

---

# San Leandro Unified School District

Measure M – First Issue

April 5, 2011

Presented by  
Ruth Alahydoian, Vice President



1333 Broadway, Suite 1000, Oakland, CA 94612  
phone 510-839-8200 fax 510-208-8282

A Division of Zions First National Bank

A faint, light blue wireframe graphic of a modern building structure, consisting of various rectangular and triangular shapes, positioned in the lower right corner of the blue footer area.

# Measure M Passed!! When Do We Get the Money?

---

- Congratulations on the 63.1% passage rate for Measure M!
- The process for issuing the bonds is similar to the initial public offering of stocks, or taking out a mortgage to buy a house: numbers, legal documents, disclosure, market conditions...



# Prior to Issuing Bonds – 3 Questions

---

1. When will the District need bond funds and how much is expected to be spent over the next two years?
  - District plans to have all \$50.1 million expended by December of 2013
2. Is District within its statutory debt limit?
  - Statutory Debt Limit is 2.50% of total assessed value = \$224,784,370
  - Total bonds already outstanding = \$137,576,387
  - Remaining capacity = \$87,207,983
3. Will bond repayment stay within \$60 maximum legal tax limit, and more importantly, \$25 tax rate commitment for Measure M?
  - Assuming assessed values grow gradually with the long term average at 3%, bond repayment will be structured to stay within \$25 per \$100,000.

# Measure M Bond Authorization

---

- Election Date: November 2, 2010
- Voter Approval: 63.1%
- Authorization Amount: \$50.1 million
- Tax rate commitment: \$25.00 per \$100,000 A.V.
- Issuance Schedule: **2011 – up to \$30 million**  
**2013 – remaining authorization**
- Repayment Structure: 30 year repayment term  
3% increase in debt service annually
- Bond Projects: Replace, renovate, acquire and construct school facilities to continue to improve and modernize its schools, renovate athletic facilities including Burrell Field, replace the pools at San Leandro High School, enhance energy efficiency and promote safe, healthy schools for all students.

# Determining Amount

---

- Original plan was to issue \$50.1 million in two series over 2-3 years.
- It may be possible to issue all \$50.1 million now, but with some risks.

