



**Capitol | PFG**

# **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 where as *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



# General Obligation Bond Taxes

## Taxes

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

## Prop. 39

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

## AV

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







# The District's Outstanding Bonds

# District's Bond Measures Since 1998

Summary of Bond Measures		
Measure S	Measure J	Measure N
Approved by voters in 1998	Approved by voters in 2002	Approved by voter in 2012
2/3 Voter Approval	55% Voter Approval	55% Voter Approval
Authorized \$157 million of bonds	Authorized \$350 million of bonds	Authorized \$350 million of bonds
All bonds have been issued	\$49.6 million remain unissued	\$330 million remain unissued
Last bond matures in 2028	Last bond matures in 2038	Last bond matures in 2015

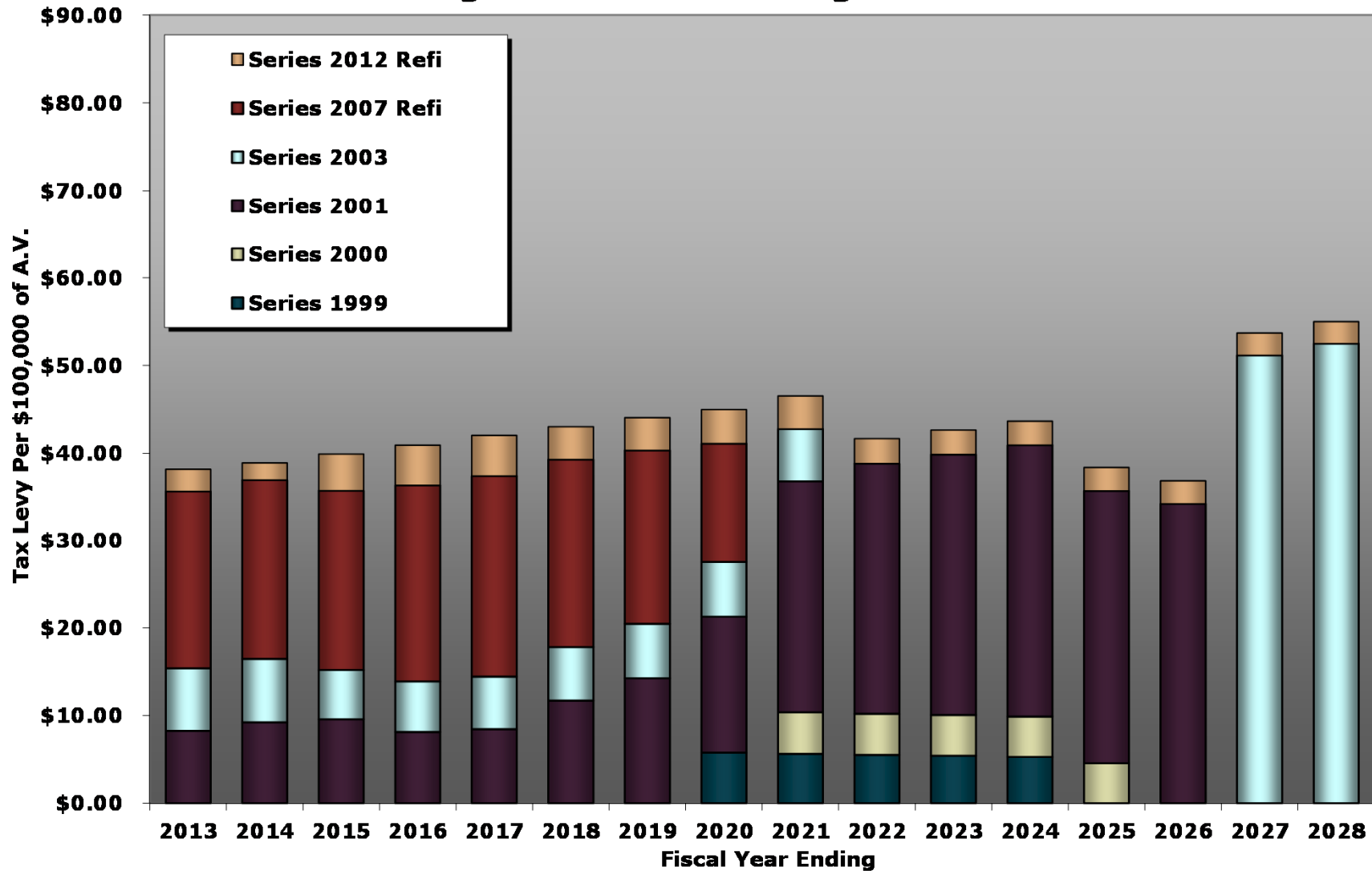


## Measure S Bonds

Series Name	Initial Principal	Paid Off	Refinanced	Outstanding Principal (As of Aug. 30, 2013)
Series 1999	\$27,500,197	\$10,055,000	\$14,935,000	\$2,510,197
Series 2000	\$41,997,786	\$8,270,000	\$31,680,000	\$2,047,786
Series 2001A & B	\$46,997,897	\$17,385,757	\$2,520,000	\$27,092,140
Series 2003A & B	\$40,504,105	\$14,599,027	\$9,905,000	\$16,000,078
