



West Contra Costa USD

Release of 2012-13 Assessed Values and Potential Tax Rate Impact

Presentation to the Board of Education

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A Division of Zions First National Bank

2012 GO Refunding Bonds

- On June 27th, The financing team made a presentation to the Board regarding the sale of general obligation refunding bonds.
 - The sale was a remarkable success.
 - The District was able to reduce the effective interest rate on the collection of bonds refunded from 5.01% to 3.73%.
 - The refunding will reduce taxpayer costs in every year from now until 2031-32 and by a total of \$12.5 million (\$9.5 million in present value) over that time period.
 - The refunding bonds issue closed yesterday.

Re-Structuring Benefits

- While the primary driver of the refunding was economic benefit, we spent some time at the last meeting describing the savings structure.
 - The refunding included bonds issued under the 2000 Measure M authorization and the 2002 Measure D authorization (no 2005 Measure J bonds were included).
 - Although taxpayers will realize savings in every year, savings will be most significant over the next several years (particularly next year).
 - The savings structure reflected the objective of the Board to maintain tax rates at or below targeted maximums for as long as possible.
 - Ultimately, only the return of robust tax base growth and/or the availability of tax rate stabilization funds.

2012-13 Assessed Values

- Last week, the County Assessor provided information regarding 2012-13 preliminary assessed values to the Board of Supervisors.

Assessed Values (Secured and Unsecured) By Jurisdiction

	2011-12	2012-13	Growth Rate
Richmond	\$10,919,758,195	\$12,751,987,659	16.78%
El Cerrito	\$2,919,955,318	\$2,848,616,268	-2.44%
Hercules*	\$2,433,770,611	\$2,294,108,017	-5.74%
Pinole	\$1,741,821,778	\$1,682,356,980	-3.41%
San Pablo	\$1,189,432,247	\$1,165,133,002	-2.04%
Unincorporated	\$2,955,032,240	\$2,879,973,364	-2.54%
Total	\$22,159,770,389	\$23,622,175,290	6.60%

* In the case of the City of Hercules, 2012-13 figures are based on KNN analysis of raw data provided by the County.

Broader Context

- While the news from the Assessor's Office is undoubtedly positive, the broader context continues to be mixed.
 - Increases in the value for the Chevron refinery have been significant in each of the past two years.
 - Absent the Chevron-related increases, District assessed values would have been flat to negative.
 - District-wide assessed values remain 13% below 2008-09 maximums.
 - Long-term escalation on both the 2002 Measure D and 2005 Measure J bond programs is between 4.00% and 4.50%.

2012-13 Tax Rates

- The bottom line is that between the District's pro-active management of its bond program and the increase in assessed values, tax rates are expected to remain at or below targeted levels over the near term future.
 - The 2012-13 tax rates expected to be at or below targeted levels for all five bond measures (through only the most recent three have Proposition 39 tax rate limitations).
 - With the addition of these five, the County will have levied tax rates on behalf of the District on 47 distinct occasions, and in all 47 the rates have been at or below targets.
 - Because tax rate pressures remain, the District will continue to request that the County levy at the targeted maximum in each to provide tax rate stabilization in future years.

1998 Measure E*

- KNN estimates that the 2012-13 tax rate for the 1998 Measure E Bonds will be between \$12 and \$14 per \$100,000 of assessed value.

West Contra Costa Unified School District	
<i>1998 Authorization</i>	
Gross Debt Service	\$2,936,845
Less: Estimated Unsecured Collections	-124,700
Less: Federal Subsidy	0
Less: Estimated Funds on Hand	-105,547
Net Requirement	\$2,706,598
Secured and Utility AV	\$22,182,175,290
Estimated Tax Rate (per \$100,000 AV)	\$12.20

* 1998 Measure E is not subject to the Proposition 39 tax rate limitation.

2000 Measure M*

- KNN expects that the County will levy a tax rate of \$55.60 per \$100,000 of assessed value for the 2000 Measure M Bonds.

West Contra Costa Unified School District	
2000 Authorization	
Gross Debt Service	\$12,299,919
Less: Estimated Unsecured Collections	-806,200
Less: Federal Subsidy	0
Less: Estimated Funds on Hand	-1,250,000
Net Requirement	\$10,243,719
Secured and Utility AV	\$22,182,175,290
Estimated Tax Rate (per \$100,000 AV)	\$46.18

Note: A tax rate of \$55.60 per \$100,000 of assessed value would allow the County to retain approximately \$2.0 million in a tax rate stabilization fund for the 2000 Measure M authorization.

