



# ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

## Bond Program Update

Meeting Date:

October 8, 2015

NOTICE: The information presented herein is illustrative and only for discussion purposes. All figures are estimates and approximations based on current market conditions and projections. Actual results of any bond program will depend on a number of factors at the time of each bond issue, including but not limited to actual growth in assessed values, District credit ratings, prevailing interest rates, and bond structuring and total debt limitations that may be imposed by law or policy.

# Summary of Bond Refinancing Results

## ■ Original Bonds from Bond Election of 2008 (Measure G)

- Authorized Amount: \$179,000,000
- Issued Amount (Series 2008 A): \$39,000,328
- Date Sold: August 28, 2008
- Final Maturity: August 1, 2033
- Average Interest Coupon: 5.02%

## ■ Refunding Bonds

- Principal Amount: \$37,800,000
- Sale Closed: September 9, 2015
- Final Maturity (same): August 1, 2033
- True Interest Cost: 3.34%
- ***Interest Cost Savings\****: ***\$2,772,957***

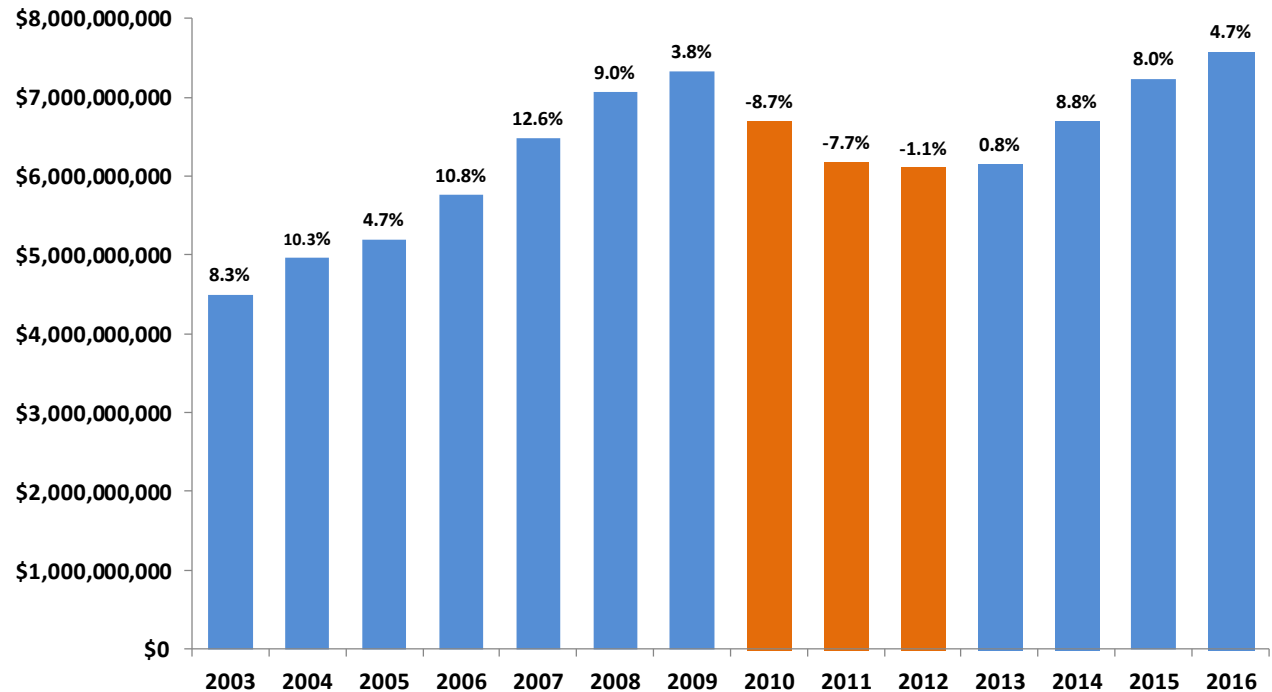
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\* Savings over the life of the bond issue

# Assessed Valuation Trend

- Real estate values are in their 4<sup>th</sup> year of recovery
- AV of \$7.58 billion exceeds previous high of \$7.33 billion in 2008-09
- Countywide AV reached \$409 billion—a new milestone
- Countywide only 9.4% of AV growth was due to Prop. 8 adjustments

## Assessed Valuation & Growth Rates



# Current Debt Capacity

- The District's debt capacity is limited by the following constraints:

