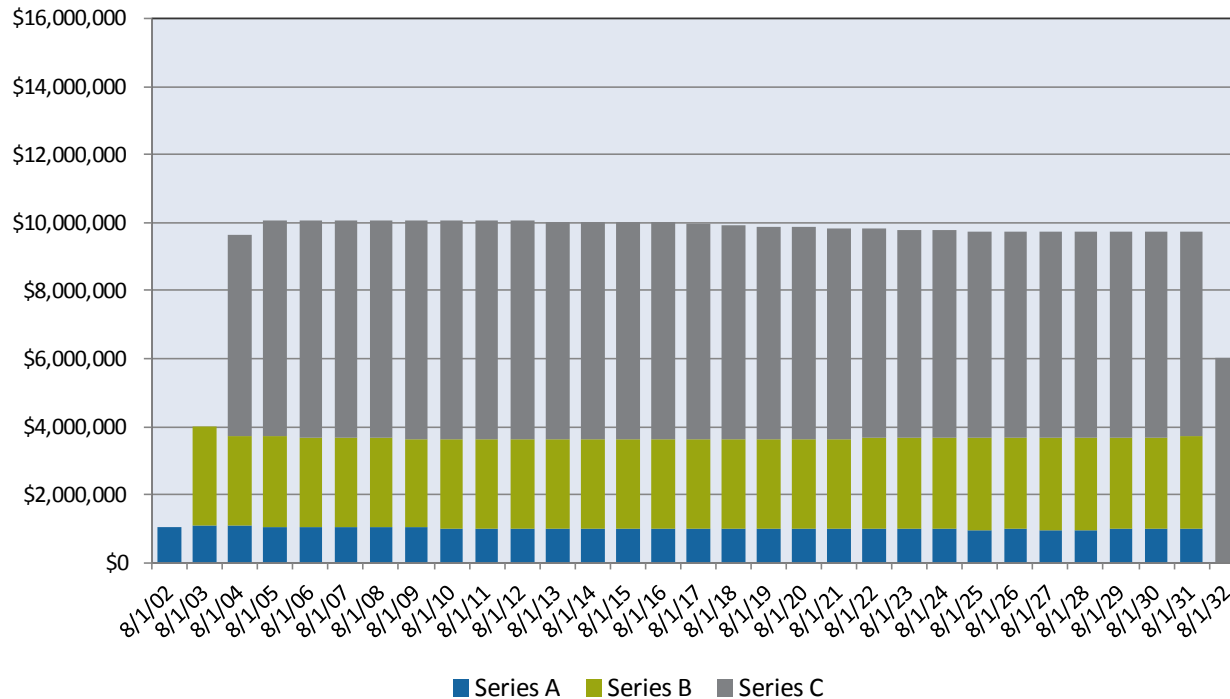
- The District issued its 2000 Measure M Bonds in three series over time.

Date	Name	Amount	Type of Bonds	Type of Sale	Effective Interest Rate	Repayment Ratio
5/15/01	Series A	\$15,000,000	CIBs	Competitive	5.0503%	1.97
2/26/02	Series B	\$40,000,000	CIBs	Competitive	4.8265%	1.93
4/22/03	Series C	\$95,000,000	CIBs	Competitive	4.5805%	1.85
		<u>\$150,000,000</u>				

2000 Measure M Debt Service Structure

- After issuance of the final series of bonds, the repayment structure for 2000 Measure M bonds was essentially level.

2000 Measure M Series A, Series B, and Series C Annual Debt Service



Summary of 2000 Measure M New Money Issuance

- Bonds were issued in three series over two years.
- Each bond series was sold as current interest bonds with level debt service structure and maximum term of thirty years.
- All bonds sold by competitive sale.
- Effective interest rates ranged from 4.58% to 5.05 %.
- Repayment ratios ranged from 1.85 to 1.97.

New Money Bonds: 2002 Measure D



2002 Measure D

- 2002 Measure D was approved by 72% of District voters in March 2002.

Date of Election:	March 2002
Type of Election:	Proposition 39
Amount of Authorization:	\$300,000,000
Implementation Period ^[1] :	2002 through 2015
Estimated Maximum Tax Rate ^[1] :	\$60.00

^[1] Based on information included in the ballot statement.

New Money Bond Issues

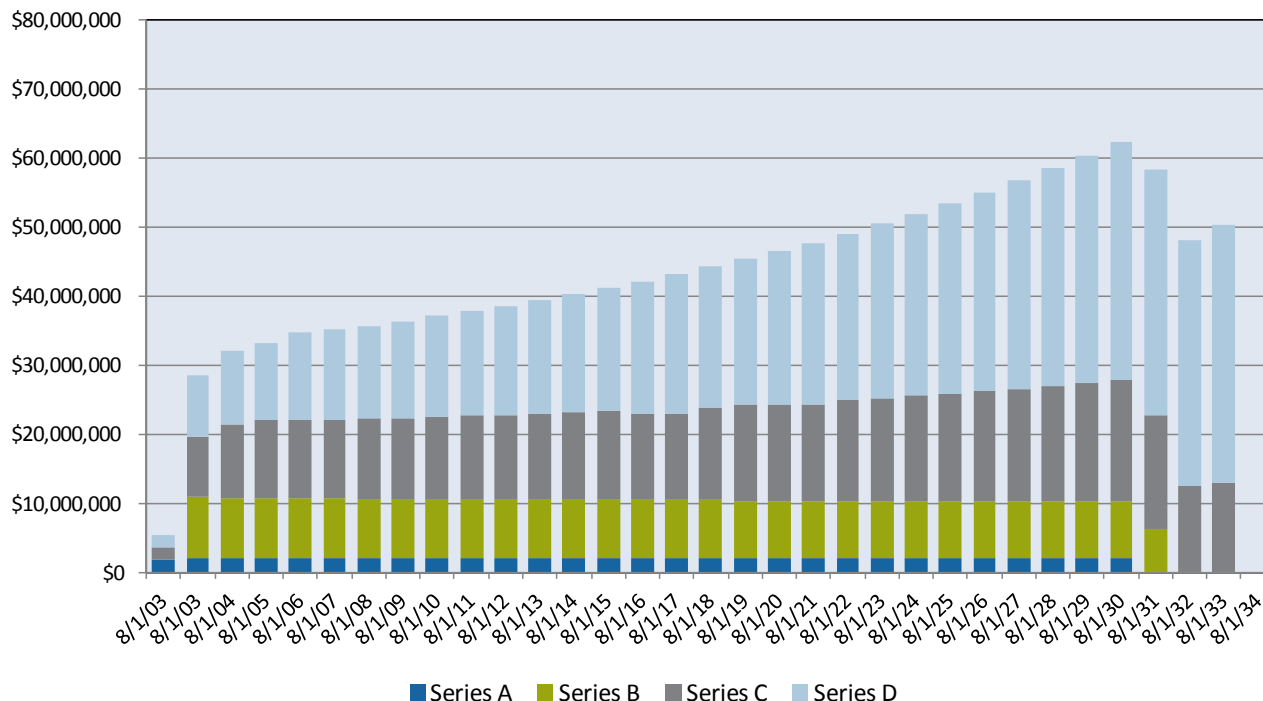
- The District issued its 2002 Measure D Bonds in four series over time.

