
Piedmont USD

Alan Harvey Theater

Options for 2014 Bond Election

December 11, 2013

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Election Options

- Two types of bond elections are available to school districts:
 - 55% Voter Approval
 - Must be on regularly scheduled local election date – June 2014 or November 2014
 - Project list must be relatively specific, but can include furnishings and equipment
 - Oversight committee is required
 - Tax rate projected by district must not exceed \$60 per \$100,000 AV
 - 2/3 Voter Approval
 - Can be held on any Tuesday (except within 45 days of a State-wide election)
 - Purpose can be very broad, but can only be acquisition and/or improvement of real property - no furniture or equipment
 - Oversight committee is not required
 - No limitations on tax rate

Board Decision

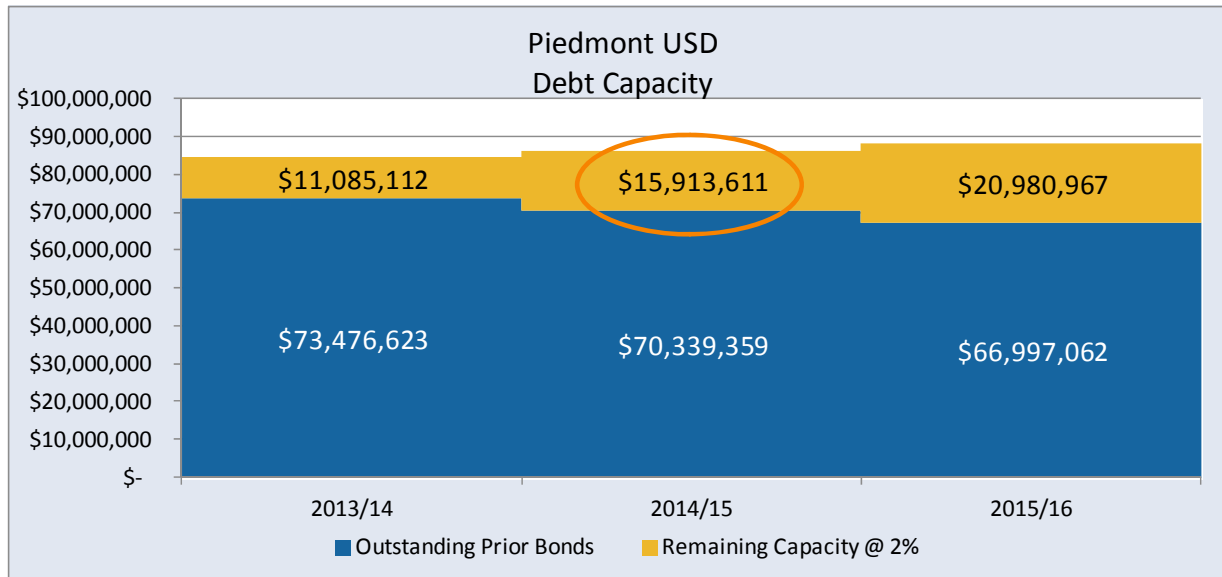
- Project List – Alan Harvey Theater renovations, including theater equipment
- Authorization Amount - \$13 - \$14 - \$15 million
- Tax expectations for ballot purposes - this involves structuring considerations, but does not necessarily lock in a bond structure. Structure considerations may include:
 - Repayment term – assume 13 to 25 years for following analysis
 - Overall Cost/Repayment Ratio - the ratio of total repayment (principal and interest) to initial bond proceeds (principal) received
 - Depends on repayment term and interest rate
 - Tax rate per \$100,000 of assessed value

Bond Basics

- There are three bond concepts that are interconnected in bond discussions:
 - **Statutory Bonding Capacity or Debt Capacity**
 - Limits the amount of school district bonds that can be outstanding at the time of a bond issue to 2.5% of total assessed value.
 - Does not limit the amount authorized by voters, only the amount actually issued.
 - **\$60 Tax Rate Maximum**
 - Limits the amount of bonds that can be issued to what is reasonably expected to be repaid within the annual rate of \$60 per \$100,000 of assessed value.
 - Not a legal limit after bonds have been issued – just a requirement that the expectation is that bond repayment will stay within that limit.
 - **Growth in Assessed Values**
 - To estimate tax rates and tax collections in the future, a growth rate is applied to assessed values. The tax rate itself may stay the same from year to year, but with a growing tax base (growing assessed values), the amount collected every year increases.

