



## Overview of Potential 2017 Refunding Bonds

October 11, 2017



# Overview – Potential Refunding

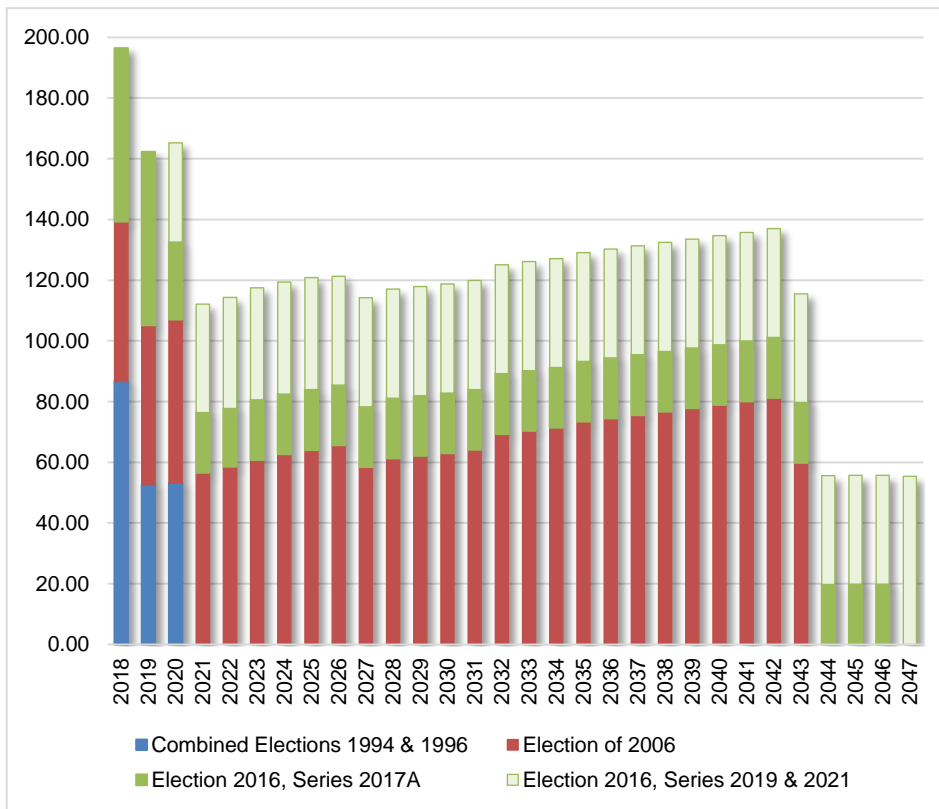
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- KNN Public Finance has received a refunding proposal from bond underwriter, Stifel, Nicolaus & Co., Inc. regarding the District’s outstanding Election of 2006, Series E Capital Appreciation Bonds (“Series E CABs”).
- KNN has analyzed the refunding proposal and determined refunding the Series E CABs is viable based on current market rates.
- In addition to generating significant interest cost savings to taxpayers, the proposed refunding could help reduce tax rates (CAB to CAB) for the 2006 authorization which are currently projected to exceed the statutory maximum of \$60/\$100,000 of assessed value as early as 2023.



# Debt Service & Projected Tax Rates\*

- The District's combined GO Bond tax rates for 2017-18 is estimated at \$196.50 per \$100,000 AV.