<b>Total Original Issuances</b>	<b>\$156,999,986</b>	<b>\$50,309,783</b>	<b>\$59,040,000</b>	<b>\$47,650,202</b>
Refunding Series 2007	\$49,930,000	\$13,325,000	\$0	\$36,605,000
Refunding Series 2012	\$12,435,000	\$310,000	\$0	\$12,125,000
<b>Total Bonds</b>	<b>\$219,364,986</b>	<b>\$63,944,783</b>	<b>\$59,040,000</b>	<b>\$96,380,202</b>

<b>2012-13 Tax Rate</b>	<b>\$40</b>
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## 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



## Measure J Bonds

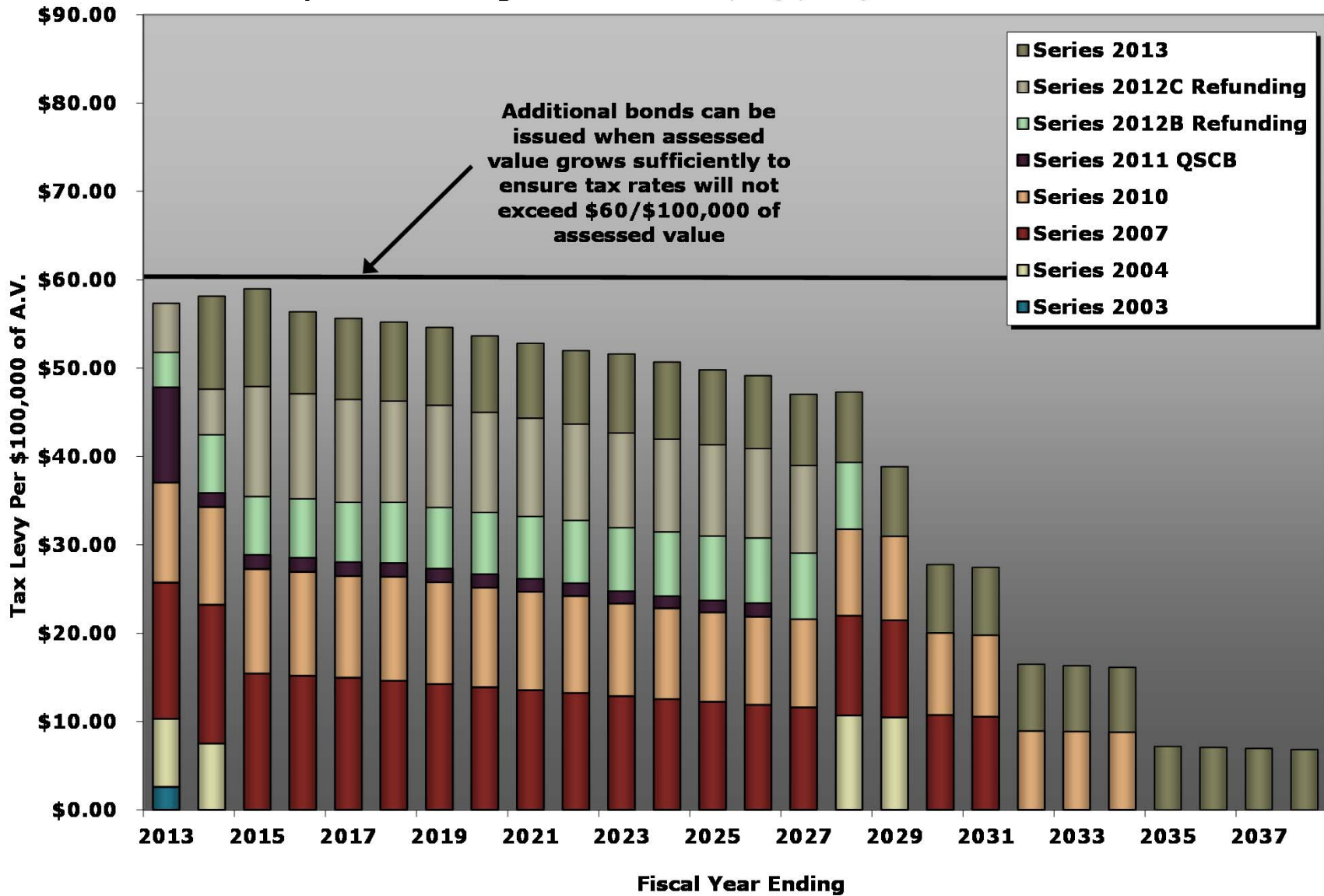
Series Name	Initial Principal	Paid Off	Refinanced	Outstanding Principal (As of Aug. 30, 2013)
Series 2003	\$46,000,000	\$21,295,000	\$24,705,000	\$0
Series 2004	\$68,999,931	\$28,180,000	\$37,000,000	\$3,819,931
Series 2007	\$70,000,000	\$18,975,000	\$0	\$51,025,000
Series 2010	\$55,000,000	\$8,400,000	\$0	\$46,600,000
Series 2011 QSCB	\$10,600,000	\$2,795,000	\$0	\$7,805,000
Series 2013	\$50,000,000	\$2,250,000	\$0	\$47,750,000
<b>Total Original Issuances</b>	<b>\$300,599,931</b>	<b>\$81,895,000</b>	<b>\$61,705,000</b>	<b>\$156,999,931</b>
Refunding Series 2012B	\$23,910,000	\$160,000	\$0	\$23,750,000
Refunding Series 2012C	\$36,480,000	\$330,000	\$0	\$36,150,000
<b>Total Bonds</b>	<b>\$360,989,931</b>	<b>\$82,385,000</b>	<b>\$61,705,000</b>	<b>\$216,899,931</b>

