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Mt. Diablo Unified School District

Measure C New Issuance Workshop  
Accessing Additional Dollars

Week of April 16, 2012



# Why Are We Here Tonight?

Seeking input regarding issuing additional bonds

Mt. Diablo Unified School District

- Community members voiced a desire for the School Board to accelerate the issuance of the 2010 Measure C bonds and avoid issuing Capital Appreciation Bonds in order to save on total repayment costs
- In reviewing the proposal the district has also identified the following benefits:
  - Historically low interest rate environment
  - Low construction costs
  - Having projects completed sooner for the benefit of students

# Measure C Background

Several options have been used to improve local schools

Mt. Diablo Unified School District

- ▶ Voters approved in June 2010 \$348 million in G.O. bond authorization; an estimated \$227 million in authorization remains
- ▶ District saved taxpayers over \$30 million in interest costs due to the use of federal subsidies for the 2010 Series B Bonds and 2011 Series C Bonds

## Election of 2010, Measure C

Total Authorization Amount	\$348,000,000
Bonds Issued	
Series 2010A	\$50,456,475
Series 2010B	\$59,540,000
Series 2011C	\$3,865,000
Series 2011D	<u>\$7,133,582</u>
	<u>\$120,995,057</u>
Remaining Authorization Amount	\$227,004,943

# Additional Projects

How would additional proceeds be spent?

Mt. Diablo Unified School District

- Acceleration of the mechanical (HVAC) program, compressing the last three years into two; in so doing, the entire district would have air conditioning by the fall of 2014 instead of 2015
- Acceleration of the technology enhancements at all school sites
- Modernization projects at schools throughout the District
- Acceleration of the construction of the middle school science buildings or the replacement of portable buildings with new permanent 'smart' buildings
- Additional priority projects to be determined on a site-by-site basis

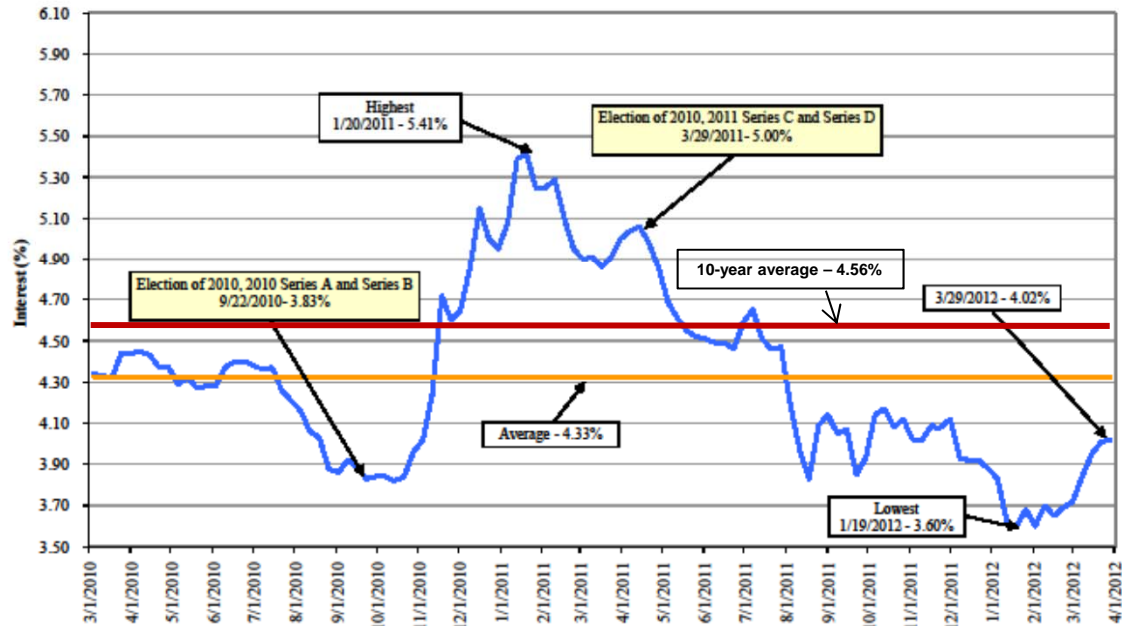
# Historical Interest Rates

Interest rates have declined since March 2010

Mt. Diablo Unified School District

- Rates have declined largely due to a lack of supply in the municipal marketplace as well as economic uncertainty in Europe and in the U.S. as investors are looking for safe places to invest their money

**Tax-Exempt Interest Rate Trends**  
**Bond Buyer 20-Bond General Obligation Index<sup>1</sup>**  
 Weekly Period from March 4, 2010 to March 29, 2012



1. General obligation bonds maturing in 20 years are used in compiling this index. The 20-bond index has an average rating equivalent to Aa2 from Moody's and AA from Standard Poor.

