



San Diego Unified School District

Propositions S and Z Bond Program Update

ICOC Meeting

October 16, 2014



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A Division of Zions First National Bank



Proposition S Authorization

- \$2.1 billion of bonds authorized by voters
- 68.71% voter approval on November 4, 2008
- Secured by general obligation (“G.O.”) property tax
- Extends current Prop. MM tax rate of \$66.70 / \$100,000 of assessed property value
- Original Prop. S bond program assumptions:
 - Phased issuances
 - Expected \$200 million to be available annually
 - Bonds issued with 25 year maturities (option for longer term)
 - Bonds to be issued over period of 10 years
 - Final payment in 2044



Proposition Z Authorization

- \$2.8 billion of bonds authorized by voters
- 61.80% voter approval on November 6, 2012
- Secured by general obligation (“G.O.”) property tax
- Current Prop. Z tax rate of \$60.00 / \$100,000 of assessed property value
- Original Prop. Z bond program assumptions:
 - Phased issuances
 - Expected \$225 million to be available annually
 - Bonds issued with 25-30 year maturities
 - Bonds to be issued over period of 15 years
 - Final payment in 2054

Borrowing Constraints

- District assessed valuation (“A.V.”):
 - Slowing A.V. growth delays ability to borrow
 - Prop. S originally anticipated 5% annual A.V. growth rate
 - Prop. Z originally anticipated 2%, 3%, 4%, and 5% annual A.V. growth rate thereafter

- Interest rates / market environment:
 - Higher rates and turmoil in financial markets reduce ability to borrow
 - Model assumes following interest rates:
 - Current market rates for debt issued
 - 5.5% rate for future current interest bonds
 - 6.0% rate for future capital appreciation bonds

- Approved combined maximum tax rate of \$66.70 / \$100,000 of A.V. for Prop. MM and Prop. S Authorizations

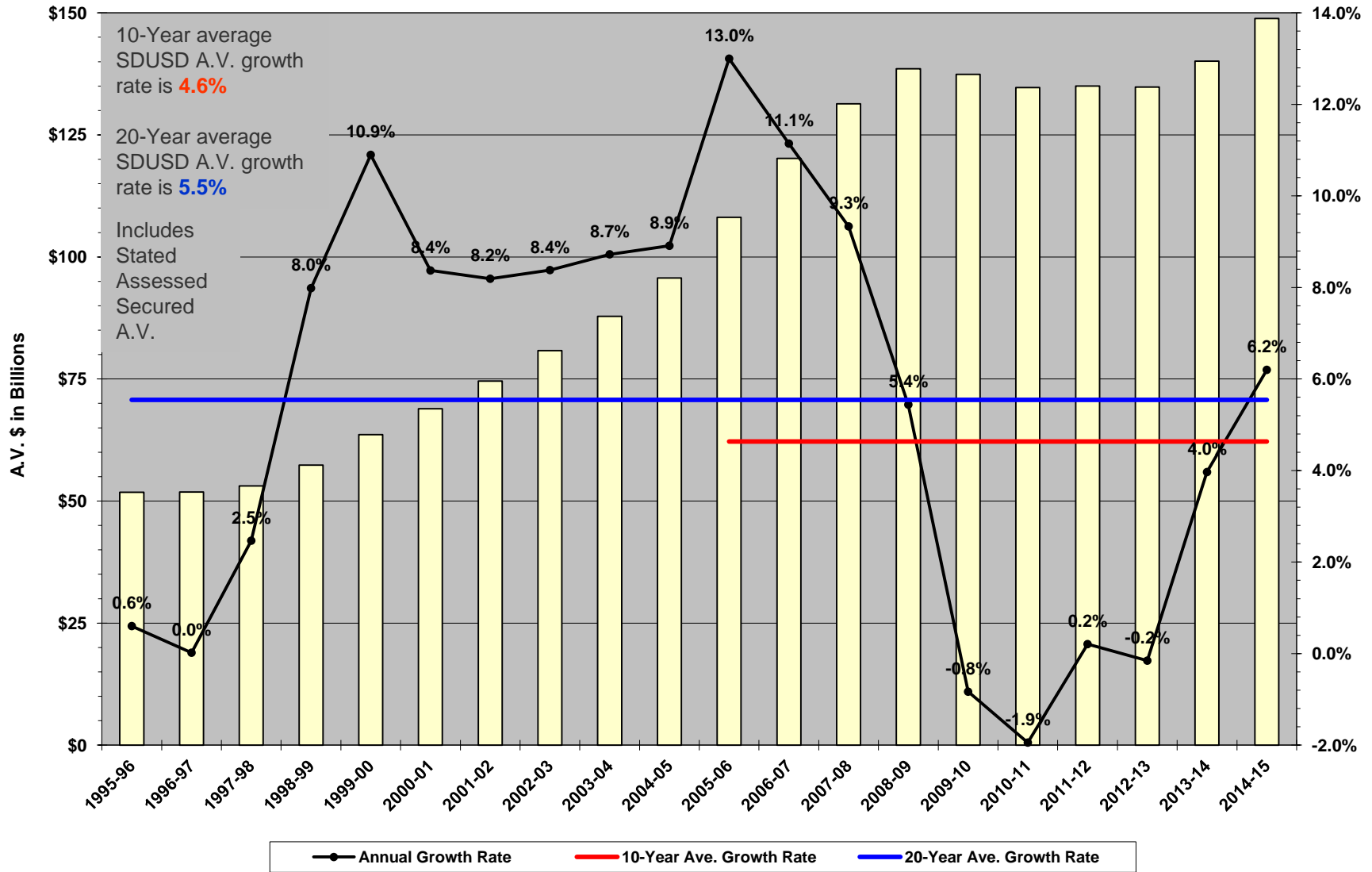
- Approved tax rate of \$60.00 / \$100,000 of A.V. for Prop. Z Authorization

