

West Contra Costa USD

June 2014 Bond Election and Other Matters

Presentation to the Facilities Subcommittee

January 21, 2014



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June 2014 Bond Election

- The District is making steady progress in its preparations for its planned June 2014 bond election.
 - Results of voter opinion survey presented in December.
 - Alternative financing plan structures presented to the Facilities Subcommittee in January.
 - Financing team instructed to develop a \$270 million bond program with maximum tax rate impact of \$36 per \$100,000 of assessed value.
 - Commencement of legal and campaign activities in connection with bond.

Calling the Election

- At this point in time, the District plans to call the election at its regularly scheduled meeting on Wednesday, February 26th.
 - Resolution calling the election.
 - Short-form ballot language.
 - Long-form project list.
 - Tax rate statement.
 - County counsel's impartial analysis, argument in favor, and a rebuttal to any argument against will also be included in the official ballot, but submitted by the appropriate party at a later date.

Ballot Language

- The current version of the short-form ballot language is shown below.

“To repair and upgrade neighborhood schools, shall West Contra Costa Unified School District improve earthquake safety, senior citizens and handicap accessibility; update science, computer labs, remove asbestos, hazardous materials and lead-based paint; bring West County schools up to the same standard; meet fire codes, construct, equip facilities, thereby increasing public safety, by issuing \$270 million of bonds the State cannot take, at legal rates, with strict citizens oversight, annual audits and absolutely no money for pensions or administrators’; salaries?”

Note: The short-form ballot language no longer includes reference to bonding capacity which is covered more specifically in the long-form project list.

Project List

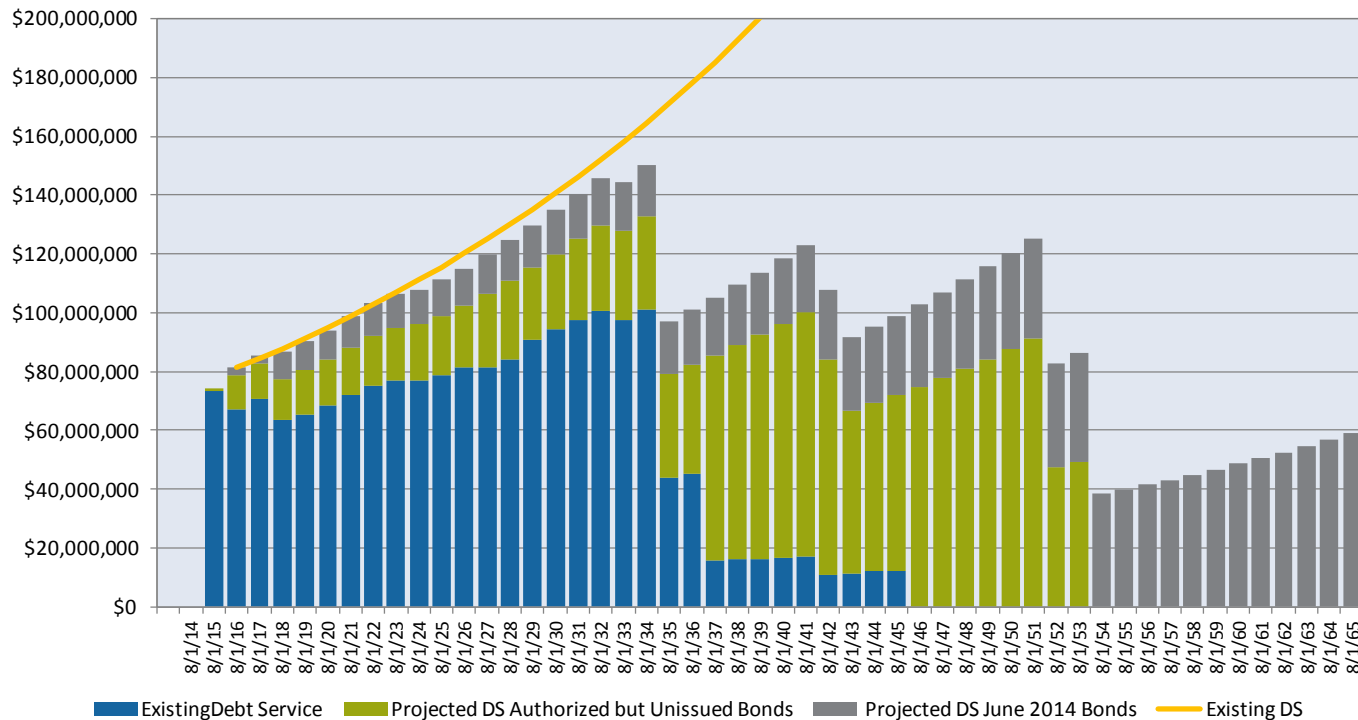
- The long-form project list is being developed to integrate the following concepts.
 - Because of word-count limitations in the short-form ballot language, the necessity of receiving a bonding capacity waiver prior to issuing any bonds authorized in June should be clearly described in the long-form project list.
 - Long-form project list should overlap with 2010 Measure D and 2012 Measure E bond language in the event that negative tax base growth constrains such earlier programs.
 - Long-form project list should provide additional breadth to the currently defined projects.
 - Long-form project list should make it clear that the District wishes to be able to use proceeds from this authorization to stabilization tax rates on this or prior measures to the extent that such stabilization is necessary.