Date	Name	Amount	Type of Bonds	Type of Sale	Effective Interest Rate	Repayment Ratio
6/26/02	Series A	\$30,000,000	CIBs	Competitive	4.8206%	1.90
8/25/03	Series B	\$100,000,000	CIBs	Competitive	4.7018%	1.84
8/11/04	Series C	\$69,999,377	CIBs and CABs	Competitive	5.1860%	2.48
10/19/05	Series D	\$99,998,106	CABs	Competitive	4.8838%	2.56
		<u>\$299,997,483</u>				

2002 Measure D Debt Service Structure

- After issuance of the final series of bonds, the repayment structure for 2002 Measure D was escalating at approximately 4% per year.

2002 Measure D Series A, Series B, Series C, and Series D Annual Debt Service



Summary of 2002 Measure D New Money Issuance

- Issued in four series over three years.
- Although the first two bond issues were sold as current interest bonds with level debt service, later issues included capital appreciation bonds to allow for escalating repayments.
- All bonds continue to have a maximum term of thirty years and to be sold by competitive sale.
- Effective interest rates ranged from 4.70% to 5.18%.
- Repayment ratios ranged from 1.84 to 2.56.

New Money Bonds: 2005 Measure J



2005 Measure J

- 2005 Measure J was approved by 57% of District voters in November, 2005.

Date of Election:	November 2005
Type of Election:	Proposition 39
Amount of Authorization:	\$400,000,000
Implementation Period ^[1] :	2006 through 2013
Estimated Maximum Tax Rate ^[1] :	\$60.00

^[1]Based on information included in the ballot statement.

New Money Bond Issues

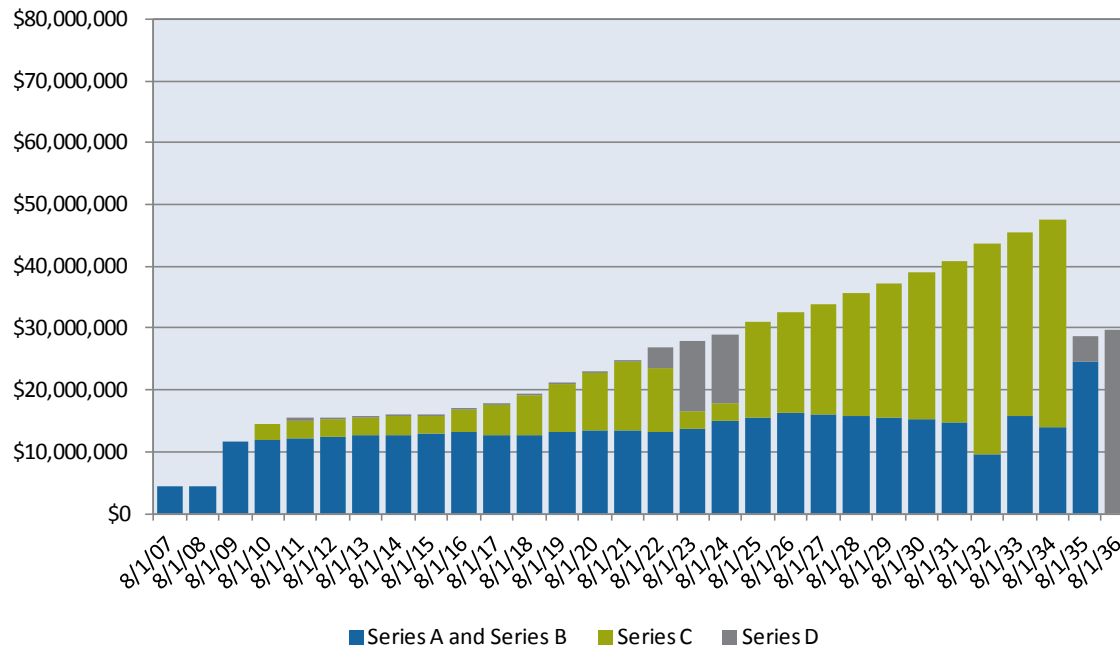
- Over time, the District issued four series under 2005 Measure J and has \$77 million in bonds remaining to be issued.

Date	Name	Amount	Type of Bonds	Type of Sale	Effective Interest Rate	Repayment Ratio
5/17/06	Series A	\$70,000,000	CIBs	Competitive	4.6332%	1.86
7/15/08	Series B	\$120,000,000	CIBs	Competitive	5.1485%	2.01
9/3/09	Series C	\$104,909,759	CIBs and CABs	Negotiated	6.2609%	2.86
6/24/10	Series D	\$27,499,949	CIBs and CABs	Negotiated	3.7685%	2.03
		<u>\$322,409,708</u>				

2005 Measure J Debt Service Structure

- After issuance of the most recent series of bonds, the repayment structure for 2005 Measure J was escalating at a long-term rate of 4.50%

2005 Measure J Series A, Series B, Series C, and Series D Annual Debt Service



Summary of 2005 Measure J New Money Issuance

- Four series have been issued to date (between May 2006 and June 2010).
- While the first two series were sold as current interest bonds, the Series C Bonds were comprised of both current interest bonds and capital appreciation bonds, and the Series D Bonds included a small amount of CABs.
- Debt service for the 2005 Measure J bonds escalates significantly over time.
- Beginning with the Series C Bonds in 2009, bonds were sold by negotiated sale.
- Effective interest rates ranged from 3.76% to 6.26%.
- Repayment ratios ranged from 1.86 to 2.86.

New Money Bonds: 2010 Measure D and 2012 Measure E



2010 Measure D and 2012 Measure E

- Since the suspension of bond issuance under the 2005 Measure J Bond Program District voters have approved two additional bond measures.

	2010 Measure D	2012 Measure E
Date of Election:	June 2010	November 2012
Type of Election:	Two-thirds vote	Two-thirds vote
Amount of Authorization:	\$380,000,000	\$360,000,000
Implementation Period ^[1] :	2010 through 2018	2013 through 2021
Estimated Maximum Tax Rate ^[1] :	\$48.00	\$48.00

^[1]Based on information included in the ballot statement.

