



# West Contra Costa USD

Board Action Regarding 2013-14 Tax Rates

Presentation to the Board of Education

July 24, 2013



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A Division of Zions First National Bank

# Tonight's Resolution

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- Tonight's resolution expresses the District's desire to have the County levy bond tax rates at the target maximum levels with regard to five of the six bond measures under which the District has bonds outstanding.
  - The District has been pro-active in establishing tax rates with regard to its outstanding general obligation bonds since tax year 2010-11.
  - The program began when the District became concerned that unanticipated decreases in the District's tax base threatened its ability to maintain tax rates at targeted levels on existing and current bond programs.
  - The program has been effective both in terms of achieving the desired results, but in terms of increasing awareness and communication around an issue of concern for the District.
  - This is the first year that the Board of Education has taken formal action on the matter.

# Summary of Request

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- As we discussed on July 10<sup>th</sup>, the recommendation of the financing team is that the District request that the County establish tax rates at the following rates for tax year 2013-14.

Measure	Maximum Tax Rate Target	Recommended 2013-14 Tax Rate Request
1998 Measure E	26.40	NA
2000 Measure M	55.60	55.60
2002 Measure D	60.00	60.00
2005 Measure J	60.00	60.00
2010 Measure D	48.00	48.00
2012 Measure E	48.00	48.00

Note: All elections shown except for 1998 Measure E and 2000 Measure M were held under Proposition 39.

# Multiple Strategies

- At the July 10<sup>th</sup> Board meeting, we described the different strategies underlying such recommendations.

Measure(s)	Situation	Strategy
1998 Measure E	Modest bond program well within tax rate maximums, with level payments through 2024-25.	Allow tax rates to fluctuate based on required debt service.
2000 Measure M 2002 Measure D 2005 Measure J	Constrained bond programs nearing statutory tax rate maximums, with escalating payments.	Levy at target maximum into the future in order to either supplement or minimize draws on tax rate stabilization funds.
2010 Measure D 2012 Measure E	Next generation bond programs with tax rate targets well below statutory maximums and plans to issue bonds over time with escalating payments.	Levy at target maximum and structure bonds in order to pay down debt as quickly as possible.

Note: All elections shown except for 1998 Measure E and 2000 Measure M were held under Proposition 39.

# Notable Impacts

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- In establishing tax rates at these levels, the Board should be aware of a number of important facts.
  - By law, monies collected through bond tax levies can only be used to repay bonded debt.
  - That the combined 2013-14 general obligation bond tax rate will represent an increase from the combined tax rate levied in 2012-13.
  - That the increase is due primarily to the issuance of new bonds under both 2010 Measure D and 2012 Measure E (and not from a decrease in the District's tax base).
  - That tax rates for individual bond measures will be at or below targeted maximums again this year.

# Stable Tax Rates

- By implementing this strategy beginning in tax year 2010-11, the District has been able to maintain stable tax rates regardless of increases or decreases in tax base over the past three years.

Measure	Maximum Tax Rate	2009-10	2010-11	2011-12	2012-13	2013-14 <sup>[1]</sup>
	Target					
1998 Measure E	26.40	10.50	11.30	8.60	8.70	13.50
2000 Measure M	55.60	55.20	55.60	55.60	55.60	55.60
2002 Measure D	60.00	58.10	60.00	60.00	60.00	60.00
2005 Measure J	60.00	59.00	60.00	60.00	60.00	60.00
2010 Measure D	48.00	NA	NA	48.00	31.40	48.00
2012 Measure E	48.00	NA	NA	NA	NA	48.00

<sup>[1]</sup> Based on KNN projections or recommendations.

Note: All elections shown except for 1998 Measure E and 2000 Measure M were held under Proposition 39.

# Tax Rate History

- As we have pointed out many times in the past, to date, tax rates levied to support the District’s bond programs have never exceeded targeted maximums.

