

**ALBANY UNIFIED SCHOOL DISTRICT  
BOARD AGENDA BACKUP**

**Regular Meeting of November 8, 2016**

**ITEM:** SUMMARY OF BOND MEASURES B & E SERIES A  
ISSUANCES

**PREPARED BY:** ALLAN GARDE, CHIEF BUSINESS OFFICIAL

**TYPE OF ITEM:** STAFF REPORT

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**PURPOSE:** To review the sale results of the Series A issuances related to Bond Measures B & E.

**BACKGROUND INFORMATION:**

*Tax Rate and Discussion of Priorities Information:*

At the [September 13, 2016 Regular Board Meeting](#), the Board approved Resolutions 2016-17-06 approving the issuance and sale of the first series of bonds from Bond Measures B & E totaling \$32,500,000 and approved a total tax rate target of \$250 per \$100,000 in assessed valuation to pay for current bonds outstanding and future estimated bond issuances. At the [August 23, 2016 Regular Board Meeting](#), the Board reviewed facilities project priorities in relation with tax rate information. The Board approved the Albany Middle School expansion as the first project, with a timeline targeting completion of a project every two years. At the [August 9, 2016 Regular Board Meeting](#), the Board reviewed and discussed tax rate information related to existing bonds and Measures B & E. At the [June 28, 2016 Regular Board Meeting](#), the Board reviewed and discussed priorities on an implementation plan.

*Quick Summary of Measures B & E:*

At the [June 28, 2016 Regular Board Meeting](#), the Board approved Resolution 2015-16-23 and Resolution 2015-16-24, which declared the official voting results of Measures B and E by the Alameda County Registrar of Voters. At the [May 24, 2016 Regular Board Meeting](#), the Board reviewed an update on the facts of Measures B & E, including a summary of the key historical Board Meetings regarding facilities.

**DETAILS:** Resolution 2016-17-06 approved the issuance and sale of \$32,500,000 from the Bond Measures B & E authorizations. Conservative estimates at the time projected the total cost of \$32,500,000 would be \$58,554,800, based on a total tax rate target of \$250 per \$100,000 in assessed valuation. Based on the bonds pricing on October 4, 2016 and the deals finalizing on October 18, 2016, total cost reduced to \$52,044,784; a savings of \$6,510,016 from these earlier estimates.

Due to the changes in the interest rate this year, these issuances were able to be sold before a dramatic rise in interest rates. If we had sold these bonds in late October, instead of early October, the total cost would have been about \$1.2 million more than our current results.

**KEY QUESTIONS/ANSWERS:**

1. Why did we issue more money than is needed for the first project?
  - a. We currently have a bonding capacity available of around \$32.5 million. By issuing this amount now we were able to increase flexibility, take advantage of historically low interest rates, and reduce the amount we have to pay vendors to issue bonds.

2. If we use our full bonding capacity now, would we have to wait until capacity builds up again to issue more bonds?
  - a. The school bonding capacity was set by the State in 1878. Instead of changing the capacity rate to accommodate the changes and facilities since that time, the State as granted waivers for schools to go beyond this bonding capacity limit of 2.5%. A State waiver usually takes six months to be processed and granted. Recognizing the sudden and unforeseen circumstances districts can face, such as enrollment growth or seismic safety, the State has approved 100% of the bonding capacity waiver requests they have received.

**FINANCIAL INFORMATION:** Total Debt Service for the first issuance of Measures B & E was \$6.5 million lower than earlier conservative projections.

**STRATEGIC GOALS ADDRESSED:** This Board Item addresses



**Objective #1:** Assess and Increase Academic Success.

*Goal: We will provide a comprehensive educational experience with expanded opportunities for engagement, assessment, and academic growth so that all students will achieve their fullest potential.*



**Objective #2:** Support the Whole Child.

*Goal: We will foster the social and emotional growth of all students, implement an array of strategies to increase student engagement, identify individual socio-emotional and behavioral needs, and apply collaborative appropriate interventions.*



**Objective #3:** Communicate and Lead Together.

*Goal: All stakeholders will collaborate and communicate about decisions that guide the sites and district.*

**RECOMMENDATION: Review Results of Series A Issuances for Bond Measures B & E**



# Albany Unified School District

## Board Presentation

by

Isom Advisors,  
a Division of Urban Futures, Inc.

