West Contra Costa USD

General Obligation Bond Program Status

Presentation to the Facilities Subcommittee

June 11, 2013

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Bond Program Status

- The bond program is moving ahead largely as planned.
  - 2012 Measure E was designed to allow the District's re-envisioned bond program to proceed at an accelerated pace (and with less reliance on deferred debt service structures), and the measure was approved by voters in November.
  - The District knew that issuance of any bonds under 2012 Measure E would require a waiver of the 2.50% statutory bonding capacity limitation, and the waiver was achieved last month.
  - At this point it appears that the District will be issuing new money bonds in 2013 at roughly the same time and in roughly the same amount as has been discussed since last summer.
  - Despite recent increases in interest rates, it seems likely that such issuance will be combined with a relatively small refunding bond component as well.

Possible Adjustments

- Since November, a number of possible adjustments to the sizing and to the schedule have been explored and, by and large, rejected.
  - Last winter, it seemed possible that the pace of expenditures would require an acceleration of the bond issuance to this spring.
  - More recently, slower than expected cash expenditures for bond projects and larger than expected receipt of state funding had the financing team considering a delay in the proposed bond issuance.
  - With the rapid decline in interest rates this past spring, the possibility of separating the refunding bonds from the new money bonds or accelerating the combined issuance was presented to the subcommittee and to the board.
  - On June 19th, the facilities team and the finance team will present materials to the board regarding the possibility of accelerating projects.

Original Financing Plan

- The original financing plan called for bonds to sold in alternate years from 2013 through 2023.

	2005 Measure J	2010 Measure D	2012 Measure E	Total
Issued	**$322,409,709**	**$100,000,000**	**$0**	**$422,409,709**
2013	0	60,000,000	65,000,000	125,000,000
2015	0	60,000,000	65,000,000	125,000,000
2017	0	60,000,000	65,000,000	125,000,000
2019	0	60,000,000	65,000,000	125,000,000
2021	0	40,000,000	85,000,000	125,000,000
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**