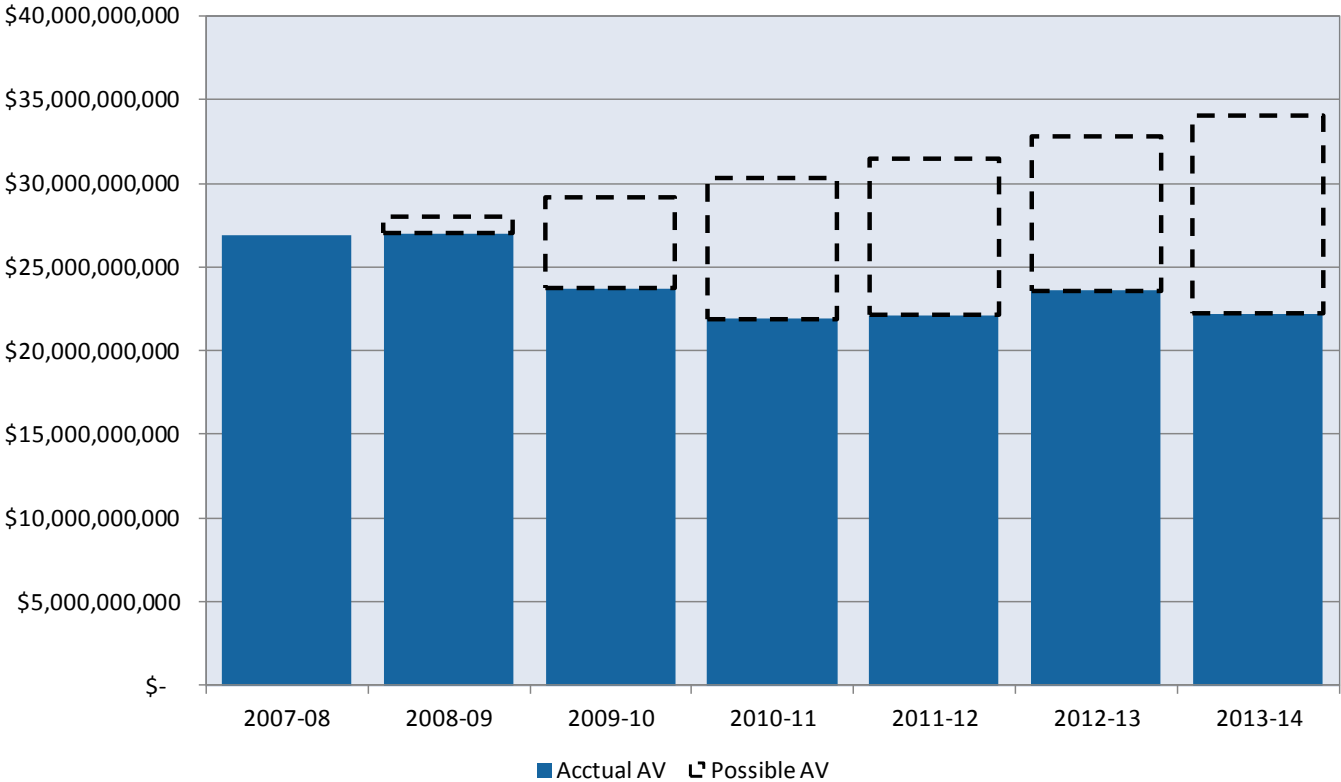
Measure:	1998 Measure E	2000 Measure E	2002 Measure D	2005 Measure J	2010 Measure D	2012 Measure E
Target Maximum:	26.40	55.60	60.00	60.00	48.00	48.00
Legal Maximum:	NA	NA	60.00	60.00	60.00	60.00
1999-00	12.50	NA	NA	NA	NA	NA
2000-01	20.40	NA	NA	NA	NA	NA
2001-02	18.00	6.90	NA	NA	NA	NA
2002-03	16.10	25.00	11.50	NA	NA	NA
2003-04	12.30	45.40	48.70	NA	NA	NA
2004-05	16.10	46.90	52.30	NA	NA	NA
2005-06	11.50	43.70	48.90	NA	NA	NA
2006-07	10.50	38.60	48.70	16.50	NA	NA
2007-08	9.00	34.20	44.20	16.10	NA	NA
2008-09	9.30	36.50	48.40	28.80	NA	NA
2009-10	10.50	55.20	58.10	59.00	NA	NA
2010-11	11.30	55.60	60.00	60.00	NA	NA
2011-12	8.60	55.60	60.00	60.00	48.00	NA
2012-13	8.70	55.60	60.00	60.00	31.40	NA
2013-14 <sup>[1]</sup>	13.50	55.60	60.00	60.00	48.00	48.00

[1] Based on KNN projections or recommendations.

Note: All elections shown except for 1998 Measure E and 2000 Measure M were held under Proposition 39.

# Recent Decreases in AVs

- Tax rates have been maintained below targeted maximums despite recent decreases in assessed values in the District.





# Pro-Active Tax Rate Management.

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- The District has made use of a number of different tools in its effort to maintain tax rates at the targeted levels.
  - Issuance of refunding bonds for both savings benefit and re-structuring benefit.
  - Use of bond new bond proceeds to pay-down previously issued debt.
  - Pro-active tax rate management and establishment of tax rate stabilization funds.
  - Specific authorization of 2012 Measure E bonds to be used stabilize future tax rates.

# Moving into the Future

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- The District's ability to continue to maintain tax rates at the targeted levels will depend on future tax base growth, the priority that future boards place on meeting such targets, and other factors.
  - The unexpected decrease in this year's tax base will present challenges to the District's bond program moving into the future.
  - The challenges will include both the ability to access new bond funding and maintaining tax rates at targeted levels.
  - The unknowns of program implementation – future tax base growth, the opportunities to re-structure existing debt, the priority that future boards place on maintaining targeted tax rates and their willingness to take actions allowing them to do so, among others – remain significant.
  - The financing team continues to recommend that taking prudent action on a year-to-year basis and maintaining flexibility with regard to program implementation are the best ways to achieve the current program objectives.