Estimated Tax Rate

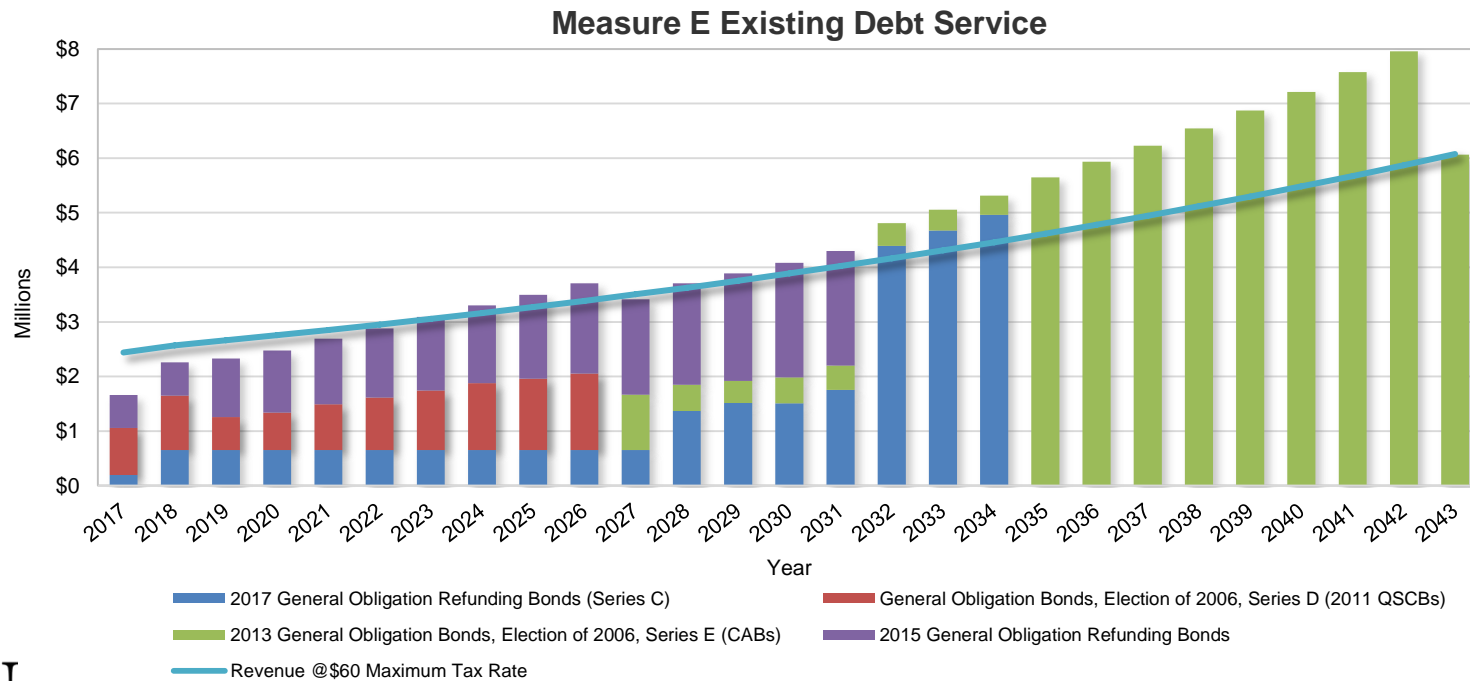
Year Ending	Combined 1994 & 1996 Total Tax Rate	Election of 2006 Total Tax Rate	Election of 2016 Tax Rate*	Combined Tax Rate
2018	86.68	52.65	57.16	196.50
2019	52.61	52.54	57.17	162.32
2020	53.17	53.91	58.20	165.28
2021		56.63	55.50	112.13
2022		58.60	55.72	114.31
2023		60.76	56.80	117.55
2024		62.68	56.71	119.38
2025		64.11	56.74	120.85
2026		65.63	55.72	121.35
2027		58.46	55.76	114.22
2028		61.29	55.80	117.08
2029		62.17	55.73	117.90
2030		63.02	55.80	118.82
2031		64.15	55.76	119.91
2032		69.34	55.75	125.08
2033		70.37	55.75	126.13
2034		71.46	55.69	127.15
2035		73.45	55.63	129.09
2036		74.55	55.75	130.30
2037		75.61	55.76	131.37
2038		76.74	55.73	132.47
2039		77.83	55.76	133.59
2040		78.98	55.72	134.70
2041		80.11	55.70	135.81
2042		81.29	55.76	137.05
2043		59.88	55.69	115.57
2044			55.69	55.69
2045			55.72	55.72
2046			55.74	55.74
2047			55.33	55.33

\* Includes future issuances of Measure H1 Authorization.



