Preliminary Issuance Summary for the General Obligation Bonds Authorized Pursuant to Measure Q for Improvements to the Santa Ana College Campus

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Introduction

- **The Rancho Santiago Community College District (the District) is planning to issue bonds authorized pursuant to Measure Q that were approved by 72.6% of voters in the November 2012 election**

- **The District has $198 million in authorization and is expected to issue the bonds in three series of $70 million in 2014, $50 million in 2017 and $78 million in 2020**

Primary Objectives in Structuring the Bonds

- ❑ **Develop a financing plan with bonds that mature in 30 years or less, that targets a $22.00 tax rate and is compliant with AB 182**
- ❑ **Make reasonable and credible assumptions with regard to the projected AV growth rate**
- ❑ **Minimize or eliminate the use of Capital Appreciation Bonds (CABs)**

- **The Tax Rate Statement filed at the time of the election has a targeted maximum annual tax rate of $22.00 per $100,000 of assessed valuation for property within School Facilities Improvement District No. 1 (the SFID)**

- **The Assessed Valuation (AV) of the SFID increased almost 5.0% for fiscal year 2014/2015 – the District Administration has established an AV growth profile for bond planning purposes**

- **The recently passed AB 182 has implemented limits on the term of all General Obligation Bonds issued – the District needs to balance those limits with its own public policy objectives**
  - **The District will be staying below the AB 182 term limits based on the financing plan**

Assembly Bill 182

- Assembly Bill 182 (AB 182), effective January 1, 2014, amended the Education Code (Section 15146 (a) and (b)) and Government Code (primarily Section 53508.5) and established parameters and procedures related to the issuance of General Obligation Bonds by K-14 districts

- AB 182 parameters apply when a General Obligation Bond issue has:
  - Current Interest Bonds (CIBs), i.e. fixed coupon bonds, with a term >30 years
  - Capital Appreciation Bonds (CABs), or bonds that are "compounding as to interest"

- The major requirements of AB 182 include disclosure of:
  - Term of the proposed bonds
  - Projected AV increase through maturity
  - Repayment ratio (debt service ÷ par)
  - Approving Resolution at back-to-back scheduled public meetings – 1st is for information only and 2nd is to take action
  - Comparison of total cost with proposed CABs and with CIBs only
  - Statement of reason for using CABs, e.g. inability to complete projects or breach of targeted tax rate if use CIBs

AB 182's Bond Structuring Parameters

- ❑ Maximum maturity of CIBs is 40 years
- ❑ Maximum maturity of CABs is 25 years
- ❑ Option to refinance in 10 years
- ❑ Maximum repayment ratio is 4-to-1
- ❑ Maximum interest rate is 8%

- The AB 182 limits do not apply as the proposed issues have a term <30 years and no CABs

