

2009 Fall Conference

Coalition for Adequate School Housing
(C.A.S.H.)

October 13, 2009

Westin South Coast Plaza

Costa Mesa, CA

***Surviving the Crisis – Using
Federal Funding Mechanisms
and Local Bonds to Bridge
State Projects***

Tuesday, October 13

Panelists

- Tom Duffy, Legislative Director, C.A.S.H.
- Lyn Gruber, Koppel & Gruber Public Finance
- Ted Rozzi, Corona-Norco USD
- John Decker, CDIAC

K-12 Education at Risk in California

- Tom Duffy, Legislative Director, C.A.S.H.

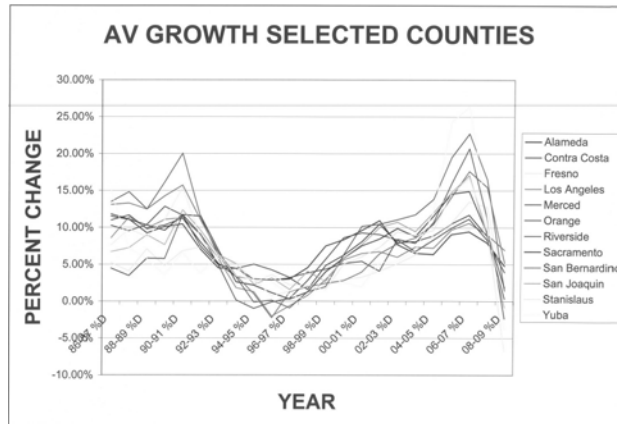
K-12 Education at Risk in California

- **Diminishing General Fund Resources:
Worst Period Since the Early 1990's**
 - Impact at the Local level relative to local bond sales
 - 2010 Issue of the State backfilling local district with higher State subventions due to diminished Property Tax Income – more stress on State budget
 - The State's intention to defer payments to Districts as currently planned will be further impacted due to Property Tax decline
 - Districts will experience potentially severe cash flow problems in 2009-2010

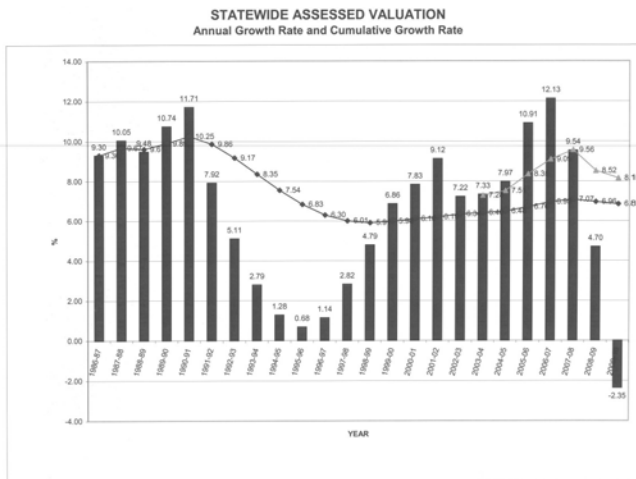
K-12 Education at Risk in California

- **Deferred Maintenance and Routine
Maintenance Fund Uses in General Fund**
- **AB 2 (Evans): Three Year Surplus Property
Forgiveness for Use in General Fund**
- **Declining Property Values and decline in
Assessed Values**
- **Pooled Money Investment Board (PMIB) and
Bond Freeze**

Assessed Valuation



Assessed Valuation



K-12 Education at Risk in California

- G.O. Bonds: Debt Ceilings and Unreceptive Financial Markets - Inability of Districts to Sell
- State Bond Sales Frozen
- State School Facility Program (SFP) is not Functioning
- Unfunded Project Approvals being made by the State Allocation Board
- Project Apportionments will not be made until bonds are sold by State Treasurer
- State Treasurer to sell \$4.5 Billion in tax-exempt and taxable Bonds in October

K-12 Education at Risk in California

What is happening at local level?