Purposes of the Measure

- As discussed at the January Facilities Subcommittee meeting, the June 2014 measure is being designed to meet a variety of purposes.
 - In the event of tax base growth that is consistent and strong during the term of the program, the new bond measure will allow the District to accelerate its program, most notably so that construction of the Pinole Valley High School does not entirely crowd out other projects.
 - In the event that tax base growth slows (or reverses), the new bond measure will provide substitute funding for critical projects and for tax rate stabilization on prior measures.
 - At this point, our thinking is that tax rate stabilization will be necessary primarily for 2002 Measure D and 2005 Measure J.

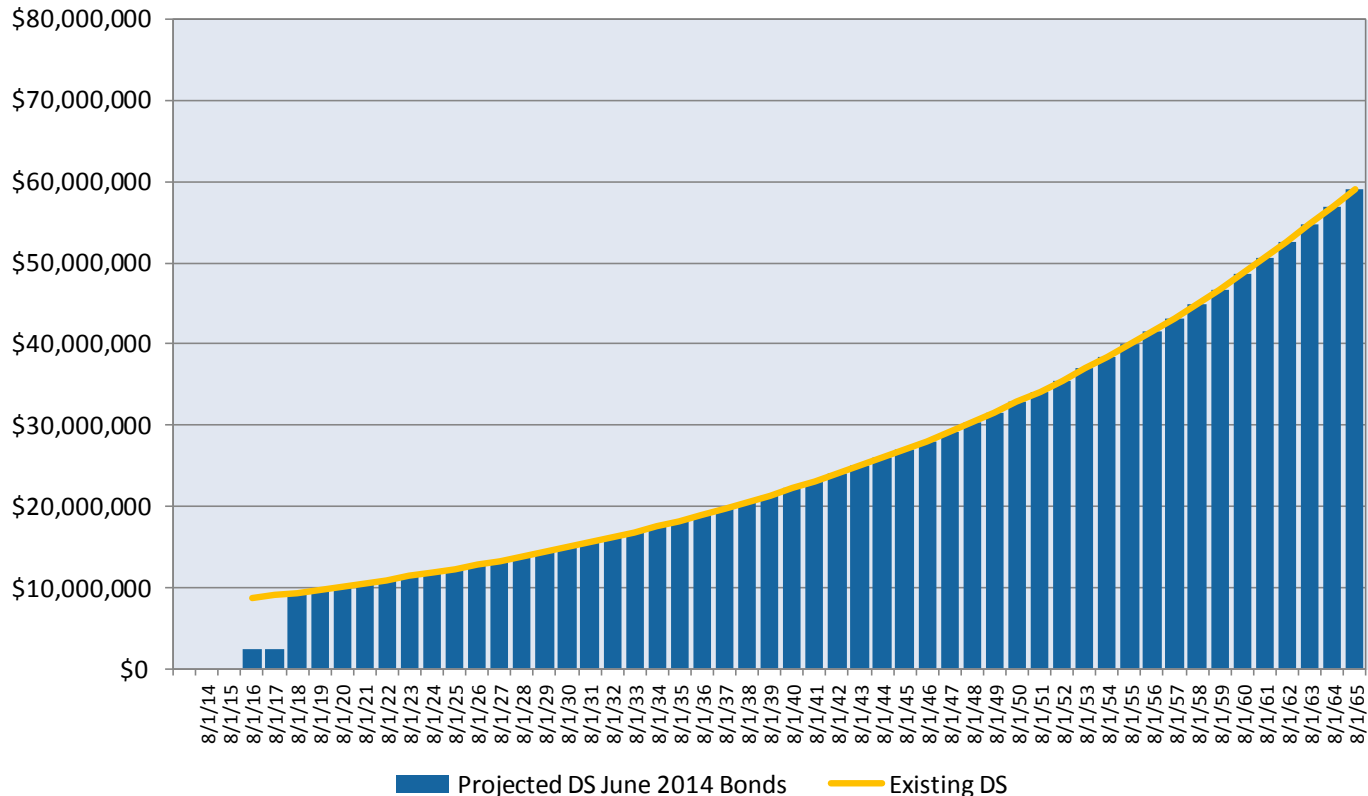
Mitigating Immediate Tax Rate Impact

- Because current District tax rates are high relative to other local school districts, repayment obligations will remain low through 2016-17, . . .



Limiting Deferral of Debt Service

- ... but repayment will begin immediately, CABs will be avoided, and repayment ratios will be well within AB 182 maximums.



Tentative Issuance Schedule

- Assuming steady tax base growth, bonds will be issued along with 2010 Measure D Bonds and 2012 Measure E Bonds in alternate years.

Tentative Bond Issuance Schedule (Assumes Approval of June 2014 Bonds)

	2005 Measure J	2010 Measure D	2012 Measure E	June 2014 Bonds	Total
Previously Issued	\$322,409,709	\$140,000,000	\$85,000,000	\$0	\$547,409,709
2015	0	50,000,000	75,000,000	45,000,000	170,000,000
2017	0	60,000,000	65,000,000	45,000,000	170,000,000
2019	0	65,000,000	60,000,000	45,000,000	170,000,000
2021	0	65,000,000	60,000,000	45,000,000	170,000,000
2023	77,590,201	0	15,000,000	45,000,000	137,590,201
2025	0	0	0	45,000,000	45,000,000
	\$400,000,000	\$380,000,000	\$360,000,000	\$270,000,000	\$1,410,000,000

