

# Mt. San Antonio Community College District

## 2017 Bond Anticipation Note and Tax Rate Projections

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# Mt. San Antonio CCD – Assessed Valuation Analysis

## Recommended AV Growth Rate Interval Based on Real US GDP Growth and Historical Metrics

- Recommended AV Growth Interval = 3.50% (most conservative) to 5.00% (least conservative)

### Mt. SAC Historical AV


Year	Total AV	Annual Change
2006-2007	60,559,372,289	9.89%
2007-2008	65,043,025,940	7.40%
2008-2009	68,671,008,555	5.58%
2009-2010	67,191,016,758	-2.16%
2010-2011	66,561,654,313	-0.94%
2011-2012	67,610,157,570	1.58%
2012-2013	68,561,186,933	1.41%
2013-2014	71,460,285,835	4.23%
2014-2015	75,358,151,176	5.45%
2015-2016	79,177,416,549	5.07%
2016-2017	83,145,810,188	5.01%

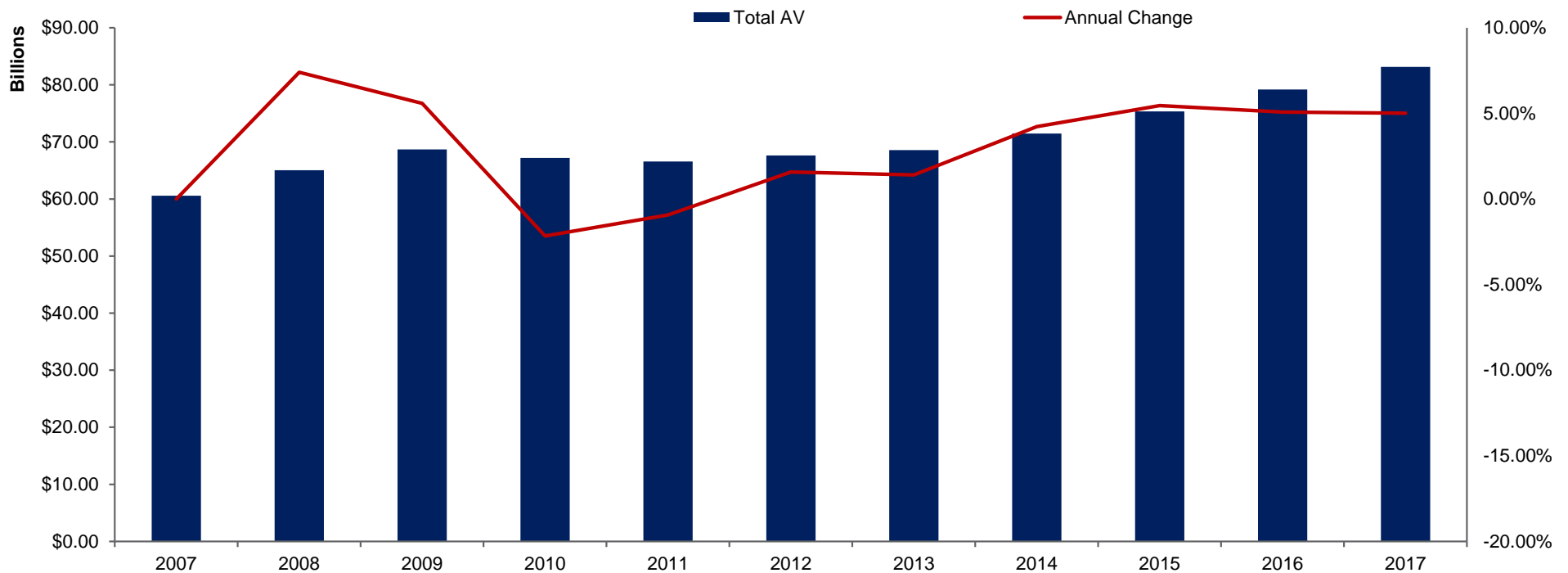
### Important Statistics

10 Year CAGR:	2.49%
5 Year Average:	4.23%
10 Year Average:	3.26%

- CAGR = Compound Annual Growth Rate
- Real GDP = macroeconomic measure of the value of economic output adjusted for price changes (currently at 2.5% growth in the US)

### AV Growth Projections & Actuals Rates

		
Year	2013 AV Growth Rates & Projections	Actual AV Growth Rates
2013-2014	2.00%	4.23%
2014-2015	3.00%	5.45%
2015-2016	3.50%	5.07%
2016-2017	4.00%	5.01%
Thereafter	4.50%	



