



## Citizens Bond Oversight Committee

Thursday, September 26, 2013

### ✓ Members Present

- |                         |   |
|-------------------------|---|
| ✓ Robert E. Hahn, Chair | Member at large                             |
| ✓ Jerry Brittsan        | Member representing taxpayers association   |
| ✓ Ryan Childers         | Member representing a business organization |
| ✓ Gabe Contreras        | Member at large                             |
| Jackie Loper            | Member at large                             |
| ✓ Everett Taylor        | Retired member                              |
| Lisa Nichole Tylenda    | Student Representative                      |
| ✓ Joe Vogel             | Member IVC Foundation IVC Foundation        |

### Others present

John Lau, Vice President for Business Services; Jimmy Sanders, Architect; Niel Pollock, Nielsen Construction; Rick Webster, IVC Director of Maintenance and Operations; Khushroo Gheyara, Caldwell Flores Winters, Bill Gay, IVC Public Relations, Cassandra Lopez, ASG representative; Mary Carter, Recorder

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### I. Welcome and Introductions:

1. Call to order: The meeting was called to order by at 12:05 p.m. on Thursday, September 26, 2013 by Robert Hahn, Committee Chairperson. The meeting was held in the Imperial Valley College board room.
2. Introductions: All members in attendance and visitors introduced themselves.

### II. Information/Discussion:

1. Bond Anticipation Note Pay-off: John Lau, VP for Business Services reported that the first proceeds of Measure J were committed to the construction of the Career Tech building. The cost of the building is approximately \$24 million; however bond proceeds were approximately \$10 million. Short term financing, using Bond Anticipation Notes, was used to fund the remainder of \$14 million. The Bond Anticipation Notes were due in 5 years (August 2014). Now, the College will replace the BANs with longer term debt.

The Career Tech Building was identified by the community as the highest priority under Measure J. The building is scheduling to be complete in March, and the use of local vendors and sub-contractors will be about 70%.

The use of short term debt has been affected by some uncontrollable factors including the decline in assessed valuation and pending legislation. The College has two options

regarding the repayment of bonds, which will amount of \$16.5 million (principal and interest). Currently, interest rates are rising sharply, and likely to continue to increase. Pending legislation AB 182 will limit and regulate financing by school districts and community colleges; it will limit payback to a 4:1 ratio (debt to pay back). There will be a specific exemption for community colleges with prior notes, but the waiver must be approved by the State Chancellor's Office. AB 182 is being proposed in response the large repayment of bond debt incurred by the Poway School District'.

Khushroo Gheyara, of Caldwell Flores Winters presented a report on the College's proposed plan for repaying the BANs. The presentation is attached to these minutes. VP Lau stated that this information is being presented to the committee as an information item, and to show the efforts the College is making to save money on the repayment of debt. In the future, the college will use traditional financing unless there is a need to access matching funds if the State approves funding for any of the projects the College has submitted for Capital Outlay Funding such as the proposed Learning Resource Center.

***M/S/C Taylor/Brittsan to recommend that the college use the proposed repayment option for the Bond Anticipation Notes that will result in an annual tax rate increase of approximately \$6.00 per \$100,000 of assessed valuation.***

III. Next Meeting: March, 2014.

IV. Adjournment: Meeting adjourned at 1:00 p.m.



# **Imperial Valley Community College District**

**Bond Anticipation Note Payoff  
Informational Presentation to the  
Measure J  
Citizens' Oversight Committee**

September 26, 2013

**Caldwell Flores Winters, Inc.**  
Facilities Planning, Public Finance, Program Administration



# Background

- On November 2, 2010, 64% of voters approved Measure “J”, authorizing \$80.0 million to expand career/vocational training facilities and make other campus wide improvements
- The highest priority Measure “J” construction project was the Career Technical Facility, which is scheduled to be delivered on time and on budget by March 2014
- Assessed Valuation (AV) levels at the time of the election limited the District’s ability to issue a sufficient amount of G.O. bonds to fully fund the construction of the Career Technical Facility
- On that basis, the District elected to issue \$9.4 million in GO bonds, and a Bond Anticipation Note (BAN) in the amount of \$14.0 million to bridge the total construction cost of \$23.4 million
- The BAN will mature on August 1, 2014 and will require a payoff in the amount of approximately \$16.5 million (principal and accrued interest)
- While the District can legally implement the original “no tax increase” plan at this time, rising interest rates and declines in AV have resulted in a significant increase in the cost of this option
- In addition, pending legislation may restrict the District’s ability to implement the original plan after January 1, 2014
- Based on the above, an alternate repayment option is proposed to reduce the overall cost