Assessed Valuation Growth

- A.V. growth key component of ability to borrow
- Real estate downturn had a significant impact on Propositions S
- Proposition 13 typically limits downside potential
- A.V. growth rate assumptions:
 - 2014/15: 6.06%
 - 2015/16 : 4.00%
 - 2016/17: 5.00%
 - Thereafter: 5.00%



Historic District A.V. Growth





Projected Revenues for Prop. S

Fiscal Year Ending	A.V. for Rate Setting	Projected A.V. Increase From Prior	A.V. Tax Rate	Projected Property Taxes Generated	Cash Balance	Total Funds Available for Debt Service	Existing Prop. MM Debt Service	Existing Prop. S Debt Service	Federal Subsidy Payments	Existing Prop. S Net Debt Service	Excess	AMT Deficient	Cumulative Reserve
2014	137,331,426,573	4.15%	0.07%	91,600,062	7,000,000	98,600,062	\$97,041,933	\$6,610,438	(1,900,438)	4,710,000	\$0	(3,151,871)	54,421,637
2015	145,865,400,794	6.06%	0.07%	97,292,222	7,000,000	104,292,222	\$101,165,189	\$3,250,438	(1,900,438)	1,350,000	\$1,777,034	0	56,198,671
2016	151,700,016,826	4.00%	0.07%	101,183,911	7,000,000	108,183,911	\$91,135,439	\$15,587,878	(1,900,438)	13,687,440	\$3,361,033	0	59,559,703
2017	159,285,017,667	5.00%	0.07%	106,243,107	7,000,000	113,243,107	\$109,213,439	\$3,085,438	(1,900,438)	1,185,000	\$2,844,668	0	62,404,371
2018	167,249,268,550	5.00%	0.07%	111,555,262	7,000,000	118,555,262	\$114,055,214	\$6,930,438	(1,900,438)	5,030,000	\$0	(529,952)	61,874,420
2019	175,611,731,978	5.00%	0.07%	117,133,025	7,000,000	124,133,025	\$115,925,636	\$14,400,438	(1,900,438)	12,500,000	\$0	(4,292,611)	57,581,809
2020	184,392,318,577	5.00%	0.07%	122,989,676	7,000,000	129,989,676	\$118,156,186	\$15,900,238	(1,900,438)	13,999,800	\$0	(2,166,310)	55,415,499
2021	193,611,934,505	5.00%	0.07%	129,139,160	7,000,000	136,139,160	\$120,769,036	\$16,900,238	(1,900,438)	14,999,800	\$370,324	0	55,785,823
2022	203,292,531,231	5.00%	0.07%	135,596,118	7,000,000	142,596,118	\$123,452,561	\$17,900,238	(1,900,438)	15,999,800	\$3,143,757	0	58,929,580
2023	213,457,157,792	5.00%	0.07%	142,375,924	7,000,000	149,375,924	\$126,187,894	\$19,400,238	(1,900,438)	17,499,800	\$5,688,230	0	64,617,811
2024	224,130,015,682	5.00%	0.07%	149,494,720	7,000,000	156,494,720	\$126,353,319	\$26,525,238	(1,900,438)	24,624,800	\$5,516,602	0	70,134,412
2025	235,336,516,466	5.00%	0.07%	156,969,456	7,000,000	163,969,456	\$130,046,194	\$34,850,238	(1,900,438)	32,949,800	\$973,463	0	71,107,875
2026	247,103,342,289	5.00%	0.07%	164,817,929	7,000,000	171,817,929	\$134,447,469	\$35,150,238	(1,900,438)	33,249,800	\$4,120,661	0	75,228,536
2027	259,458,509,404	5.00%	0.07%	173,058,826	7,000,000	180,058,826	\$138,623,981	\$39,030,238	(1,900,438)	37,129,800	\$4,305,045	0	79,533,580
2028	272,431,434,874	5.00%	0.07%	181,711,767	7,000,000	188,711,767	\$142,286,019	\$25,999,800	0	25,999,800	\$20,425,948	0	99,959,528
2029	286,053,006,618	5.00%	0.07%	190,797,355	7,000,000	197,797,355	\$141,041,819	\$29,949,800	0	29,949,800	\$26,805,737	0	126,765,265
2030	300,355,656,948	5.00%	0.06%	180,213,394	7,000,000	187,213,394	\$81,395,000	\$80,429,800	0	80,429,800	\$25,388,594	0	152,153,859
2031	315,373,439,796	5.00%	0.06%	189,224,064	7,000,000	196,224,064	\$61,640,000	\$88,176,038	0	88,176,038	\$46,408,026	0	198,561,886
2032	331,142,111,786	5.00%	0.06%	198,685,267	7,000,000	205,685,267		\$0 \$119,511,138	0	119,511,138	\$86,174,130	0	284,736,015
2033	347,699,217,375	5.00%	0.06%	208,619,530	7,000,000	215,619,530		\$0 \$123,560,225	0	123,560,225	\$92,059,305	0	376,795,321
2034	365,084,178,244	5.00%	0.06%	219,050,507	7,000,000	226,050,507		\$0 \$82,745,225	0	82,745,225	\$143,305,282	0	520,100,603
2035	383,338,387,156	5.00%	0.06%	230,003,032	7,000,000	237,003,032		\$0 \$96,115,225	0	96,115,225	\$140,887,807	0	660,988,410
2036	402,505,306,514	5.00%	0.06%	241,503,184	7,000,000	248,503,184		\$0 \$100,855,225	0	100,855,225	\$147,647,959	0	808,636,369

