Overview of General Obligation Bonds

San Juan Unified School District

September 17, 2013
Tonight’s Agenda

Bonds Overview

The District’s Outstanding Bonds

Factors Impacting the Issuance of Bonds
Bonds Overview
A Bond is a Loan

- Simply evidence of a debt
- Like a mortgage is evidence of the obligation to repay a home loan
GO Bonds

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

*Assessed Value (AV)* is the value placed on property for tax purposes whereas *Market Value* is based on current market conditions.

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
Once approved by the voters, taxes are imposed based on annual debt service from bonds issued:

- Repaid from a tax on all assessed value in a district’s boundaries.

Under Prop. 39, tax rate cannot exceed $60/$100,000 of assessed value based on assumptions when bonds are issued:

- Key assumption = assessed value growth rate.

With declining assessed value, many districts are facing limitations in the amount of bonds they can issue.
Interest Payment Methods on Bonds

**Current Interest Bonds ("CIBs")**

- Bonds with principal and interest repaid over the life of the bonds

**Capital Appreciation Bonds ("CABs")**

- Bonds with principal and interest postponed until a later date
- Typically more expensive than the traditional current interest bonds
The Players in a Bond Financing

- Financial Advisor
- Bond Counsel
- Rating Agency
- Disclosure Counsel
- Bond Insurer
- Underwriter

Financing Team
The District’s Outstanding Bonds
District’s Bond Measures Since 1998

<table>
<thead>
<tr>
<th>Measure S</th>
<th>Measure J</th>
<th>Measure N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved by voters in 1998</td>
<td>Approved by voters in 2002</td>
<td>Approved by voter in 2012</td>
</tr>
<tr>
<td>2/3 Voter Approval</td>
<td>55% Voter Approval</td>
<td>55% Voter Approval</td>
</tr>
<tr>
<td>Authorized $157 million of bonds</td>
<td>Authorized $350 million of bonds</td>
<td>Authorized $350 million of bonds</td>
</tr>
<tr>
<td>All bonds have been issued</td>
<td>$49.6 million remain unissued</td>
<td>$330 million remain unissued</td>
</tr>
<tr>
<td>Last bond matures in 2028</td>
<td>Last bond matures in 2038</td>
<td>Last bond matures in 2015</td>
</tr>
<tr>
<td>Series Name</td>
<td>Initial Principal</td>
<td>Paid Off</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------</td>
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</tr>
<tr>
<td>Series 1999</td>
<td>$27,500,197</td>
<td>$10,055,000</td>
</tr>
<tr>
<td>Series 2000</td>
<td>$41,997,786</td>
<td>$8,270,000</td>
</tr>
<tr>
<td>Series 2001A &amp; B</td>
<td>$46,997,897</td>
<td>$17,385,757</td>
</tr>
<tr>
<td>Series 2003A &amp; B</td>
<td>$40,504,105</td>
<td>$14,599,027</td>
</tr>
<tr>
<td><strong>Total Original Issuances</strong></td>
<td><strong>$156,999,986</strong></td>
<td><strong>$50,309,783</strong></td>
</tr>
<tr>
<td>Refunding Series 2007</td>
<td>$49,930,000</td>
<td>$13,325,000</td>
</tr>
<tr>
<td>Refunding Series 2012</td>
<td>$12,435,000</td>
<td>$310,000</td>
</tr>
<tr>
<td><strong>Total Bonds</strong></td>
<td><strong>$219,364,986</strong></td>
<td><strong>$63,944,783</strong></td>
</tr>
</tbody>
</table>

2012-13 Tax Rate $40
Combined Annual Tax Rates for Measure S are Projected to Average Approximately $43 per $100,000 of Assessed Value Throughout the Remaining Life of the Bonds.
The remaining $49.4 million of Measure J bonds can be issued if assessed value grows at a higher rate than currently estimated. (i.e. greater than the 2% projected growth rate)
Combined Annual Tax Rates for Measure J Bonds are Not Projected to Exceed the Proposition 39 Legal Maximum of $60/$100,000 of Assessed Value

Additional bonds can be issued when assessed value grows sufficiently to ensure tax rates will not exceed $60/$100,000 of assessed value.

