

Audit and Finance Agenda Item

Board Meeting Date: 5/31/12

Title of Item: Measure E, GO Bond Refunding Sale Update

Background and Analysis:

This was presented to the Board of Trustees at the May 7, 2012 meeting and is a closing summary report of the March 2012 sale of the refunding general obligation bonds authorized by passage of the district's 1999 Measure E General Obligation Bond. The District successfully sold \$70.735 million refunding general obligation bonds producing present value savings of \$10.5 million to District taxpayers.

Proceeds of the bonds will be used to pay for the refunding of portions of the District's outstanding 2002 General Obligation Refunding Bonds, and the advance refunding of a portion of the District's outstanding Election of 1999 General Obligation Bonds, Series B and C, and the payment of costs of issuance of the Bonds. The net proceeds of the Bonds will be deposited into an escrow fund and applied to pay the principal of and interest on the refunded bonds as they become due and to pay redemption prices on the refunded bonds' at their respective next available redemption dates.

The refunding will reduce debt service through 2030 by an annual average of \$689,308. These savings will result in an annual tax rate reduction of \$0.71/\$100,000 of assessed value.

Recommendation: Information Only

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Additional contact names:	
Is backup provided?	yes



Foothill-De Anza Community College District

Board of Trustees Meeting GO Bond Refunding Review

7 May 2012

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- The District's refunding of Measure E General Obligation bonds was extremely successful, with the District achieving significant savings and once again achieving high credit ratings

2012 Refunding Opportunities

- The District's financing process began in February 2012, culminating in the sale of GO refunding bonds on March 27th and a closing on May 3rd
- The District's credit ratings for its GO bonds were affirmed at Aaa from Moody's Investors Service and AA from Standard & Poor's, among the highest for any community college district in California
- The GO bonds received strong investor demand, with initial orders of \$199 million for the \$71 million of bonds offered
- By refinancing the \$77.6 million in GO Bonds, the District captured debt service savings that averages nearly \$690,000 every year through 2030
 - Aggregate cash flow savings of \$13.1 million
 - Equivalent to \$0.69 per \$100,000 of FY2012 Assessed Valuation
- The District's tax rates for Measure E are now projected to average \$11.81 per \$100,000 of assessed value, comparing favorably to the District's original projection of \$14.00 per \$100,000 of assessed value