## Benefits

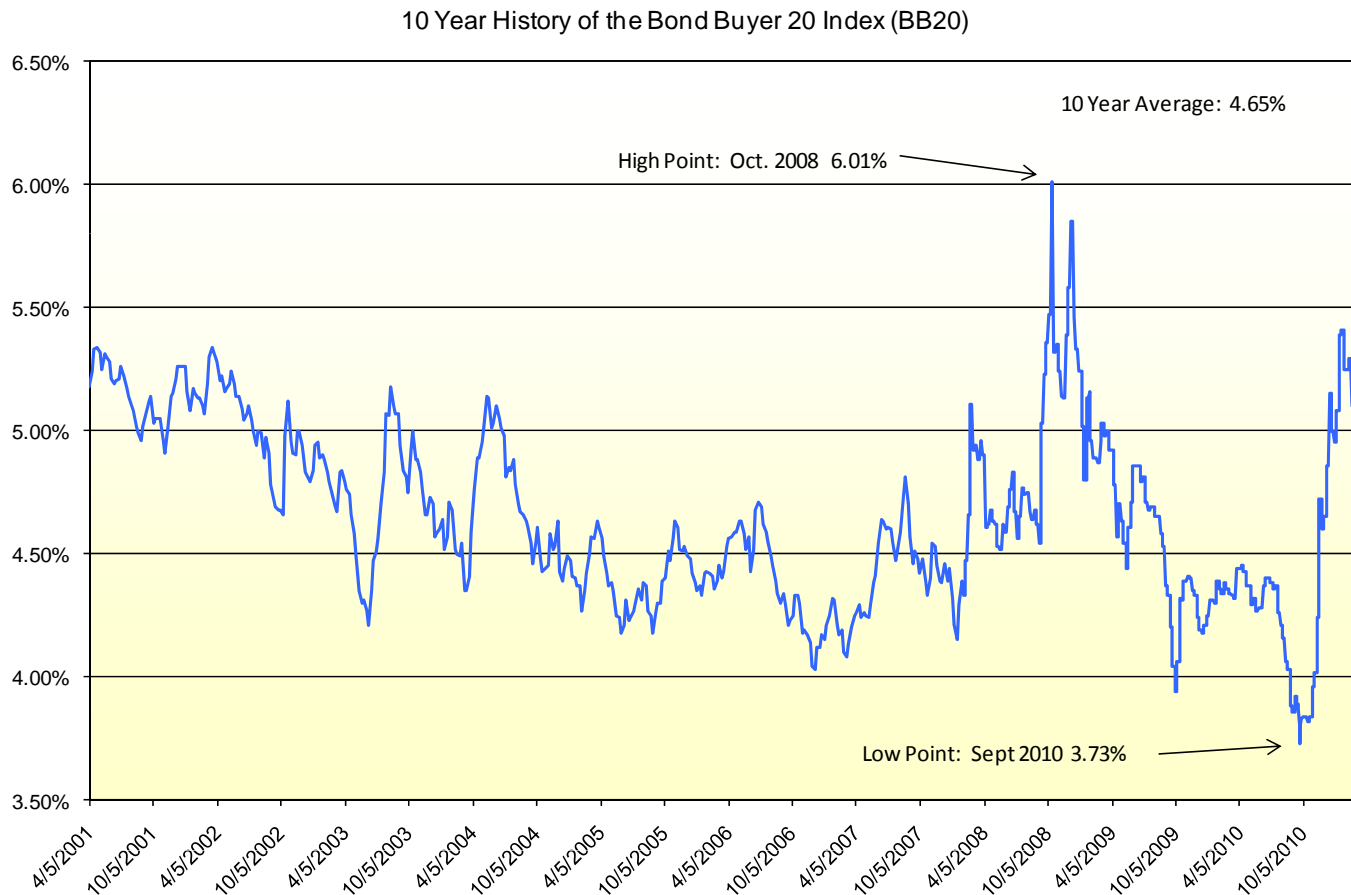
- Avoid risk that future bond markets may not be as favorable.
- Can start earning interest on bond proceeds now.
  - Two years of earnings at current rate of .50% on \$20 million is \$200,000.
- Certain costs of issuance only paid one time.
  - Costs of approx. \$150,000 are incurred with every bond issue.

## Risks

- Taxpayers start paying interest at higher rates now, accruing interest for longer.
  - Over repayment term, taxpayers could end up paying \$10 million more in interest costs.
- Repayment term will go out to 40 years – at least 5 longer than if 2 series.
- Will need to issue by negotiated sale - may add a few weeks to process.
- Future bond markets may be more favorable, or other opportunities (like QSCBs) could emerge.

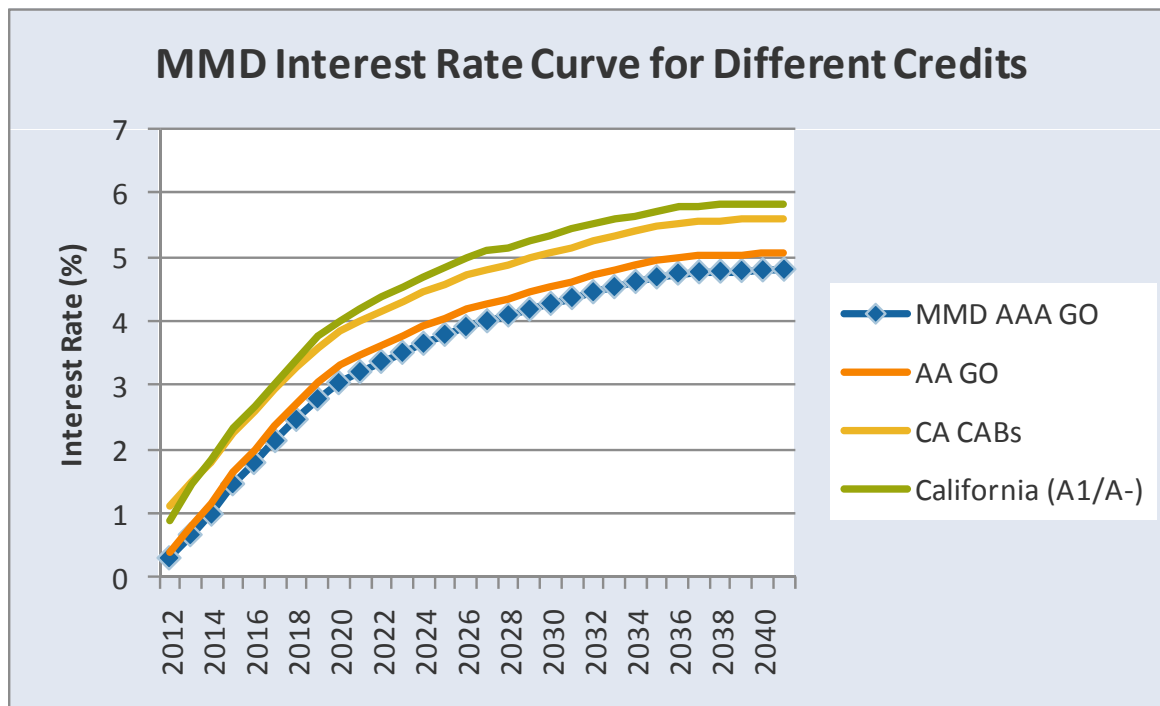
# Market Conditions – 20 Year Muni Benchmark