Piedmont USD Debt Capacity in 2013-14 and beyond

- Statutory debt capacity is 2.50% of total assessed value. For PUSD in 2013/14:
 - Total Debt Capacity = \$84,561,735
 - Bonds Outstanding = \$73,476,623
 - Remaining Capacity = **\$11,085,112**
- 2014-15 Capacity will be determined by early August 2014.
 - 0% growth will result in capacity of **\$14.2 million**
 - 2% growth will result in capacity of **\$15.9 million**



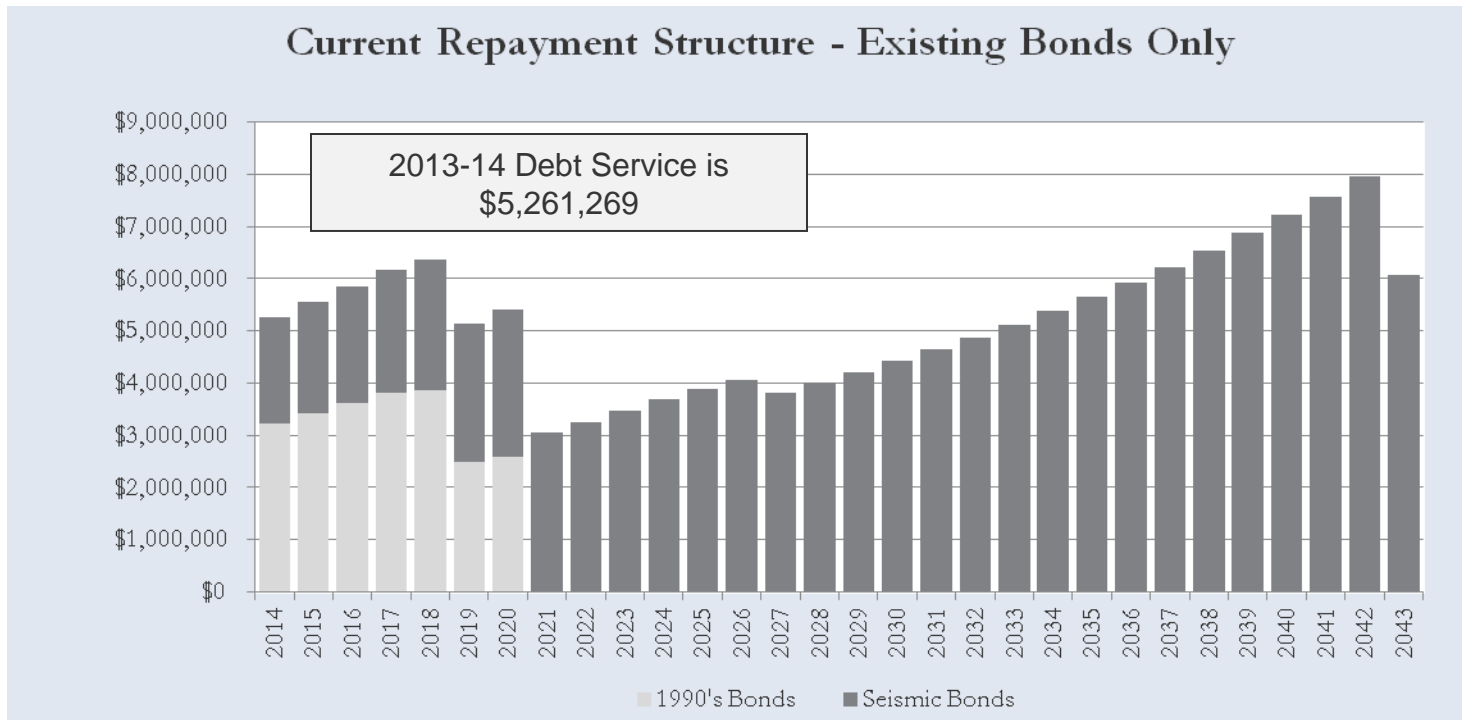
Bond Repayment Structuring Options

- The tax impact of any bond measure will depend on the repayment structure of the bonds. The following structures are presented as a starting point for Board review and discussion:
 - **Wrap around repayment** – bond repayment does not start until some of existing bonds have been repaid. This requires the issuance of CABS. No new taxes for the next 8 years.
 - **Level repayment** – Bond repayment is in equal payments every year. This results in an initial increase in taxes, but taxes decrease in time as the tax base grows. This is the overall lowest cost option.
 - **Interest only** – Only interest is paid until some of the existing bonds are repaid. The initial increase in taxes is not as high. This is a hybrid option.

- **Please note that the bond repayment amounts and tax rates that follow are estimates only. Actual interest rates and future assessed value growth will determine the actual numbers.**

