West Contra Costa USD

Tax Rate Management and Other Issues

Presentation to the Facilities Subcommittee

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The Big Picture

- The District has a robust facilities improvement program.
  - Because of the extent of the District's facilities needs in the mid-1990s, the District's desire for first class facilities, the community's support for the District's vision, and other factors, the District has one of the largest bond programs in the State.
  - At the same time, the District's tax base is relatively small on a per student basis vis-à-vis other Bay Area school districts.
  - As a result, the District's bond program is characterized by overall tax rates that are relatively high and, not unlike other school districts, individual bond programs with escalating repayment structures.
  - Despite having a number of critics, the District's bond program enjoys strong community support.

District Priorities

- In recent years, the District has effectively made a policy decision to emphasize tax rate management while making reasonable choices regarding repayment structure.
  - The District neither wanted to exceed originally established tax rate targets for individual bond measures nor to defer repayment obligations in such a way as to unfairly impact future taxpayers.
  - The District chose to pursue additional bond authorizations that would effectively increase taxing authority in the short-run in order to keep the facilities improvement program moving forward, and to engage in an active tax rate management program.
  - Since the summer of 2010, the District has worked with the County to establish a tax rate stabilization program, refunded existing bonds to reduce payments coming due, and deposited bond proceeds in repayment accounts in order to meet its tax rate objectives.

Tax Rate Management Process

- The District has established a regular practice around the issue of tax rate management.
  - Each spring, the District requests information from the County regarding balances in debt service funds and projections for future tax base growth.
  - Presentations are made to staff and the Facilities Subcommittee regarding potential tax rates, and alternatives are developed to help address any areas of concern.
  - In recent years, an evaluation of refunding candidates has been an important part of the discussion of alternatives.
  - A tentative plan is developed, preparations are made, and the plan is re-evaluated in light of assessed values released in July.
  - The District meets with County officials to discuss tax rates and District financing plans each summer.

Separate "Buckets"

- With regard to tax rate management, we've talked recently about dividing the separate measures into three "buckets."

Programs with no or limited tax rate issues	1998 Measure E + 2000 Measure M
Programs with significant tax rate issues	2002 Measure D + 2005 Measure J
Programs that we are working hard to avoid tax rate issues	2010 Measure D + 2012 Measure E

Projected Growth 2013-14

- At this point, it is unclear whether the District's tax base will grow in 2014-15 and by how much.
  - The housing recovery is well underway with real estate prices increasing sharply throughout calendar 2013.
  - The upward re-valuation of homes re-assessed under Proposition 8 should be helpful in terms of tax base growth.
  - We also expect the negative growth due to the Chevron refinery fire to be reversed in 2014-15.
  - At the same time, homes valued at their Proposition 13 ceiling will be increased at less than the 2% maximum annual increase.
  - Contra Costa County, discretionary choices of the County Assessor have also had an impact on tax base growth.

Measure by Measure Summary

- Based on our projections and the availability of tax rate stabilization funds, the District should expect to meet its tax rate targets on five of its six bond measures even in the absence of tax base growth.

Measure	Tax Rate Target	Achievability
1998 Measure E	$26.40	Under All Circumstances
2000 Measure M	55.60	With Use of Tax Rate Stabilization Fund
2002 Measure D	60.00	Depending on Tax Base Growth
2005 Measure J	60.00	With Use of Tax Rate Stabilization Fund
2010 Measure D	48.00	Under All Circumstances
2012 Measure E	48.00	Under All Circumstances

1998 Measure E

- Absent any adjustments, tax rates for the 1998 Measure E Bonds are projected to range from $12.00 to $14.00 depending on tax base growth.

1998 Measure E			
	@ 0% Growth	@ 4% Growth	@ 8% Growth
Target Tax Rate	$26.40	$26.40	$26.40
Estimated Tax Rates without Adjustments	13.40	12.87	12.37
Required Use of Tax Rate Stabilization Fund to Meet Tax Rate Target	0.00	0.00	0.00
Available Tax Rate Stabilization Fund	(2,705.09)	(2,705.09)	(2,705.09)
Funding Shortfall	N/A	N/A	N/A

2000 Measure M

- Absent any adjustments, tax rates for the 2000 Measure M Bonds are projected to range from $57.00 to $63.00 depending on tax base growth.

2000 Measure M			
	@ 0% Growth	@ 4% Growth	@ 8% Growth
Target Tax Rate	$55.60	$55.60	$55.60
Estimated Tax Rates without Adjustments	62.81	60.27	57.93
Required Use of Tax Rate Stabilization Fund to Meet Tax Rate Target	1,516,976.43	1,022,689.49	528,402.54
Available Tax Rate Stabilization Fund	2,992,811.20	2,992,811.20	2,992,811.20
Funding Shortfall	N/A	N/A	N/A

2002 Measure D

- Absent any adjustments, tax rates for the 2002 Measure D Bonds are projected to range from $66.00 to $73.00 depending on tax base growth.

	2002 Measure D		
	@ 0% Growth	@ 4% Growth	@ 8% Growth
Target Tax Rate	$60.00	$60.00	$60.00
Estimated Tax Rates without Adjustments	72.61	69.69	66.98
Required Use of Tax Rate Stabilization Fund to Meet Tax Rate Target	2,652,555.61	2,119,152.43	1,585,749.26
Available Tax Rate Stabilization Fund	1,643,679.26	1,643,679.26	1,643,679.26
Funding Shortfall	1,008,876.35	475,473.17	N/A

2005 Measure J

- Absent any adjustments, tax rates for the 2005 Measure J Bonds are projected to range from $68.00 to $74.00 depending on tax base growth.

