

Pleasanton Unified School District

Interim Report on Citizens' Committee Review of the District's General Obligation Bond “Cash Out” Refinancings



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June 21, 2011

Today's Agenda

- **Overview of the Citizens' Committee and its Charge**
- **Background on Cash Out Refinancing and Attorney General's Opinion**
- **Most of the Information Reviewed by the Citizens' Committee (including all of it would be too voluminous for tonight)**
- **Upcoming Meeting and Next Steps**



Overview of Citizens' Committee

■ Seven members of the Community

- Beth Limesand (Chair), Kay Ayala, Jan Batcheller, Jack Dove, Anne Fox, Kathleen Ruegsegger, and Julie Testa

■ Meetings open to the public and material available to the public via the District's website

■ Meetings held on:

- Monday, June 13, 2011
- Monday, June 20, 2011
- Third and final meeting to be scheduled



Committee Charge

The District's motto, "Building on the past . . . Planning for the future" makes it clear that it is important that there be a full understanding of past practices as part of the District's effort at continual improvement. There has been some concern in the community about the District's experience with a particular type of financing transaction, general obligation bond cash out refunding. The District has engaged Government Financial Strategies to conduct a review of these financing transactions and report to the Board on June 21 regarding the results of these financings.

The Citizens' Committee is charged with the following: assisting the District's consultant to complete its scope of work by providing thoughtful input to the work in progress and reviewing preliminary findings.

It is hoped that by these efforts, the Citizens' Committee will aid in the report to the Board being:

- 1) Helpful to the community in terms of transparency and fiscal accountability.*
- 2) Helpful to the Board of Trustees and District staff in implementing best practices in the areas of debt management and debt issuance.*

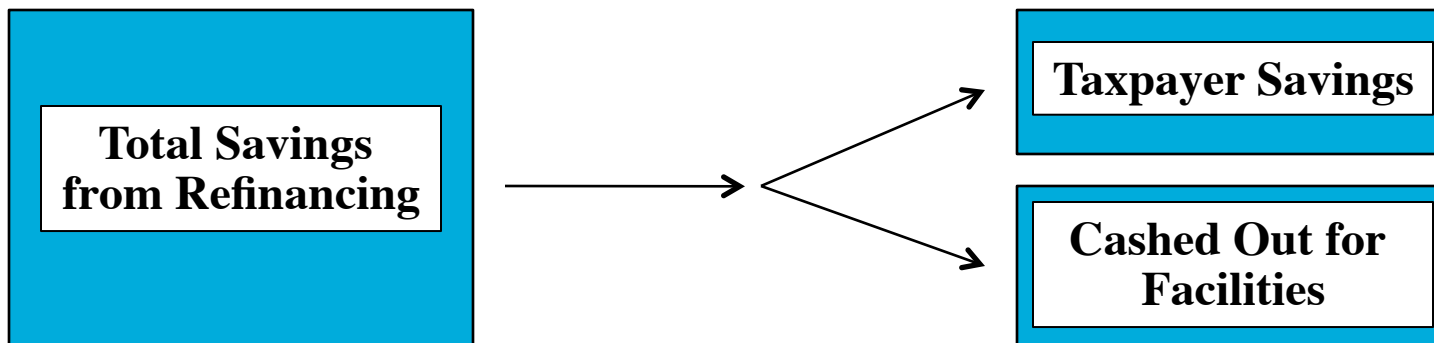
Background on Cash Out Refinancing

■ Under a traditional general obligation bond refinancing:

- Savings from lower interest rates reduces debt service
- Lower debt service payments reduce tax levies
- Taxpayers benefit from the lower tax levies

■ Under a cash out refinancing:

- A portion of the savings is “cashed out” for facilities projects



Attorney General's Opinion

- In January 2009, the Attorney General opined that cash out refinancings were unconstitutional.
 - This is because more debt is incurred (for facilities projects) than is needed just for refinancing.
 - The additional debt was not voter approved as required by the State Constitution and not authorized by the statute governing refinancing which provides an exception.
 - Referenced a 1933 State Supreme Court case, *Golden Gate Bridge v. Filmer*, that determined bonds must be “sold on the most favorable market terms available to the agency and thus protect the interests of the taxpayers”.



Information Reviewed by the Committee

- **Summary of Statewide Practices of School Districts**
 - What was the historical context (2003 – 2005) in which the District issued its cash out refinancings? How common was this practice?