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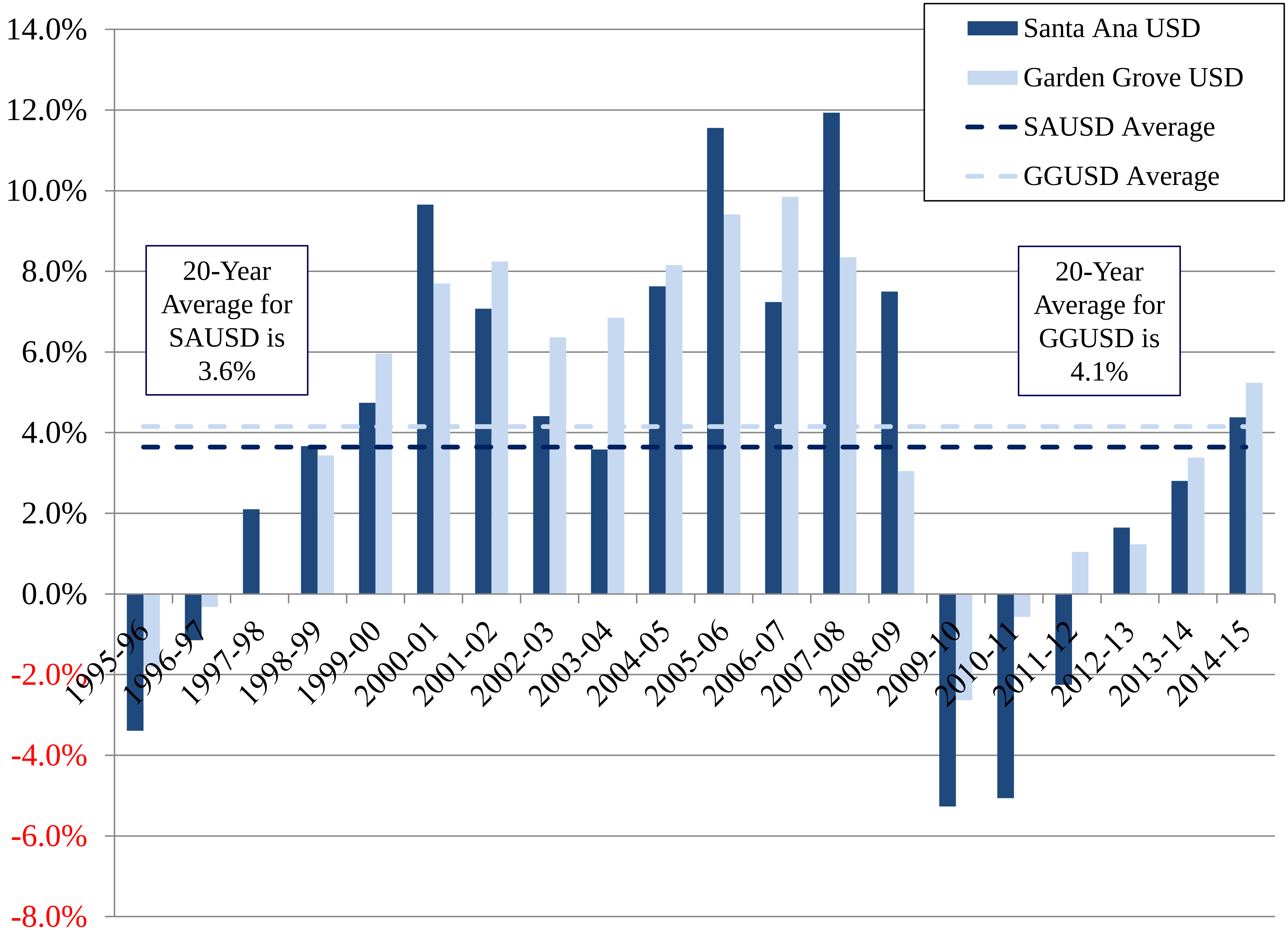
Historical AV Growth Rate of Underlying K-12 Districts



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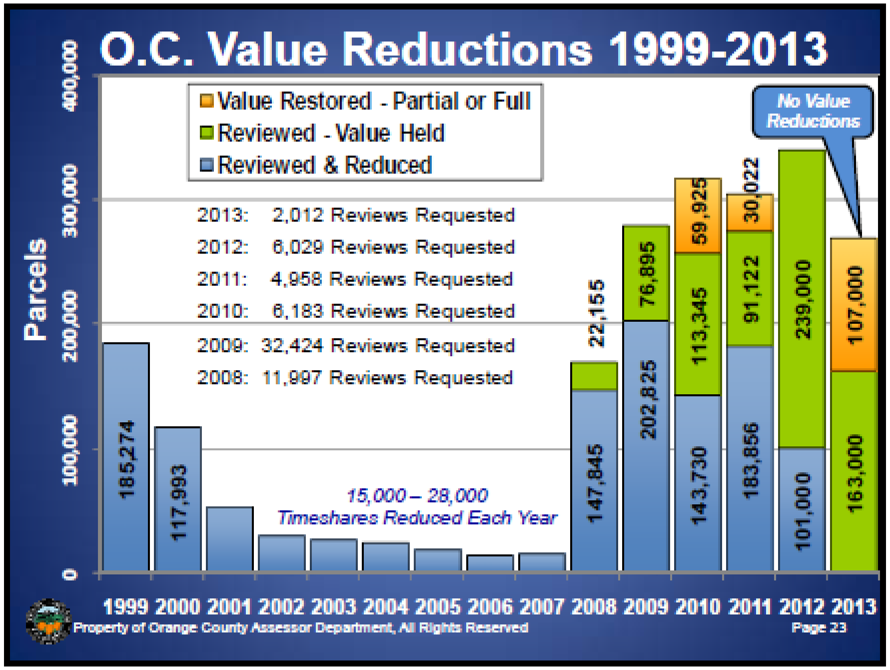
Guidance on AV Growth from County Assessor

