



West Contra Costa USD

Presentation to the Facilities Subcommittee
December 11, 2012



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A Division of Zions First National Bank

Summary of Presentation

- Tonight's presentation is intended to cover two separate items.
 - Request support for the District's plan to pursue a bonding capacity waiver in connection with 2012 Measure E.
 - Make a recommendation with regard to the method of sale for the planned bond 2013 bond issue.

2012 Measure E

- District voters approved 2012 Measure E last month by a vote of 64% in favor.
 - Measure was designed to increase the pace and expand the scope of the District's overall bond program.
 - With voter approval of 2012 Measure E, the District now has \$717.6 million of authorized but unissued debt.
 - Given the District's desire to provide facility improvements on a consistent basis over time, concerns about prudent debt management practices, and existing tax rate targets, the District currently plans to issue these bonds in relatively equal installments through the summer of 2023.
 - At last month's Facilities Subcommittee meeting, we discussed the advantages and disadvantages of a "max-out" approach to the bond program.

Issuance Schedule

- The District has developed a tentative plan to issue authorized but unissued bonds over in alternate years over time.

Pro-Forma Issuance Schedule

	2005 Measure J	2010 Measure D	2012 Measure E	Total
Issued To Date:	\$322,409,709	\$100,000,000	\$0	\$422,409,709
2013	\$0	\$65,000,000	\$60,000,000	\$125,000,000
2015	\$0	\$65,000,000	\$60,000,000	\$125,000,000
2017	\$0	\$65,000,000	\$60,000,000	\$125,000,000
2019	\$0	\$65,000,000	\$60,000,000	\$125,000,000
2021	\$0	\$20,000,000	\$105,000,000	\$125,000,000
2023	\$77,590,291	\$0	\$15,000,000	\$92,590,291
Total	\$400,000,000	\$380,000,000	\$360,000,000	\$1,140,000,000

Note: The table above is based on pro-forma analysis of the finance team and has not been formally approved by the Board of Education.

Bonding Capacity Waiver

- In order to achieve any 2012 Measure E Bonds, the District must achieve a bonding capacity waiver from the State Department of Education.
 - The California Education Code provides that a unified school district cannot issue bonds if doing so causes the overall amount of bonds outstanding to exceed 2.5% of its then-current assessed value.
 - The District currently has \$796.9 million of bonds outstanding or 3.37% of its 2012-13 assessed value.
 - Each of the District's past three series of bonds have been issued under two separate bonding capacity waivers.

Application Process

- The District hopes to submit an application to State Department of Education for consideration at the Board of Education's meeting in March.
 - The plan has previously been approved by the Bond Oversight Committee by a vote of 10-3 in favor.
 - The District will also seek support of the five local cities and other public agencies later this month and in January.
 - A public hearing has been rescheduled for January 9th, along with District Board approval.
 - Materials submitted for the State Board agenda by January 16th may be considered for the March meeting.

Rationale

- In its application, the District will argue that the wavier is justified based on the strong public support for the bond program and other factors.
 - The community is supportive of the District's ongoing bond program.
 - There is a need for further improvements to the District's schools, including improvements that improve student safety.
 - Voter approval of 2012 Measure E (with over 64% support) is clear evidence that the community desires that authorized dollars be spent on identified projects.
 - Voters are aware that the District has a large bond program, that school facility tax rates are relatively high, and that issuing new bonds under 2012 Measure E would require a bonding capacity waiver.
 - The District will be able to implement its program within Proposition 39 tax rate constraints and has no current plans to issue bond anticipation notes or capital appreciation bonds.
 - Restricting access to bond proceeds based on the size of the tax base is not equitable, and works to the disadvantage of students in West Contra Costa USD specifically.

Other Certifications

- There are also plans to make additional certifications based on recommendations of staff at the Waiver Office.
 - Schedule to demonstrate that bonds can be issued within Proposition 39 tax rate limitations.
 - Representation that the District does not plan to issue bond anticipation notes.
 - Representation that the District does not plan to issue bonds as capital appreciation bonds.

Request Level

- It is anticipated that the amount of the waiver request will be at 6.0%.

REQUEST LEVEL	2.5%	4.5%	5.0%	5.5%	6.0%
TAX YEAR 2012--13 [1]					
Adjusted Bonding Capacity	590,823,176	1,063,481,717	1,181,646,352	1,299,810,987	1,417,975,622
Bonds Currently Outstanding	796,875,176	796,875,176	796,875,176	796,875,176	796,875,176
Available for New Bonds [2]	(206,052,000)	266,606,541	384,771,176	502,935,811	621,100,446
TAX YEAR 2024-25 (assuming 2% growth) [1]					
Adjusted Bonding Capacity	749,306,645	1,348,751,961	1,498,613,290	1,648,474,619	1,798,335,948
Bonds to Be Outstanding [3]	486,398,015	486,398,015	486,398,015	486,398,015	486,398,015
Available for New Bonds [2]	262,908,630	862,353,946	1,012,215,275	1,162,076,604	1,311,937,933
TAX YEAR 2024-25 (assuming 4% growth) [1]					
Adjusted Bonding Capacity	945,926,940	1,702,668,492	1,891,853,881	2,081,039,269	2,270,224,657
Bonds to Be Outstanding [3]	486,398,015	486,398,015	486,398,015	486,398,015	486,398,015
Available for New Bonds [2]	459,528,925	1,216,270,477	1,405,455,865	1,594,641,253	1,783,826,641

[1] Assumes the period of August 2nd to January 31st in each given tax year.

[2] New bonds will include 2010 Measure D Bonds (\$280 million remain to be issued), 2012 Measure E Bonds (all \$360 million remain to be issued), and any additional bonds approved in the future.

[3] Includes only the bonds that have been issued to date assuming no refundings and restructurings.

2013 Bond Sale

- Assuming that the waiver is approved by the Department of Education, the District plans to sell bonds in July.
 - The July sale is advantageous because assessed values have been established.
 - The District is carefully monitoring project cash flows with an eye toward accelerating the bond sale if necessary.
 - The bond sale can be accelerated if project cash flow warrants.

Determination of Method of Sale

- As a long-term strategy, KNN has recommended that the District decide on a method of sale approximately 90 days in advance of each bond sale.
 - More certainty regarding bond structure and market conditions.
 - Decisions and results for local school districts and similar school districts around the State.
 - Allows for more objective and data driven decision making.
 - Provides the District with more leverage negotiating terms.

Other Considerations

- At the same time, we are aware that there are other factors at work in the District's current situation that argue in favor of making a decision earlier in the process.
 - The District underwriting team has played a critical role in supporting the bond program through its most recent evolution.
 - Investor outreach continues to play an important role in the marketing of the District's bonds.
 - Credit issues continues to be a concern for school districts throughout the State.
 - The District pushes to make a decision sooner rather than later.

Recommendation

- Given these circumstances, we are recommending that the Board sell its 2013 bonds by negotiated sale and retain Piper Jaffray and De La Rosa & Company as underwriters.
 - The underwriting team has served the District well in its most recent sales.
 - The underwriting team is familiar and supportive of the District's financing approach.
 - The underwriting team works well together and with the other financing team members.