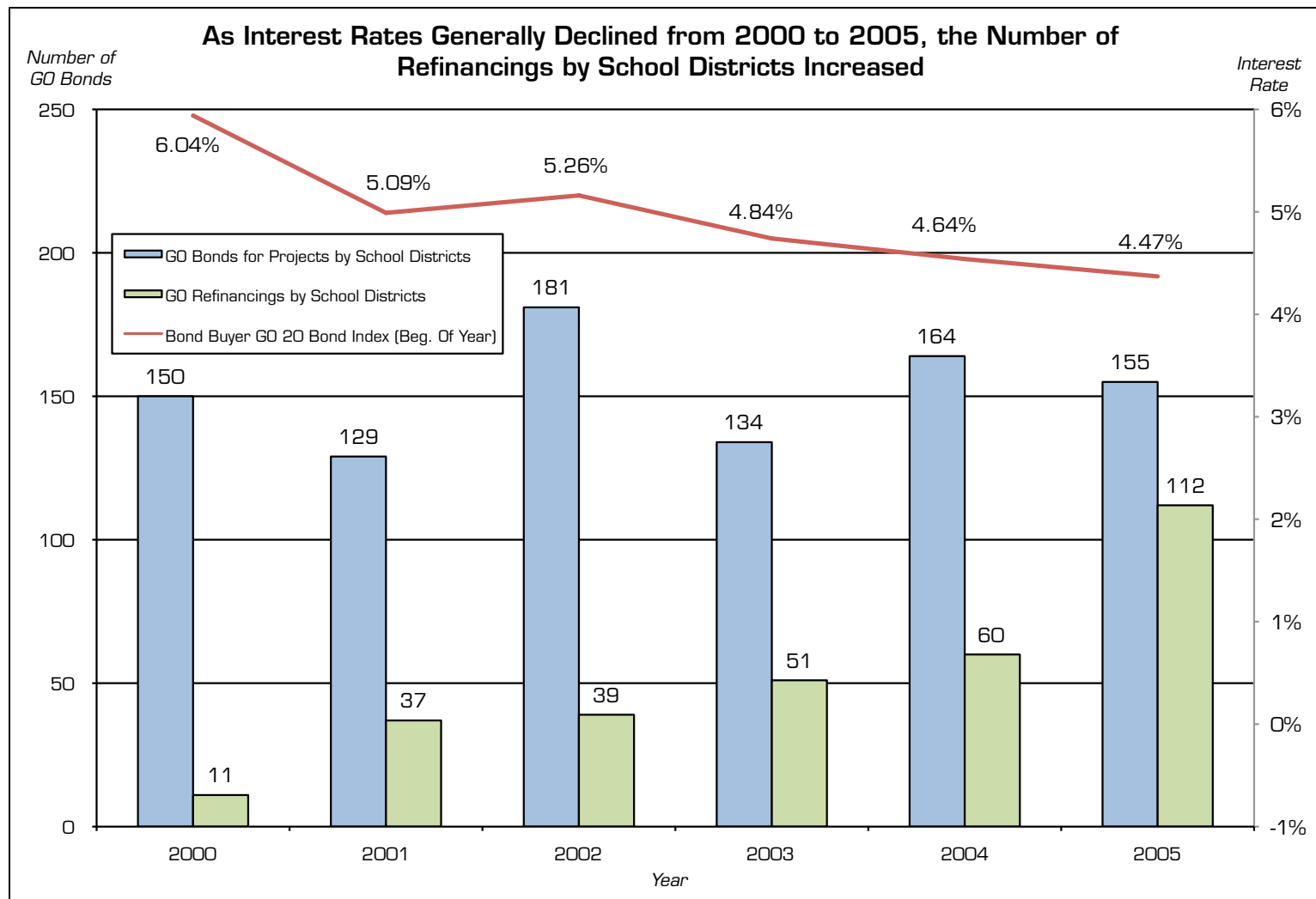


- **The District's Experience**
 - What did the District do and what were the results?

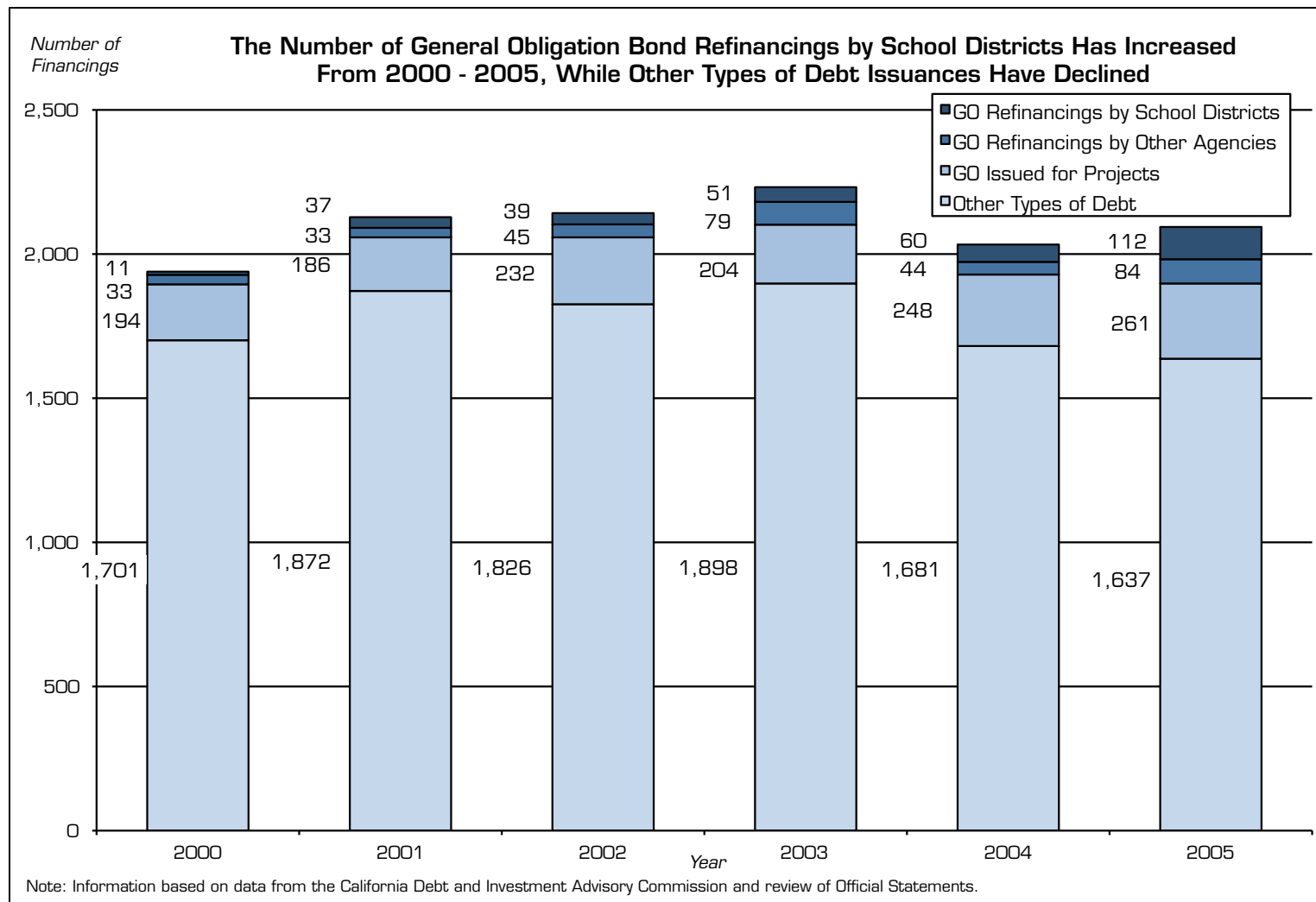


PLEASANTON UNIFIED SCHOOL DISTRICT

As Interest Rates ↓, School Refi's ↑



School Refi's ↑ Even as Other Debt ↓

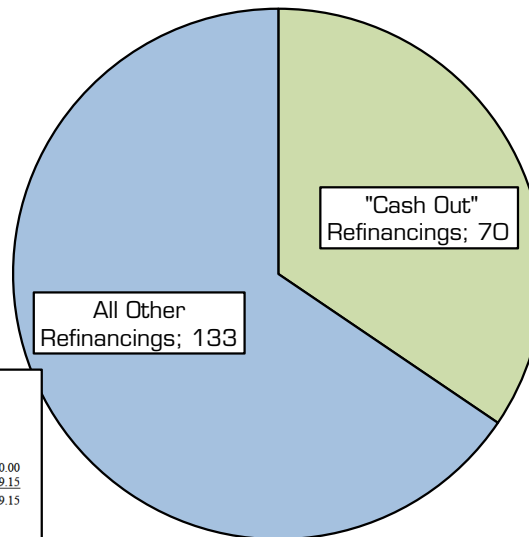


School Cash Out Refi's Were Common

Between 2003 and 2005, Over 30% of School District GO Refinancings Were "Cash Out" Refinancings, Making Them Common

