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Today's Silver is Tomorrow's Gold

Workshop #21

**Getting Sound Financial Advice
That Will Benefit Your School Community**

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Workshop Outline

- Considerations for a GO Bond Authorization
- After a Successful Bond Election
- The Money is in the Bank
- When Additional Funds are Needed
- Other Sources
- Forms of Bridge Financing
- Financing Scenario
- Other Opportunities and Issues
- Questions and Answers

Considerations for a GO Bond Authorization

- General Considerations
 - Facility (and equipment) needs – how much will we need?
 - Time frame to call for election.
 - The Financing Team
 - Team members
 - Early involvement is best
 - Voter support – how much will voters support?

Considerations for a GO Bond Authorization (cont.)

- Timing of project
- Legals – Be as broad as you can.
 - Overly specific project lists can reduce flexibility.
 - Authorization under Government Code allows maturities beyond 25 years and can help to increase size of authorization at a given tax rate.
- Consider using bond funds on projects that could free-up other funds.



3

After a Successful Bond Election

- Timing and Sizing of Bond Issue(s)
 - Bond Issue Process
 - How long does it take?
 - What's involved?
 - Synchronize with construction needs and plan to have sufficient buffer for lag or uncertainty in State Reimbursement.
 - Issue as much as you can as early as you can.
 - Helps to optimize interest earnings for building fund.
 - Can minimize issuance costs.



4

After a Successful Bond Election (cont.)

- Reimburse district for allowable expenditures.
 - Costs normally allowed for payment with bond proceeds can be reimbursed to the district after bonds are issued
 - Must pass reimbursement resolution prior to bond issue.
 - Project planning, land acquisition, cost of holding election, etc.



5

The Money is in the Bank

- Which funds (bond, State or other) should be used first?
 - Look for ways to maintain flexibility or free-up other resources.
 - Try to use most restrictive sources before using the less restrictive ones (to extent that needs exceed resources).
 - Interest rate restrictions
 - Use restrictions
 - Maintain flexibility



6

The Money is in the Bank (cont.)

- Investments
 - Tailor programs to provide for safe return and flexibility.
 - Can enhance overall project funding.
 - Synchronize project schedules with investment program for maximum benefit.



7

When Additional Funds are Needed

- What to do when funding runs short?
- Project Management Considerations
 - Reduce scope of projects.
 - Phase projects to meet the most important operational needs.
 - Delay project planning and/or construction.
- Funding Considerations
 - Pursue additional local funding.
 - Pursue additional state funding.



8

Other Sources

- Short Term – Consider Bridge Financing
 - Typically obligates District General Fund for repayment.
 - There are ways to minimize impact on General Fund.
 - Structure with emphasis on District affordability and flexibility.



Other Sources (cont.)

- Long Term – Consider New Bond Authorization
 - This option is less difficult than before thanks to Prop 39.
 - Can replace short term financing.
 - Campaign can highlight recent success as well as difficulties encountered.
 - Successful facility projects
 - Prudent management and difficult decisions required to control costs.



Forms of Bridge Financing

BRIDGE FINANCING WHAT ARE THE OPTIONS?					
		Amount to be borrowed			
Option	Description	<\$500,000	\$500,000 - \$1 million	\$1.3 million	>\$3 million
Direct Lease	Directly placed w/ a bank or lender, with a fixed interest rate & set payments for term of lease.	OK	OK	OK	OK
Line of Credit (LOC)	Similar to a lease, but funds are drawn down as needed, and interest is only charged on the amount drawn down. Interest rate is variable.	OK	OK	OK	OK
Note	Short term security with a known repayment source. Must be repaid or renewed in one year.	Not Cost Effective	Not Cost Effective	Maybe	OK
Certificates of Participation (COP)	A Securitized lease, sold to investors similar to a G.O. bond, but payable from District funds.	Not Cost Effective	Not Cost Effective	Maybe	OK
Variable Rate COP (VRCOP)	Similar to a regular COP, but interest rates are variable, not fixed. Must be pooled, unless over \$10 million.	Not Cost Effective	Maybe	OK	OK



Financing Scenario

- \$20 million Project
 - Project qualifies for 50/50 State match
 - District has only \$6 million and needs additional \$4 million.
 - All reasonable project management solutions have been implemented i.e. reduction of scope etc.



12

Financing Scenario

- How can this project go forward?
 - Key considerations for bridge financing (to name a few)
 - How long will bridge financing be needed?
 - How to minimize General Fund impact?
 - How to maintain flexibility?
 - What changes if Board commits to 2006 bond measure?



13

Other Opportunities and Issues

- Ongoing information needs
 - Reports to district management, school board, and community
 - Bond program management
 - Continuing disclosure
- Need for other types of financing



14

Other Opportunities and Issues (cont.)

- Refunding of outstanding bonds
 - Reduces burden on taxpayer
 - Considered good stewardship of public debt.
 - Can help keep tax rate structure in line.
 - Can be helpful for future bond campaigns.
 - In some instances can provide additional funds for qualified projects.
- QZABs



Thank You!

- Questions and Answers
- Please complete workshop evaluation
- Thank you and have a great conference!