Current Bond Repayment With No New Bonds

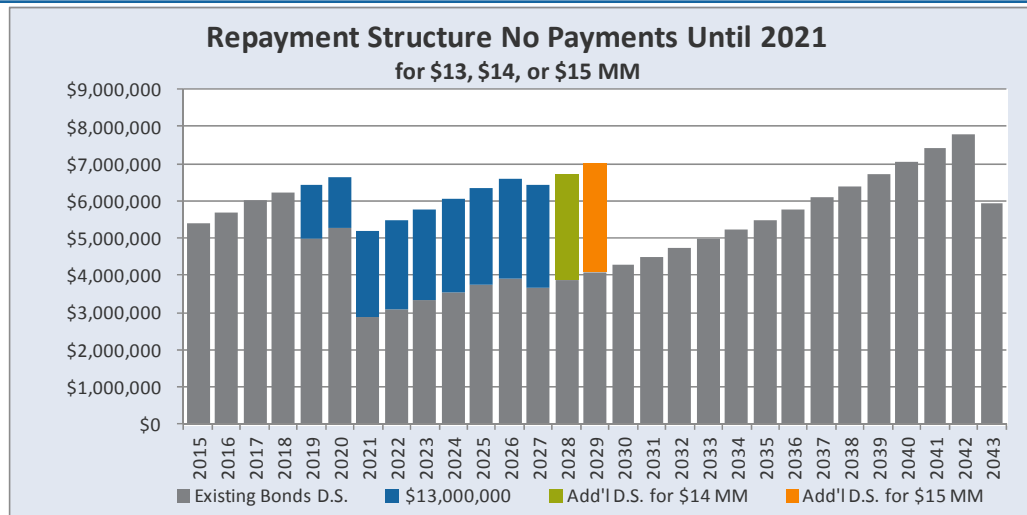
- As a baseline, the repayment on the District’s existing bonds is shown below.
 - The 1990’s bonds will be paid off in 2020.
 - The Seismic bonds are structured with an increasing repayment over time so that the tax rate stays level.



Option 1 – Wrap Around Existing Bonds

- No repayment until existing bonds have been repaid. Requires the issuance of “CABs” to accrue interest until 2020.
- To stay under \$60 tax rate limit, will need to extend repayment to 14 or 15 years.

Amount	\$13 Million	\$14 Million	\$15 Million
Initial Tax Rate per \$100,000 AV	\$0	\$0	\$0
Tax Rate 2021-2029	\$56 2021-2027	\$56 2021-2028	\$56 2021-2029
Total Repayment	\$20.5 million	\$23.3 million	\$26.3 million
Repayment Ratio*	1.58:1	1.67:1	1.75:1

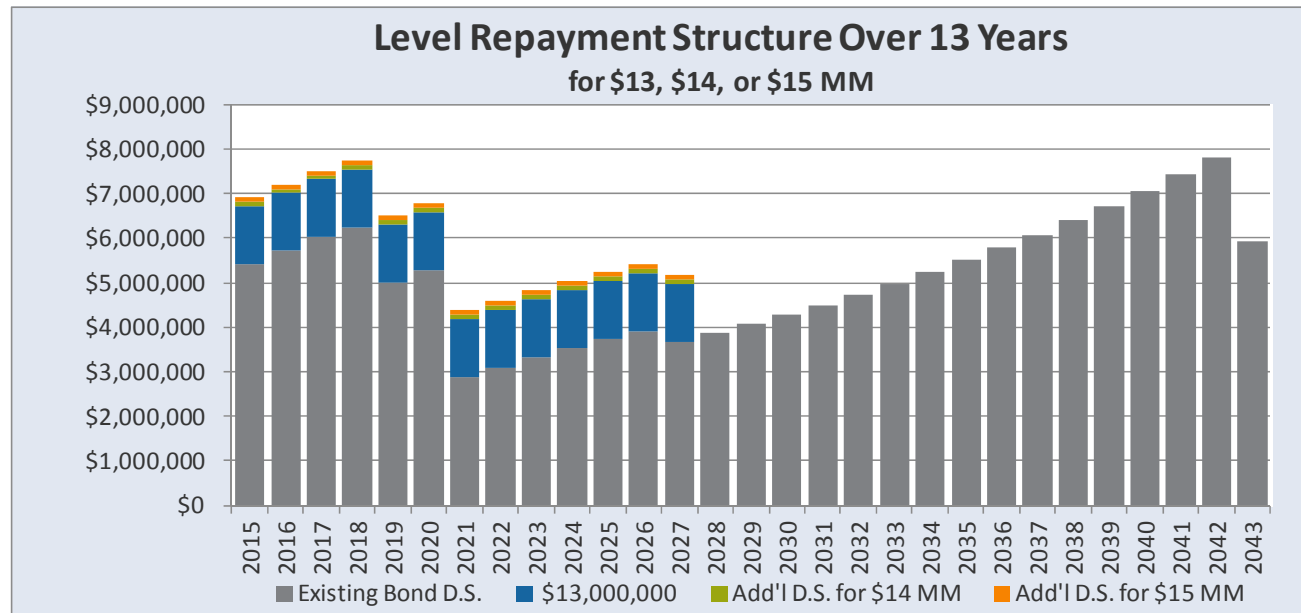


* Repayment ratio is the ratio of total repayment (principal and interest) to initial bond proceeds (principal) received.

Option 2 - Level Repayment Over 13 Years

- Repay bonds over the next 13 years with a level repayment structure. Annual debt service is the same every year, but the tax rate decreases over time.

