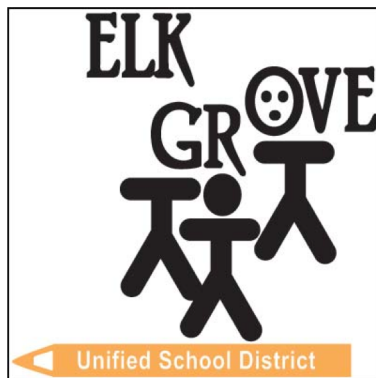
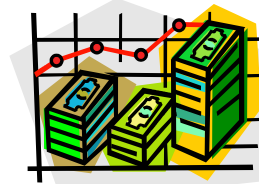


# Elk Grove Unified School District

## Capitalizing Future CFD Taxes Into Facilities Today: Proposed 2019 Lease Purchase Financing



Presented by Lori Raineri and Matt Kolker  
December 11, 2018

# Our Agenda for Tonight

- ◆ Community Facilities District #1
- ◆ Financing Details
- ◆ Notification to County Superintendent of Schools and County Auditor
- ◆ Next Steps
- ◆ For Reference
  - ▶ Legal
  - ▶ Detailed Costs of Issuance
  - ▶ Good Faith Estimates



# We'll Try to be Brief



To keep meetings from running indefinitely, conference rooms at Zartech Industries were allotted only a 45-minute supply of air.

# Community Facilities District #1

- ◆ Purpose: Provide funding for acquisition, construction and installation of school facilities
- ◆ Special tax originally approved in 1987, modified in 1998

	Maximum Special Taxes Based on Period During Which Parcel Status is Classified or Reclassified			
Existing or Future Development - Approved	Prior to 1/26/1987	1/26/1987 - 6/30/1998	7/1/1998 - 6/30/2001	After 6/30/2001
Per Month	\$ 3.82	\$ 9.82	\$ 15.00	\$ 16.67
Per Year	\$ 45.94	\$ 117.84	\$ 180.00	\$ 200.00
<b>Future Development - Planned</b>				
Development Classified as Future Development Planned during a given period	<b>40 Percent (40%) of Future Development - Approved</b> [The exact amount is dependent on the date a taxable unit is placed in Future Development - Planned category.]			

Source: Resolution No. 12, 1997-1998

# CFD #1 Debt Portfolio

- ◆ Special tax bonds legally rely only on special tax revenue for repayment
  - ▶ \$70M of bonds authorized in 1987, all issued
  - ▶ \$205M of bonds authorized in 1998, \$153M issued
- ◆ \$109.91M of Certificates of Participation issued in 2016 to refinance some CFD bonds and generate new money for projects
  - ▶ Repayable from any source but intended to be repaid from special tax revenue