2005 Measure J			
	@ 0% Growth	@ 4% Growth	@ 8% Growth
Target Tax Rate	$60.00	$60.00	$60.00
Estimated Tax Rates without Adjustments	73.80	70.83	68.08
Required Use of Tax Rate Stabilization Fund to Meet Tax Rate Target	2,903,563.61	2,370,160.43	1,836,757.26
Available Tax Rate Stabilization Fund	3,547,957.10	3,547,957.10	3,547,957.10
Funding Shortfall	N/A	N/A	N/A

2010 Measure D

- Absent any adjustments, tax rates for the 2010 Measure D Bonds are projected to range from $42.00 to $47.00 depending on tax base growth.

2010 Measure D			
	@ 0% Growth	@ 4% Growth	@ 8% Growth
Target Tax Rate	$48.00	$48.00	$48.00
Estimated Tax Rates without Adjustments	46.24	44.35	42.61
Required Use of Tax Rate Stabilization Fund to Meet Tax Rate Target	0.00	0.00	0.00
Available Tax Rate Stabilization Fund	1,528,983.46	1,528,983.46	1,528,983.46
Funding Shortfall	N/A	N/A	N/A

2012 Measure E

- Absent any adjustments, tax rates for the 2012 Measure E Bonds are projected to range from $42.00 to $46.00 depending on tax base growth.

	2012 Measure E		
	@ 0% Growth	@ 4% Growth	@ 8% Growth
Target Tax Rate	$48.00	$48.00	$48.00
Estimated Tax Rates without Adjustments	45.77	43.91	42.18
Required Use of Tax Rate Stabilization Fund to Meet Tax Rate Target	0.00	0.00	0.00
Available Tax Rate Stabilization Fund	987,937.00	987,937.00	987,937.00
Funding Shortfall	N/A	N/A	N/A

Depletion of Tax Rate Stabilization Fund

- Another year of depressed tax base growth will significantly deplete tax rate stabilization funds on hand.

Measure	Stabilization Funds on Hand	Estimated Amount Required @ 0% Tax Base Growth	Remaining Funds on Hand
1998 Measure E	($2,705.09)	$0.00	($2,705.09)
2000 Measure M	2,992,811.20	(1,516,976.43)	1,475,834.77
2002 Measure D	1,643,679.26	(2,652,555.61)	(1,008,876.35)
2005 Measure J	3,547,957.10	(2,903,563.61)	644,393.49
2010 Measure D	1,528,983.46	0.00	1,528,983.46
2012 Measure E	987,937.00	0.00	987,937.00

Addressing the Funding Gap

- To the extent that tax base growth does not allow the District to meet its tax rate target regarding its 2002 Measure D Bonds, we would expect to consider a variety of alternatives.
  - Refunding existing 2002 Measure D Bonds to reduce payments coming due in 2014-15.
  - Depositing existing bond proceeds in the 2002 Measure D debt service fund (to the extent legally appropriate).
  - Issuing new bonds under 2010 Measure D or 2012 Measure E to redeem existing 2002 Measure D Bonds as provided in the ballot language.

Potential Refundings – 2002 Measure D

- To the extent interest rates remain favorable, there are some opportunities to refund outstanding bonds under 2002 Measure D.

Delivery Date	Series	Original Par Amount	Outstanding Par Amount	Call Feature	Comment
8/11/2004	Series C (CIBs)	$40,000,000	$24,640,000	8/1/2013 @ 101	
8/11/2004	Series C (CABs)	$29,999,377	$26,783,541	Non-Callable	
10/19/2005	Series D	$99,998,106	$88,289,681	Non-Callable	
8/25/2011	2011 Refunding (Portion)	$51,605,000	$48,705,000	8/1/2021 @ 100	
7/10/2012	2012 Refunding (Portion)	$57,830,000	$57,830,000	8/1/2022 @ 100	Portion cannot be adv ref
Total		**$279,432,483**	**$246,248,222**		

Other Refunding Opportunities

- In part because of the District's active refunding program, only the remaining Series A Bonds from 2005 Measure J appear to be attractive refunding candidates.
  - All 1998 Measure E Bonds have been previously refunded and are all are currently non-callable.
  - All 2000 Measure M Bonds have been previously refunded and all have call dates of August 2019 or later.
  - The remaining Series C Bonds from 2002 Measure D are currently callable and will produce significant savings; all other 2002 Measure D Bonds are non-callable or have call dates of August 2021 or later.
  - The remaining Series A Bonds from 2005 Measure J are callable this coming August; all other 2005 Measure J Bonds are not attractive refunding candidates primarily from being non-callable or having call dates of August 2019 or later.
  - All 2010 Measure D Bonds and 2012 Measure E Bonds outstanding have been recently issued and have call dates of August 2021 or later.

Next Steps

- Our plan is to continue to monitor the situation with regard to assessed values and tax rates, to review alternative solutions with staff and the Facilities Subcommittee on an ongoing basis, and to be prepared to take action after the release of tax base data in early July.
  - Although we believe the District will be able to meet all tax rate targets again in 2014-15 (59 for 59!), doing so may require significant draws on established tax rate stabilization funds.
  - We are optimistic that a refunding of bonds under 2002 Measure D (and potentially under 2005 Measure J) will save money on both a cash flow and present value basis.
  - We are concerned that the potential for interest rates to increase and the length of time between now and the next round of call dates will restrict future refunding opportunities.
  - We believe that a return to robust tax base growth and/or the aggressive use of 2010 Measure D, 2012 Measure E, and the June 2014 Bond Election Bonds for tax rate stabilization purposes will be necessary to maintain tax rates at targeted levels over the long run.