Piedmont Unified School District
SUMMARY OF OPTIONS TO
REFINANCE OUTSTANDING CAPITAL APPRECIATION BONDS
October 2017

Piedmont Unified is considering options to refinance outstanding Capital Appreciation Bonds (CABs), issued during the Seismic Safety Bond Program, in order to save taxpayer money. The District's Board of Education will discuss these options on October 25 and November 8, and will likely make a decision by December 12.

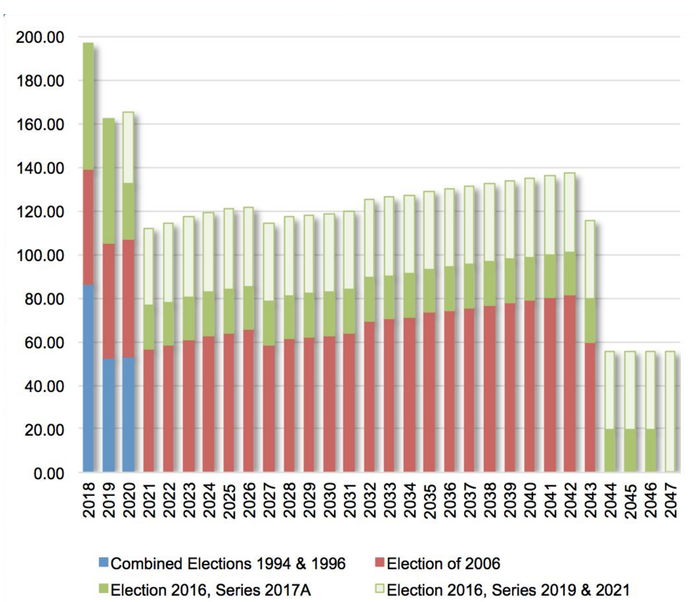
Executive Summary

The Board is considering options to refinance outstanding Capital Appreciation Bonds (CABS). There are three options to consider:

1. **Status Quo**: Do not refinance at this time, but continue to monitor interest rates.
2. **CAB to CAB**: This would save Piedmont taxpayers $11.3M over the life of the bonds. Tax rates would stay the same until 2027, but then would decrease until 2043.
3. **CAB to CIB** (Current Interest Rate Bonds): This would save Piedmont taxpayers $19.5M over the life of the bonds. Tax rates would stay the same until 2024, would then increase from 2024-2034, and then would sharply decrease from 2035-2043.

Background

The Board is seeking community input on these options and whether to prioritize: maximizing overall program savings to the community or minimizing tax rates; minimizing tax rates in the near term or later years; paying down debt as quickly as possible to free up "bonding capacity" for other initiatives, or extending the repayment period to keep the tax rate as low as possible. Paying down debt more quickly will reduce the overall amount of debt. **The Board values your input and looks forward to hearing from you! Please email members of the Board your thoughts or come to one of the upcoming Board Meetings.**

