

**Bond Financing Update:
Opportunity to Reduce Taxpayer
Costs by Refinancing
General Obligation Bonds**



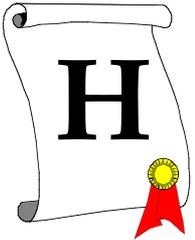
August 26, 2014

Agenda

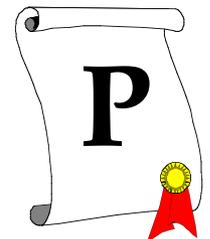
- **Brief Review of Measures H & P Bonds**
- **Overview of Refinancing Opportunity**
- **Next Steps**



Measures H & P - Elections Summary



<u>Measure</u>	<u>Election Date</u>	<u>Authorization</u>	<u>Vote Required</u>	<u>Vote Received</u>
H	Jun 6, 2006	\$37,000,000	55.0%	57.3%
P	Nov 4, 2008	\$47,000,000	55.0%	62.4%



Measures H - Bond Issuance Summary

Measure H - \$37,000,000

<u>Series</u>	<u>Type</u>	<u>Total Issuance</u>	<u>Net Debt Service</u>	<u>Debt Service to Principal at Issuance</u>	<u>Outstanding Principal as of August 1, 2014</u>	<u>Final Maturity</u>
2006	CIBs	\$18,000,000	\$31,825,387	1.77 : 1	\$16,130,000	Aug 1, 2031

✓ **CIBs = Current Interest Bond**

- ✓ A bond on which interest payments are made to the bondholders on a periodic basis.

Measures P - Bond Issuance Summary

		0,000	\$60,476,414	\$29,320,000	Aug 1, 2034
2009	CABs	\$3,883,777	\$16,415,000	\$3,883,777	Aug 1, 2036
		\$34,433,777	\$76,891,414	\$33,203,777	

✓ CAB = Capital Appreciation Bond

- ✓ A municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity. At maturity the investor receives a single payment (the “maturity value”) representing both the initial principal amount and the total investment return.

Summary of Refinancing Parameters

<u>Bond Series</u>	<u>First Call Date(1)</u>	<u>Callable Bonds(2)</u>	<u>Average Interest Rate of Callable Bonds</u>	<u>Call Premium as % of Bonds Called(3)</u>
2006	8/1/14	\$16,130,000	4.36%	1.00%
2008	8/1/16	\$17,415,000	4.89%	0.00%
2009	8/1/20	\$26,220,000	5.17%	0.00%

(1) "Call" = "prepayment".

(2) Principal maturing/coming due after call date.

(3) For 2006 Bonds, call premium is 0% if Bonds called on or after August 1, 2015.

Summary of Refinancing Analysis

<i>Bond</i>	<i>Average Interest Rate of Callable</i>	<i>Assumed Average Refinancing Interest</i>	<i>Cost of Call</i>	<i>Projected Cost of Negative</i>	<i>Projected Present Value Savings <u>Net</u></i>	<i>Projected Savings As % of Callable</i>	<i>Recommended Minimum Savings % to Complete Refinancing</i>	<i>Good Candidate For</i>
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- ✓ 2006 Bonds are good candidate for refinancing
- ✓ Will continue to monitor potential for 2008 Bonds