* 2000 Measure M is not subject to the Proposition 39 tax rate limitation.

2002 Measure D

- KNN expects that the County will levy a tax rate of \$60.00 per \$100,000 of assessed value for the 2002 Measure D Bonds.

West Contra Costa Unified School District	
2002 Authorization	
Gross Debt Service	\$13,406,350
Less: Estimated Unsecured Collections	-870,000
Less: Federal Subsidy	0
Less: Estimated Funds on Hand	-1,400,000
Net Requirement	\$11,136,350
Secured and Utility AV	\$22,182,175,290
Estimated Tax Rate (per \$100,000 AV)	\$50.20

- * A tax rate of \$60.00 per \$100,000 of assessed value would allow the County to retain approximately \$2 million in a tax rate stabilization fund for the 2002 Measure D authorization.

2005 Measure J

- KNN expects that the County will levy a tax rate of \$60.00 per \$100,000 of assessed value for the 2005 Measure J Bonds.

West Contra Costa Unified School District	
2005 Authorization	
Gross Debt Service	\$16,790,491
Less: Estimated Unsecured Collections	-870,000
Less: Federal Subsidy	-2,916,648
Less: Estimated Funds on Hand	-4,000,000
Net Requirement	\$9,003,843
Secured and Utility AV	\$22,182,175,290
Estimated Tax Rate (per \$100,000 AV)	\$40.59

- * A tax rate of \$60.00 per \$100,000 of assessed value would allow the County to retain approximately \$4.3 million in a tax rate stabilization fund for the 2005 Measure J authorization.

2010 Measure D

- KNN expects that the County will levy a tax rate of \$48.00 per \$100,000 of assessed value for the 2010 Measure D Bonds.

West Contra Costa Unified School District	
2010 Authorization	
Gross Debt Service	\$11,139,600
Less: Estimated Unsecured Collections	-696,000
Less: Federal Subsidy	-1,031,100
Less: Estimated Funds on Hand	-1,000,000
Net Requirement	\$8,412,500
Secured and Utility AV	\$22,182,175,290
Estimated Tax Rate (per \$100,000 AV)	\$37.92

- * A tax rate of \$48.00 per \$100,000 of assessed value would allow the County to retain approximately \$2 million in a tax rate stabilization fund for the 2010 Measure D authorization.

Actual 2012-13 Tax Rates

- Actual 2012-13 tax rates will be established by the Auditor-Controller and approved by the Board of Supervisors in September.
 - Tax base figures used in the presentation are in some cases based on KNN internal analysis of preliminary figures released by the County and do not include unitary values.
 - Funds on hand will be a significant factor and are only estimated at this point.
 - The District hopes to meet with officials from the County Controller's Office next week to discuss the establishment of tax rates.
 - The County's willingness to levy at targeted maximum tax rates will be an important discussion point in these meetings.

Levying at Targeted Maximum

- The District will request that the County levy tax rates at the targeted maximums for the four most recent issues.
 - It's a good policy to strive to stabilize tax rates for taxpayers and to seek to be below targeted maximums.
 - The District has been able to work with the County over the last couple of years to set tax rates at the targeted rates.
 - Education Code 15250 specifically allows the County to set tax rates to avoid fluctuating tax levies:

"The board of supervisors of the county, the superintendent of schools of which has jurisdiction over any district, shall annually at the time of making the levy of taxes for county purposes, levy a tax for that year upon the property in the district for the interest and redemption of all outstanding bonds of the district. The tax shall not be less than sufficient to pay the interest on the bonds as it becomes due and to provide a sinking fund for the payment of the principal on or before maturity and ***may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies.***"
 - Federal tax law allows for a reserve fund on tax-exempt financings, as long as the size of such reserve fund does not exceed 10% of the amount of bonds issued.

Ongoing Concerns

- Despite the good news from the Assessor's Office, tax rates will continue to be a concern for the District's various bond programs.
 - Recent bond programs have been built around an assumption of tax base growth over time.
 - We are currently under the tax base projections used at the time of the authorizations.
 - The District needs to see continued growth in the future to catch up to original projections.

