

Facilities Bond Overview

ACBO II Institute



Congratulations!
You are now in charge of facilities funding!

Typical Bonds Used for Facilities Projects

Voter Approved Debt

- General Obligation Bonds
 - GO Bond
 - Proposition 39 GO Bond
- Backed by an *ad valorum* tax on real property within the District

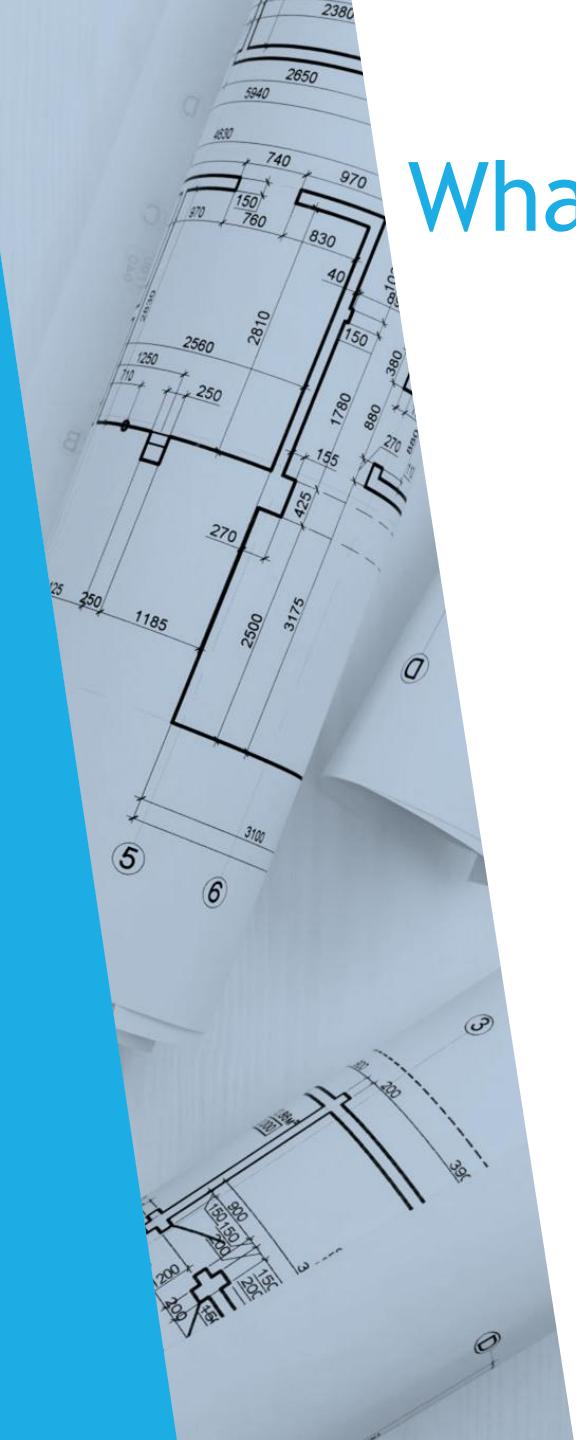
Non-voter Approved Debt

- Certificates of Participation (COP)
- Lease Revenue Bonds (LRB)
- Backed by General Fund revenues or revenues generated by the project
- Requires Asset Pledge

What is a General Obligation (G.O.) Bond?

- ▶ Voters in the district approve a ballot measure authorizing some level of property tax to be assessed on their real property
- ▶ Proceeds from the tax are used to repay the buyers of bonds secured by the financial strength of the district
- ▶ Bonds can be taxable, but usually tax exempt
- ▶ Limited cost to the District (there is no such thing as a free meal)





What is a Proposition 39 G.O. Bond?

