

Mt. San Antonio Community College District

General Obligation Bonds

Assessed Value and Tax Rate
Update

February 7, 2015



RBC Capital Markets

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District Bond Overview

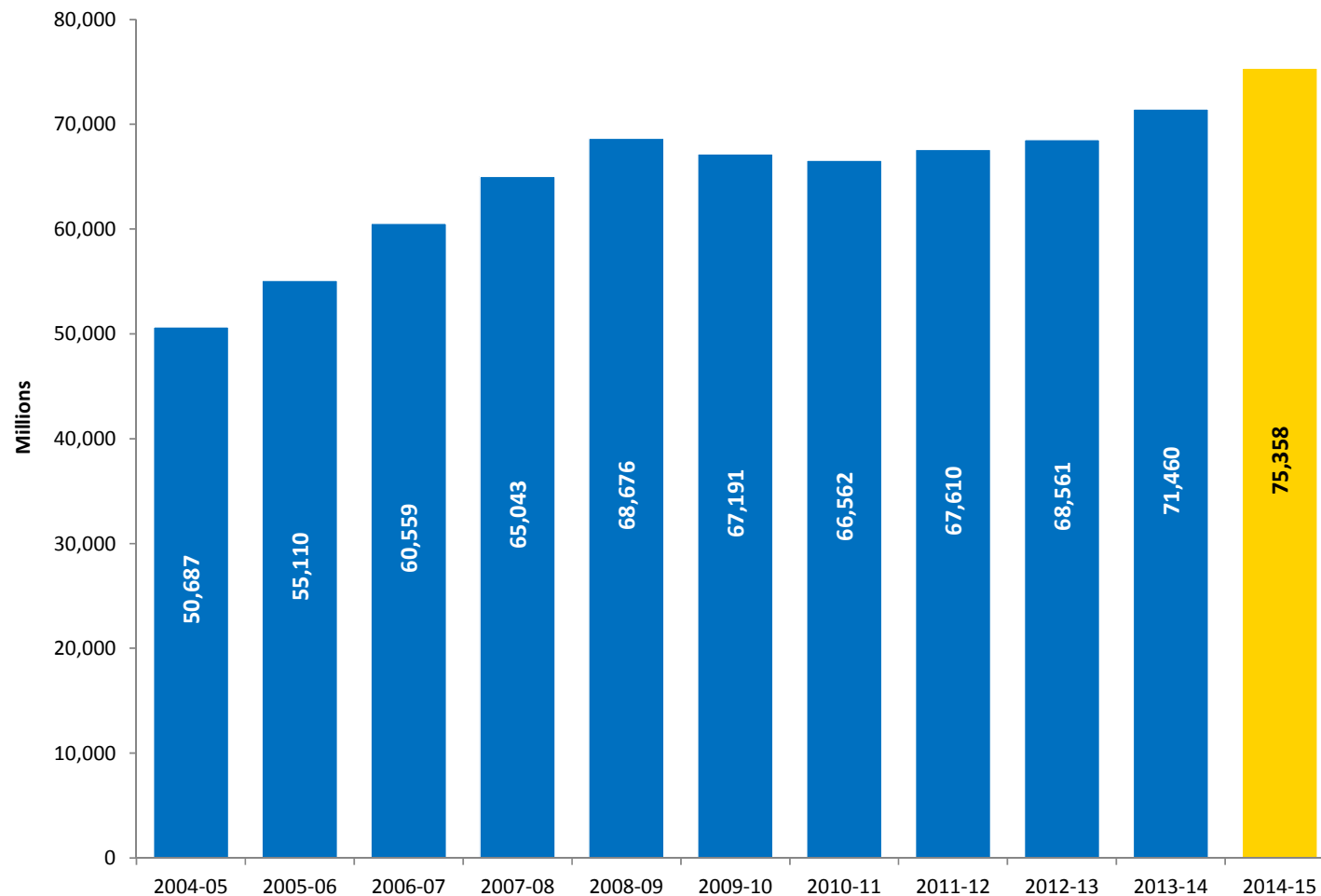


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Mt. SAC CCD Assessed Valuation Update

- The District's total 2014-15 Assessed Valuation ("AV") is \$75.36 billion
- Compared to the prior fiscal year, District AV has increased by 5.45%
- In 2013-14, the District's AV increased by 4.23% (compared to 2012-13 AV)
- County-wide, assessed valuations in 2014-15 increased by approximately 5.46%

AV Growth Statistics	
Compounded 20 Yr Annual Growth:	4.055%
20-Year Average	4.104%
15-Year Average	4.805%
10-Year Average	4.117%
5-Year Average	2.346%