Prop 8 reassessments are beginning to be restored towards the Prop 13 factored levels and…



Taxable AV – Prop 13 versus Prop 8

- **Prop 13 limits annual property tax increases to 2% unless the property is sold – the resultant value is the factored base year value**
- **Prop 8 allows a <u>temporary</u> reduction in taxable AV when market value is less than the factored base year value**
- **Property values are subsequently reassessed upward when market values recover – the "cap" on the upward reassessment is the theoretical factored base year value that would have existed without the downward Prop 8 reassessment**

…as housing prices recover, housing sales will establish new base year values.

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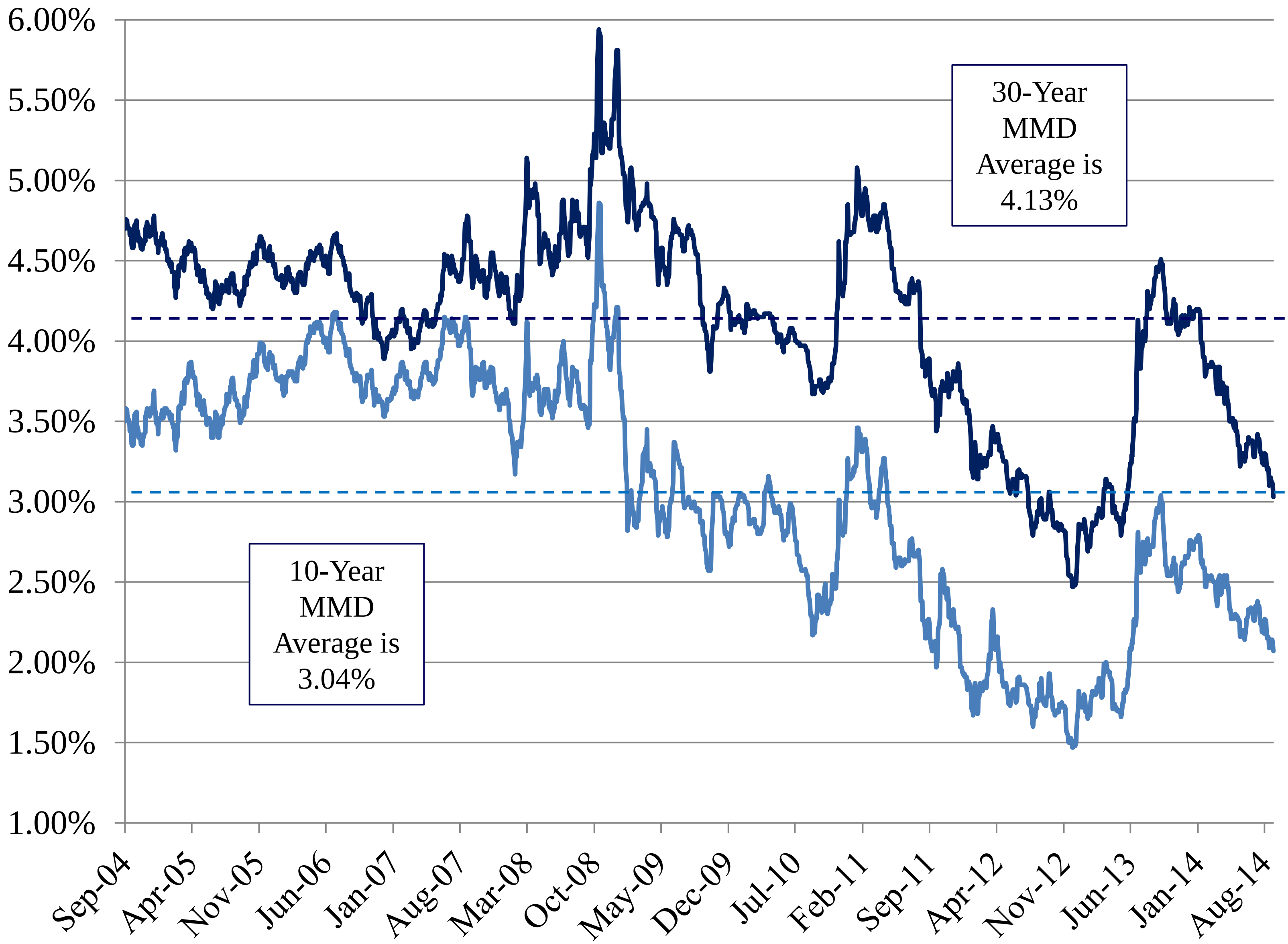
Historical Change in Municipal Market Data (MMD)* Rates