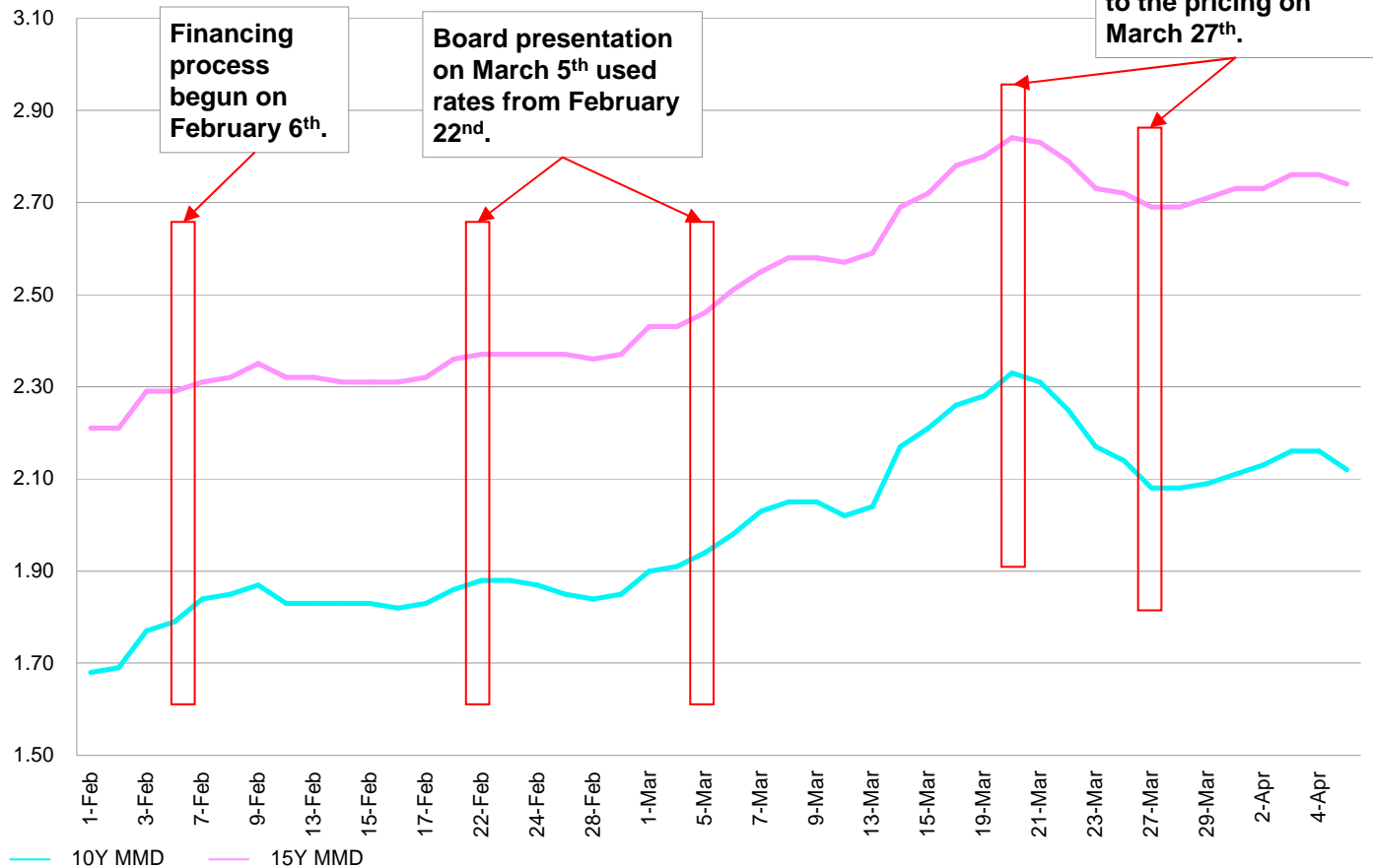
- The tax-exempt market has been volatile over the past few months, as investors react to domestic economic news and the developing crisis in Europe

Successful Pricing Amid Volatile Interest Rates

Benchmark Tax-Exempt Rates Remained Volatile throughout Financing Process

February 2012 to Present

Axis Label



Source Thomson Financial

- The final pricing results very closely matched the estimated results discussed at the March 5th meeting
- Although rates rose slightly since the March 6th meeting, the District achieved results almost identical to those discussed with the Board in March

Summary of Refunding Results

Summary of Refunding Results

Final Pricing Results

	Results at 3/5 Meeting	Final Financing Results
<u>Refunded Bonds</u>		
Par Amount	\$77,605,000	
Average Coupon	4.94%	
Average Life	11.0 Years	
Series and Maturities Refunded	Series 2002: 2013-2030 Election of 1999, Series B: 2014, 2016 Election of 1999, Series C: 2016-2022	
<u>Refunding Bonds</u>		
Par Amount	\$69,800,000	\$70,735,000
Premium	\$12,206,191	\$11,229,649
Total Proceeds	\$82,006,191	\$81,964,649
Arbitrage Yield	2.56%	2.56%
Escrow Yield	0.32%	0.38%
All-in TIC	3.07%	3.07%
Cost of Negative Arbitrage	\$1,496,584	\$1,452,514
PV Savings	\$10,544,735	\$10,578,564
PV Sav. as % of Ref. Par	13.59%	13.63%
Total Cash Flow Savings	\$13,096,851	\$13,096,919
Average Annual Savings	\$689,308	\$689,312
Reduction in Tax Rate	\$0.69 / \$100,000 of AV	\$0.69 / \$100,000 of AV

Savings are driven by refunding outstanding debt with an average rate of 4.94% with new debt with a 3.07% interest rate