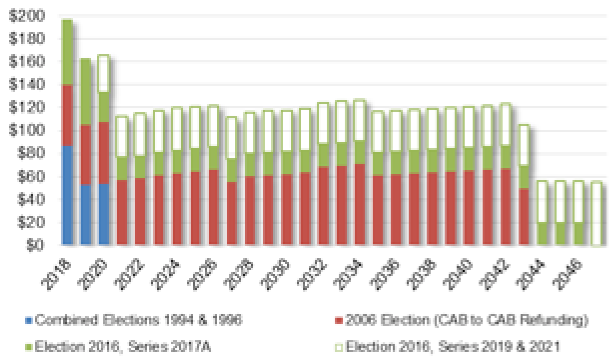


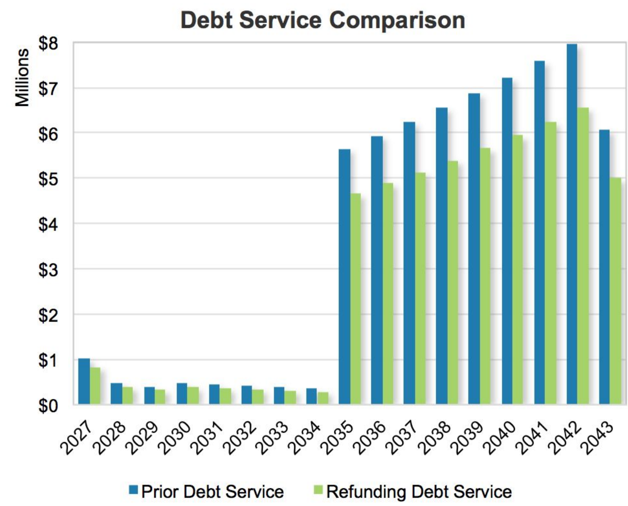
This chart shows the aggregate debt service and projected tax rates per $100,000 of assessed property value* for all outstanding school bonds, including bonds authorized by the Piedmont voters in 1994, 1996, 2006, and 2016 (Measure H1). As shown, the bonds authorized in 1994 and 1996 will be fully repaid in 2020, reducing the overall tax rate. For this reason, taxpayers will see a decrease in their taxes starting in 2020 even if no action is taken now.

Option 1: Status Quo. The District can continue the status quo and wait to see what refunding options may come available in the future.

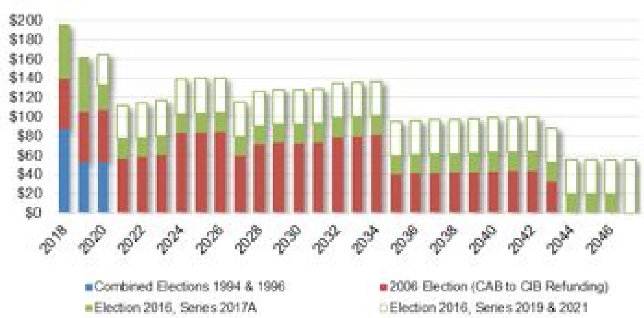
* Based on a 3.5% growth in assessed value

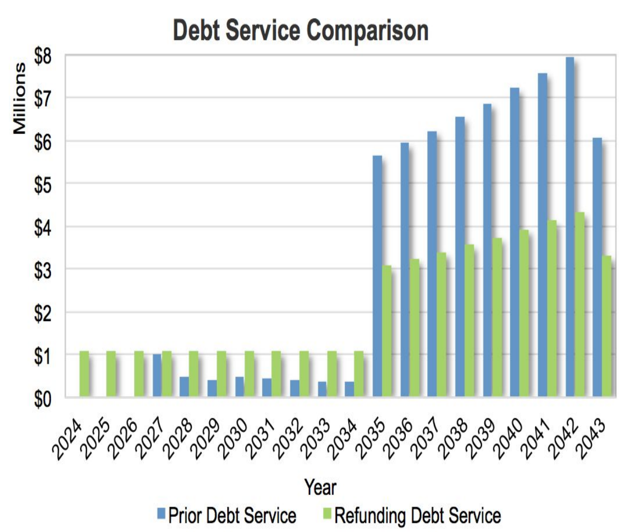
Option 2: CAB to CAB. The District can refinance the outstanding CABs with new CABs. CABs require progress payments of principal only, deferring all interest payments until the end of the repayment term. CABs are typically more expensive than other bonds because interest "accretes" on both the principal and the accrued-but-unpaid interest. Although more expensive, CABs have been widely used by school districts to stabilize tax rates. With CAB-to-CAB refunding, taxpayers would save $11.295 million in debt service over the life of the bonds, or $4.77 million in present-value savings. This would lower taxes starting in 2027 (when payments on the outstanding CABs would begin) through 2043 (the end of the repayment term).





Option 3: CAB to CIB. The District can refinance the outstanding CABs with Current Interest Bonds (CIBs). CIBs require payment of both principal and interest semiannually throughout the repayment term. With CAB-to-CIB refunding, taxpayers would save $19.543 million in debt service over the life of the bonds, or $8.1 million in present value savings. This would increase taxes starting in 2024 through 2034, but then sharply decrease taxes from 2035 through 2043, resulting in an overall reduction in interest costs and tax rates.





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