## Mt. San Antonio CCD – 2017 Bond Anticipation Notes

- The District has **\$115,698,308.55** unissued bond authorization under Measure RR
- BAN Scenario 1: A 2017 BAN of **\$115 million** (Full Authorization)
  - A 2022 General Obligation Bond takeout of a full authorization 2017 BAN
- BAN Scenario 2: A 2017 & 2018 BAN of **\$90 million and \$25 million** (Full Authorization)
  - A 2022 & 2023 General Obligation Bond takeout of 2017 & 2018 BAN, full authorization



### Mt. San Antonio Community College District Bond Anticipation Notes

*Potential BAN Issuance Amounts*

	BAN Scenario 1	BAN Scenario 2	
<b>BAN Issuance Date:</b>	04/06/2017	04/06/2017	08/01/2018
<b>BAN Issuance Amount:</b>	\$115,694,430	\$89,995,902	\$25,700,506
<b>BAN Accreted Interest:</b>	\$14,615,570	\$11,369,098	\$3,979,494
<b>Total Debt Service:</b>	\$130,310,000	\$101,365,000	\$29,680,000
<b>Total Payback Ratio:</b>	<b>1.13 to 1</b>	<b>1.13 to 1</b>	<b>1.15 to 1</b>
<b>True Interest Cost (TIC):</b>	2.48%	2.48%	2.98%
<b>Percentage of CABs:</b>	100.00%	100.00%	100.00%
<b>Assumed Interest Rate:</b>	Market Rates: 2/23/17	Market Rates: 2/23/17	Market Rates: 2/23/17 + .50%
<b>Final Maturity:</b>	04/01/2022	04/01/2022	08/01/2023

- Accreted interest in the approximate amount of \$14.6 million (Scenario 1) and \$15.3 million (Scenario 2) is due at maturity
  - May be paid from premium generated from the G.O. bond issue, G.O. bond proceeds or District cash
- The County will not levy property taxes to pay interest on Bond Anticipation Notes, a CAB BAN allows interest to be paid through the G.O. bond takeout
  - New Regulations on CABs: Assembly Bill 182 limits the use of CABs by requiring (1) 25 year maximum final maturity, (2) a repayment ratio not exceeding 4 to 1, (3) 8% maximum interest rate, and (4) a 10 year optional redemption
- The District has a history of issuing Bond Anticipation Notes
  - In 2010, the District issued a \$65 million BAN and refinanced it with Measure RR long-term G.O. bonds in 2013

## **Long-term General Obligation Bonds**

BAN Takeout Scenarios



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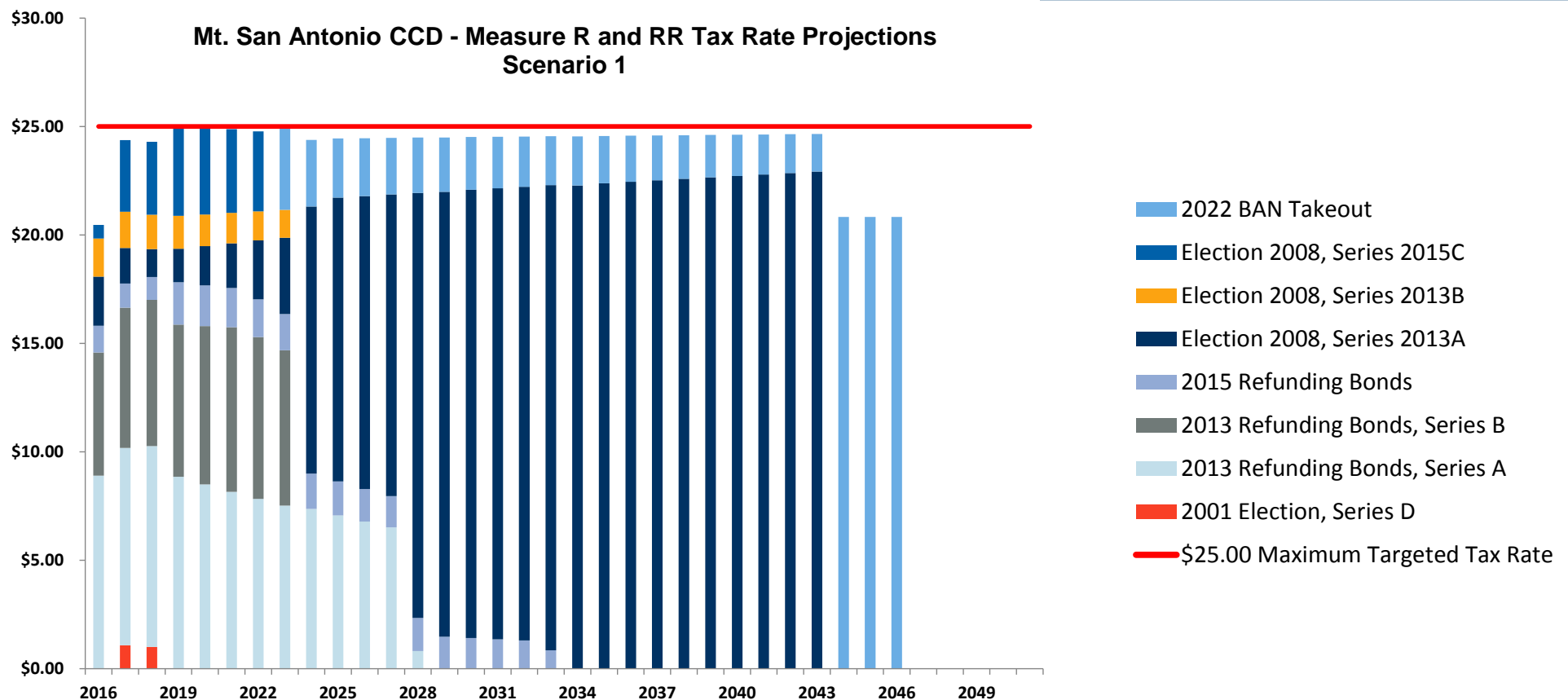
## Mt. San Antonio CCD – Potential BAN Takeout Options (Scenario 1)