** MMD is an estimate of the yield on AAA-rated General Obligation Bonds and is a market-wide benchmark*

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Key Assumptions

Issuance Schedule

Series	Par
2014A	$70,000,000
2017B	$50,000,000
2020C	$78,000,000
Total	**$198,000,000**

District's Bond Sizing Parameters

Max Tax per $100K AV…	$22.00
Credit Rating *…………	Aa3 / AA-
Total AV for 2014-15……	$32.9 Billion
Max CIB Term………….	30 Years
Max CAB Term…………	N/A
Max Repayment Ratio…..	2.5 : 1
Interest Rate	
– 2014A…………..….	Market **
– 2017B ***…………	Market +0.50%
– 2020C ***…………	Market +0.65%

** To be determined*

*** Market is based on comparable sales and equals 4.15%*

**** Change in overall borrowing cost (rounded)*

Projected AV Growth^

Year	Growth %
2015	4.74%
2016	4.0%
2017	4.0%
2018	3.5%
2019	3.5%
Thereafter	3.0%

^ Secured property only

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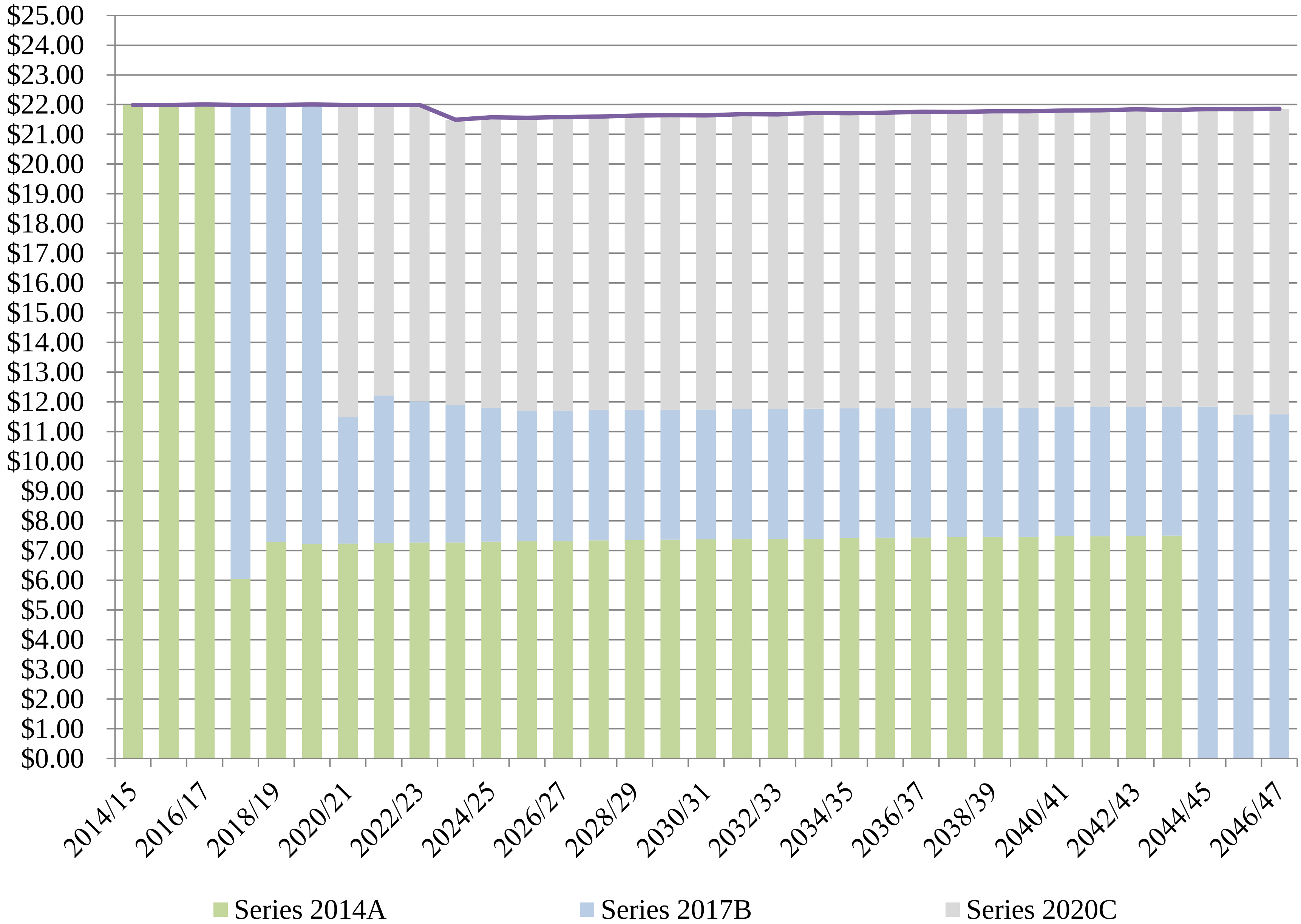
Outcomes – Parameters