- Some Districts are hitting the caps of Assessed Value to Bond Against
- Imposed by Proposition 39: Dollar Limits \$60 and \$30/100,000 of Assessed Value (not waivable)
- The State Board of Education has Waiver Authority for the “soft” statutory CAP

Federal Program Options

- Qualified Zone Academy Bonds (QZABs)
- Qualified School Construction Bonds (QSCBs)
- American Recovery and Reinvestment Act (ARRA) Funded Loans to Schools for Energy Efficiency and Renewable Energy Projects Through the California Energy Commission (CEC)

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- Lyn Gruber, Koppel & Gruber Public Finance

Interim Financing Tools

- Repaid from Existing Revenues
- Short term options to “bridge the gap”
 - Bond Anticipation Notes (BANs)
 - Certificates of Participation (COPs)
 - Tax & Revenue Anticipation Notes (TRANS)

Bond Anticipation Notes

- Issued in anticipation of GO Bonds already voter approved
- Maturity no later than 5 years from issuance
- Finances only “Authorized Facilities” or to repay previously issued notes
- Amount limited to unsold and authorized bonds

Certificates of Participation

- Lease Payments for facility use
secure the COPs
- Sources of Payment
 - General Fund
 - Developer Fees
 - CFD Special Taxes

Tax & Revenue Anticipation Notes

- Generally 12 to 13 month term
- Repaid from revenues anticipated to be received within the fiscal year the TRANs are issued
- May earn arbitrage, if qualified

Continuing Disclosure

- SEC Requirement
- Annual reporting of financial details
- Reporting of material events

Arbitrage Calculations

- IRS Regulation limiting investment earnings
- Required every 5 years and at maturity
- TRANs may be exempt due to short term

**2008-2010
CALIFORNIA BUDGET CRISES**

- Ted Rozzi, Corona-Norco USD

**AFFECTS ON CNUSD GENERAL
FUND**

- District has cut \$52 million in two years and expects to cut \$17-20 million additional this year
- Reduction of 27 District Office Positions requiring Facilities Division to absorb additional duties
- Reduction of Annual Residential Development Income from \$6-8 Million to \$500,000
- Reduction of four (4) staff members from Facilities Division

AFFECTS ON CNUSD GENERAL FUND

- Reduction of RRMA expenditures from 3% to 2.3%
- Elimination of Deferred Maintenance contribution and projects
- Reduced Custodial Positions and Eliminated Custodial Substitutes (Except Emergencies)
- Reduced staff and schedule for Maintenance Department and Deep-Cleaning Crew

AFFECTS ON CNUSD GENERAL FUND

- Reduction of District's Assessed Value from \$29.6 Billion to \$26.4 Billion
- District switched 18 schools from MTYRE Calendar to a Single-Track Calendar to secure savings from administrative, certificated and classified staff reductions; and utility savings
- As part of Budget solution, District expects CSR loading levels to rise up to 32:1 in grades K-3 which could allow 7 additional elementary schools to switch from MTYRE to Single-Track

AFFECTS ON CNUSD CAPITAL FACILITIES & MAINTENANCE PROGRAMS

- Capital Improvement Projects Delayed – \$43.5 million in planned projects at 4 Elementary Schools and 2 High Schools are currently on-hold due to uncertainty of eligible state matching funds
- District to issue Series C of Measure U (GO) Bonds to provide needed funding for on-going projects in the absence of expected state funding. Additional Bond Issue and loss of AV will raise Tax Rates above projected campaign targets

AFFECTS ON CNUSD CAPITAL FACILITIES & MAINTENANCE PROGRAMS

- District has initiated School Attendance Boundary Committee (SABC) to examine existing school attendance areas and determine if changes can be recommended to allow any of the 17 remaining schools on MTYRE to change to a Single-Track calendar. SABC will also examine current school loading to determine if there can be schools recommended for closure and will examine existing student transportation to determine if K-12 home-to-school transportation can be reduced, and/or reduced in conjunction with school attendance area changes
- District identified needed Deferred Maintenance repairs to be completed under on-going school improvement projects

NOT ALL BAD NEWS

- Growth – District grew by 1,600 ADA in 07-08, 700 ADA in 08-09 and is up 900 ADA for 09-10
- ARRA – District used available ARRA Special Education funding to provide allowable facility upgrades for new or re-located programs.
- Furloughs – All District employee groups accepted 2-day furloughs for 2009-10