- ▶ Approved by voters in 2000
- ▶ Reduced approval threshold from 66.67% (2/3's) to only 55% - a huge difference
- ▶ Resolution ordering the election must be approved by 2/3's of the Board of Trustees
- ▶ Ballot measure must include a detailed project list
- ▶ Proceeds can be used for more than just building a building
 - ▶ Construction, furniture, fixtures, equipment, infrastructure, technology
 - ▶ Refinancing of General Fund facilities-related debt

What is a Proposition 39 G.O. Bond?

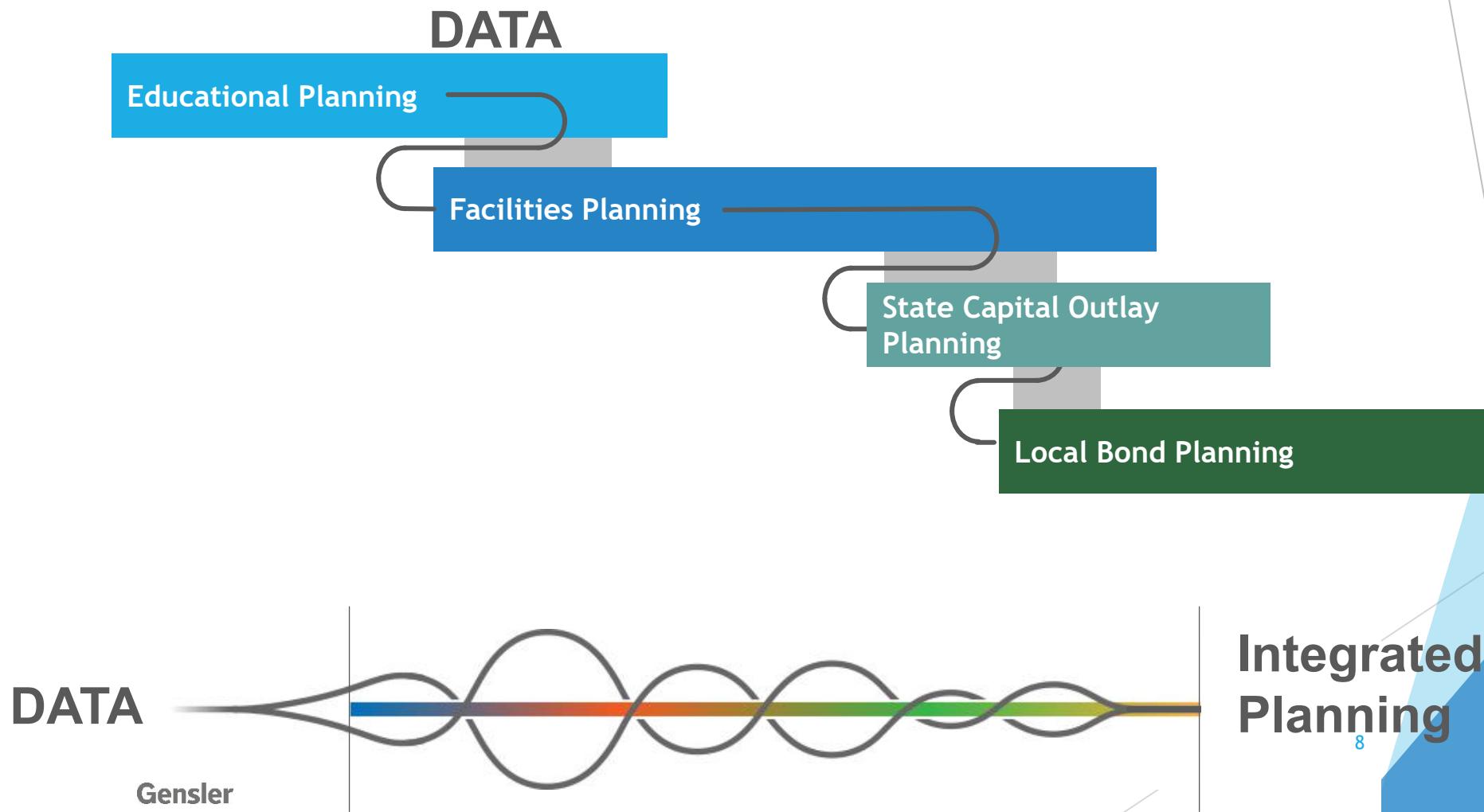
- ▶ Proposition included taxpayer protections and oversight
 - Detailed accounting and spending requirements
 - Requires independent financial and performance audit
 - Requires annual report to community
 - Proceeds cannot be used for faculty or administrative salaries using the “but not fore” method
 - Requires citizens’ bond oversight committee



