West Contra Costa USD

Authorization of Series 2013 Bonds

Presentation to the Board of Education

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Authorizing Resolutions

- **Tonight, the board is being asked to consider two separate financing resolutions.**
  - Resolution authorizing the issuance of General Obligation Bonds, Election of 2010, Series B.
  - Resolution authorizing the issuance of General Obligation Bonds, Election of 2012, Series A.

Content of the Resolutions

- **Among others, the resolution accomplishes the following five purposes.**
  - Authorizes the issuance of the bonds.
  - Provides broad parameters governing the sale of the bonds.
  - Defines the terms of the bonds.
  - Approves certain documents as to form.
  - Describes certain ongoing commitments of the District with regard to the bonds.

Note: The District's bond counsel is on hand tonight to discuss the resolution in more detail.

Sizing

- **The District will be selling $125 million in Series 2013 Bonds.**
  - Such amount is consistent with the financing plan in place at the time of the 2012 Measure E election, and is consistent with the financing team's concept of a sustainable bond program.
  - The facilities team reports that such amount will be sufficient to fund projects over the next two years.
  - Our current expectation is that the District will be able to issue a similarly sized series of bonds in 2015 without precluding the issuance of bonds in 2017.

Projects

- **This sizing will allow the District to complete certain projects that are nearing completion and to begin funding for certain projects just getting underway.**
  - The District has approximately $80 million in funds on hand and plans to issue $125 million in bonds in October.
  - Projects nearing completion (including De Anza HS and Gompers/LPS) will require $105 million of these funds.
  - Projects getting underway (including the temporary campus for Pinole Valley HS, Portola MS, El Cerrito HS Stadium, Coronado ES, Nystrom ES, Ohlone ES, and Technology projects) will require an additional $180 million in funding.
  - Although projects continue to straddle series, we are confident that the District will be able to comfortably cover this gap with proceeds from the sale of bonds in 2015.

Sizing Components

- **The Series 2013 bonds will be comprised of $40 million of 2010 General Obligation Bonds, Series B, and $85 million of 2012 General Obligation Bonds, Series A.**
  - By including bonds from both current authorizations in each bond sale, the District will both maximize available tax revenues and maintain comparable tax rate flexibility in each program.
  - Although there is significant overlap with regard to authorized projects, there are some projects (including technology) that are featured more prominently in the 2012 Measure E language.
  - The recommended relative sizing for this series of bonds is intended to better maintain comparable flexibility between the two programs.
  - The recommendation also takes into account the fact that the Series 2011 bonds were relatively large versus the original financing plan and relatively front-loaded given the use of QSCBs.

Future Series

- Under the revised issuance strategy, the balance between 2010 Series D and 2012 Series E will continue to narrow over time.

Sale Date	2005 Measure J	2010 Measure D	2012 Measure E	Total
Previously Issued	$322,409,709	$100,000,000	$0	$422,409,709
October 2013	0	40,000,000	85,000,000	125,000,000
Series 2015	0	60,000,000	65,000,000	125,000,000
Series 2017	0	60,000,000	65,000,000	125,000,000
Series 2019	0	60,000,000	65,000,000	125,000,000
Series 2021	0	60,000,000	65,000,000	125,000,000
Series 2023	77,590,292	0	15,000,000	92,590,292
Total	$400,000,000	$380,000,000	$360,000,000	$1,140,000,000

Note: The sizing of each future series and the funding mix among authorizations will be reviewed upon each bond issuance.

Technology

- **There has been recent concern about whether school districts are purchasing items of relatively short useful life with borrowings of thirty years or more.**
  - The District does plan on spending a significant amount on technology improvements over the next few years.
  - Not all of 2012 Measure E technology funds will be spent to purchase equipment and not all funding will be provided by the Series 2013 Bond proceeds.
  - Under the "blended project theory," the average useful life to the blended projects will easily exceed the average maturity of the bonds.
  - In addition, the District can point to the fact that the principal amount of bonds being repaid in the next two years will far exceed the amount of money being spent on technology equipment.
  - Although there has been some recent discussions in the public finance world about more clearly identifying which specific bonds are being sold for the purpose of purchasing technology equipment, we are not recommending that the District do so in this case.

Remaining Flexibility

- **The resolutions leave room for flexibility regarding a number of items.**
  - Maximum maturity, overall maturity structure, and use of term bonds.
  - Potential use of bond insurance on all, some, or none of the issue.
  - Bond pricing, whether such bonds will be sold at a premium, and how much of such premium will be delivered to the District.

Discarded Alternatives

- **The resolutions does not provide for other structuring alternatives that have been intentionally excluded at this point.**
  - No refunding bond resolution has been presented to the board.
  - The resolutions do not provide the District the authority to issue capital appreciation bonds.

Official Statement

- **The form of official statement for the financing makes a number of notable disclosures.**
  - Assessment issues with regard to Chevron.
  - Supreme court ruling with regard to parcel taxes.
  - Information regarding impact of local control funding formula.
  - Lack of disclosure filings with regard to insurer downgrades.

Note: The District's disclosure counsel is on hand tonight to discuss the official statement in more detail.

Ratings, Insurance, and Investor Outreach

- The financing team continues to push for credit-related ways to reduce District borrowing costs.
  - District ratings: recent affirmation of "A+" from Fitch; expected release of ratings from Moody's and S&P by the end of the week.
  - Possible purchase of insurance: desire to reduce amount of each series that is insured must be balanced against desire to achieve lowest possible borrowing cost.
  - Investor outreach: active distribution of approved material; response to specific inquiries consistent with investor relations policy.

Moving Ahead

- **Approval of tonight's resolutions will allow the District to sell bonds in mid-October and receive funds by the end of the month.**

Date	Activity
Wednesday, September 25th	Board approves authorizing resolution.
Friday, September 27th *	Receive ratings.
Tuesday, October 1st *	Post preliminary official statement.
Thursday, October 10th *	Tentative pricing date.
Tuesday, October 29th *	Closing date; District receives funds.

* Tentative.