NOT ALL BAD NEWS

- Completed Projects – District has completed \$51 Million in New Projects in last 2 years including new elementary school, major high school addition and District-wide Fiber and Security installation.
- Current Projects – District has \$93 Million in on-going projects including 3 high school improvement projects and one elementary reconstruction project. Series C Issuance of Measure U Bond will allow construction of \$54 Million Intermediate School project



CASH

Breakout Session on Debt

October 13, 2009

John Decker, CDIAC

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1.State's Cash and Debt
Condition (as of 9/30/2009)

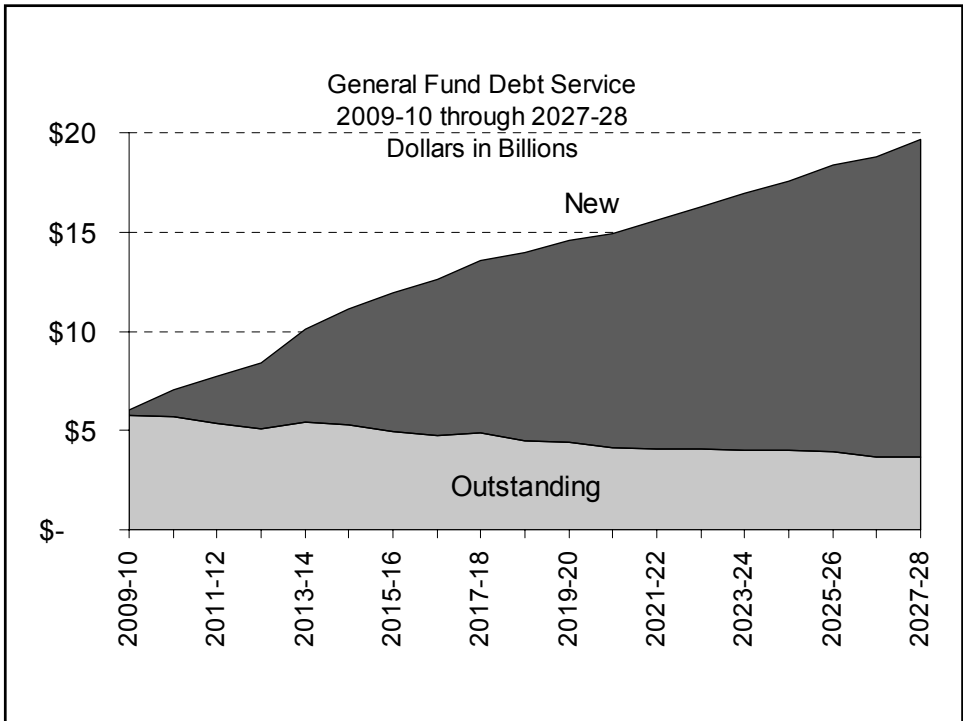
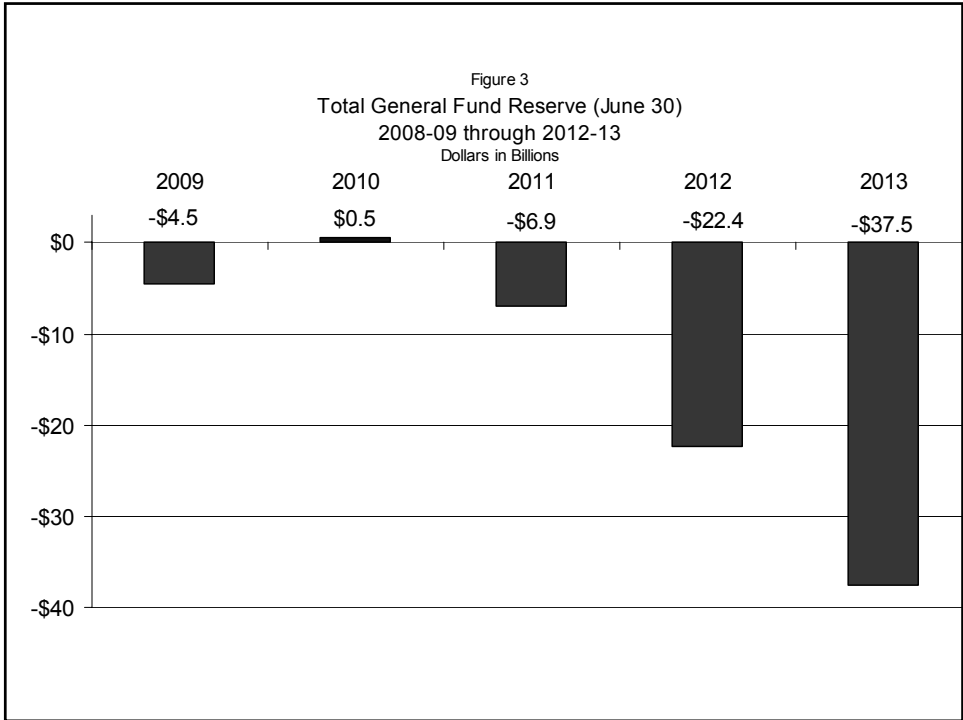
2.School Debt Trends