Example of Official Statement Section of a Refinancing With Cash Out Component (Pleasanton USD 2003 GO Refinancing)

Sources and Uses of Funds	
The proceeds of the Bonds will be applied and deposited as shown in the table below.	
PLEASANTON UNIFIED SCHOOL DISTRICT Sources and Uses of Funds	
Sources of Funds	
Principal Amount of the Bonds	\$14,845,000.00
Funds on Hand in Debt Service Fund for Prior Bonds	1,040,945.60
Net Original Issue Premium on the Bonds	1,675,549.80
Total Sources of Funds	\$17,560,495.40
Uses of Funds	
County Field Funds	
Debt Service Fund	\$ 0.00
Building Fund	1,644,954.75
Escrow Agent/Paying Agent Field Funds	
Escrow Fund	15,674,946.60
Costs of Insurance Fund	110,000.00
Retained by Underwriter	111,337.50
Paid to Bond Issuer	19,311.55
Total Uses of Funds	\$17,560,495.40



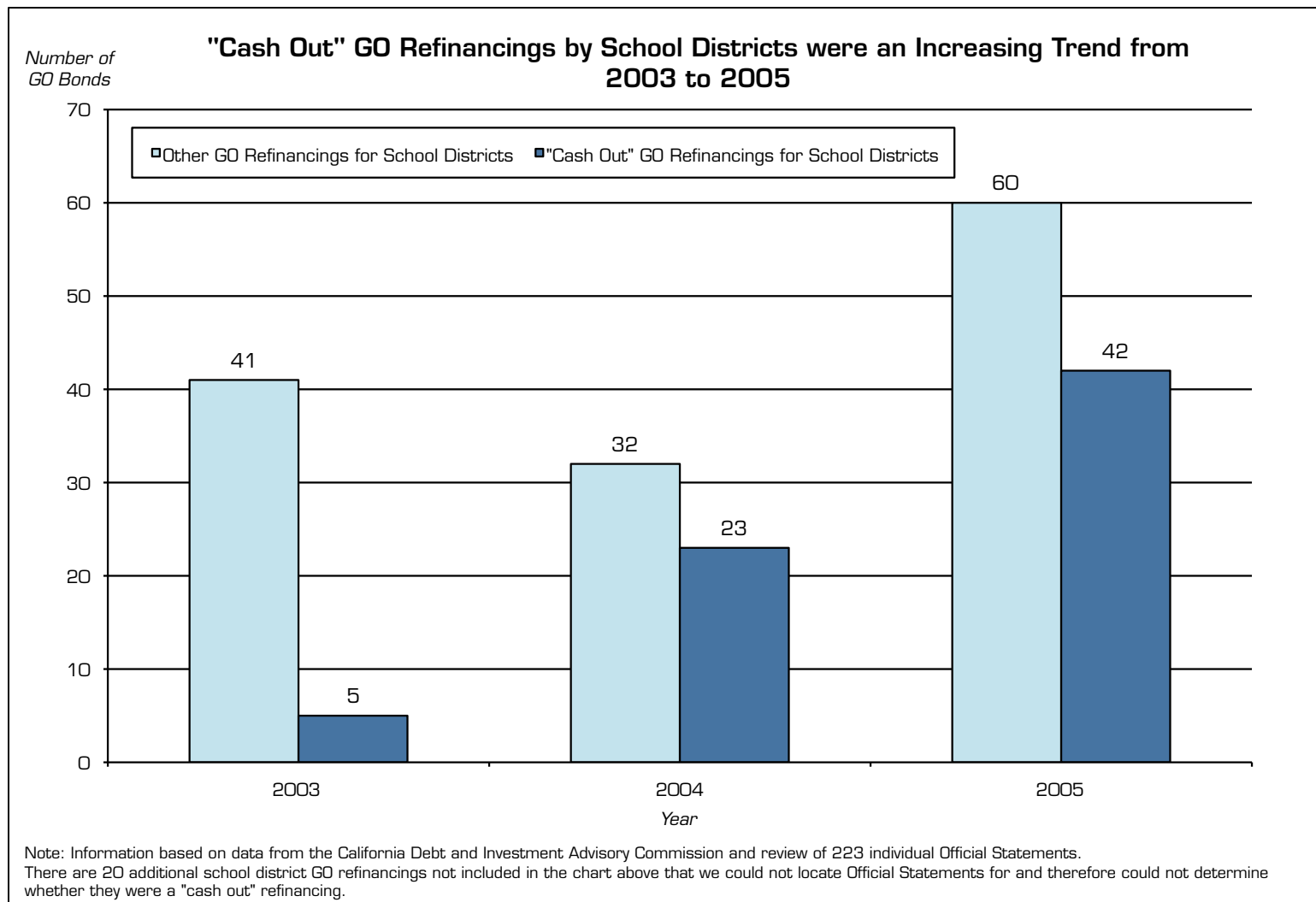
Example of Official Statement Section of a Refinancing Without Cash Out Component (Pleasanton USD 2009 GO Refinancing)

ESTIMATED SOURCES AND USES OF FUNDS	
The estimated sources and uses of funds with respect to the Bonds are as follows:	
Sources of Funds	
Principal Amount of the Bonds	\$3,315,000.00
Original Issue Premium	201,859.15
Total Sources	\$3,516,859.15
Uses of Funds	
Escrow Fund	3,398,253.13
Costs of Insurance ⁽¹⁾	118,606.02
Total Uses	\$3,516,859.15