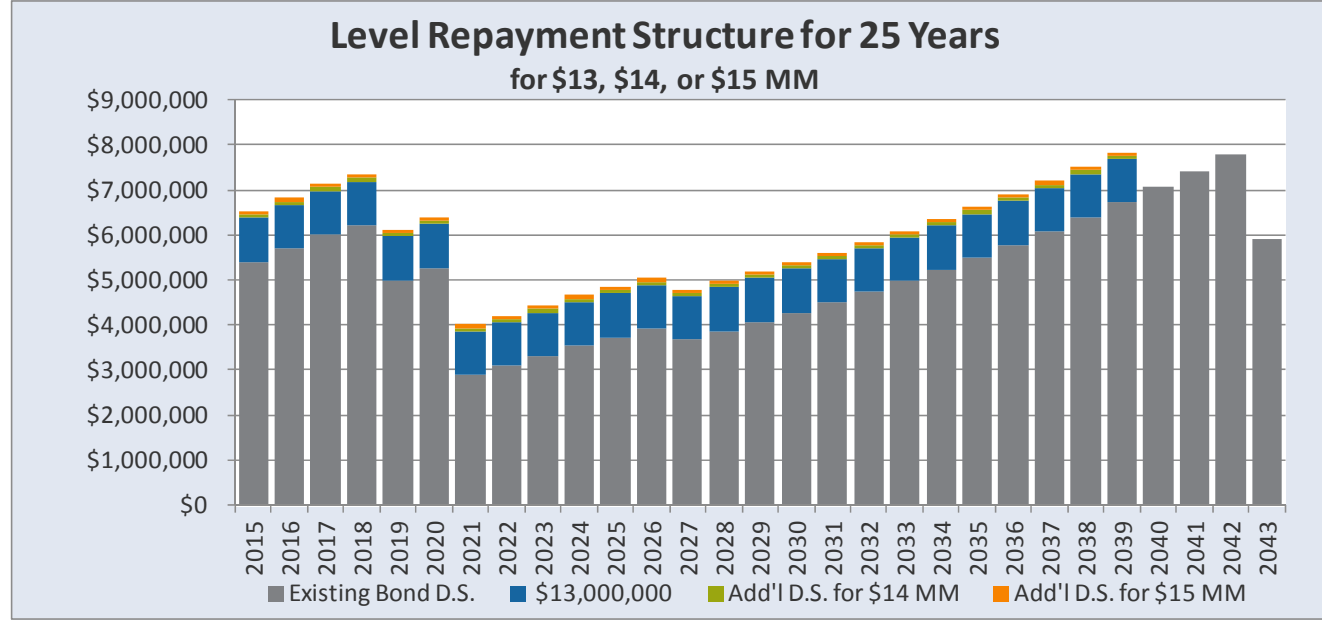
Amount	\$13 Million	\$14 Million	\$15 Million
Max Tax Rate per \$100,000 AV	\$38	\$41	\$43
Average Tax Rate	\$32	\$34	\$37
Total Repayment	\$16.9 million	\$18.2 million	\$19.5 million
Repayment Ratio	1.30 :1	1.30 :1	1.30 :1



Option 3 - Level Repayment Over 25 Years

- Repay bonds over 25 years, with a level repayment structure. Annual debt service is the same every year, but the tax rate decreases over time.

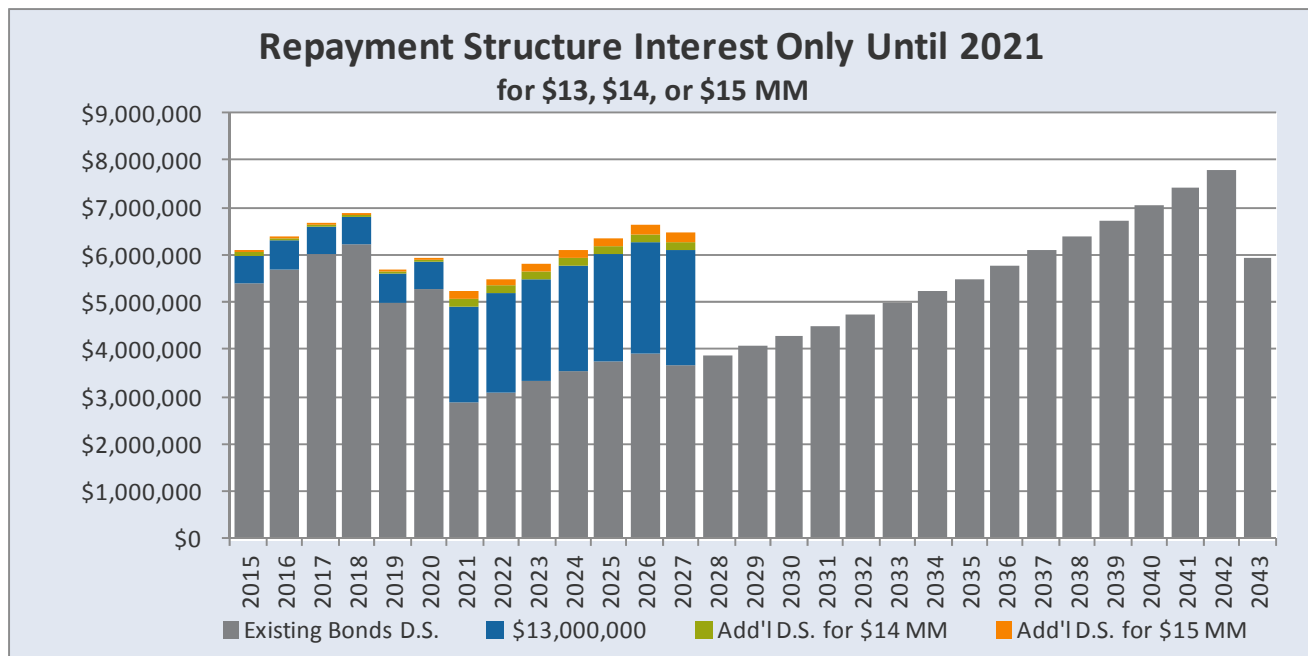
Amount	\$13 Million	\$14 Million	\$15 Million
Max Tax Rate per \$100,000 AV	\$28	\$30	\$32
Average Tax Rate	\$20	\$22	\$23
Total Repayment	\$24.2 Million	\$26.1 Million	\$28.0 Million
Repayment Ratio	1.86 :1	1.86 :1	1.86 :1