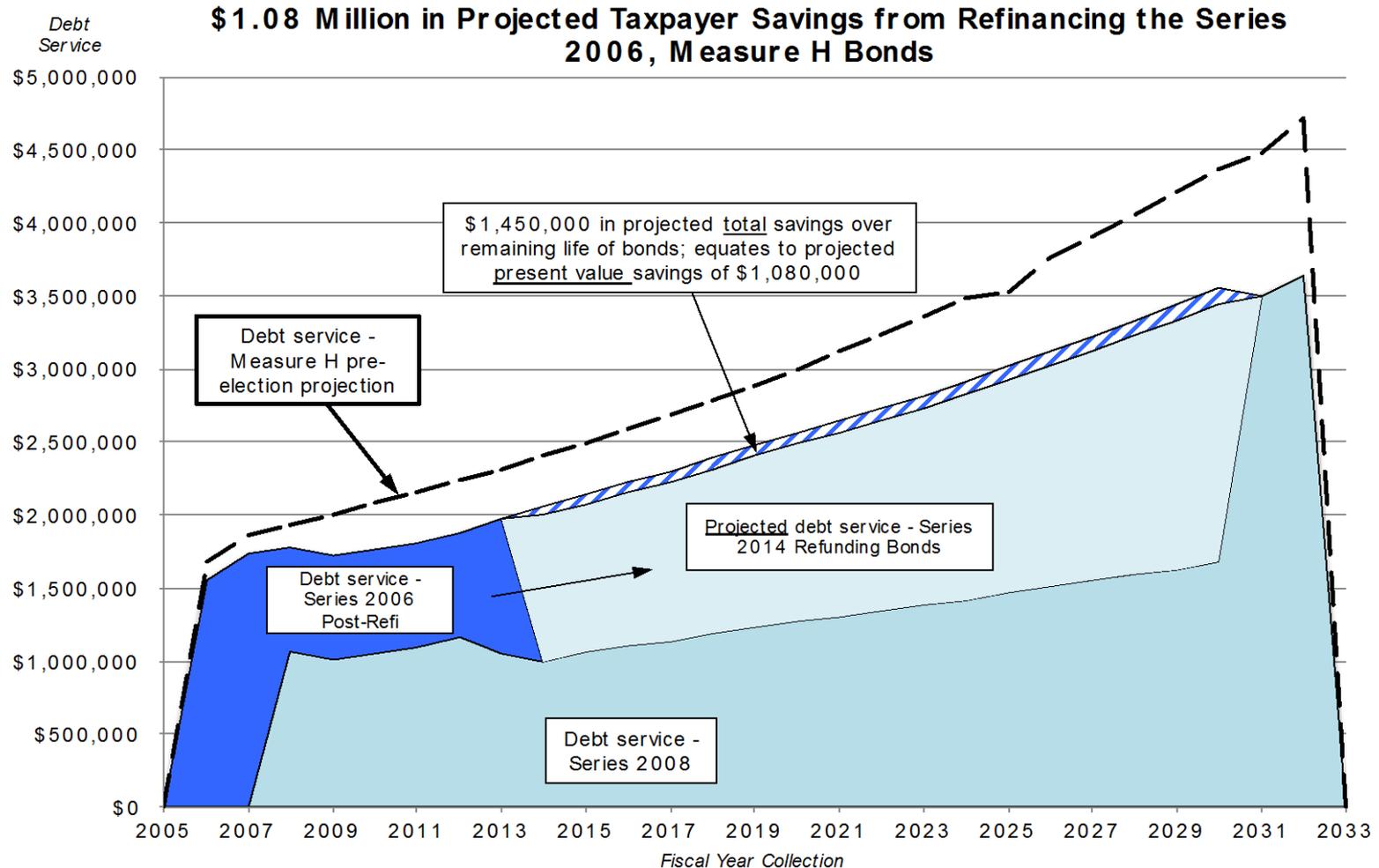
Estimated Sizing of Refunding Bonds

Callable Principal of Series 2006 Bonds:	\$16,130,000
Prepayment Premium:	\$161,300
Accrued Interest Until Call Date(1):	\$201,043
Underwriter's Discount:	\$206,938
Bond Insurance:	\$56,507
Costs of Issuance(2):	\$125,000
Premium Received(4):	(\$327,032)
Rounding:	\$1,244
Refinancing Bond Issuance:	<u>\$16,555,000</u>

(1) Interest on Series 2006 bonds from last payment date (August 1, 2014) through planned November 14, 2014 call date.
(2) Includes fees and expenses for financial advisor, bond counsel, rating(s), and paying agent. Issuance costs are paid from bond proceeds and, with the exception of the rating fee(s), are only charged if the refinancing is completed.
(3) Interest earnings on the escrow account from close date of refinancing (September 15, 2014 through August 1, 2015 repayment date).
(4) Premium is the amount paid by the underwriter in excess of the face value of the bonds.