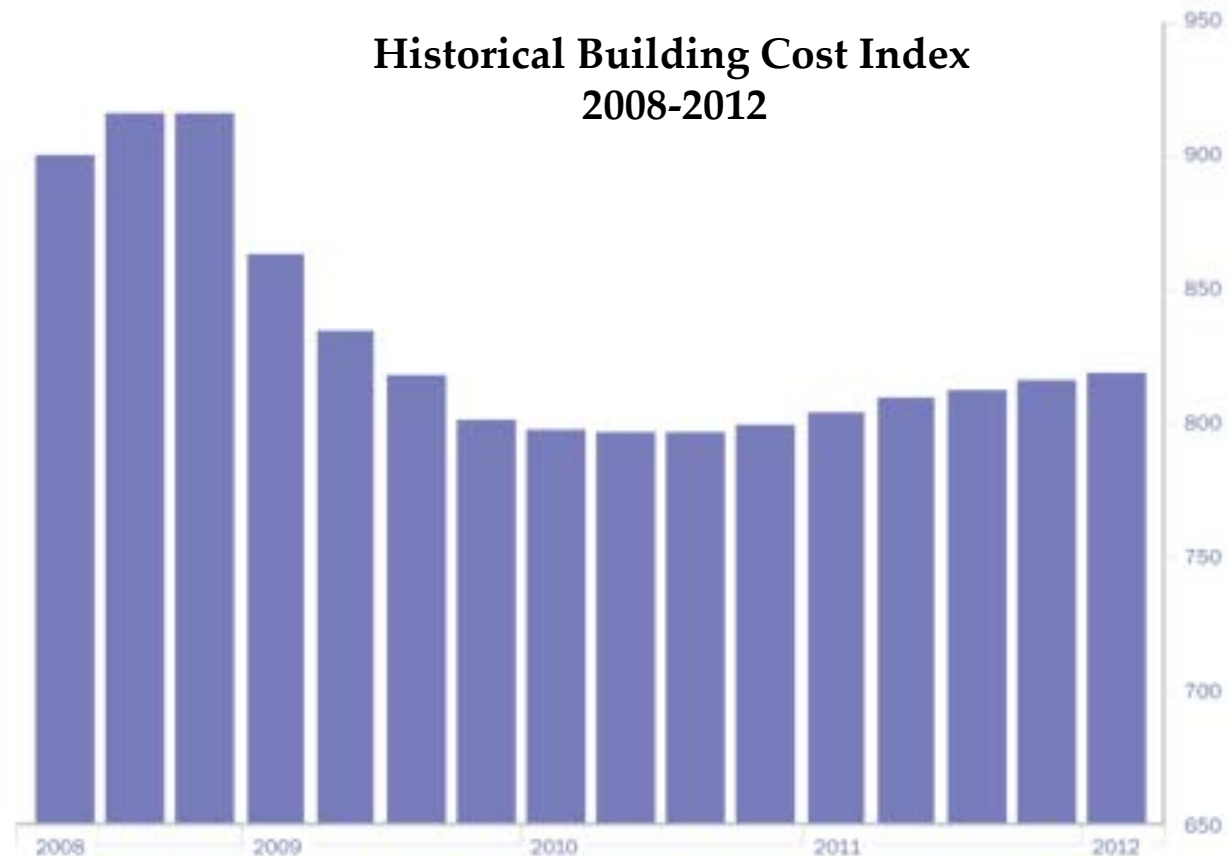
Source: Bloomberg

# The Benefit of Low Construction Costs

Issuing bonds in a low construction cost environment

Mt. Diablo Unified School District

- Construction costs have been flat to slightly increasing since end of 2010
- First Quarter 2012 has seen a mild rise in construction costs; a 0.37% increase from the Fourth Quarter 2011 and 1.86% increase from the First Quarter 2011.
- A 10% increase in costs would eliminate \$15 million in projects on a \$150 million bond issue



Source: Turner Building Cost Index 2008-2012

# Why Issue Now?

Low interest rates, low construction costs

Mt. Diablo Unified School District

**“Interest rates are at a record low and contractors are desperate for work. This is when public agencies should be investing in capital projects. It makes enormous economic sense.”**

*Professor Mitchell Moss, Director of the Rudin Center for Transportation Policy and Management at NYU’s Wagner Graduate School of Public Service*

**Source: *The Bond Buyer* – Tuesday, September 27, 2011**

# Legal Issues

## Tax rate caps and expenditure rules

Mt. Diablo Unified School District

- Tax Rate Limit – District has the legal authority to increase tax rates up to \$60.00 per \$100,000 of assessed value for Measure C 2010
- 3 year rule – District has a reasonable expectation of spending 85% of the proceeds of the bonds in 3 years



# Current Issuance Schedule

The delay in projects and the use of CABs

Mt. Diablo Unified School District

Issue Date	2012	2015	2026	TOTAL
Bond Structure	CABs	CABs	CABs	
<b>Initial Principal Amount</b>	\$48,794,061	\$23,063,411	\$155,146,668	\$227,004,140
CIBs Principal Amount	\$0.00	\$0.00	\$0.00	\$0.00
CABs Principal Amount	\$48,794,061	\$23,063,411	\$155,146,668	\$227,004,140
Financing Term	25 Years	25 Years	25 Years	n/a
Total Interest	\$138,817,944	\$106,060,985	\$436,471,071	\$681,350,000
<b>Total Debt Service</b>	\$187,612,004	\$129,124,396	\$591,617,739	\$908,354,140
Approximate 2002 & 2010 Tax Rate per \$100K AV	\$60	\$60	\$60	\$60

Source: Stone & Youngberg, LLC and Isom Advisors

Note: All the above analyses are based on market interest rates and subject to change due to variations in actual interest rates, bond terms, and types of bonds sold at the time of the sale as well as the District's construction schedule.

