

ICOC Finance Sub-Committee Report, October 13, 2011

By: John A. Gordon, chair

Current Committee Status:

- Primary focus; Prop S bonding/financing for 2012 and outyears
- Carefully tracking and monitoring Prop S bond finance planning for next year. Two bond advisors, Loop (primary) and KeyGent (independent advisor) involved and working, as is SDUSD CFO, and outside Bond Counsel.
- Early look 2012-2027 projections show Prop S app. \$15-20M above the \$66.70 and \$60.00 ceiling or "in the red".
- Previous plan for appx. \$140M in bond proceeds/year. Due primarily to SDUSD property assessed value (AV) less than expected, that amount is impossible and will be much lower in 2012-2015, at minimum. 2012 could be zero.
- Totally likely that any 2012 bond authority will be generated via refinancing prior prop MM debt at a savings, to free up cash flow and bonding authority. This will take time and effort.
- Must not exceed \$66.70 tax rate ceiling in current year and next reasonable outyears projection. San Diego had AV declines in 2009 and 2010 and 2011 looks app. flat.
- Reality is that the \$66.70 authorization level is now financing the prop MM debt primarily and Prop S is squeezed down/out as/if AV declines.
- District currently has about \$50M Prop S cash programmed but not contractually obligated to contracts. ICOC Governance Sub-Committee asked prop S Director to compose plan of reaction, including keeping a small reserve for emergencies.

Next Steps:

- Bond advisors working to reconcile with County the Prop S reserve, which impacts upon prop S cash and bonding capability.
- Prop S Executive Director working multiple cash flow/project obligations scenarios, one at \$60 in 2012, and one at \$90M. Working revised organization and hiatus plans.
- Best case timeline: Oct/Nov 2011 to reconcile with county. Loop must then analyze and calculate which prior Prop MM issuances can and /or should be refinanced, profitably. Brief BOE January/Feb, possible bond sales actions Spring 2012.

Timing Outlook

- Best case: BOE by Exec. Director 1 November, ICOC review late Nov/Dec 2011, solution early January 2012, presented to BOE, bond markets Spring 2012