AV Growth Projections - District Home Sale Prices

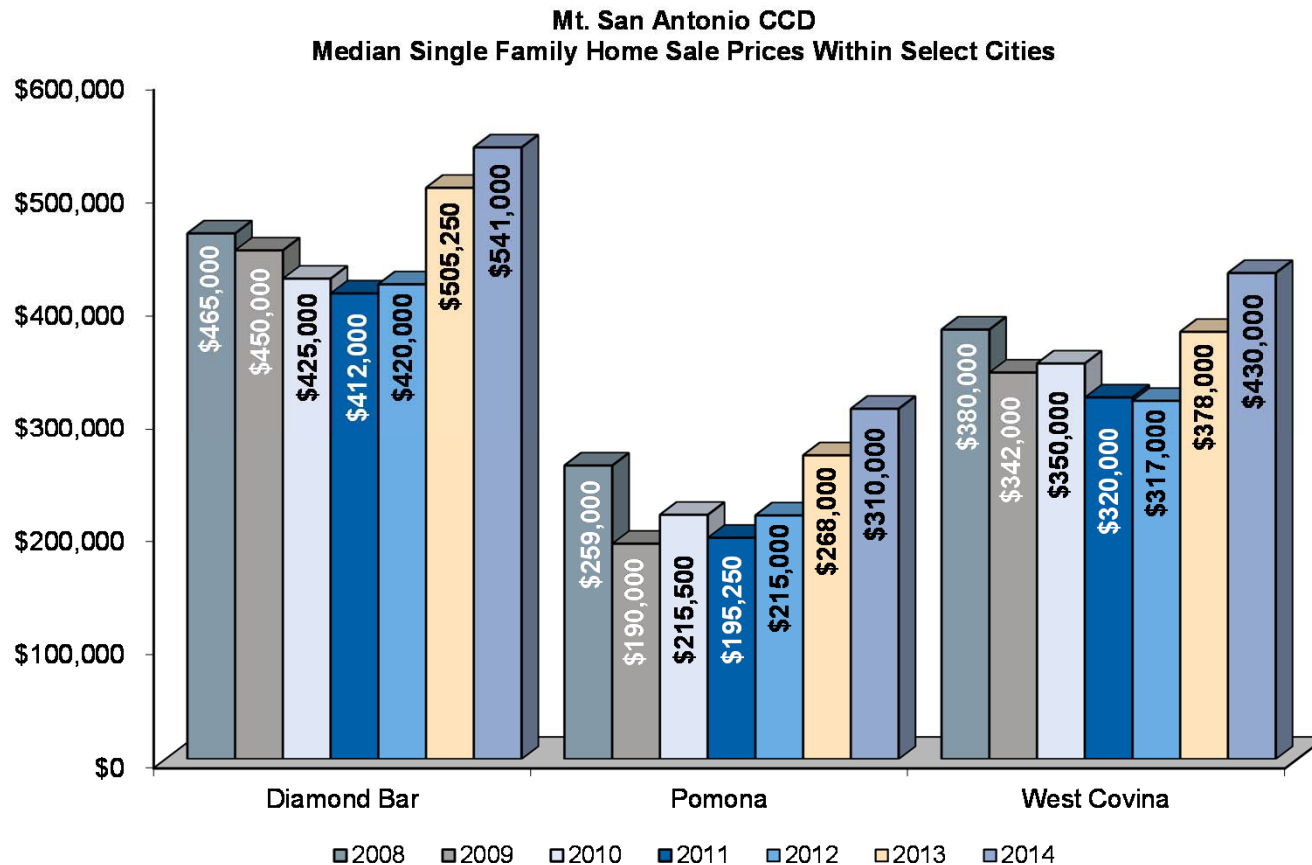
AV growth is significantly impacted by the resale price of homes within the district

Sales data from 2014 show that resale values have exceeded 2008 levels in the 3 largest cities that make up the District AV

Another indicative data point for AV growth is the relationship between resale values and taxable values

The District's median taxable value of single family homes is approximately \$226,595

The difference between resale values and taxable values shows significant AV growth potential in the District's housing stock as home are sold



Source: DQ News

Measure R and Measure RR Tax Rate Analysis

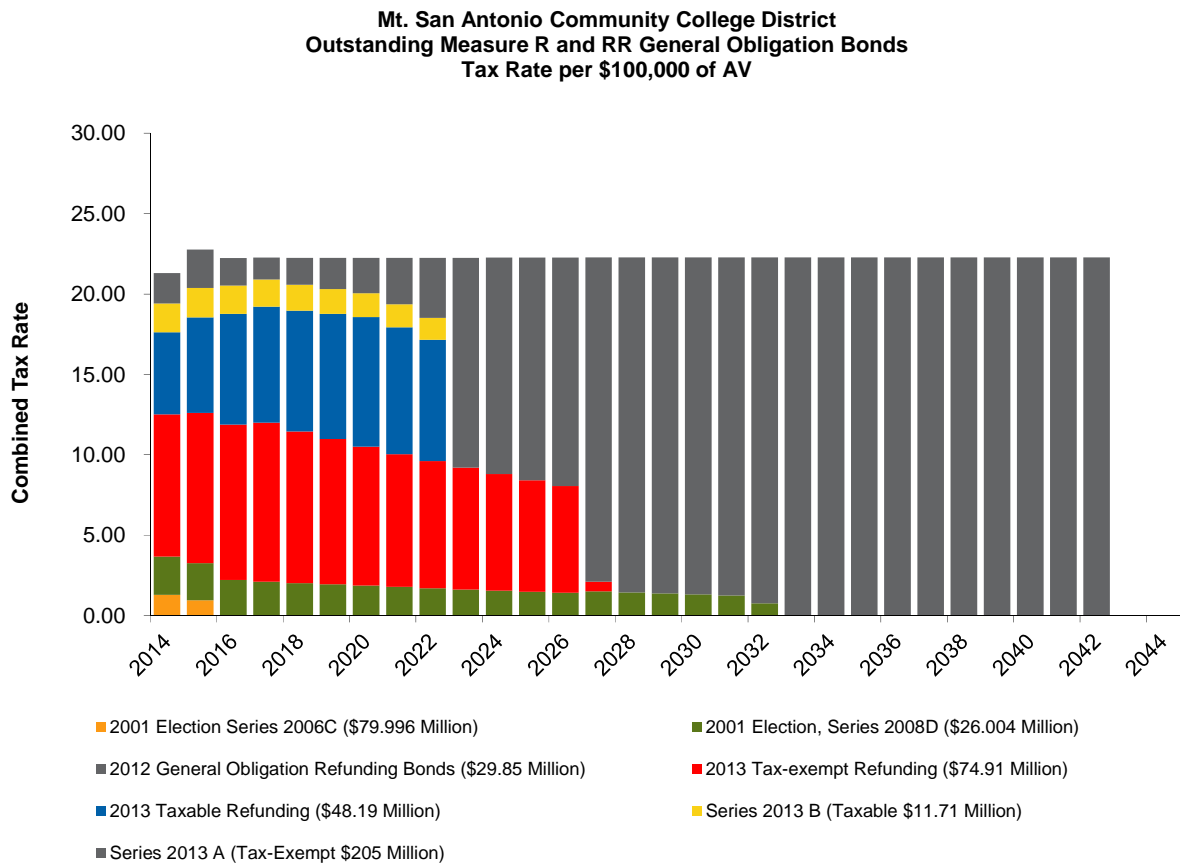
The District’s net bonding capacity as of 2/1/15 was \$1.53 billion with \$353.8 million in outstanding par