Citizens' Bond Oversight Committee

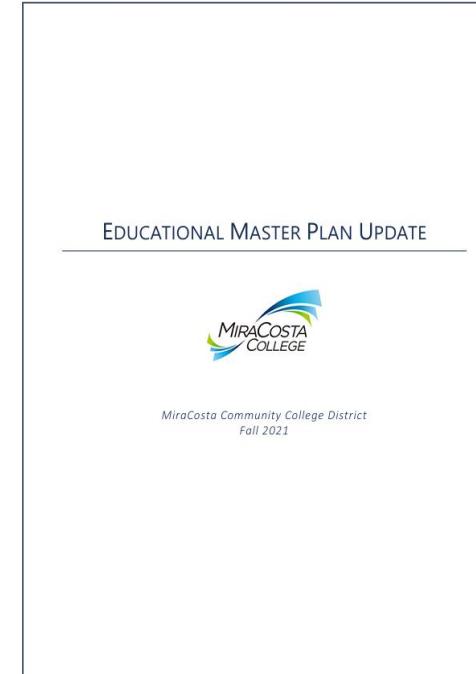
- ▶ One (1) student enrolled and active in a community college support group, such as student government.
- ▶ One (1) member active in a business organization representing the business community located in the district.
- ▶ One (1) member active in a senior citizens' organization.
- ▶ One (1) member active in a bona-fide taxpayers association.
- ▶ One (1) member active in a support organization for the district, such as a foundation or advisory council.
- ▶ Two (2) members of the community at-large. One at-large position will be given preference to an individual active in a veteran's association or advocacy.
- ▶ Must hold public meetings at least quarterly
 - Can also establish sub committees

Establishing the Need

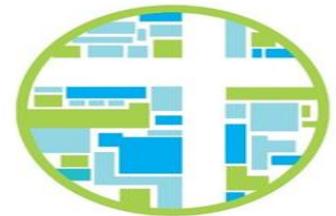


Needs Assessment - Educational Master Plan

- ▶ External Scan
 - Needs assessment of the Service Area of the district
 - Labor market, educational partners
- ▶ Internal Scan
 - Student Origins & Characteristics
 - Overall Headcount and Enrollment Projections
 - Analysis of the Program of Instruction
 - Capacity for Growth in WSCH / FTES
 - Program Review & Evaluation of Services
 - Institutional Effectiveness & Student Success data
- ▶ Assimilate findings from the EMP into the Facilities Master Planning process
 - *FMP recommendations will depend upon and may require additional consideration in future planning.*
 - *The plan becomes a framework for campus development*



The image is a screenshot of the 'Facilities Futures Plan' page. It includes the MiraCosta College logo, the title 'FACILITIES FUTURES PLAN', and the subtitle 'MIRACOSTA COLLEGE IS PLANNING FOR THE FUTURE'. It also features a sub-section titled 'THE PRESIDENT'S WELCOME'. Below these are three main sections: 'DISTRICT MAP' (orange map showing locations in Oceanside, TCI, and San Marcos), 'PLANNING PROCESS' (image of people at a table), and 'CAMPUS PLANNING FRAMEWORK' (image of people walking). At the bottom, there are sections for 'CAMPUS PLANS' (with sub-options for Oceanside Campus, San Elijo Campus, and Community Learning Center (CLC)) and a 'CAMPUS PLANS' section with sub-options for Oceanside Campus, San Elijo Campus, and Community Learning Center (CLC).