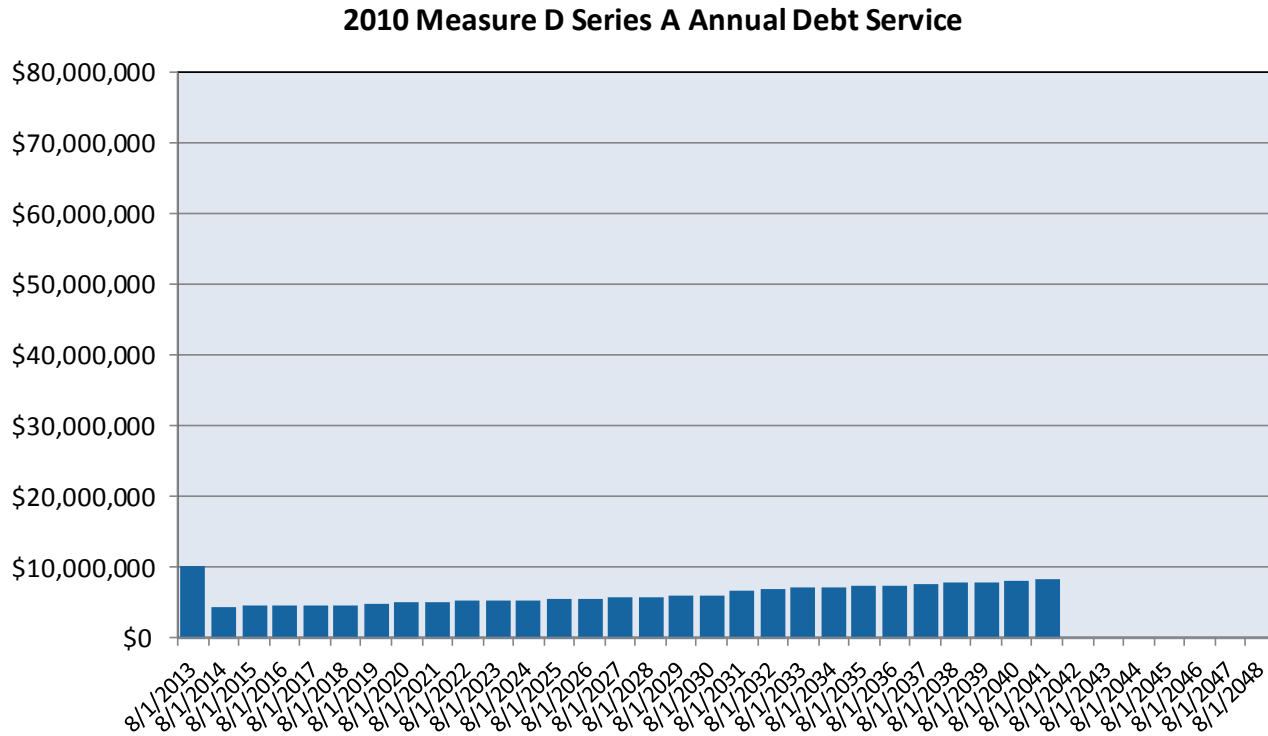
New Money Bond Issues

- To date, the District has issued only one new bond issue under these measures.

Date	Name	Amount	Type of Bonds	Type of Sale	Effective Interest Rate	Repayment Ratio
11/22/11	Series A	\$100,000,000	CIBs	Negotiated	4.1796%	1.87

2010 Measure D Debt Service Structure

- The District has issued just one series of bonds under 2010 Measure D.



Summary of 2010 Measure D and 2012 Measure E

- 2010 Measure D and 2012 Measure E represent a new generation of District bond programs.
 - Both new programs have been designed around lower initial tax base estimates, lower tax base growth assumptions, and more modest implementation schedule.
 - Both programs have been designed to avoid the issuance of capital appreciation bonds.
 - Programs continue to rely on deferred debt service at 4% escalation.
 - Maintaining the original issuance schedule will increase flexibility.

Refunding Bonds



Refunding Bonds

- The District has issued refunding bonds on four prior occasions.

Date	Amount	Series
11/6/01	\$38,865,000	2001 GO Refunding Bonds, Series A and Series B
9/3/09	\$57,860,000	2009 General Obligation Refunding Bonds
8/25/11	\$85,565,000	2011 General Obligation Refunding Bonds
7/10/12	\$98,200,000	2012 General Obligation Refunding Bonds

Refunding Summary

- In addition to their refunding benefit, the District's three most recent refundings have combined to save local taxpayers nearly \$35 million in payments over time (and nearly \$20 million on a present value basis).

Date	Amount	Series	Cash Flow Savings	Present Value Savings	Percent ^[1]
9/3/09	\$57,860,000	2009 General Obligation Refunding Bonds	\$14,129,245	\$2,516,407	4.4%
8/25/11	\$85,565,000	2011 General Obligation Refunding Bonds	\$8,130,709	\$7,370,086	8.6%
7/10/12	\$98,200,000	2012 General Obligation Refunding Bonds	\$12,545,510	\$9,511,400	9.8%
			<u>\$34,805,464</u>	<u>\$19,397,893</u>	

^[1] Present savings based on refunding par amount.