Projection includes:

- A 2022 General Obligation Bond Takeout of a **2017 BAN (\$115.6 MM)**
- \$25 maximum tax rate (per \$100,000 AV)
- 25 year, AB-182 compliant capital appreciation bonds
- Premium CAB and current interest bond structure
- **AV Projections of 5% for FY 2017-18, 4.9% for FY 2018-19, 4.75% for FY 2019-20 and 4.25% thereafter**
- Complete use of authorization
- Requires premium generation of \$14.6 million at time of issuance to pay BAN accreted interest

### Scenario 1 2022 BAN Takeout

Bond Issuance Amount:	\$115,693,294
Bond Issuance Date:	04/01/2022
Total Bond Debt Service:	\$255,313,533
Total Bond Payback Ratio:	<b>2.21 to 1</b>
Bond True Interest Cost (TIC):	4.08%
Percentage of CABs:	36.03%
CAB Payback Ratio:	<b>2.52 to 1</b>
Assumed Bond Interest Rate:	Market Rates
Final Maturity:	08/01/2047
Assessed Value Growth Assumptions:	Blended
Maximum Tax Rate:	\$25.00

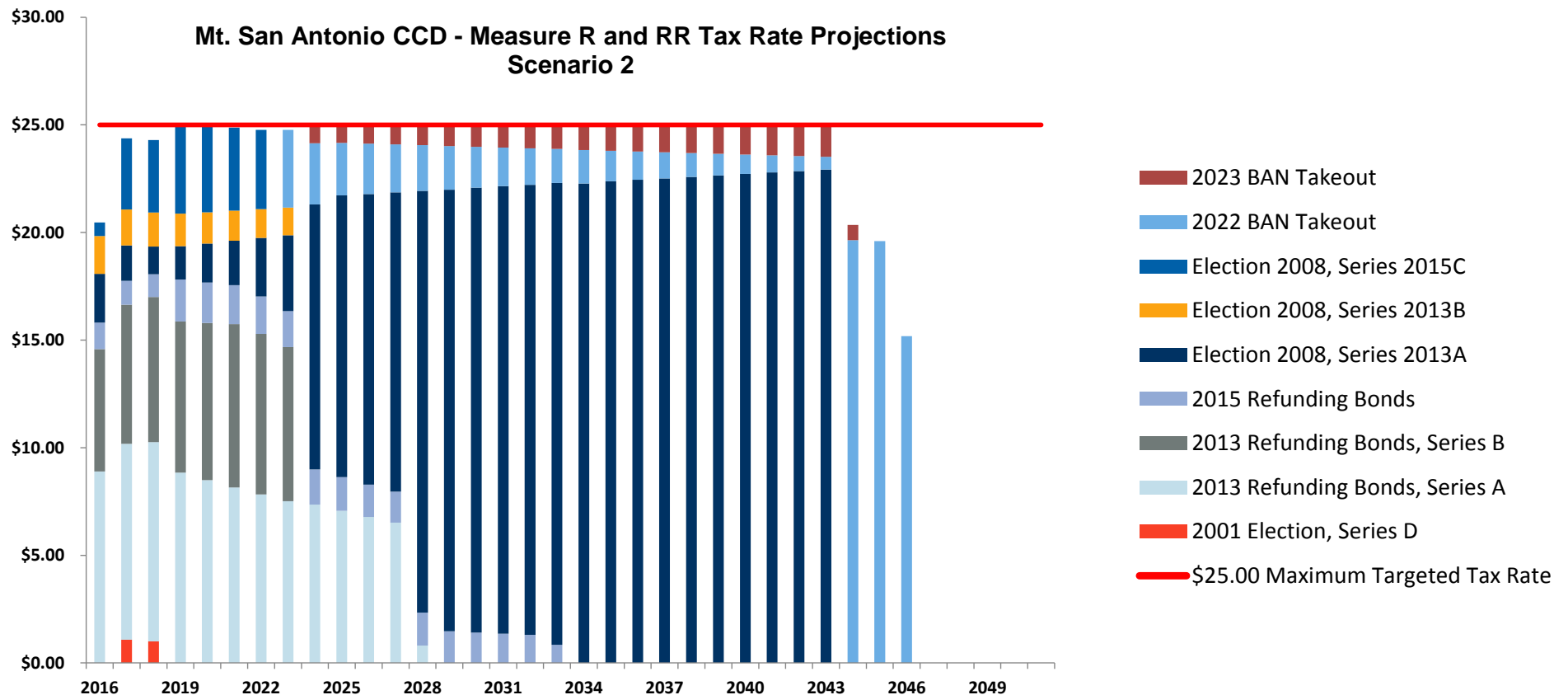


## Mt. San Antonio CCD – Potential BAN Takeout Options (Scenario 2)

Projection includes:

- A 2022 & 2023 General Obligation Bond Takeout of a **2017 & 2018 BANs (\$115.6MM)**
- \$25 max tax rate ceiling (per \$100,000 AV)
- 25 year, AB-182 compliant capital appreciation bonds
- Premium CAB and current interest bond structure
- **AV Projections of 5% for FY 2017-18, 4.9% for FY 2018-19, 4.75% for FY 2019-20 and 4.25% thereafter**
- Requires premium generation of \$11.6 million and \$4 million at time of issuance, 2022 and 2023 respectively, to pay BAN accreted interest

	Scenario 2	
	2022 BAN Takeout	2023 BAN Takeout
Bond Issuance Amount:	\$89,991,338	\$25,697,056
Bond Issuance Date:	04/01/2022	08/01/2023
Total Bond Debt Service:	\$175,811,267	\$41,604,400
Total Bond Payback Ratio:	<b>1.95 to 1</b>	<b>1.62 to 1</b>
Bond True Interest Cost (TIC):	3.91%	3.78%
Percentage of CABs:	13.72%	33.32%
CAB Payback Ratio:	<b>2.19 to 1</b>	<b>1.41 to 1</b>
Assumed Bond Interest Rate:	Market Rates	Market Rates
Final Maturity:	08/01/2045	08/01/2044
Assessed Value Growth Assumptions:	Blended	Blended
Maximum Tax Rate:	\$25.00	\$25.00