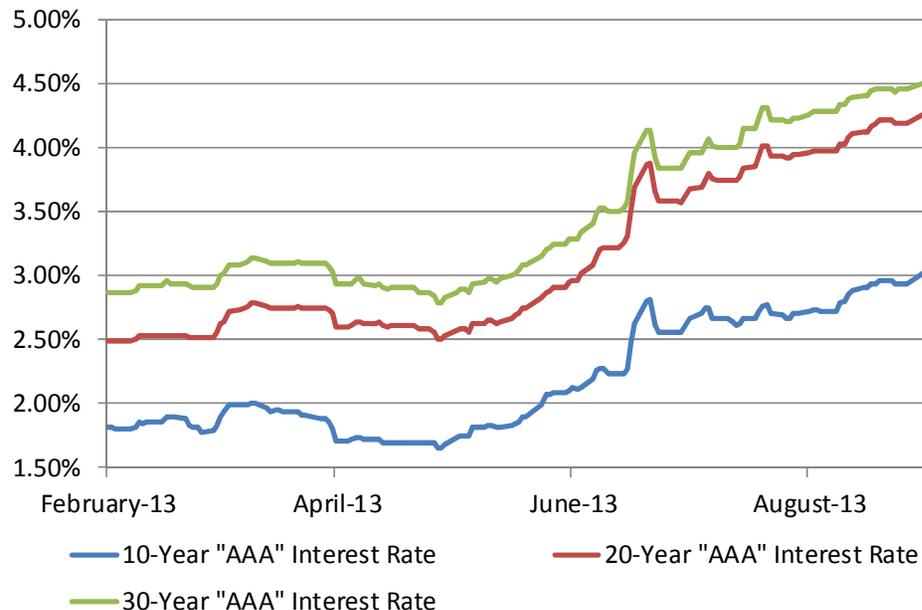
# Assessed Value History

Assessed Valuation		
FYE	Total	% Δ
2000	4,907,706,117	
2001	5,117,125,576	4.3%
2002	5,562,544,938	8.7%
2003	5,527,754,617	-0.6%
2004	5,927,524,669	7.2%
2005	7,017,751,182	18.4%
2006	7,548,553,506	7.6%
2007	8,217,228,764	8.9%
2008	9,638,904,231	17.3%
2009	10,499,490,225	8.9%
2010	10,339,543,327	-1.5%
2011	10,145,426,741	-1.9%
2012	9,901,840,419	-2.4%
2013	9,948,513,765	0.5%
2014	10,474,721,198	5.3%
<b>Average</b>		<b>5.8%</b>

- District AV declined 3.8% during the period of 2010 through 2013 before stabilizing and then experiencing a 5.3% AV increase in 2013-2014
- The District is well within it's Statutory Debt Limit of \$260 million
- Based on discussions with Imperial Valley Economic Development and others we expect an average of approximately 4% growth in future years, with a one time increase of 20% during the next three years

# Interest Rate Environment

**Municipal Bond Interest Rates  
2/5/2013 - 9/4/2013**



- Interest rates for bonds have risen sharply over the last 5 months
- The cost of borrowing has increased on average over 150 points (or 1.5%) since February 2013
- The rise is partially attributed to indications by the Federal Reserve Board to scale back federal stimulus, and strong performance in equity markets
- Interest rates are expected to continue to rise as the Federal Reserve is expected to relax the Stimulus Programs, which have kept interest rates low

# AB 182 – Pending Legislation

- AB 182 has been enrolled and awaits the Governor's signature
- Due to the excessive use of CABs in some K-12 districts, legislation has been prepared to limit K-14 Districts' ability to issue long term CABs
- Key components of the legislation include:
  - Limits debt service ratio to 4:1
  - Limits the maximum term of CABs from 40 years to 25 years
  - Caps interest rates at 8%
  - Requires CABs to be callable after 10 years
  - Requires additional disclosure requirements before the sale of CABs
- AB 182 may have the greatest impact on low wealth districts by limiting their ability to issue bonds
- Once signed by the Governor, this legislation will go into effect on January 1, 2014

# AB 182 - Timeline

- Mar. 1 2011- Attorney General Issues warning to Poway USD on proposed bond issuance
- Mar. 2, 2011 – San Diego Superior Court OKs Poway USD bond deal
- Jan. 18, 2012 – CFW meets with IVC to alert District about legislative proposals
- Jan. 24, 2013 – AB 182 (Buchanan & Hueso) introduced to curtail use of CABs
- Feb. 6, 2013 – Presented tentative BAN take out options for District to review
- Feb. 21, 2013 – Provided Update to Board of Trustees for possible options
- April 2, 2013 – Bill amended to include the possibility of a one-time waiver for CCDs
- April 8, 2013 – Approved by Assembly
- Sept. 3, 2013 – Approved by Senate; Sent Back to Assembly for Concurrence on Senate Amendments
- Sept. 6, 2013 – Concurrence on Senate Amendments Approved by Assembly for
- Sept. 23, 2013 - Enrolled and awaiting Governors signature
- Oct. 13, 2013 – Last Day for Governor to Sign, Not Sign or Veto Legislation

# Proposed Plan

- Under this plan, the District issues bonds with a shorter term to accelerate repayment leading to a lower total amount for repayment
- The annual tax rate would be increased by approximately \$5.95 per \$100,000 of AV; this equates to an increase of approximately \$0.55 (55 cents) per month for the average homeowner in the District
- If AV grows at a greater rate than projected, the required tax rate increase would be reduced overtime
- This option would be in compliance with the proposed 4.0:1 payback limit pursuant to Assembly Bill 182; the payback ratio for all outstanding GO bonds issued by the District would be approximately 2.7:1
- Per District's bond counsel, additional steps may be required to implement this option

# BAN Payoff Option Costs Summary

	Original Plan	Proposed
Term of Bonds	40 years	30 years
Current Interest Term Bonds	\$ -	\$ 8,740,000
Capital Appreciation Bonds	\$ -	\$ 1,991,787
Convertible CABs	\$ -	\$ 3,762,092
Callable CABs	\$ 17,107,915	\$ 2,518,035
<b>Total Proceeds</b>	<b>\$ 17,107,915</b>	<b>\$ 17,011,914</b>
Total Payback Amount	\$ 155,211,705	\$ 54,425,275