



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# _____

Meeting Date: September 19, 2013

Subject: **Deadline for Refinancing Existing Certificates of Participation (COP's)**

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: To approve moving forward with the refinancing of existing COP's.

Background/Rationale: As previously discussed with the Board of Education during initial Bond financing discussions, the District is under a deadline to refinance its existing Certificates of Participation (COP's). If the District has not successfully refinanced our existing COP's by March 14, 2014, our interest rate will automatically go from a variable rate of approximately 4% to 9%.

Since the COP's are an obligation of the General Fund, if we fail to refinance our COP's there will be an immediate and significant negative impact to the General Fund.

There will be a short joint presentation by Capitol Public Finance Group (Capitol PFG) and Business Services. Both Capitol PFG and our bond counsel, Orrick, Herrington & Sutcliffe will be present to answer any questions.

The team will be seeking direction from the Board to move forward with the refinancing. The proposed schedule calls for a first reading of the refinancing at the October 17th Board of Education Meeting with action by the Board at the November 7th Board of Education Meeting.

Financial Considerations: Should the COP refinancing not occur, interest rates will increase which will result in an immediate and significant negative impact to the General Fund.

Documents Attached:

1. PowerPoint

Estimated Time of Presentation: 20 minutes

Submitted by: Ken A. Forrest, Chief Business Officer

Approved by: Jonathan P. Raymond, Superintendent



Overview of the District's Outstanding Certificates of Participation

Sacramento City Unified School District

September 19, 2013



Capitol | PFG

Agenda

Background Information



Current Status of COPs



Revenue Sources for COP Repayment



Direction and Next Steps



Background Information



What is a Certificate of Participation (“COP”)?

A loan used to fund capital improvements

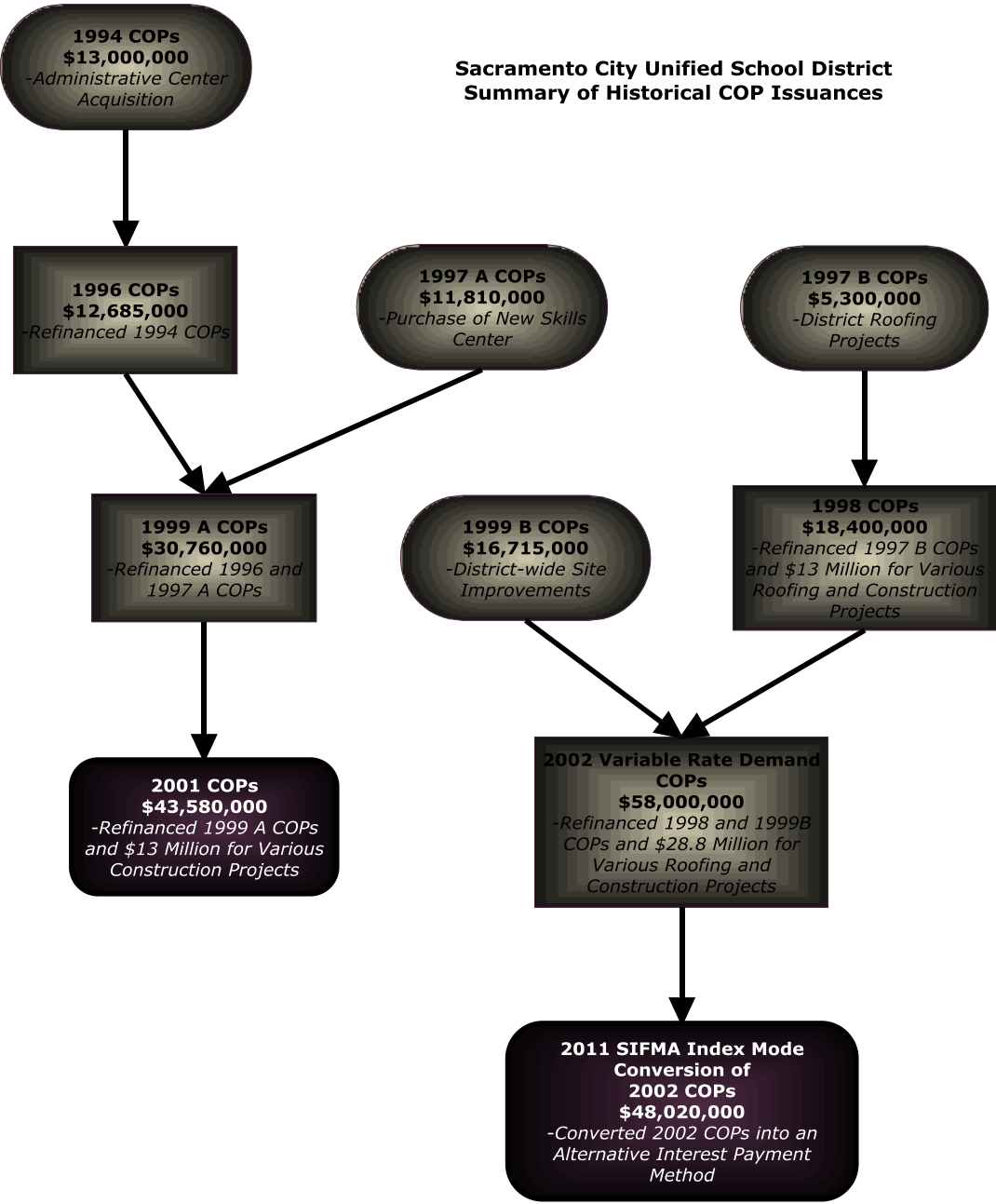
- Land acquisition
- Building acquisition
- Construction
- Modernization, reconstruction, reconfiguration
- Capital equipment purchase