	2014A	2017B	2020C	Aggregate
Par Amount Issued by Security Type				
- Current Interest Bonds	$70,000,000	$50,000,000	$78,000,000	$198,000,000
- Capital Appreciation Bonds	-	-	-	-
Total Par Amount	$70,000,000	$50,000,000	$78,000,000	$198,000,000
All-In True Interest Cost (AIC)*	4.15%	4.65%	4.80%	4.55%
Final Maturity (From Issuance)				
- Current Interest Bonds	30 Years	30 Years	27 Years	
- Capital Appreciation Bonds	-	-	-	
Repayment Ratio (Debt Service / Par)	**1.86**	**2.03**	**1.98**	**1.95**
- Current Interest Bonds	1.86	2.03	1.98	1.95
- Capital Appreciation Bonds	-	-	-	-
AB 182 Compliant?	Yes	Yes	Yes	Yes

* *Represents the cost of borrowing after expenses*

Outcomes – Tax Rate per $100,000 of AV



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Timing of Events

Date	Event
M, September 8	Board of Trustees adopts budget for fiscal year 2014/2015 and engages Financial Advisor
M, September 22	Bond documents are approved by the Board of Trustees
T, September 23	Presentation to the credit rating agencies (Moody's and Standard & Poor's)
T, September 30	Receipt of credit ratings for the proposed bonds
Th, October 2	Distribute Preliminary Official Statement to the investment community
T, October 14	Establish the interest rates on the Bonds and enter the Purchase Contract
T, October 28	**Issue closes and the District receives the funds**

Closing Summary

- **The District can procure the initial $70 million authorized under Measure Q using traditional 30-year, fixed rate financing**
- **The funding plan is realistic – the District is not relying on contingent events or overly optimistic assumptions**

Summary of Outcomes

- **Financing plan targets the $22.00 tax rate and is well within the parameters of AB 182**
- **Projected AV growth is more conservative than the 20-year historical averages of the underlying K-12 school districts**
- **None of the bond issues contemplate the use of Capital Appreciation Bonds (CABs)**

- **The $22.00 per $100,000 of assessed valuation maximum tax rate provides enough capacity to issue the $198 million in authorization during the next 6 years**
- **The AV growth profile is credible – the immediate projection is supported by reassessment information from the Assessor's Office and the long-term projection is founded in the historical growth of the underlying K-12 school districts**
- **The District plans to issue the first series of bonds with a 30-year final maturity – this is well within the AB 182 parameters**