



ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

Bond Program Update

Meeting Date:

December 14, 2017

Active District Bond Authorizations

■ Bond Election of 2012 (Measure J)

- Authorized Amount: \$125,000,000
- Issued Amount: \$53,500,000
- ***Unissued/Available Amount: \$71,500,000***

■ Bond Election of 2016 (Measure I)

- Authorized Amount: \$139,999,672
- Issued Amount: \$0
- ***Unissued/Available Amount: \$139,999,672***

**TOTAL UNISSUED
G.O. BONDS
\$211,499,672**

Assessed Valuation

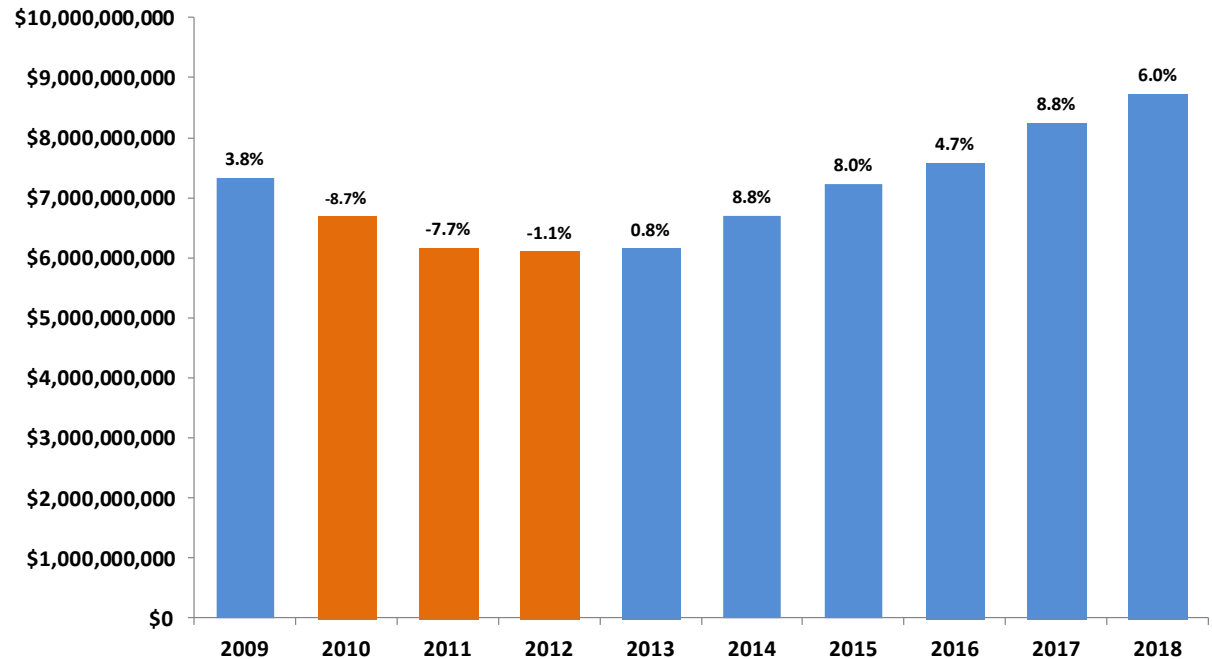
- Six years in a row of growth in Assessed Value
- Average annual growth of 6.9% over the last five years

Assessed Valuation

FYE	Total	% Δ
2009	\$7,333,334,095	3.8%
2010	\$6,691,878,862	-8.7%
2011	\$6,175,024,148	-7.7%
2012	\$6,108,371,171	-1.1%
2013	\$6,157,969,938	0.8%
2014	\$6,699,077,858	8.8%
2015	\$7,236,796,506	8.0%
2016	\$7,579,763,148	4.7%
2017	\$8,248,713,307	8.8%
2018	\$8,740,380,495	6.0%

20-year Compounded Average 5.6%

Assessed Valuation & Growth Rates



Interest Rate Trends

Bond Buyer 20 G.O. Bond Index



Status of District's G.O. Bond Ratings

- District's General Obligation Bond credit rating downgraded by Standard & Poor's from AA- to BBB+
- District is still under evaluation ("CreditWatch"). Further action by S&P is possible
- Moody's maintained the District's G.O. Bond ratings at Aa3. Given recent budget matters, a downgrade is also possible

INVESTMENT GRADE RATINGS



Moody's		S&P
Aaa		AAA
Aa1		AA+
Aa2		AA
Aa3		AA-
A1		A+
A2		A
A3		A-
Baa1		BBB+
Baa2		BBB
Baa3		BBB-

Bond Issuance Options

- In spite of the credit rating challenges, District still has access to the bond markets
- The District has essentially two options:
 - (1) issue now, or
 - (2) wait until challenges are overcome
- CONSIDERATIONS:
 - Issuing now is more expensive than with the former credit ratings
 - A further downgrade would make it more expensive still
 - Waiting may be even more expensive as construction costs and interest rates may rise

Bond Issuance Timing Considerations

- As an example, a downgrade to “Baa1” by Moody’s is estimated to add approximately 0.16% to the interest rate, and approximately \$547,000 in total interest costs for a \$35 million, 30-year bond issue

Estimated Impact of a Moody's Rating Downgrade*				
	Aa3/AAA		Baa1/AAA (Insured)	Difference
All-in True Interest	3.97%		4.13%	0.16%
Bond Principal	\$35,000,000		\$35,000,000	-
Project Fund	\$34,780,000		\$34,780,000	-
Issuance Expenses	\$465,000		\$640,602	\$175,602
Total Debt Service	\$69,693,375		\$70,240,625	\$547,250

- That translates to approximately \$0.75 in average additional annual taxes for the average residential parcel in the District

* Estimated by Stifel, Nicolaus & Co. based on prevailing market rates as of 12/14/17

Potential Timing for Measure-I Bond Sale

- Timing of issue should match funding needs
- Given current budget and credit rating matters, a possible timeline could be as follows:
 - January 15: 1st Interim Decision by SCCOE*
 - January 18: Bond documents presented to Board for approval
 - January 25: Bond credit ratings received
 - February 8: Bonds sold
 - February 22: Bond sale closed

* A qualified 1st Interim would change the schedule as the County would have to issue the bonds on behalf of the District

Sample Bond Issuance Program

- Amount of first issue affects the rest of the bond program
- Program estimates would be updated at each new issue

POTENTIAL BOND ISSUANCE SCHEDULE*	
Measure I	
<u>YEAR</u>	<u>AMOUNT</u>
2018	35
2020	20
2022	23
TBD	TBD
Total Bonds	78

- **Based on AV growth rates of 3% for FY 2018-19, and 4% thereafter**
- **No Capital Appreciation Bonds (CABs)**
- **Assumes prevailing market rates for Series A, +1.00% for Series B, and +1.25% for Series C**

* Illustrative estimates and for discussion only—actual 2018 issuance will depend on interest rates at the time of the bond sale. Future issues will depend on actual AV growth and interest rates at the time of those respective bond sales.

Questions?

Disclaimer

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.