# Piedmont Unified School District Seismic Bond Program

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Resolution Authorizing Issuance of Bond Anticipation Notes

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# Seismic Bonds (Measure E)

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

| | |
|---|---|
| **Total Authorization:** | **$56,000,000** |
| August 2006 issue | -$14,999,934 |
| October 2009 issue | -$19,000,000 |
| Remaining Authorization: | **$22,000,066** |

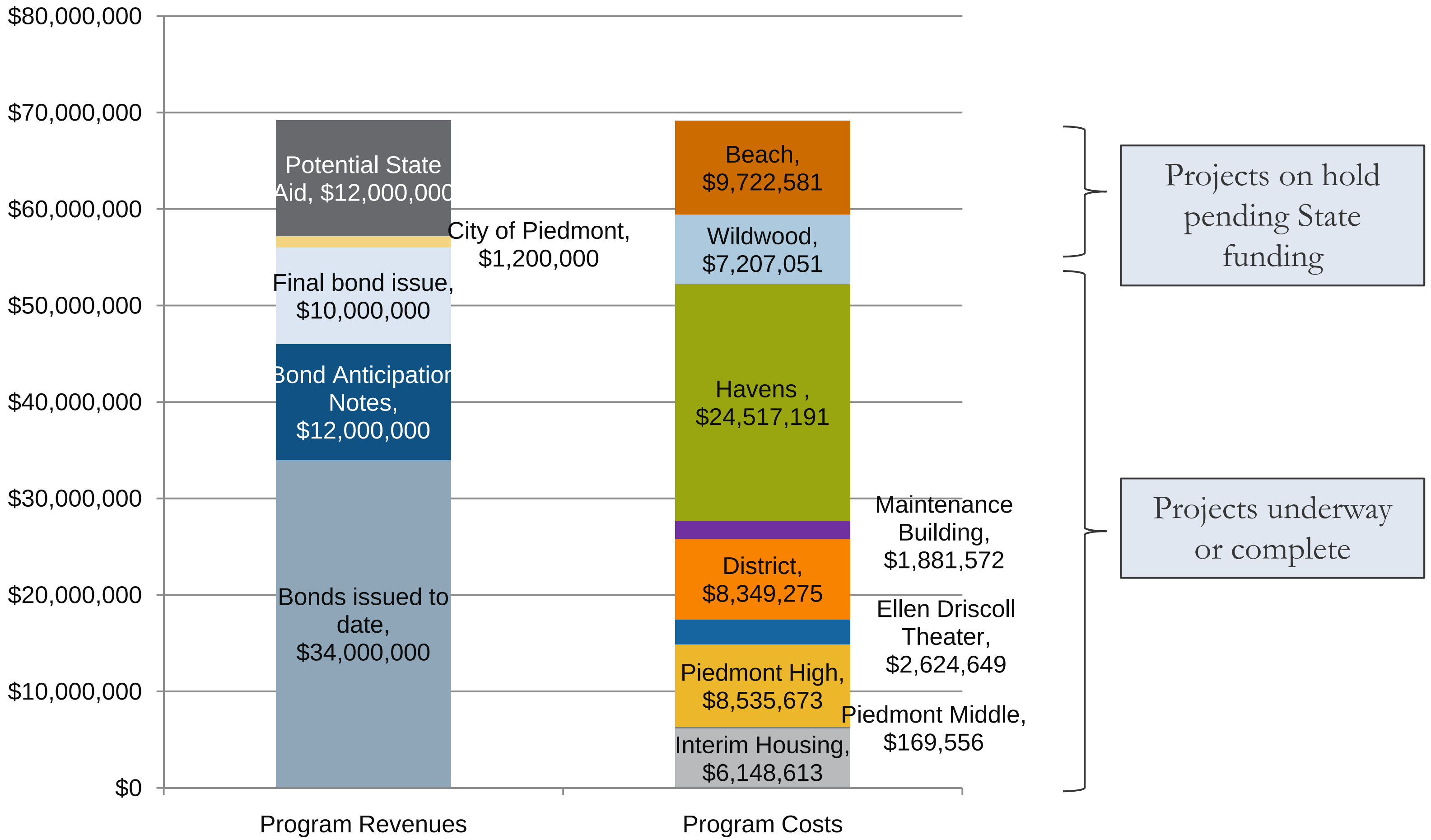
# For Your Review and Action

- Considerations before Issuing Bonds:
  - Cash Flow Needs
  - Debt Capacity
  - Tax Rate Limits

- Bond Anticipation Notes (BAN)
  - Numbers
  - Legals

# Seismic Program

- Program costs = program revenues = $69 million



# Debt Capacity – Request for Waiver

- After a public hearing and various community and stakeholder meetings, the District submitted a request for a waiver from Ed Code 15270.

