



Board Item #10.3

Capitol | PFG

Preparing for the Issuance of Measures Q & R Bonds

Sacramento City Unified School District

May 2, 2013



Sacramento City Unified School District

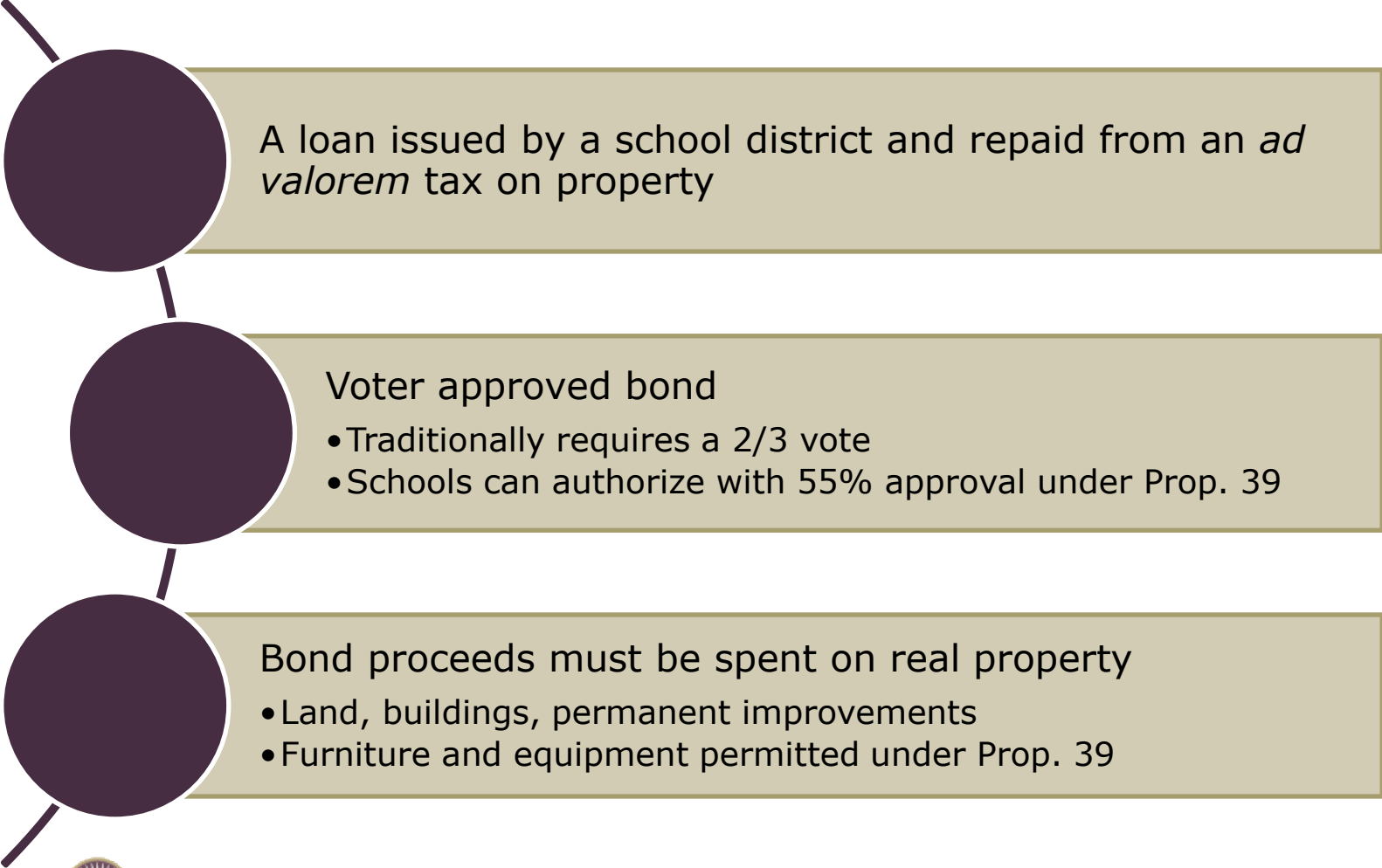
Putting Children First

Measures Q & R Approved in November 2012

- Measure Q
 - \$346 Million
- Measure R
 - \$68 Million
- *Estimated tax rate of \$54 per \$100,000 of assessed value*