Option 4 – Interest Only Until 2021

- No CABs – current interest bonds only. Interest payments only until 2021.

Amount	\$13 Million	\$14 Million	\$15 Million
Initial Tax Rate per \$100,000 AV	\$17	\$18	\$19
Tax Rate 2021-2027	\$49	\$53	\$57
Total Repayment	\$19.0 million	\$20.5 million	\$22.0 million
Repayment Ratio	1.46 :1	1.46 :1	1.46 :1

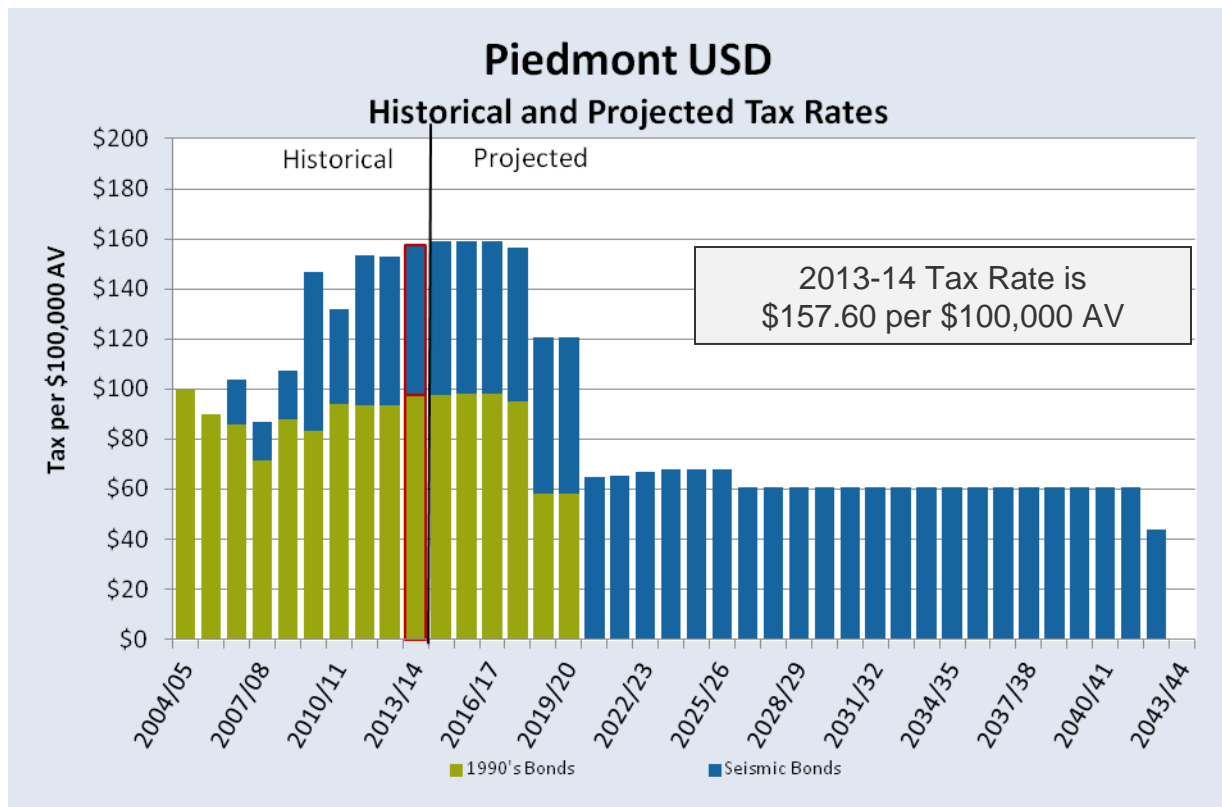


Other Options

- Other options we can consider:
 - **Longer repayment term** – can go out up to 40 years, as long as repayment does not exceed useful life of improvements.
 - **Shorter repayment term** – spike in tax rate for short duration.
 - For example, if using maximum allowable tax rate of \$60 starting right away, \$15 million can be repaid in eight years with a repayment ratio of 1.20:1
 - **Flat tax rate** – repayment is structured to increase over time at the same pace as property values. The tax rate stays flat even though the repayment amount increases every year.

