Board Member Questions from April 29 Board Meeting

Alameda Unified School District – General Obligation Bonds Questions & Answers

1. If a bond is approved in November, does that mean possible total to taxpayers per year $60/100,000 times two (this bond and last bond) for a total of $120/$100,000 assessed value or could it be times three or four?

   The total tax rate at issuance is $60/100,000 of assessed value for each authorization by the voters. The intent is to have a levy no greater than $120/100,000.

2. How do you know AUSD will be able to pay off debt? Where's data, assumptions.

   The voters are approving an unlimited ad valorem tax to repay the bonds. The County will levy an effective tax rate to pay debt service on the bonds.

3. 1989 Bond $47,600,000., How much was interest/financing total?, How much initially?

   The financing was $47,000,000 at an average interest rate of 6.93%.

4. Why refinanced in 1992 and 2002? Did that increase the interest? Decrease the interest? What impact on paying off? When will it be paid off? (Month/year)

   The bonds were refinanced twice for savings, reducing from 6.93% to 5.85% to 5.50%. Final maturity is 7/1/14.

5. 2004 Bond $63,000,000.
   Why two issuances? Why one mature 2029 and other 2036? Why different lengths of time?

   Most likely to receive the full $63 million and maintain an overall lower tax levy, there needed to be a longer maturity of the bonds.

6. What amounts of interest per issuance?

Measure C Bond Debt Service (starting FY 2014-15)

	Final Maturity	Principal	Interest	Total
Series A Bonds	8/1/2029	$ 37,255,459	$ 54,854,541	$ 92,110,000
Series B Bonds	8/1/2036	$ 21,187,233	$ 55,385,803	$ 76,573,036
		$ 58,442,692	$ 110,240,344	$ 168,683,036

7. Is that something voters agreed to when passed? If so, what language that voters approved consented to that?

   The voters were informed as to the expected issuance schedule of the bonds. Such a statement was not binding on AUSD.

“An election will be held in the Alameda Unified School District (the "District") on March 2, 2004, to authorize the sale of up to $63,000,000 principal amount of general obligation bonds (the "Bonds") of the District to finance the school facilities as described in the proposition. If the Bonds are approved, the District expects to issue the Bonds in two (2) series over a three (3) year period. Principal and interest on the Bonds will be payable from the proceeds of tax levies made upon taxable property in the District. The following information is provided in compliance with Sections 9400-9404 of the Elections Code of the State of California.

1. The best estimate of the tax rate which would be required to be levied to repay the Bonds during the first fiscal year after the sale of the first series of Bonds, based on estimated assessed valuations available at the time of filing this statement, is 6 cents per $100 ($60.00 per $100,000) of assessed valuation in fiscal year 2004-05.

2. The best estimate of the tax which would be required to be levied to repay the Bonds during the first fiscal year after the sale of the last series of Bonds, based on estimated assessed valuations available at the time of filing this statement, is 6 cents per $100 ($60.00 per $100,000) of assessed valuation in fiscal year 2006-07.”

8. Senior exemption noted on Parcel tax - but is there any exemptions on bonds? Is it the same for commercial, residential, vacant, etc.

   Ad valorem taxes (applicable for GO bonds) are based on the assessed value of a property, without exemption.

9. "After the maturity of the existing 2002 bonds, the remaining Measure C bond levy would be about $54/$100,000" What's the date (month, year)?

   7/1/14

10. "There are tradeoffs between the millage rate and interest rate when structuring bonds" I agree. What was the trade? Numbers? If had increased debt service rather than "piggy back" (I'm not sure what you call it), what was difference in debt service? Estimated. How much more was debt service by structuring the way the Board did? Examples would be appreciated.

    A “level” debt service structure could have saved approximately 30 basis points (0.30%) in total interest cost, but would have also resulted in a higher annual tax levy). This assumes that the District’s $60/$100,000 tax levy was able to afford the full interest payment in 2004.

11. "1989 bonds were refunded twice for savings, and mature in July 2014" How much savings? Do we know? What's this statement based on?

    Please see the answer to Question 4.

12. Please explain chart. It appears that the green line (levy) is higher than amount needed to pay off debt service in years through 2001. Am I reading that right? Are they not connected? If so, what happened to additional monies levied? Does the County keep, apply to future debt? How

does this work? What if amount levied doesn't satisfy debt service at some point in time? Does the amount levied annually always equal amount paid for debt service?

The levy is the required amount to pay debt service. The District instructs the County to levy taxes sufficient to pay debt service. If there is additional money levied, it is held by the County and applied to the next interest payment.

13. "Unified School Districts are limited to a maximum levy of $60 per $100,000 of assessed valuation" Per bond approved by voters, correct?
    So could have multiple bonds and then this amount is double, triple, etc., correct?

    The maximum levy is by separate voter authorizations. Each measure is subject to the $60 maximum.

14. "Requires that the District evaluate safety, class size reduction, and information technology in developing its project list for bond financing"
    Who does this?
    Are those the priorities then?
    Is that a percentage evaluation?

    The Board and AUSD Staff are in process of approving a Facilities Master Plan, which incorporates the evaluation. The Board determines the project priorities.

15. "Under separate statutes, requires the appointment of a Citizen's Oversight Committee for bond expenditures" What statute?
    Who selects? Board or Superintendent?
    How many members? Diverse?

    The Board appoints the Committee. The Oversight Committee shall consist of at least seven (7) members to serve for a term of two (2) years without compensation and for no more than two (2) consecutive terms.

    The Oversight Committee must include:·One member who is active in a business organization representing the business community located within the school district; One member active in a senior citizens' organization; One member who is the parent or guardian of a child enrolled in the school district; One member who is both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization; and One member who is active in a bona fide taxpayers' organization.