GO Bonds



A loan issued by a school district and repaid from an *ad valorem* tax on property

Voter approved bond

- Traditionally requires a 2/3 vote
- Schools can authorize with 55% approval under Prop. 39

Bond proceeds must be spent on real property

- Land, buildings, permanent improvements
- Furniture and equipment permitted under Prop. 39



General Obligation Bond Taxes

- Once approved by the voters, taxes are imposed based on annual debt service from bonds issued
 - Repaid from a tax on all assessed value ("AV") in a district's boundaries

$$\text{Tax Rates Per } \$100,000 \text{ of AV} = \text{Bond Debt Service} / \text{AV} * \$100,000$$



Suggested Approach to Issuing Measures Q & R Bonds

- Evaluate construction expenditure needs over a 2 year period
- Determine whether the amount of bonds needed to fund expenditures can be issued using conservative bond assumptions
 - If assumptions are too aggressive, the result is higher than expected tax rates
- Implement construction expenditure plan based on ability to issue bonds
 - Re-evaluate bond plan annually
 - Iterative process



Issuance Parameters

Bond Term

- Based on useful life of projects
- Not to exceed 25 years

Interest Repayment Structure

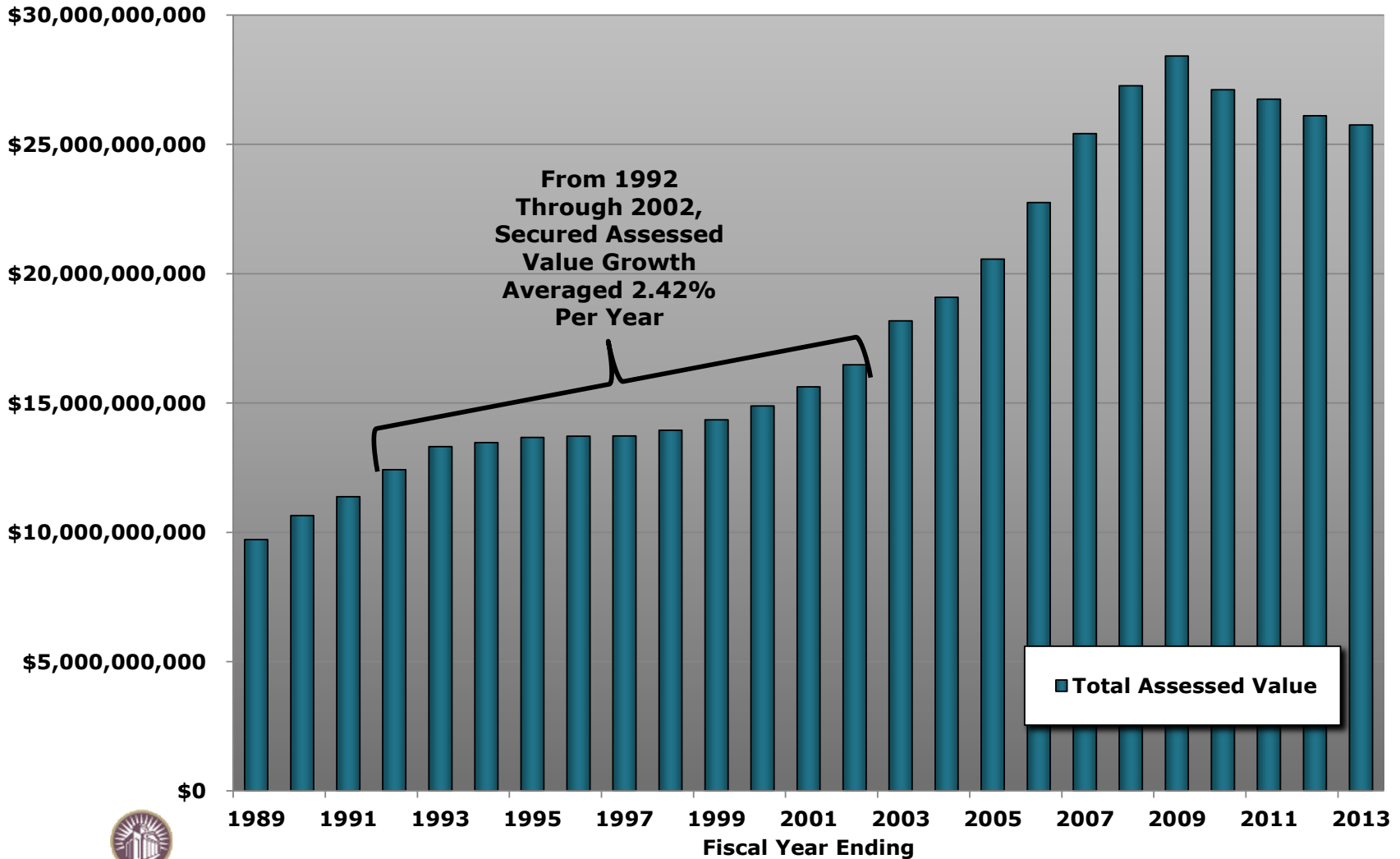
- Current interest bonds

Assessed Value Growth Rate

- Based on conservative assumptions



Over the Past 25 Years, Assessed Value In the District has Grown by an Annual Average of 4.14%, With Secured Assessed Value Increasing by an Annual Average of 3.63%. However, Since 2008-09, Assessed Value has Steadily Declined



Preliminary Bond Plan Assumptions

0.00%	- Annual Increase in Net Local Secured A.V. for 2013-14
