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MINUTES

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Union High School District

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
BOARD OF TRUSTEES**

BOARD WORKSHOP

**WEDNESDAY, MARCH 13, 2013
3:30 PM**

**DISTRICT OFFICE BOARD ROOM 101
710 ENCINITAS BLVD., ENCINITAS, CA. 92024**

The Governing Board of the San Dieguito Union High School District held a Board Workshop on Wednesday, March 13, 2013, at the above location, in the Board Room.

Attendance / Board:

All board members were present.

Attendance / District Management:

Ken Noah, Superintendent
Eric Dill, Associate Superintendent, Business Services
Rick Schmitt, Deputy Superintendent

1. CALL TO ORDER

President Groth called the meeting to order at 3:30 PM

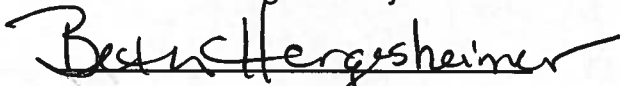
INFORMATION ITEMS

2. UPDATE ON FINANCING OPTIONS FOR SERIES A GENERAL OBLIGATION BONDS

The Governing Board was given a presentation on the reconsideration of financing options for the bond. The board reviewed reasons for reconsideration; the originally proposed structure; overall parameters; assessed evaluations; credit rating agency results; Series A options for structuring; and timelines. Please see attached supporting document (presentation distributed at the meeting).

3. ADJOURNMENT

The meeting was adjourned at 5:05 PM.


Beth Hergesheimer, Board Clerk

3-21-13
Date


Ken Noah, Superintendent

3-21-13
Date

Update on Financing Options for Series A General Obligation Bonds

SDUHSD Board Workshop

March 13, 2013

3:30 p.m.

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- Reason for Reconsideration
- Originally Proposed Structure
- Overall Parameters
- Assessed Evaluations
- Credit Rating Agency Results
- Series A Options for Structuring
- Timeline

Reason for Reconsideration

- Board authorized the issuance of Series A bonds in the amount of \$160 million on February 7, 2013
- District received a letter from County Treasurer Dan McAllister on February 12th encouraging all districts considering bond issues to do so within the limits of pending legislation (AB 182 authored by Buchanan & Hueso), which would restrict all school bonds to:
 - Debt repayment ratios no greater than 4:1
 - Maturities no greater than 25 years
 - Include call features for all term structures greater than 10 years
 - Yields on capital appreciation bonds no greater than 8%

Originally Proposed Structure

- 32-year bond maturity structure
- Tax-exempt bonds in the approximate amount of \$149,200,000
 - Proceeds to be used for project funds and to pay off Lease Revenue Bonds issued in 2012 for TPHS improvement projects
- Taxable bonds were anticipated to be in the approximate amount of \$10,800,000.
 - Proceeds to be used for project funds and/or to make base rental payments on Qualified School Construction Bonds (QSCBs) issued in 2010 for LCC and CCA solar projects