<b>2012-13 Tax Rate</b>	<b>\$60</b>
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- 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**



## Measure N Bonds



Series Name	Initial Principal	Paid Off	Refinanced	Outstanding Principal (As of Aug. 30, 2013)
Series 2013 - Short-Term	\$20,000,000	\$0	\$0	\$20,000,000
<b>Total Original Issuances</b>	<b>\$20,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$20,000,000</b>

2013-14 Tax Rate

## Measure N Estimated Bond Issuance Summary

Bond Series	Issuance Year	Current Interest Bonds	Capital Appreciation Bonds	Total Bond Issuances
Series A	2013	\$20,000,000	\$0	\$20,000,000
Series B	2014	\$70,000,000	\$0	\$70,000,000
Series C	2016	\$70,000,000	\$0	\$70,000,000
Series D	2018	\$70,000,000	\$0	\$70,000,000
Series E	2020	\$120,000,000	\$0	\$120,000,000
<b>Total</b>		<b>\$350,000,000</b>	<b>\$0</b>	<b>\$350,000,000</b>





# 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



# Key Bond Issuance Assumptions

Assessed Value

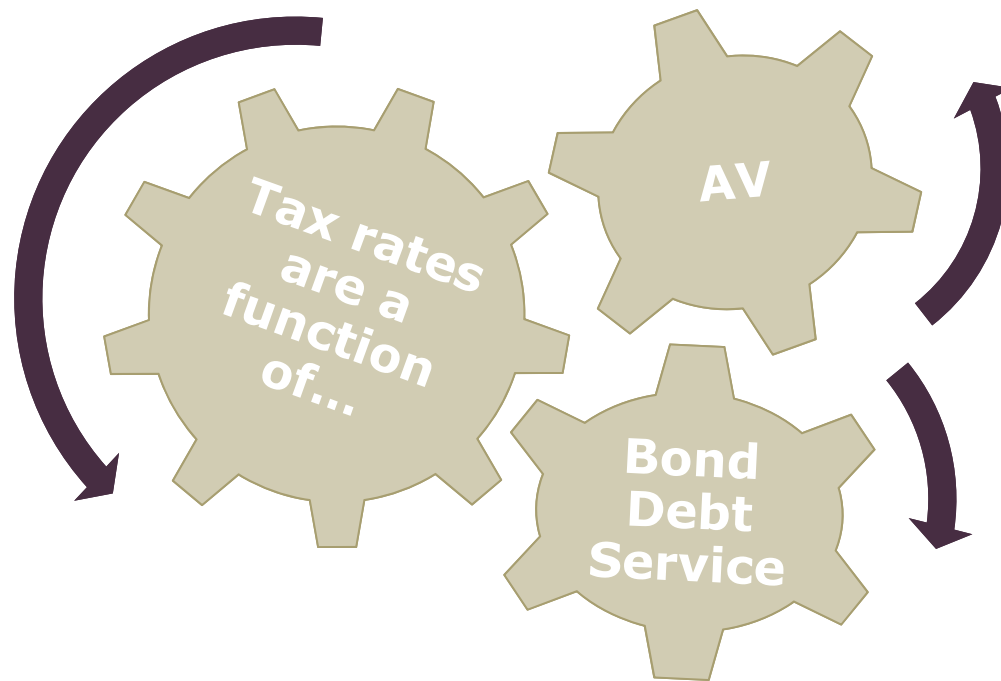
Tax Rate Limitations

Bond Interest Rates

Legal Bonding Capacity



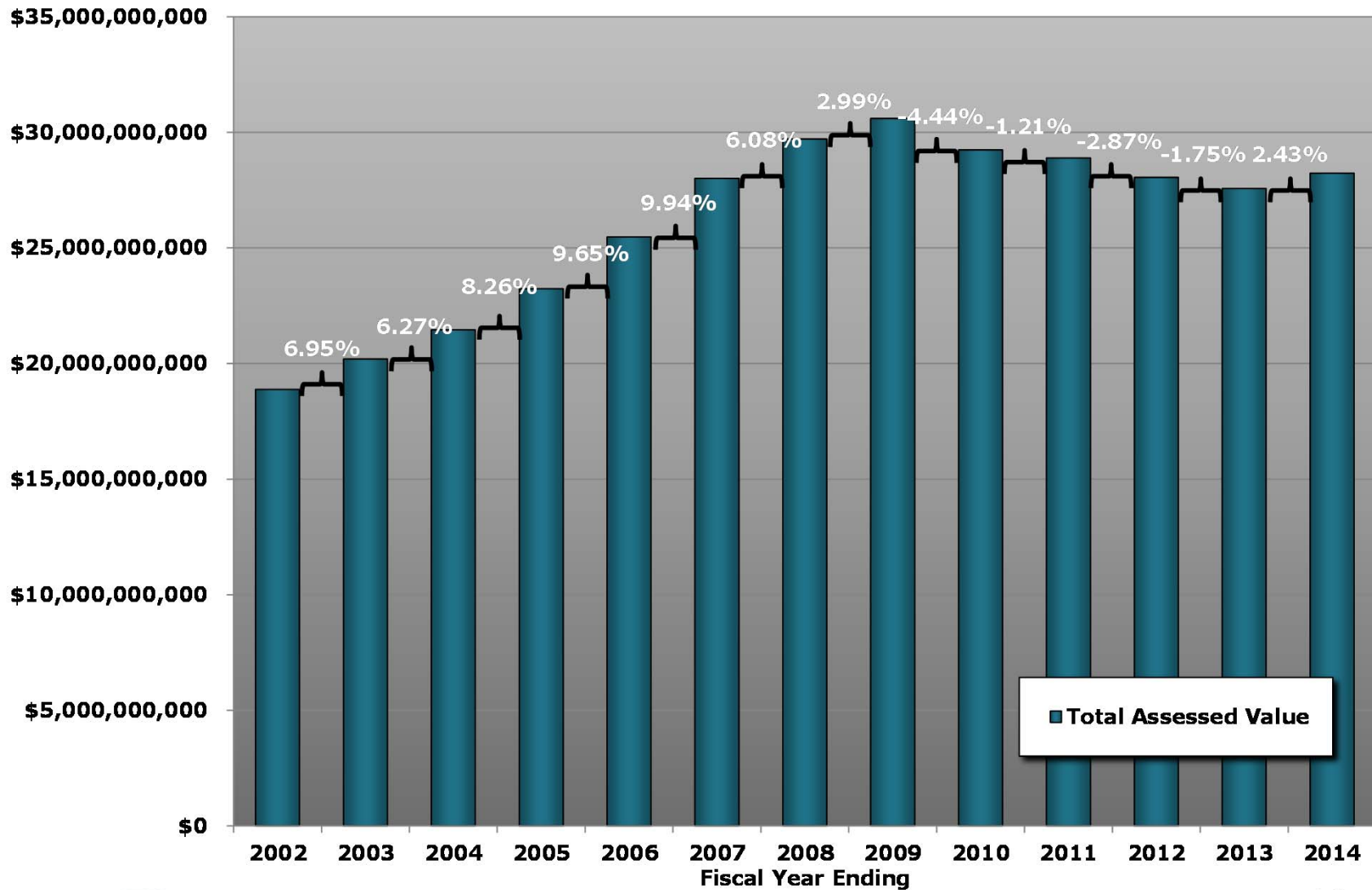
## Assessed Value ("AV")



