West Contra Costa USD

Update on 2014 GO Bond Refunding

Presentation to the Facilities Subcommittee

May 13, 2014

I. Refunding Overview

West Contra Costa USD Refunding Policy

The Board adopted a refunding policy (B.P. 7214.3) on April 24, 2013.

The policy stipulates minimum guidelines when evaluating potential refunding opportunities.

The highlights of the policy include:

- Current refundings should achieve present value savings of at least 4%;
- Refundings should achieve $1 million of present value savings and a minimum of $100,000 annual savings;
- The term of the debt should not be extended;
- Refundings should be structured to achieve level annual debt service savings, or to level out overall debt service, or to maintain tax rates; and
- Refundings may be utilized to manage tax rate commitments to voters.

II. West Contra Costa USD 2014 GO Bond Refunding Objectives

Potential GO Bond Refunding Objectives

Help manage tax rates to honor commitments to taxpayers and to comply with statutory requirements.

Measure by Measure Summary

Based on our projections and the availability of tax rate stabilization funds, the District should expect to meet its tax rate targets in 2014-15 on five of its six bond measures even in the absence of tax base growth.

Measure	Tax Rate Target	Achievability
1998 Measure E	$26.40	Under all circumstances
2000 Measure M	55.60	With use of tax rate stabilization fund
2002 Measure D	60.00	Requires refunding, cash deposit and/or strong AV growth, depending on tax rate growth
2005 Measure J	60.00	May not need help, or else tax rate stabilization funds and/or refunding with use of tax rate stabilization fund
2010 Measure D	48.00	Under all circumstances
2012 Measure E	48.00	Under all circumstances

However, unless assessed valuation growth is 8% or higher, tax rates for 2002 Measure D bonds are projected to exceed the target $60 rate in 2014-15 absent other strategies.

Addressing the Funding Gap

To the extent that tax base growth does not allow the District to meet its tax rate target regarding its 2002 Measure D Bonds, we are evaluating a variety of alternatives, some of which may need to be used in combination.

- Refunding existing 2002 Measure D Bonds to reduce payments coming due in 2014-15.
- Depositing existing bond proceeds in the 2002 Measure D debt service fund (to the extent legally appropriate).
- Issuing new bonds under 2010 Measure D or 2012 Measure E to redeem existing 2002 Measure D Bonds as provided in the ballot language.
- Allow County to levy in excess of tax rate targets.

III. Refunding Candidates and Savings Analysis

2002 Measure D Issuances – Refunding Candidates

Potential Refunding Savings – 2002 Measure D

Under current market conditions, a refunding of the Series C Current Interest Bonds could generate as much as 8% net present value savings but not help the District meet it's tax rate target of $60 in 2014-15 or 2015-16.

By using convertible capital appreciation bonds to refund the Series C Current Interest Bonds, the District could meet it's tax rate target in 2014-15 but not in 2015-16, absent other strategies.

Potential Refunding Savings – 2002 Measure D

Scenario 3 refunds the 2015 and 2016 maturities of the Series C Capital Appreciation Bonds in addition to the Series C Current Interest Bonds.

Scenario 3 appears to keep a $60 tax rate in 2014-15 and 2015-16 at an A.V. growth rate of 4.00%.

Scenario 3 raises tax rates in all years subsequent to 2015-16, but still generates positive savings overall without extending the final maturity.

Summary of 2002 Refunding Strategies

	Overall Debt Service Savings	Net Present Value Savings	2014-15 Tax Rate Target	2015-16 Tax Rate Target	Comments
Scenario 1	$3,193,257.50	$2,169,174.94 (8.80%)	No	No	
Scenario 2	$2,156,445.66	$1,818,417.68 (7.38%)	Yes	No	Generates positive savings in all years but requires the use of Convertible CABs
Scenario 3	$1,353,369.31	$2,302,703.37 (8.28%)	Yes, assuming 4.00% growth	Yes, assuming 4.00% growth	Adds to tax rates (negative savings) in later years, but no use of Convertible CABs

Note: Results are subject to change based on actual interest rates at time of sale and actual assessed value growth.

2005 Measure J Issuances – Refunding Candidates

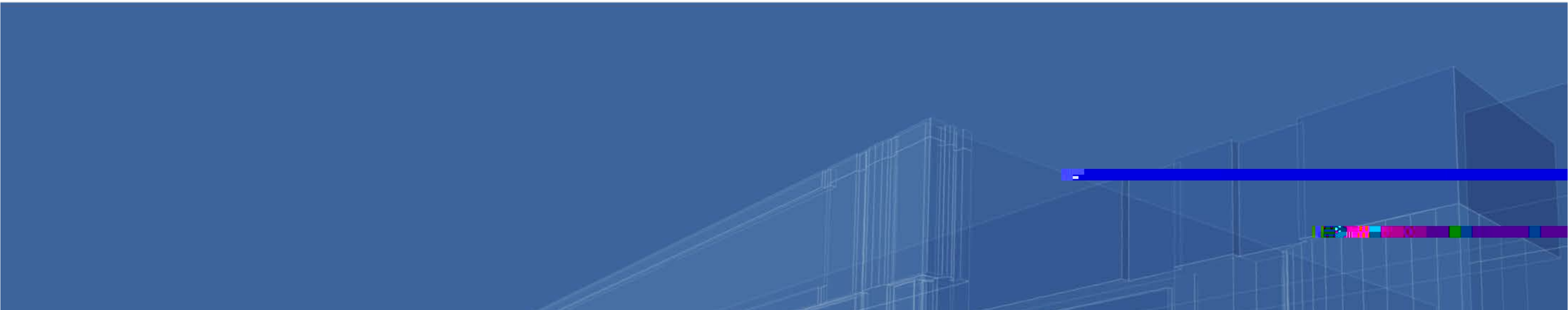
Delivery Date	Series	Original Par Amount	Outstanding Par Amount	Call Feature
5/17/2006	Series A	$70,000,000	$60,735,000	8/1/2014 @ 101

Potential Refunding Savings – 2005 Measure J

Under current market conditions, a 2014 refunding of 2005 Measure J, Series A could generate as much as 9% NPV savings (depending on structure) and effectively decrease outstanding debt service.

- Scenario 1 keeps tax rates at $60 for 2014-15 and maximizes savings.
- Scenario 2 keeps tax rates at $60 for 2014-15 and 2015-

Refunding – Election of 2005, Series A Bonds		
	Scenario 1 (Uniform Savings)	**Scenario 2** (Front Loaded Savings)
Types of Bonds Utilized	Current Interest	Current Interest
Total Principal Redeemed	$59,025,000.00	$59,025,000.00
Prior Debt Service	$95,896,900.00	$95,896,900.00
Refunding Debt Service	$88,330,318.75	$89,848,565.97
Debt Service Savings	$7,566,581.25	$6,048,334.03
Net Present Value Savings	$5,315,526.19	$5,008,177.33
Percentage Savings (Refunded Bonds)	9.01%	8.48%
True Interest Cost	3.90%	3.93%



Activities to Date

Appendix

Terminology