Repaid from any legally available revenue source

- **Ultimately an obligation of the District’s General Fund**



**Sacramento City Unified School District
Summary of Historical COP Issuances**



Current Status of COPs



2001 COP - \$43,580,000

Currently Outstanding

- \$32,655,000

Final Maturity

- March 1, 2031

Interest Rate Mechanism

- Fixed Rate

Average Interest Rate

- 4.98%

Debt Service Payments

- Level debt service with average payments of \$2,788,990 per year



2001 COP Leased Assets

Leased Asset	Estimated Value
McClatchy High School	\$23,739,164
Hiram Johnson High School	\$29,043,670

- These are the facilities currently being used as collateral for our existing COP's



2011 SIFMA Index Mode COP - \$48,020,000

Currently Outstanding

- \$47,505,000

Final Maturity

- March 1, 2040

Interest Rate Mechanism

- Variable, equal to 3% over the SIFMA Swap Index rate
- Mandatory Tender on March 14, 2014

Debt Service Payments

- Principal is low initially, then escalates substantially after 2022
- Estimated 2013-14 payment of \$2 million



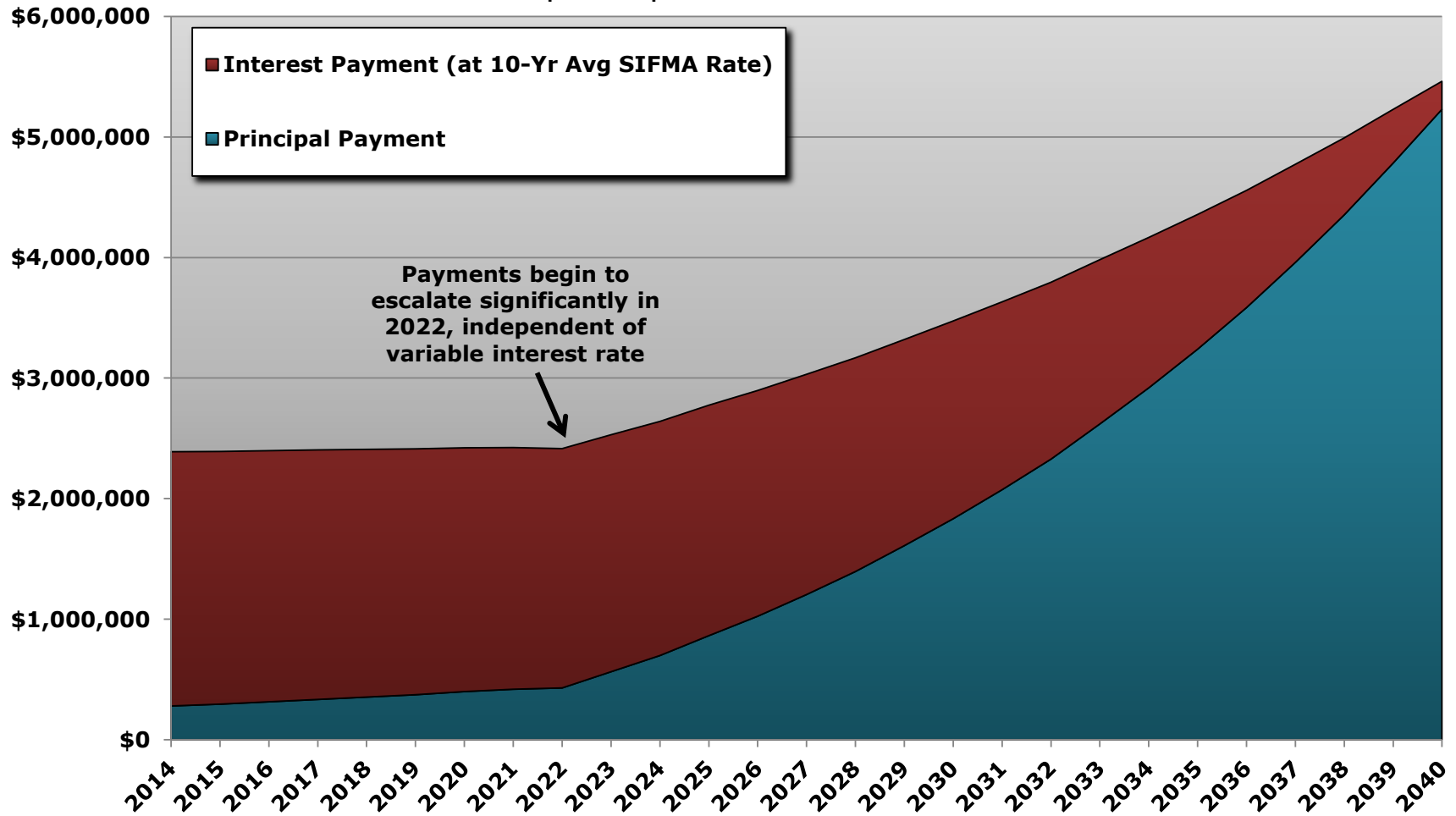
2011 SIFMA Index Mode COP Principal Payments

2012	\$250,000	2022	\$430,000	2032	\$2,330,000
2013	\$265,000	2023	\$565,000	2033	\$2,620,000
2014	\$280,000	2024	\$700,000	2034	\$2,920,000
2015	\$295,000	2025	\$865,000	2035	\$3,240,000
2016	\$315,000	2026	\$1,025,000	2036	\$3,585,000
2017	\$335,000	2027	\$1,205,000	2037	\$3,960,000
2018	\$355,000	2028	\$1,395,000	2038	\$4,355,000
2019	\$375,000	2029	\$1,610,000	2039	\$4,785,000
2020	\$400,000	2030	\$1,835,000	2040	\$5,230,000
2021	\$420,000	2031	\$2,075,000		