Fiscal Year Ending

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Tax Levy Per $100,000 of A.V.</td>
<td>$50.00</td>
<td>$49.00</td>
<td>$48.00</td>
<td>$47.00</td>
<td>$46.00</td>
<td>$45.00</td>
<td>$44.00</td>
<td>$43.00</td>
<td>$42.00</td>
<td>$41.00</td>
<td>$40.00</td>
<td>$39.00</td>
<td>$38.00</td>
</tr>
</tbody>
</table>

Series 2013
Series 2012C Refunding
Series 2012B Refunding
Series 2011 QSCB
Series 2010
Series 2007
Series 2004
Series 2003
## Measure N Bonds

<table>
<thead>
<tr>
<th>Series Name</th>
<th>Initial Principal</th>
<th>Paid Off</th>
<th>Refinanced</th>
<th>Outstanding Principal (As of Aug. 30, 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2013 - Short-Term</td>
<td>$20,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$20,000,000</td>
</tr>
<tr>
<td><strong>Total Original Issuances</strong></td>
<td><strong>$20,000,000</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$20,000,000</strong></td>
</tr>
</tbody>
</table>

### 2013-14 Tax Rate

## Measure N Estimated Bond Issuance Summary

<table>
<thead>
<tr>
<th>Bond Series</th>
<th>Issuance Year</th>
<th>Current Interest Bonds</th>
<th>Capital Appreciation Bonds</th>
<th>Total Bond Issuances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series A</td>
<td>2013</td>
<td>$20,000,000</td>
<td>$0</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Series B</td>
<td>2014</td>
<td>$70,000,000</td>
<td>$0</td>
<td>$70,000,000</td>
</tr>
<tr>
<td>Series C</td>
<td>2016</td>
<td>$70,000,000</td>
<td>$0</td>
<td>$70,000,000</td>
</tr>
<tr>
<td>Series D</td>
<td>2018</td>
<td>$70,000,000</td>
<td>$0</td>
<td>$70,000,000</td>
</tr>
<tr>
<td>Series E</td>
<td>2020</td>
<td>$120,000,000</td>
<td>$0</td>
<td>$120,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$350,000,000</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$350,000,000</strong></td>
</tr>
</tbody>
</table>
Factors Impacting the Issuance of Bonds
Issuance of Bonds

The Bond issuance plan should reflect the District’s project implementation plan...

- Timing
- Amount
- Repayment stream vs. useful life

...as well as Board policy goals

Bond issuance parameters
Assessed Value ("AV")

- Assumptions for future AV growth should be based on an understanding of the current tax base demographics.
Since 2001-02, the District’s Assessed Value has Grown by an Average of 3.41% Per Year, However Assessed Value in the District Declined from 2008-09 Through 2012-13
Tax Rates

- Once approved by the voters, taxes are imposed based on annual debt service from bonds issued
  - Repaid from a tax on all AV in a district’s boundaries

\[
\text{Tax Rates Per } \$100,000 \text{ of AV} = \frac{\text{Bond Debt Service}}{\text{AV}} \times \$100,000
\]

\[
\frac{15m}{25m} \times 100k = 60.00
\]
GO Bonds and Tax Rate Limitations

- Prop. 39 created tax rate limitations:
  - Per bond measure
  - Based on reasonable assumptions at the time of bond issuance

<table>
<thead>
<tr>
<th>Type of District</th>
<th>Tax Rate Limit (Per $100,000 of AV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union School District</td>
<td>$30</td>
</tr>
<tr>
<td>Unified School District</td>
<td>$60</td>
</tr>
<tr>
<td>Community College District</td>
<td>$25</td>
</tr>
</tbody>
</table>
In recent years, the District has taken advantage of Federal interest subsidy programs and historically low interest rates.

- Uncertainty of future rates
- Indications of higher rates

**Bonding Capacity**

- Limited to total bonds outstanding of 2.5% of its AV
- Current bonding capacity approx. $689 million, with approx. $350 million of bonds outstanding from Measures S, J and N
Issuing Bonds cont’d…

When Determining Whether to Issue Bonds, the District Must…

- Evaluate construction expenditure needs
- Use conservative projections when issuing each series of bonds
- Implement construction expenditure plan based on ability to issue bonds

- Re-evaluate each year
- Iterative process

If assumptions are too aggressive, the result is higher than expected tax rates
Questions?