



# West Contra Costa USD

2012 General Obligation Refunding Bonds and 2012-13 Assessed Values

Presentation to the Facilities Subcommittee

July 10, 2012



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A Division of Zions First National Bank

# 2012 GO Refunding Bonds

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- Earlier today, the District closed its most recent issue of refunding bonds.

Issue Size:	\$108.4 million (\$98.2 million of principal plus \$10.2 million of premium).
Bonds Refunded:	2000 Measure M, Series C 2002 Measure D, Series A 2002 Measure D, Series B 2002 Measure D, Series C
Interest Rate on Bonds Refunded:	5.01% (average coupon).
Interest Rate on Refunding Bonds:	3.73% (yield for tax purposes).
Savings:	\$12.5 million (future value). \$9.5 million (present value). 9.1% (pv savings as a percentage of bonds refunded).

# Relative Savings

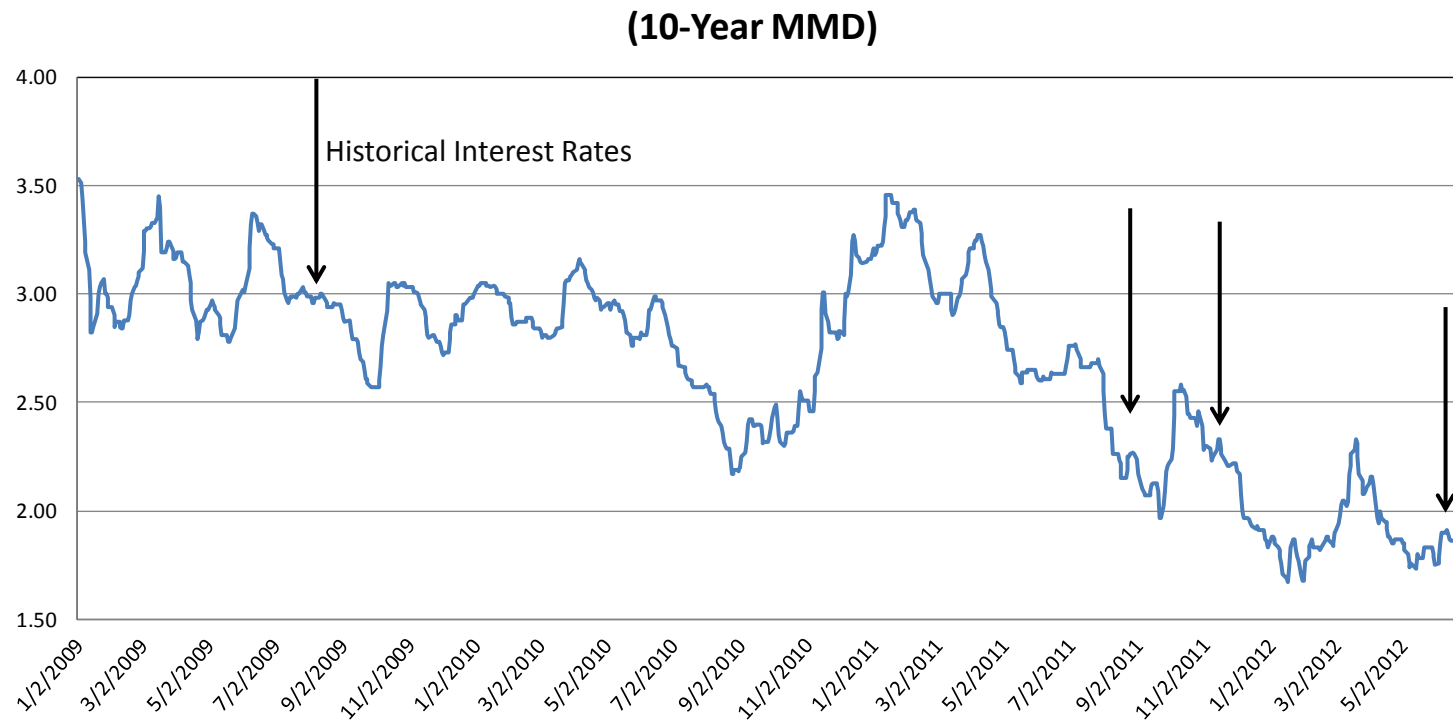
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- The savings achieved were high relative to both the threshold standards established by the Board of Education, but also relative to the successful series of refunding bonds sold last summer.

