
Mt. Diablo Unified School District
Contra Costa County



Bond Financing Summary and Update

May 24, 2011



Mt. Diablo Unified School District

Series 2011 General Obligation Bond Sale Summary



Election of 2010 Bond Program Overview

Mt. Diablo Unified School District

- On June 8, 2010, more than 55.0% of District voters approved a \$348 million general obligation bond measure (“Election of 2010”)
- The 2010 Measure C bond program approved by voters was a tax rate extension with an estimated tax rate not to exceed \$60.00 per \$100,000 of assessed valuation, which was the rate from the original 2002 Measure C election
- District issued its first series of bonds in September 22, 2010 totaling approximately \$110 million
- Of this, \$59.5 million were federally subsidized Clean Renewable Energy Bonds (CREBs); the subsidy provided an estimated \$50.0 million in interest savings to District taxpayers
- In April 2011, the District issued an additional \$11.0 million more in bonds
- The District has \$227 million remaining from this authorization to issue in the future

- On November 4, 2010 the District applied for a \$25 million allocation of Qualified School Construction Bonds (“QSCBs”)
- QSCBs were approved by Congress in 2009 as part of the American Recovery and Reinvestment Act (“ARRA”) and provided billions of dollars of subsidized loans to school districts throughout the country for “shovel ready” capital improvements
- The District was awarded a \$3.9 million QSCB allocation and issued these bonds on March 29, 2011 along with \$7.1 million of tax-exempt bonds
- Statistics from the \$11.0 million financing:
 - Borrowed \$3,865,000 in QSCBs; total repayment of \$3,865,130.28 or \$130.28 in interest cost
 - 3.674% was the True Interest Cost between the QSCBs and tax exempt bonds
 - Ratio of principal to interest for the bond sale was 1.51 to 1, or for every \$1 borrowed, .51 cents in interest are required for repayment (generally the ratio is a little less than 2:1)
- Due to the federally subsidized QSCBs (5.40% rate), taxpayers saved an estimated \$4.0 million in interest costs