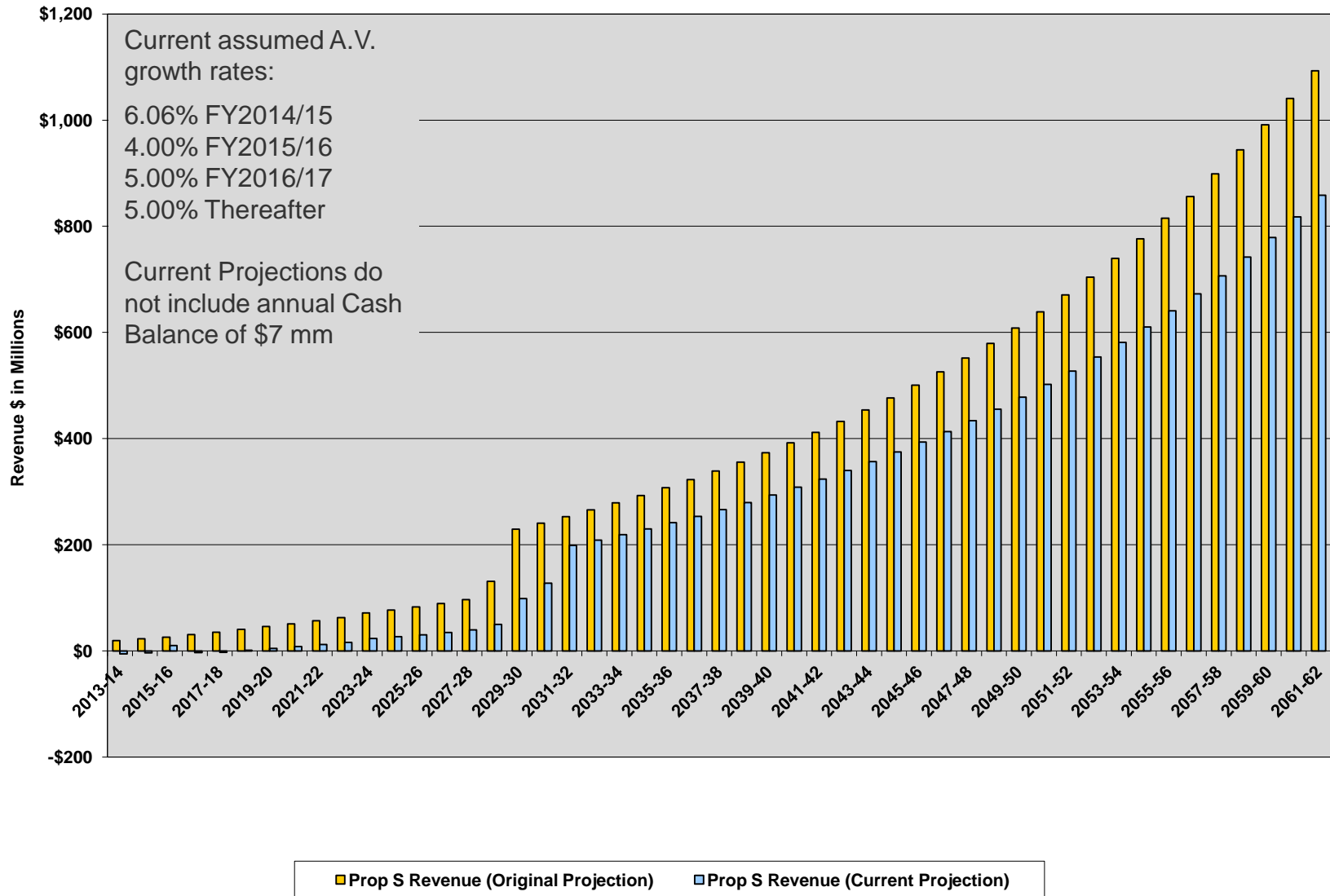
CONTINUED UNTIL FINAL MATURITY



Projected Revenues for Prop. S

Fiscal Year Ending	A.V. for Rate Setting	Projected A.V. Increase From Prior	A.V. Tax Rate	Projected Property Taxes Generated	Cash Balance	Total Funds Available for Debt Service	Existing Prop. MM Debt Service	Existing Prop. S Debt Service	Federal Subsidy Payments	Existing Prop. S Net Debt Service	Excess	AMT Deficient	Cumulative Reserve
2037	422,630,571,839	5.00%	0.06%	253,578,343	7,000,000	260,578,343	0	105,840,225	0	105,840,225	\$154,738,118	0	963,374,487
2038	443,762,100,431	5.00%	0.06%	266,257,260	7,000,000	273,257,260	0	111,066,700	0	111,066,700	\$162,190,560	0	1,125,565,047
2039	465,950,205,453	5.00%	0.06%	279,570,123	7,000,000	286,570,123	0	88,519,525	0	88,519,525	\$198,050,598	0	1,323,615,645
2040	489,247,715,726	5.00%	0.06%	293,548,629	7,000,000	300,548,629	0	170,178,463	0	170,178,463	\$130,370,167	0	1,453,985,812
2041	513,710,101,512	5.00%	0.06%	308,226,061	7,000,000	315,226,061	0	154,035,750	0	154,035,750	\$161,190,311	0	1,615,176,123
2042	539,395,606,587	5.00%	0.06%	323,637,364	7,000,000	330,637,364	0	89,829,538	0	89,829,538	\$240,807,826	0	1,855,983,950
2043	566,365,386,917	5.00%	0.06%	339,819,232	7,000,000	346,819,232	0	94,861,388	0	94,861,388	\$251,957,845	0	2,107,941,794
2044	594,683,656,263	5.00%	0.06%	356,810,194	7,000,000	363,810,194	0	100,161,781	0	100,161,781	\$263,648,412	0	2,371,590,207
2045	624,417,839,076	5.00%	0.06%	374,650,703	7,000,000	381,650,703	0	105,717,169	0	105,717,169	\$275,933,535	0	2,647,523,742
2046	655,638,731,030	5.00%	0.06%	393,383,239	7,000,000	400,383,239	0	111,546,963	0	111,546,963	\$288,836,276	0	2,936,360,018