Restructuring of Financing Team

- The District is in the process of restructuring its financing team.
 - Last December, the District expressed its interest in selecting a legal team willing to work on an hourly fee basis.
 - KNN assisted the District in identifying law firms, structuring an RFP process, and developing a short-list for bond counsel interviews.
 - As a result of such interviews, the District administration recommended Nixon Peabody to serve as bond counsel to the District with respect to the proposed bond election.
 - The selection of disclosure counsel was tentatively put on hold to allow the District to focus on bond counsel selection.

Disclosure Counsel

- Disclosure counsel interviews were conducted last week.
 - The District interviewed four firms - Garcia, Hernández, Sawhney & Bermudez LLP, Matt Juhl-Darlington & Associates, Lozano Smith, and Nixon Peabody LLP.
 - Because of scheduling issues and illness, neither Dr. Harter nor Ms. Gamba participated in last week's interviews.
 - The interview panel provided its feedback and Dr. Harter and Ms. Gamba will decide how to proceed to a recommendation.

Underwriting Team

- In the wake of the recent acquisition of De La Rosa by Stifel Nicolaus, the District is open to the possibility that it may need to re-visit the composition of its underwriting team.
 - On Thursday, January 30th, it was announced that Stifel, Nicolaus & Company, Incorporated would acquire De La Rosa effective on Thursday, March 1st.
 - At this point, it is uncertain how such acquisition will impact De La Rosa and its ability to serve the District.
 - The issue is complicated by the District's past relationship with Stone & Youngberg who Stifel acquired in 2011.
 - The financing team recommends that the District evaluate the situation as it emerges and conduct an interview process in May if necessary.