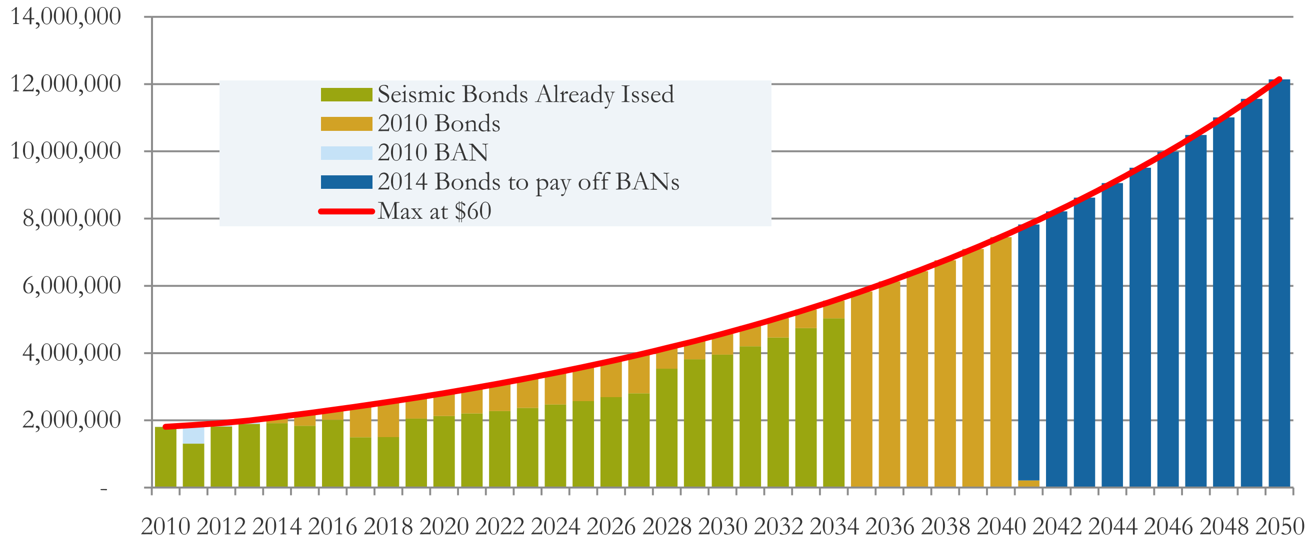
- The California Board of Education will consider the waiver request at it's May 6, 2010 meeting as an agenda item that:

  *"satisfy[ies] criteria for approving a waiver of that type based on a previously-adopted State Board of Education waiver policy or … waiver evaluation criteria …"*

- The waiver will allow the District's to issue Seismic bonds up to 2.79% of it's assessed value.
  - In 2009-10, that would put the bonding capacity at **$22,013,477.**
  - **Current capacity, without the waiver, is $13,263,750**

# Tax Rate Limitations

- **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 XIIIA of the California Constitution".
  - Bond debt service is structured to stay within the $60 tax limit, but much of the bond repayment is pushed out to later years, up to 40 years out.
- **Tax Rates per $100,000 AV**:
  - 2008-09: $**107.30** ($88.57 for old bonds, $18.73 for Seismic bonds)
  - 2009-10: $**146.50** ($105.44 & $41.06)