November 8, 2016

1470 Maria Lane, Ste. 315 - Walnut Creek, CA 94596

# Measure B and E Bond Programs

- ❖ The District had two successful general obligation bond measures on the June 2016 ballot.

	Measure B	Measure E	Total
Total Par Amount	\$70 million	\$25 million	\$95 million
Estimate of Highest Tax Rate	\$120 per \$100,000 in assessed value	\$60 per \$100,000 in assessed value	\$180 per \$100,000 in assessed value
Voter Support Required	66.67%	55.00%	N/A
Voter Support	68.96%	73.56%	N/A

# Series 2016 Sizing

The combined par amount for the Series 2016 was \$32.5 million

Albany Unified School District

- ❖ The sizing of the bonds was based on the District's project needs and net bonding capacity.

- District's 2016-17 assessed value (AV) is approximately \$2.5 billion.
- Gross bonding capacity for unified school districts is 2.5% of its total AV. Based on Albany USD's current AV, gross bonding capacity is \$61.4 million.
- The District's net bonding capacity (prior to the issuance of the Series 2016) was approximately \$32.5 million, calculated by subtracting out the District's current outstanding bonds from gross bonding capacity.

## Bonding Capacity Calculation

2016-17 Assessed Value (AV)	\$2,456,826,665
2.5% of Total AV	x 2.5%
<hr/>	
Total Bonding Capacity	\$61,420,667
Less: Outstanding Bonds	-\$28,910,000
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<b>Net Bonding Capacity</b>	<b>\$32,510,667</b>

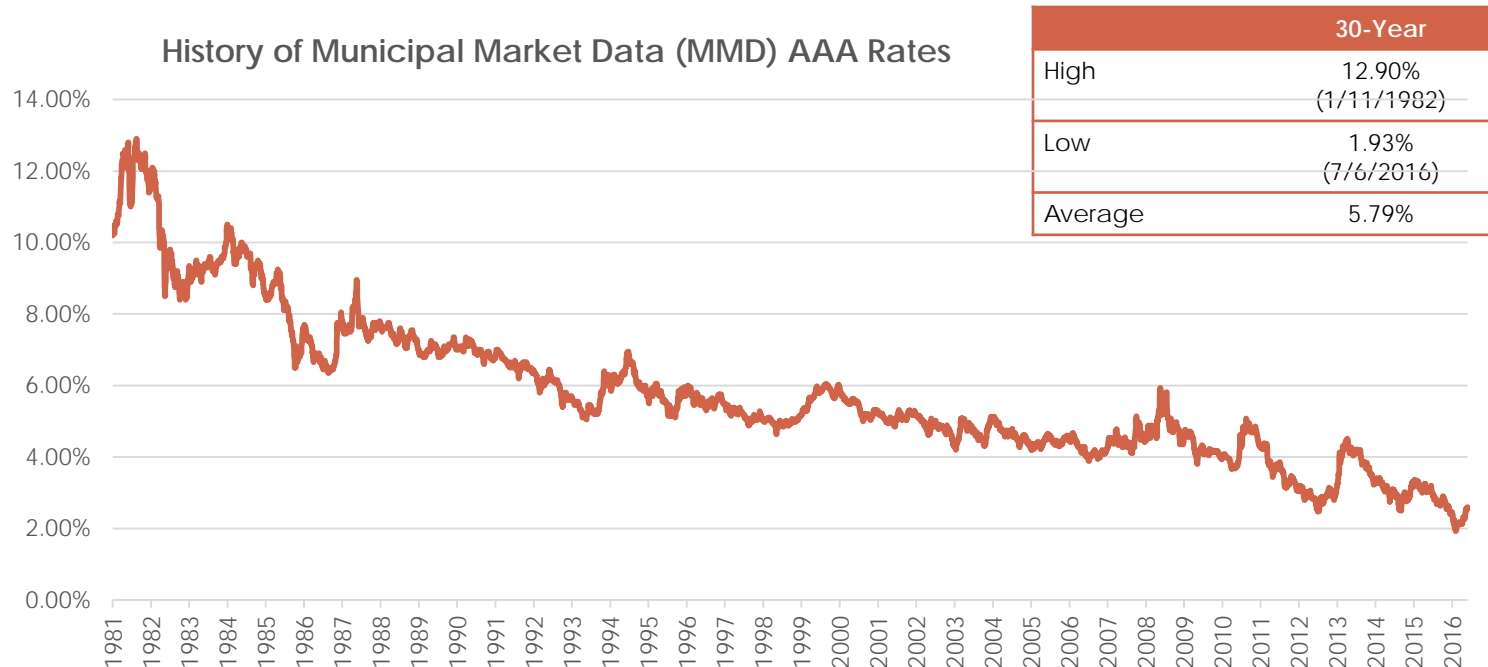
- ❖ The combined par amount for the Series 2016 bonds was \$32.5 million.
  - \$23.5 million was under the Measure B authorization
  - \$9.0 million was under the Measure E authorization.