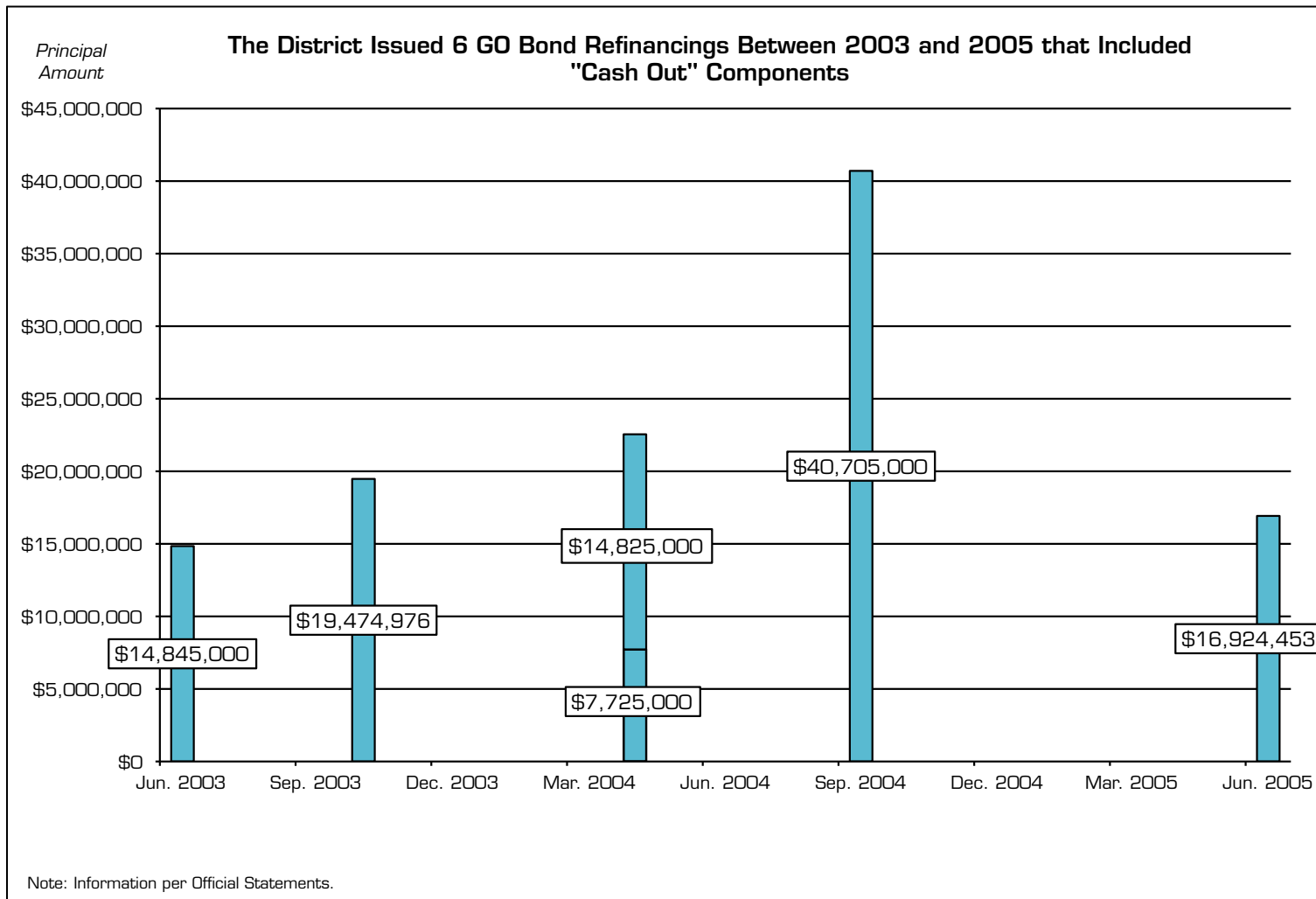
⁽¹⁾ All costs of insurance, including Underwriter's discount and bond insurance premium.

Note: Information based on data from the California Debt and Investment Advisory Commission and review of 223 individual Official Statements. There are 20 additional school district GO refinancings not included in the chart above that we could not locate Official Statements for and therefore could not determine whether they were a "cash out" refinancing.