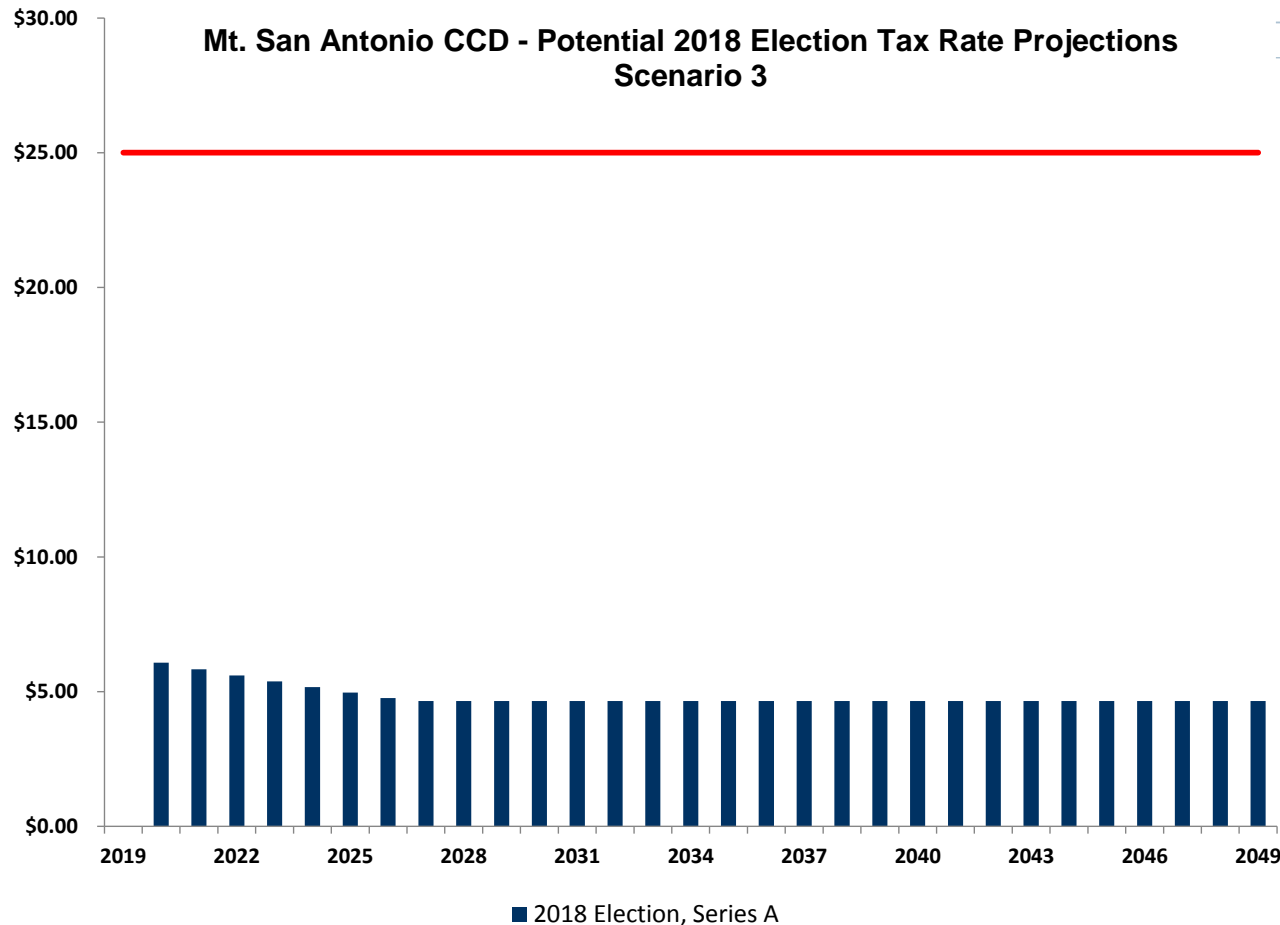
# Mt. San Antonio CCD – Potential New Bond Election Payoff

Projection includes:

- Assumes a Successful New Bond Election in 2018
- Takeout of **all BANs totaling (\$115.6 MM)**
- New \$25 maximum tax rate (per \$100,000 AV)
- No Capital Appreciation Bonds**
- Assumes long-term Assessed Value growth projection of 4.25%**
- Requires premium generation of \$15 million at time of issuance to pay BAN accreted interest

## New Election 2019 BAN Takeout

Bond Issuance Amount:	\$115,690,000
Bond Issuance Date:	08/01/2019
Total Bond Debt Service:	\$251,130,800
Total Bond Payback Ratio:	<b>2.17 to 1</b>
Bond True Interest Cost (TIC):	4.01%
Percentage of CABs:	0.00%
CAB Payback Ratio:	-
Assumed Bond Interest Rate:	Market Rates
Final Maturity:	08/01/2049
Assessed Value Growth Assumptions:	Blended
Maximum Tax Rate:	\$25.00



## BENEFITS

- Allows the District to pay-off BAN earlier mitigating future interest rate risk
- Current Interest Bonds only
- A 30 year bond issue is shown to the right, but District could shorten final term
- Provides more time for AV to grow and tax rate capacity to increase to issue the remaining \$115 million under Measure RR



# Bond Anticipation Notes – Benefits and Considerations

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## Summary of Bond Anticipation Notes (BANs)

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### BAN Overview

- Short-term, promissory note typically used as an interim funding source in anticipation of future General Obligation bond issuance
- Issued Fixed Rate
- Maturity range: Maximum of 5 years, the law does not permit the maturity to exceed 5 years
- Can be issued as a Capital Appreciation or Current Interest BAN



### Primary Benefits

- Source of interim financing for District capital projects prior to a long-term General Obligation Bond issuance
- Alternative financing to allow District to manage tax rate constraints
- Ability to vary outstanding amount and term to match bond program needs and tax rate requirements



### Risk / Considerations

- Future General Obligation bond or Certificate of Participation issuance is necessary to repay the BANs at maturity
- Assessed Value growth rate expectations may not be met limiting District's ability to issue long-term G.O. Bonds
- Interest rate risk on long-term General Obligation bond issuance
- Ability to access the market at maturity of the BAN
- Ability to generate premium to pay BAN accreted interest

# Tax Rate and Bond Sizing Considerations

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Capacity can be increased or decreased based on the following assumptions:

## 1. Authorization Amount

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- Districts can authorize an amount that exceeds their current capital plans but certain requirements must be met before bonds can be issued