Virtual and Physical Planning



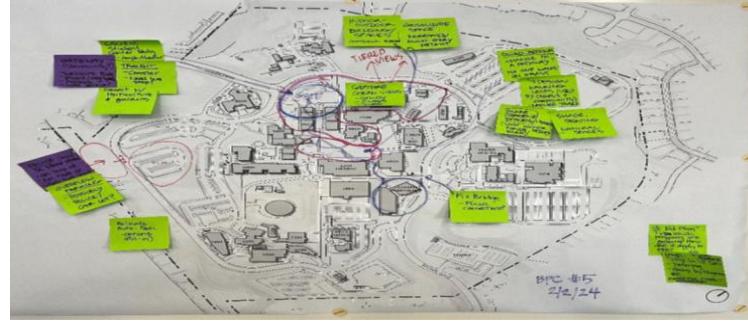
Instructional Delivery



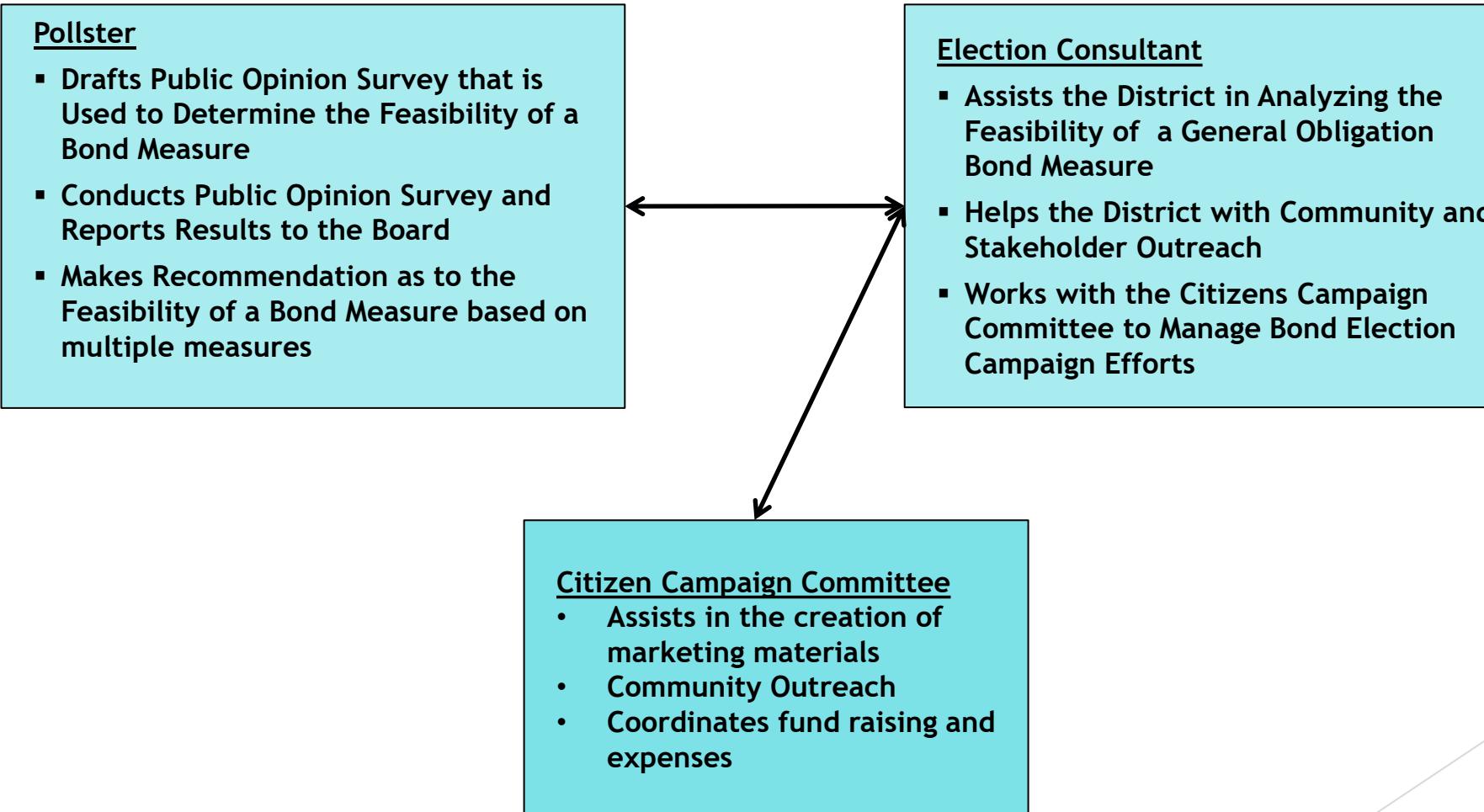
Making Community



The Student Experience



Who Are the Professionals Involved in a Bond Feasibility Election?



Potential Timeline and Milestones

Phase I - Needs Assessment & Resource Identification

- Update EMP, FMP, Deferred Maintenance Plan, Facilities Condition survey, other college plans?