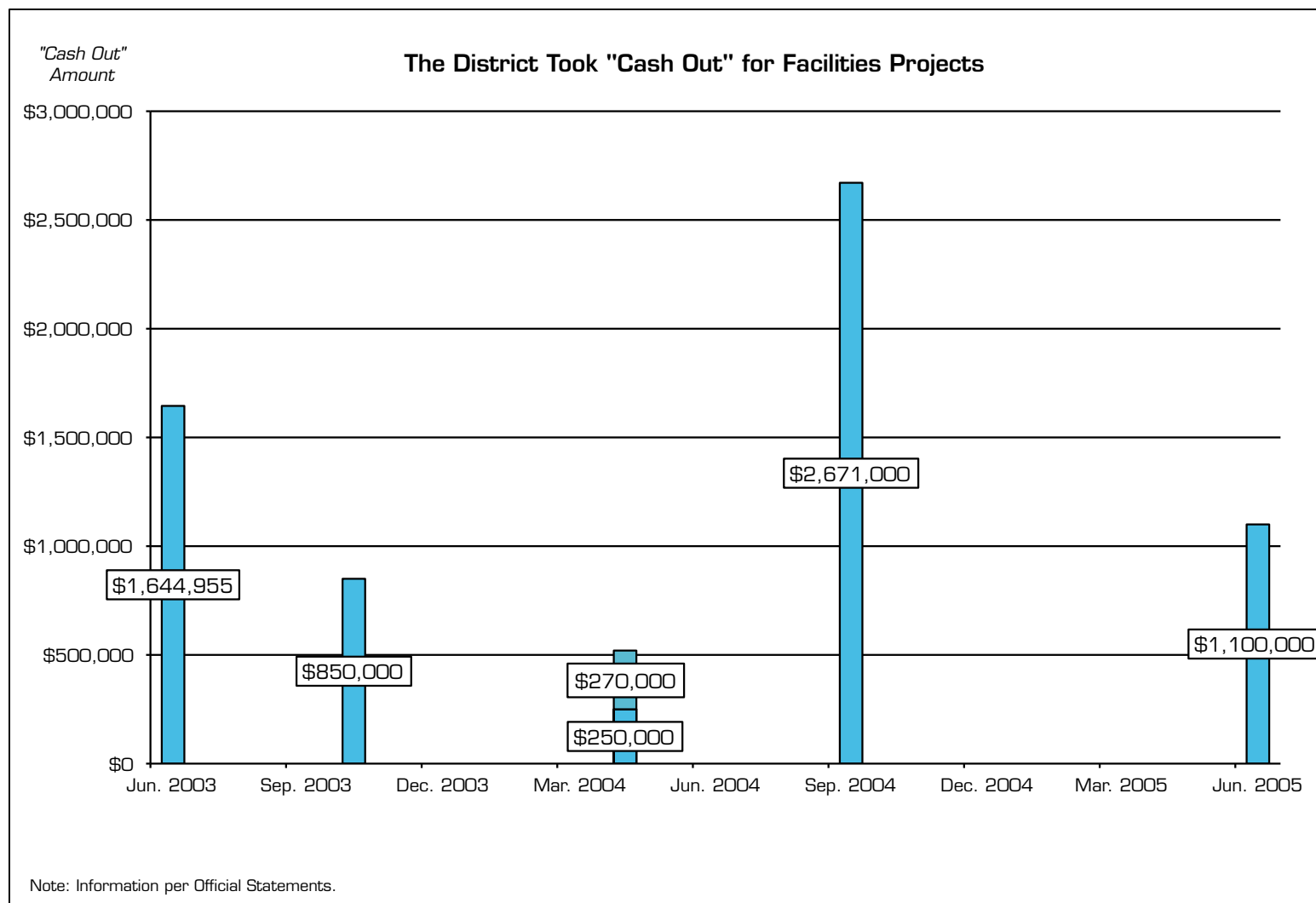
Cash Out Refi's Were A Growing Trend



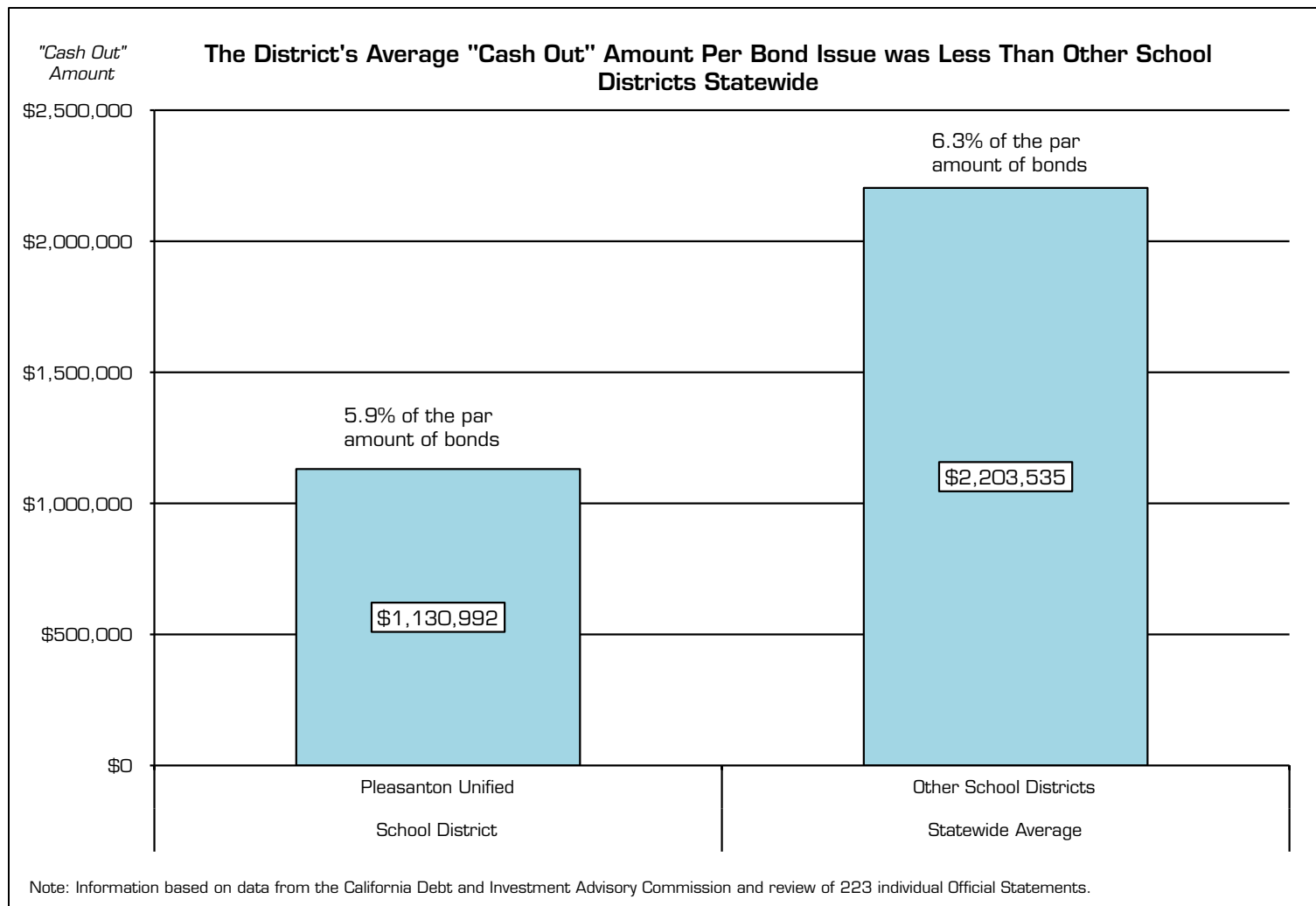
