West Contra Costa USD

Update on 2013-14 Assessed Values and Related Matters

Presentation to the Board of Education

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2013-14 AVs – County-Wide

- Last week, the County Assessor released preliminary secured and unsecured assessed values for cities and unincorporated areas in the County.
  - According to a July 1st letter from Gus Kramer to the Contra Costa County Board of Supervisors, the County-wide local tax base for 2013-14 has been assessed at $4.87 billion, a 3.45% increase from tax year 2012-13.
  - Growth was reported to be especially strong in east county cities, with increases of 8.45% reported for Brentwood, 8.24% for Clayton, 7.44% for Oakley, 7.38% for Walnut Creek, and 7.34% for Antioch.
  - The increase comes after an essentially flat year for assessed values in 2011-12 and represents the first solid year of tax base growth in the County since 2007-08.
  - County-wide assessed values remain 6.92% below their 2007-08 maximums.

2013-14 AVs – District-Wide

- Unfortunately, the news was not nearly as good for the District.
  - Based on information provided in the July 1st letter, we estimate that District-wide assessed values will be $22.2 billion, a 5.90% decrease from tax year 2012-13.
  - While other cities within the District experienced positive growth, the City of Richmond is reported to be the only city in the County to experience negative growth (with a decrease of nearly 15%).
  - The decrease in assessed values represents a disappointing return to negative growth after increases of 1.11% in 2011-12 and 6.60% in 2012-13.
  - Based on these figures, the District's assessed value is now 17.8% less than its 2008-09 maximum (effectively a 32.5% hit given that the bond programs have been based on an assumed 4% annual growth).

City-by-City Results

- A city-by-city analysis shows that the overall decrease in District assessed values is driven entirely by a significant decrease in the tax base for the City of Richmond.

	2012-13	2013-14		Annual Growth
Information in Assessor's Press Release				
Richmond	$12,751,987,659	10,887,907,109		-14.62%
El Cerrito	2,848,616,268	3,002,461,949		5.40%
Hercules	2,423,177,685	2,468,174,852		1.86%
Pinole	1,682,356,980	1,759,547,319		4.59%
San Pablo	1,165,133,002	1,208,900,530		3.76%
Unincorporated	2,879,973,364	3,022,669,936		4.95%
Total	**$23,751,244,958**	**$22,349,661,695**		**-5.90%**
Actual District Specific Information				
Secured	$22,393,219,395			
Unsecured	1,228,955,895			
Total	**$23,622,175,290**	**$22,228,208,549**	*	**-5.90%**

** estimated total*

Note: Because the District does not serve all of the City of Hercules, combined city totals do not match the District totals.

Silver Linings

- While the unexpected decrease is clearly disappointing news, there are some reasons to look on the bright side.
  - Tax base growth has returned on what seems to be a sustainable basis, and seems likely to be strong in 2014-15 given increases in property values since January and other factors.
  - The decrease in assessed values in Richmond seems largely related to a specific, one-time event that may well reverse itself sooner rather than later. Comment from the County Assessor on this matter will be critically important.
  - Tax rate stabilization funds accumulated in recent years seem likely to enable the District to maintain targeted tax rates for 2013-14 (and possibly beyond).
  - The re-envisioned bond program will allow the District to respond to this type of unexpected development over time.
  - The District has already begun a process to seek greater communication with and greater transparency from the County Assessor's Office in the future.

Impact on 2013-14 Tax Rates

- Despite the decrease in assessed values, we expect that the District will be able to meet its tax rate targets with regard to all five bond measures under which the District has bonds outstanding.
  - In recent years, the District has begun accumulating tax rate stabilization funds in order to mitigate its exposure to unexpected developments.
  - We estimate that those funds and other excess collections now total in excess of $11.6 million.
  - The decrease in tax base may require the District to expend more than $3.8 million of such funds this year.
  - The District's continued ability to meet its tax rate targets in regard to all bond measures will depend on the return of robust tax base growth, the use of 2012 bond proceeds to stabilize rates, and/or future restructurings.