2047	688,420,667,581	5.00%	0.06%	413,052,401	7,000,000	420,052,401	0	117,664,500	0	117,664,500	\$302,387,901	0	3,238,747,918
2048	722,841,700,960	5.00%	0.06%	433,705,021	7,000,000	440,705,021	0	115,881,031	0	115,881,031	\$324,823,990	0	3,563,571,908
2049	758,983,786,008	5.00%	0.06%	455,390,272	7,000,000	462,390,272	0	65,476,600	0	65,476,600	\$396,913,672	0	3,960,485,579
2050	796,932,975,308	5.00%	0.06%	478,159,785	7,000,000	485,159,785	0	70,483,947	0	70,483,947	\$414,675,839	0	4,375,161,418
2051	836,779,624,074	5.00%	0.06%	502,067,774	7,000,000	509,067,774	0	72,045,000	0	72,045,000	\$437,022,774	0	4,812,184,192
2052	878,618,605,278	5.00%	0.06%	527,171,163	7,000,000	534,171,163	0	0	0	0	\$534,171,163	0	5,346,355,356
2053	922,549,535,541	5.00%	0.06%	553,529,721	7,000,000	560,529,721	0	0	0	0	\$560,529,721	0	5,906,885,077
2054	968,677,012,319	5.00%	0.06%	581,206,207	7,000,000	588,206,207	0	0	0	0	\$588,206,207	0	6,495,091,284
2055	1,017,110,862,934	5.00%	0.06%	610,266,518	7,000,000	617,266,518	0	0	0	0	\$617,266,518	0	7,112,357,802
2056	1,067,966,406,081	5.00%	0.06%	640,779,844	7,000,000	647,779,844	0	0	0	0	\$647,779,844	0	7,760,137,646
2057	1,121,364,726,385	5.00%	0.06%	672,818,836	7,000,000	679,818,836	0	0	0	0	\$679,818,836	0	8,439,956,482
2058	1,177,432,962,704	5.00%	0.06%	706,459,778	7,000,000	713,459,778	0	0	0	0	\$713,459,778	0	9,153,416,259
2059	1,236,304,610,840	5.00%	0.06%	741,782,767	7,000,000	748,782,767	0	0	0	0	\$748,782,767	0	9,902,199,026
2060	1,298,119,841,382	5.00%	0.06%	778,871,905	7,000,000	785,871,905	0	0	0	0	\$785,871,905	0	10,688,070,931
2061	1,363,025,833,451	5.00%	0.06%	817,815,500	7,000,000	824,815,500	0	0	0	0	\$824,815,500	0	11,512,886,431
2062	1,431,177,125,123	5.00%	0.06%	858,706,275	7,000,000	865,706,275	0	0	0	0	\$865,706,275	0	12,378,592,706

