



West Contra Costa USD

Presentation to the Bond Oversight Committee

October 27, 2010



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A Division of Zions First National Bank

Purpose of the Presentation

- The purpose of this presentation is to provide the Bond Oversight Committee with an opportunity to review the District's plan to request a waiver of the Education Code's bonding capacity limitation from the State Board of Education.
 - What is statutory bonding capacity?
 - Why does the District need a waiver?
 - Why does the BOC need to review the plan?
 - What rationale will be described in the request?
 - What is the likely outcome of the request?

Authority to Issue GOBs

- California state law restricts a school district's authority to issue general obligation bonds in a variety of ways.
 - Voter approval.
 - Proposition 39 restrictions.
 - Statutory bonding capacity.

Education Code Provisions

- There are two sections of the Education Code that reference statutory bonding capacity for unified school districts.
 - Section 15106.
 - Limits outstanding debt to 2.5% of assessed value.
 - Defines outstanding debt.
 - A school district may issue bonds that shall not exceed ...
 - Section 15270.
 - Restates bonding capacity limits in the context of Proposition 39.

Required Certifications

- School districts typically meet this requirement by making a certification at the time that a new series of bonds are issued.
 - Current assessed value.
 - Applicable percentage.
 - Bonding capacity.
 - Amount of bonds outstanding at close (including bonds being issued).

Note: A school district is not in violation of the provision if subsequent declines in assessed value causes the district's bonding capacity to decrease below the amount of bonds outstanding.

Current District Status

- As of now, the District could not make the necessary certification to allow for the issuance of new bonds under the recently approved 2010 Measure D.

Current assessed value:	\$21,927,157,161
Applicable percentage:	2.50%
Bonding capacity:	\$548,178,929
Amount of bonds outstanding:	\$729,688,850
Amount of new bonds that can be issued:	\$0

Note: In addition to the recent declines in assessed value, it should be noted that the District's two most recent bond series were issued under a waiver from the State Department of Education.

2009 Waiver Request

- The District was able to address a similar situation by achieving a waiver in 2009.
 - BOE granted the waiver request with restrictions.
 - Allowed for Series C and Series D.
 - With tax base declines, no longer sufficient for all additional 2005 Measure D bonds ^[1].
 - Importance of 2010 Measure D.

^[1] At an applicable percentage of 3.50%, the District's adjusted bonding capacity exceeds the amount of debt outstanding by less than \$40 million, and there is more than \$75 million of 2005 Measure J authorization which remains to be issued.

General Waivers

- The California Education Code gives the State Board of Education the authority to waive any provision of the Education Code by request of a petitioning school district. Education Code Section 33050 and following describes:
 - BOE's broad authority.
 - Exceptions to such authority.
 - Conditions that must be met.
 - Section 33051 of the Education Code states that “the State Board shall approve any and all requests for waivers” except under certain conditions.

Denial of Waiver Requests

- Section 33051 of the Education Code states that “the state board shall approve any and all requests for waivers” absent any of seven specific findings by the BOE.
 - Educational needs of pupils are not adequately met.
 - Affected school site councils have not approved the request.
 - Appropriate councils or advisory committees have not had adequate opportunity to review the waiver request or objections to the request were not registered in the final request.
 - Pupil or school personnel protections are jeopardized.
 - Guarantees of parental involvement are jeopardized.
 - Granting of the request would substantially increase state costs.
 - Union representatives were not provided the opportunity to participate in the development of the waiver request.

Content of Request

- The Department of Education requires that our request include the same certifications as all waiver requests. The eight question application includes the following questions:
 - Have any advisory committees reviewed the waiver?
 - Has the District consulted with its bargaining units?
 - Has the District held a public hearing?
 - What is the rationale for the request and what is the desired outcome?

2010 Measure D Ballot Language

- The 2010 Measure D ballot language references bonding capacity both in the summary (not shown) and, more extensively, toward the end of the full text.

“In order to fund the projects and prior to the issuance of any bonds authorized by this Measure, the District may seek a waiver from the State Board of Education of the applicable bonding limit requirements of Section 15106 of the Education Code.”

Rationale

- The administration is developing a rationale based on the following five arguments:
 - Adequacy of facilities; safety concerns.
 - Public support; willingness to pay.
 - Economic stimulus; job losses.
 - Ability to meet tax rate targets.
 - Equity issues; continued relevance.

Request Level

- The amount of the waiver request will be somewhere between 3.5% and 5.0%.

REQUEST LEVEL	3.5%	4.0%	4.5%	5.0%
<u>TAX YEAR 2010-11</u>				
Adjusted Bonding Capacity	767,450,501	877,086,286	986,722,072	1,096,357,858
Bonds Currently Outstanding	729,688,850	729,688,850	729,688,850	729,688,850
Available Bonding Capacity	37,761,651	147,397,436	257,033,222	366,669,008
<u>TAX YEAR 2020-21 (assuming 2% growth)</u>				
Adjusted Bonding Capacity	935,517,878	1,069,163,289	1,202,808,700	1,336,454,111
Bonds to Be Outstanding [1]	507,060,067	507,060,067	507,060,067	507,060,067
Available Bonding Capacity	428,457,811	562,103,222	695,748,633	829,394,044
<u>TAX YEAR 2020-21 (assuming 4% growth)</u>				
Adjusted Bonding Capacity	1,136,014,218	1,298,301,963	1,460,589,708	1,622,877,454
Bonds to Be Outstanding [1]	507,060,067	507,060,067	507,060,067	507,060,067
Available Bonding Capacity	628,954,151	791,241,896	953,529,641	1,115,817,387

[1] Based on bonds issued to date only.

Anticipated Concerns

- Although the State Board of Education has consistently approved requests of bonding capacity waivers in the past, Department of Education staff have expressed concerns regarding prospective requests.
 - General concern about debt.
 - Size of the requested increase.
 - Existing and prospective tax burden in the District.
 - Ability to meet prospective tax rate commitments.
 - Concern about the prospect of future Proposition 39 waivers.

Timing

- Our expectation is that our request will be considered at the March meeting of the State Board of Education.
 - Information sessions will be held in October.
 - Public hearing and board resolution will be in November.
 - Application will be submitted in December.
 - Item will be considered in March.

Conditional Approval

- Our expectation is that the request will be given provisional approval.
 - Specific to 2010 Measure D.
 - Limited to a certain percentage of assessed value.
 - Limited to bonds issued during a certain period of time.