# Interest Rate Environment

Interest rates remain at near historic lows

Albany Unified School District

- ❖ The municipal market continues to be relatively strong from an issuer perspective, despite some recent market volatility.



The Thomson Municipal Market Data (MMD) AAA curve is a proprietary yield curve that provides an approximation of the borrowing rate of "AAA" rated state general obligation bonds and serves as a benchmark yield in the municipal bond market.

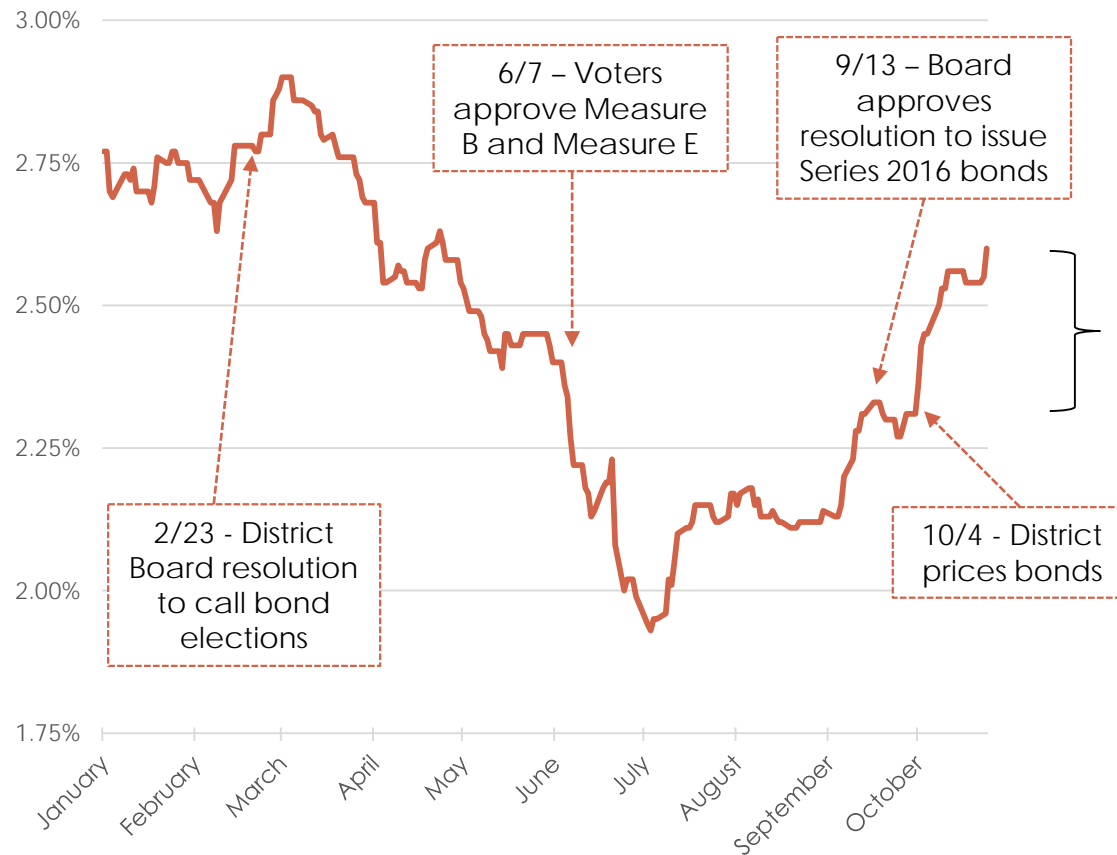
Source: Thomson Reuters – The Municipal Market Monitor (tm3)