- Principal payments are currently scheduled to increase substantially over time

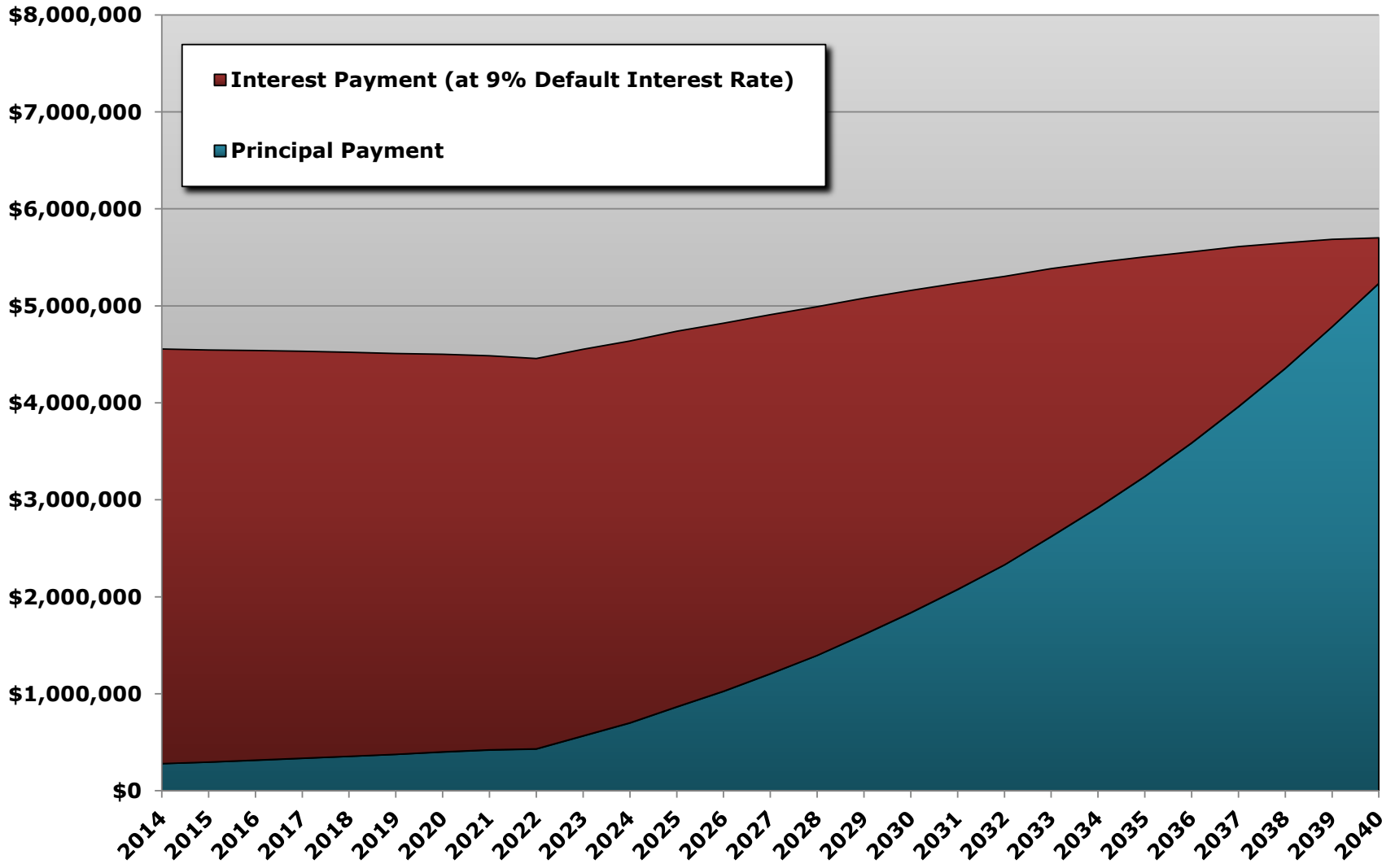


With the Currently Scheduled Principal & Estimated Interest Payments on the \$47.5 Million of Outstanding 2011 SIFMA Index Mode COPs, Debt Service will Range from \$2.4-\$5.5 Million Per Year



Note: Estimated interest rate based on 10-year average SIFMA Swap Index of 1.44% plus 3%, per the 2011 COP Conversion documents. **Actual rate is unknown at this time.**

The District Must Refinance or Convert the 2011 COPs by March 14, 2014 to Avoid a 9% Default Interest Rate, Resulting in Payments of Approximately \$4.5-\$5.7 Million