- The municipal bond market is at a relatively low point, though volatility is common.



# Market Conditions – Yield Curve

- The interest rate paid by the District will depend term of repayment and type of bonds (current interest versus capital appreciation).



# Bond Documents to Be Approved by Board

---

- The Authorizing Resolution provides for the broad parameters of the bond issue including:
  - Not-to-exceed maximum is \$50.1 million (total authorization).
  - Preferred method of sale is competitive.
  - Delegation of authority to Superintendent and Assistant Superintendent of Business Services.
  - District covenants to maintain the tax-exempt status of the bonds.
  
- The Paying Agent Agreement will contain the final details of the sale.
  - U.S. Bank National Association, per a master contract with Alameda County, serves as paying agent for all school district general obligation bonds.
  - The Paying Agent processes the bond interest and principal payments and otherwise administers the technical aspects of bond payments.
  
- Preliminary Official Statement provides disclosure and will be approved in form.
  - As official disclosure document of District, must be complete, accurate and not misleading.
  - Assistant Superintendent will review and sign final document.



# Costs of Issuance Estimates

- Costs of Issuances for a \$40 million issue are estimated as follows:

Service	Provider	Estimate
Underwriter		\$200,000
Bond Insurance		\$360,000
<b>TOTAL to be paid at closing directly by Underwriter</b>		<b>\$560,000</b>
Financial Advisor	KNN Public Finance	\$80,000
Reimbursable Expenses	KNN Public Finance	\$2,000
Bond Counsel	Jones Hall	\$50,000
Reimbursable Expenses	Jones Hall	\$3,000
Disclosure Counsel	Jones Hall	\$15,000
Rating Agency	Moody's	\$18,200
Rating Agency	Standard & Poor's	\$20,000
Printing & Mailing OS	TBD	\$3,000
Paying Agent Fees	US Bank	\$1,130
COI Administration	US Bank	\$250
Misc./ Rounding		\$7,420
<b>TOTAL to be paid at closing from COI account funded by</b>		<b>\$200,000</b>
<b>Total Costs of Issuance</b>		<b>\$760,000</b>

# Parties to a Securities Transaction



**Bond Counsel**



**Financial Advisor**



(Wants lowest cost)



**County Treasurer/ Auditor**

**Seller of Bonds (Borrower)**

**Buyer of Bonds (Lender)**



**Bond Trustee/  
Registrar/  
Paying Agent**



**Disclosure Counsel**



**Rating Agency**



**Underwriter**



**Investors  
(Wants highest return)**



**Underwriter's Counsel**

# Bond Issuance Process and Schedule

- To have funds in place by the end of May, the District has started the bond issuance process.