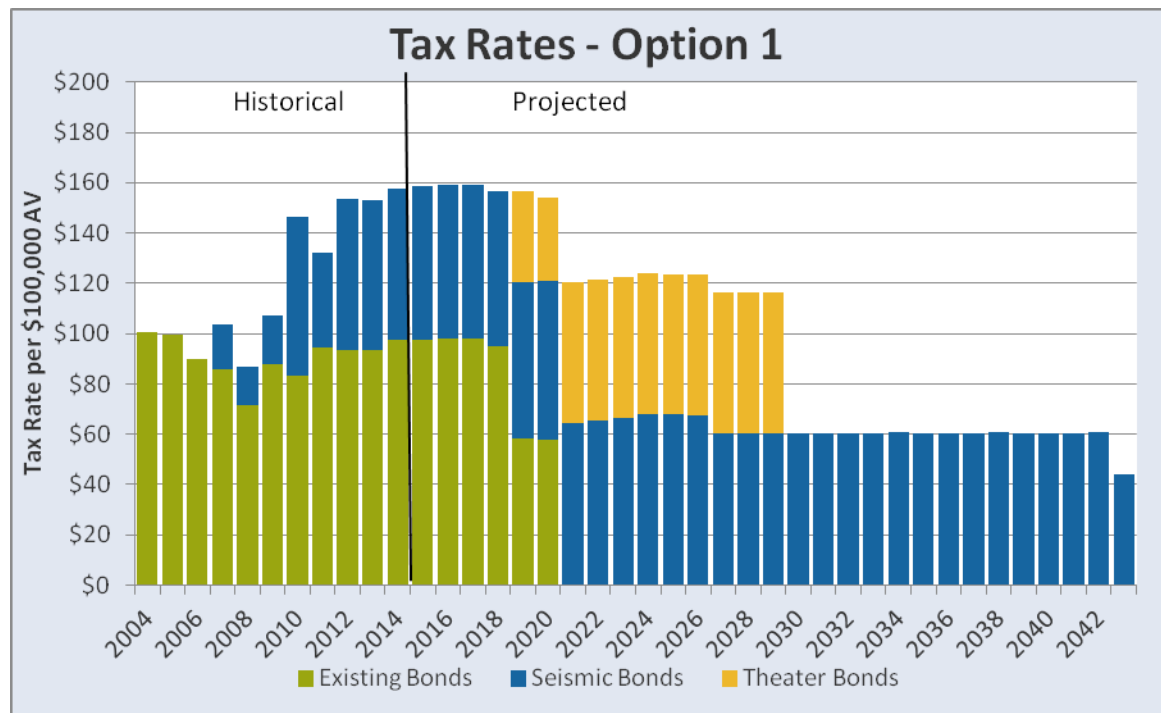
Comparison of Tax Rates

- A comparison of the tax rate per \$100,000 of assessed value for each option is shown on the next few slides. **The table below shows the current expected tax rate, with no additional bonds.**
 - Assumes 5% growth in the overall tax base each year.