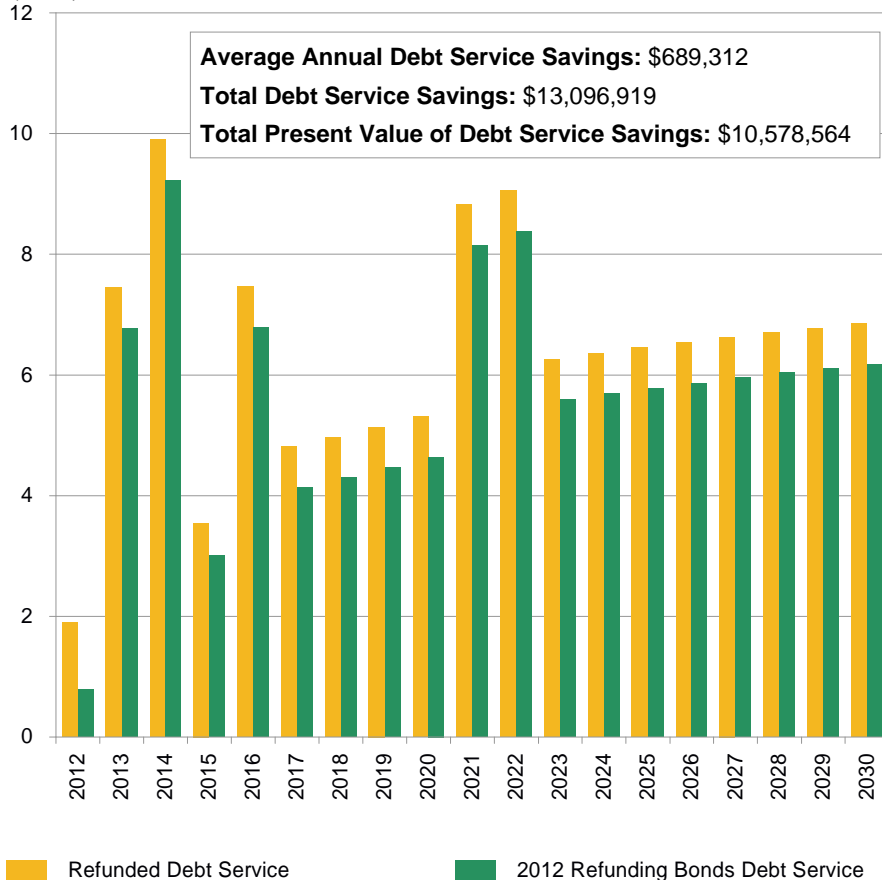
Savings are passed on to tax-payers in the form of lower tax rates.

Measure E Projected Debt Service and Savings

Comparison of Refunded Bonds and Refunding Bonds Debt Service

Final Pricing Results

(\$ mm)