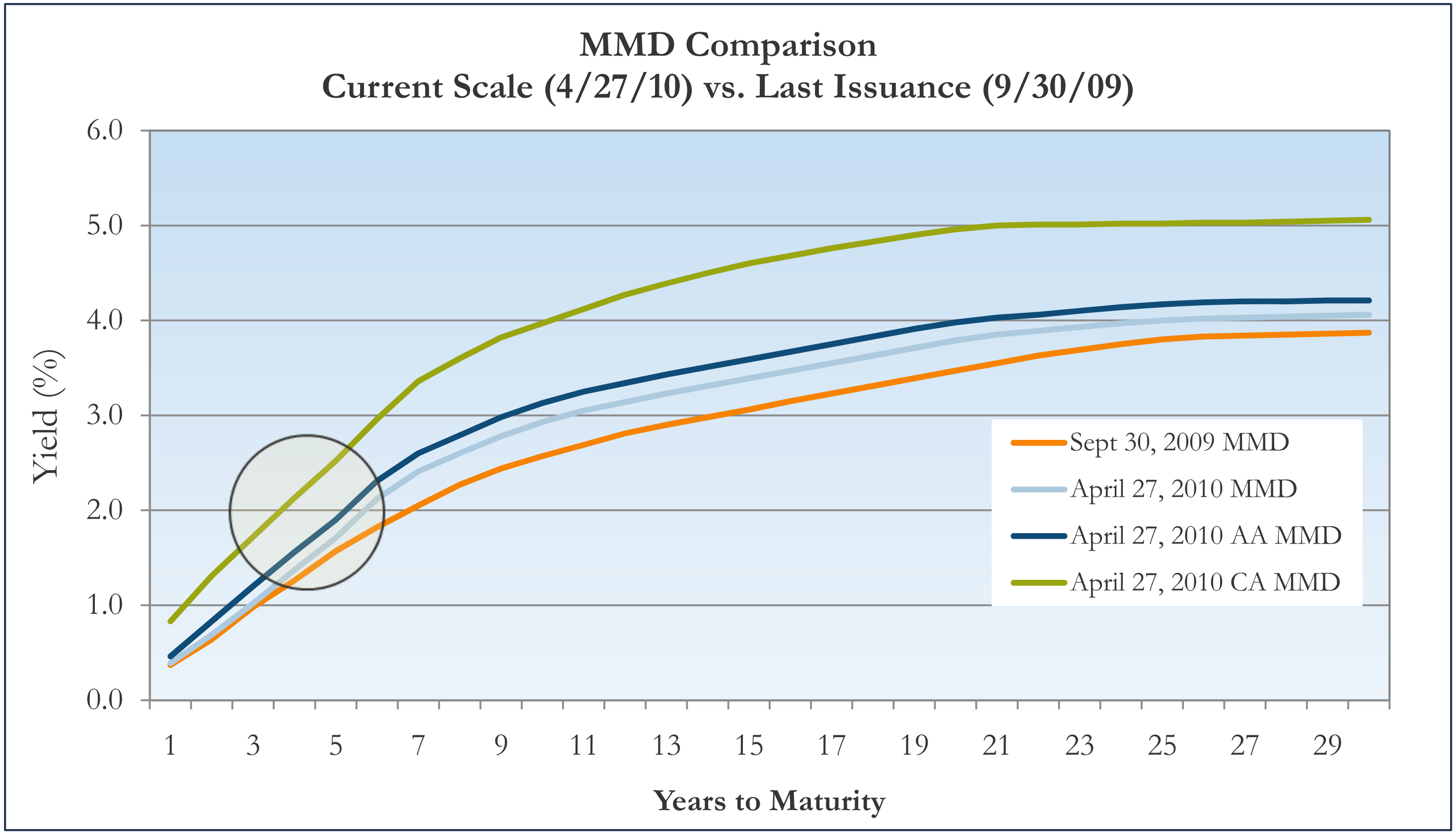


# Bond Anticipation Note

- Can only be issued if the District has unissued bond authorization.
- Allows District to borrow at short term rates (now) and refinance into a long term bond in five years.
  - Not counted against bonding capacity – keeps options open for issuing last $10 million.
  - 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.
  - Some may be issued as CABs with interest due at maturity (accrued interest will be paid from premium on long term bonds) to keep interest tax collection requirements as low as possible.