Tax Rate Impact – Option 1

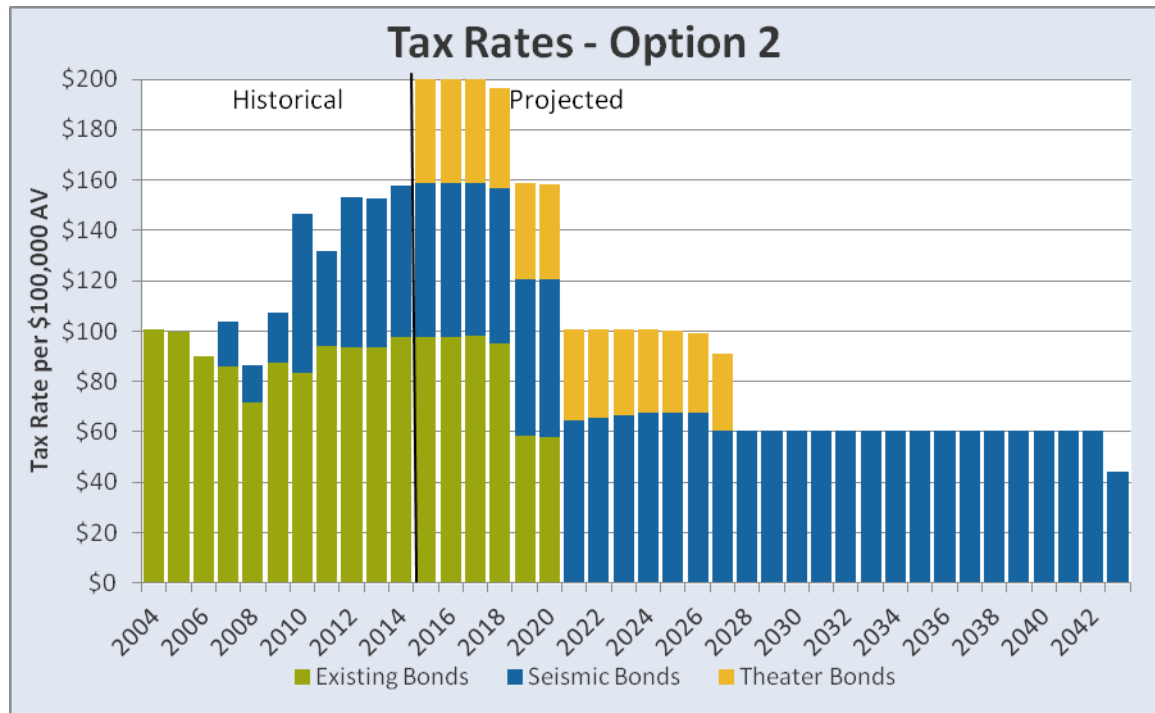
- With CABs, the tax rate does not increase at all. When the existing tax rate starts to decrease in 2018, the new bond payments begin, with the new tax never exceeding the current tax rates. This graph assumes \$15 million option and a maximum tax rate of \$56.



Tax Impact – Option 1 (\$15 MM)		
Assessed Value in 2014-15	\$100,000	\$1,000,000
Initial Tax	\$0	\$0
Tax Rate 2019-2020	\$35	\$350
Tax Rate 2021-2029	\$56	\$560
Total tax paid if taxpayer stays in same property entire term (2% annual growth in AV)	\$691	\$6,910

Tax Rate Impact – Option 2

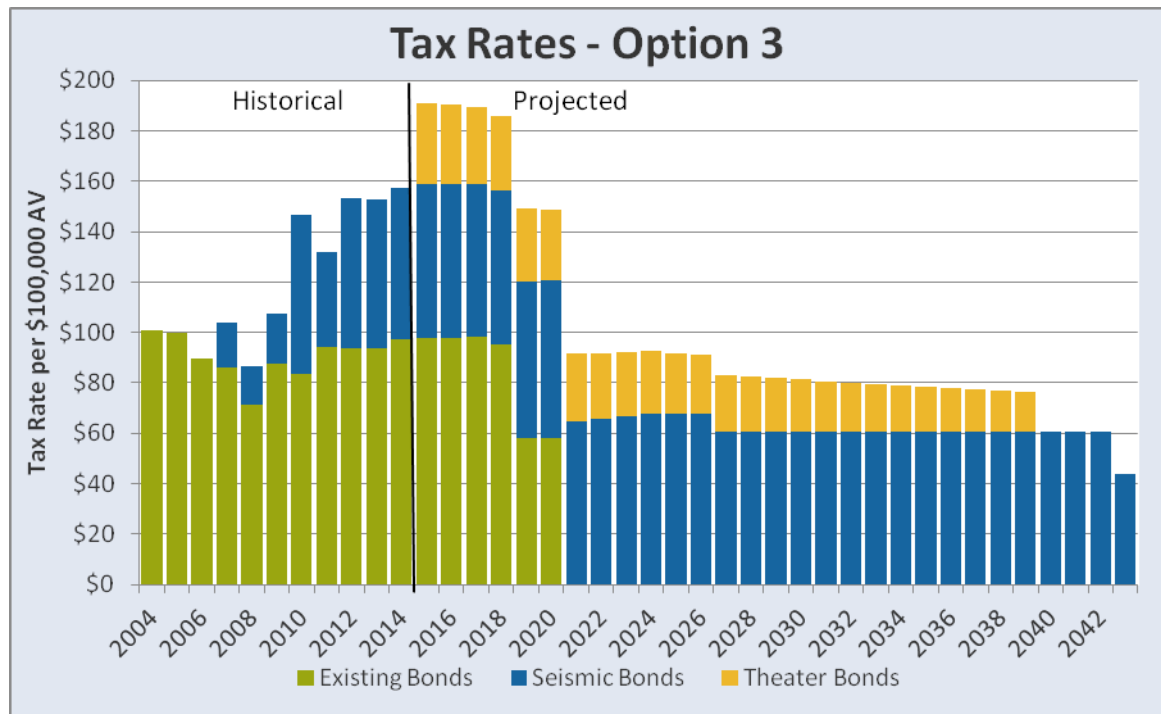
- With a level repayment structure, tax rates will go up immediately, but decline as the tax base grows and old bonds are repaid. This graph shows the 13 year, \$15 million repayment option.