Under Prop 39, Community College Districts are limited to a maximum legal tax rate of \$25.00 per \$100,000 of assessed value (AV) for each election. However, due to the way the ballot language was written in 2008, Mt. San Antonio Community College District’s combined tax rate limit for both the 2001 Election (Measure R) and 2008 Election (Measure RR) elections was \$25.00

The District restructured the existing bonds in 2013 to level out the tax rate and keep it under 25.00 per \$100,000 AV

The District’s combined tax rate for fiscal year 2014-15 is \$21.29 versus \$20.96 in 2013-14

The table below shows the District’s projected tax rates for the outstanding bonds



Projected AV Growth Rates	
Year	Growth Rate
2010-11	-0.94%*
2011-12	1.58%*
2012-13	1.41%*
2013-14	4.23%*
2014-15	5.45%*
2015-17	4.00%
Thereafter	4.50%

* Actual

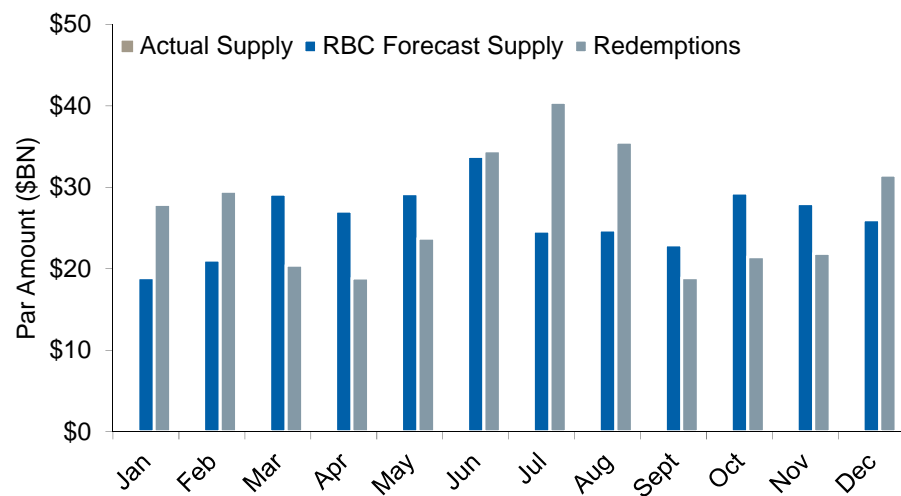
Market Update and Refinancing Numbers



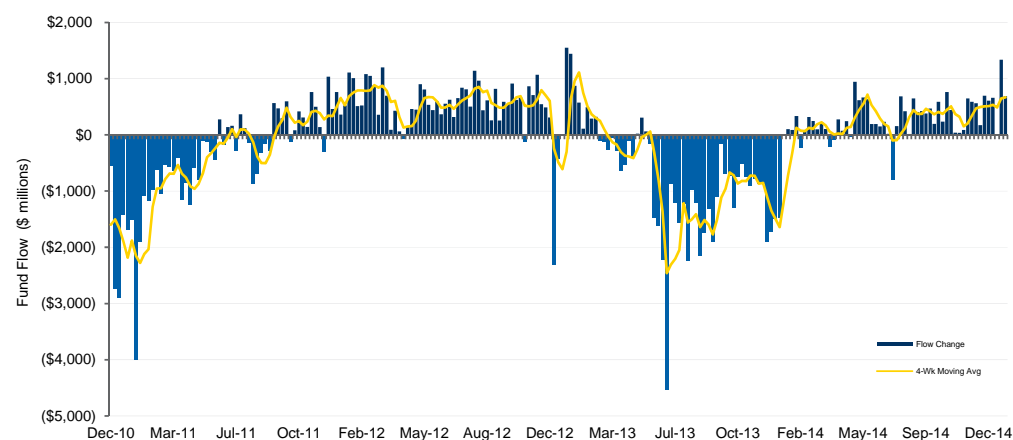
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Tax-Exempt Market Dynamics

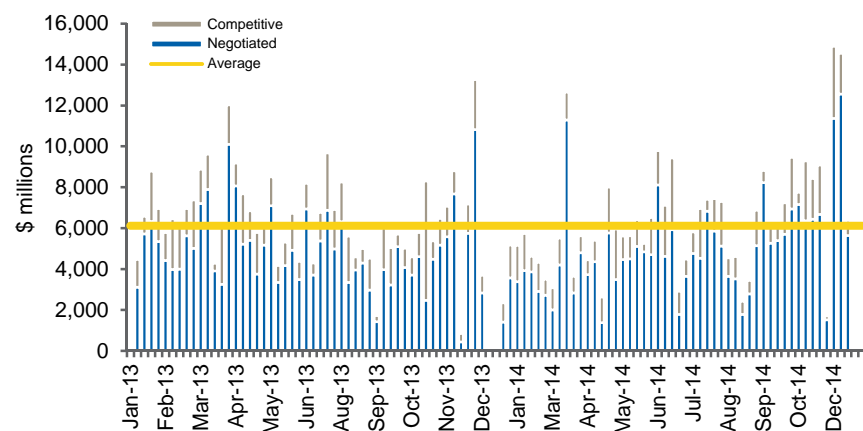
Muni Bonds: 2014 Issuance versus Redemptions