The District Issued 6 Cash Out Refi's



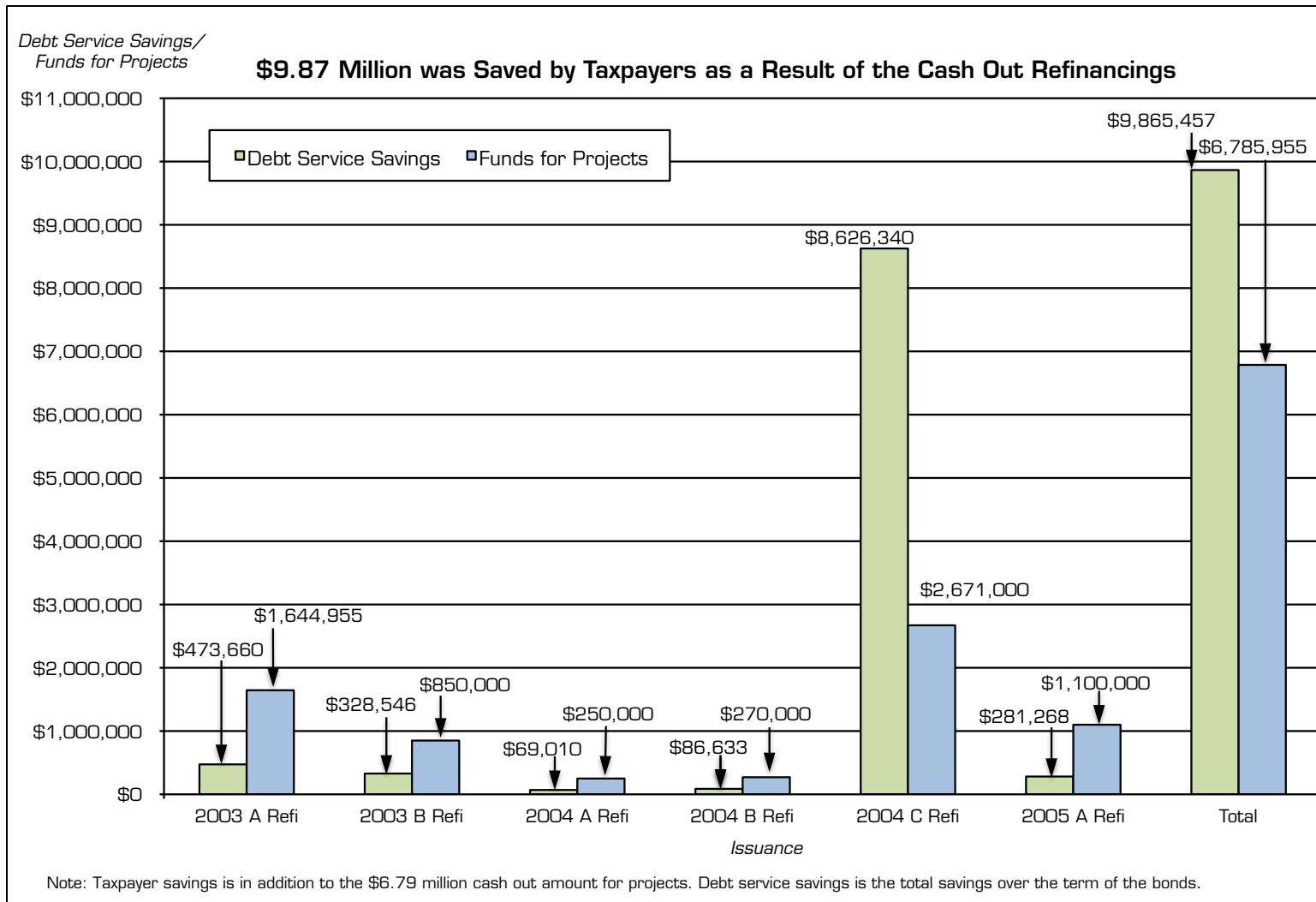
The District Took \$6.79 Million Cash Out