Figure 1
 Comparison of General Fund Expenditures
 LAO Forecast vs. DOF
 Dollars in Billions

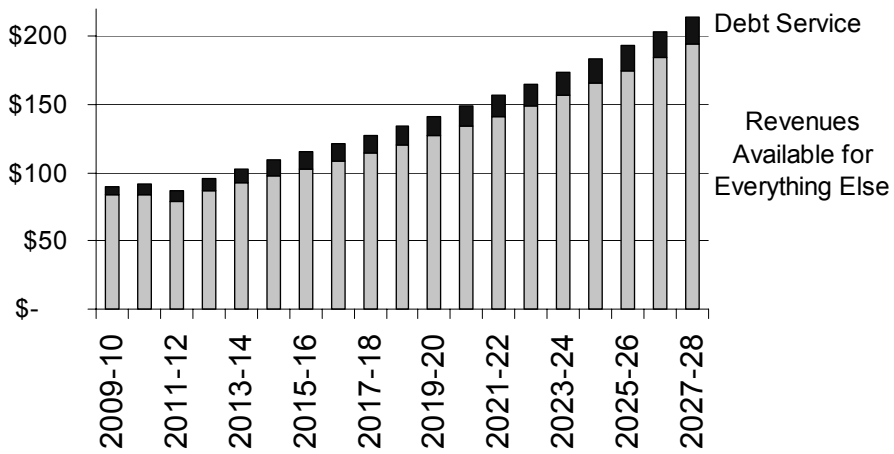
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>Cumulative</u>
Expenditures Forecast by LAO in 2007	\$ 120.4	\$ 127.7	\$ 135.6	\$ 383.7
Expenditures Pursuant to 2009 Budget Agreement	<u>98.7</u>	<u>102.3</u>	<u>110.7</u>	<u>311.7</u>
Difference	-\$21.7	-\$25.4	-\$24.9	-\$72.0

Figure 2
 Comparison of General Fund Revenues
 LAO Forecast vs. DOF Estimate
 Dollars in Billions

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>Cumulative</u>
Revenues Forecast by LAO in 2007	\$ 117.2	\$ 125.0	\$ 132.9	\$ 375.1
Revenues Estimated by DOF in 2009	<u>92.9</u>	<u>80.9</u>	<u>74.3</u>	<u>248.1</u>
Difference	-\$24.3	-\$44.1	-\$58.6	-\$127.0