# Measure E Overview

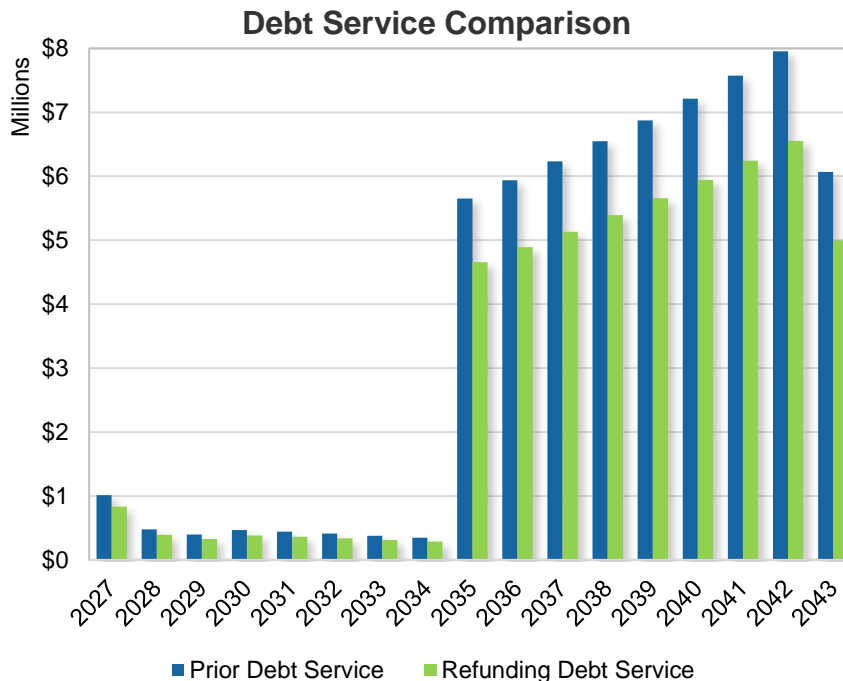
- Voters approved Measure E in March 2006 for a total of \$56 million in bond authorization.
- Five series of new money bonds were issued under this authorization.
- In 2015 and 2017, the District took advantage of the low interest rate environment and refunded three series of bonds to provide taxpayer savings, generating over \$5.26 million savings over the life of the bonds.



# Refunding Scenario A\* - CAB to CAB



- At current interest rates, refunding the Election of 2006, Series E bonds with capital appreciation bonds provide net present value savings of \$4,775,179, resulting in total net debt service of \$52,700,000.
- A CAB to CAB refunding would lower annual debt service payments and reduce taxes for homeowners in each year bonds are paid (2027 – 2043).



Item	Outstanding 2013 Series E CAB	CAB to CAB Refunding
Dated Date	<b>8/21/2013</b>	<b>12/5/2017</b>
Bond Par Amount	\$11,998,678	\$22,911,997
Net Debt Service	\$63,995,000	52,700,000
Net Interest	\$51,996,322	29,788,004
Par Amount of Refunded Bonds	-	11,998,678
Average Coupon of Refunded Bonds	-	6.59%
Nominal Savings	-	\$11,295,000
Net PV Savings	-	\$4,775,179
% Savings of Refunded Bonds	-	30.09%
Negative Arbitrage	-	\$2,289,326
Payback Ratio	5.33	2.30
Average Annual Tax Rate Savings	-	\$4.84

\* Subject to change based on market conditions at the time of sale.