Outstanding Bonds Overview



Election of 2002 General Obligation Bonds

Mt. Diablo Unified School District

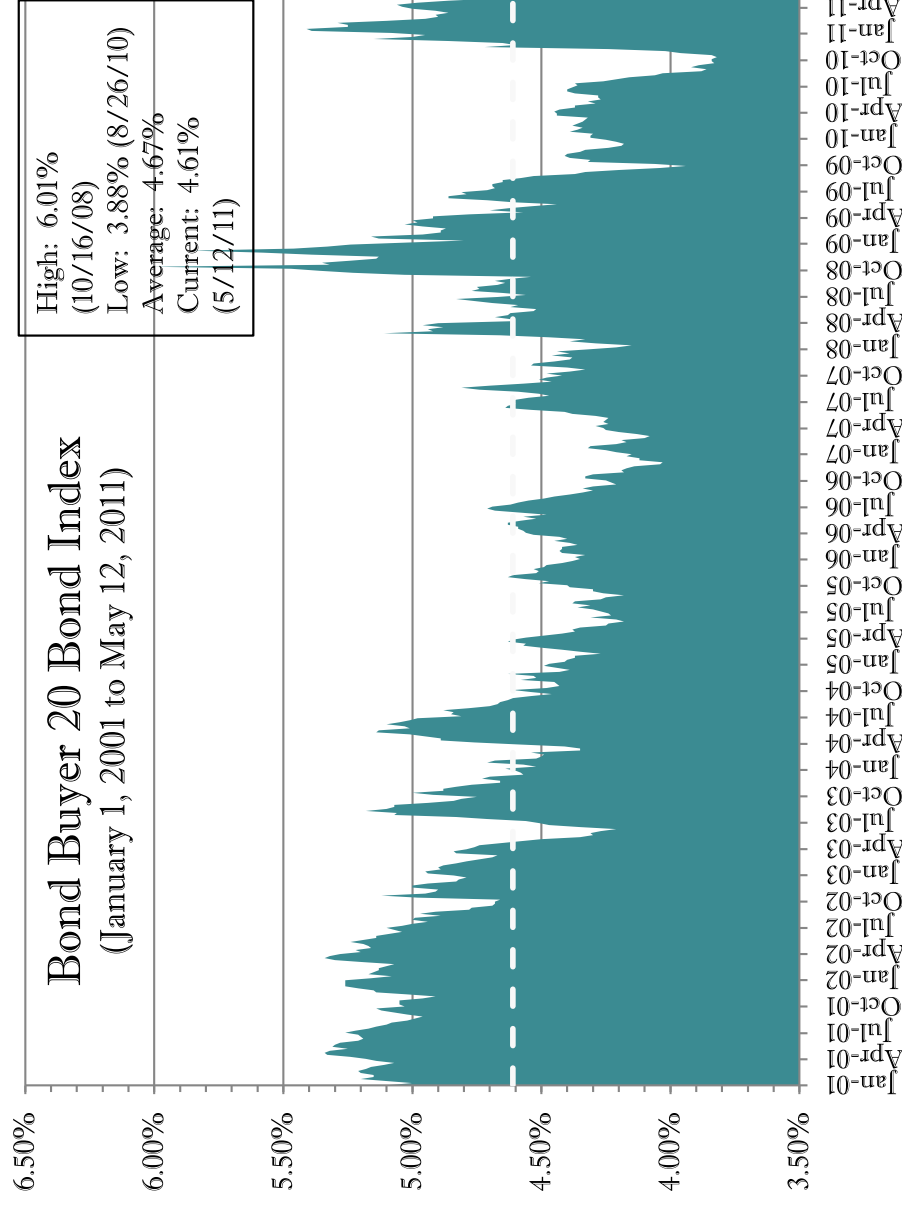
- On March 5, 2002, District voters approved by 65.4% vote a \$250 million general obligation bond measure ("Election of 2002, Measure C")
- The tax rate estimated to voters was \$60.00 per \$100,000 of assessed valuation
- The District issued three series of bonds totaling \$250 million in 2002, 2004, and 2006
- There is no remaining authorization from the Election of 2002

| Series | Bond Type | Original Par | Outstanding Par | Interest Rates | Final Maturity | Next Call Date |
|--------------|------------------|----------------------|----------------------|-----------------|----------------|-----------------|
| Series 2002 | Current Interest | \$69,400,000 | \$41,055,000 | 1.650% – 5.110% | 8/1/2026 | 8/1/2011 @ 101% |
| Series 2004 | Current Interest | 121,000,000 | 102,450,000 | 1.559% – 5.190% | 8/1/2029 | 7/1/2013 @ 100% |
| Series 2006 | Current Interest | 59,600,000 | 58,880,000 | 3.530% – 4.570% | 6/1/2031 | 6/1/2014 @ 101% |
| Total | | \$250,000,000 | \$202,385,000 | | | |

Series 2002 GO Bond Refunding Opportunity

Mt. Diablo Unified School District

- In June 2002, the District issued \$69.4 million of Series 2002 Bonds, the first issuance from the Election of 2002 authorization
- The Current Interest Bonds, outstanding in the amount of \$41,055,000 are callable on August 1, 2011 @ 101%
- Due to the passage of time and a recent rally in the market since April 11th to lower rates, the District can refund its outstanding 2002 GO bonds for significant interest savings



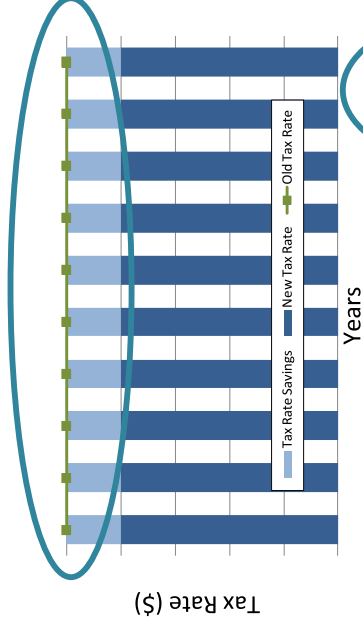
Refunding Structuring Options

The options below illustrate the three most common refunding structures:

1

Level Savings

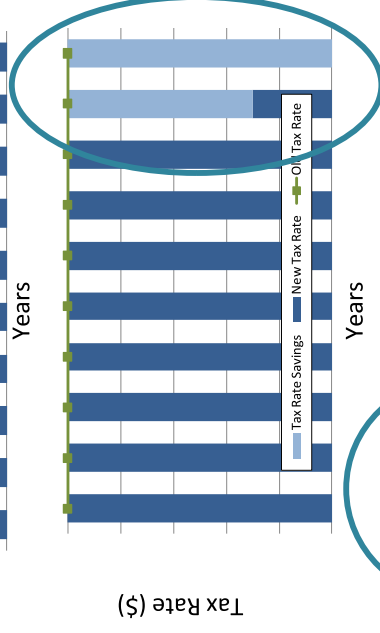
Debt service savings are approximately level in each year. Most common refunding structure.



2

Deferred Savings

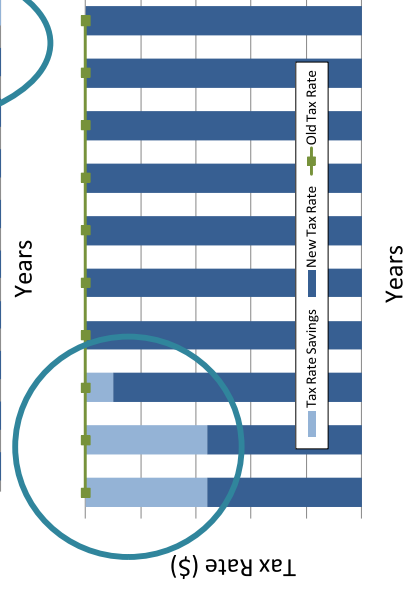
Deferred savings shortens the maturity of the bonds so that debt service savings are realized in the final years. Interest cost is the lowest of the three options, but the savings are not realized until later years.



3

Upfront Savings

Upfront savings provides near term debt service savings by deferring principal amortization. Interest cost is the highest of the three options, but the savings are immediate.



Series 2002 Refunding Savings Analysis

- “Level” savings would generate the highest amount of savings and permit a greater degree of structuring flexibility for future general obligation bond issuances
- Based on current interest rates (5/24/11), District taxpayers could save approximately \$4.0 million in gross savings (\$2.9 million in net Present Value savings) depending on the chosen structure and interest rates at the time of the pricing
- The industry-accepted threshold for present value savings is a minimum of 3.00%. District’s present value savings for executing the refunding is 7.51%

| Date | Existing | | New Debt | |
|--------------|---------------------|---------------------|--------------------|--|
| | Debt Service | Service | Savings | |
| 2011 | \$ 952,800 | \$ 952,722 | \$ 78 | |
| 2012 | 3,765,600 | 3,499,350 | 266,250 | |
| 2013 | 3,747,600 | 3,480,875 | 266,725 | |
| 2014 | 3,750,363 | 3,481,925 | 268,438 | |
| 2015 | 3,739,363 | 3,471,100 | 268,263 | |
| 2016 | 3,733,863 | 3,467,700 | 266,163 | |
| 2017 | 3,723,363 | 3,456,100 | 267,263 | |
| 2018 | 3,731,525 | 3,466,400 | 265,125 | |
| 2019 | 3,737,550 | 3,472,500 | 265,050 | |
| 2020 | 3,741,663 | 3,474,700 | 266,963 | |
| 2021 | 3,754,838 | 3,487,800 | 267,038 | |
| 2022 | 3,766,363 | 3,500,500 | 265,863 | |
| 2023 | 3,776,000 | 3,508,500 | 267,500 | |
| 2024 | 3,780,750 | 3,514,250 | 266,500 | |
| 2025 | 3,787,500 | 3,517,500 | 270,000 | |
| 2026 | <u>3,795,750</u> | <u>3,528,000</u> | <u>267,750</u> | |
| Total | \$57,284,888 | \$53,279,922 | \$4,004,965 | |

