

# Piedmont Unified School District Bond Program Update

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A Division of Zions First National Bank

# Seismic Bonds (Measure E)

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- Of the \$56 million authorized by voters, the District has issued \$34 million and has \$22 million still to issue.

<b>Total Authorization:</b>	<b>\$56,000,000</b>
August 2006 issue	-\$14,999,934
October 2010 issue	<u>-\$19,000,000</u>
<b>Remaining Authorization:</b>	<b>\$22,000,066</b>

# District Need for Bond Funds

- District will need \$23.8 million to complete projects as planned without State funds.

	Havens Elementary	Ellen Driscoll	Piedmont High	Wildwood Elementary	Beach Elementary	Piedmont Middle Sch	Maintenance Building	Interim Housing	District	Total
<b>Project Costs</b>	23,929,815	2,900,000	9,322,557	7,220,551	750,843	603,123	1,881,572	5,389,075	7,011,972	59,009,508
<b>Expenditures To Date</b>	(3,822,249)	(393,139)	(1,910,042)	(312,510)	(162,843)	(150,009)	(1,881,572)	(2,092,403)	(4,264,709)	(14,989,476)
<b>Net Funds Still Needed</b>	\$ 20,107,566	\$ 2,506,861	\$ 7,412,515	\$ 6,908,041	\$ 588,000	\$ 453,114	\$ -	\$ 3,296,672	\$ 2,747,263	\$ 44,020,032

<b>Project Needs:</b>	\$ 44,020,032	
<b>Funds on Hand:</b>	(20,200,000)	(Bonds & City)
<b>Net Needs:</b>	23,820,032	
<b>Potential State Aid:</b>	-	
<b>Minimum Net Need:</b>	\$ 23,820,032	

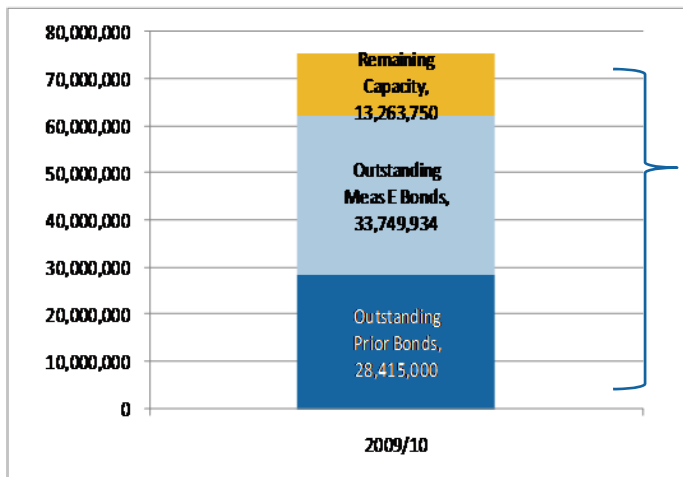
# Tax Rate Limitations

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- **Prop 39/Legal limit:** Maximum tax rate for Seismic Bonds is \$60 per \$100,000 AV.
  - The bonds may only be issued if the tax rate will not exceed \$60 per year per \$100,000 of taxable property, when A.V. is projected by the District to increase “in accordance with Article XIII A of the California Constitution”.
  - Assuming 5% annual growth in the long term, we have to go out 40 years to repay \$13 million in bonds. Also, to keep rates at or under \$60, we will have to use CABs.
- **Campaign projections** were for new bonds to add \$20 to the existing tax rate.
  - This was achieved with the October 2009 issuance.
  - Beginning in 2010, due to slowed growth in AV’s, the desire to protect the District’s eligibility for a QSCB allocation and the accelerated need for bond funds, new bonds will exceed the \$20 projection.
- **Tax Rates:**
  - 2008-09: **\$107.30** per \$100,000 AV (\$88.57 for old bonds, \$18.73 for Seismic bonds)
  - 2009-10: **\$146.50** per \$100,000 AV (\$105.44 & \$41.06)