1998 Measure E

- The 2013-14 tax rate for the 1998 Measure E bonds will continue to be well below the target maximum. 1998 Measure E is not a Proposition 39 bond measure.

1998 Measure E		
Gross Debt Service	$2,939,468	
Less Prior Year Excess Collection	0	*
Less Estimated Federal Subsidy	0	
Less Estimated Unsecured Collections	(100,050)	
Less Est. Applied Tax Rate Stabilization Funding	0	
Net Requirement	**$2,839,418**	
Estimated Secured plus Utility	**$21,080,000,000**	
Estimated Tax Rate (Per $100K in AV)	**$13.47**	

2012-13 Tax Rate: $8.70.

Target Maximum Tax Rate: $26.40.

Est Available Tax Rate Stabilization Funding: negative $100,000.

2000 Measure M

- Maintaining the 2013-14 tax rate at the targeted maximum is expected to require the use of some tax rate stabilization funds. 2000 Measure M is not a Proposition 39 bond measure.

2000 Measure M		
Gross Debt Service	$12,538,350	
Less Prior Year Excess Collection	0	*
Less Estimated Federal Subsidy	0	
Less Estimated Unsecured Collections	(639,400)	
Less Est. Applied Tax Rate Stabilization Funding	(178,470)	
Net Requirement	**$11,720,480**	
Estimated Secured plus Utility	**$21,080,000,000**	
Estimated Tax Rate (Per $100K in AV)	**$55.60**	

2012-13 Tax Rate: $55.60.

Target Maximum Tax Rate: $55.60.

Est Available Tax Rate Stabilization Funding: $3.0 million.

2002 Measure D

- Similarly, the use of tax rate stabilization funds will be required in order to maintain the 2013-14 tax rate at the targeted maximum.

2002 Measure D		
Gross Debt Service	$15,299,785	
Less Prior Year Excess Collection	0	*
Less Estimated Federal Subsidy	0	
Less Estimated Unsecured Collections	(690,000)	
Less Est. Applied Tax Rate Stabilization Funding	(1,961,785)	
Net Requirement	**$12,648,000**	
Estimated Secured plus Utility	**$21,080,000,000**	
Estimated Tax Rate (Per $100K in AV)	**$60.00**	

2012-13 Tax Rate: $60.00.

Target Maximum Tax Rate: $60.00.

Est Available Tax Rate Stabilization Funding: $3.3 million.

2005 Measure J

- Like 2000 Measure M and 2002 Measure D, the use of tax rate stabilization funds will be required in order to maintain the 2013-14 tax rate at the targeted maximum.

2005 Measure J		
Gross Debt Service	$17,933,691	
Less Prior Year Excess Collection	0	*
Less Estimated Federal Subsidy	(2,916,648)	
Less Estimated Unsecured Collections	(690,000)	
Less Est. Applied Tax Rate Stabilization Funding	(1,679,043)	
Net Requirement	**$12,648,000**	
Estimated Secured plus Utility	**$21,080,000,000**	
Estimated Tax Rate (Per $100K in AV)	**$60.00**	

2012-13 Tax Rate: $60.00.

Target Maximum Tax Rate: $60.00.

Est Available Tax Rate Stabilization Funding: $5.2 million.

2010 Measure D

- As we have discussed in the past, we are recommending that the District request that the 2013-14 tax rate for 2010 Measure D bonds be established at the targeted maximum in order to accommodate the issuance of new money bonds this fall.

2010 Measure D		
Existing Gross Debt Service	$5,433,400	
Plus Estimated Series 2013 Debt Service	6,077,200	
Less Prior Year Excess Collection	0	*
Less Estimated Federal Subsidy	(1,031,100)	
Less Estimated Unsecured Collections	(361,100)	
Less Est. Applied Tax Rate Stabilization Funding	0	
Net Requirement	**$10,118,400**	
Estimated Secured plus Utility	**$21,080,000,000**	
Estimated Tax Rate (Per $100K in AV)	**$48.00**	

2012-13 Tax Rate: $31.40.
Target Maximum Tax Rate: $48.00.
Est Available Tax Rate Stabilization Funding: $0.