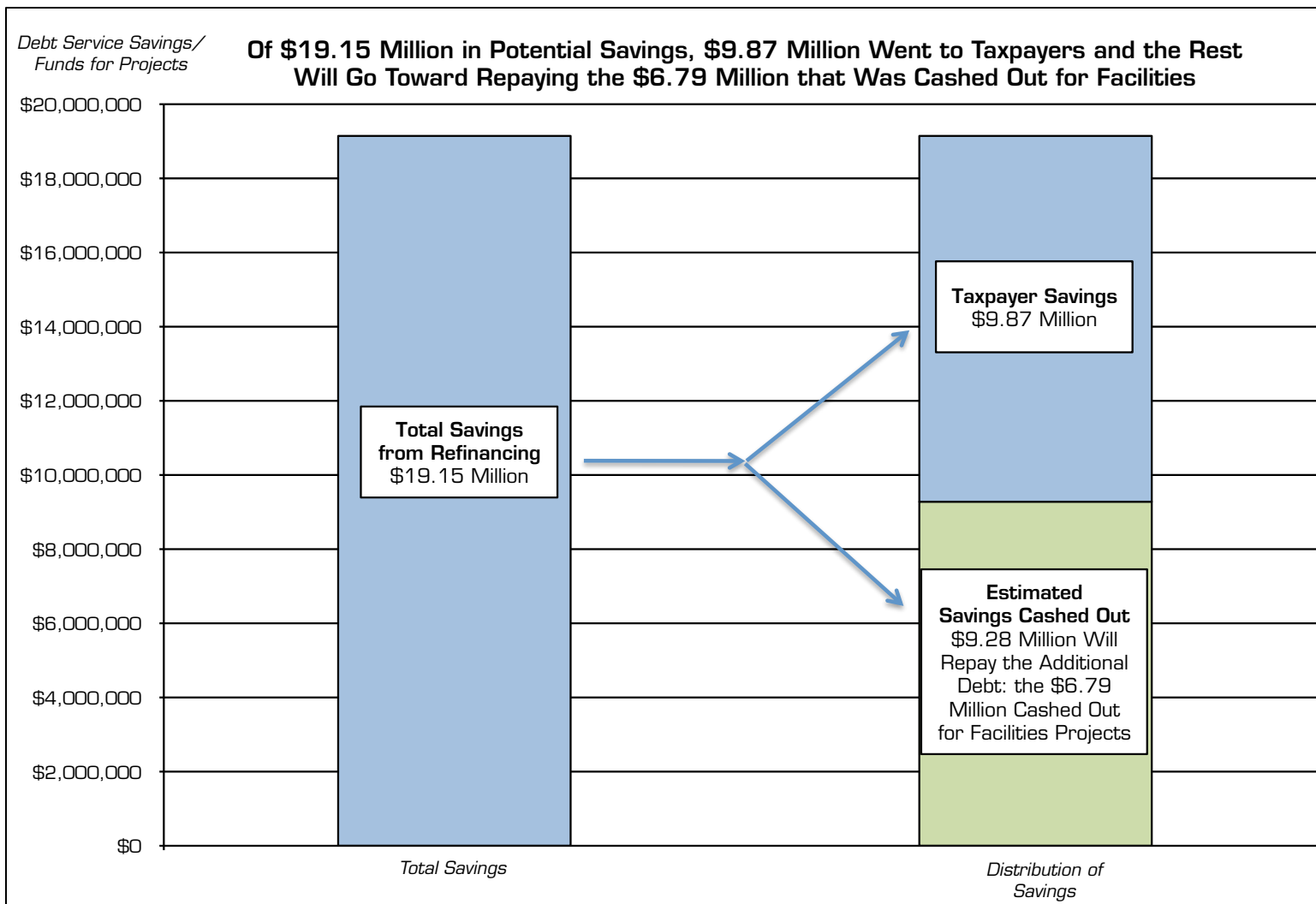
District Cashed Out Less Than Average



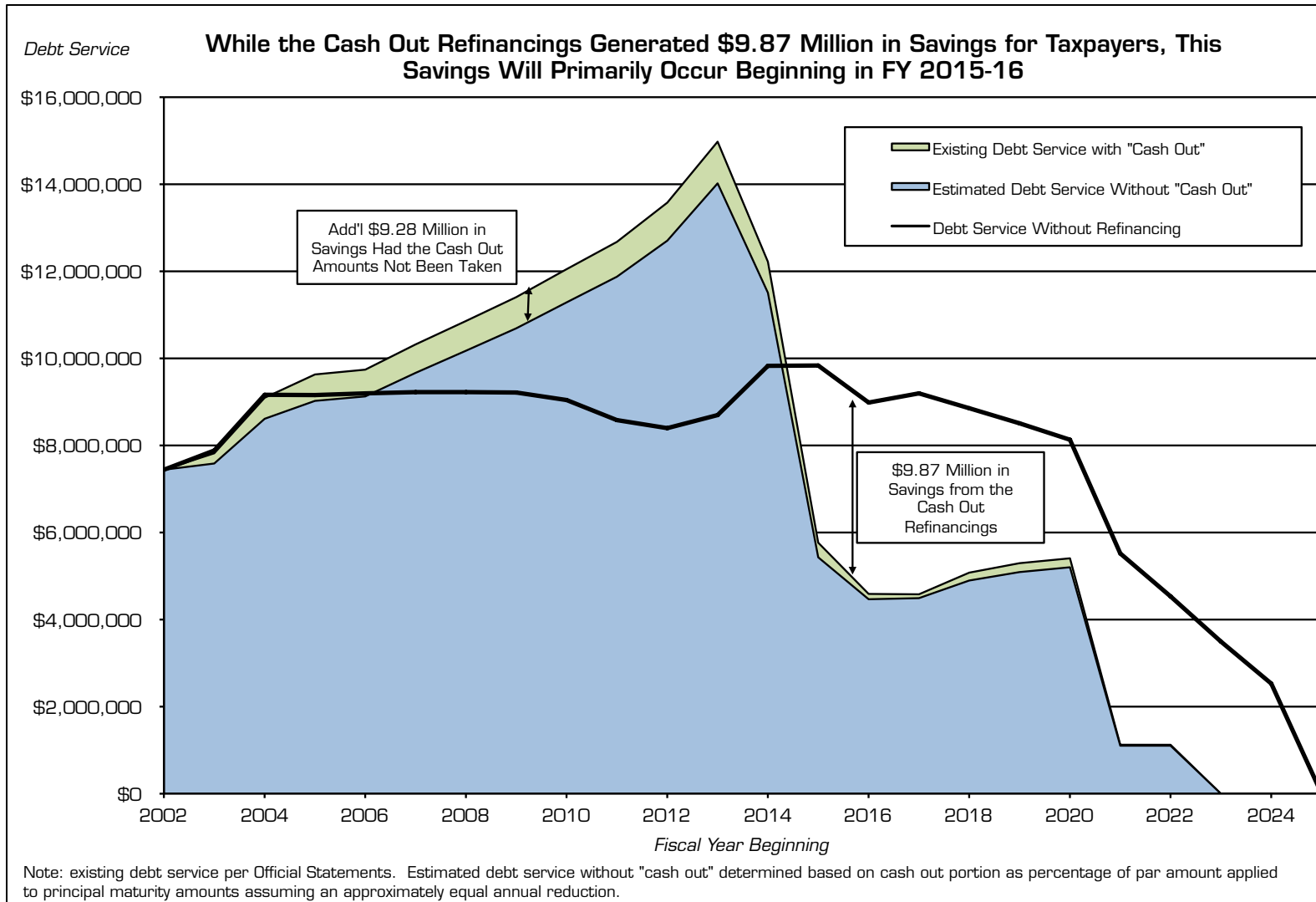
Taxpayer Savings vs. Cash Out Amounts



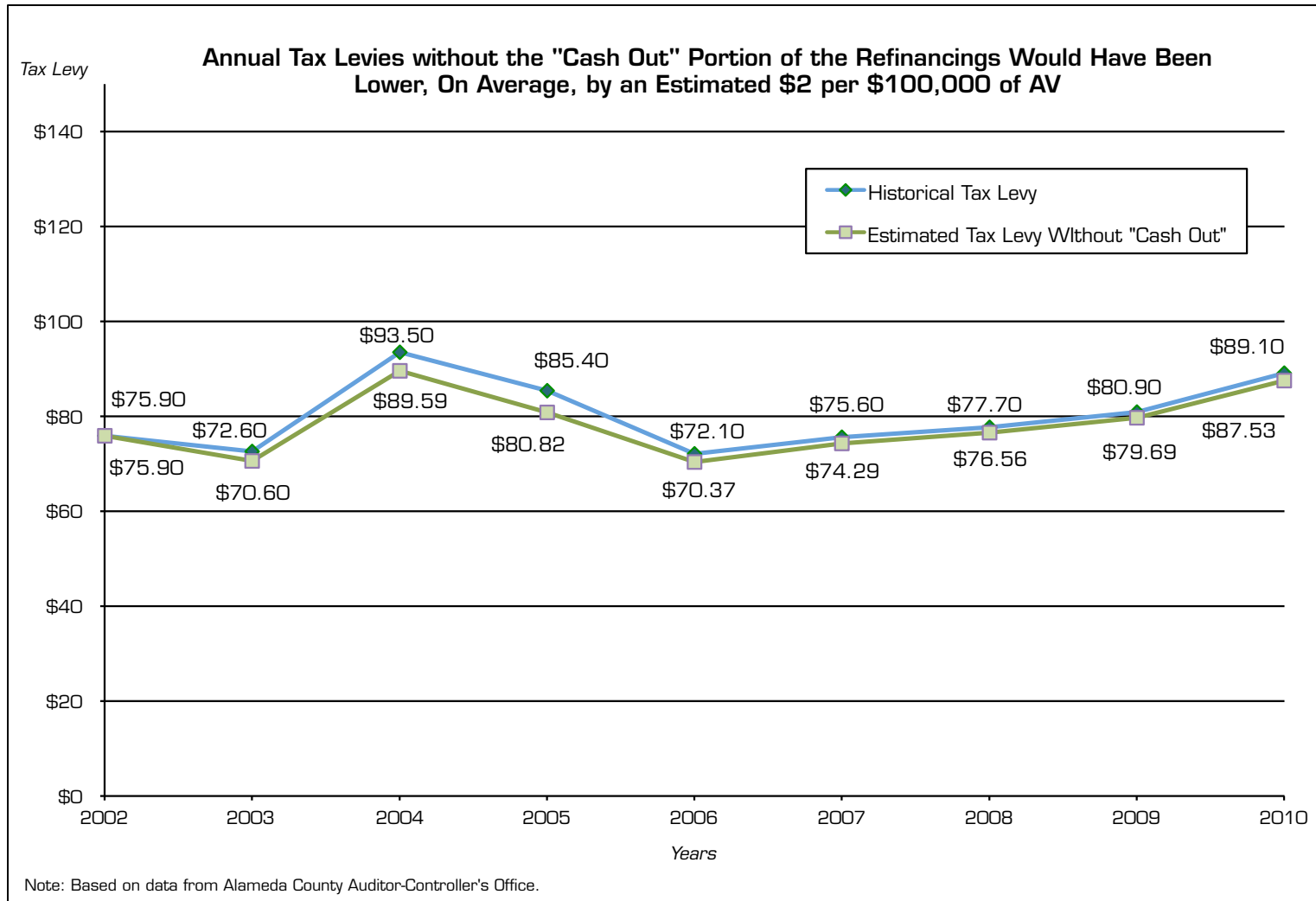
Distribution of District's Refi Savings



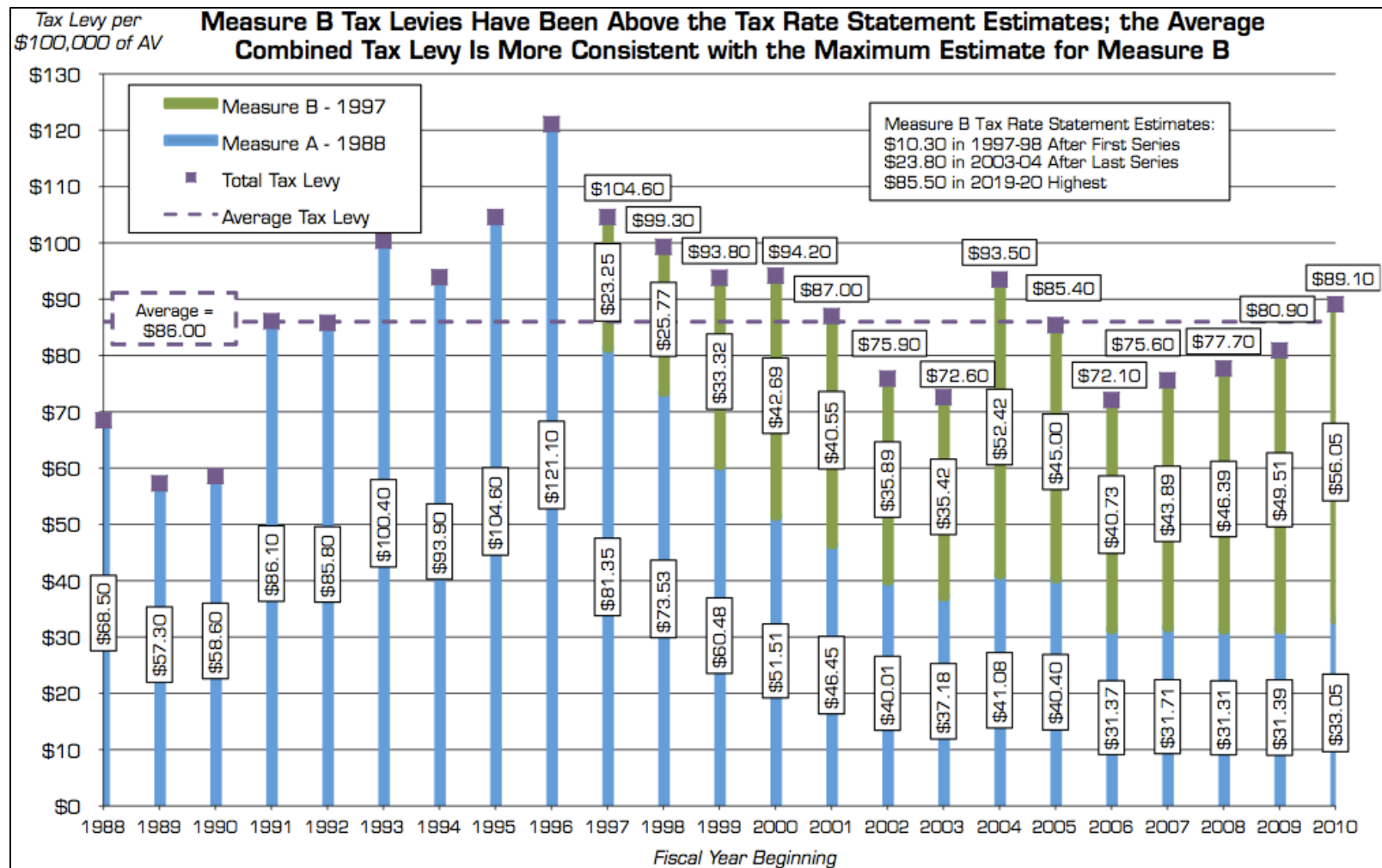
Taxpayer Savings Begins FY 2015-16



Taxpayers Pay Avg. of \$2/\$100,000 of AV



Tax Levies Higher Than Estimated



Note: total tax levy from 1999 onward provided by Alameda County Auditor-Controller's Office and from 1998 prior by District.

Upcoming Meeting and Next Steps

■ Third and Final Committee Meeting

- Date to be Scheduled
- What facilities projects were the District's "cash out" amounts spent on?
- What *Best Practices* can the District implement for future financings?

■ Follow Up Presentation to the Board