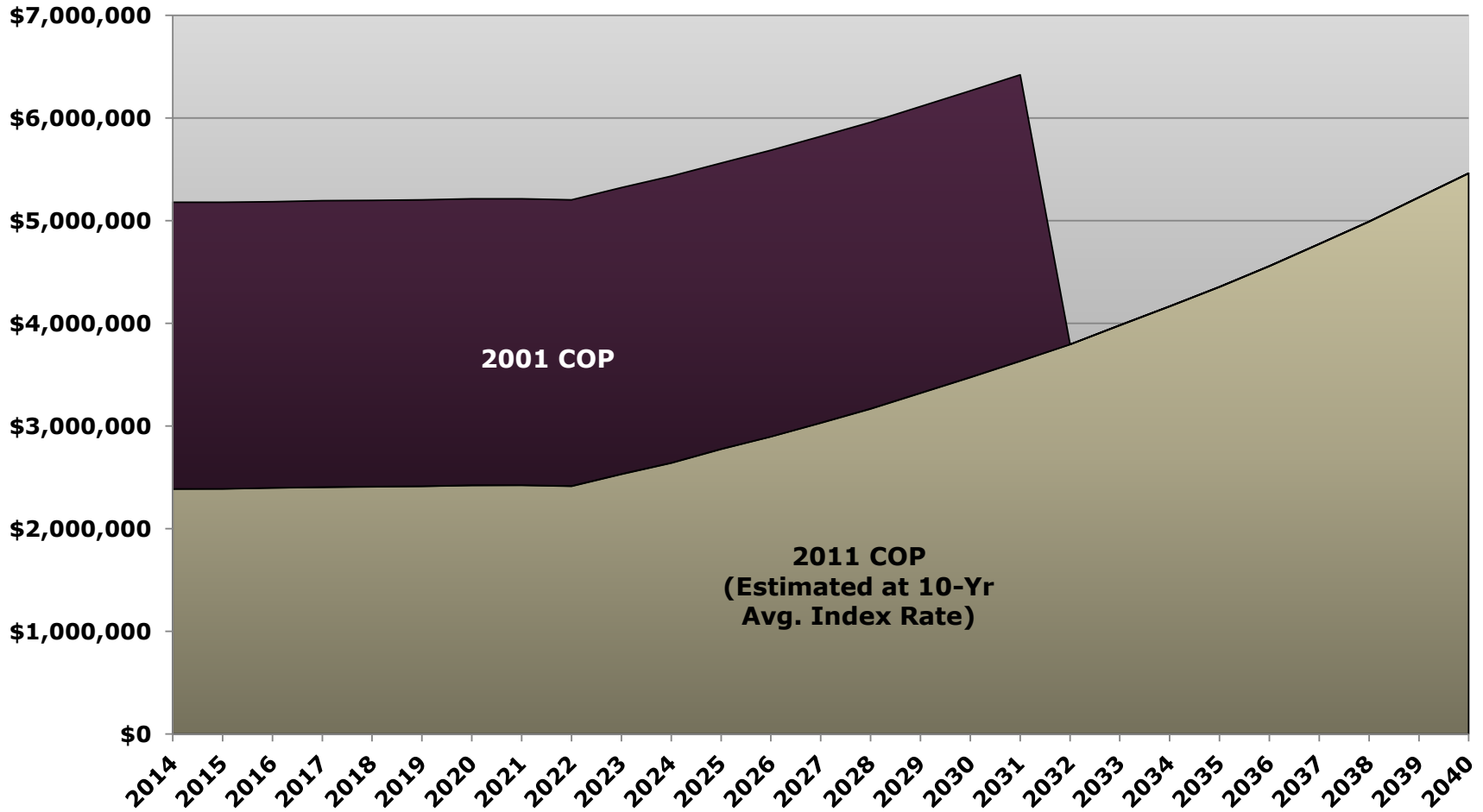
2011 COP Leased Assets

Leased Asset	Estimated Value
John F. Kennedy High School	\$40,970,000
Sam Brannan Middle School	\$27,580,000
Muddox Site (all 7 buildings)	\$17,220,000

- These are the facilities currently being used as collateral for our existing COP's



Combined Debt Service on the District's 2 Outstanding COPs is Estimated to Range from \$5.2-\$6.54 Million Until the 2001 COPs are Repaid in 2031, then Would Range from Approx. \$3.8-\$5.5 Million



Note: Estimated interest rate based on 10-year average SIFMA Swap Index of 1.44% plus 3%, per the 2011 COP Conversion documents. **Actual rate is unknown at this time.**