## Debt Portfolio Review

### Community Facilities District No. 1

														Weighted Average Callable Coupon		Next Call Premium
Series	Type	Issuance - New Money	Issuance - Refinancing	Total Issuance	Total Net Debt Service	Debt Service to Principal at Issuance	Outstanding Principal as of Mar 1, 2016	Final Maturity	Able to Call?	Next Call Date	Callable Principal					
Election of 1987																
1995 Rfg	CIBs	\$0	\$33,380,000	\$33,380,000	\$65,548,583	2.19 : 1	\$13,055,000	Dec 1, 2024	No	n/a	\$0	n/a	n/a	(1)		
	CABs	\$0	\$8,880,110	\$8,880,110	\$26,900,000		\$2,088,600	Dec 1, 2018	No	n/a	\$0	n/a	n/a			
Election of 1998																
1998	CIBs	\$3,620,000	\$0	\$3,620,000	\$4,946,681	2.79 : 1	\$0	Dec 1, 2008	n/a	n/a	\$0	n/a	n/a	(2)		
	CABs	\$25,334,336	\$0	\$25,334,336	\$75,945,000		\$0	Dec 1, 2012	n/a	n/a	\$0	n/a	n/a			
2001	CIBs	\$9,465,000	\$0	\$9,465,000	\$11,313,910	2.48 : 1	\$0	Dec 1, 2011	n/a	n/a	\$0	n/a	n/a	(2)		
	CABs	\$11,878,383	\$0	\$11,878,383	\$41,625,000		\$0	Dec 1, 2012	n/a	n/a	\$0	n/a	n/a			
2003	CIBs	\$20,215,000	\$0	\$20,215,000	\$29,149,614	2.28 : 1	\$0	Dec 1, 2015	n/a	n/a	\$0	n/a	0%	* (3)		
	CABs	\$7,785,848	\$0	\$7,785,848	\$34,710,000		\$0	n/a	n/a	n/a	\$0	n/a	n/a	(2)		
2005	CIBs	\$43,540,000	\$0	\$43,540,000	\$92,727,185	2.13 : 1	\$0	Dec 1, 2015	n/a	n/a	\$0	n/a	0%	* (3)		
2008	CIBs	\$30,575,000	\$0	\$30,575,000	\$90,855,238	3.10 : 1	\$0	Dec 1, 2016	n/a	n/a	\$0	n/a	0%	** (3)		
	CABs	\$651,133	\$0	\$651,133	\$5,845,000		\$651,133	Dec 1, 2036	No	n/a	\$0	n/a	n/a	**		
2012 Rfg	CIBs	\$0	\$84,065,000	\$84,065,000	\$127,714,272	1.52 : 1	\$82,215,000	Dec 1, 2033	Yes	Dec 1, 2022	\$72,930,000	3.43%	0%	**		
		\$153,064,699	\$126,325,110	\$279,389,810	\$607,280,482			\$98,009,733								

Note: \$51,935,301 of the Election of 1998 authorization remains unissued

#### Debt Service to Principal Ratios

1998 Election debt service of new money issuances to new money principal: 2.53 : 1

1998 Election total debt service after refinancings to new money principal: 2.45 : 1

### Certificates of Participation

Series	Type	Issue	Issuance - New Money	Issuance - Refinancing	Total Issuance	Total Net Debt Service	Debt Service to Principal at Issuance	Outstanding Principal as of Paid & to be	Final Maturity	Able to Call?	Next Call Date	Callable Principal	Weighted Average Callable Coupon	Next Call Premium	
2016	CIBs		\$30,000,000	\$79,100,000	\$109,100,000	\$171,042,907	1.57 : 1	\$0	Feb 1, 2040	Yes	Feb 1, 2026	\$98,425,000	3.13%	0%	(3)
			<u>\$30,000,000</u>	<u>\$79,100,000</u>	<u>\$109,100,000</u>	<u>\$171,042,907</u>			<u>\$0</u>						