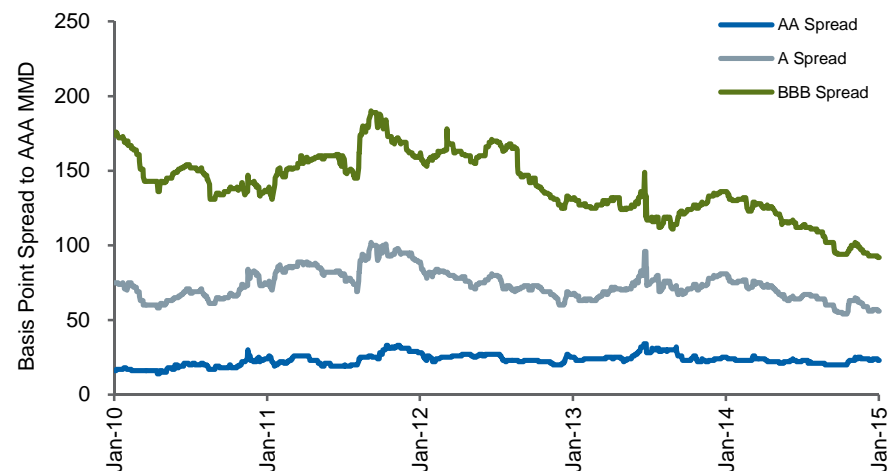
Lipper Municipal Fund Flows



2013 & 2014 Municipal Weekly Volume



Credit Spreads Remain Tight for Highly Rated Issuers



Source: Bloomberg, Lipper and Thomson Municipal Market Data

District General Obligation Bond Debt Summary

Election	Series	Original Par	Principal Outstanding (as of 2/1/2015)	Call Dates
2001	2006 Series C	\$79,996,202.75	\$1,975,000.00	Refunded
2001	2008 Series D	\$26,003,609.00	\$22,378,675.60	6/1/2018 @ 100%
	2013 Refunding A	\$74,910,000.00	\$70,910,000.00	9/1/2023 @ 100%
	2013 Refunding B	\$48,190,000.00	\$44,045,000.00	Non-Callable
2013	2013 Series A	\$205,586,691.72	\$203,861,691.45	8/1/23, 8/1/25, 2/1/28, 8/1/35 @ 100%
2013	2013 Series B	\$11,715,000.00	\$10,640,000.00	Non-Callable
		\$446,401,503.35	\$353,810,367.05	

- The 2008 Series D bonds can be refinanced to provide over \$2.2 million in taxpayer savings. See additional details on the following page
- The later series are not refunding candidates at this time due to the inefficiency of the escrow and length of time to the call date
- RBC will continue to monitor market conditions to find refunding and restructuring opportunities for the District's G.O. bonds

Mt San Antonio Community College District Refunding Analysis (rates as of 2-5-2015)

Sensitivity Analysis - 2008 Series D Refunding

	Current Rates less 25 bps	Market Rates as of (2/05/15)	Current Rates plus 25 bps
Par Amount:	\$18,850,000	\$18,890,000	\$18,930,000
Par Refunded:	\$20,065,000	\$20,065,000	\$20,065,000
All-In True Interest Cost	2.575%	2.824%	3.072%
Interest Rate of Prior Bonds	4.951%	4.951%	4.951%
Gross Savings:	\$2,927,803.68	\$2,262,134.44	\$1,586,239.51
Present Value Savings:	\$2,423,223.21	\$1,809,549.32	\$1,222,306.58
% Savings of Par Refunded:	12.08%	9.04%	6.09%

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value @ 2.216%
06/01/15	\$490,950	\$488,016	\$2,934	\$2,921
06/01/16	\$981,900	\$921,200	\$60,700	\$59,439
06/01/17	\$981,900	\$921,200	\$60,700	\$58,144
06/01/18	\$981,900	\$921,200	\$60,700	\$56,876
06/01/19	\$1,886,900	\$1,751,200	\$135,700	\$124,000
06/01/20	\$1,898,400	\$1,758,000	\$140,400	\$125,437
06/01/21	\$1,900,000	\$1,764,500	\$135,500	\$118,453
06/01/22	\$1,900,000	\$1,763,500	\$136,500	\$116,752
06/01/23	\$1,898,000	\$1,760,250	\$137,750	\$115,233
06/01/24	\$1,898,500	\$1,759,750	\$138,750	\$113,519
06/01/25	\$1,896,250	\$1,756,750	\$139,500	\$111,625
06/01/26	\$1,896,250	\$1,756,250	\$140,000	\$109,562
06/01/27	\$1,898,250	\$1,758,000	\$140,250	\$107,345
06/01/28	\$2,097,000	\$1,956,750	\$140,250	\$104,984
06/01/29	\$2,097,500	\$1,957,500	\$140,000	\$102,491
06/01/30	\$2,099,000	\$1,959,500	\$139,500	\$99,877
06/01/31	\$2,096,250	\$1,957,500	\$138,750	\$97,153
06/01/32	\$2,099,250	\$1,961,500	\$137,750	\$94,327
06/01/33	\$1,417,500	\$1,281,000	\$136,500	\$91,411
Totals:	\$32,415,700	\$30,153,566	\$2,262,134	\$1,809,549

Measure RR – Issuance
Options



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Proposition 39 Elections (55% Voter Approval)