Series	Dated Date	Total Par Amount	Savings	Present Value Savings	% of Refunded Par
2011 General Obligation Refunding Bonds	8/25/2011	\$85,565,000	\$8,130,709	\$7,370,086	7.99%
2012 General Obligation Refunding Bonds	7/10/2012	\$98,200,000	\$12,545,510	\$9,515,906	9.12%

# Interest Rates

- The relatively strong level of savings achieved was driven in large part by the decrease in interest rates this spring.



# Refunding Policy

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- In recent years, the District has actively monitored refunding opportunities and developed a number of relatively specific policy objectives.
  - Take advantage of periods of low interest rates to reduce taxpayer costs.
  - Emphasize economic benefit over restructuring benefit (i.e. save money in each year).
  - Examine refunding candidates on a maturity-by-maturity basis.
  - Use 4% present value threshold for current refunding candidates and higher standard for advance refunding candidates.
  - Be careful not to restrict future flexibility.
  - Take advantage of restructuring benefit to ease tax rate pressures in early years (given objective number two above).

# 2000 Measure M Savings Structure

- The refunding bonds were structured so as to reduce 2000 Measure M debt service most significantly in the current tax year.

Date	Prior Debt Service	Refunding Debt		Present Value to 07/10/2012
		Service	Savings	
8/1/2012	\$1,077,875.00	\$0.00	\$1,077,875.00	\$1,075,548.64
8/1/2013	2,155,750.00	2,137,568.75	18,181.25	16,586.91
8/1/2014	2,155,750.00	2,019,750.00	136,000.00	127,194.65
8/1/2015	2,155,750.00	2,019,750.00	136,000.00	122,569.64
8/1/2016	2,155,750.00	2,019,750.00	136,000.00	118,112.81
8/1/2017	2,155,750.00	2,019,750.00	136,000.00	113,818.03
8/1/2018	2,155,750.00	2,019,750.00	136,000.00	109,679.42
8/1/2019	2,155,750.00	2,019,750.00	136,000.00	105,691.30
8/1/2020	2,155,750.00	2,019,750.00	136,000.00	101,848.19
8/1/2021	2,155,750.00	2,019,750.00	136,000.00	98,144.83
8/1/2022	2,155,750.00	2,019,750.00	136,000.00	94,576.12
8/1/2023	2,155,750.00	2,019,750.00	136,000.00	91,137.18
8/1/2024	6,110,750.00	5,714,750.00	396,000.00	254,166.08
8/1/2025	6,093,000.00	5,790,000.00	303,000.00	187,513.24
8/1/2026	6,081,250.00	5,681,000.00	400,250.00	238,428.05
8/1/2027	6,069,750.00	5,673,750.00	396,000.00	227,249.06
8/1/2028	6,058,000.00	5,661,750.00	396,250.00	219,047.78
8/1/2029	6,050,500.00	5,649,750.00	400,750.00	213,398.12
8/1/2030	6,041,500.00	5,642,250.00	399,250.00	204,791.19
8/1/2031	6,035,500.00	5,638,500.00	397,000.00	196,154.32
8/1/2032	6,021,750.00	5,622,750.00	399,000.00	189,893.22
	\$79,353,125.00	\$73,409,568.75	\$5,943,556.25	\$4,105,548.79

# 2002 Measure D Savings Structure

- The refunding bonds were structured so as to reduce 2002 Measure D debt service most significantly through tax year 2014-15.