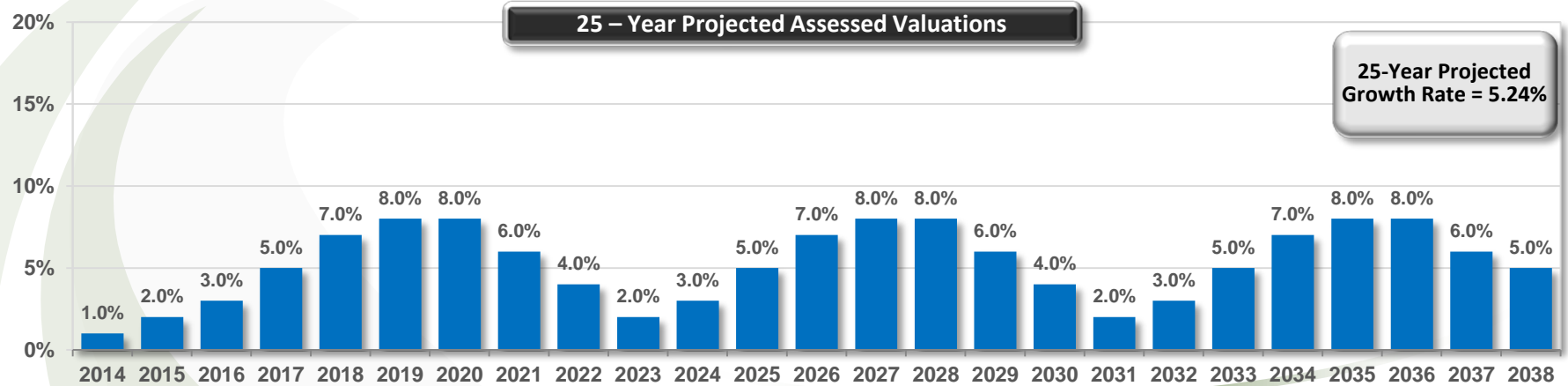
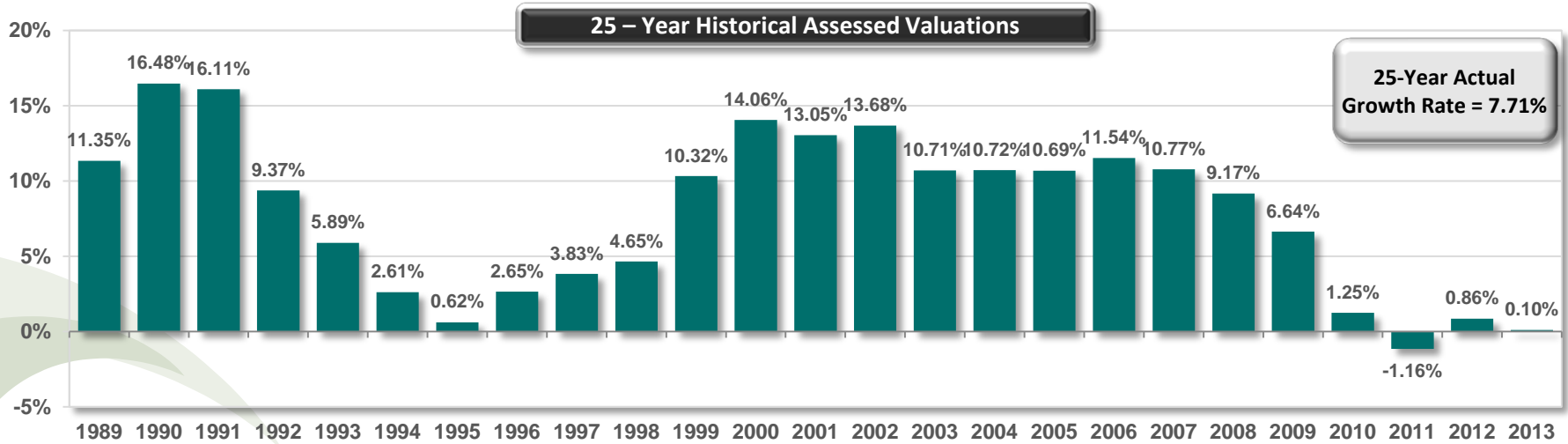
Reason for Reconsideration

- Originally proposed bond structure met the proposed requirements of AB 182 in each way except for the 32 year term
- Staff and finance team evaluated the impact of adjusting the term to 25 years while maintaining the goals of the first bond series
 - An adjusted financing structure has been developed, as well as an alternative; both options will be presented and discussed
 - Direction to move ahead with either scenario would not require a new resolution to authorize the sale of bonds
- Effect of sequestration unknown on federal solar subsidy revenue