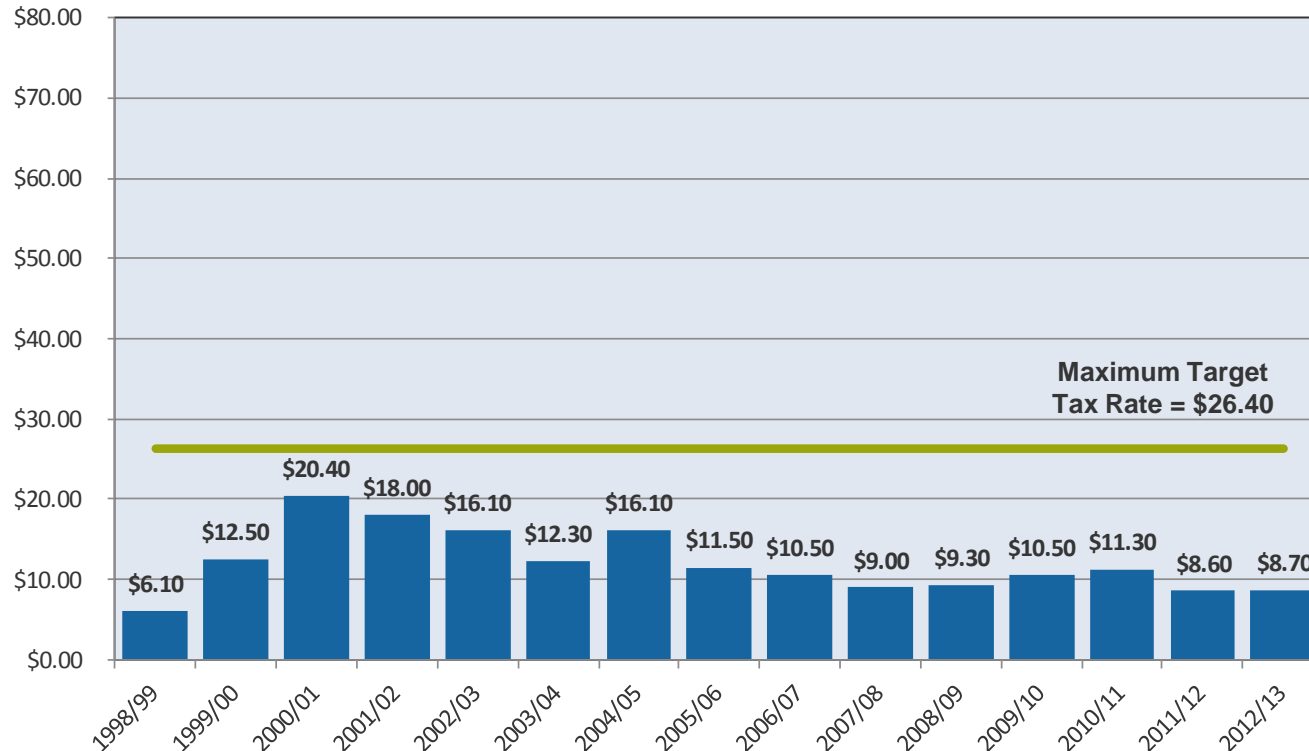
Tax Rates



1998 Measure E Tax Rates to Date

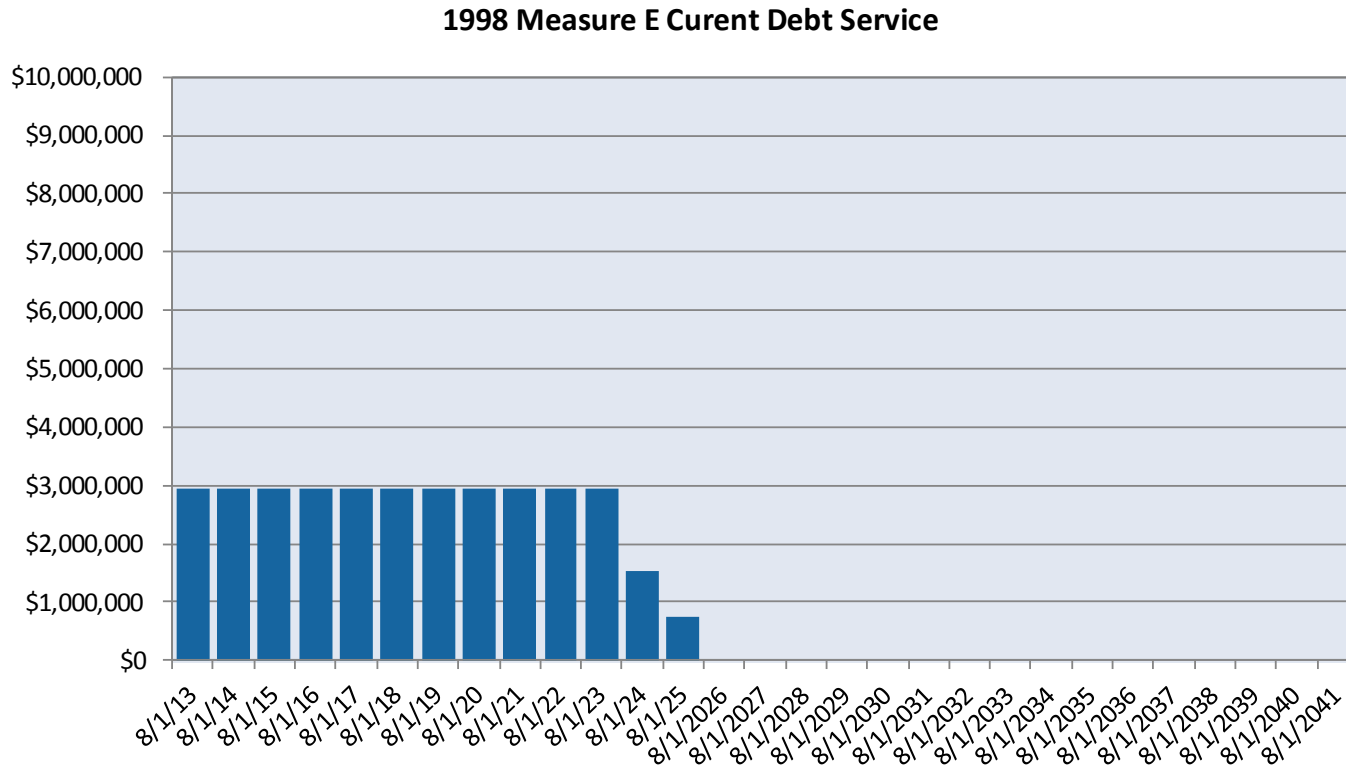
- To date, tax rates for 1998 Measure E have been below targeted levels.

1998 Measure E Tax Rate History



Current 1998 Measure E Debt Service Structure

- Debt service on the 1998 Measure E Bond Program remains essentially level.

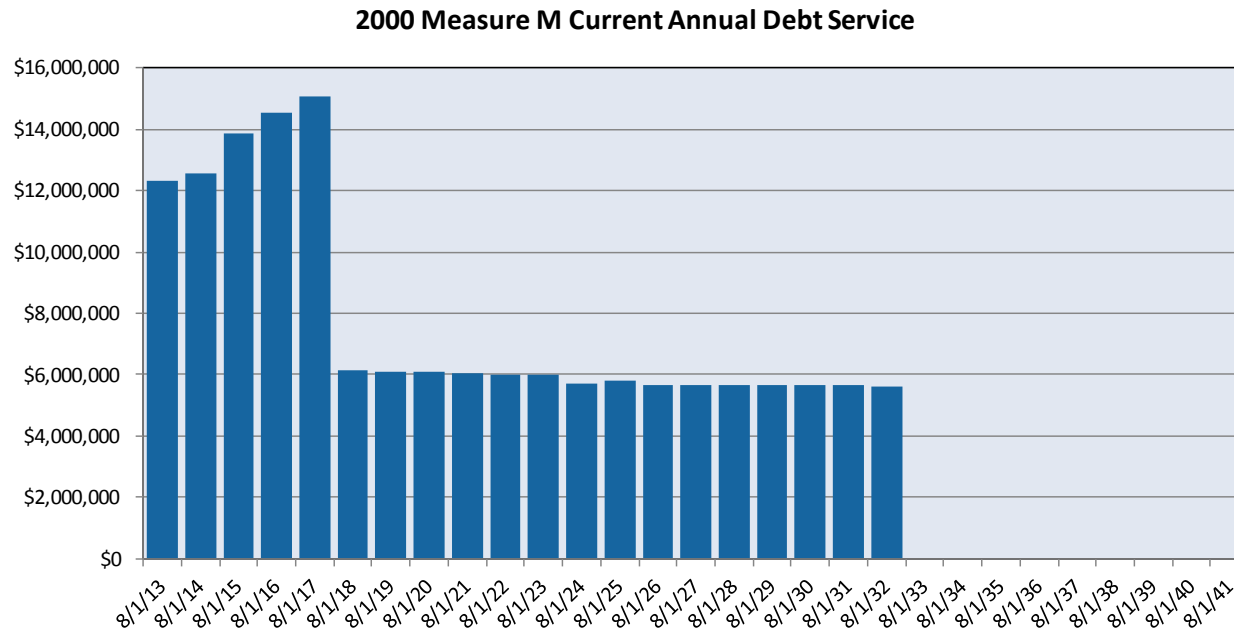


1998 Measure E Future Tax Rates

- Because of the level repayment structure, 1998 Measure E tax rates are expected to gradually decline until all bonds are paid off in 2024-25.
 - Future tax rates are expected to be in the \$8 to \$12 range.
 - 1998 Measure E tax rates have never exceeded \$20.40 per \$100,000 of assessed value (projected maximum was \$26.40).