# Debt Capacity – Current Status

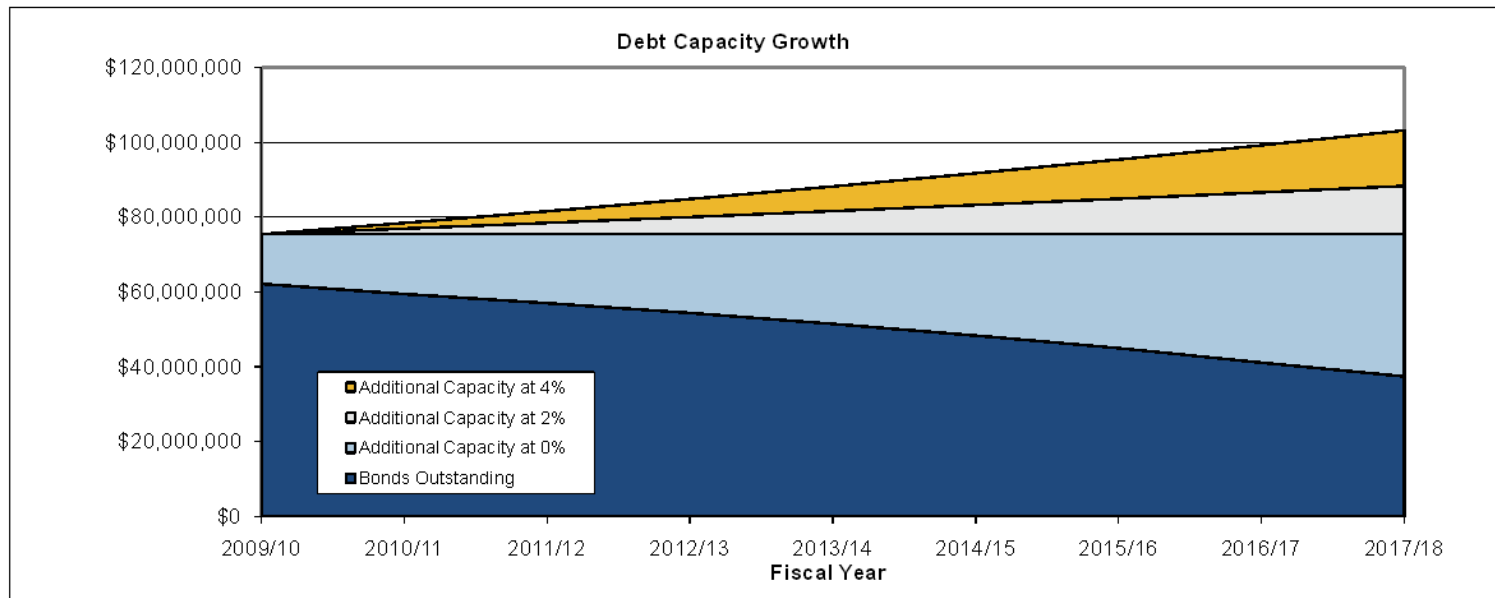
- Ed Code 15270. “... any unified school district may issue bonds pursuant to this article that, in aggregation with [all other bonds outstanding], may not exceed 2.5 percent of the taxable property of the district ...”
- Only important at the time of issue; only involves outstanding principal.
- For FY 2009-10, total debt capacity is \$75.4 million.
- As of January 1, 2010, the District has \$62.1 million outstanding
  - \$28.4 M Prior; \$33.7 M Seismic Bonds
- **Available capacity is \$13.26 million.**



Fiscal Year	Assessed Value	Debt Capacity 2.50%	Outstanding Prior Bonds	Outstanding Meas E Bonds	Remaining Capacity
2007/08	\$ 2,779,118,963	\$ 69,477,974	\$28,445,000	\$ 14,749,934	\$ 26,283,040
2008/09	2,930,786,907	73,269,673	26,825,000	14,599,934	31,844,738
<b>2009/10</b>	<b>3,017,147,362</b>	<b>75,428,684</b>	<b>28,415,000</b>	<b>33,749,934</b>	<b>13,263,750</b>