## 2. Tax Rate per \$100,000 of AV

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- A Proposition 46 election does not have a statutory limit on tax rates but requires a 2/3 vote to pass
- A Proposition 39 election for a community college district has a statutory limit of \$25 per \$100,000 of Assessed Value (AV) but only requires a 55% vote to pass
- Some districts choose a rate lower than the statutory limit for political reasons or wrap the new tax rates around existing debt in order to moderate the impact of the new taxes

## 3. Timing of Issuances

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- The District can issue in one series or in multiple series

## 4. Assessed Valuation Growth Assumptions

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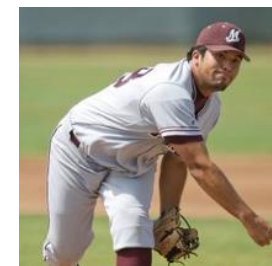
- Historical trends in assessed valuation growth
- Anticipated future growth of the area

## 5. Interest Rates

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- Structure of bonds (i.e. options presented in this book utilize only current interest bonds as opposed to more expensive capital appreciation bonds)
- Ratings on the bonds and/or insurance

# Mt. San Antonio CCD – Outstanding Debt and Historical Issuance



## Current Debt Outstanding

Mt. San Antonio (Mt. SAC)	
Bonding Capacity Analysis	
Fiscal Year Ending	06/30/2017
District Assessed Valuation	\$83,145,810,188
Maximum Legal Bonding Capacity (as % of Assessed Valuation)	2.50%
<b>Gross Bonding Capacity</b>	<b>\$2,078,645,255</b>
Outstanding Bonds <sup>(1)</sup>	2016-17
Election of 2001, Series D (2008)	\$1,000,924
Election of 2008, Series A (2013) (TE)	\$200,561,691
Election of 2008, Series B (2013) (TX)	\$8,460,000
2013 GO Refunding Bonds, Series A (TE)	\$67,410,000
2013 GO Refunding Bonds, Series B (TX)	\$40,990,000
Election of 2008, Series C (2015)	\$19,500,000
2015 GO Refunding Bonds	\$19,130,000
<b>Total Bonds Outstanding</b>	<b>\$357,052,615</b>
<b>Total Net Bonding Capacity</b>	<b>\$1,721,592,639</b>
<i>(Gross Bonding Capacity Less Bonds Outstanding)</i>	

(1) Bonds Outstanding as of 02/27/2017

## Breakdown of Issuance History

Election	Series	Par Amt	CABs	Ratio
2001	2002A	40,000,000.00	-	-
2001	2004B	75,000,000.00	-	-
-	2005R	75,745,842.80	11,800,842.80	15.58%
2001	2006C	79,996,202.75	1,241,202.75	1.55%
2001	2008D	26,003,609.15	5,938,609.15	22.84%
-	2012R	29,850,000.00	-	-
2008	2013A	205,586,691.45	177,786,691.50	86.48%
2008	2013B	11,715,000.00	-	-
-	2013RA	74,910,000.00	-	-
-	2013RB	48,190,000.00	-	-
2008	2015C	20,000,000.00	-	-
-	2015R	19,440,000.00	-	-
<b>Totals:</b>		<b>706,437,346.15</b>	<b>196,767,346.20</b>	<b>27.85%</b>

\*a "R" in the series name denotes a refunding



- The District has issued a total of twelve(12) bond series over the years, four (4) of which contained CABs
- The District has issued only one (1) other BAN historically, a \$64,999,814.60 deal in 2010