Current 2000 Measure M Debt Service Schedule

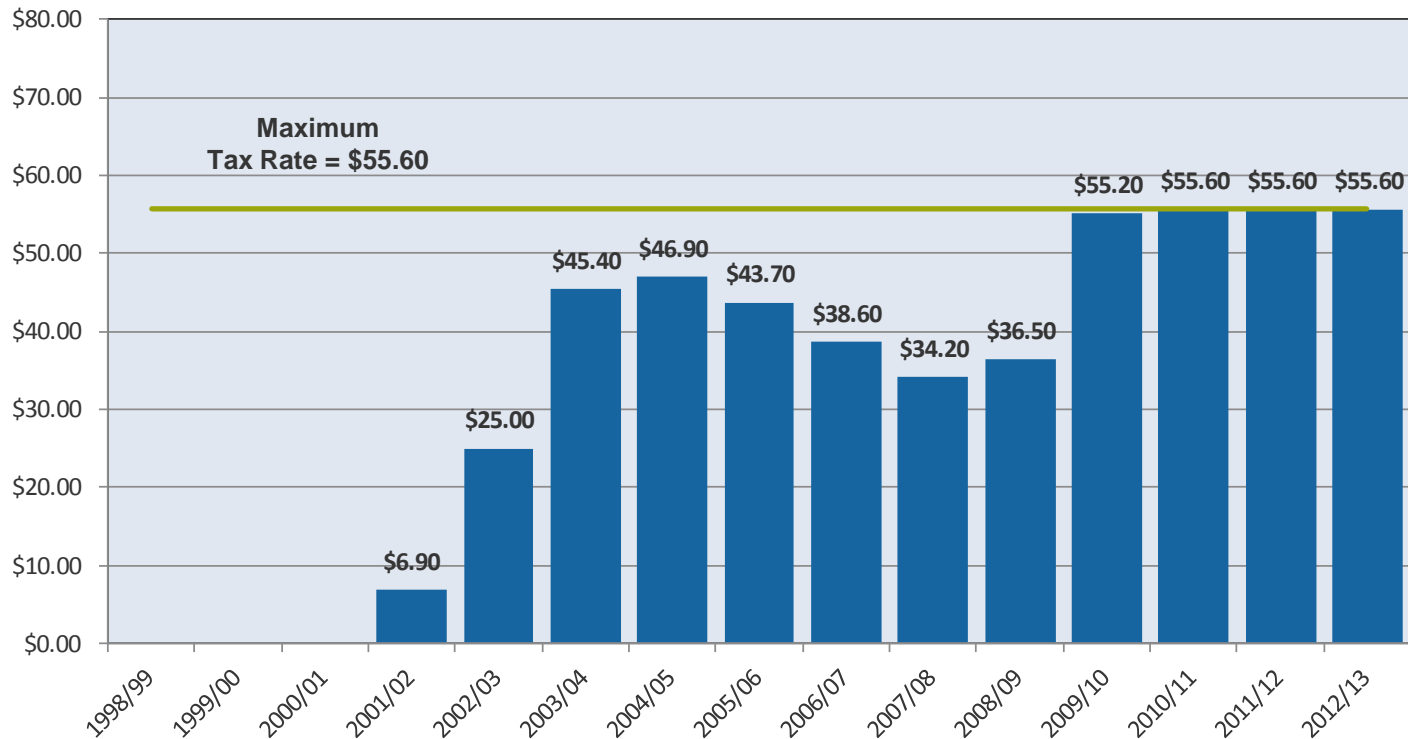
- Based on the restructuring that occurred through the issuance of 2009 GO Refunding Bonds, debt service on the 2000 Measure M Bond Program is front-loaded through tax year 2016-17.



2000 Measure M Tax Rates to Date

- To date, tax rates for 2000 Measure M have been below targeted levels.