# Issuance Options

Constraints of tax rates, term, project need, and types of bonds

Mt. Diablo Unified School District

	Option 1 One Bond sale, some CABs	Option 2 One Bond sale, no CABs	Option 3 Bonds sold next 3 years
Issue Date/s	2012	2012	2012, 2015
Bond Structure	CIBs & CABs	CIBs Only	CIBs Only
Financing Term	30 years	25 years	25 years
Bond Issuance Amount	\$227 M	\$227 M	\$150 M, \$77 M
Total Interest	\$376 M	\$190 M	\$158 M
<b>Total Debt Service</b>	<b>\$603 M</b>	<b>\$417 M</b>	<b>\$385 M</b>
<b>2002 and 2010 Tax Rate per \$100K of assessed value</b>	<b>\$89.53</b>	<b>\$110.29</b>	<b>\$89.00, \$95.00</b>

Source: Stone & Youngberg, LLC and Isom Advisors

Note: All the above analyses are based on market interest rates and subject to change due to variations in actual interest rates, bond terms, and types of bonds sold at the time of the sale as well as the District's construction schedule.

- Option 1 would increase the tax rate to \$89.53 per \$100,000 of assessed value, have a 30-year term, and some CABs would be sold; total borrowing costs under Option 1: **an estimated \$603 million**
- Option 2 would increase the tax rate to \$110.29 per \$100,000 of assessed value, have a 25-year term, and would have no CABs sold; total borrowing costs under Option 2: **an estimated \$417 million**
- Option 3 increases the tax rate to \$89 in 2015 followed by an increase to \$95 in 2015. Option 3 does not use CABs and has a 25-year term; total borrowing costs under Option 3: **an estimated \$385 million**

# Pros and Cons of Increasing the Tax Rate

Why should the District accelerate its bond sales?

Mt. Diablo Unified School District

## PROS

- Very low interest rate environment
- Low construction cost environment
- Minimize/eliminate use of CABs
- Educational benefits of improved facilities today
- Economic impact locally with more local jobs and revenues to local businesses

## CONS

- Increasing tax rate
- Exceeding tax rate estimate to voters

# Contra Costa County School District Taxes

How does Mt. Diablo USD compare to other districts

Mt. Diablo Unified School District

- Elementary and High School Districts generally have G.O. bond tax rate caps of \$30.00 per election
- Unified School Districts generally have G.O. bond tax rate caps of \$60.00 per election

District Name	Tax Rate per \$100K of a.v.	Parcel Tax	CFD Tax Rate
Acalanes HSD	\$ 33.30	\$ 301.00	
Lafayette ESD	27.90	313.00	
Moraga ESD	31.20	325.00	
Orinda ESD	27.40	124.00	
Walnut Creek ESD	24.00	82.00	
Liberty HSD	38.60		
Brentwood ESD	68.80		
Byron ESD	34.50		
Oakley ESD	76.70		
Antioch USD <sup>(1)</sup>	41.70		\$0.61/sq. foot <sup>(2)</sup>
John Swett USD	41.80		
Livermore USD	62.70	138.00	
Martinez USD	60.80	50.00	
Mt Diablo USD	61.20		\$67.00/parcel
Pittsburg USD	144.30	65.00	
San Ramon USD	66.40	144.00	
West Contra USD	\$ 232.20	\$0.072/sq. ft. <sup>(3)</sup>	

<sup>(1)</sup> On June 2012 ballot  
<sup>(2)</sup> equals \$122 on a 2,000 sq. foot home for homes in the CFD  
<sup>(3)</sup> equals \$144 on a 2,000 sq. foot home; parcel tax is district wide

**Source: Ed-Data**

# Action Next Steps

- Continue the current path with the focus on maintaining the \$60 per \$100,000 tax rate
  - This will prolong the completion of projects
  - Have a higher over repayment cost
- Sell all of the bonds today by increasing the tax rate
  - Increase the tax rate to \$110 and issue lower interest cost bonds and build projects today, or
  - Increase the tax rate to \$89 with some higher interest rate bonds and build projects today
- Sell some bonds today with the balance in the future
  - Increase the tax rate to \$89, issue lower interest cost bonds, and build projects today; issue the balance in three years



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QUESTIONS?

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