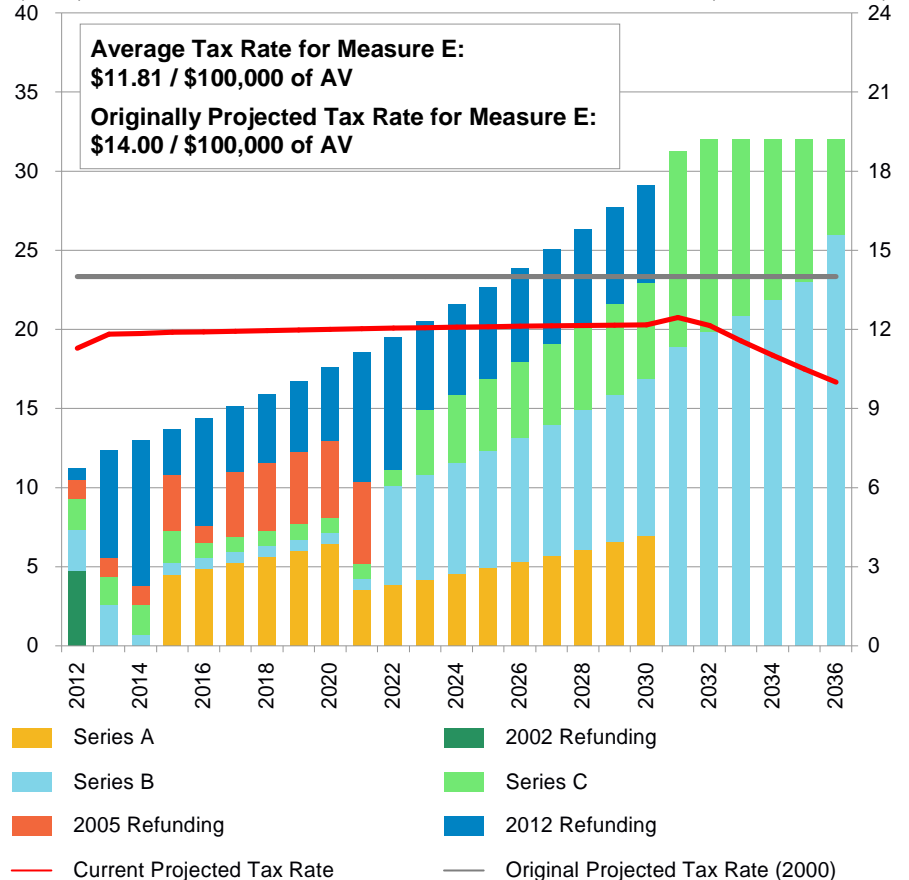


Resulting Aggregate Debt Service for Measure E

Final Pricing Results

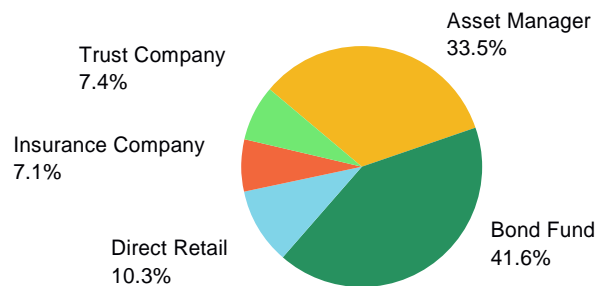
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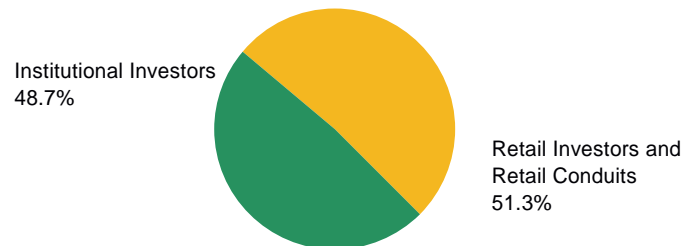


Summary of Investor Distribution

Final Allotments by Investor Category



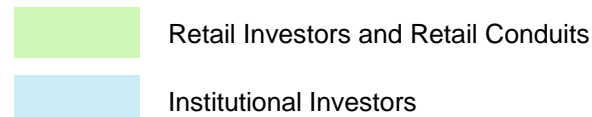
Retail vs. Institutional Participation



Investor Distribution by Par Amount Allotted

Final Pricing Results

Investor	Investor Type	Allotted Amount
Eaton Vance Mgmt	Bond Fund	\$12,365,000
Goldman Sachs Asset Mgmt	Asset Manager	10,015,000
Nuveen Asset Mgmt	Bond Fund	8,805,000
Morgan Stanley Smith Barney	Direct Retail	7,300,000
Franklin Fund	Bond Fund	7,010,000
Boston Company Asset Mgmt	Asset Manager	5,600,000
St. Paul Insurance Company	Insurance Company	5,000,000
Northern Trust Company	Trust Company	3,865,000
Goldman Sachs Private Client Svcs	Asset Manager	2,775,000
Strong Corneliuson Capital Mgmt	Asset Manager	2,675,000
J.P. Morgan Investment Mgmt	Asset Manager	2,000,000
Blackrock	Bond Fund	1,275,000
Wilmington Trust	Trust Company	1,000,000
Columbia Asset Mgmt	Asset Manager	650,000
Bank One Trust Company	Trust Company	400,000
Total		\$70,735,000



Appendix A

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