#### Debt Service to Principal Ratios

Debt service of new money issuances to new money principal: 1.57 : 1

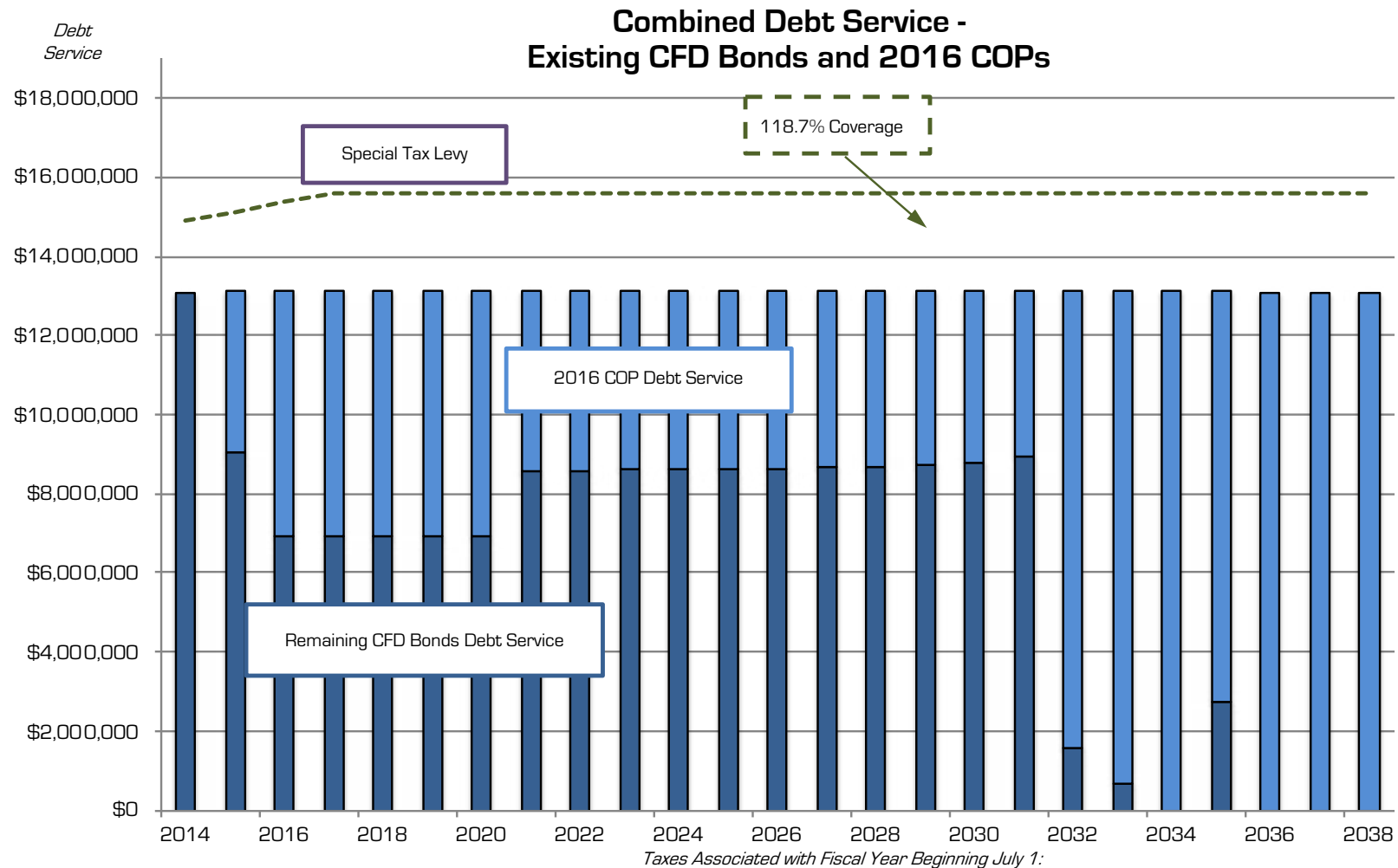
\* Cash-funded reserve  
 \*\* Surety bond in lieu of cash-funded reserve

(1) Series 1995 Refunding Bonds issued to advance refund Series 1990 & a portion of Series 1994 Bonds;  
 (2) Series 2012 Refunding Bonds issued to refund the Series 1998 & 2001 capital appreciation bonds and advance refund the Series 2003 capital appreciation bonds.  
 (3) 2016 Certificates of Participation issued to refund Series 2003, & 2005 current interest bonds and advance refund the Series 2008 current interest bonds, and generate new money for projects.

# Additional Special Tax Revenue

- ◆ Special Tax Revenue has increased
  - ▶ 2014-15 Special Tax Revenue was \$14.9 million
  - ▶ 2017-18 Special Tax Revenue was \$15.6 million
- ◆ Planning for 2016 Certificates of Participation assumed special tax revenue to remain at 2014-15 level
- ◆ Debt service on Certificates is lower than originally estimated
- ◆ Thus, revenues are higher and costs lower than 2016 plan
- ◆ Special Tax Revenues cover debt service on remaining outstanding Special Tax Bonds (those not refinanced) + Certificates of Participation
  - ▶ Average annual combined debt service is \$13.1 million
- ◆ Currently, annual average coverage of \$2.5 million  $\approx$  118%
- ◆ Targeting a coverage ratio of  $\geq 110\%$ ,  $\pm$  \$1 million annually could be dedicated to debt service for a new borrowing of \$12.635 million to yield \$12.5 million for capital expenditures

# Projecting Today's Taxes as Flat Provides ± \$2.5 million in Annual Coverage



Debt service for COPs and CFD Bonds from *Official Statements*. 2019 Lease Purchase debt service based on indicative rates adjusted 25 basis points for timing.