# Debt Capacity - Future

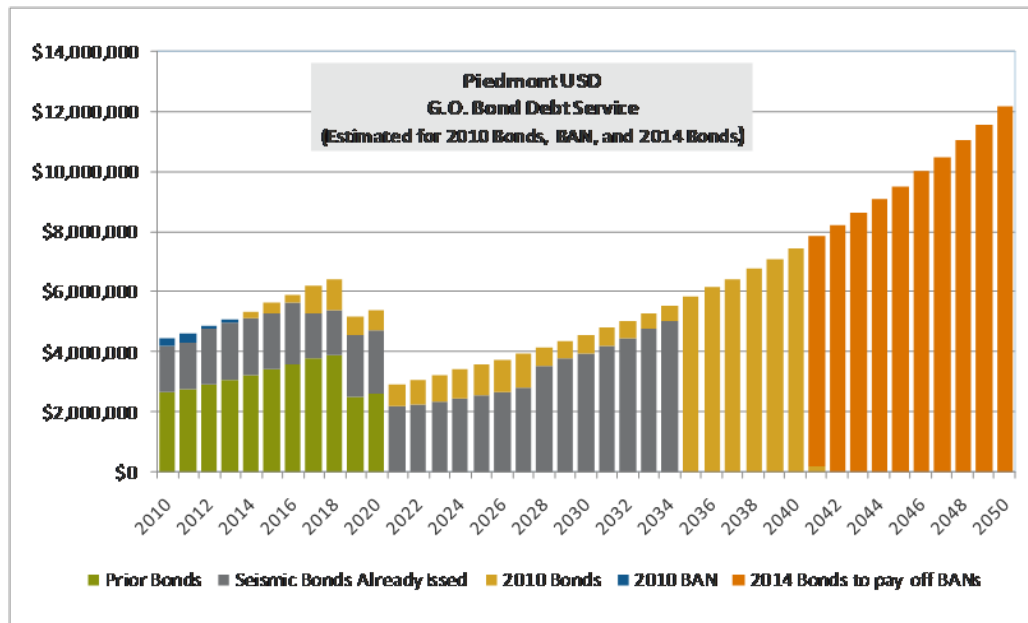
- Debt capacity will grow as old bonds are paid off, even if there is no growth in A.V.



Fiscal Year	Outstanding Bonds	0% Growth			2% Growth			4% Growth		
		Assessed Value	Debt Capacity 2.50%	Remaining Capacity	Assessed Value	Debt Capacity 2.50%	Remaining Capacity	Assessed Value	Debt Capacity 2.50%	Remaining Capacity
2007/08	46,064,934	2,779,118,963	69,477,974	23,413,040	2,779,118,963	69,477,974	23,413,040	2,779,118,963	69,477,974	23,413,040
2008/09	\$ 44,749,934	2,930,786,907	73,269,673	28,519,738	2,930,786,907	73,269,673	28,519,738	2,930,786,907	73,269,673	28,519,738
2009/10	62,164,934	3,017,147,362	75,428,684	13,263,750	3,017,147,362	75,428,684	13,263,750	3,017,147,362	75,428,684	13,263,750
2010/11	59,464,934	3,017,147,362	75,428,684	15,963,750	3,077,490,309	76,937,258	17,472,323	3,137,833,256	78,445,831	18,980,897
2011/12	57,021,127	3,017,147,362	75,428,684	18,407,557	3,139,040,115	78,476,003	21,454,876	3,263,346,587	81,583,665	24,562,538
2012/13	54,385,846	3,017,147,362	75,428,684	21,042,838	3,201,820,918	80,045,523	25,659,677	3,393,880,450	84,847,011	30,461,166
2013/14	51,476,623	3,017,147,362	75,428,684	23,952,061	3,265,857,336	81,646,433	30,169,810	3,529,635,668	88,240,892	36,764,269
2014/15	48,339,359	3,017,147,362	75,428,684	27,089,326	3,331,174,483	83,279,362	34,940,004	3,670,821,095	91,770,527	43,431,169
2015/16	44,997,062	3,017,147,362	75,428,684	30,431,622	3,397,797,972	84,944,949	39,947,887	3,817,653,939	95,441,348	50,444,286

# Can \$22 Million be issued by this Summer?

- YES, but:
  - Bonding capacity constraint limits the District to \$13 million ...
    - Can ask State for waiver from capacity constraint to issue full \$22 million.
    - Can also issue a BAN for \$9 million, to be replaced later with bonds.
  - Tax rate for seismic bonds will increase to maximum \$60.
  - Repayment may stretch to 2050.