Date	Refunding Debt		Savings	Present Value to 07/10/2012
	Prior Debt Service	Service		
8/1/2012	\$1,533,856.25	\$0.00	\$1,533,856.25	\$1,530,545.75
8/1/2013	3,067,712.50	3,029,214.58	38,497.92	35,863.50
8/1/2014	4,017,712.50	2,862,250.00	1,155,462.50	1,072,424.76
8/1/2015	4,017,337.50	2,862,250.00	1,155,087.50	1,032,757.88
8/1/2016	2,987,737.50	2,862,250.00	125,487.50	108,982.95
8/1/2017	2,987,737.50	2,862,250.00	125,487.50	105,020.15
8/1/2018	2,987,737.50	2,862,250.00	125,487.50	101,201.45
8/1/2019	2,987,737.50	2,862,250.00	125,487.50	97,521.60
8/1/2020	2,987,737.50	2,862,250.00	125,487.50	93,975.55
8/1/2021	4,297,737.50	4,227,250.00	70,487.50	51,235.04
8/1/2022	4,297,325.00	4,123,000.00	174,325.00	120,873.65
8/1/2023	4,293,150.00	4,118,250.00	174,900.00	116,646.64
8/1/2024	4,293,400.00	4,120,250.00	173,150.00	111,215.30
8/1/2025	9,989,250.00	9,663,750.00	325,500.00	201,024.74
8/1/2026	8,283,750.00	8,115,250.00	168,500.00	100,374.98
8/1/2027	8,265,250.00	8,097,750.00	167,500.00	96,120.58
8/1/2028	8,247,750.00	8,081,500.00	166,250.00	91,903.65
8/1/2029	8,230,500.00	8,060,750.00	169,750.00	90,390.26
8/1/2030	8,227,750.00	8,060,000.00	167,750.00	86,045.43
8/1/2031	8,218,000.00	8,052,500.00	165,500.00	81,772.49
8/1/2032	6,210,750.00	6,042,750.00	168,000.00	79,955.04
	\$110,429,918.75	\$103,827,964.58	\$6,601,954.17	\$5,405,851.39

# Structuring Rationale

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- The two savings structures reflect the District's priority at maintaining tax rates below targeted levels for all existing bond measures.
  - Each bond program is implemented over a period of time based on information available at the time of issuance and assumptions made at that time.
  - During the global economic downturn, District assessed values decreased by an unprecedented 20% in tax years 2009-10 and 2010-11 and, for the most part, growth continues to be sluggish.
  - The decrease in the District's tax base caused the 2005 Measure J bond program to become constrained and caused tax rate concerns on two existing bond programs.
  - The Board of Education has made it a priority to maintain tax rates at or below targeted levels (provided that doing so does not conflict with the basic principles of prudent debt management.)
  - The long-term solution to tax rate issues is the return of robust tax base growth and/or the availability of tax rate stabilization funds.



# 2012-13 Assessed Values

- Last week, the County Assessor provided information regarding 2012-13 preliminary assessed values to the Board of Supervisors.

## Assessed Values (Secured and Unsecured) By Jurisdiction

	2011-12	2012-13	Growth Rate
Richmond	\$10,919,758,195	\$12,751,987,659	16.78%
El Cerrito	\$2,919,955,318	\$2,848,616,268	-2.44%
Hercules*	\$2,433,770,611	\$2,294,108,017	-5.74%
Pinole	\$1,741,821,778	\$1,682,356,980	-3.41%
San Pablo	\$1,189,432,247	\$1,165,133,002	-2.04%
Unincorporated	\$2,955,032,240	\$2,879,973,364	-2.54%
<b>Total</b>	<b>\$22,159,770,389</b>	<b>\$23,622,175,290</b>	<b>6.60%</b>

\* In the case of the City of Hercules, 2012-13 figures are based on KNN analysis of raw data provided by the County.

# Broader Context

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- While the news from the Assessor's Office is undoubtedly positive, the broader context continues to be mixed.
  - Increases in the value for the Chevron refinery have been significant in each of the past two years.
  - Absent the Chevron-related increases, District assessed values would have been flat to negative.
  - District-wide assessed values remain 13% below 2008-09 maximums.
  - Long-term escalation on both the 2002 Measure D and 2005 Measure J bond programs is between 4.00% and 4.50%.

# 1998 Measure E

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- KNN estimates that the 2012-13 tax rate for the 1998 Measure E Bonds will be approximately \$12.20 per \$100,000 of assessed value.

<b>West Contra Costa Unified School District</b>	
<b><i>1998 Authorization</i></b>	
Gross Debt Service	\$2,936,845
Less: Estimated Unsecured Collections	-124,700
Less: Federal Subsidy	0
Less: Estimated Funds on Hand	-105,547
Net Requirement	\$2,706,598
Secured and Utility AV	\$22,182,175,290
Estimated Tax Rate (per \$100,000 AV)	\$12.20

# 2000 Measure M

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- KNN expects that the County will levy a tax rate of \$55.60 per \$100,000 of assessed value for the 2000 Measure M Bonds.