# Three Ways to Borrow Money

## ◆ Notes

- ▶ Short term borrowing in “anticipation” of specified revenue
- ▶ Examples:
  - Tax and Revenue Anticipation Notes
  - Bond Anticipation Notes

## ◆ Bonds

- ▶ Require voter approval
- ▶ Repaid from taxes
- ▶ Examples:
  - General Obligation Bonds
  - Special Tax Bonds

## ◆ Leases

- ▶ No voter approval
- ▶ Repaid from budget
- ▶ Examples:
  - Lease-Purchase Financing
  - Certificates of Participation
  - Lease Revenue Bonds

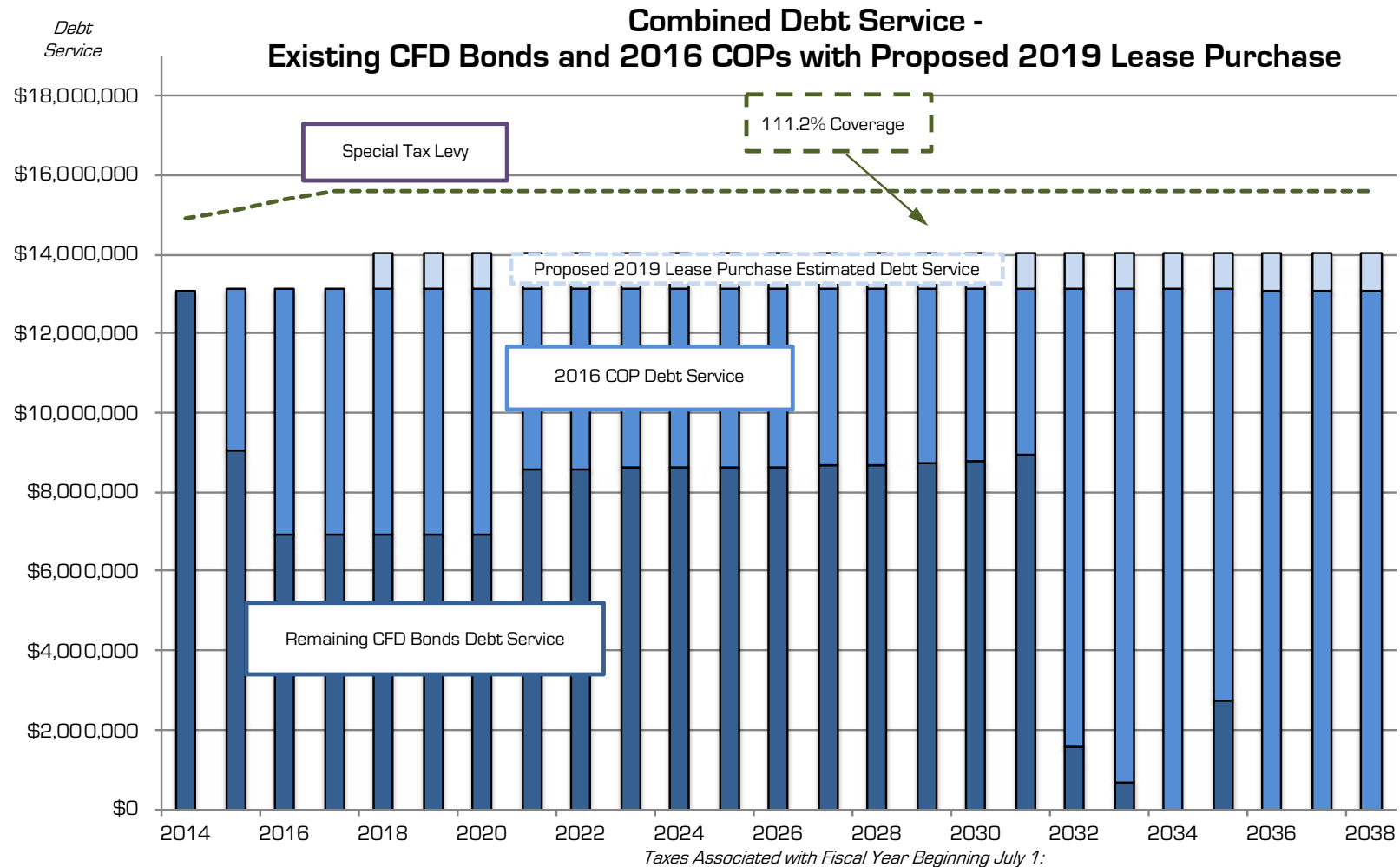


# Choosing the Method of Financing

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- ◆ We reviewed the pros and cons of issuing Lease Revenue Bonds, Certificates of Participation, and a standard lease purchase, and based on the District's willingness to take on the risk of a financing that is not legally limited to repayment from special tax revenues (as was done in 2016 with the issuance of certificates of participation), narrowed the choices to either a standard lease-purchase or certificates of participation.
- ◆ Given current market conditions, a standard lease-purchase will be the more effective option.

# Special Tax Revenue > 110% Debt Service Coverage Given Known and Est. Debt Service



Debt service for COPs and CFD Bonds from *Official Statements*. 2019 Lease Purchase debt service based on indicative rates adjusted 25 basis points for timing.

# Sources and Uses

## 2019 Lease Purchase - Estimated Sources & Uses of Funds

### Sources

#### Lease Purchase Proceeds

Par Amount \$12,635,000.00

Total Sources \$12,635,000.00

### Uses

#### Project Fund Deposits

Project Fund \$12,500,000.00

#### Delivery Date Expenses

Costs of Issuance: \$135,000.00

Total Uses: \$12,635,000.00

# County Superintendent of Schools & County Auditor Notification

- ◆ Pursuant to Education Code 17150.1(a), school districts are required to notify the county superintendent of schools and county auditor at least 30 days before certain types of debt are approved by the governing board.