- ✓ **Except for rating fee (included in costs of issuance), there would be no costs to District if refinancing not completed. Rating cost estimated to be \$6,000 - \$12,000 if rating obtained, but refinancing not completed.**
- ✓ **Sizing would be greater if Series 2008 or 2009 included.**

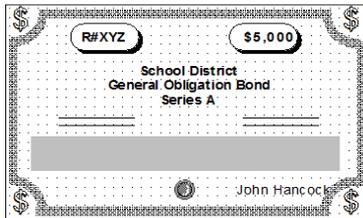
Proj. Present Value Savings = \$1.08 Million



Actual debt service from Official Statements. Fiscal year collection is equal to the following calendar year due to cashflow requirements. 2014 Refunding Bonds debt service is estimated based on MMD "AAA" rates as of August 11, 2014 adjusted for District's assumed "A" rating (+50bp - +90bp).

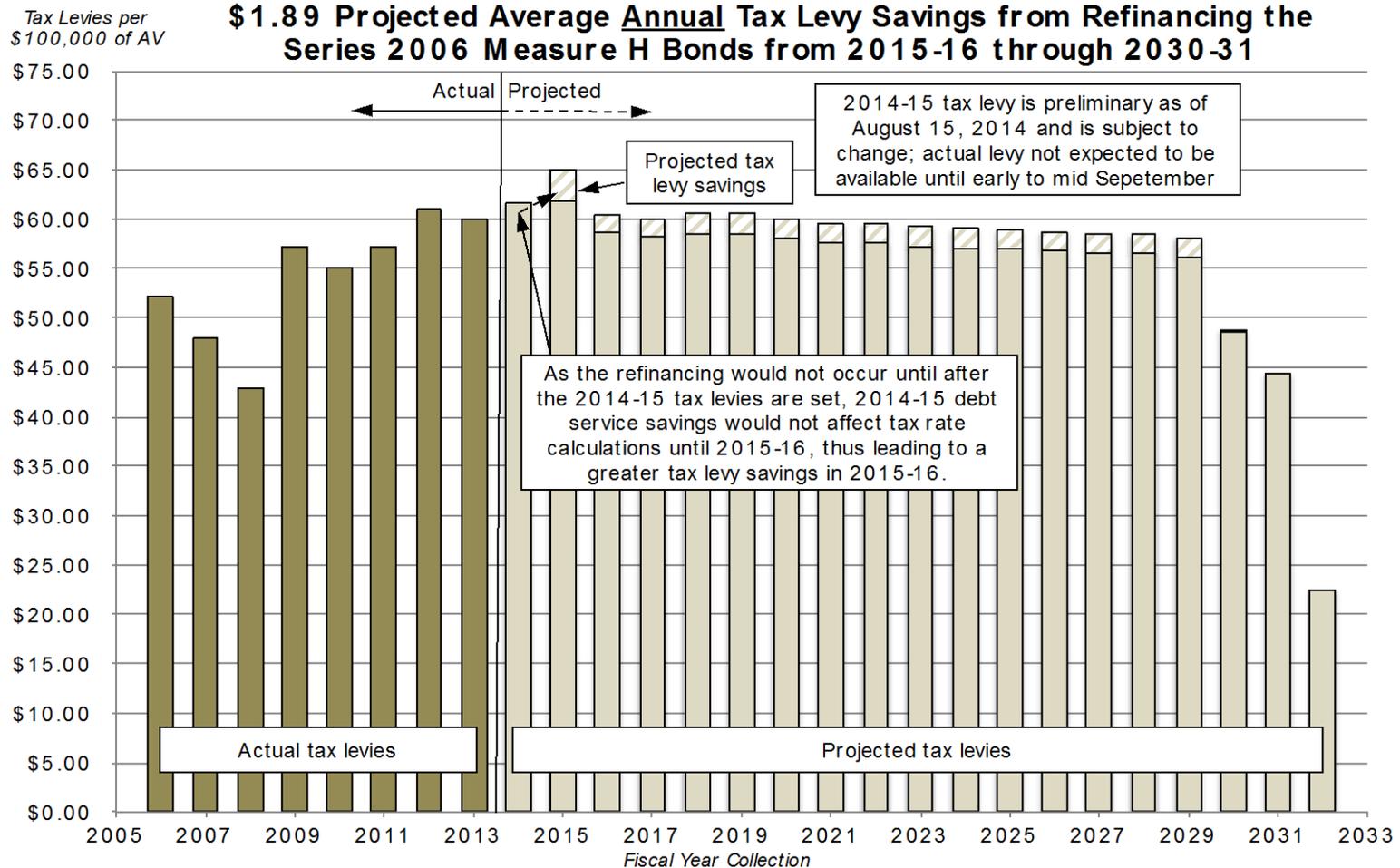
How Tax Rates Are Determined

- Bond tax rate \approx required tax collection \div total assessed value within District
- Each property pays its pro rata share, based on its individual assessed value (not market value)



- ✓ Assessed value growth for 2014-15 is 4.46%
- ✓ 4% future annual assessed value growth currently assumed
- ✓ Detail in Additional Materials at back

Proj. Tax Levy Savings = \$1.89/\$100K of AV



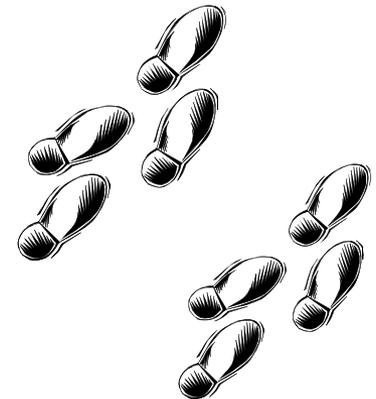
Actual tax levies provided by Yuba Co. Auditor-Controller's Department. Projections based on actual debt service from Official Statements & projected debt service based on MMD "AAA" rates as of August 11, 2014 adjusted for District's assumed "A" rating (+50bp - +90bp), collection requirements based on County reserve requirements, and conservatively assumes that the reserve is not applied to reduce levies. Assumes 4% annual growth in net local secured AV, while all other AV types are assumed to remain unchanged. For 2014-15, the County changed its taxing methodology, adding a reserve equal to the first payment of the following fiscal year.

Establishment of Minimum Savings

- **Since interest rates could increase and therefore savings decrease before the Refunding Bonds are sold, it is important to establish a minimum present value savings threshold.**
- **Recommended minimum present value savings thresholds:**
 - **2006 Bonds: 3% (= \$483,900)**
 - **2008 Bonds: 6% (= \$1,044,900)**
- **As we approach the refinancing date, if the savings threshold cannot be achieved, the refinancing can be placed on hold, and we can monitor market conditions and proceed only if and when the refinancing becomes viable.**