- Measure R and Measure RR were both Prop 39 Elections
- Under Prop 39, Community College Districts are limited to a maximum legal tax rate of \$25.00 per \$100,000 of assessed value (AV) for each election
- However, due to the way the ballot language was written in 2008, Mt. San Antonio Community College District's combined tax rate limit for both elections was \$25.00
- Due to lower than expected AV growth and actual declines in AV for FY 2009-10 and 2010-11, in order to access the remaining \$135.7 million in authorization under Measure RR (2008 Election) while staying under the combined \$25.00 tax rate, the District would need to issue some combination of interim financing. This could include 1) Bond Anticipation Notes and 2) COP/direct bank loan, followed by 25 year Capital Appreciation Bonds (CABs) issued in 2022
- The estimated cost of this option would still be within the new AB182 parameters with an estimated payback ratio of 2.42x. If we were able to sell all current interest bonds, we could potentially save taxpayers an additional \$152.6 million in interest costs

**Assuming interest rates in 2022 are not significantly higher than current rates*

Option 1 – \$14M Series C and \$121.7M COP in 2015, BAN in 2017, Bonds in 2022

- To access the full \$135.7 million in remaining authorization under current law, the District would need to delay the GO Bond issuance until 2022
- We can utilize interim bridge financing options now until 2022
- Issuing a short 7 year bond in the amount of \$14 million in 2015 would allow the District to maximize tax revenue up to the allowable \$25 while the BANs and COP/Bank Loan are outstanding
- The assessed valuation table to the right shows the AV growth needed for the District to issue the BAN takeout in 2022

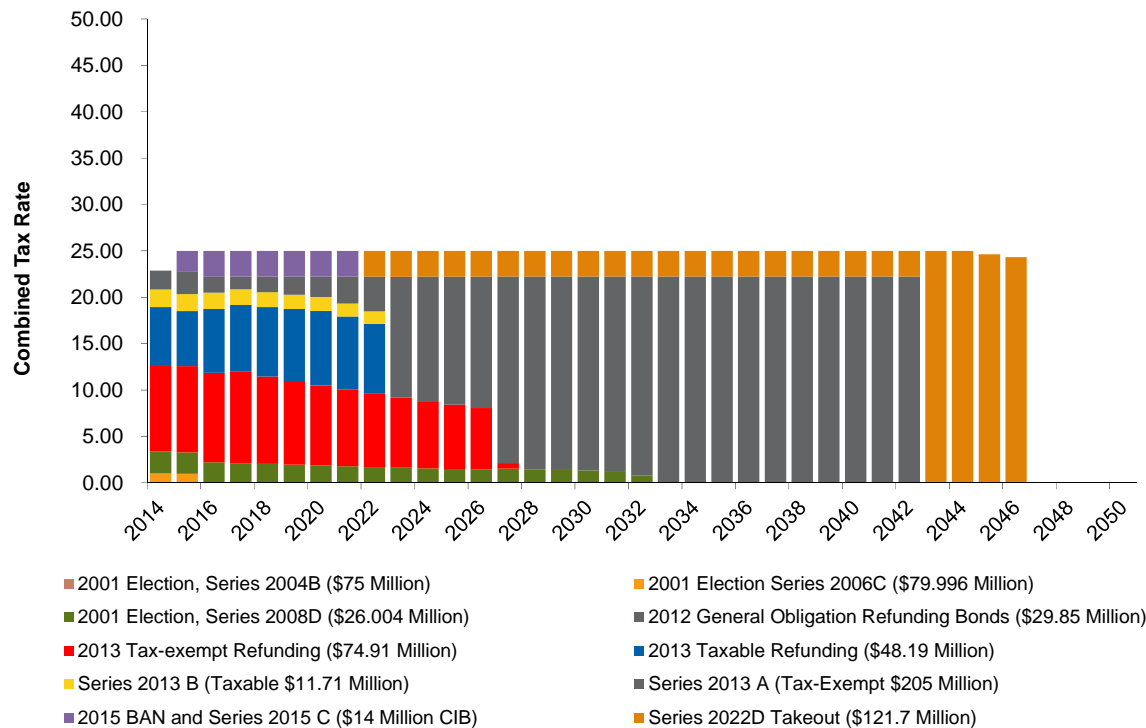
Average Annual District AV Growth Rate

15 Year Average	4.76%
10 Year Average	4.05%

Actual/Assumed AV Growth Rate

2011-12	1.58%	Actual
2012-13	1.41%	Actual
2013-14	4.23%	Actual
2014-15	5.45%	Actual
2015-16	4.00%	Estimate
2016-17	4.00%	Estimate
Thereafter	4.50%	Estimate

**Mt. San Antonio Community College District
Outstanding Measure R and RR General Obligation Bonds
Tax Rate per \$100,000 of AV**



Assumptions:

- \$14 Million GO Bond and \$121.7 Million COP issued in Summer 2015
- BAN issued in 2017 (or 2015)
- GO Bonds issued in 2022 with a 25 Year maximum maturity for CABs (2047)
- Estimated Bond Payback Ratio is 2.42X on \$135.7 million in par for a total interest cost of approximately \$192.1 million
- Maximum combined tax rate of \$25.00 per \$100,000

Seek Tax Rate Validation

- Alternatively, the District can see if voters object to allowing the District to utilize a maximum legal tax rate of \$25.00 per \$100,000 of assessed value (AV) for Measure R and a separate \$25.00 for Measure RR
- A \$25.00 per \$100,000 AV tax rate for each election is the legal standard for Proposition 39 elections
- If validated, this would allow the District to issue the remainder of the Measure RR authorization using all current interest bonds without interim bridge financings
- This option would result in the lowest cost of borrowing to District taxpayers and save taxpayers over \$152.6 million in interest costs over the life of the bonds on \$135.7 million in principal

