



# Discussion Certificates of Participation

Presented to Board of Trustees

February 25, 2020

# Agenda



- ▶ Review Facts of Current Certificates of Participation (COP)
- ▶ History of Funding MJUSD Facilities Improvements
- ▶ Reasons COPs Were Needed
- ▶ Original Payment Plan for COPs
- ▶ Opportunity to Refund the 2012 COPs



# Current Facts - Certificates of Participation

- ▶ 2012 - Issued COPs for \$18.4 Million
  - ▶ Purpose: 1. Fund 2012 Capital Projects  
2. Refund 2006 COPs (\$12.3 Million)
  - ▶ Repayment:  
Beginning June 2022 - Annual Amount \$2.8M  
Principal & Interest Payments 2022 thru 2042

## Long-term Debt Fact:

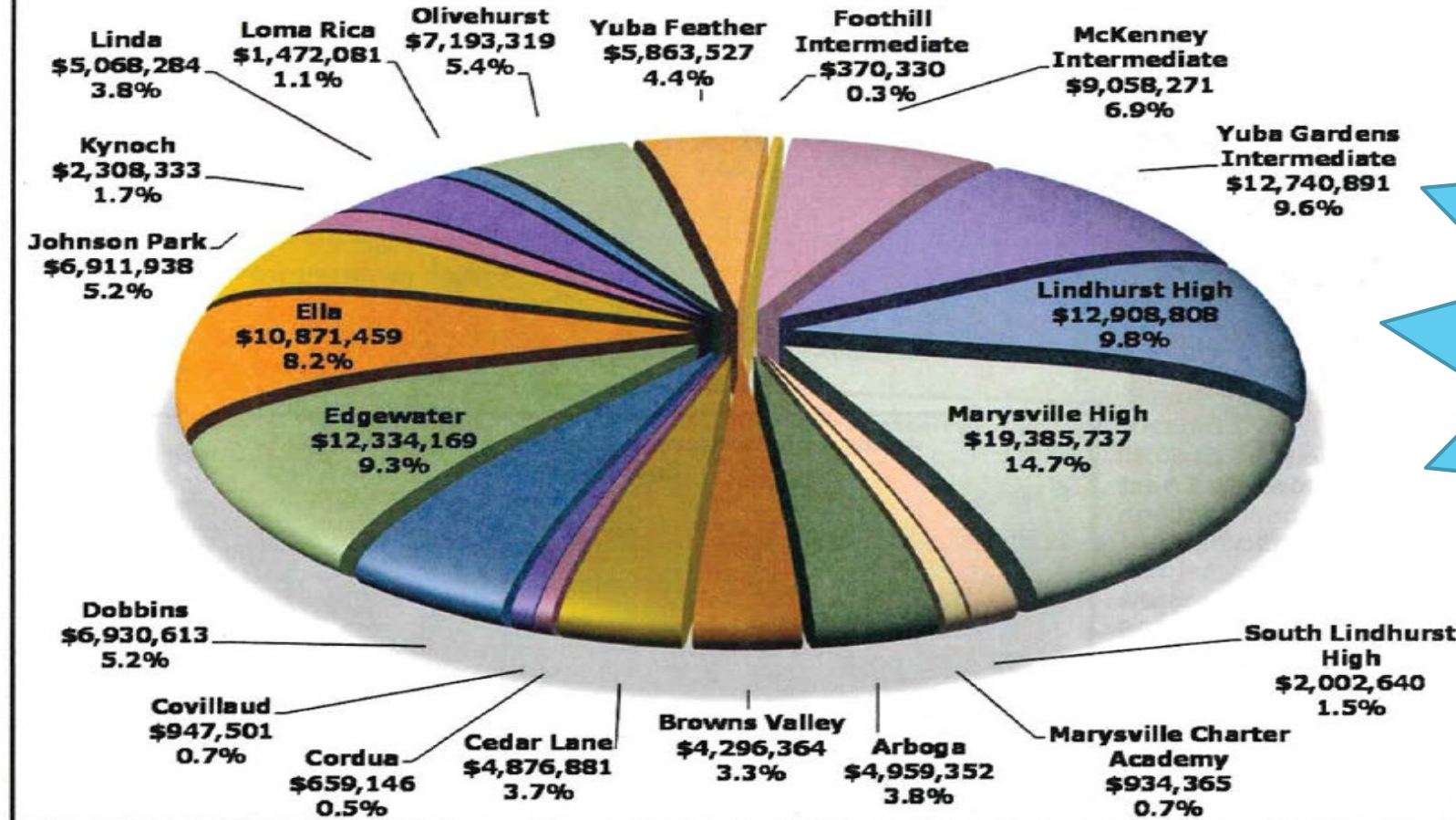
*Unlike General Obligation Bonds, which are repaid by taxpayers, Certificates of Participation must be repaid by the District, yet both GO Bonds and COPs are considered Long-term Debt.*