1.00%	- Annual Increase in Net Local Secured A.V. for 2014-15
2.00%	- Annual Increase in Net Local Secured A.V. after 2014-15 (average is 3.63% over past 22 years, with a low of -5.06% in 2009-10)
0.00%	- Annual Increase in All Other A.V.
0.00%	- Assumed Delinquency Rate on Secured Property (Teeter Plan)
5.00%	- Assumed Delinquency Rate on Unsecured Property
\$44	- Maximum Annual Tax Levy Per \$100,000 of Assessed Value for Measure Q
\$10	- Maximum Annual Tax Levy Per \$100,000 of Assessed Value for Measure R

- *The District must be comfortable with and "own" the assumptions*



Approximately \$70 Million Can be Issued to Fund Projects Over the Next 2 Years

Bond Series	Estimated Issuance Amount	Notes on Issuance
Measure Q – Series A	\$16,500,000	Short-Term Notes
Measure Q – Series B	\$26,400,000	QSCBs
Measure R – Series A	\$13,500,000	25 Year Bonds
Measure R – Series B	\$13,600,000	QSCBs
Total	\$70,000,000	



Estimated Costs of Issuance		
Description	Measure Q Estimated Cost	Measure R Estimated Cost
Orrick, Sutcliffe & Herrington		
Professional Services (Bond Counsel)	\$30,000	\$30,000
Professional Services & Expenses (Disclosure Counsel)	\$20,000	\$20,000
Out-of-Pocket Expenses	\$2,500	\$2,500
Capitol Public Finance Group		
Professional Services (Financial Advisor)	\$65,000	\$65,000
Bond Planning	\$17,500	\$17,500
Out-of-Pocket Expenses	\$2,500	\$2,500
Other Expenses		
Standard & Poor's, Rating Agency (Rating Agency)	\$26,500	\$22,000
Cal-Muni Statistics	\$1,500	\$1,500
Sourcemia - Official Publication	\$2,500	\$2,500
Ipreo - Electronic POS Distribution & Sale Platform	\$2,500	\$2,500
AVIA (Printing and Freight)	\$2,500	\$2,500
Contingency	\$20,000	\$20,000
Estimated Total Costs of Issuance	\$193,000	\$188,500