Tax Impact – Option 2 (\$15 MM)		
Assessed Value	\$100,000	\$1,000,000
Initial Tax	\$43	\$430
Average Tax Rate	\$37	\$370
Total tax paid if taxpayer stays in same property entire term (2% annual growth in AV)	\$532	\$5,320

Tax Rate Impact – Option 3

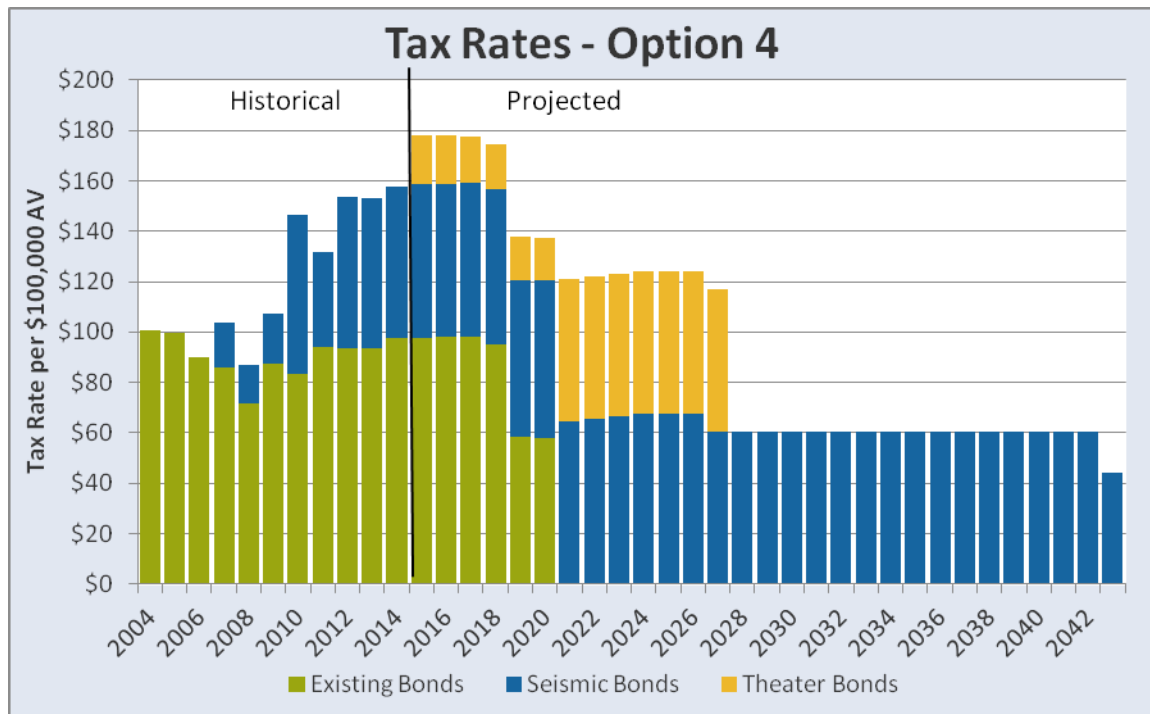
- With level repayment structure stretched out over 25 years, tax rates will go up immediately, but decline as the tax base grows and old bonds are repaid. This graph shows the 25 year, \$15 million repayment option.



Tax Impact – Option 3 (\$15 MM)		
Assessed Value	\$100,000	\$1,000,000
Initial Tax	\$32	\$320
Average Tax Rate	\$23	\$230
Total tax paid if taxpayer stays in same property entire term (2% annual growth in AV)	\$720	\$7,200

Tax Rate Impact – Option 4

- With interest only initially, the tax rate would increase to cover interest payments. Principal payments would start in 2021, when the tax rate would have decreased. This graph shows the \$15 million option.



Tax Impact – Option 4 (\$15 MM)		
Assessed Value	\$100,000	\$1,000,000
Initial Tax 2015-2020	\$18	\$180
Tax Rate 2021-2027	\$57	\$570
Total tax paid if taxpayer stays in same property entire term (2% annual growth in AV)	\$587	\$5,870

Summary - Comparison of Options

- The following table compares the key cost features of each option at **\$15 million**.

Option	1	2	3	4
Structure	Wrap	Level 13	Level 25	Interest Only
Repayment Term	15 years	13 years	25 years	13 years
Tax rate per \$100,000 AV for year 2015-2021	\$0	\$43	\$32	\$18
Average tax rate per \$100,00 AV for remaining years	\$56	\$37	\$23	\$57
Total tax paid for property assessed at \$100,000 AV in 2014-15	\$691	\$532	\$720	\$587
Final repayment	2029	2027	2039	2027
Total Repayment (in millions of \$)	\$26.3	\$19.5	\$28.0	\$22.0
Repayment Ratio	1.75 : 1	1.30 : 1	1.86 : 1	1.46 : 1

Note: Actual repayment and tax rates will depend on various factors not known at this time; the information provided here is for comparative purposes.

Questions?