- ◆ Types of debt that require notification include:
  - ▶ Lease-purchase
  - ▶ Any other debt
    - secured by real property
    - not subject to voter approval
- ◆ County superintendent of schools and county auditor have 15 days to:
  - ▶ Review the information provided
  - ▶ Determine whether the debt is affordable
  - ▶ Comment publicly (if desired) to the governing board of the district
- ◆ Should the Board wish to proceed, we will work with staff to notify and communicate with the county superintendent of schools and county auditor, including providing a debt notification report.



# Questions Addressed in Notification Report

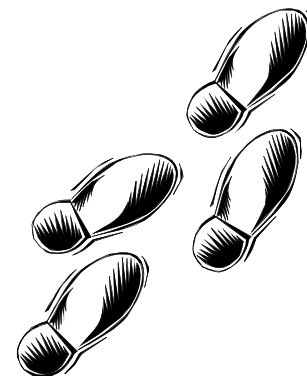
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- 1) Why is the district borrowing?
- 2) What will the district's annual obligation be, including debt service payments and administrative costs?
- 3) What is the risk that the annual obligation will vary from year to year and by how much?
- 4) What are the planned repayment sources?
- 5) What is the likelihood the planned repayment sources will be sufficient?
- 6) What is the cost of funds and is this reasonable?



# Next Steps

- ◆ Today's Board meeting
  - ▶ Information only
- ◆ No later than December 14<sup>th</sup>
  - ▶ Notice & information provided to Sacramento County Superintendent of Schools and Sacramento County Auditor-Controller (Ed. Code 17150.1)
- ◆ January 15<sup>th</sup> Board meeting
  - ▶ Board considers adoption of resolution authorizing financing
- ◆ February 5<sup>th</sup>
  - ▶ Closing - proceeds deposited with County Treasury
- ◆ February 19<sup>th</sup> Board meeting
  - ▶ Sale results presented to Board
- ◆ Ongoing administration



# Any Questions?

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