Re-Envisioned Bond Program

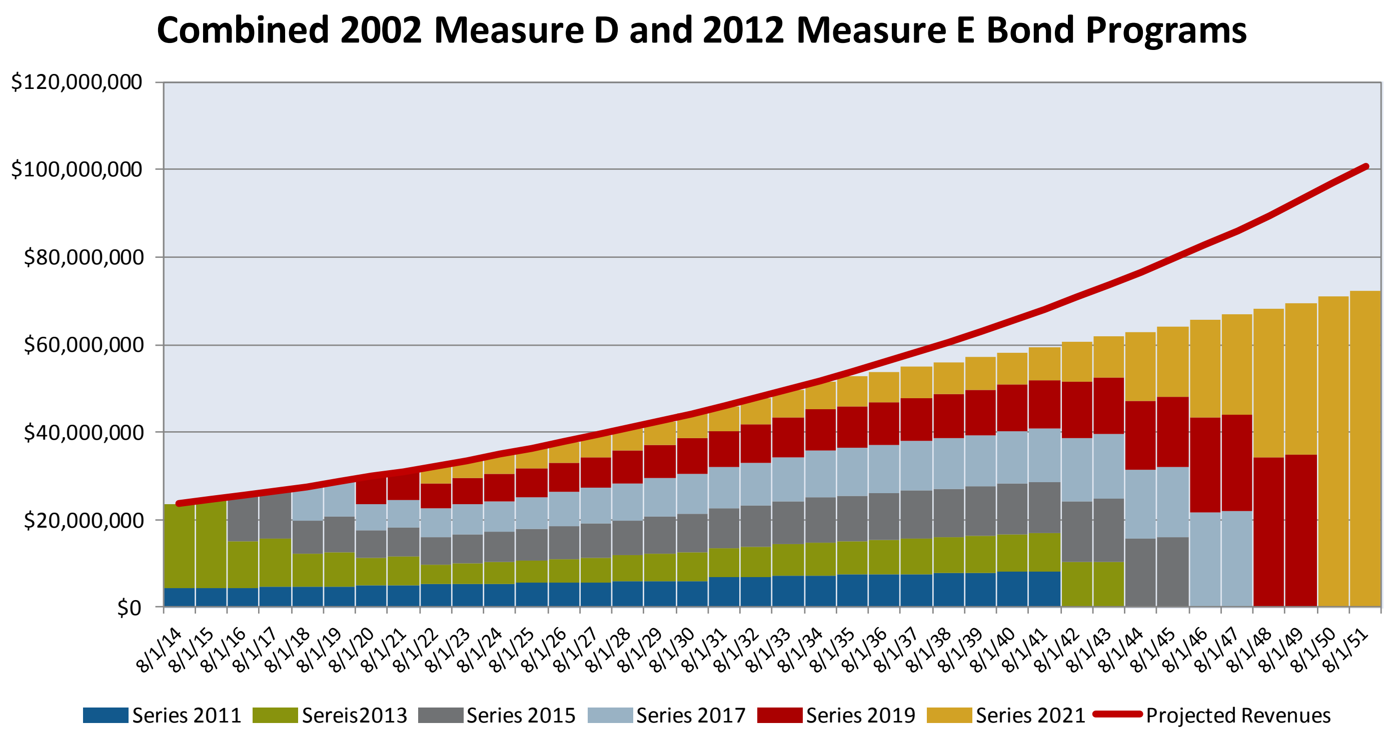
- This financing plan is consistent with the re-envisioned bond program developed after the economic collapse of 2008.
  - Revenues sufficient to continue the facilities program at a relatively aggressive pace.
  - Program that would be sustainable in terms of providing consistent funding within a target tax rate without an over-reliance on deferred debt service structures.
  - Ability to structure debt service with an escalation at or below 4%.
  - Maintained emphasis on meeting tax rate targets established at the time of election.
  - Goal of moving from a program-based funding model to a project-based funding model.

Specific Advantages

- There are a number of specific ways that this plan helps to achieve the District's current goals.
  - The financing plan allows flexibility to adjust the pace of the program as conditions allow and/or District objectives change.
  - Possible changes in objectives include the re-allocation of proceeds to emerging facility needs and/or tax rate stabilization for prior bond measures.
  - The financing plan allows access to projected long-dated tax revenues based on the issue date of the final series of bonds.
  - Expected tax base growth and bond repayment during the implementation period allows for more bonds (ideally all bonds) to be issued as current interest bonds.
  - Multiple issues over time decreases interest rate risk by "dollar-cost-averaging" bonds into the market.

Flexibility

- Given that future revenues are essentially unknowable and that projected revenues are subject to change, the District increases its chances of meeting its tax rate objectives if bonds are issued over time.