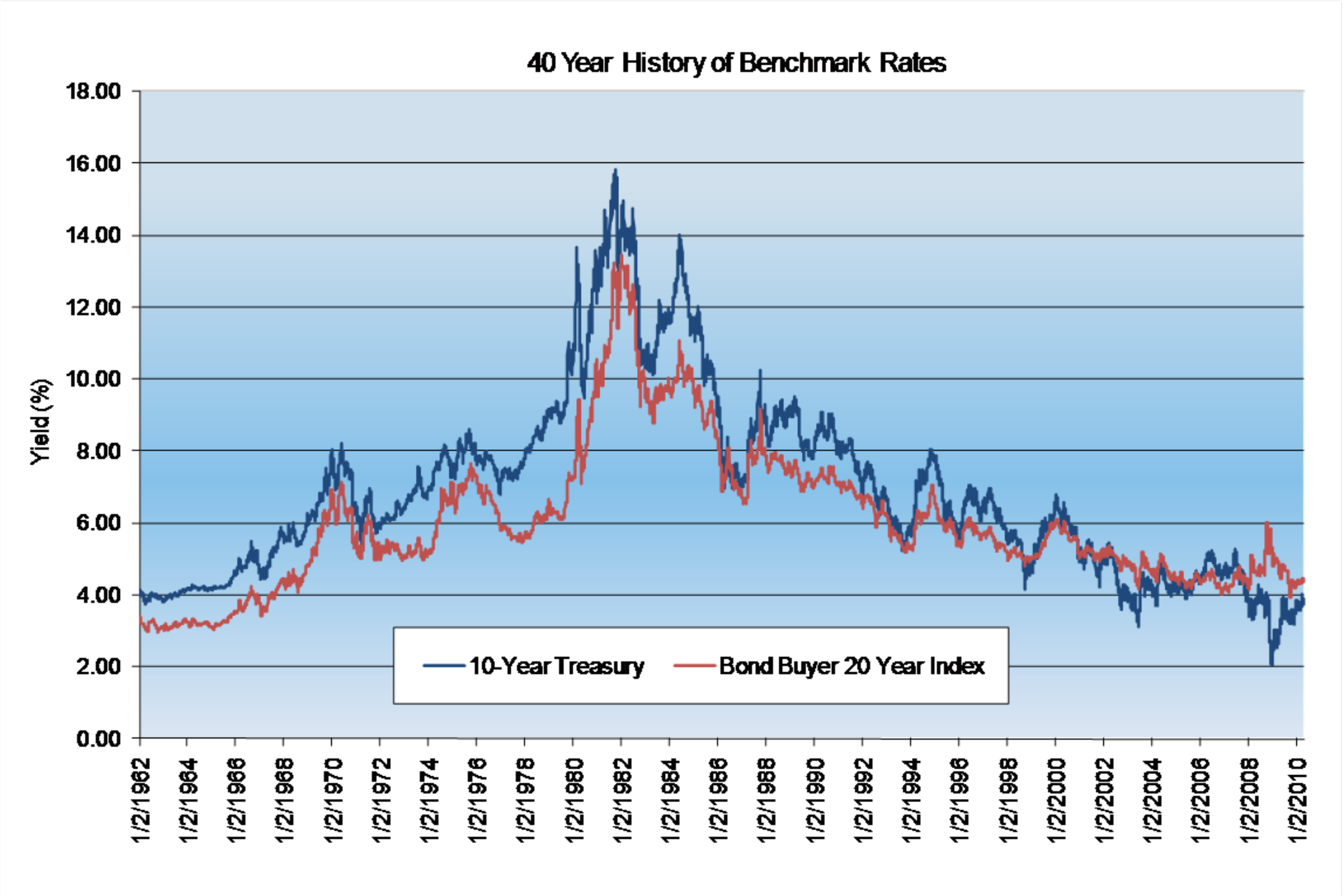
# Municipal Bond Interest Rates

- The MMD scale represents an indicative scale for a “Aaa/AAA/AAA” rated municipal security. (Piedmont is rated “Aa2/AA”)



# Historic Look at Interest Rates

- Looking back historically, we are in a low interest rate environment.



# BAN Resolution

- The Resolution authorizes:
  - Technical features of the BAN.
    - Both current interest and capital appreciation notes may be used (in the combination that keeps tax rates as low as possible at the lowest possible overall cost).
    - Early redemption option.
  - Sale of BAN by competitive sale.
  - District representatives – Superintendent and Assistant Superintendent for Business Services.
  - The Form of the Bonds and of the Official Statement (disclosure document).

- District commits to:
  - Repay BAN from a subsequent general obligation bond issue.
  - Maintain tax-exempt status of BAN.
  - Continuing disclosure.

# Bond Issuance Process

| What | Who | When |
|---|---|---|
| Structure, Sizing, Timing | Board, District Staff, Financial Advisor | January – April 2010 |
| Authorizing Resolutions | Prepared By Bond Counsel<br>Approved by Board | TONIGHT |
| Disclosure Documents | Prepared by Disclosure Counsel & District Staff<br>Approved by Board | TONIGHT<br>With further revisions over the next 2 weeks |
| Rating Review | KNN, District Staff | S&P – April 20<br>Moody's – May 6 |
| Bond Sale | District, KNN, Bond Counsel | May 18 |
| Bond Closing – District receives bond proceeds | County, District, Bond Counsel, KNN, Underwriters | June 2 |

# Last $10 Million of Seismic Bonds

- District expects to issue last $10 million in the fall of 2010 or later.

- Qualified School Construction Bonds (QSCBs) are the lowest cost option, at almost no interest cost to the District. However,
  - Must receive an "allocation" to issue QSCBs.
  - Federal allocations for 2010 have been made: California received $720,058,000.
  - State process for 2010 not announced yet.

- If District does not receive a 2010 QSCB allocation, long-term bonds or another BAN will be issued.