Projected Tax Revenue for Prop. S





Projected Revenues for Prop. Z

Fiscal Year Ending	A.V. for Rate Setting	Projected A.V. Increase From Prior	A.V. Tax Rate	Projected Property Taxes Generated	Existing Prop. Z Debt Service	Excess	AMT Deficient	Cumulative Reserve
2014	137,331,426,573	4.15%	0.06%	82,398,856	55,878,079	26,520,777	0	28,939,453
2015	145,865,400,794	6.06%	0.06%	87,519,240	82,354,231	5,165,009	0	34,104,462
2016	151,700,016,826	4.00%	0.06%	91,020,010	17,193,900	73,826,110	0	107,930,573
2017	159,285,017,667	5.00%	0.06%	95,571,011	17,193,900	78,377,111	0	186,307,683
2018	167,249,268,550	5.00%	0.06%	100,349,561	17,193,900	83,155,661	0	269,463,344
2019	175,611,731,978	5.00%	0.06%	105,367,039	18,098,900	87,268,139	0	356,731,483
2020	184,392,318,577	5.00%	0.06%	110,635,391	18,590,800	92,044,591	0	448,776,075
2021	193,611,934,505	5.00%	0.06%	116,167,161	19,092,500	97,074,661	0	545,850,735
2022	203,292,531,231	5.00%	0.06%	121,975,519	19,608,600	102,366,919	0	648,217,654
2023	213,457,157,792	5.00%	0.06%	128,074,295	20,143,600	107,930,695	0	756,148,349
2024	224,130,015,682	5.00%	0.06%	134,478,009	20,684,550	113,793,459	0	869,941,808
2025	235,336,516,466	5.00%	0.06%	141,201,910	21,246,050	119,955,860	0	989,897,668
2026	247,103,342,289	5.00%	0.06%	148,262,005	21,820,050	126,441,955	0	1,116,339,623
2027	259,458,509,404	5.00%	0.06%	155,675,106	22,404,050	133,271,056	0	1,249,610,679
2028	272,431,434,874	5.00%	0.06%	163,458,861	23,028,050	140,430,811	0	1,390,041,490
2029	286,053,006,618	5.00%	0.06%	171,631,804	23,689,500	147,942,304	0	1,537,983,794
2030	300,355,656,948	5.00%	0.06%	180,213,394	23,326,750	156,886,644	0	1,694,870,438
2031	315,373,439,796	5.00%	0.06%	189,224,064	25,027,000	164,197,064	0	1,859,067,502
2032	331,142,111,786	5.00%	0.06%	198,685,267	28,162,000	170,523,267	0	2,029,590,769
2033	347,699,217,375	5.00%	0.06%	208,619,530	27,119,750	181,499,780	0	2,211,090,549
2034	365,084,178,244	5.00%	0.06%	219,050,507	26,745,000	192,305,507	0	2,403,396,056
2035	383,338,387,156	5.00%	0.06%	230,003,032	27,285,250	202,717,782	0	2,606,113,839
2036	402,505,306,514	5.00%	0.06%	241,503,184	35,139,000	206,364,184	0	2,812,478,023