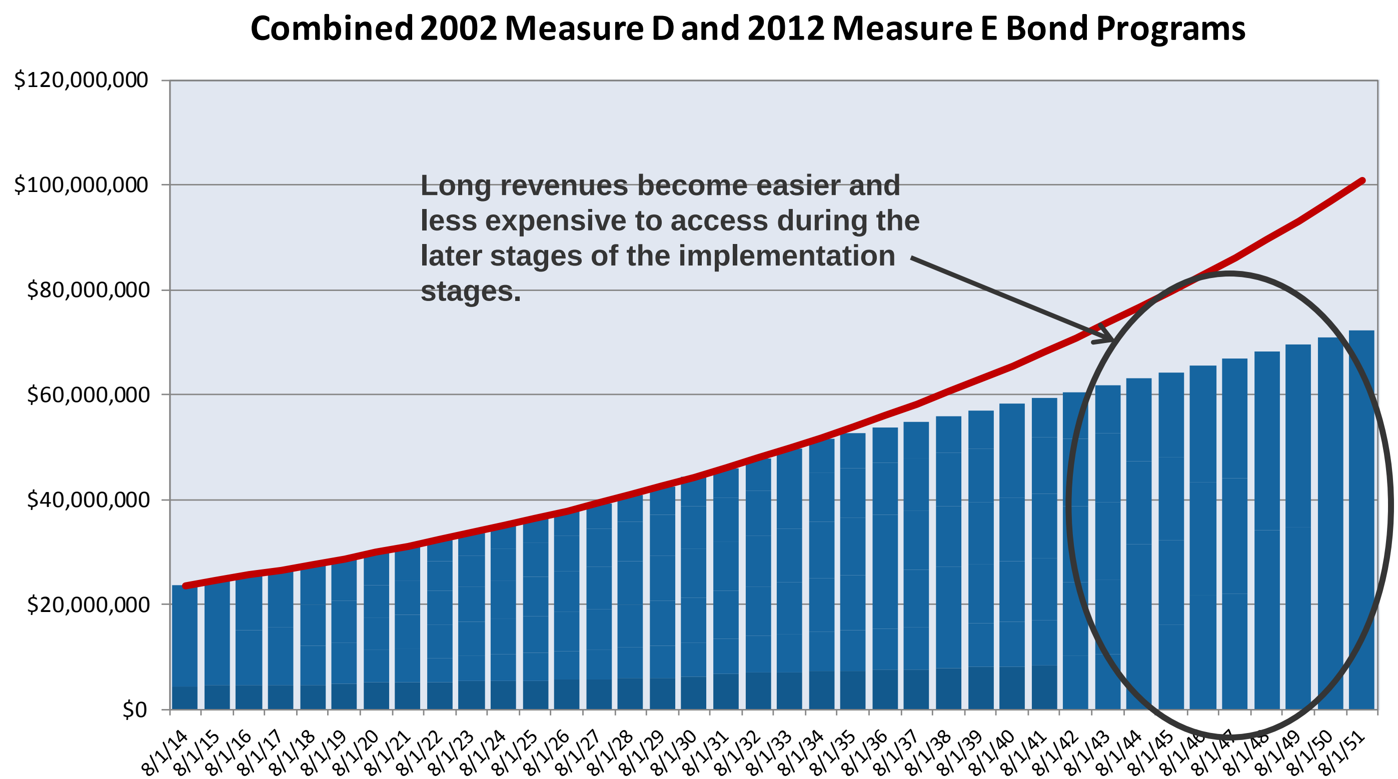


Sustainability

- The proposed financing plan will allow the District to respond to changing circumstances by making gradual adjustments over time.
  - Program doesn't reach maximum escalation until all currently authorized bonds have been issued.
  - Program can be un-problematically accelerated (or de-escalated) to the extent robust tax base growth in the short-term is sufficient to change projections of tax base values over the long-term.
  - Program can be slowed and monies re-allocated to tax rate stabilization for prior measures in the event that sluggish tax base growth returns.
  - Expected pace of program revenues is somewhat slower than historic averages.
  - Efforts to limit projects straddling series of bonds will limit the District's exposure in the event of unexpected developments (with regard to either revenues or expenditures).