# Bond Structuring Tools

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- **Capital Appreciation Bonds (CABs)** can be utilized, to keep payments low in near term, delay interest payment to long term.
  - Interest rates are higher - about 1.50% higher than current interest bonds.
  - Allows bond repayment to stay within \$60 maximum.
  
- **Bond Anticipation Notes (BANs)** can be issued for a term of up to five years, to be replaced with long-term permanent bonds.
  - Not counted against bonding capacity.
  - Interest is at shorter term, lower rates.
  - Will require another bond issue in future (involves risks & costs).
  - BANs will be issued at a premium, with premium deposited to bond repayment fund to apply toward interest payments, reducing total tax requirement.



# Options for Issuing Full \$22 Million

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1. **Issue \$13 million as bonds, \$9 million as a BAN.**
2. **Issue all \$22 million as a BAN.**
3. **Request waiver from CDE, issue \$22 million as bonds.**
  - Process may take a few months.
  - CDE has granted waivers to all who have asked.
4. **QSCBs**
  - 2010 allocation process has not been determined yet.
  - Still limited to \$13 million, unless waiver is granted.

# Option 1

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- Issue \$13 million in bonds, \$9 million in BAN in 2010.
- Replace BANs with a long-term bond in 2014.

	Bonds 2010	BAN	Bonds 2014	Total
Amount	\$13 M	\$9 M	\$9 M	\$22 M
Interest Cost	6.44%	2.50%	6.75%	6.25%
Final Payment	2040	2014	2048	2048
Costs of Issuance	\$250,000	\$100,000	\$250,000	\$600,000

Assumptions:

- Tax rate increases to \$60 for Seismic Bonds.
- AV grows 3% in 2010, then 4%, then 5% thereafter.
- Interest rates and issuance costs are estimated using January 2010 rates.

# Option 2

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- Issue all \$22 million as a BAN in 2010; issue long-term bond in 2014.
  - Interest rate risk – rates may be considerably higher in 2014.

	<b>BAN</b>	<b>Bonds 2014</b>	<b>Total</b>
Amount	\$22 M	\$22 M	\$22 M
Interest Cost	3.00%	6.00%	5.25%
Final Payment	2014	2043	2043
Costs of Issuance	\$260,000	\$320,000	\$580,000

# Option 3

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- Ask CDE for waiver; issue \$22 million in bonds in 2010.

	Bonds 2010
Amount	\$22 M
Interest Cost	6.50%
Final Payment	2049
Costs of Issuance	\$330,000

Assumptions:

- Tax rate increases to \$60 for Seismic Bonds.
- AV grows 3% in 2010, then 4%, then 5% thereafter.
- Interest rates and issuance costs are estimated using January 2010 rates.

# Option 4

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- **QSCBs: Qualified School Construction Bonds**

- A type of bond that reduces the District's interest payments to near zero; taxpayers only repay principal.
- Must receive an "allocation" to issue QSCBs.
- Must also have a repayment source (taxpayers, through bond measure).
- State's process for distributing QSCB allocations to Districts in 2009 has been challenged. Awaiting legislative resolution.
- Federal allocations for 2010 have not been made yet.
- State process for 2010 not determined yet.
- Expect to know by end of February.
- WILL STILL HAVE DEBT CAPACITY CONSTRAINT IF MORE THAN \$13 MILLION.

# Option 4, continued

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- If QSCB Allocation is received, issue maximum possible of QSCBs, the rest in bonds. Assume CDE waiver is granted

	QSCBs 2010	Bonds 2010	Total
Amount	\$12 M	\$ 10 M	\$22 M
Interest Cost	0%	6.70%	4.95%
Final Payment	2026 (est.)	2043	2043
Costs of Issuance	\$250,000	\$230,000	\$480,000

Assumptions:

- Tax rate increases to \$60 for Seismic Bonds.
- AV grows 3% in 2010, then 4%, then 5% thereafter.
- Interest rates and issuance costs are estimated using January 2010 rates.

# Next Steps

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- Should District pursue CDE waiver to issue more than \$13 million in bonds?
- How long should District wait for QSCB allocation?
- Do other interim financing options need to be reviewed to bridge to State funding?