# Interest Rate Environment (2)

Market volatility has increased in recent weeks

Albany Unified School District

Municipal Market Data (MMD) AAA Rates in 2016



Source: Thomson Reuters – The Municipal Market Monitor (tm3)

- The District was able to price bonds on October 4th just before market interest rates began to rise dramatically.
- Significant increases in municipal market supply coupled with heightened expectations for the Federal Reserve to raise interest rates based on further economic improvement in the second-half of the year drove municipal borrowing rates higher in October.
- We estimate that a pricing in late October would have increased borrowing costs by approximately \$1.2 million over the life of the bonds.

# Marketing Plan

The bonds were marketed to retail and institutional investors

## Albany Unified School District

Timeframe	Event
September 22 <sup>nd</sup>	<ul style="list-style-type: none"> <li>Distributed Preliminary Official Statement ("POS") to Investors for Review</li> </ul>
September 22 <sup>nd</sup> - 27 <sup>th</sup>	<ul style="list-style-type: none"> <li>Marketing bonds to potential investors</li> <li>Stifel published retail advertisements</li> </ul>
October 3 <sup>rd</sup>	<ul style="list-style-type: none"> <li>Pre-pricing conference call discussing market conditions &amp; comparable pricings</li> </ul>
October 4 <sup>th</sup>	<ul style="list-style-type: none"> <li>Investors placed orders</li> <li>Final pricing conference call</li> <li>Interest rates "locked-in"</li> <li>Bond purchase agreement signed</li> </ul>
October 18 <sup>th</sup>	<ul style="list-style-type: none"> <li>Official statement and legal documents finalized</li> <li>Bonds closed and project funds delivered</li> </ul>



**STIFEL Hoover Rossi**  
Advisory Group

We Anticipate Pricing the Week of September 26, 2016, the Following TAX-EXEMPT Bonds:

**ALBANY UNIFIED SCHOOL DISTRICT**  
(Alameda County, California)

**\$23,500,000\*** General Obligation Bonds Election of 2016 (Measure B) Series 2016A

**\$9,000,000\*** General Obligation Bonds Election of 2016 (Measure E) Series 2016A

- Interest on the bonds will be free from federal and California income taxes.
- The bonds will be rated Aa3 by Moody's.

For more information and a preliminary official statement, please call:

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**Hoover Rossi**  
Advisory Group

**Municipal Bonds May Help You**

With a theoretical illustration, California residents could save over \$50,000 in taxes.

With Municipal Bonds	With Stocks
\$100,000	\$100,000
100,000	0
0	100,000
\$600,000	\$600,000
-182,316	-143,916
-51,621	-41,518
<b>\$366,226</b>	<b>\$413,729</b>

You may be able to put more money back in your pocket through the tax advantages of tax-free municipal bonds!

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When investing in bonds, it is important to know what you are buying and how to buy it. Stifel is not a broker-dealer and does not have a sales or investment advisory relationship with you. One Montgomery Street, Suite 3700 | San Francisco, California 94104 | (415) 364-6800 | (415) 364-7700 fax  
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# Key Investors

Investor participation was strong and diverse

Albany Unified School District

## Statistics

Total Institutional Accounts: 16

New Investors: 10

Individual Retail Orders:  
\$3,160,000



- ❖ Investors that purchased District's Series 2016 bonds include the following:

CREDIT SUISSE



FIRST EMPIRE

State Farm

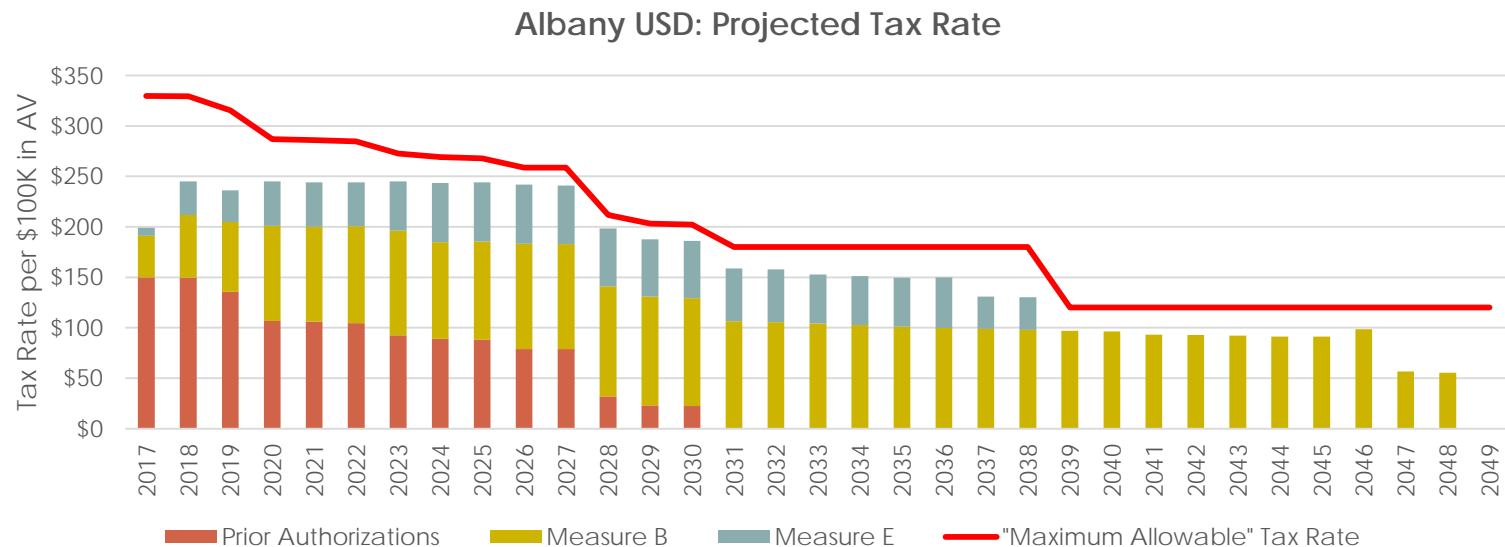


# Series 2016 Structuring

The Series 2016 was conservatively structured

Albany Unified School District

- ❖ The Series 2016 bonds were structured with the combined tax rate target of \$250 per \$100,000 in assessed value **FOR ALL BONDS** (bonds from past authorizations and future estimated bond issuances).



- The Series 2016 Bonds were structured to allow for the second series of bonds to be issued as early as next year.

# Comparison to Estimates

Interest expense was significantly lower than earlier estimates

Albany Unified School District

- ❖ The Series 2016 final results were significantly stronger than our conservative estimates provided earlier.

	Measure B		Measure E		Combined Improvement
	Estimate	Actual	Estimate	Actual	
Par Amount	\$23,500,000	\$23,500,000	\$9,000,000	\$9,000,000	N/A
<b>Total Debt Service</b>	\$44,722,000	\$39,692,911	\$13,832,800	\$12,351,873	<b>Interest expense lower by \$6.5 million</b>
Repayment Ratio	1.90 to 1	1.69 to 1	1.54 to 1	1.37 to 1	<b>Combined Repayment Ratio of 1.60 to 1</b>
Amount of Bonds Repaid in first 10 years	\$310,000	\$1,760,000	\$2,225,000	\$2,750,000	<b>\$1.975 million more in principal repaid in the first 10 years</b>

- ❖ Interest expense is \$1.2 million lower than if the bonds were issued in late October.

# Next Steps

There are ongoing responsibilities as an issuer of bonds

Albany Unified School District

- ❖ Bond proceeds were deposited with the County on October 13<sup>th</sup>.
- ❖ Note that there are ongoing obligations as an issuer of public tax-exempt bonds.
  - State law requirements to utilize bond proceeds on projects approved by voters.
  - Tax law requirements to utilize bond proceeds on allowable public projects within a reasonable period of time.
  - Federal securities requirements that indirectly require issuers to provide ongoing disclosure to investors.
- ❖ Future bond issuances will likely require a bonding capacity waiver. The waiver process can be lengthy and will require about 6 to 8 months of lead time.