# History of Funding Facilities Improvements



CHART 5

**Approximately \$133.6 Million Has Been Spent At District School Sites on Facilities Improvements Since 2005-06**



**\$133.6 Million**  
in Facilities  
Improvements  
from 2005-06  
thru 2015-16

From page 7 of the  
June 28, 2016  
Facilities Master Plan



# History of Funding Facilities Improvements

According to the June 2016 MJUSD Facility Master Plan:

- ▶ Approximately \$133.6 million has been spent at District school sites on Facilities Improvements since 2005-06.
- ▶ The District has been active in building and maintaining facilities.
- ▶ In 2006, voters of the District approved the issuance of \$37 million of General Obligation (GO) Bonds. All of the bonds were issued and spent on capital projects throughout the District.

# History of Funding Facilities Improvements (continued)



- ▶ In 2008, voters of the District approved the issuance of an additional \$47 million of GO Bonds.
- ▶ As of 2016, approximately \$34.4 million of the \$47 million in GO Bonds was issued to fund capital facilities projects. \$12.6 million of GO Bonds remained to be issued.

## 2018 to Current:

- ▶ In 2018, the final tranche of \$12.6 million of GO Bonds was issued to fund capital facilities projects to be determined.
- ▶ In January 2020, the Board of Trustees approved the Arboga TK-8 Expansion project using the final \$12.6 million (plus developer fees for a total approximate project cost of \$15 million).



# History of Funding Facilities Improvements (continued)



- ▶ In 2006 and again in 2012, COPs were issued to fund capital projects **in addition** to the amounts provided by the voter approved GO Bonds.
- ▶ MJUSD planned to repay the 2012 COPs with developer fees, noting that if insufficient developer fees were available, the General Fund would cover any shortfall.



## 2 Reasons COPs Were Needed

### *Reason 1.*

- ▶ *“A portion of the proceeds from the sale of the Certificates will be deposited in the Construction Fund in order to implement the 2012 Capital Projects, which consist of costs associated with the purchase of relocatable classrooms currently being leased along with reimbursement to the District for prior expenditures related to the acquisition of real property known as the “Hammonton/Smartsville Property.””*
- ▶ *“The District may add, change, or remove projects at their discretion.”*

*(from page 14, Official Statement Document, 2012 Certificates of Participation)*





## 2 Reasons COPs Were Needed (continued)

### Reason 2.

#### ► Plan of Refunding 2006 COPs:

*“A portion of the proceeds from the sale of the Certificates (2012) will be irrevocably deposited in the Escrow Fund... and the moneys in the Escrow Fund will be used to pay... the Prior Certificates (2006) will be deemed paid and no longer outstanding.”*

*General Fund balance was also used to pay the 2006 COPs and the 2006 COPs were fully repaid in 2018.*

*(from page 14, Official Statement Document, 2012 Certificates of Participation)*



# Original Payment Plan

- ▶ At time of issuance of the 2012 COPS, the payment plan for the COPS was as follows:

*“Although not pledged for repayment, the District intends to use developer fees deposited into the District’s Capital Facilities Fund to make payments. To the extent the developer fees are insufficient to make principal and interest payments on the COPS, the District intends to cover any shortfall from its General Fund.”*

*(from page 10, Official Statement Document, 2012 Certificates of Participation)*



# Opportunity to Refund the 2012 COPs

- ▶ Today's low interest rate environment is an opportunity to refund the 2012 COPS to realize a lower interest rate, thereby reducing the annual payments by potentially, several hundred thousand dollars each year.



# Next Steps

Administration recommends the following:

- ▶ Receive direction from the Board to pursue the refunding of the 2012 Certificates of Participation to reduce the interest rate, thereby reducing the annual payments on an ongoing basis.



# Questions ?