

NEW HAVEN UNIFIED SCHOOL DISTRICT

Board Agenda Item

Meeting Date: May 6, 2014

Subject:

Approval of A Bond Issuance Maximum Value and a Tax Rate Target for the Proposed 2014 Bond Measure, Essential #6

Department:

Business

Action Requested:

The Board of Education is requested to approve Bond Issuance Maximum Value and a Tax Rate Target for the Proposed 2014 Bond Measure.

Discussion:

The District's Financial Advisor's – KNN made a presentation to the Board on January 21, 2014 about the District's General Obligation Bond issuances and a proposed bond election in November 2014. During the presentation, the Board was apprised of the District's capability to issue \$100 to \$150 million in bond proceeds using a set of reasonable assumptions that would have a tax rate target of \$50-\$55 per \$100,000 of Assessed Valuation (AV).

In order to be prepared for a Bond election, a number of steps must be taken. As a first step the Board approved Connell Lindh to perform a voter and demographic study to analyze data from the past parcel tax elections. This study was completed and presented to the Board on April 15, 2014.

The study focused on the voter file obtained from the county, size of the population of registered parents, the age of the voters, voter activity and gender of the voters, party affiliation and location of voters, and a comparison of the last three elections and patterns of voting. The data obtained from the study will enable the district to run a focused public information campaign that addresses the overall facility and technology needs of the district.

Bond Issuance Values and Tax Rate Targets:

Bonding capacity for a unified school district is calculated based on a 2.50% of the district's assessed valuation, less currently outstanding general obligation bond principal. Increasing the maximum bonding capacity to 2.75%, after obtaining appropriate waiver from CDE, would enable the district to obtain a maximum projected authorization of above \$150 million.

Staff worked with KNN to obtain a better sense of the various authorization sizes given certain tax rate targets. While there is a general link between tax rates and authorization sizes, there is no linear relationship between them as there are a number of other assumptions that is included in the calculation, such as assessed valuation growth over time, bond issuance schedules, and estimated interest rates.

Based on a number of reasonable assumptions, KNN provided estimates on authorization sizes under different tax rate targets:

Par Amount	\$55-\$65 million	\$80-\$90 million	\$115-\$125 million	\$150 million
Tax Rate Target	\$24 per \$100K in AV	\$36 per \$100K in AV	\$48 per \$100K in AV	\$55 per \$100K in AV
Debt Service Escalation	3.0% to 4.0% Escalation	3.0% to 4.0% Escalation	3.0% to 4.0% Escalation	4% Escalation
Issuance Schedule	Three series every other year	Three series every other year	Three series every other year	Three series every other year
Debt Repayment Years	30 years from each bond issuance	30 years from each bond issuance	30 years from each bond issuance	30 years from each bond issuance
CABs	None	None	None	None
Assumed Interest Rate	5.5%	5.5%	5.5%	5.5%

As the current law allows the tax rate per election to be limited to \$60 per \$100,000 of assessed value for Unified School Districts, staff worked with the financial advisors and calculated a \$55 tax rate target that could generate approximately \$150 million with a 4% escalation assuming an interest rate of 5.5%.

Recommendation:

The District has over \$300 million in capital facility and technology needs. To continue maintaining and improving our facilities and to sustain our investment in technology and move the district towards 21st century learning, passing a bond measure between \$115-125 million will address a greater portion of the district’s needs. At the same time, it is important to consider the impact of the additional taxes on District taxpayers.

The voter and demographic analysis study shows that the last two parcel tax elections (which was at \$180 per household) resulted in a voter approval of 66.4% in May 2011, and 63% in June 2012 elections. Taking this into consideration, and the fact that the district’s last bond election was over ten years ago (in November 2003), it is recommended that the Board approve a bond measure of \$125-\$150 million with a tax rate target not to exceed \$50 per \$100,000 of Assessed Valuation (AV) and direct staff to begin preparations for the bond election in November 2014.

This would be a Proposition 39 general obligation bond authorization that requires a 55% voter support. Under this Measure, a Citizen’s Bond Oversight Committee will monitor and review all bond expenditures

A privately funded advocacy campaign will be needed to build support in the community.

Financial Summary:

Prepared By: Akur Varadarajan

Department Approval: Akur Varadarajan

Interim Co-Superintendent Approval: Arlando Smith & Akur Varadarajan