Series A Parameters

- Treasurer-Tax Collector's Office has agreed to maturity date of 25 years from first principal amortization payment.
- Estimated cost of projects which could be initiated in the next three (3) years is approximately \$160 million
- Average coupon rate for GO Bonds with the ratings of the District is approximately 3.5% in today's municipal bond market
- Underwriter has agreed to pay all costs of issuance (which may be paid from reoffering premium generated by the underwriter)
- Projected growth rate for assessed valuation over the next 25 years is 5.24%
 - The 25 year historical assessed valuation growth rate is 7.71%,
 - Critical growth rates for Series A are 1% for Fiscal Year 2013-14 and 2% for Fiscal Year 2014-15

Assumptions – Assessed Valuations



Credit Rating Agency Results

- Both rating agencies granted favorable ratings to the District
- Ratings are at the high end of those currently published for California school districts
- Both ratings are comparable to each other

- Standard & Poor's

AA

- Moody's

AA2

Qualified School Construction Bonds

- District issued QSCBs in 2010 to fund two solar energy projects at La Costa Canyon High School and Canyon Crest Academy
- Debt is backed by the General Fund (Unrestricted)
- “Make whole” provisions to the investors in the QSCBs makes a total payoff unfeasible at this time
- Amount of taxable bonds in original structure allowed flexibility to cover a larger amount of the base rental payments on the QSCBs
- Revised structure in Option One maintains this flexibility, but at a lower level
 - Base rental payments could be covered for the next three years by proceeds of taxable bond series
 - Future options could include:
 - Making payments out of the General Fund if property tax revenues increase
 - Paying off balance of QSCBs out of a future GO Bond series if feasible
 - Continuing to make base rental payments out of a future taxable GO Bond series

Series A, Option One

- Under the updated structure, Series A of Proposition AA will be issued in an amount of approximately \$160 million
 - Approximately \$157.7 million will be issued as tax-exempt GO Bonds
 - Approximately \$2.3 million will be issued as taxable GO Bonds
- The tax-exempt portion of Series A will be used to
 - Fund approximately \$156 million in planning and construction of school facilities on the Proposition AA project list, and
 - Pay off the Lease Revenue Bonds ("LRBs") issued in 2012
- The taxable GO Bonds will be issued to provide flexibility for the proceeds to be used either for
 - Making base rental payments on the Qualified School Construction Bonds (QSCBs), and/or
 - Planning and construction of facilities on the Proposition AA project list.

Series A, Option One

- Advantages:
 - Allows flexibility to maintain stated goal of relieving General Fund of QSCB debt for up to three years
 - Paying off the 2012 LRBs will remove an encumbrance on the General Fund of approximately \$100,000 to \$560,000 annually for the next 7 fiscal years
 - Paying off the 2012 LRBs is expected to generate interest cost savings of approximately 0.50% due to the lower coupon rate of the tax-exempt Series A GO Bonds
- Disadvantages:
 - Funds used to make base rental payments on QSCBs will not be available for construction projects on the Proposition AA project list
 - Increased cost associated with issuing approximately \$2.3 million in taxable bonds, and providing flexibility to the District, is approximately \$208,000
 - Issuance of taxable bonds could cause confusion about Series A among community members and media (taxable issuances are less common)
 - Payment of QSCB base rent from Proposition AA bond proceeds could be reviewed by the Federal government

Bond Statistics for Option One

Taxable and Tax-Exempt Bond Issuance

Use of Proceeds	Taxable Bonds	Tax-Exempt Bonds	Total
Length of Amortization	1 Principal Payment	25 Principal Payments	N/A
Call Provision	Not Applicable	10 years @ Par	N/A
Structure of Bonds	Taxable CIBs	Tax-Exempt CIBs	N/A
Average Interest Cost	0.80%	3.50%	N/A
Par Amount of Bonds	\$2,320,000	\$157,680,000	\$160,000,000
Amount of Premium	\$0	\$2,168,399	\$2,168,399
Cost of Issuance (see below)	\$18,788	\$1,276,932	\$1,295,720
Total Debt Service	\$2,340,866	\$260,358,724	\$262,699,590
Debt Service to Par Ratio	1.01 : 1	1.65 : 1	1.64 : 1