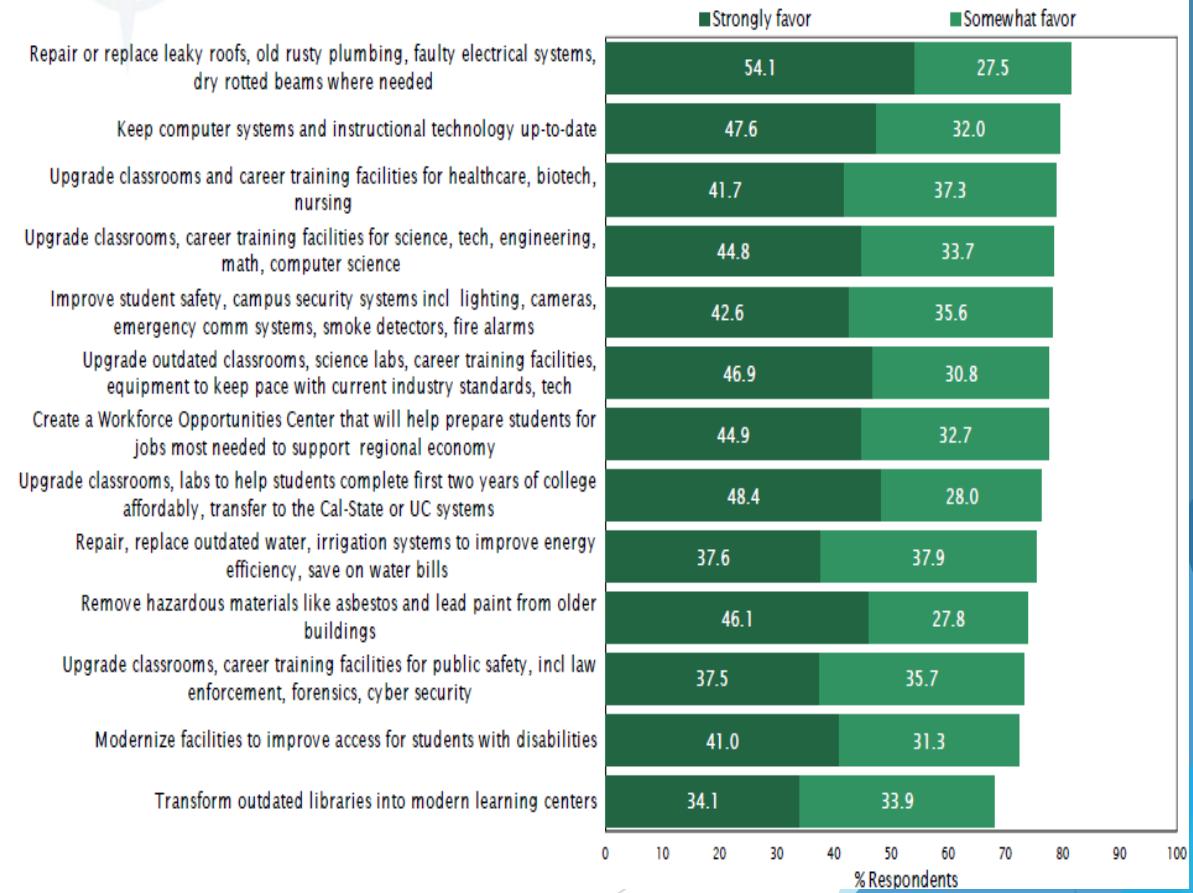
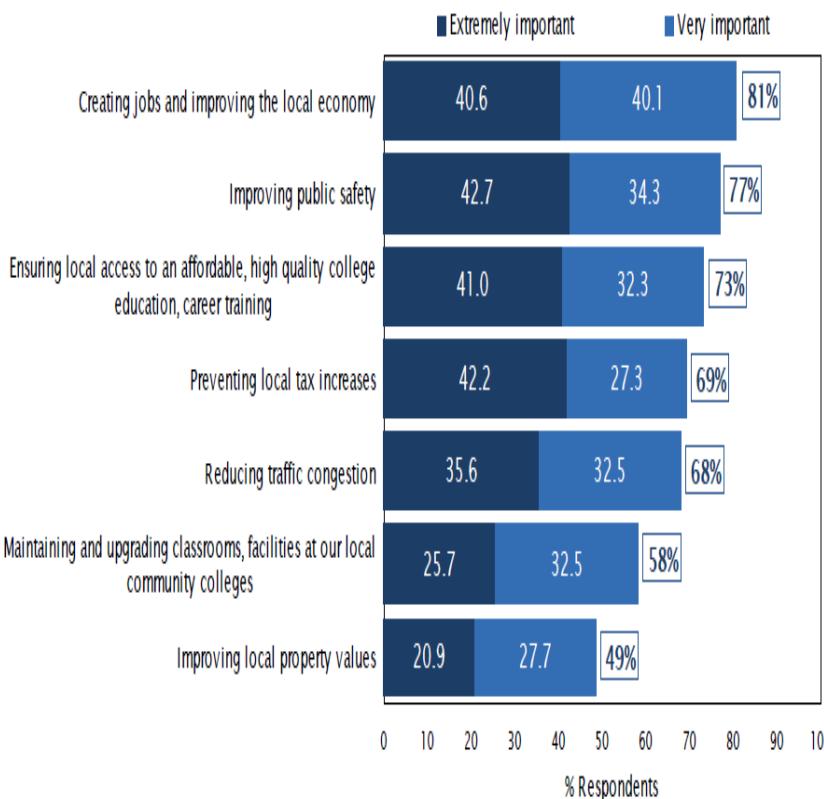
Phase II - Feasibility and Research/Polling

- Determine poll size, methods, margin of error
- Sample project list, bond size, what polls well
- Sample arguments for and against