Other Recent Examples

Due to AV declines experienced in recent years, other Districts have experienced similar challenges but wanted to keep their capital projects moving

Other Districts are also hesitant to use more expensive financing structures simply to stay under original tax rate estimates:

San Diego CCD had a \$25.00/100,000 AV for both their 2002 Election and 2006 Election bonds

- In 2011, after input from their board, the community, the Citizen's Oversight Committee (COC), and the San Diego County taxpayers association, the District decided to incrementally increase the combined tax rate for both elections first to a maximum of approximately \$38.91/100,000 AV before increasing to \$50.00/100,000 AV in 2013
- The input received suggested that the stakeholders generally preferred to pay more now in order to save hundreds of millions over the long run without potentially delaying projects

Other Recent Examples

Long Beach CCD had a \$19.97/100,000 AV for both their 2002 Election and 2008 Election bonds

- In 2010, the District issued Bond Anticipation Notes in an effort to keep the combined tax rate below the estimated \$19.97/100,000 AV
- However, as AV continued to fall, the 2012 tax rate rose to \$26.15/100,000 AV. After extensive discussions which included the Los Angeles County Treasurer's office, the decision was made to increase the 2008 Election tax rate to the legal maximum of \$25.00/100,000 AV separate from the 2002 Election bonds

Los Angeles CCD had a \$25.00/100,000 AV for both their 2003 Election and 2008 Election bonds

- The District sold bonds in 2013 when they were above the \$25.00/100,000 AV combined tax rate for the 2003 and 2008 Elections
- They conducted a "passive validation" for 60 days following board action to see if any stakeholders would protest before the sale of bonds took place
- There was no opposition

Option 2 – Lowest Cost of Borrowing, All CIBs

- Assumes independent tax rates for the Measure RR Election
- The District can issue the full amount of the \$135.7 million in remaining authorization using all current interest bonds
- At current rates, the estimated Bond Payback ratio is approximately 1.29X
- The projected savings of the alternate scenario is approximately \$152.6 million in reduced interest cost over the base case

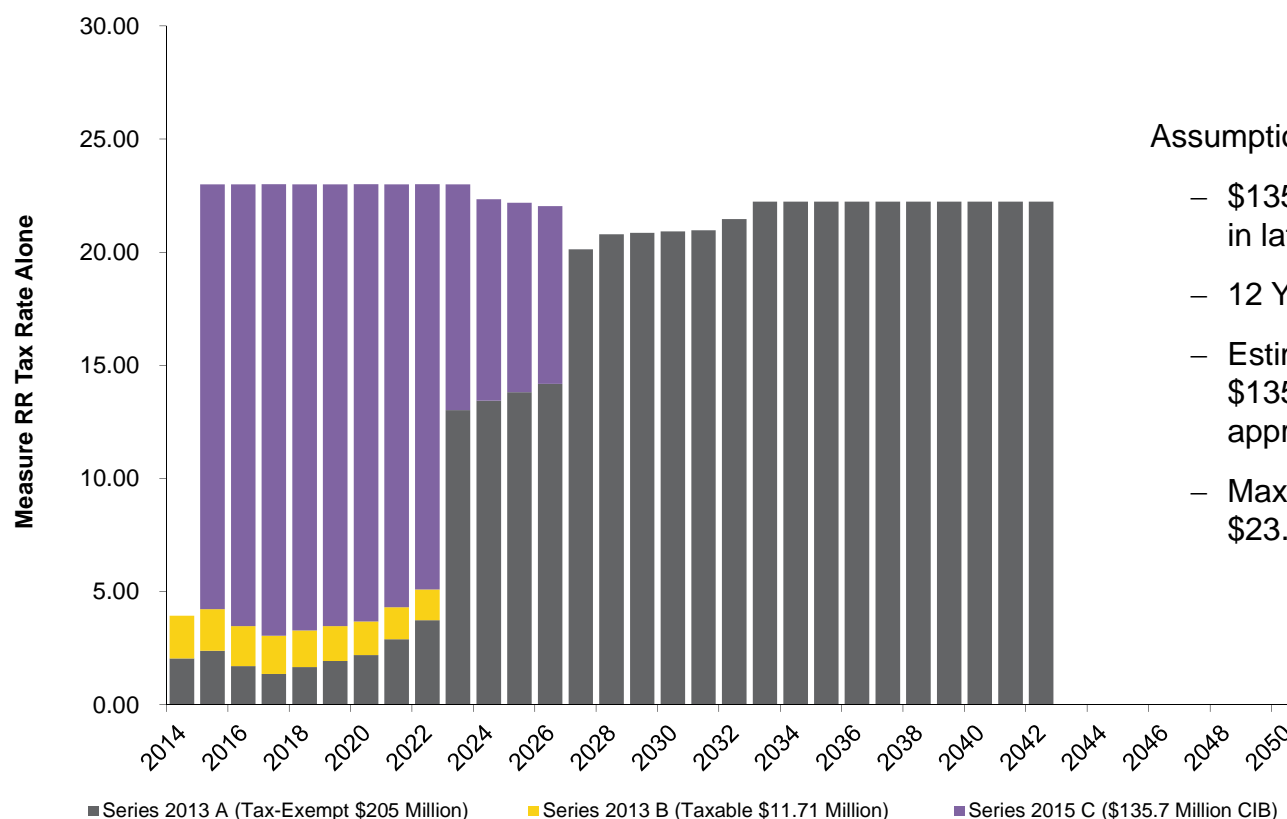
Average Annual District AV Growth Rate

15 Year Average	4.76%
10 Year Average	4.05%

Actual/Assumed AV Growth Rate

2011-12	1.58%	Actual
2012-13	1.41%	Actual
2013-14	4.23%	Actual
2014-15	5.45%	Actual
2015-16	4.00%	Estimate
2016-17	4.00%	Estimate
Thereafter	4.50%	Estimate