2012 Measure E

- Because this fall's new money bond issue is expected to include bonds from the 2012 Measure E authorization as well, we are recommending a similar strategy in connection with 2012 Measure E.

2012 Measure E		
Existing Gross Debt Service	$0	
Plus Estimated Series 2013 Debt Service	10,118,400	
Less Prior Year Excess Collection	0	*
Less Estimated Federal Subsidy	0	
Less Estimated Unsecured Collections	0	
Less Est. Applied Tax Rate Stabilization Funding	0	
Net Requirement	**$10,118,400**	
Estimated Secured plus Utility	**$21,080,000,000**	
Estimated Tax Rate (Per $100K in AV)	**$48.00**	

2012-13 Tax Rate: $0.00.
Target Maximum Tax Rate: $48.00.
Est Available Tax Rate Stabilization Funding: $0.

2013-14 Tax Rates

- Under this plan, overall bond tax rates will be higher in 2013-14 than in 2012-13, but not higher than the rate projected at the time of the election for any measure.

Measure	Maximum Tax Rate Target	Actual 2012-13 Tax Rate	Possible 2013-14 Tax Rate
1998 Measure E	$26.40	$8.70	$13.50
2000 Measure M	$55.60	$55.60	$55.60
2002 Measure D	$60.00	$60.00	$60.00
2005 Measure J	$60.00	$60.00	$60.00
2010 Measure D	$48.00	$31.40	$48.00
2012 Measure E	$48.00	$0.00	$48.00
Total	**$298.00**	**$215.70**	**$285.10**

Next Steps

- The District Board will be asked to approve a resolution on July 24th, requesting that the County levy tax rates for each bond measure at the indicated levels.
  - Material was presented to the Facilities Subcommittee yesterday for review and comment.
  - The same material is being presented to the Board tonight.
  - Based on input from these two meetings, a resolution will be prepared for Board approval on July 24th.
  - Final changes may be made at that time.
  - Proposed rates will be developed by the Auditor-Controller and submitted to the Board of Supervisors for their approval in early September.

Moving into the Future

- Given the possibility that this year's decrease in assessed value may have a profound impact on the District's ability to meet its future tax rate targets on existing bonds, the District should continue to analyze the potential impact of this unexpected development on existing bond programs.
  - How much of the decrease is specific to the Chevron refinery fire? To what extent and on what timeline will the facilities be rebuilt? When will property values be restored to pre-fire levels (if ever)?
  - What about other properties? Will recent property value increases result in robust tax base growth in the near-term? At what point will all Proposition 8 re-assessments have worked their way through the system?
  - How will the Assessor and the District communicate with each other as values are developed for tax year 2014-15? How can we avoid another July surprise next year?
  - What other resources are available? To what extent is the District willing to expend new bond proceeds on tax rate stabilization funding?

Accessing New Money Bonds

- It is unclear what impact the decrease in assessed values will have on future new money bond issues. This should also be a topic for continued discussion and analysis.
  - Given the type of program that's been developed and where we are in the program, there is no urgent need to re-consider the sizing or timing of the Series 2013 Bonds.
  - As long as it seems reasonable that the tax base will increase to $35.1 billion by tax year, new money bonds can continue to be issued according to the originally proposed financing plan.
  - Based on recent developments, however, the opportunity to accelerate the program significantly now appears more remote.
  - In order to increase future flexibility, the District might want to consider minor structuring changes to the Series 2013 Bonds, including extending the term of the Series 2013 Bonds beyond thirty years among others.
  - Whether the District will again need to again re-envision the bond program will depend significantly on what we learn about the impact of the current decrease in values for Chevron on long-term forecasts.