2000 Measure M Tax Rate History

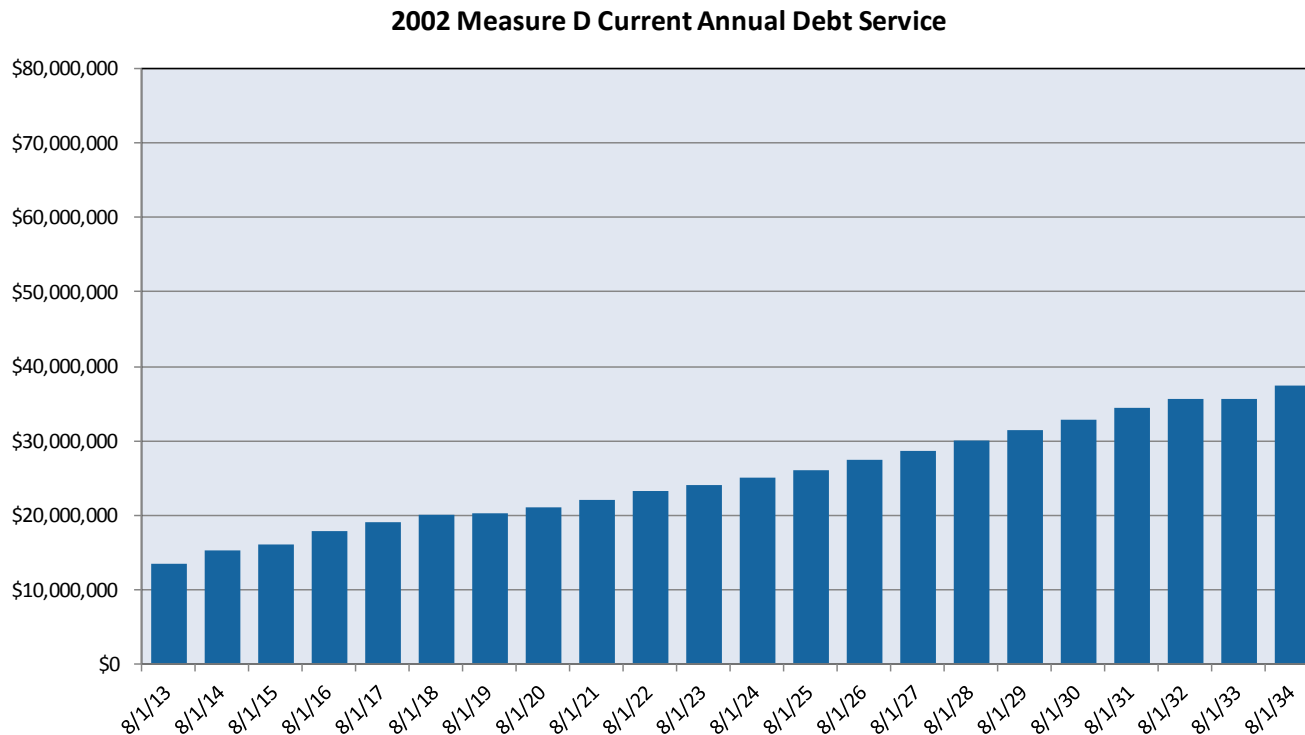


2000 Measure M Future Tax Rates

- Future tax rates are expected to continue to be below targeted levels and to decrease dramatically after tax year 2016-17.
 - Assuming 4% tax base growth, the District does not expect to need to access tax rate stabilization funds.
 - Given uncertainty regarding tax base growth, and calculating debt service levels 2016-17, tax rate levels at the \$55.60 target maximum may still be appropriate.
 - Any excess collections remaining after tax year 2016-17 will be used to redeem high interest rate debt.

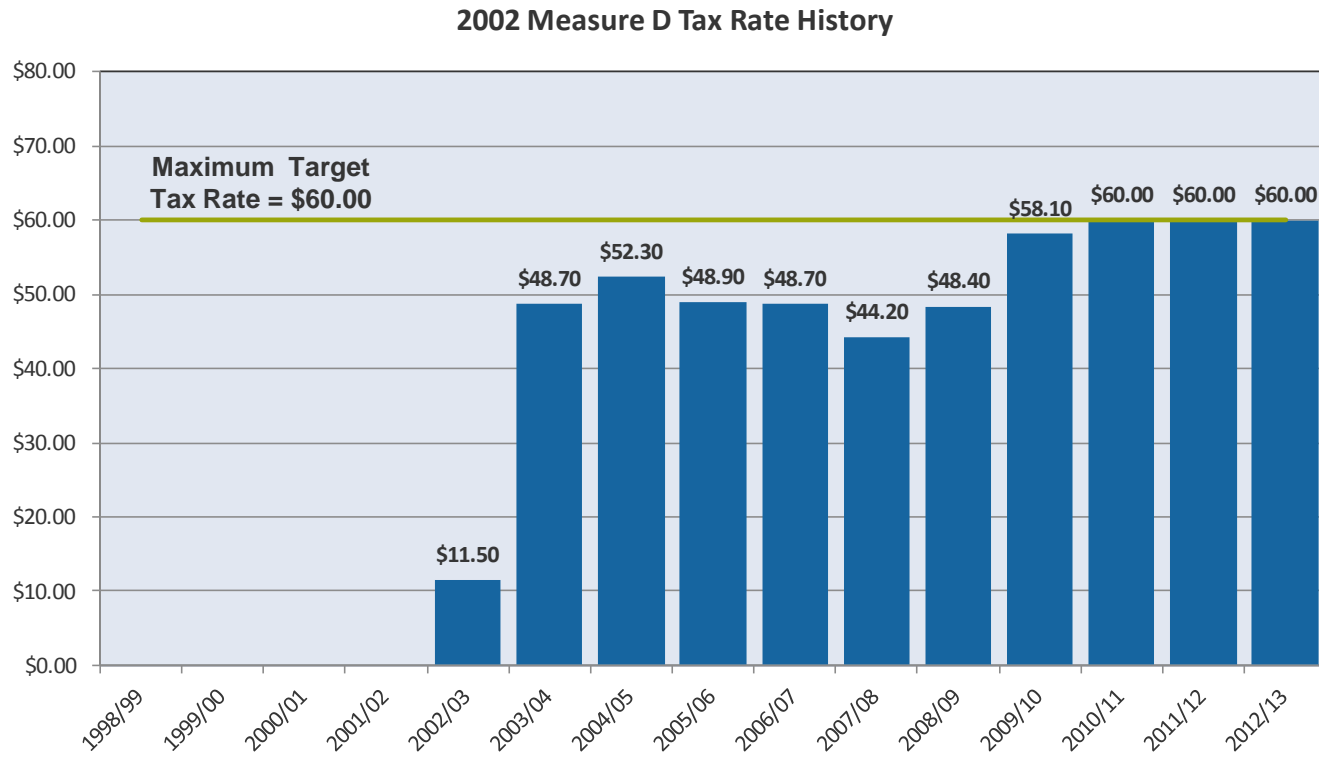
Current 2002 Measure D Debt Service Structure

- Debt service for the 2002 Measure D Bonds continues to escalate over time.



2002 Measure D Tax Rates to Date

- To date, tax rates for 2002 Measure D have been below targeted levels.