PV Savings \$2,949,370
 PV Savings as % 7.51%

Community Facilities Development No. 1

Mt. Diablo Unified School District

- On November 7, 1989 Community Facilities District #1 was approved by voters by 71.2% affirmative vote authorizing the issuance of \$90.0 million in Mello Roos Bonds
- The tax rate estimated to voters was \$67.00 per “taxable unit”
- The District issued six series of new money bonds totaling \$90.0 million in 1990, 1992, 1995, 1996, 2002, and 2005; there is no remaining authorization from the 1989 Election
- The District has also refunded outstanding CFD No. 1 Bonds several times including 1996, 2002, 2005, and 2006
- Today, there are three outstanding CFD No. 1 Bonds as outlined below:

| Series | Bond Type | Original Par | Outstanding Par | Interest Rates | Final Maturity | Next Call Date |
|--------------|------------------|---------------------|---------------------|-----------------|----------------|-----------------|
| Series 2002 | Current Interest | \$29,000,000 | \$20,160,000 | 1.750% – 5.000% | 8/1/2022 | 8/1/2011 @ 101% |
| Series 2005 | Current Interest | 15,760,000 | 13,130,000 | 2.450% – 4.230% | 8/1/2024 | 8/1/2014 @ 101% |
| Series 2006 | Current Interest | <u>29,995,000</u> | <u>23,155,000</u> | 3.480% – 4.530% | 8/1/2026 | 8/1/2014 @ 101% |
| Total | | \$74,755,000 | \$56,445,000 | | | |

Based on 5/24/11 rates, refunding savings on the Series 2002 CFD No. 1 Bonds is 2.17% net present value savings or \$409,000; gross savings are estimated to be \$503,750

Refunding Summary

Mt. Diablo Unified School District

Considerations:

- Any costs of issuance associated with the refunding, including reimbursement of staff time spent on work directly associated with the refunding, would be paid out of the proceeds of the 2011 Refunding Bonds and would not require any General Fund contribution
- In order to maximize the District's flexibility to react to market conditions, consider Board action to adopt a resolution authorizing staff to proceed with a refunding so long as an acceptable level of savings is attained and no District funds are expended in the effort
- The Financing Team, including Bond Counsel, Financial Advisor and Underwriter, work on a contingency basis, and are only paid at the completion of this financing
- The Financing Team will continue to monitor the interest rate market and potential taxpayer savings opportunity for both the Series 2002 GO Bonds and the Series 2002 CFD No. 1 Bonds as well as execute the financing at the direction of the District

Financing Timeline

Mt. Diablo Unified School District

| Task | Responsible Party | Date |
|--|-----------------------------|--------------------|
| Meeting to discuss refunding opportunity | District/ Financial Advisor | May 24 |
| Board of Trustees approves resolution authorizing refunding and supporting legal documents for both 2002 GO Bond and 2002 CFD No. 1 Refundings | District | May 24 |
| Receive 2002 GO Bond Refunding ratings from rating agency | Finance Team | May 27 |
| Post Preliminary Official Statement | District/ Finance Team | June 1 |
| Pre Price 2002 GO Bond Refunding | District/ Finance Team | June 6 |
| Price 2002 GO Bond Refunding | District/ Finance Team | June 7 |
| Closing of 2002 GO Bond Refunding | District/ Finance Team | June 21 |
| Continue to monitor interest rate environment for CFD No. 1 Savings | Finance Team | May 25 – September |
| Repeat refunding steps above for Series 2002 CFD No. 1 | District/ Finance Team | 1 month process |