Cost of Issuance Break-Down ^[1]

Party	Estimated Cost
Underwriter's Discount	\$800,000
Bond Counsel	\$135,000
Disclosure	\$45,000
Financial Advisor	\$65,000
Rating Agencies	\$140,000
Other ^[2]	\$110,720
Total COI	\$1,295,720

[1] Preliminary; subject to change.

[2] Includes reimbursement of election costs, District counsel, Underwriter's counsel, paying agent fees, COI custodian, printing, data costs, and contingency.

Series A Bond Debt Services – Updated Structure

Taxable and Tax-Exempt Bond Issuance

Year Ending	Assessed Valuation Total	Growth %	Taxable Bonds	Tax-Exempt Bonds	Total ^[1]	Estimated Tax Rate
2013	\$48,036,392,689	N/A	Bonds Issued			\$0.00
2014	\$48,516,756,616	1.00%	\$2,340,866	\$7,976,849	\$10,317,715	\$21.27
2015	\$49,487,091,748	2.00%	\$0	\$11,610,200	\$11,610,200	\$23.46
2016	\$50,971,704,501	3.00%	\$0	\$5,553,800	\$5,553,800	\$10.90
2017	\$53,520,289,726	5.00%	\$0	\$5,553,800	\$5,553,800	\$10.38
2018	\$57,266,710,006	7.00%	\$0	\$6,903,800	\$6,903,800	\$12.06
2019	\$61,848,046,807	8.00%	\$0	\$7,249,800	\$7,249,800	\$11.72
2020	\$66,795,890,552	8.00%	\$0	\$7,614,800	\$7,614,800	\$11.40
2021	\$70,803,643,985	6.00%	\$0	\$7,987,400	\$7,987,400	\$11.28
2022	\$73,635,789,744	4.00%	\$0	\$8,391,600	\$8,391,600	\$11.40
2023	\$75,108,505,539	2.00%	\$0	\$8,815,400	\$8,815,400	\$11.74
2024	\$77,361,760,705	3.00%	\$0	\$9,257,200	\$9,257,200	\$11.97
2025	\$81,229,848,740	5.00%	\$0	\$9,720,400	\$9,720,400	\$11.97
2026	\$86,915,938,152	7.00%	\$0	\$10,208,200	\$10,208,200	\$11.74
2027	\$93,869,213,204	8.00%	\$0	\$9,648,600	\$9,648,600	\$10.28
2028	\$101,378,750,261	8.00%	\$0	\$10,127,400	\$10,127,400	\$9.99
2029	\$107,461,475,276	6.00%	\$0	\$10,633,900	\$10,633,900	\$9.90
2030	\$111,759,934,287	4.00%	\$0	\$11,160,150	\$11,160,150	\$9.99
2031	\$113,995,132,973	2.00%	\$0	\$11,716,850	\$11,716,850	\$10.28
2032	\$117,414,986,962	3.00%	\$0	\$12,307,388	\$12,307,388	\$10.48
2033	\$123,285,736,310	5.00%	\$0	\$12,919,813	\$12,919,813	\$10.48
2034	\$131,915,737,852	7.00%	\$0	\$13,572,500	\$13,572,500	\$10.29
2035	\$142,468,996,880	8.00%	\$0	\$14,250,150	\$14,250,150	\$10.00
2036	\$153,866,516,631	8.00%	\$0	\$14,965,350	\$14,965,350	\$9.73
2037	\$163,098,507,629	6.00%	\$0	\$15,715,475	\$15,715,475	\$9.64
2038	\$171,253,433,010	5.00%	\$0	\$16,497,900	\$16,497,900	\$9.63
Total	N/A	5.24%	\$2,340,866	\$260,358,724	\$262,699,590	\$11.68

[1] Numbers may not sum due to rounding.