2000 Measure M*

- The projected tax rates under the 2000 Measure M program are estimated to be within the tax rate target of \$55.60 per \$100,000 in assessed value with continued tax base growth.

West Contra Costa Unified School District 2000 Authorization						
Year	Combined AV	Growth Rate	Gross Debt Service less Federal Subsidy	Less: Tax Rate Stabilization Fund	Net Debt Service	Tax Rate
2012-13	\$23,632,175,290	N/A	\$12,299,919	\$0	\$12,299,919	52.05
2013-14	\$24,577,462,302	4.00%	\$12,538,350	\$0	\$12,538,350	51.02
2014-15	\$25,560,560,794	4.00%	\$13,874,150	\$0	\$13,874,150	54.28
2015-16	\$26,582,983,225	4.00%	\$14,537,550	\$0	\$14,537,550	54.69
2016-17	\$27,646,302,554	4.00%	\$14,537,550	\$0	\$15,092,213	54.59

* 2000 Measure M is not subject to the Proposition 39 tax rate limitation.

2002 Measure D

- With the use of a tax base stabilization and continued tax base growth, the District is projected to be at the tax rate target of \$60.00 per \$100,000 in assessed value through 2014-15.

West Contra Costa Unified School District 2002 Authorization						
Year	Combined AV	Growth Rate	Gross Debt Service less Federal Subsidy	Less: Tax Rate Stabilization Fund	Net Debt Service	Tax Rate
2012-13	\$23,632,175,290	N/A	\$13,406,350	\$0	\$13,406,350	60.00
2013-14	\$24,577,462,302	4.00%	\$15,299,785	-\$553,308	\$14,746,477	60.00
2014-15	\$25,560,560,794	4.00%	\$15,987,635	-\$651,299	\$15,336,336	60.00
2015-16 ^(a)	\$26,582,983,225	4.00%	\$17,743,935	-\$795,394	\$16,948,541	63.76
2016-17	\$27,646,302,554	4.00%	\$18,994,650	\$0	\$18,994,650	68.71

(a) We estimate that the current reserve fund balance can be utilized to maintain tax rate targets through 2014-15 for the 2002 Measure D authorization.

2005 Measure J

- With the use of a tax base stabilization and continued tax base growth, the District is projected to be at the tax rate target of \$60.00 per \$100,000 in assessed value through 2015-16.

West Contra Costa Unified School District 2005 Authorization						
Year	Combined AV	Growth Rate	Gross Debt Service less Federal Subsidy	Less: Tax Rate Stabilization Fund	Net Debt Service	Tax Rate
2012-13	\$23,632,175,290	N/A	\$13,873,843	\$0	\$13,873,843	60.00
2013-14	\$24,577,462,302	4.00%	\$15,017,043	-\$270,566	\$14,746,477	60.00
2014-15	\$25,560,560,794	4.00%	\$16,238,643	-\$902,307	\$15,336,336	60.00
2015-16	\$26,582,983,225	4.00%	\$17,579,618	-\$1,629,828	\$15,949,790	60.00
2016-17 ^(a)	\$27,646,302,554	4.00%	\$19,009,306	-\$1,495,918	\$17,513,388	63.35

(a) We estimate that the current reserve fund balance can be utilized to maintain tax rate targets through 2015-16 for the 2005 Measure J authorization.

Bonding Capacity

- The increase in assessed value also had a positive impact on the District's remaining bonding capacity.

	2012/13	2011/12
Assessed Value	\$23,632,175,290	\$22,170,563,072
Allowable Bonding Capacity as % of Tax Base	5.00%	5.00%
Bonding Capacity	\$1,181,608,765	\$1,108,528,154
Projected Bonds Outstanding as of July 10th, 2012	\$815,468,850	\$815,468,850
Remaining Bonding Capacity	\$366,139,915	\$293,059,304

General Conclusions

- The District has been extremely successful in terms of managing tax rates during a challenging time.
 - The District has a large and complicated bond program.
 - Declines in tax base experienced in 2009/10 and 2010/11 were unprecedented.
 - District adopted an active approach toward bond program and tax rate management.
 - As of today, the District is likely to be able to continue to say that it has never exceeded its tax rate targets on any of its five authorizations.