## Market Update

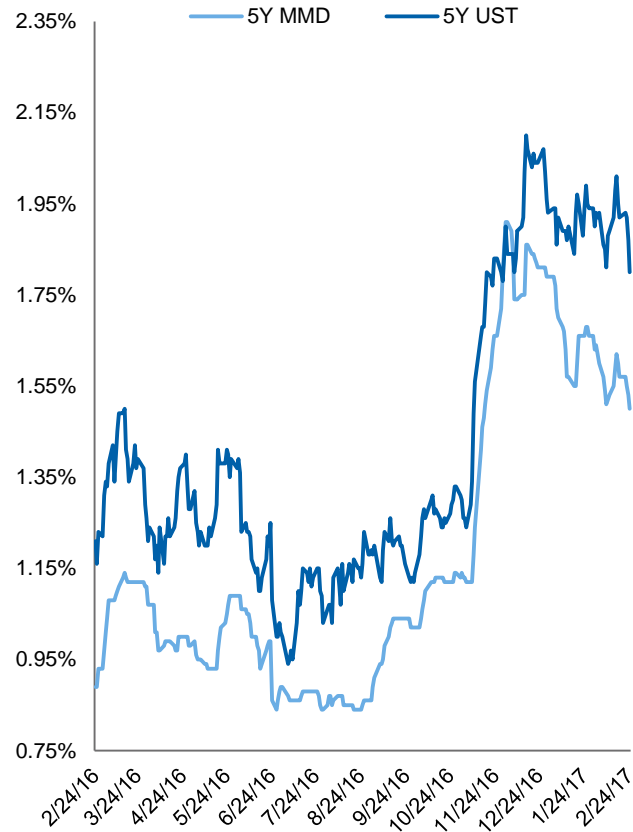


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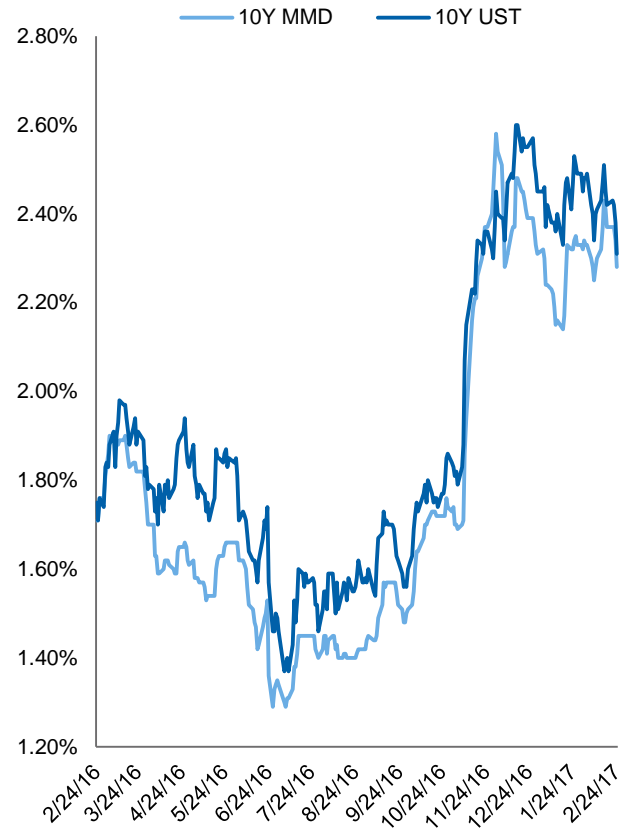
# Recent Interest Rate Movements

## Relative Performance of Municipal Yields Versus Treasuries

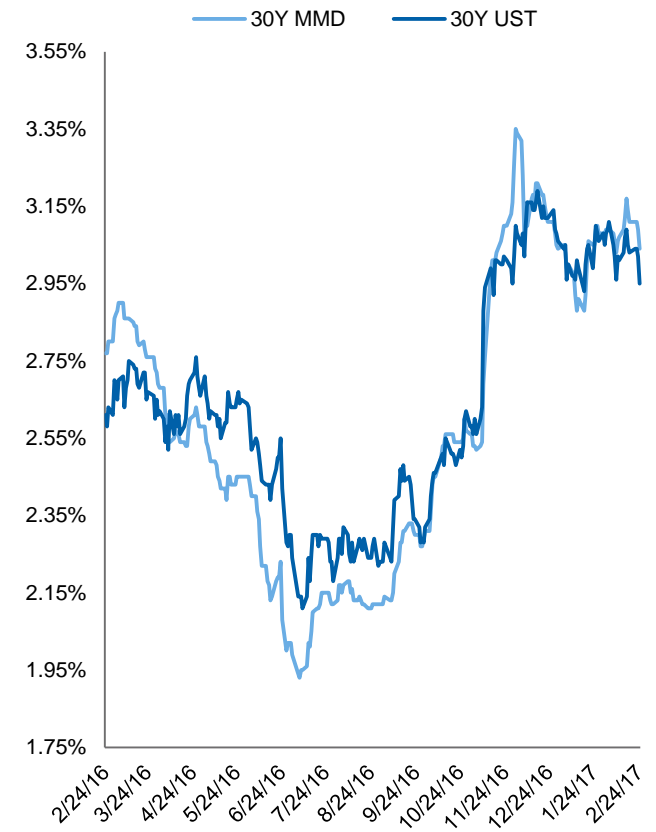
### 5 Year MMD<sup>(2)</sup> and 5 Year UST



### 10 Year MMD and 10 Year UST



### 30 Year MMD and 30 Year UST



#### Change in MMD

	02/24/2016	02/24/2017	Change (bp)
3yr MMD	0.660	1.120	46
5yr MMD	0.890	1.500	61
7yr MMD	1.260	1.900	64
10yr MMD	1.710	2.280	57
30yr MMD	2.770	3.040	27