## **VOTER-APPROVED DEBT CAPACITY**

|                                    |                    |
|------------------------------------|--------------------|
| <b>Measure G Authorization</b>     | <b>179,000,000</b> |
| <b>Issued Amount</b>               | <b>39,000,328</b>  |
| <b>Current Measure G Capacity</b>  | <b>139,999,672</b> |
| <b>Measure J Authorization</b>     | <b>125,000,000</b> |
| <b>Issued Amount</b>               | <b>36,000,000</b>  |
| <b>Current Measure J Capacity</b>  | <b>89,000,000</b>  |
| <b>Net Voter-Approved Capacity</b> | <b>228,999,672</b> |

## **STATUTORY DEBT CAPACITY**

|                                      |                      |
|--------------------------------------|----------------------|
| <b>Total Assessed Value (2016)</b>   | <b>7,579,763,148</b> |
| <b>Approved Debt Limit (% of AV)</b> | <b>2.50%</b>         |
| <b>Statutory Debt Limit</b>          | <b>189,494,079</b>   |
| <b>Total Outstanding Debt*</b>       | <b>96,333,155</b>    |
| <b>Net Statutory Debt Capacity</b>   | <b>93,160,924</b>    |

\* Includes bonds from the 1991 bond measure

# Project: Multi-purpose Community Centers

- The District has identified construction of two multi-purpose community centers as a high-priority project
- The costs to build such facilities is estimated as follows:

|            | <b>Fischer</b>       | <b>George</b>        |                     |
|------------|----------------------|----------------------|---------------------|
|            | <b>Middle School</b> | <b>Middle School</b> | <b>Totals</b>       |
| Hard Costs | \$9,300,000          | \$7,000,000          | \$16,300,000        |
| Soft Costs | \$2,697,000.0        | \$2,030,000.0        | \$4,727,000         |
| Total      | \$11,997,000         | \$9,030,000          | <b>\$21,027,000</b> |

# Potential Financing Plan

- Measure G has very limited bonding capacity, but Measure J has sufficient capacity to fund the proposed project
- However, after this proposed financing Measure J also will have limited bonding capacity
- Therefore, if the District wishes to continue funding its facilities improvement program, it would be necessary to commit to a reauthorization of either or both bond measures
- The proposed financing plan is as follows:

|   |                     |
|---|---------------------|
| <b>Total Project Costs</b>                          | <b>\$21,027,000</b> |
| Available Unspent Bond Funds (2013 Measure J Bonds) | \$10,537,586        |
| New Measure J Bond Issue (CIBs Only)*               | <u>\$14,985,000</u> |
| <b>Total Available Funding</b>                      | <b>\$25,522,586</b> |
| Funds Available for Other Projects                  | \$4,495,586         |

\* No Capital Appreciation Bonds (CABs); based on current interest rates, subject to change

# Financing Plan Considerations

- The execution of the bond sale must consider the potential for interest rate increases as well as the projected timing of the use of bond funds:

## POTENTIAL IMPACTS OF SALE TIMING ASSUMING 0.5% OVERALL INTEREST RATE INCREASE BY 3/1/15

|  | Bond Sale Date |               | Difference    |
|--|----------------|---------------|---------------|
|  | Nov. 1, 2015   | March 1, 2016 |               |
| Bond Principal Amount                    | \$15,135,000   | \$14,110,000  | (\$1,025,000) |
| True Interest Cost*                      | 3.84%          | 4.42%         | 0.58%         |
| Approximate Initial Annual Interest Cost | \$581,184      | \$623,662     | \$42,478      |
| Net Interest Cost                        | \$9,074,968    | \$10,971,657  | \$1,896,689   |
| Project Fund Deposit                     | \$14,985,000   | \$13,960,000  | (\$1,025,000) |

## POTENTIAL COST OF IDLE BOND FUNDS

|   |              |
|---|--------------|
| Project Fund Deposit                          | \$14,985,000 |
| Estimated Interest Earnings on Unused Funds   | 0.30%        |
| Annual Earnings on Unused Funds               | \$44,955     |
| Approximate Initial Annual Bond Interest Cost | \$581,184    |
| Approx. Net Annual Bond Interest Cost         | \$536,229    |

## POTENTIAL CONSTRUCTION COST ESCALATION

|                                |              |
|--------------------------------|--------------|
| Total Project Cost             | \$21,027,000 |
| Annual Cost Increase**         | 4.52%        |
| Potential Annual Cost Increase | \$950,420    |

\*Assumes prevailing rates; subject to change  
 \*\*Turner Construction Cost Increase 2014 Q3 to 2015 Q3

# Next Steps

- District Administration and Financial Advisor to evaluate timing of bond sale relative to construction schedule and cash flow needs
- Recommended timing of bond sale to be brought up to Board for consideration and potential approval
- Upon approval by the Board, engage full Finance Team to move forward with the bond sale
- Execution of bond sale and funding of Community Centers project