<b>West Contra Costa Unified School District</b>	
<b><i>2000 Authorization</i></b>	
Gross Debt Service	\$12,299,919
Less: Estimated Unsecured Collections	-806,200
Less: Federal Subsidy	0
Less: Estimated Funds on Hand	-1,250,000
Net Requirement	\$10,243,719
Secured and Utility AV	\$22,182,175,290
Estimated Tax Rate (per \$100,000 AV)	\$46.18

- \* A tax rate of \$55.60 per \$100,000 of assessed value would allow the County to retain approximately \$2.0 million in a tax rate stabilization fund for the 2000, Measure M authorization.

# 2002 Measure D

- KNN expects that the County will levy a tax rate of \$60.00 per \$100,000 of assessed value for the 2002 Measure D Bonds.

<b>West Contra Costa Unified School District</b>	
<b><i>2002 Authorization</i></b>	
Gross Debt Service	\$13,406,350
Less: Estimated Unsecured Collections	-870,000
Less: Federal Subsidy	0
Less: Estimated Funds on Hand	-1,400,000
Net Requirement	<u>\$11,136,350</u>
Secured and Utility AV	\$22,182,175,290
Estimated Tax Rate (per \$100,000 AV)	\$50.20

- \* A tax rate of \$60.00 per \$100,000 of assessed value would allow the County to retain approximately \$2 million in a tax rate stabilization fund for the 2002, Measure D authorization.

# 2005 Measure J

- KNN expects that the County will levy a tax rate of \$60.00 per \$100,000 of assessed value for the 2005 Measure J Bonds.

<b>West Contra Costa Unified School District</b>	
<b>2005 Authorization</b>	
Gross Debt Service	\$16,790,491
Less: Estimated Unsecured Collections	-870,000
Less: Federal Subsidy	-2,916,648
Less: Estimated Funds on Hand	-4,000,000
Net Requirement	\$9,003,843
Secured and Utility AV	\$22,182,175,290
Estimated Tax Rate (per \$100,000 AV)	\$40.59

- \* A tax rate of \$60.00 per \$100,000 of assessed value would allow the County to retain approximately \$4.3 million in a tax rate stabilization fund for the 2005, Measure J authorization.

# 2010 Measure D

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- KNN expects that the County will levy a tax rate of \$48.00 per \$100,000 of assessed value for the 2010 Measure D Bonds.

<b>West Contra Costa Unified School District</b>	
<b>2010 Authorization</b>	
Gross Debt Service	\$11,139,600
Less: Estimated Unsecured Collections	-696,000
Less: Federal Subsidy	-1,031,100
Less: Estimated Funds on Hand	-1,000,000
Net Requirement	\$8,412,500
Secured and Utility AV	\$22,182,175,290
Estimated Tax Rate (per \$100,000 AV)	\$37.92

- \* A tax rate of \$48.00 per \$100,000 of assessed value would allow the County to retain approximately \$2 million in a tax rate stabilization fund for the 2010, Measure D authorization.

# Actual 2012-13 Tax Rates

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- Actual 2012-13 tax rates will be established by the Auditor-Controller and approved by the Board of Supervisors in August.
  - Tax base figures used in the presentation are in some cases based on KNN internal analysis of preliminary figures released by the County and do not include unitary values.
  - Funds on hand will be a significant factor and are only estimated at this point.
  - The District hopes to meet with officials from the County Controller's Office next week to discuss the establishment of tax rates.
  - The County's willingness to levy at targeted maximum tax rates will be an important discussion point in these meetings.



# Levying at Targeted Maximum

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- The District will request that the County levy tax rates at the targeted maximums for the four most recent issues.
  - It's a good policy to strive to stabilize tax rates for taxpayers.
  - The District has been able to work with the County over the last couple of years to set tax rates at the tax rate targets.
  - Education Code 15250 allows the County to set tax rates to avoid fluctuating tax rates:

"The board of supervisors of the county, the superintendent of schools of which has jurisdiction over any district, shall annually at the time of making the levy of taxes for county purposes, levy a tax for that year upon the property in the district for the interest and redemption of all outstanding bonds of the district. The tax shall not be less than sufficient to pay the interest on the bonds as it becomes due and to provide a sinking fund for the payment of the principal on or before maturity and ***may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies.***"

- Federal tax laws allow for a reserve fund.

# Ongoing Concerns

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- Despite the good news from the Assessor's Office, tax rates will continue to be a concern for the District's various bond programs.
  - Recent bond programs have been built around an assumption of tax base growth over time.
  - We are currently under the tax base projections used at the time of the authorizations.
  - The District needs to see continued growth in the future to catch up to original projections.