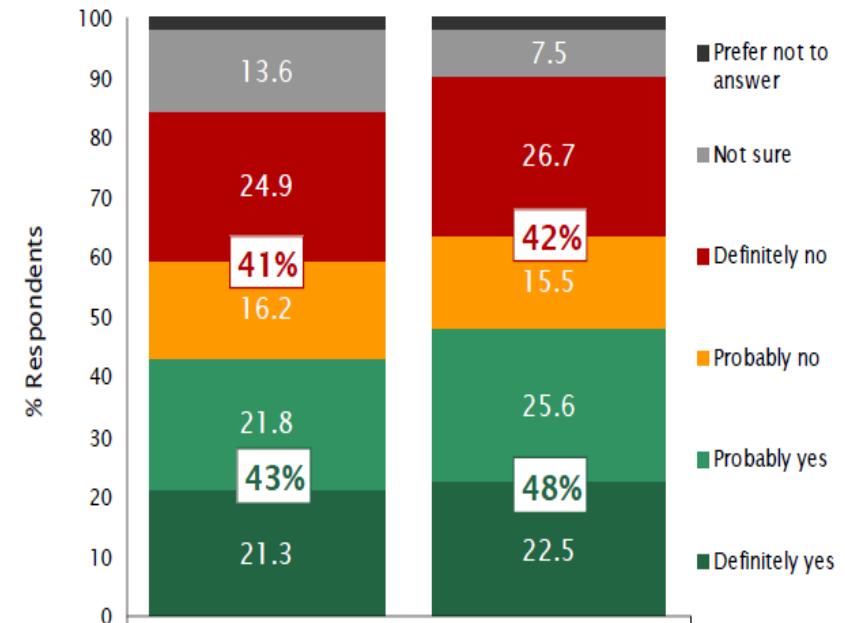
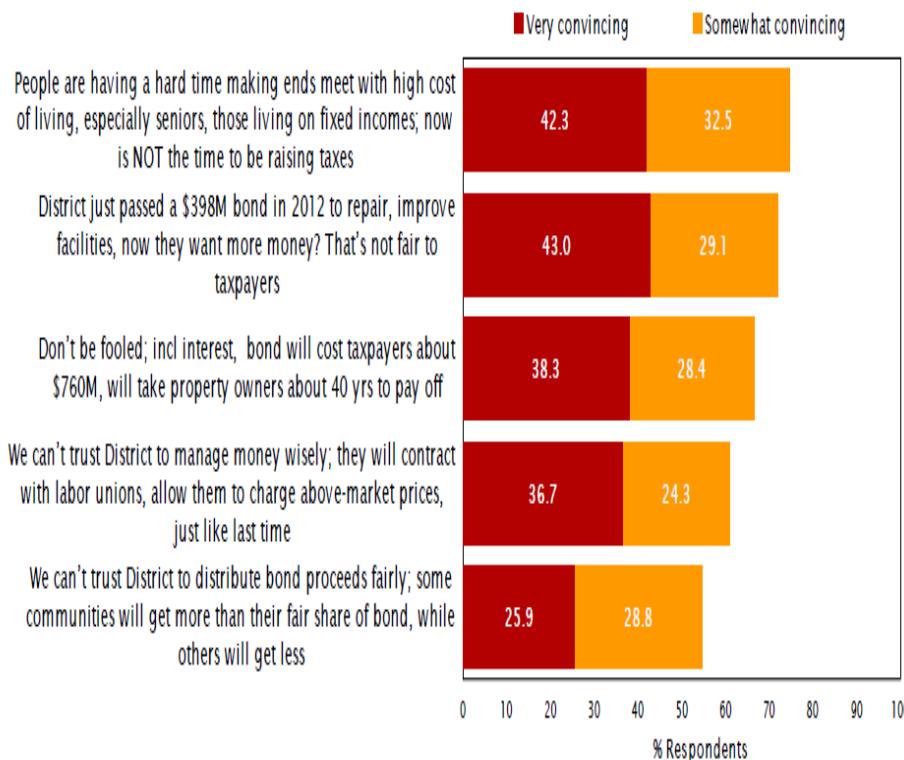
Conclusions and recommendations

- What do Poll number show?
- What issues did voters connect with the most?
- What negative issues and arguments connected with voters?
- Tax threshold data

Issues and Project Support Example



Negative Arguments and Sample Ballot Test



What would be your recommendation to the Board based on this data?

Sample Feasibility Conclusion

KEY CONCLUSIONS

Q: Is it feasible to move forward with a 2020 bond measure?