#### Change in Treasuries

	02/24/2016	02/24/2017	Change (bp)
3yr UST	0.900	1.380	48
5yr UST	1.210	1.800	59
7yr UST	1.520	2.120	60
10yr UST	1.750	2.310	56
30yr UST	2.610	2.950	34

#### Change in MMD/UST Ratio

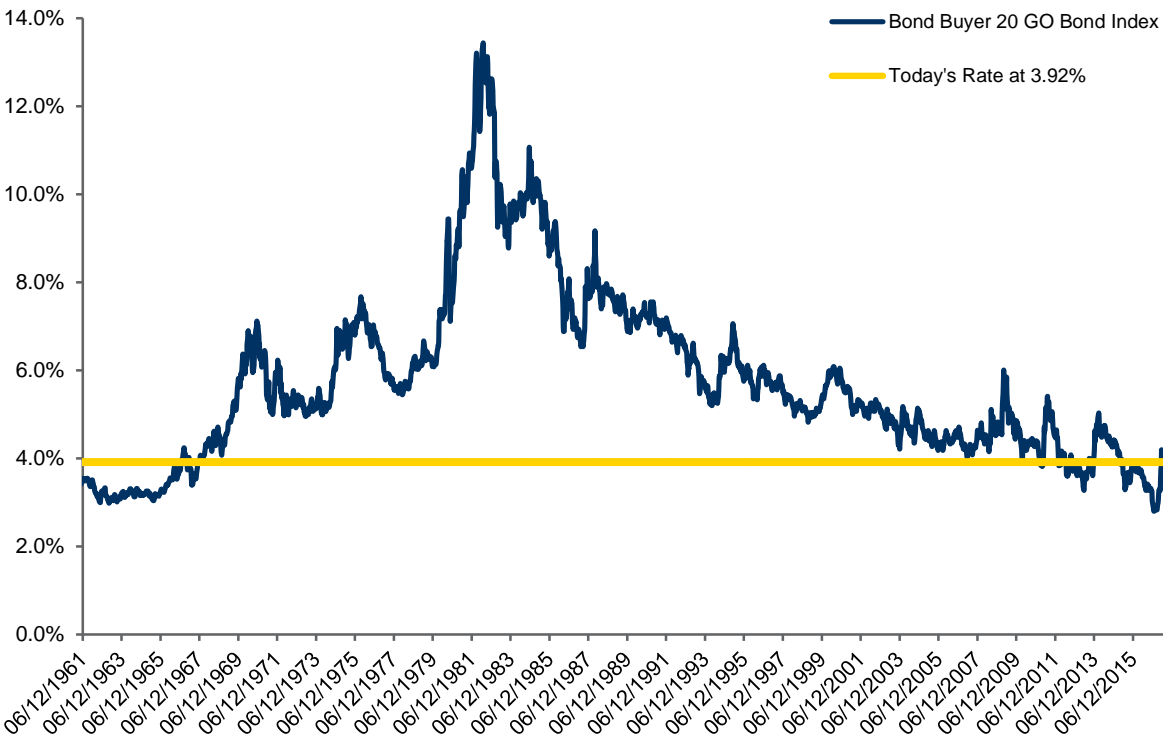
	02/24/2016	02/24/2017	Change
3yr Ratio	73%	81%	8%
5yr Ratio	74%	83%	10%
7yr Ratio	83%	90%	7%
10yr Ratio	98%	99%	1%
30yr Ratio	106%	103%	-3%

(2) MMD stands for Municipal Market Data; a daily index all municipal bond priceings are based off of  
Source: Bloomberg

# Bond Buyer 20 General Obligation Bond Index

## 55 Year Historical Perspective

Bond Buyer 20 GO Index since January 1961



% of Time in Each Range Since 1961

Yield Range		
Less than 3.50%	10.14%	
3.50% - 4.00%	8.57%	
4.01% - 4.50%	10.99%	
4.51% - 5.00%	10.31%	
5.01% - 5.50%	14.37%	
5.51% - 6.00%	10.00%	
6.01% - 6.50%	7.75%	
6.51% - 7.00%	7.06%	
7.01% - 7.50%	6.38%	
7.51% - 8.00%	3.75%	
Greater than 8.00%	10.68%	
Total	100.00%	

Source: Bloomberg as of February 23, 2017  
Weekly yields and indexes released by the Bond Buyer. Updated every Thursday at approximately 6:00pm EST. 20 Bond General Obligation Yield with 20 year maturity, rated AA2 by Moody's Arithmetic Average of 20 bonds' yield to maturity.

Today's 3.92% level is lower than 82.90% of historical rates since January 1961