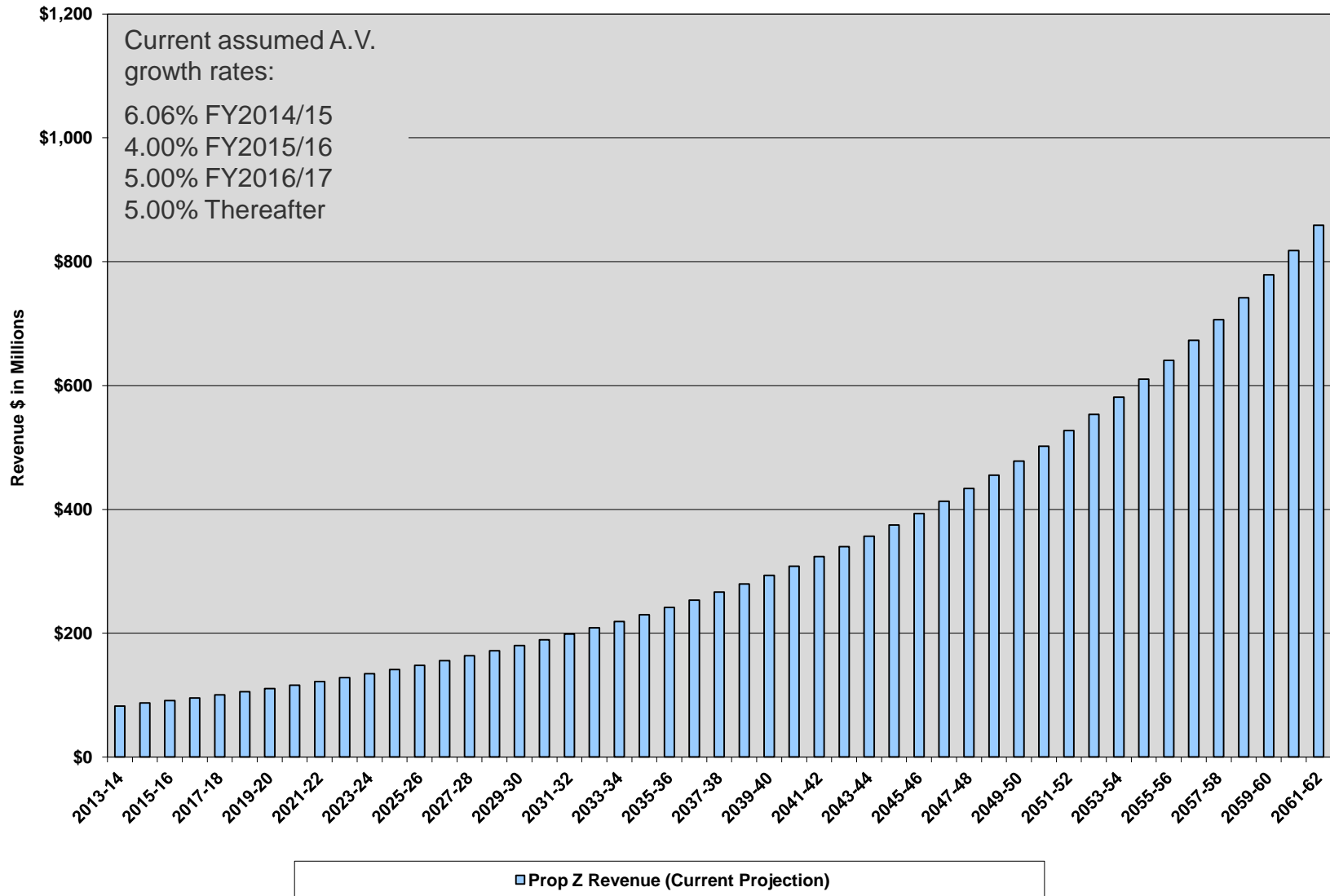
CONTINUED UNTIL FINAL MATURITY



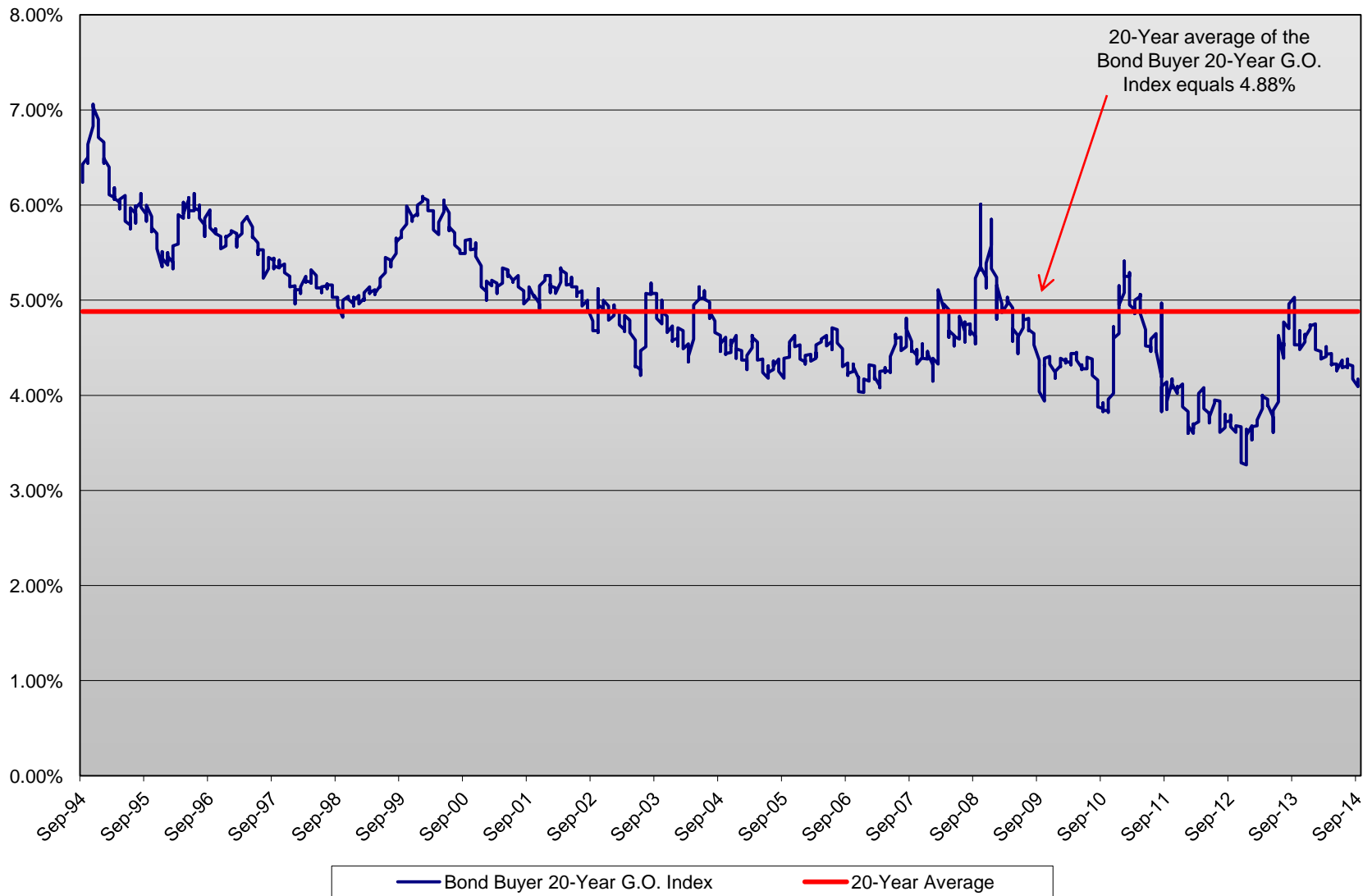
Projected Revenues for Prop. Z

Fiscal Year Ending	A.V. for Rate Setting	Projected A.V. Increase From Prior	A.V. Tax Rate	Projected Property Taxes Generated	Existing Prop. Z Debt Service	Excess	AMT Deficient	Cumulative Reserve
2037	422,630,571,839	5.00%	0.06%	253,578,343	38,313,800	215,264,543	0	3,027,742,566
2038	443,762,100,431	5.00%	0.06%	266,257,260	41,493,800	224,763,460	0	3,252,506,026
2039	465,950,205,453	5.00%	0.06%	279,570,123	44,937,200	234,632,923	0	3,487,138,949
2040	489,247,715,726	5.00%	0.06%	293,548,629	53,996,600	239,552,029	0	3,726,690,979
2041	513,710,101,512	5.00%	0.06%	308,226,061	60,999,800	247,226,261	0	3,973,917,240
2042	539,395,606,587	5.00%	0.06%	323,637,364	66,617,200	257,020,164	0	4,230,937,404
2043	566,365,386,917	5.00%	0.06%	339,819,232	0	339,819,232	0	4,570,756,636
2044	594,683,656,263	5.00%	0.06%	356,810,194	0	356,810,194	0	4,927,566,829
2045	624,417,839,076	5.00%	0.06%	374,650,703	0	374,650,703	0	5,302,217,533
2046	655,638,731,030	5.00%	0.06%	393,383,239	0	393,383,239	0	5,695,600,771
2047	688,420,667,581	5.00%	0.06%	413,052,401	0	413,052,401	0	6,108,653,172
2048	722,841,700,960	5.00%	0.06%	433,705,021	0	433,705,021	0	6,542,358,193
