



West Contra Costa USD

Presentation to the Facilities Subcommittee
April 23, 2013



1333 Broadway, Suite 1000, Oakland, CA 94612
phone 510-839-8200 fax 510-208-8282

A Division of Zions First National Bank

2012 Measure E

- In November 2012, voters approved 2012 Measure E by a vote of 63.5% in favor.
 - 2012 Measure E authorized the District to issue up to \$360 million in general obligation bonds.
 - The existing financing plan calls for the 2012 Measure E bonds to be issued (along with remaining 2010 Measure D bonds and (later) 2005 Measure J bonds) in alternate years through 2023-24.
 - 2012 Measure E is consistent with the re-envisioning of the District's bond program that occurred in 2009 and 2010.
 - The re-envisioned bond program is designed to be more forward-looking, more flexible, and more sustainable over the long-term.
 - The District was aware that it would not be able to issue any 2012 Measure E bonds in the near future without a waiver of the bonding capacity limitation and included disclosure of such a need at public meetings and in the official ballot material.

Waiver Application

- In January 2013, the District submitted its application for a waiver of the bonding capacity limitation to the State Department of Education.
 - The District requested an increase in the bonding capacity limitation from 2.5% to 5.0% for all bonds issued under 2012 Measure E and issued between now and December 31, 2025.
 - The request was consistent with the District's 2011 bonding capacity waiver request (up to 5% for all 2010 Measure D bonds issued through December 31, 2021).
 - The District made its case based on the success of the program, the will of the people, equity issues, public safety issues, and special circumstances.
 - The plan to submit an application was supported by the District's labor organizations, the Citizens' Bond Oversight Committee, and the Facilities Subcommittee, the application was made available to the public, a public hearing was held, and the District Board approved its submission.
 - Subsequent to the submission, Department of Education staff requested additional information regarding the District's plan issuance schedule, use of capital appreciation bonds, and other matters, and the District submitted a supplement to its application.

Waiver Effort

- The District began gathering indications of support for its application shortly after the successful election.
 - The District wanted to make clear to the State Board of Education that the plan to pursue a bonding capacity waiver had broad support in the community.
 - Supporting resolutions were approved unanimously by all five overlapping city councils as well as by the Kensington Community Service District.
 - Supporting resolutions were approved by a number of other public agencies, and letters of support were provided by State Senator Loni Hancock, Assembly Member Nancy Skinner, the United Teachers of Richmond, the Building Trades, local police chiefs, local firefighters and others.
 - Binders containing the original application (and supplement), the supporting resolutions, and the supporting letters, were provided to each State Board of Education and key staff members at the Board of Education and at the Department of Education.

Final Stages

- We are now in the final stages of the process.
 - By next Monday, the agenda for the Wednesday, May 8th, and Thursday May 9th, State Board of Education Meeting will be published, and we expect that the agenda will include our application and a recommendation from Department of Education staff.
 - Past history suggests that the Board of Education will not always act in favor of the staff recommendation.
 - The District has scheduled a conference call with State Board of Education member Sue Burr and others on Friday, May 3rd.
 - The State Board of Education is expected to take action on Thursday, May 9th.
 - Our expectation is that we will be able to report on the results at the next Facilities Subcommittee meeting on May 14th.

Likely Outcome

- At this point, it appears as if our application will be approved with conditions.
 - To date, all bonding capacity waiver requests (38 out of 38, based on the best information we have) have been approved with conditions (except for Jefferson School District on which a decision was deferred).
 - The conditions typically include what bonds can be issued under the waiver, to what percentage of the then-current tax base can the new bonds issued bring the total outstanding bonded indebtedness to, over what period of time does the new limit apply, and a redundant requirement that bonds cannot be issued that are projected to cause future tax rates to exceed Proposition 39 maximums.
 - For the two bonding capacity limitation waivers heard in March, staff recommended a condition that capital appreciation bonds would not be used and that the period of time should be limited to two years minus one day.
 - Our expectation is that our application will be recommended for approval with conditions, but our request might also be denied or postponed.

Specific Conditions

- The outstanding question is how the specific conditions will be handled.

Condition	Comment
Bonds to be covered	2012 Measure E only
Proposition 39 tax rate limitations	Must be maintained
Capital appreciation bonds	No CABs
Maximum percentage	5% (though perhaps lower)
Period during which waiver applies	12 years (though perhaps 2 years minus one day or other period)



5% and 12 Years

- In the event that the Board of Education approves the waiver application as requested, the District can proceed with the existing plan.

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 size of the Series 2015 Bonds may be increased by decreasing the size of future series of bonds (including the Series 2017 Bonds).

5% and 2 Years minus 1 Day

- In the event that the Board of Education approves the waiver application with a shorter term, the District will need to evaluate its alternatives.
 - Although a shorter term is workable from a bond program perspective (provided that additional waivers are approved as a matter of course), they create significant planning challenges and increase pressure to avoid controversy in the bond program (even if such controversy is unwarranted).
 - One alternative would be to plan projects through the planned Series 2013 Bonds and Series 2015 Bonds, but delay starting projects that would require Series 2017 bond proceeds until a subsequent waiver is approved.
 - The District could also pursue a strategy that increases the portion of Series 2013 Bonds and Series 2015 Bonds that are attributed to 2012 Measure E to leave 2010 Measure D more flexible.
 - The District might also consider continuing to educate the State Department of Education and State Board of Education in an effort to achieve the full twelve years at an upcoming meeting.

Denial or Postponement

- A denial of the District's waiver application (or even a postponement) will require a significant re-evaluation of the goals and objectives of the bond program.
 - Denial of the District's application seems quite unlikely at this point.
 - In the event the application is denied, the District should not expect to access any 2012 Measure E bond proceeds for the next ten to twelve years.
 - The alternative that we've discussed at prior meetings is to maintain the size of the Series 2013 Bonds (using only 2010 Measure D monies) and to issue a smaller series of bonds in 2015 before suspending the program.
 - Other structuring or strategic alternatives would have to be developed and discussed (including continued pursuit of a bonding capacity limitation waiver in the desired amount).