Debt Service and Other Expenditures
2009-10 through 2027-28
Dollars in Millions



General Fund Debt Service Percentage
Compared to Total Revenues

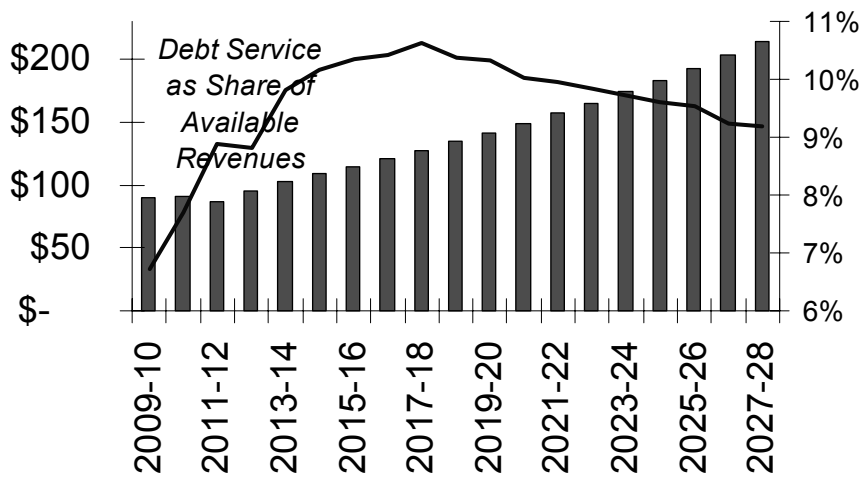


Figure 4
Trends in Dollar Volume of GO Debt
 Local
K-12 vs. All Other
 Dollars in Millions

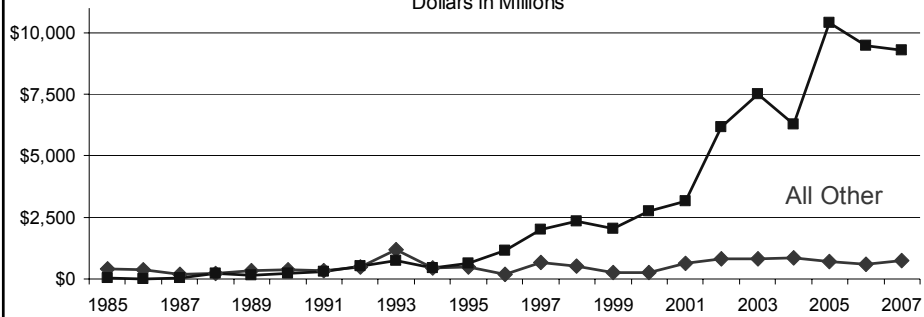
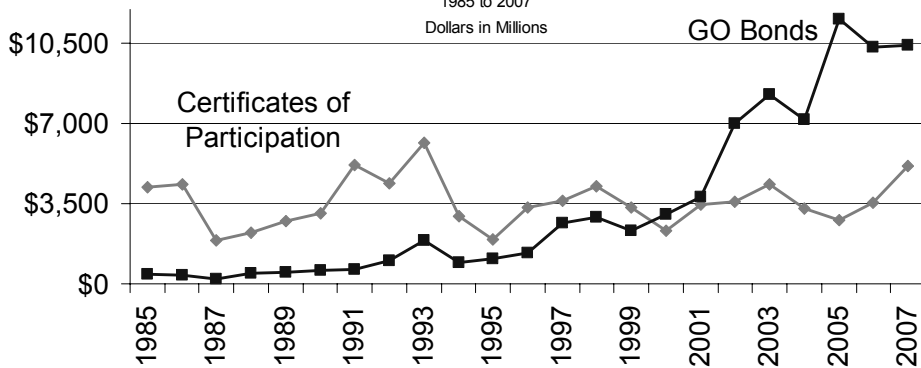


Figure 5
 School Debt Finance Dollar Volume
 GO vs. COPs
 1985 to 2007
 Dollars in Millions