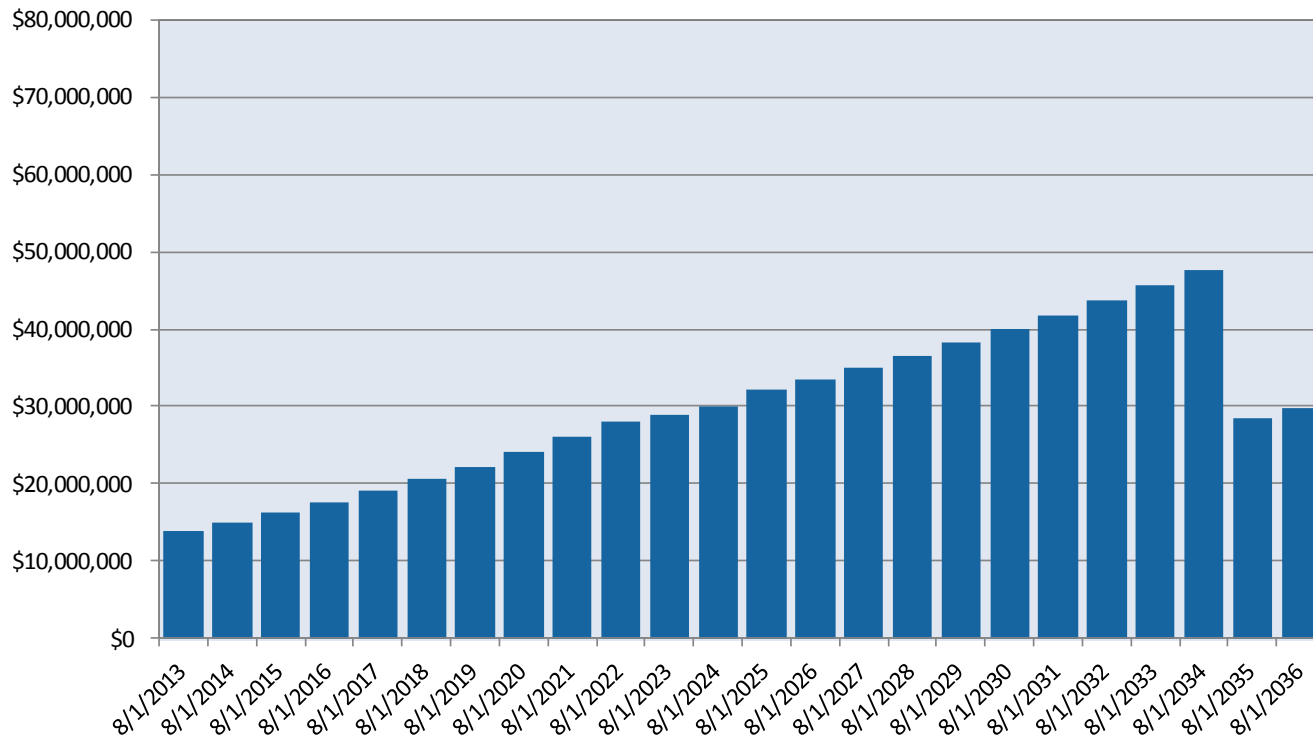
2002 Measure D Future Tax Rates

- Due to escalating debt service and an unanticipated decrease in the District's tax base, the 2002 Measure D Bond Program continues to face tax rate pressures.
 - It is expected, however, that continued strong tax base recovery on corrective action by the District, 2002 Measure D tax rates could increase beyond targeted maximums.
 - Absent strong tax base recovery or corrective action by the District, tax rates could increase beyond targeted maximums.

Current 2005 Measure J Debt Service Structure

- Debt service for the 2005 Measure J Bonds continue to escalate over time.

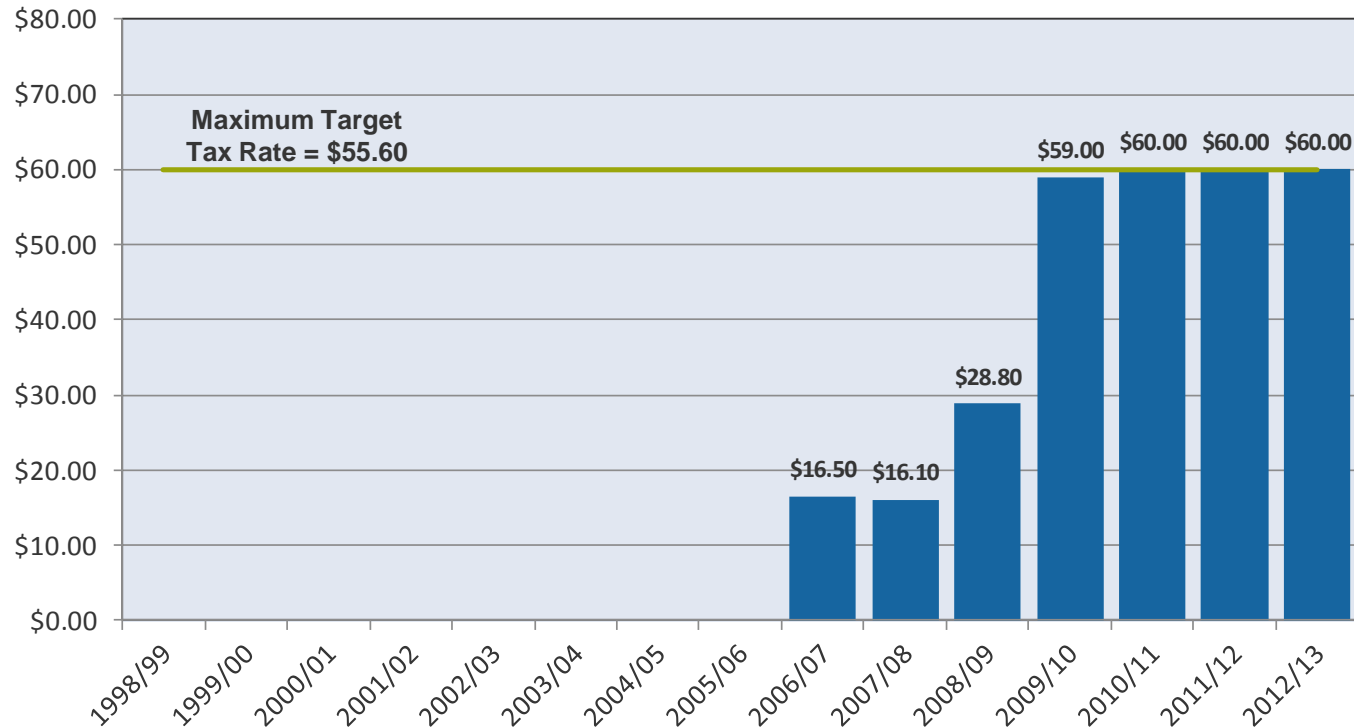
2005 Measure J Current Annual Debt Service



2005 Measure J Tax Rates to Date

- To date, tax rates for 2005 Measure J have been below targeted maximums.

2005 Measure J Tax Rate History



2005 Measure J Future Tax Rates

- Like 2002 Measure D, 2005 Measure J continues to face tax rate pressure.
 - Absent continued strong tax base recovery or corrective action by the District, 2005 Measure J tax rates could increase beyond targeted maximums.
 - It is expected, however, that continued strong tax base growth and the availability of tax rate stabilization funds on hand will allow tax rates to remain below targeted maximums for the near future.
 - The ability of the District to maintain tax rates at such levels over the long term will depend on consistent tax base growth and/or the District's willingness and ability to restructure debt on the advantage of additional tax rate stabilization funding.

Tax Rate Summary

- The District have been extremely successful in maintaining tax rates which targeted maximums.
 - There have been forty-seven separate tax rate levied in support of the District's various bond measures since 1998-99, and all have been within targeted maximums.
 - The District's pro-active approach to tax rate management has been instrumental in maintaining this perfect record through recent years.
 - To the extent tax rate management continues to be a Bond priority, it appears as if the District will have sufficient resources to continue to maintain tax rate targets for all current measures.