- *An Underwriter's Discount of not-to-exceed 1% of the par amount of the bonds can be expected in addition to costs of issuance.*



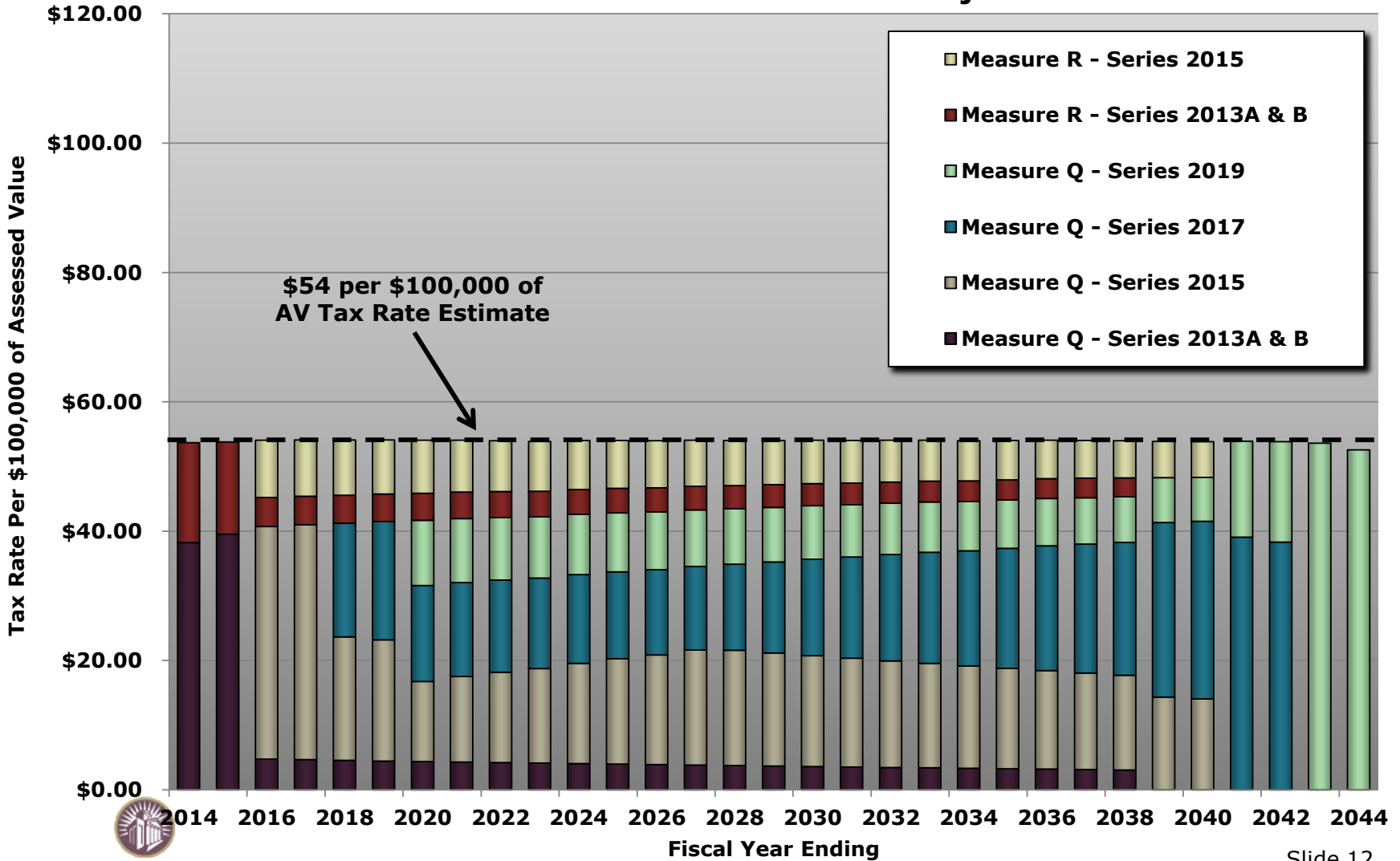
Estimated Measure Q Bond Issuance Schedule