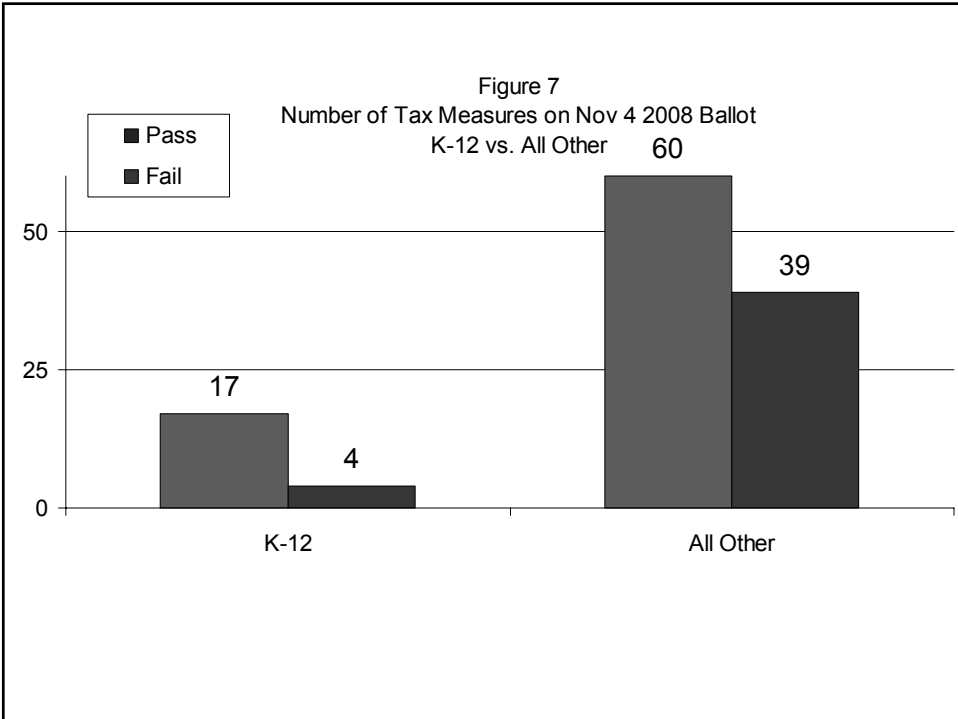
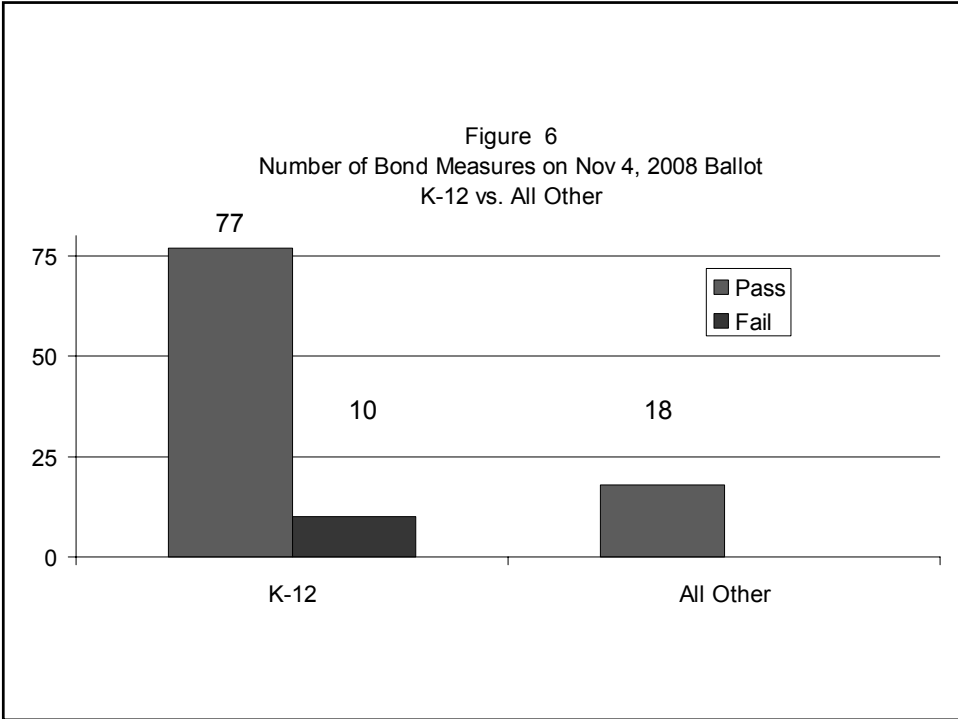


Figure 8
Passage Rates of GO Measures on
Primary and General Elections
2006 and 2008 Approval Rates