# 2017 Refunding – Capital Appreciation Bonds



District Assessed Valuation		
Actual and Projected AV		
Year Ending	AV Growth Rate	District AV
2018	5.44%	4,286,012,864
2019	3.50%	4,436,023,314
2020	3.50%	4,591,284,130
2021	3.50%	4,751,979,075
2022	3.50%	4,918,298,342
2023	3.50%	5,090,438,784
2024	3.50%	5,268,604,142
2025	3.50%	5,453,005,287
2026	3.50%	5,643,860,472
2027	3.50%	5,841,395,588
2028	3.50%	6,045,844,434
2029	3.50%	6,257,448,989
2030	3.50%	6,476,459,704
2031	3.50%	6,703,135,793
2032	3.50%	6,937,745,546
2033	3.50%	7,180,566,640
2034	3.50%	7,431,886,473
2035	3.50%	7,692,002,499
2036	3.50%	7,961,222,587
2037	3.50%	8,239,865,377
2038	3.50%	8,528,260,665
2039	3.50%	8,826,749,789
2040	3.50%	9,135,686,031
2041	3.50%	9,455,435,042
2042	3.50%	9,786,375,269
2043	3.50%	10,128,898,403
2044	3.50%	10,483,409,847
2045	3.50%	10,850,329,192
2046	3.50%	11,230,090,714
<b>Total Debt Service:</b>		

Pre-Refunding Bonds	
2006 Measure E	
2006 Election Tax Per \$100,000 of AV	2006 Election Total Debt Service
\$52.65	2,256,625
\$52.54	2,330,625
\$53.91	2,475,025
\$56.63	2,691,225
\$58.60	2,881,975
\$60.76	3,092,725
\$62.68	3,302,225
\$64.11	3,496,025
\$65.63	3,703,825
\$58.46	3,414,625
\$61.29	3,705,225
\$62.17	3,890,425
\$63.02	4,081,425
\$64.15	4,300,025
\$69.34	4,810,388
\$70.37	5,053,200
\$71.46	5,310,800
\$73.45	5,650,000
\$74.55	5,935,000
\$75.61	6,230,000
\$76.74	6,545,000
\$77.83	6,870,000
\$78.98	7,215,000
\$80.11	7,575,000
\$81.29	7,955,000
\$59.88	6,065,000
<b>Total Debt Service:</b>	

Post 2017 Refunding Bonds (CABs to CABs)			
2006 Measure E			
2006 Election Tax Per \$100,000 of AV	2006 Election Total Debt Service	Tax Rate Differential	Tax Rate Impact on Average Homeowner*
\$52.65	2,256,625	0.00	0.00
\$52.54	2,330,625	0.00	0.00
\$53.91	2,475,025	0.00	0.00
\$56.63	2,691,225	0.00	0.00
\$58.60	2,881,975	0.00	0.00
\$60.76	3,092,725	0.00	0.00
\$62.68	3,302,225	0.00	0.00
\$64.11	3,496,025	0.00	0.00
\$65.63	3,703,825	0.00	0.00
\$55.37	3,234,625	(3.08)	(32.18)
\$59.88	3,620,225	(1.41)	(14.68)
\$61.05	3,820,425	(1.12)	(11.68)
\$61.71	3,996,425	(1.31)	(13.70)
\$62.96	4,220,025	(1.19)	(12.46)
\$68.26	4,735,388	(1.08)	(11.29)
\$69.47	4,988,200	(0.91)	(9.45)
\$70.65	5,250,800	(0.81)	(8.43)
\$60.52	4,655,000	(12.94)	(135.08)
\$61.42	4,890,000	(13.13)	(137.07)
\$62.26	5,130,000	(13.35)	(139.40)
\$63.20	5,390,000	(13.54)	(141.42)
\$64.07	5,655,000	(13.76)	(143.74)
\$65.02	5,940,000	(13.96)	(145.73)
\$65.99	6,240,000	(14.12)	(147.43)
\$66.93	6,550,000	(14.36)	(149.92)
\$49.31	4,995,000	(10.56)	(110.31)
<b>Total Debt Service:</b>			