Series A, Option Two

- Under this alternative structure, Series A of Proposition AA will be issued in an amount of approximately \$160 million in tax-exempt GO Bonds.
 - Approximately \$158 million will be used for planning and construction of school facilities on the Proposition AA project list, and
 - Approximately \$2 million will be used to pay off the LRBs issued in 2012

Series A, Option Two

- Advantages

- This option maximizes the amount of proceeds available to fund construction projects on the Proposition AA project list
- Paying off the 2012 LRBs will remove an encumbrance on the General Fund of approximately \$100,000 to \$560,000 annually for the next 7 fiscal years
- Paying off the 2012 LRBs is expected to generate interest cost savings of approximately 0.50% due to the lower coupon rate of the tax-exempt Series A GO Bonds

- Disadvantages

- There is no flexibility for the District to make base rental payments on the QSCBs with bond proceeds
- As a result of a change in the structure, notification to ratings agencies will be required, which could lead to a potential reevaluation of the School District's credit ratings because the budget of the School District assumes the flexibility will exist

Bond Statistics for Option Two

Tax-Exempt Bond Issuance

Use of Proceeds	Taxable Bonds	Tax-Exempt Bonds	Total
Length of Amortization	N/A	25 Principal Payments	N/A
Call Provision	N/A	10 years @ Par	N/A
Structure of Bonds	N/A	Tax-Exempt CIBs	N/A
Average Interest Cost	N/A	3.5%	N/A
Par Amount of Bonds	\$0	\$160,000,000	\$160,000,000
Amount of Premium	N/A	\$2,168,399	\$2,168,399
Cost of Issuance (see below)	N/A	\$1,295,720	\$1,295,720
Total Debt Service	\$0	\$262,491,590	\$262,491,590
Debt Service to Par Ratio	N/A	1.64 : 1	1.64 : 1

Cost of Issuance Break-Down ^[1]

Party	Estimated Cost
Underwriter's Discount	\$800,000
Bond Counsel	\$135,000
Disclosure	\$45,000
Financial Advisor	\$65,000
Rating Agencies	\$140,000
Other ^[2]	\$110,720
Total COI	\$1,295,720

[1] Preliminary; subject to change.

[2] Includes reimbursement of election costs, District counsel, Underwriter's counsel, paying agent fees, COI custodian, printing, data costs, and contingency.