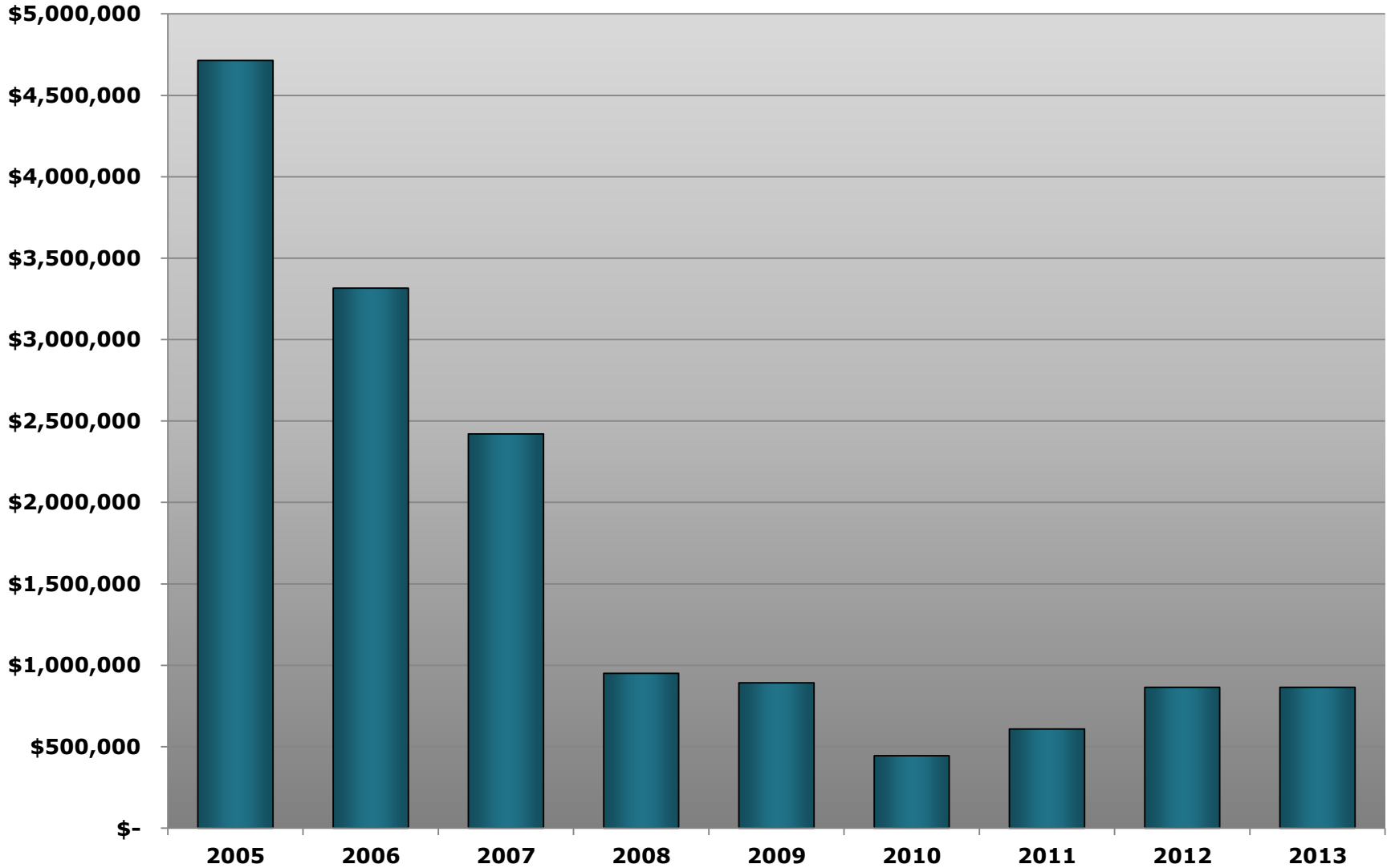
Revenue Sources for COP Repayment



Revenue Sources for COP Repayment



The District Has Seen a Drastic Decline in Developer Fee Revenues Since 2004-05. Over the Past 6 Years, Developer Fee Collections Have Not Reached \$1 Million



Developer Fees

- Developer fees can be used for COP repayment to the extent proceeds were used for projects benefitting new development
 - An uncertain revenue source
 - Will require a back-up plan to the extent such money is needed for COP repayment



Redevelopment Pass-Through Funds

- The District is entitled to receive funding from 3 former Redevelopment Agencies
 - Comprised of 12 project areas
- Estimated 2013-14 revenues of approx. \$700,000
- Term of receipt of revenue based on:
 - Expiration of project area
 - Term of outstanding RDA debt
- *Even though redevelopment agencies were dissolved, the obligation to pass tax increment to the District remains.*