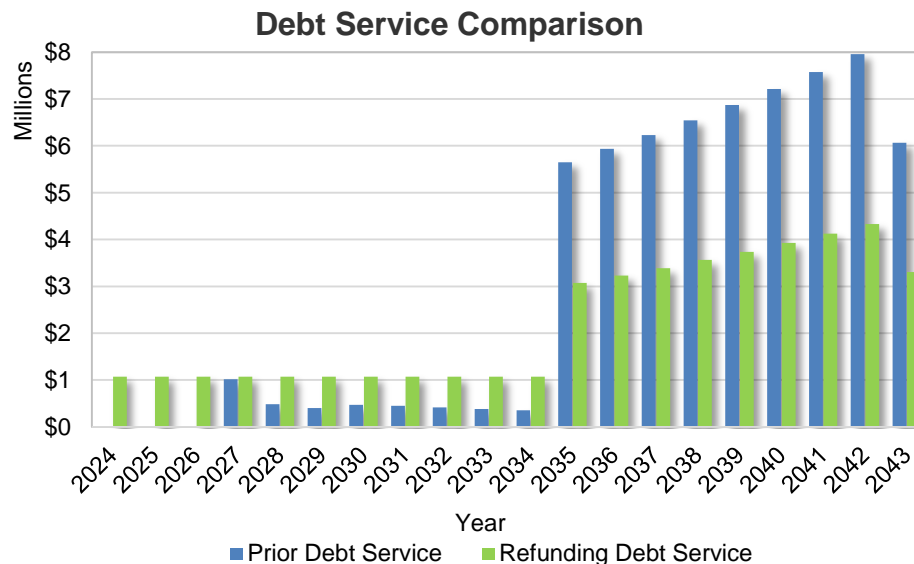
**\$120,836,388**

**\$109,541,388**

# Refunding Scenario B\* - CAB to CIB



- At current interest rates, refunding the Election of 2006, Series E bonds and replacing with current interest bonds provide present value savings of \$8,109,725, resulting in total net debt service of \$44,451,200.
- A CAB to CIB refunding would increase annual debt service payments on the front-end (2024 – 2034) resulting in higher tax rates, however would have a more significant impact on reducing total interest cost and reducing long-term tax rates.
- Per Bond Counsel, refunding bonds would not require new voter authorization.***



Item	Outstanding 2013 Series E CAB	CAB to CIB Refunding
Dated Date	<b>8/21/2013</b>	<b>12/5/2017</b>
Bond Par Amount	\$11,998,678	\$26,785,000
Net Debt Service	\$63,995,000	44,451,200
Net Interest	\$51,996,322	17,666,200
Par Amount of Refunded Bonds	-	11,998,678
Average Coupon of Refunded Bonds	-	6.59%
Nominal Savings	-	\$19,543,800
Net PV Savings	-	\$8,109,725
% Savings of Refunded Bonds	-	51.08%
Negative Arbitrage	-	\$1,711,160
Payback Ratio	5.33	1.66
Average Annual Tax Rate Savings	-	\$6.72

\* Subject to change based on market conditions at the time of sale.

# 2017 Refunding – Current Interest Bonds



District Assessed Valuation		
Actual and Projected AV		
Year Ending	AV Growth Rate	District AV
2018	5.44%	4,286,012,864
2019	3.50%	4,436,023,314
2020	3.50%	4,591,284,130
2021	3.50%	4,751,979,075
2022	3.50%	4,918,298,342
2023	3.50%	5,090,438,784
2024	3.50%	5,268,604,142
2025	3.50%	5,453,005,287
2026	3.50%	5,643,860,472
2027	3.50%	5,841,395,588
2028	3.50%	6,045,844,434
2029	3.50%	6,257,448,989
2030	3.50%	6,476,459,704
2031	3.50%	6,703,135,793
2032	3.50%	6,937,745,546
2033	3.50%	7,180,566,640
2034	3.50%	7,431,886,473
2035	3.50%	7,692,002,499
2036	3.50%	7,961,222,587
2037	3.50%	8,239,865,377
2038	3.50%	8,528,260,665
2039	3.50%	8,826,749,789
2040	3.50%	9,135,686,031
2041	3.50%	9,455,435,042
2042	3.50%	9,786,375,269
2043	3.50%	10,128,898,403
2044	3.50%	10,483,409,847
2045	3.50%	10,850,329,192
2046	3.50%	11,230,090,714