2049	758,983,786,008	5.00%	0.06%	455,390,272	0	455,390,272	0	6,997,748,464
2050	796,932,975,308	5.00%	0.06%	478,159,785	0	478,159,785	0	7,475,908,249
2051	836,779,624,074	5.00%	0.06%	502,067,774	0	502,067,774	0	7,977,976,024
2052	878,618,605,278	5.00%	0.06%	527,171,163	0	527,171,163	0	8,505,147,187
2053	922,549,535,541	5.00%	0.06%	553,529,721	0	553,529,721	0	9,058,676,908
2054	968,677,012,319	5.00%	0.06%	581,206,207	0	581,206,207	0	9,639,883,116
2055	1,017,110,862,934	5.00%	0.06%	610,266,518	0	610,266,518	0	10,250,149,633
2056	1,067,966,406,081	5.00%	0.06%	640,779,844	0	640,779,844	0	10,890,929,477
2057	1,121,364,726,385	5.00%	0.06%	672,818,836	0	672,818,836	0	11,563,748,313
2058	1,177,432,962,704	5.00%	0.06%	706,459,778	0	706,459,778	0	12,270,208,091
2059	1,236,304,610,840	5.00%	0.06%	741,782,767	0	741,782,767	0	13,011,990,857
2060	1,298,119,841,382	5.00%	0.06%	778,871,905	0	778,871,905	0	13,790,862,762
2061	1,363,025,833,451	5.00%	0.06%	817,815,500	0	817,815,500	0	14,608,678,262
2062	1,431,177,125,123	5.00%	0.06%	858,706,275	0	858,706,275	0	15,467,384,537

Projected Tax Revenue for Prop. Z



Historic Borrowing Rates



Prop. S Schedule



Issuance Year	Est. Amount
2015	\$50 mm
2017	\$100 mm
2019	\$100 mm
2021	\$100 mm
2023	\$110 mm
2025	\$135 mm
2027	\$150 mm
2029	\$155 mm
2031	\$200 mm
2033	\$200 mm
2035	\$215 mm
Total	\$1,515 mm

Prop. Z Schedule



Issuance Year	Est. Amount
2015	\$450 mm
2017	\$450 mm
2019	\$450 mm
2021	\$450 mm
2023	\$170 mm
2025	\$100 mm
2027	\$100 mm
2029	\$100 mm
Total	\$2,270 mm



AB 182 (2013)

- AB 182 was approved by the Governor and State Legislature in 2013, and went into effect on January 1, 2014
- No school bond series can exceed a 4:1 debt service to principal ratio
- Current Interest Bonds – Bonds that pay interest semiannually
 - Can be issued under the education or government code. Education code allows a maximum maturity of 25 years, government code allows up to 40 years.
 - For current interest bonds between 30 and 40 years, two consecutive board meetings are required for approval, and the board must find that the assets financed have an expected useful life at least as long as the term of the bonds
- Capital Appreciation Bonds (CABs) – Deep discount bonds that defer “interest” payment until maturity, in the form of an increased bond value paid at maturity
 - Required to be issued under the education code (25 year maximum maturity)
 - Required to have a 10-year or earlier optional call
 - Board needs two consecutive meetings to approve the issuance of CABs
 - Generally have a higher interest expense relative to current interest bonds