	Activity	Status	Timing
1	Planning & Structuring	KNN and the District are in the process of determining timing, sizing, and structure.	On-going up to week of sale
2	Disclosure Documents	Disclosure Counsel prepares the preliminary official statement, to be complete and posted for investors prior to the sale.	Late March
3	<b>Authorizing Documents</b>	<b>District Board considers resolution authorizing bond issuance.</b>	<b>April 5th</b>
4	Credit Review/Rating	KNN and District prepare a rating presentation for District to make to rating agencies.	Mid April
5	Sale of Bonds	Sale/pricing by competitive sale or negotiated with an underwriter.	May 10
6	Final Legal Documents	Bond Counsel prepares final documents for signature.	Early May
7	<b>Closing</b>	<b>Signed documents are confirmed, funds are wired to County for deposit to District's Building Fund</b>	<b>May 24</b>
8	Ongoing responsibilities	KNN meets with the District to review the transaction and plan for ongoing responsibilities.	Late May

# San Leandro USD's Bond Program

---

- Voters have approved 3 bond elections for a total of \$212.95 million since 1997:

Measure	Year	Amount	Approval Rate
Measure A	1997	\$53.85 million	69.2%
Measure B	2006	\$109.00 million	67.7%
Measure M	2010	<u>\$50.10 million</u>	63.1%
		\$212.95 million	

- \$11.67 million of Measure B remains authorized but not yet issued.
- All of Measure M has yet to be issued.
- Bonds are repaid from property taxes.
  - County sets the tax rate every year based on payments coming due and property values.
  - The tax rate is based on \$100,000 of property value.
  - The tax amount is based on the actual payment due.

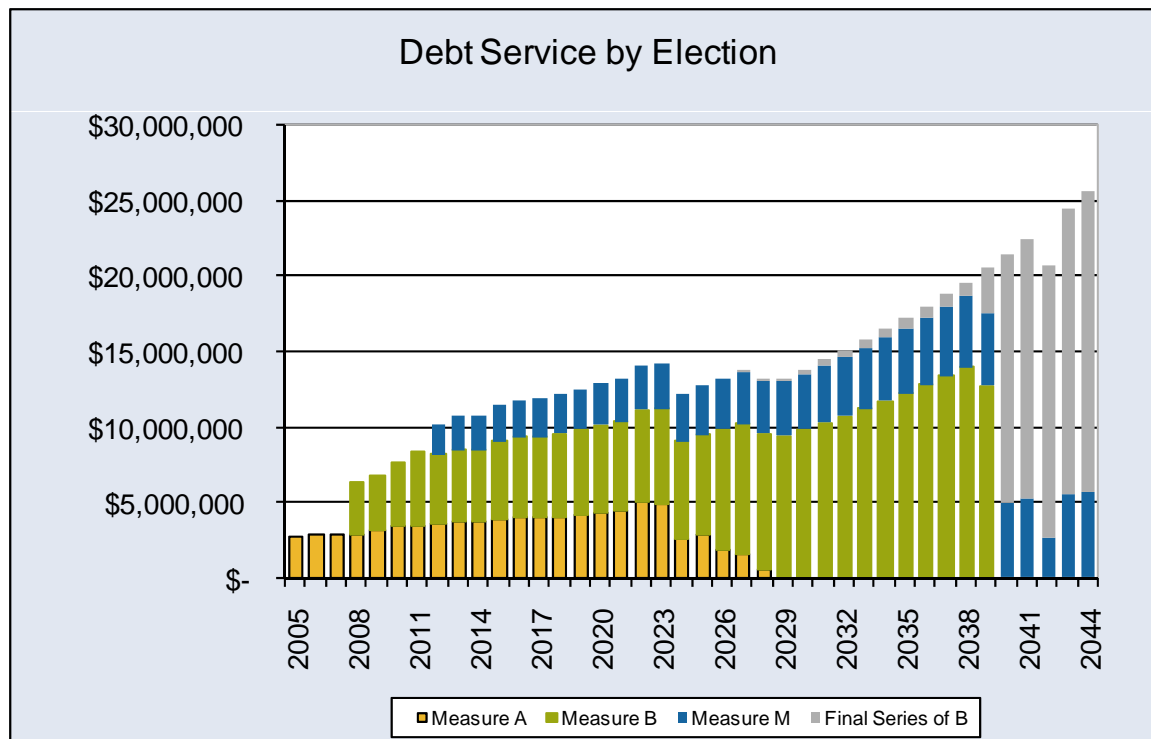
# General Obligation Bonds Outstanding

- The District has issued the following bonds:

Bond Measure	Series	Issue Date	Final Maturity	Original Issue Amount	Currently Outstanding
Election of 1997	Series A	8/1/1997	8/1/2022	\$ 15,500,000	\$ -
	Series B	8/1/2000	8/1/2025	10,000,000	
	Series C	8/1/2002	8/1/2027	7,000,000	300,000
	Series D	8/22/2002	8/1/2023	15,997,013	
	Series E	6/22/2004	8/1/2028	5,350,000	-
			<u>\$ 53,847,013</u>	<u>\$ 300,000</u>	
Election of 1997	2004 Refunding	7/7/2004	8/1/2022	9,915,000	7,595,000
	2007 Refunding	3/7/2007	8/1/2028	39,210,000	37,155,000
				<u>\$ 49,125,000</u>	<u>\$ 44,750,000</u>
Election of 2006	Series A	3/7/2007	8/1/2031	29,000,000	24,200,000
	Series B	3/31/2009	8/1/2033	30,000,000	30,000,000
	Series C	1/27/2010	8/1/2039	19,999,043	19,999,043
	Series D (QSCB)	5/20/2010	2/1/2026	18,327,344	18,327,344
			<u>\$ 97,326,387</u>	<u>\$ 92,526,387</u>	
<b>Total Outstanding:</b>					<b>\$ 137,576,387</b>

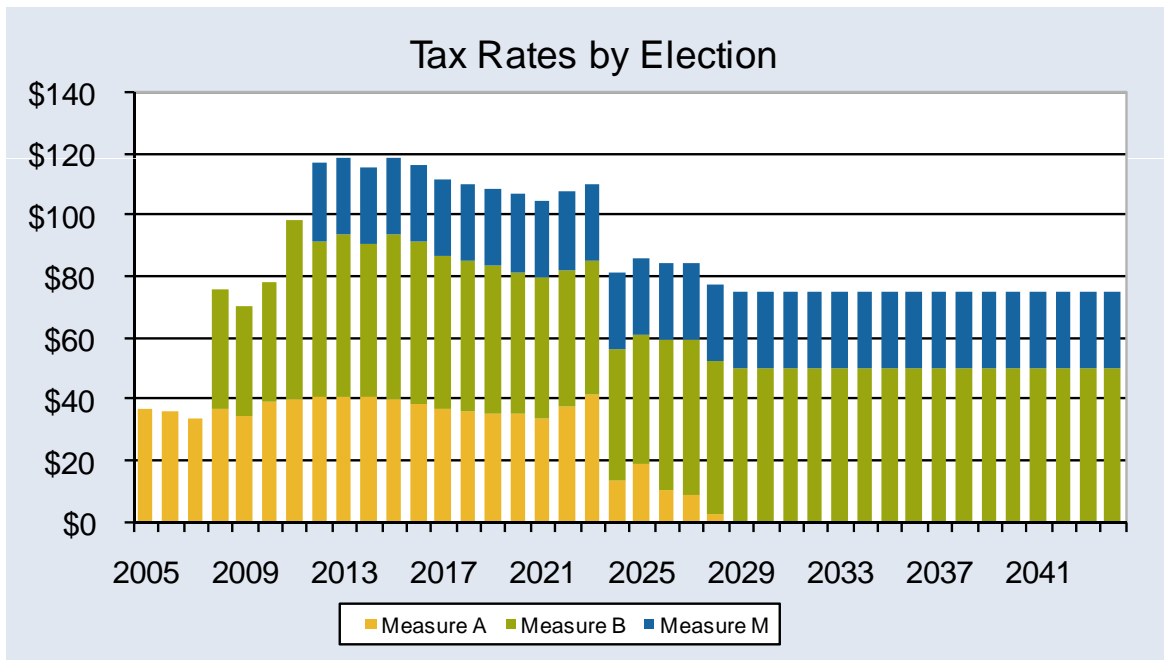
# Debt Service (Tax Collection Requirements)

- Annual debt service, or bond repayment, is the basis for tax collections. The increase in debt service is intended to correspond with an increase in the assessed values. The tax rate will stay stable as the tax base grows.



# Actual and Estimated Tax Rates

- Tax rates per \$100,000 assessed value will increase with the issue of Measure M bonds, as expected.



# 2010-11 Assessed Values

- Assessed values within the District have declined to 2007 levels.