**Total Debt Service:**

Pre-Refunding Bonds	
2006 Measure E	
2006 Election Tax Per \$100,000 of AV	2006 Election Total Debt Service
\$52.65	2,256,625
\$52.54	2,330,625
\$53.91	2,475,025
\$56.63	2,691,225
\$58.60	2,881,975
\$60.76	3,092,725
\$62.68	3,302,225
\$64.11	3,496,025
\$65.63	3,703,825
\$58.46	3,414,625
\$61.29	3,705,225
\$62.17	3,890,425
\$63.02	4,081,425
\$64.15	4,300,025
\$69.34	4,810,388
\$70.37	5,053,200
\$71.46	5,310,800
\$73.45	5,650,000
\$74.55	5,935,000
\$75.61	6,230,000
\$76.74	6,545,000
\$77.83	6,870,000
\$78.98	7,215,000
\$80.11	7,575,000
\$81.29	7,955,000
\$59.88	6,065,000

**\$120,836,388**

Post 2017 Refunding Bonds (CABs to CIBs)			
2006 Measure E			
2006 Election Tax Per \$100,000 of AV	2006 Election Total Debt Service	Tax Rate Differential	Tax Rate Impact on Average Homeowner*
\$52.65	2,256,625	0.00	0.00
\$52.54	2,330,625	0.00	0.00
\$53.91	2,475,025	0.00	0.00
\$56.63	2,691,225	0.00	0.00
\$58.60	2,881,975	0.00	0.00
\$60.76	3,092,725	0.00	0.00
\$83.01	4,373,625	20.34	212.35
\$83.76	4,567,425	19.65	205.17
\$84.61	4,775,225	18.98	198.23
\$59.42	3,471,025	0.97	10.08
\$71.07	4,296,625	9.78	102.15
\$72.90	4,561,825	10.73	112.04
\$72.31	4,682,825	9.29	96.97
\$73.49	4,926,425	9.34	97.58
\$78.80	5,466,788	9.46	98.80
\$80.00	5,744,600	9.63	100.55
\$81.17	6,032,200	9.71	101.36
\$39.93	3,071,400	(33.52)	(350.06)
\$40.59	3,231,400	(33.96)	(354.62)
\$41.10	3,386,800	(34.51)	(360.31)
\$41.77	3,562,400	(34.97)	(365.20)
\$42.34	3,737,000	(35.49)	(370.64)
\$42.97	3,925,200	(36.01)	(376.03)
\$43.58	4,121,000	(36.53)	(381.45)
\$44.23	4,328,600	(37.06)	(386.94)
\$32.60	3,302,000	(27.28)	(284.85)

**\$101,292,588**

\*2016 Average AV - \$1,044,226 (CalMuni)



# Bonding Capacity with Advance Refunding



- The California Education Code stipulates that a unified school district cannot issue bonds if doing so causes the overall amount of bonds outstanding to exceed 2.5% of its current assessed value.

## Remaining Capacity Without Crossover Refunding

Fiscal Year	2016-17	2017-18	2018-19	2019-20	2020-21
Total A.V.*	\$4,065,039,032	\$4,286,012,864	\$4,436,023,314	\$4,591,284,130	\$4,751,979,075
Statutory Bonding Capacity @ 2.5%	\$101,625,976	\$107,150,322	\$110,900,583	\$114,782,103	\$118,799,477
Less Current Outstanding Bonds as of Aug. 1**	\$65,498,678	\$50,775,000	\$47,280,000	\$44,605,000	\$41,740,000
Less 2016 Election (Measure H1), Series A	\$26,000,000	\$26,000,000	\$23,550,000	\$21,450,000	\$21,230,000
Less 2017 refunding Bonds (Series E)		\$22,922,785	\$22,922,785	\$22,922,785	\$22,922,785
Less 2016 Election (Measure H1), Series B***			\$26,000,000	\$24,445,000	\$23,255,000
Less 2016 Election (Measure H1), Series C***					\$14,000,000
<b>Remaining Capacity</b>	<b>\$10,127,298</b>	<b>\$7,452,537</b>	<b>(\$8,852,202)</b>	<b>\$1,359,319</b>	<b>(\$4,348,308)</b>