Estimated 2013-14 Redevelopment Revenues

Former Redevelopment Agency	Project Area	Year Formed/ Amended	Estimated Year of Project Area Termination	Estimated 2013-14 Revenues (Available for Capital Facilities)
City of Citrus Heights	Commercial Corridor	1998	2043	\$62,000
City of Sacramento	65th Street	2004	2049	\$15,000
	Alkali Flat	1972/2003	2025	\$10,000
	Army Depot/Army Depot Annex	1995/2004	2049	\$90,000
	Franklin Blvd	1993/2003	2039	\$170,000
	Merged Downtown	1950/2003	2035	\$192,000
	Oak Park	1973/2003	2026	\$45,000
	Railyards	2008	2053	\$8,800
	River District	1990/2008	2036	\$11,000
	Richards Blvd			\$45,000
	Stockton Blvd	1994/2005	2041	\$69,000
County of Sacramento	Mather Project Area	1995/2005	2046	\$2,100
Total				\$719,900



Redevelopment Fund Balances

- The Board previously allocated \$5 million of Redevelopment fund balance to the Green Schools Project
 - The Project will be funded through bond proceeds
- *The District could reimburse the Redevelopment funds from bond proceeds for any Project expenditures to date*
 - *Future Project expenditures are scheduled to be funded from the bonds*
- *Then, re-allocate the \$5 million of Redevelopment funds towards COP repayment.*



Community Facilities Districts (“CFDs”)

- The District has 2 CFDs:
 - CFD #1 formed in 1997 (the Pocket area)
 - To fund improvements at: Martin Luther King Elementary, Lisbon Elementary, Matsuyama Elementary and other improvements at facilities located within the CFD
 - CFD #2 formed in 1992 (throughout the District)
 - To fund improvements to schools and support facilities serving students from the CFD



CFD Tax Rates

CFD #1

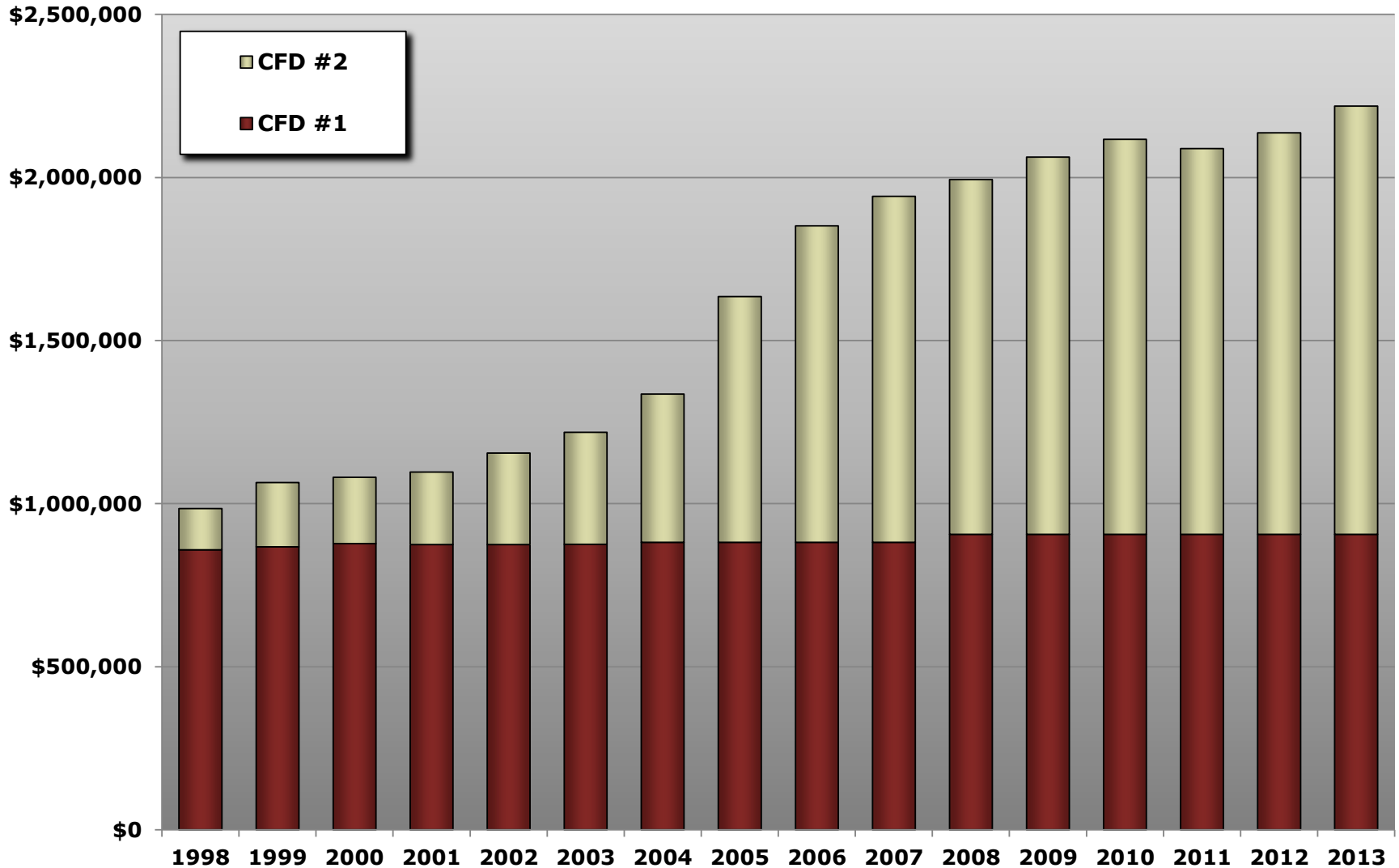
- Single Family Units - \$110/year
- Multi-Family Units - \$67.50/year
- Collections for 25 years
- \$7,950,000 of bonds issued in 1996
 - Maturing September 1, 2013