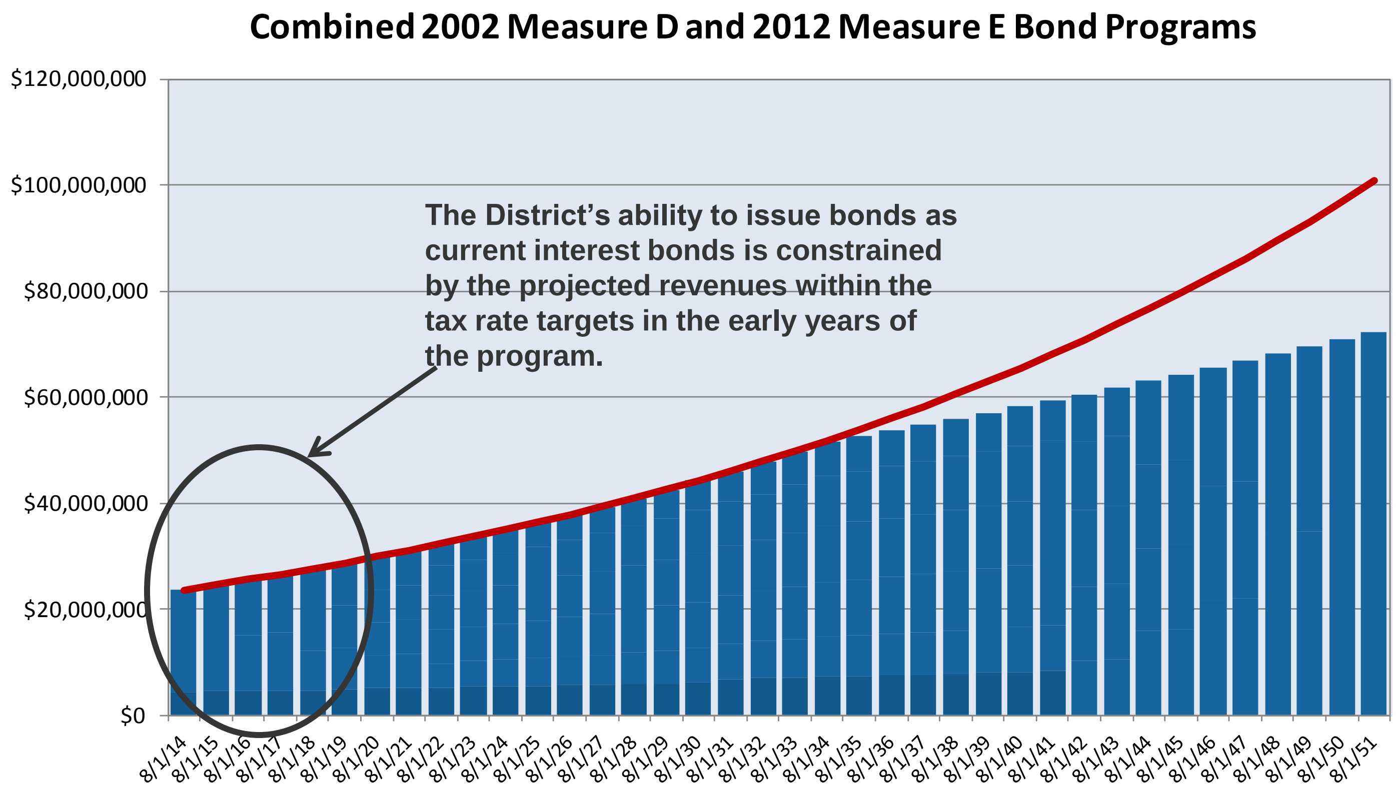
Access to Capital – Longer Maturities

- The proposed financing plan is designed to allow the District to access revenues through 2050-51 and potentially beyond.



Ability to Issue CIBs – Early Year Constraints

- The proposed financing plan is designed so that it can be implemented without the use of capital appreciation bonds.



Counter-Arguments

- There are a number of reasons for the District to consider adjusting the original financing plan.
  - Facilities needs at many sites are at a critical stage.
  - Current construction costs are relatively low and are likely to increase over time.
  - Real estate prices have increased rapidly during the past year and strong long-term growth is very likely to follow.
  - The District has adopted a scope-driven philosophy and any stranded revenues can be replaced with future bond authorization, if necessary.

June 19th Board Meeting

- The presentation to the June 19th board meeting will focus on project scheduling and project costs and the extent to which the financing plan might be updated to accommodate any requires and/or desired adjustments.
  - The finance team will recommend a basic framework for consideration of upcoming project expenditures.
  - The facilities team will discuss the estimated costs for projects nearing completion, getting underway, and in the preliminary planning stages.
  - The finance team will present alternative financing plans and discuss advantages and disadvantages of pursuing each.