**Mt. San Antonio Community College District
Measure RR General Obligation Bonds Tax Rate per
\$100,000 of AV**



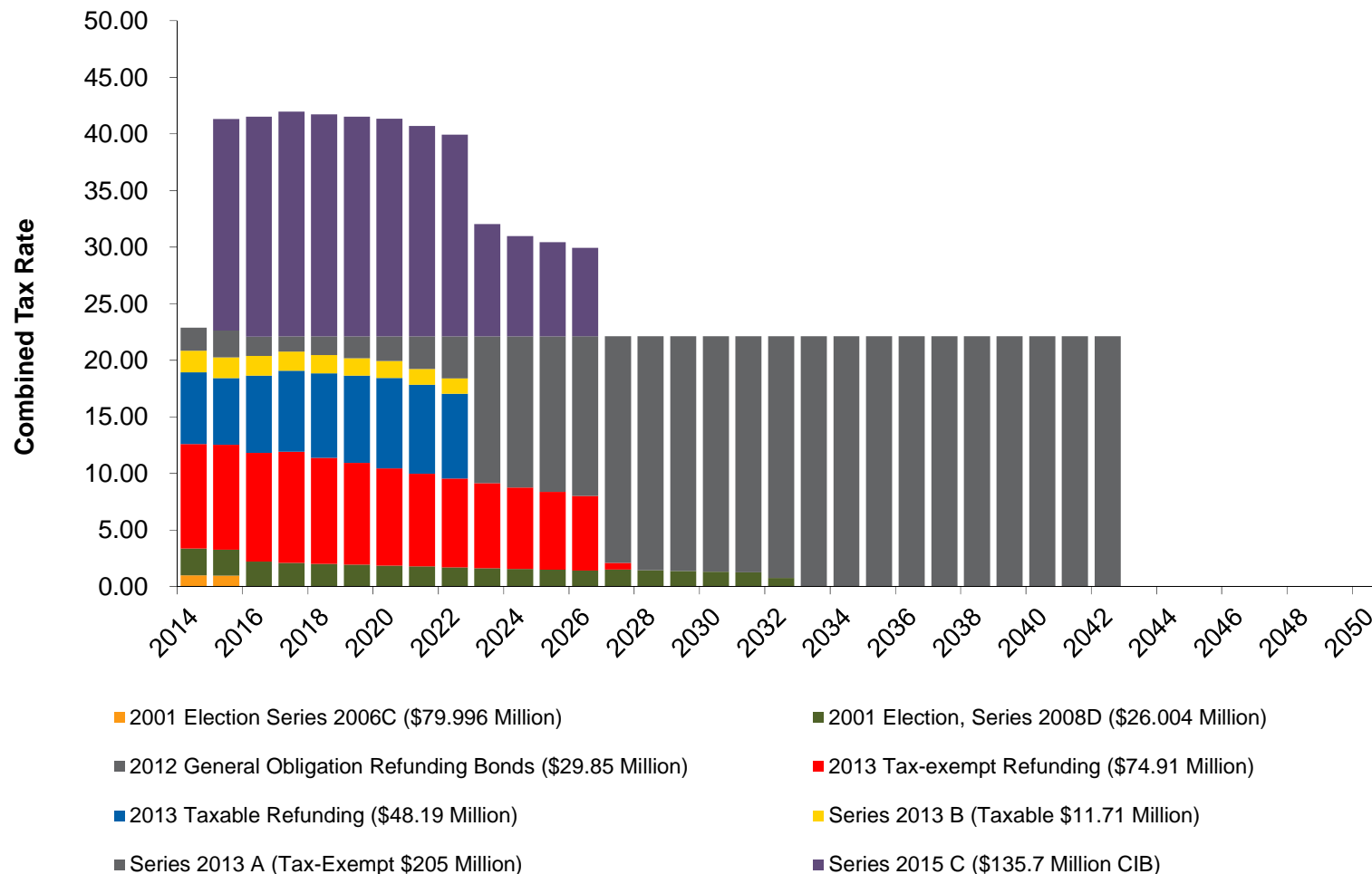
Assumptions:

- \$135.7 Million current interest GO Bonds issued in late 2015 or early 2016
- 12 Year maximum maturity CIBs (2027)
- Estimated Bond Payback Ratio is 1.29X on \$135.7 million in par for a total interest cost of approximately \$39.5 million
- Maximum Measure RR tax rate of approximately \$23.00 per \$100,000 of AV

Option 2 – District Total Tax Rate

- This option would bring the total tax rate for both elections up to a maximum of approximately \$41.96/100,000 AV in 2018 before falling to \$32.03/100,000 AV in 2024, and returning to \$22.12/100,000 in 2028

**Mt. San Antonio Community College District
Outstanding Measure R and RR General Obligation Bonds
Tax Rate per \$100,000 of AV**



Options Comparison

Comparison Factor	Option 1	Option 2
Bond Issuance Year	2022*	2015
Principal Amount	\$135.7 Million	\$135.7 Million
Total Interest Cost to Taxpayers	\$192.1 million	\$39.5 million
Repayment Ratio	2.42X	1.29X
Maximum Total Tax Rate per \$100,000 AV	\$25.00	\$41.96
Average Annual Tax Rate per \$100,000 AV to 2047	\$24.97	\$25.23
Final Repayment Year	8/1/2047	8/1/2043
Utilizes Capital Appreciation Bonds (CABs)	Yes	No