    The Committee may not include any employee or official of the school district or any vendor, contractor or consultant of the school district. Nor can the Board appoint persons who hold an office incompatible with service on the Committee.

16. "Maximum levy of $60 per $100,000 of assessed value at issuance of any series of bonds" Can the voters approve in one measure more than one series of bonds? Or are we limited to one series per bond measure?

The voters approve a maximum issuance, and the District can issue series of bonds to total the authorized amount.

17. "Assumed growth in assessed value" What percentage assumed growth? What based on? "Timing and amount of first and subsequent issuances" Who decides this? What are differences in cost to taxpayers? What benefits to AUSD? What are considerations when determining this? "Current interest bonds only" Does AUSD have any of these? Will we be seeking any of these? What language of a ballot measure permits or would not permit this? Who decides this?

    We have conducted two scenarios, one at 4.66% AV growth and one at 4.0% AV growth. 4.66% is the average growth rate in the District over the past 10 years. 4.0% would represent a lower assumed growth rate. Municipal current interest bonds typically pay interest every six months. Municipal capital appreciation bonds accrue interest until maturity. AUSD currently has both types of bonds outstanding. The scenarios used for the potential 2014 election only assume the use of current interest bonds.

    Given the current and projected future interest rate environments, three issuances for the 4.66% scenario would produce the most bonding capacity. For the 4.00% growth scenario, there are two projected issuances. There are additional costs per issuance such as Underwriter, Bond Counsel, Financial Advisor, Rating Agency, and Paying Agent Fees. The Board decides on the size and the details of each issuance.

    In terms of interest rates, the cheapest form of borrowing would be to accelerate all payments of principal and interest. The trade off is this increases the annual tax levy. In terms of number of financings, the fewer financings, the cheaper it would be to AUSD. The trade off is this lowers the aggregate bond proceeds available for projects. The scenarios used for the potential 2014 election a 25 year final maturity (from date of issuance of each series) and assumes two or three series). The board makes the final subsequent determination.

18. "Assuming the 10-year historical growth rate in assessed value, the District could issue $179.5 million over three separate issuances starting in 2015." What is the 10-year historical growth rate? What is that based on? Is that a universal number so everyone agrees upon what it is? Why is that not included in writing here?

    Please see the answer to Question 17.

19. "Assuming a lower growth rate, the District could issue $161.3 million in bonds through two issuances." Why could AUSD issue three separate issuances in 2015, why not two or four? What's calculations? Assumptions? Does that mean to taxpayer $60/100,000 AV times three that they'd pay? Aren't there additional costs per issuance? Attorneys, bonds people, etc.? What are all costs?

    Please see the answer to Question 17.

20. Do the people vote for how many issuance? Does Board? Who decides?
    How much interest? How much payments for principal? How does this impact costs to taxpayers? What's cheapest way for taxpayers?

Please see the answer to Question 17.

21. "Under both scenarios, the bonds would mature in 2042." 2015 plus 25 equals 2040. Why 2042?

    There are multiple issuances of bonds, 2017 bonds would mature in 2042.

22. "A $60/bond levy could generate $179.5 million in proceeds for the District" What's the calculation for this?
    "Combined with outstanding bonds, a home valued at $405,000 would pay $455 total per year." For how many years? Is this on top of Measure C Bond? Measure A Bond (1989?)? When do those end?

    Please see answer to question 17, and the attached calculation. Yes, the total is combined with the Measure C Bonds. The rates would change based on the assumed change in home value, subject to the limitations under Proposition 13.

23. What if housing values go up before 2042? Is that already calculated in to this scenario? What if they rise higher or decrease? How does that impact the taxpayer? AUSD?
    Is AUSD on hook for payment if housing drops below a certain number? What number? What happens then?

    Bond capacity is determined by an assumed growth in assessed valuation. If growth is higher, taxpayers would pay less property tax as a percentage of the value of their homes, and vice versa. Taxpayers in an unlimited ad valorem tax are voting to levy taxes sufficient to pay debt service on the bonds until all of the bonds are paid.

24. Does the chart on page 9 include expenses for both Series A and Series B in the first year or two, but assume that Series A is paid-off with proceeds from the new bond in 2016, or so?
    Do the numbers in the later years include debt Series B debt service but not series A?.
    Is there a lag between the vote, issuing the bonds, paying off the old debt, etc.?

    The new bonds are structured without the assumption of any refinancings. We have assumed the first issuance in CY2015 and subsequent issuances every 2 years.

25. Do you have an annual estimate including your assumptions and revenue forecast upon which you base the charts on p. 9? Can you provide your annual estimates and any other info upon which you base your numbers on these charts? I'm looking for a spreadsheet that would include per year, payment of interest and principal of each issuance (existing and future) to show breakdown of payments, when each series paid off, and finally of when completely paid off.

    The numbers are being provided under separate cover.

26. General questions on this - not pertaining to a particular page of presentation.
    What dollar amount does the green line levy on charts p. 5 & 9 equate to?
    Is there a scenario where that could pay off debt service early? Or be less than needed to pay off debt service? Then what happens? Is AUSD ever responsible for a difference between levy and

debt service?
If levy more than needed to pay off debt service annually or when payments due (I'm not sure how this works), then is there a fund that money goes into for future? If so, who maintains? Or is all money paid to debt service?

The levy line is represents on a per $100,000 basis, the levy on property that generates funds sufficient to pay debt service. AUSD is never responsible directly for debt service shortfalls, in terms of an operating budget item. AUSD instructs the County to levy taxes sufficient to pay debt service.

27. Are there any structures being considered that include the refinancing of any existing bonds? If so, what existing bonds? Why? What's impact on cost to taxpayers? What's benefit to AUSD?

Refundings for savings will be considered if they produce significant savings. In the current market, no refundings are contemplated.