# 2000 Measure M

- The projected tax rates under the 2000 Measure M program are estimated to be within the tax rate target of \$55.60 per \$100,000 in assessed value with continued tax base growth.

West Contra Costa Unified School District 2000 Authorization						
Year	Combined AV	Growth Rate	Gross Debt Service less Federal Subsidy	Less: Tax Rate Stabilization Fund	Net Debt Service	Tax Rate
2012-13	\$23,632,175,290	N/A	\$12,299,919	\$0	\$12,299,919	52.05
2013-14	\$24,577,462,302	4.00%	\$12,538,350	\$0	\$12,538,350	51.02
2014-15	\$25,560,560,794	4.00%	\$13,874,150	\$0	\$13,874,150	54.28
2015-16	\$26,582,983,225	4.00%	\$14,537,550	\$0	\$14,537,550	54.69
2016-17	\$27,646,302,554	4.00%	\$14,537,550	\$0	\$15,092,213	54.59

# 2002 Measure D

- With the use of a tax base stabilization and continued tax base growth, the District is projected to be at the tax rate target of \$60.00 per \$100,000 in assessed value through 2014-15.

West Contra Costa Unified School District 2002 Authorization						
Year	Combined AV	Growth Rate	Gross Debt Service less Federal Subsidy	Less: Tax Rate Stabilization Fund	Net Debt Service	Tax Rate
2012-13	\$23,632,175,290	N/A	\$13,406,350	\$0	\$13,406,350	60.00
2013-14	\$24,577,462,302	4.00%	\$15,299,785	-\$553,308	\$14,746,477	60.00
2014-15	\$25,560,560,794	4.00%	\$15,987,635	-\$651,299	\$15,336,336	60.00
2015-16 <sup>(a)</sup>	\$26,582,983,225	4.00%	\$17,743,935	-\$795,394	\$16,948,541	63.76
2016-17	\$27,646,302,554	4.00%	\$18,994,650	\$0	\$18,994,650	68.71

(a) We estimate that the current reserve fund balance can be utilized to maintain tax rate targets through 2014-15 for the 2002 Measure D authorization.

# 2005 Measure J

- With the use of a tax base stabilization and continued tax base growth, the District is projected to be at the tax rate target of \$60.00 per \$100,000 in assessed value through 2015-16.

West Contra Costa Unified School District 2005 Authorization						
Year	Combined AV	Growth Rate	Gross Debt Service less Federal Subsidy	Less: Tax Rate Stabilization Fund	Net Debt Service	Tax Rate
2012-13	\$23,632,175,290	N/A	\$13,873,843	\$0	\$13,873,843	60.00
2013-14	\$24,577,462,302	4.00%	\$15,017,043	-\$270,566	\$14,746,477	60.00
2014-15	\$25,560,560,794	4.00%	\$16,238,643	-\$902,307	\$15,336,336	60.00
2015-16	\$26,582,983,225	4.00%	\$17,579,618	-\$1,629,828	\$15,949,790	60.00
2016-17 <sup>(a)</sup>	\$27,646,302,554	4.00%	\$19,009,306	-\$1,495,918	\$17,513,388	63.35

(a) We estimate that the current reserve fund balance can be utilized to maintain tax rate targets through 2015-16 for the 2005 Measure J authorization.

# Bonding Capacity

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- The increase in assessed value also had a positive impact on the District's remaining bonding capacity.

	2012/13	2011/12
<b>Assessed Value</b>	\$23,632,175,290	\$22,170,563,072
<b>Allowable Bonding Capacity as % of Tax Base</b>	5.00%	5.00%
<b>Bonding Capacity</b>	\$1,181,608,765	\$1,108,528,154
<b>Projected Bonds Outstanding as of July 10th, 2012</b>	\$815,468,850	\$815,468,850
<b>Remaining Bonding Capacity</b>	\$366,139,915	\$293,059,304

# General Conclusions

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- The District has been extremely successful in terms of managing tax rates during a challenging time.
  - The District has a large and complicated bond program.
  - Declines in tax base experienced in 2009/10 and 2010/11 were unprecedented.
  - District adopted an active approach toward bond program and tax rate management.
  - As of today, the District is likely to be able to continue to say that it has never exceeded its tax rate targets on any of its five authorizations.