Highlights

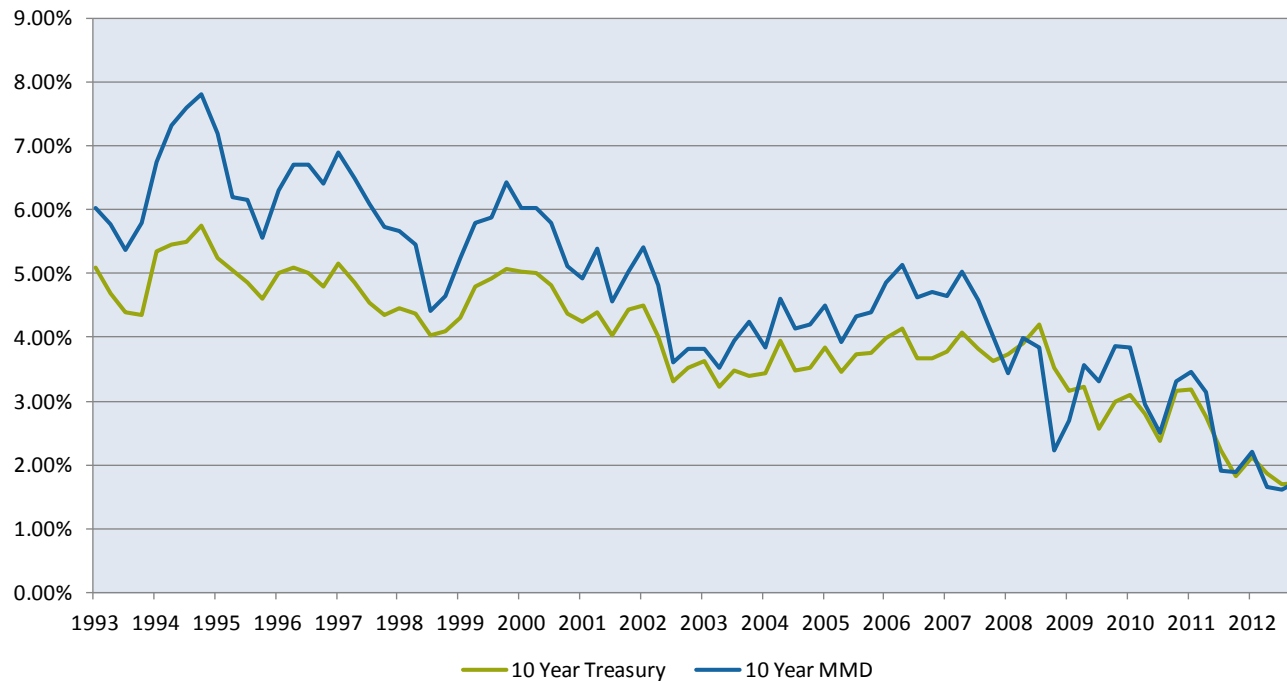


Lower Interest Rates

- In general, the program trend has been toward lower interest rates.
 - Three of the District's five most recent new money transactions (new money and refunding) have sold at effective interest rates lower than 4.50% (including the Election of 2005, Series D Bonds, which sold at an effective rate of 3.76%).
 - The District has sold three series of refunding bonds since 2009, which have sold at effective rates of 4.08% (2009 GOB Refunding), 3.73% (2011 GOB Refunding), and 3.20% (2012 GOB Refunding).
 - As a result, more than 25% of the District's outstanding bonds have been sold as part of financings that achieved effective interest rates below 4.50%.

Market Interest Rates

- A major factor has been the general decline in market interest rates, including rates for U.S. Treasury Bonds and municipal market indices.



Subsidized Borrowings

- The District has also pursued several opportunities to borrow at federally subsidized interest rates.
 - Subsidized borrowings include \$52.8 million of Build America Bonds in September 2009, \$25 million in Qualified School Construction Bonds in June 2010, (through the CDE lottery) and \$21 million QSCBs in November 2011 (for charter school construction specifically).
 - Each of these subsidized bond programs provided that the District issue taxable bonds and for the government to partially reimburse interest payments (at 35% for BABs and at approximately 80% for QSCBs).
 - Subsidy payments (i.e. taxpayer savings) on these three financings total more than \$75 million.

Ratings

- The District's ratings have improved through time.
 - District ratings have moved from NR / A- (stable) / A – (negative) in August 2003 to Aa3 (stable) / A+ (stable) / A+ (stable) for its two most recent financings.
 - Such movement includes upgrades in rating or outlook in connection with three of the District's past five financings.
 - Recent ratings reports have highlighted the District's financial decision-making during difficult financial times, the District's ability to leverage strong public support into additional revenues through recent parcel tax elections, and an improved financial profile as measured by increasing reserves.
 - The District has also benefitted from some external factors including the migration of public sector ratings upward in light of the 2008 financial crisis.

Investor Outreach

- The District has also taken some specific steps to improve investor outreach.
 - The District continues to borrow at rates higher than we would expect given the District's improved rating levels.
 - The District has begun posting key financial documents on EMMA upon Board approval (budget, first and second interim, unaudited actuals, audit).
 - This spring, the District plans to conduct a net-road-show call in connection with the release of its second period interim report.
 - The District's current practice is to conduct net-road-shows, and, where appropriate, one-on-one investor outreach meetings with targeted investors in connection with each new bond issue.

Negotiated Sale

- Since 2009, the District has sold its bonds through negotiated sale.
 - Since the world-wide financial crisis of 2008, all District bonds have been sold by negotiated sale.
 - Two critical advantages of this change has been the additional analytic support during a challenging period for the bond program and insights provided with respect to market conditions and investor outreach.
 - The District has hired its underwriters through an interview process and has made changes to its underwriting team based on performance.
 - The District has negotiated competitive underwriting fees in connection with all negotiated transactions (less than \$5.00 per bond on its three most recent transactions).

Bond Insurance

- The District has managed through a tumultuous period in the bond insurance business.
 - From August 1998 through May 2006, all District bond issues were insured by major triple-A rated bond insurers, often at bidder's option.
 - Despite the upheaval in the bond insurance business following the world-wide financial crisis, the market still desired bond insurance on certain District bonds, despite increased costs and lower bond insurance ratings.
 - One priority of the District's rating strategy and investor outreach program is to limit investor demand for bond insurance in the future as a way to reduce costs.

Why CABs?

- Capital Appreciation Bonds have been included in four of the District's bond issuances under two separate measures.
 - 2002 Measure D: both Series C and Series D Bonds included large CAB components in order to accelerate the 2002 Measure D bond program during a period of rapidly escalating costs.
 - 2005 Measure J, Series C: the Series C Bonds included a significant CAB component due in large part to unprecedented declines in the District's tax base.
 - 2005 Measure J, Series D: the Series D Bonds included a small more efficiently take advantage of a \$25 million QSCB allocation.

Response to Declines in AVs

- Since the decrease in assessed values in 2008-09 and 2009-10, the District has been managing its financially constrained programs.
 - The District's tax base declined by 20%.
 - The District had projects underway and plans to issue the final \$210 million of 2005 Measure J Bonds.
 - The District's subsequent choices were all designed to reduce the overall program's reliance on deferred debt service structures.
 - The District has been pro-active and transparent in its recent decision-making, particularly in regard to its decision to prioritize meeting tax rate targets.

State Funding

- The District has also been very successful in achieving state matching funds, particularly in recent years.
 - Beginning in 2000, the State funding program was restructured to one that provided grants to school districts that were able to provide a local match.
 - This system rewarded school districts like the District that were pursuing multiple projects and able to provide local matches.
 - In recent years, the District has worked with School Facilities Consultants to identify opportunities and to assist in the application process.
 - Over the course of the past ten years, the District has received \$109 million in State funding dollars.