\*A.V. assumes a 3.50% annual growth rate

\*\*Sinking Fund Deposits are not considered for capacity sizing

\*\*\*Subject to change based on market rate at time of sale

# Crossover Refunding Structure

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- In a crossover refunding, the refunding escrow will pay the debt service on the refunding bonds until the redemption date of the prior bonds (“crossover date”) on 8/1/2023, plus funds redemption of the prior bonds.
- Until the crossover date, the issuer continues to pay the debt service on the prior bonds, and after pays debt service on the refunding bonds.
- Principal amortization of the refunding bonds typically begins after the crossover date.
- Crossover refunding will generate more savings than a conventional advance refunding when the first optional call date of the prior bonds is multiple years in the future, but does not provide debt service savings prior to the crossover date.

# Bonding Capacity with Crossover Refunding



- The District can refund the Series E bonds on a crossover basis to preserve the District's remaining bonding capacity and avoid impacting future issuance from the Measure H1 bond program.

## Remaining Capacity With Crossover Refunding

Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total A.V.*	\$4,286,012,864	\$4,436,023,314	\$4,591,284,130	\$4,751,979,075	\$4,918,298,342	\$5,090,438,784	\$5,268,604,142
Statutory Bonding Capacity @ 2.5%	\$107,150,322	\$110,900,583	\$114,782,103	\$118,799,477	\$122,957,459	\$127,260,970	\$131,715,104
Less Current Outstanding Bonds as of Aug. 1**	\$62,773,678	\$59,278,678	\$56,603,678	\$53,638,678	\$52,953,678	\$52,168,678	\$39,260,000
Less 2016 Election (Measure H1), Series A	\$26,000,000	\$23,550,000	\$21,450,000	\$21,230,000	\$21,230,000	\$21,230,000	\$21,160,000
Less 2016 Election (Measure H1), Series B***		\$26,000,000	\$24,445,000	\$23,255,000	\$23,255,000	\$23,255,000	\$23,250,000
Less 2016 Election (Measure H1), Series C***				\$14,000,000	\$13,450,000	\$13,295,000	\$13,290,000
Less 2017 Refunding Bonds***							\$22,911,997
<b>Remaining Capacity</b>	<b>\$18,376,644</b>	<b>\$2,071,905</b>	<b>\$12,283,425</b>	<b>\$6,675,799</b>	<b>\$12,068,781</b>	<b>\$17,312,292</b>	<b>\$11,843,107</b>