Bond Series	Issuance Year	Current Interest Bonds	Capital Appreciation Bonds	Total Bond Issuances
Series A - Short Term	2013	\$16,500,000	\$0	\$16,500,000
Series B - QSCB	2013	\$26,400,000	\$0	\$26,400,000
Series C	2015	\$75,000,000	\$0	\$75,000,000
Series D	2017	\$75,000,000	\$0	\$75,000,000
Series E	2019	\$50,000,000	\$0	\$50,000,000
		\$242,900,000	\$0	\$242,900,000
<i>Remaining Bonds</i>	<i>TBD</i>	<i>\$103,100,000</i>	<i>\$0</i>	<i>\$103,100,000</i>
Total Bond Authorization:		\$346,000,000		

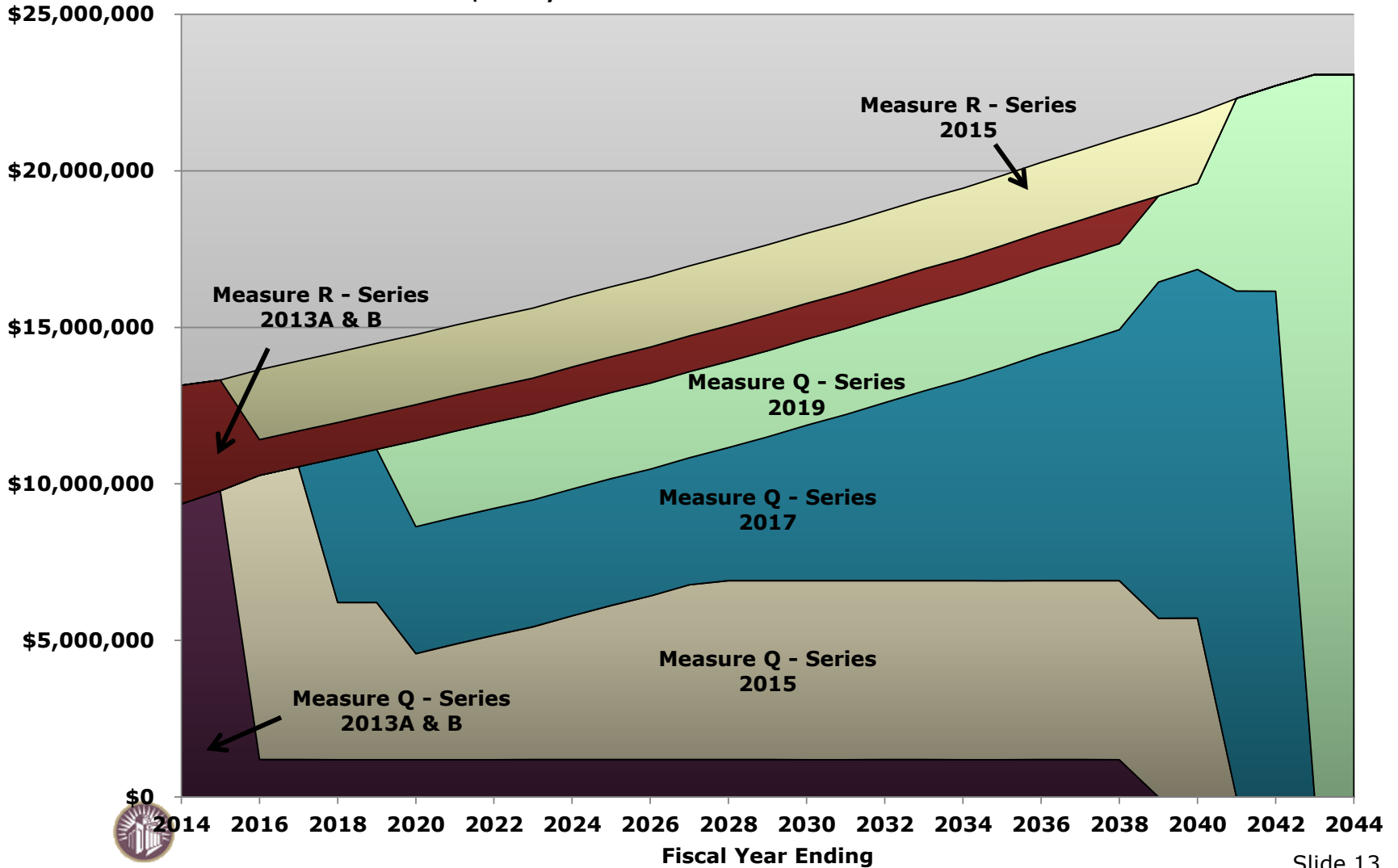
Estimated Measure R Bond Issuance Schedule