**Comparisons assume interest rates stay low until 2022*

Potential 2018 G.O. Bond Election

Section 4



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Tax Rate and Bond Sizing Considerations

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

1. Authorization Amount

- 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

- 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

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

4. Assessed Valuation Growth Assumptions

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

5. Interest Rates

- 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

Potential G.O. Bond Election in 2018 – Based on Tax Rate per \$100,000 of AV

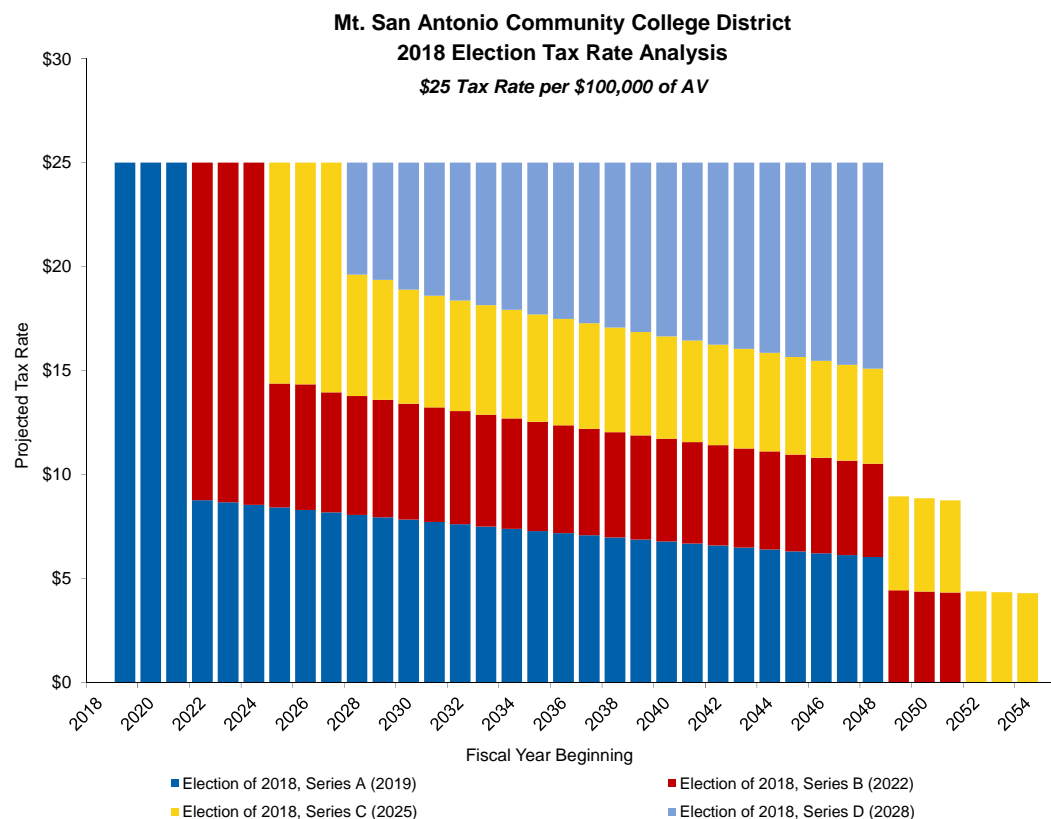
Capacity can be adjusted based on the tax rate estimate accepted by the District's voters

Mt. San Antonio Community College District Proposed General Obligation Bond Election in 2015				
Bond Issuance Schedule and Projected Tax Rate Analysis				
Series	Dated	\$15.00	\$20.00	\$25.00
A	08/01/19	125,000,000	180,000,000	225,000,000
B	08/01/22	100,000,000	140,000,000	175,000,000
C	08/01/25	100,000,000	130,000,000	175,000,000
D	08/01/28	100,000,000	100,000,000	200,000,000
Total		\$425,000,000	\$550,000,000	\$775,000,000

District Historical AV Growth Statistics	
15-Year Average	4.805%
10-Year Average	4.117%
5-Year Average	2.346%

- The scenarios above assume the use of current interest bonds only, issuances every 3 years and the AV growth assumptions below

Assumed AV Growth		
2007-08	7.404%	Actual
2008-09	5.586%	Actual
2009-10	-2.163%	Actual
2010-11	-0.937%	Actual
2011-12	1.575%	Actual
2012-13	1.407%	Actual
2013-14	4.228%	Actual
2014-15	5.455%	Actual
2015-16	4.000%	Estimated
2016-17	4.000%	Estimated
Thereafter	4.500%	Estimated



Note: The scenarios described above are only three examples of many options. RBC Capital Markets would be willing to run additional scenarios should the District desire. The use of capital appreciation bonds (CABs), issuances over a longer period of time or smaller issuances can all increase the total amount of bonds issued.

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Appendix:



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Option 1 Alternative Scenario - Reauthorization Election in 2018

Under Option 1, the District would issue approximately \$121.7 million Bond Anticipation Notes (BAN) in 2017

- Assuming a CAB takeout of the BAN in 2022, the estimated Bond Payback Ratio including the interim financings is 2.42X for a total interest cost of approximately \$192.1 million
- If the District includes a reauthorization component as part of the 2018 election, the District would be able to take out the 2017 BAN using current interest bonds under the new authorization
 - Assuming a new \$25.00 tax rate capacity, the estimated Bond Payback Ratio including the interim financings would be closer to 1.50X for a total interest cost of approximately \$129.9 million
 - This alternative would still be more costly than the validation option by approximately \$90.4 million (and still subject to the risk that interest rates will rise significantly by 2022) but would save taxpayers approximately \$62.2 million over the CAB takeout option