- 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

Tax Rates Per \$100,000 of AV=  
Bond Debt Service / AV \* \$100,000

$$\$15\text{m} / \$25\text{m} * 100\text{k} = \$60.00$$

Debt  
Service

Assessed  
Value

Tax Rate



# 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

<b>Proposition 39 Tax Rate Limitations</b>	
<b>Type of District</b>	<b>Tax Rate Limit (Per \$100,000 of AV)</b>
Union School District	\$30
Unified School District	\$60
Community College District	\$25



# Bond Interest Rates and Bonding Capacity

## Interest Rates

- 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

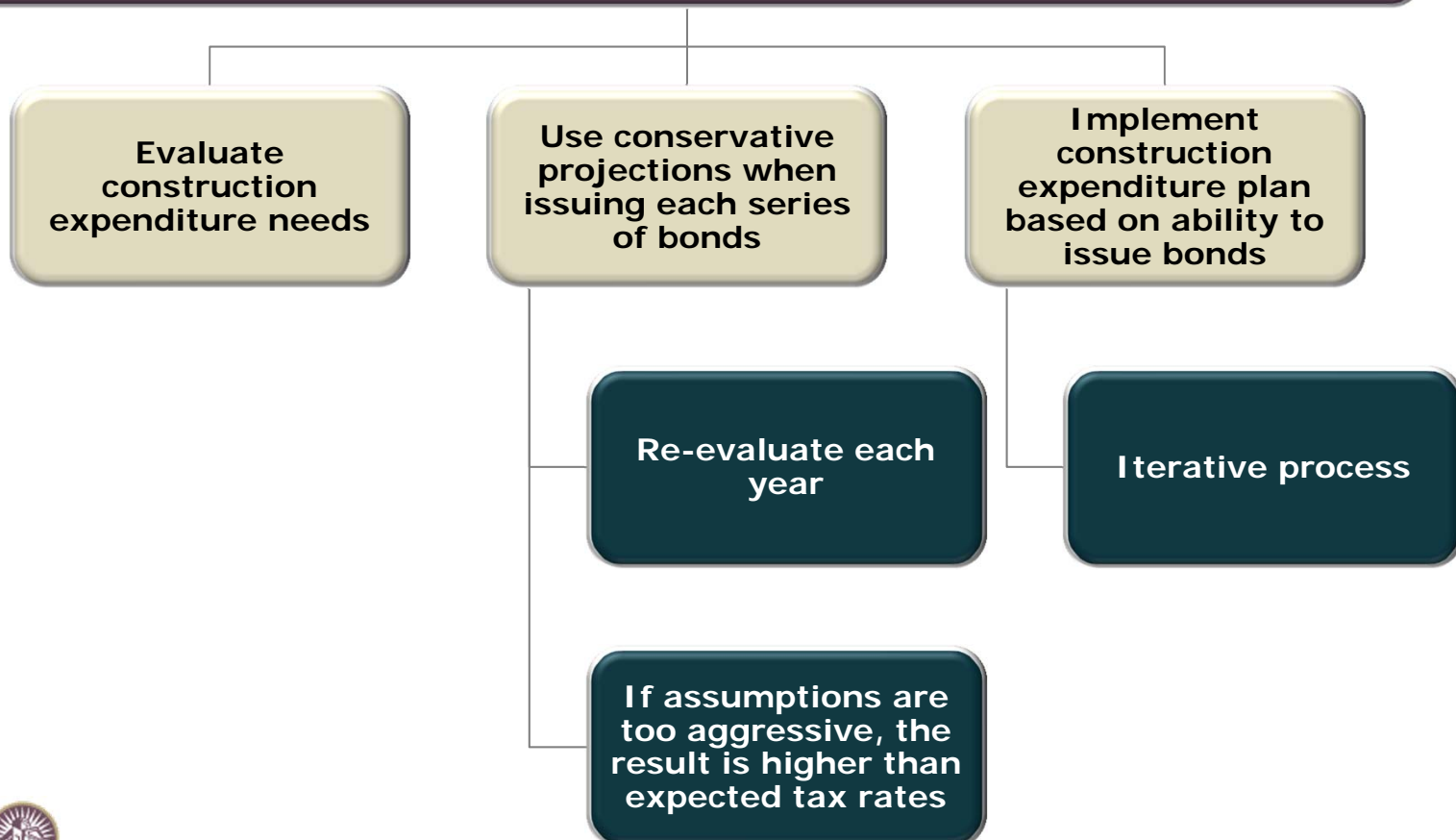
## Bonding Capacity

- 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...





# Questions?