Bond Series	Issuance Year	Current Interest Bonds	Capital Appreciation Bonds	Total Bond Issuances
Series A	2013	\$13,500,000	\$0	\$13,500,000
Series B - QSCB	2013	\$13,600,000	\$0	\$13,600,000
Series C	2015	\$30,000,000	\$0	\$30,000,000
		\$57,100,000	\$0	\$57,100,000
<i>Remaining Bonds</i>	<i>TBD</i>	<i>\$10,900,000</i>	<i>\$0</i>	<i>\$10,900,000</i>
Total Bond Authorization:		\$68,000,000		

The District Could Issue Approximately \$243 Million of Measure Q and \$57 Million of Measure R Over 8 Years, While Maintaining the Tax Rate Promise of \$54 Per \$100,000 of Assessed Value, Based on Conservative Assessed Value Growth Projections



Debt Service on the 4 Series of Measure Q and 2 Series of Measure R Bonds Would Be Structured to Escalate Based on the Projected Growth in Assessed Value to Maximize Tax Rates at \$54 per \$100,000 of Assessed Value



Method of Sale

Board resolution will authorize both a negotiated and competitive sale

Lowest borrowing cost is achieved through a competitive sale IF certain conditions are met:

- Reasonable underwriter's discount

- Complexity of transaction can be simplified for potential investors

- Can receive 3 bids

Otherwise, a negotiated sale would likely provide better costs

- RFP process to select underwriter

- More flexibility during pricing to have market conditions reflected in the bond structure



Documents to Be Considered on May 16

Board Resolution

- Requests County Issue Bonds
- Parameters for Selling bonds (maximum sizing, maturity date and interest rate and method of sale)
- Approves form of various documents

Official Statement

- Disclosure document

Continuing Disclosure Certificate

- Requires annual update of information in the OS and disclosure of material events



Documents to Be Considered (Cont'd)

Paying Agent Agreement

- Agreement between District and County where the County agrees to provide payment on the bonds

Official Notice of Sale (Used for Competitive Sale)

- Document used to specify bidding terms

Bond Purchase Agreement (Used for Negotiated Sale)

- Agreement between District and Underwriter specifying the price and conditions for purchasing bonds



Schedule

May 16

- Board Considers Adoptions of Bond Resolution

May 21

- County Board of Supervisors Authorizes Bond Issuance

Late May/Early June

- Sale of Bonds

Late June/Early July

- Bond Closing

June- August

- Quick Strikes, Fields, Technology, Gyms, etc.