Next Steps

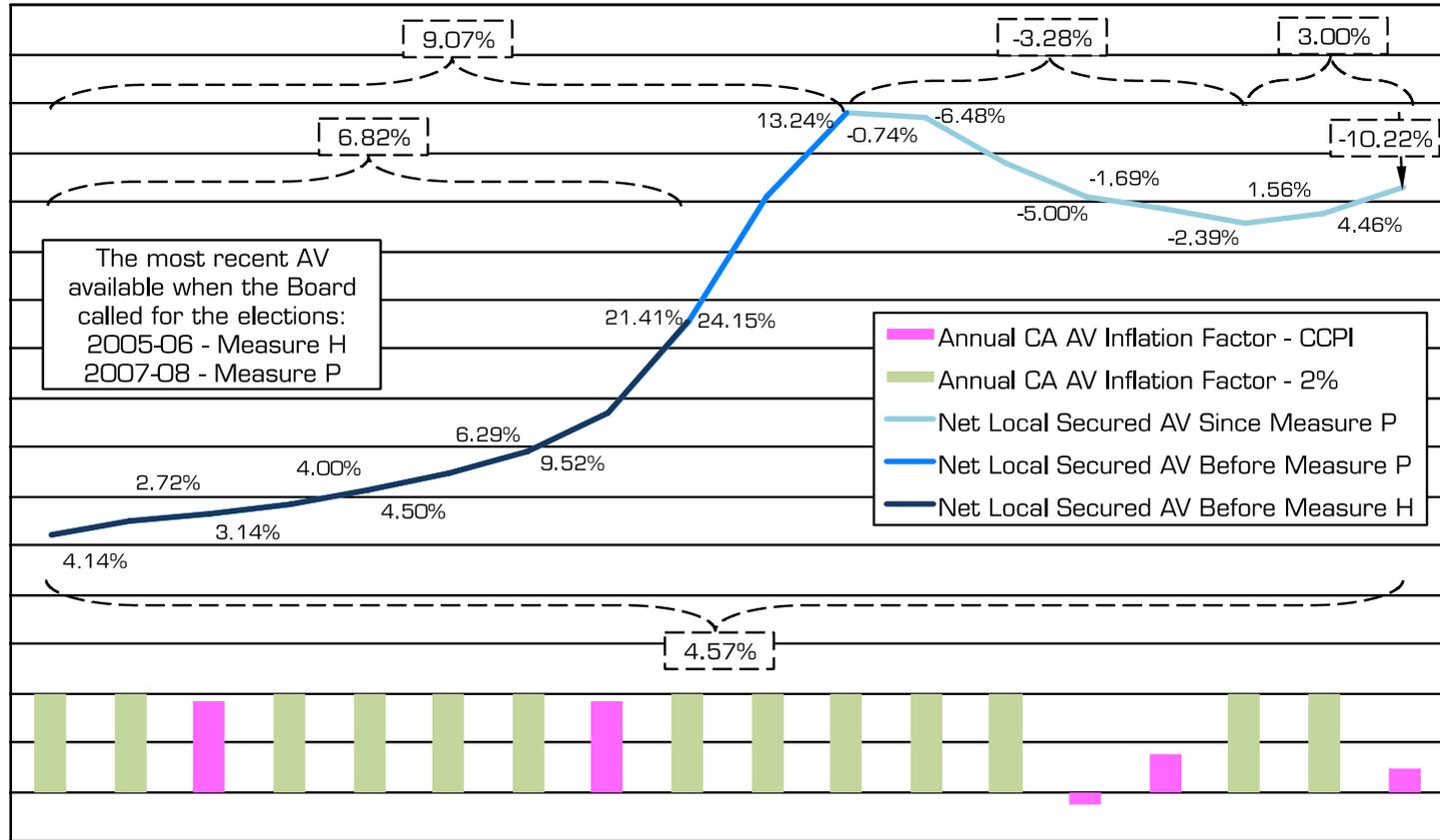
- **If the Board wishes to proceed, the next steps would include:**
 - **Tuesday, October 14**
 - **Board considers adoption of resolution authorizing issuance of Refunding Bonds**
 - **Tuesday, October 28**
 - **Sale of Refunding Bonds**
 - **Thursday, November 13**
 - **Closing**
 - **Friday, November 14**
 - **Series 2006 Bonds repaid**
 - **Tuesday, November 18**
 - **Information regarding Bond sale provided to Board**



Additional Materials

- **Assessed Value History**
- **Assumed Future Assessed Value Growth**

Assessed Value History



Assumed Future AV Growth