Series A Bond Debt Services – Option Two

Tax-Exempt Bond Issuance

Year Ending	Assessed Valuation Total	Growth %	Taxable Bonds	Tax-Exempt Bonds	Total ^[1]	Estimated Tax Rate
2013	\$48,036,392,689	N/A		Bonds Issued		\$0.00
2014	\$48,516,756,616	1.00%	\$0	\$10,309,546	\$10,309,546	\$21.25
2015	\$49,487,091,748	2.00%	\$0	\$11,601,007	\$11,601,007	\$23.44
2016	\$50,971,704,501	3.00%	\$0	\$5,549,403	\$5,549,403	\$10.89
2017	\$53,520,289,726	5.00%	\$0	\$5,549,403	\$5,549,403	\$10.37
2018	\$57,266,710,006	7.00%	\$0	\$6,898,334	\$6,898,334	\$12.05
2019	\$61,848,046,807	8.00%	\$0	\$7,244,060	\$7,244,060	\$11.71
2020	\$66,795,890,552	8.00%	\$0	\$7,608,771	\$7,608,771	\$11.39
2021	\$70,803,643,985	6.00%	\$0	\$7,981,076	\$7,981,076	\$11.27
2022	\$73,635,789,744	4.00%	\$0	\$8,384,956	\$8,384,956	\$11.39
2023	\$75,108,505,539	2.00%	\$0	\$8,808,420	\$8,808,420	\$11.73
2024	\$77,361,760,705	3.00%	\$0	\$9,249,870	\$9,249,870	\$11.96
2025	\$81,229,848,740	5.00%	\$0	\$9,712,704	\$9,712,704	\$11.96
2026	\$86,915,938,152	7.00%	\$0	\$10,200,117	\$10,200,117	\$11.74
2027	\$93,869,213,204	8.00%	\$0	\$9,640,960	\$9,640,960	\$10.27
2028	\$101,378,750,261	8.00%	\$0	\$10,119,381	\$10,119,381	\$9.98
2029	\$107,461,475,276	6.00%	\$0	\$10,625,480	\$10,625,480	\$9.89
2030	\$111,759,934,287	4.00%	\$0	\$11,151,314	\$11,151,314	\$9.98
2031	\$113,995,132,973	2.00%	\$0	\$11,707,573	\$11,707,573	\$10.27
2032	\$117,414,986,962	3.00%	\$0	\$12,297,643	\$12,297,643	\$10.47
2033	\$123,285,736,310	5.00%	\$0	\$12,909,583	\$12,909,583	\$10.47
2034	\$131,915,737,852	7.00%	\$0	\$13,561,754	\$13,561,754	\$10.28
2035	\$142,468,996,880	8.00%	\$0	\$14,238,867	\$14,238,867	\$9.99
2036	\$153,866,516,631	8.00%	\$0	\$14,953,501	\$14,953,501	\$9.72
2037	\$163,098,507,629	6.00%	\$0	\$15,703,032	\$15,703,032	\$9.63
2038	\$171,253,433,010	5.00%	\$0	\$16,484,837	\$16,484,837	\$9.63
Total	N/A	5.24%	\$0	\$262,491,590	\$262,491,590	\$11.67

[1] Numbers may not sum due to rounding.

Summary of Alternative Structures

Bond Structure/Debt Summary

Item	Taxable and Tax-Exempt Bond Issuance	Tax-Exempt Bond Issuance
Amount of Taxable Bonds	\$2,320,000	\$0
Amount of Tax-Exempt Bonds	\$157,680,000	\$160,000,000
Total Bonds Issued ^[1]	\$160,000,000	\$160,000,000
Total Debt Service ^[2]	\$262,699,590	\$262,491,590
Debt Service to Par Ratio	1.64 : 1	1.64 : 1

[1] All options are amortized for 25 annual principal payments and only include Current Interest Bonds

[2] The cost of providing flexibility to the School District by issuing taxable bonds is approximately \$208,000

Use of Bond Proceeds Summary

Item	Taxable and Tax-Exempt Bond Issuance	Tax-Exempt Bond Issuance
Flexible Proceeds (Available for QSCB or Facilities Projects)	\$2,296,765	\$0
Proceeds Used for LRBs	\$1,936,154	\$1,936,154
Proceeds Used for Facilities Projects	\$155,767,081	\$158,063,846
Total Bond Proceeds	\$160,000,000	\$160,000,000

Updated Timeline

Date	Task to be Performed
March 13, 2013	District Board Meeting <ul style="list-style-type: none">• Financing Options Update
March 18, 2013	Due Diligence Conference Call <ul style="list-style-type: none">• Final comments due on Preliminary Official Statement
March 19, 2013	County Board of Supervisors Meeting <ul style="list-style-type: none">• Adopt County Resolution• Approve Other Financing Documents
March 20, 2013	Print/Post Preliminary Official Statement
March 25, 2013	Pre-Pricing Conference Call
March 26, 2013	Final Pricing of Bonds
Week of April 1, 2013	Distribute to All Participants <ul style="list-style-type: none">• Closing Documents• Closing & Wire Payment Instructions
April 3, 2013	Print/Post Final Official Statement
April 9, 2013	Pre-closing of Bonds
April 10, 2013	Closing of Bonds

Questions?