August

- Board Approval of Bond Steering Committee Recommendations





Projects In Progress Or Starting Immediately

MEASURE R	Description	Amount (Millions)
JFK	Renovation of field, stadium, track	\$4.90
	New Restroom Building/Snack Bar	\$1.00
Rosemont	New Synthetic field	\$2.00
Cal Middle	Modernization/Expansion of Gym	\$2.00
Central Kitchen	Phase I (Planning)	\$2.00
Deferred Maintenance allocation (initial two year allocation @ \$2 million/year)		\$4.00
CKM	Renovations to gym floor, bleachers, l	\$2.00
HJ	Renovations to gym floor, bleachers, l	\$3.30
	(will be reimbursed out of state ERP money)	
Fern Bacon	Bleacher and ADA Upgrades	\$1.00
	(will be reimbursed out of state ERP money)	
Total		\$22.20





Projects In Progress Or Starting Immediately

MEASURE Q	Description	Amount (Millions)
Project Green	(\$1 million/year for 5 years)	\$3.00
Alice Birney	Portable Project	\$2.00
Computer Carts		\$2.50
Technology Infrastructure (e-rate)		\$1.80
Technology Student Information System / Business Intelligence System		\$5.00
Quick Strike Projects @ all sites (\$20,000-\$25,000) each		\$2.00
Projects include digital marquees, landscaping, painting, fencing, security cameras, lighting, plumbing fixture upgrades, shade trees, resurface & restripe parking and/or playgrounds, play area upgrades, etc.		
First In The Series of Site Modernization Projects		\$5.00
Earl Warren	Door hardware, windows, parking lot repairs, painting, addition of two portable classrooms.	
Elder Creek	Technology upgrades, window repair, ceiling tile replacement, playground upgrades, painting	





Projects In Progress Or Starting Immediately

MEASURE Q	Description		Amount (Millions)
Site Modernization Projects Continued			
Ethel Baker	Flooring repairs/replacement, door replacement, plumbing upgrades in restrooms, painting, technology, blacktop resurfacing, windows		
Ethel Phillips	Technology upgrades, windows, parking lot upgrades, painting		
Father Keith B Kenny	HVAC repairs, technology upgrades, door hardware, windows, replace flooring, blacktop resurfacing, roof repairs		
Hollywood Park	Technology upgrades, windows, flooring repairs/upgrades, parking lot upgrades, restriping, plumbing fixtures, painting		
HW Harkness	Technology upgrades, windows, landscaping, parking lot improvements, playground upgrades, painting		





Projects In Progress Or Starting Immediately

MEASURE Q	Description	Amount (Millions)
Site Modernization Projects Continued		
Oak Ridge	HVAC repairs, electrical upgrades, lighting repairs/replacement, windows, parking lot upgrades, painting	
Pacific	Electrical upgrades, lighting upgrades, technology upgrades, door hardware, windows, flooring repairs/replacement, parking lot & playground upgrades, painting	
Peter Burnett	Windows, repair/replace flooring, parking lot upgrades, playground improvements, technology upgrades	
Rosa Parks	Windows, flooring repairs/replacement, parking lot upgrades, rest-room upgrades, landscaping, two additional relocatable classrooms, two new playgrounds, fencing, painting, restroom upgrades	





Projects In Progress Or Starting Immediately

MEASURE Q	Description	Amount (Millions)
Site Modernization Projects Continued		
Theodore Judah	Technology upgrades, windows, playground upgrades, landscaping, painting	
William Land	Restroom upgrades, electrical upgrades, windows, flooring replacement/repairs, landscaping, parking lot & playground upgrades, plumbing fixtures	
Roofing	Fern Bacon	\$3.20
	Pacific	
	Peter Burnett	
	LDV	
	Hollywood Park	
Additional School Site Building Upgrades, Moderization, Replacement		\$10.00
Direct Costs associated with bond program (two years)		\$4.00
Total		\$38.50
Reserve to be allocated in the future		\$9.30
Grand Total		\$70.00





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Questions?