\*A.V. assumes a 3.50% annual growth rate

\*\*Sinking Fund Deposits are not considered for capacity sizing

\*\*\*Subject to change based on market rate at time of sale



# Projected Tax Rates For All Measures\*

District Assessed Valuation			Pre-Refunding Bonds		Post 2017 Refunding Bonds (CABs to CABs)		Post 2017 Refunding Bonds (CABs to CIBs)	
Actual and Projected AV			Total Debt Service		Total Debt Service		Total Debt Service	
Year Ending	AV Growth Rate	District AV	Combined Tax Per \$100,000 of AV	Combined Total Debt Service	Combined Tax Per \$100,000 of AV	Combined Total Debt Service	Combined Tax Per \$100,000 of AV	Combined Total Debt Service
2018	5.44%	4,286,012,864	\$196.50	8,421,825	\$196.50	8,421,825	\$196.50	8,421,825
2019	3.50%	4,436,023,314	\$162.32	7,200,433	\$162.32	7,200,433	\$162.32	7,200,433
2020	3.50%	4,591,284,130	\$165.28	7,588,275	\$165.28	7,588,275	\$165.28	7,588,275
2021	3.50%	4,751,979,075	\$112.13	5,328,493	\$112.13	5,328,493	\$112.13	5,328,493
2022	3.50%	4,918,298,342	\$114.31	5,622,294	\$114.31	5,622,294	\$114.31	5,622,294
2023	3.50%	5,090,438,784	\$117.55	5,983,875	\$117.55	5,983,875	\$117.55	5,983,875
2024	3.50%	5,268,604,142	\$119.38	6,289,875	\$119.38	6,289,875	\$139.72	7,361,275
2025	3.50%	5,453,005,287	\$120.85	6,590,175	\$120.85	6,590,175	\$140.50	7,661,575
2026	3.50%	5,643,860,472	\$121.35	6,848,725	\$121.35	6,848,725	\$140.33	7,920,125
2027	3.50%	5,841,395,588	\$114.22	6,672,025	\$111.14	6,492,025	\$115.19	6,728,425
2028	3.50%	6,045,844,434	\$117.08	7,078,625	\$115.68	6,993,625	\$126.86	7,670,025
2029	3.50%	6,257,448,989	\$117.90	7,377,825	\$116.79	7,307,825	\$128.63	8,049,225
2030	3.50%	6,476,459,704	\$118.82	7,695,575	\$117.51	7,610,575	\$128.11	8,296,975
2031	3.50%	6,703,135,793	\$119.91	8,037,675	\$118.72	7,957,675	\$129.25	8,664,075
2032	3.50%	6,937,745,546	\$125.08	8,678,038	\$124.00	8,603,038	\$134.55	9,334,438
2033	3.50%	7,180,566,640	\$126.13	9,056,600	\$125.22	8,991,600	\$135.76	9,748,000
2034	3.50%	7,431,886,473	\$127.15	9,449,950	\$126.35	9,389,950	\$136.86	10,171,350
2035	3.50%	7,692,002,499	\$129.09	9,929,400	\$116.15	8,934,400	\$95.56	7,350,800
2036	3.50%	7,961,222,587	\$130.30	10,373,400	\$117.17	9,328,400	\$96.34	7,669,800
2037	3.50%	8,239,865,377	\$131.37	10,824,650	\$118.02	9,724,650	\$96.86	7,981,450
2038	3.50%	8,528,260,665	\$132.47	11,297,650	\$118.93	10,142,650	\$97.50	8,315,050
2039	3.50%	8,826,749,789	\$133.59	11,791,650	\$119.82	10,576,650	\$98.10	8,658,650
2040	3.50%	9,135,686,031	\$134.70	12,305,400	\$120.74	11,030,400	\$98.69	9,015,600
2041	3.50%	9,455,435,042	\$135.81	12,841,450	\$121.69	11,506,450	\$99.28	9,387,450
2042	3.50%	9,786,375,269	\$137.05	13,412,200	\$122.69	12,007,200	\$99.99	9,785,800
2043	3.50%	10,128,898,403	\$115.57	11,706,200	\$105.01	10,636,200	\$88.29	8,943,200
2044	3.50%	10,483,409,847	\$55.69	5,838,000	\$55.69	5,838,000	\$55.69	5,838,000
2045	3.50%	10,850,329,192	\$55.72	6,046,150	\$55.72	6,046,150	\$55.72	6,046,150
2046	3.50%	11,230,090,714	\$55.74	6,259,300	\$55.74	6,259,300	\$55.74	6,259,300
2047	3.50%	11,623,143,889	\$55.33	6,431,250	\$55.33	6,431,250	\$55.33	6,431,250
<b>Total Debt Service:</b>			<b>\$252,976,982</b>		<b>\$241,681,982</b>		<b>\$233,433,182</b>	

\* Includes future issuances of Measure H1 Authorization.



# Conclusion

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- In light of the information provided tonight, the District has three plausible options for consideration:
  - Hold-off on refunding the Series E CABs for the time being, allowing District staff and KNN to continue monitoring market conditions and assessed valuation growth to see if there may be a future opportunity to replace the outstanding CABs with CIBs and stay at or below the maximum tax rate promised to voters.
  - Take advantage of the current low interest rate environment and refund the Series E CABs today with new CABs at lower yields which would lock-in taxpayer savings and help mitigate future tax rate constraint for the 2006 authorization.
  - Take advantage of the current low interest rate environment and refund the Series E CABs today with current interest bonds (CIBs) at lower yields which would lock-in taxpayer savings. However, the annual interest payments from the new bonds will cause the annual tax rate to increase in the earlier years.
- District staff is requesting direction from the Board regarding next steps.