CFD #2

- Per square foot tax on single and multi family units
 - Currently, \$0.8057/sq. ft. for residential and \$0.469/sq. ft. for commercial/industrial
- Escalates by no more than 4.75%/year
- Collections for up to 30 years



Combined CFD Tax Collections Have Exceeded \$2 Million Over the Past 5 Years, However, Total CFD Revenues Will Begin to Decline as Units Pay for the Maximum Term



CFD Fund Balances

- The Board previously allocated \$9 million of CFD #2 fund balance to match state funding for modernization projects.
- *To the extent that the modernization projects are also bond projects, the District could use bond funds*
 - *Reimburse the CFD fund, if possible*
- *Then, re-allocate unspent CFD funds towards COP repayment.*



Capital Contributions from the General Fund

- To the extent other capital revenue sources are not sufficient to meet COP obligations, the General Fund will need to fund debt service
- Available capital funds will vary each year
 - For 2013-14, estimated total debt payments are approximately \$5 million, and combined capital revenues are approximately \$3.6 million
 - **Assuming all non-bond capital revenues are used for COP repayment, a \$1.4 million contribution from the General Fund will be required. This amount has been budgeted.**



Direction and Next Steps



Addressing the District's COP Debt

- To achieve fiscal stability, the District will need to address the repayment of outstanding COPs
 - While trying to minimize the burden on the General Fund
- Consider allocating non-bond capital revenues toward COP repayment
- Move forward with a plan to retire the outstanding principal



Plan for Moving Forward

- Staff is working on an overall COP plan
 - Refinance of 2001 COPs
 - To lower payments
 - Refinance/conversion of 2011 COPs
 - Provide certainty of future payments
 - Structured to retire principal
 - **Avoid significant interest rate increase.**
- Would like Board input/direction on dedication of revenue sources
 - Fund balances – redevelopment and CFDs
 - Ongoing commitments
 - Capital funding sources
 - General Fund contribution



Next Steps

Coordinate with County Office of Education

Will need to demonstrate probability of repayment



Board Workshop

Incorporate feedback into Financing Plan



Board information item on Oct. 17, Action on Nov. 7



Purchase Agreement signed on or about Nov. 21



Refinancing/Restructuring complete on Dec. 19

Redemption of 2001 COP in January

Redemption of 2002 COP on March 1