A: *It will be a challenge.*

Positive Signs from Survey

- Ensuring local access to affordable, high-quality college and career training is a top-three issue
- Strong interest in the improvements to be funded by a bond
- Positive arguments resonate

Challenges

- Tax rate sensitivity
- Low awareness/concern regarding need for facility improvements
- Opposition arguments resonate

Opportunities

- SB 268 (just vetoed by Governor)
- Outreach & education

ELECTORAL OPTIONS:

March 2020 – Not Recommended

- Political history, current climate + research results suggest vertical climb
- Filing Deadline: December 6, 2019



Potential Timeline and Milestones

Phase III - Board Assessment & Decision

- Give yourself time in case there are dissenters
- Goal is to have full Board of Trustee support (is not always possible)

Transition to Informational Phase

- Documents must be submitted including actual bond language by ballot deadline dates. Dates can vary by area.

Phase IV - Bond Campaign

- Citizens Election Committee
- District Foundation
- Union Organizations
- Volunteers



Additional Transparency and Disclosure Requirements

Under California Senate Bill 450, the Governing Board of a local public school district must obtain and publicly disclose good faith cost estimates—provided by an underwriter, financial advisor, or private lender—during an open meeting before authorizing the issuance of bonds with a term longer than 13 months.

- ▶ **True interest cost of the bonds:** the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds.
- ▶ **Finance charge of the bonds:** the sum of all fees and charges paid to third parties.
- ▶ **Amount of proceeds received by the public body for sale of the bonds:** the proceeds of the bonds net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds.
- ▶ **Total payment amount:** the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds.
- ▶ AB 905 (Pacheco) introduced in February 2025, but held in Submission would have added additional disclosures

As the CBO, be careful and communicate

Public agency resources may be used to:

- Place a measure on the ballot;
- Prepare and distribute an objective and fact-based analysis on the effect a ballot measure may have on the agency and those whom the agency serves;
- Express the agency's views about the effect of the measure, must be careful not to advocate for or against the measure's passage;
- Respond to inquiries in an objective and fact-based manner

Public officials should not:

- Engage in campaign activities while on agency time or using agency resources;
- Use agency resources (including office equipment, supplies, staff time, vehicles or public funds) to engage in advocacy-related activities
- Use public funds to pay for campaign-related expenses or make campaign contributions;
- Use agency computers or email addresses for campaign communication activities.

SOUTHWESTERN COLLEGE CAREER EDUCATION, REPAIR, AFFORDABLE HIGHER EDUCATION MEASURE. To prepare students/veterans for jobs; upgrade vocational/career classrooms, labs/technology/equipment to train local nurses, firefighters/paramedics/other occupations; remove lead pipes/asbestos; repair deteriorating gas/sewer lines; shall Southwestern Community College District issue \$800,000,000 in bonds at legal rates, levy on average \$25 per \$100,000 of assessed valuation, generating \$51,000,000 annually while bonds are outstanding, requiring audits, public oversight/spending disclosure, all funds staying local, be adopted?

Bonds – Yes

Bonds – No

PROJECTS

Southwestern Community College District (Southwestern College) has provided high-quality, affordable college education and career training to local students in the South San Diego County area for more than 60 years.

Offering a wide range of undergraduate degrees, university-transfer courses, certificate programs, career and technical education, Southwestern College provides affordable access to the education and job training students need to succeed and the skilled workers needed to fuel our local economy.

With the rising cost of four-year colleges and universities, thousands of local students rely on community colleges like Southwestern College for affordable higher education at a fraction of the cost of Cal State, University of California (UC) and private universities.

Southwestern College ensures that every student, regardless of income, has an opportunity to succeed in college and careers.

Many local nurses, firefighters, paramedics, police officers, and other first-responders receive their education and job training at Southwestern College, providing the well-trained professionals needed to keep the South San Diego County area safe and healthy, in particular, Southwestern College plays a crucial role in training our current and future local nurses and other healthcare professionals.

Southwestern College is an essential resource for students seeking a vocational education that provides the job training, technical knowledge, and specialized skills to compete for good-paying jobs and modern careers.

Ballot Language

- ▶ 75-word ballot statement
- ▶ List of projects, highlighting those that polled well

<https://www.sdvote.com/content/dam/rov/shared/candidate-filing/2024-november-5-presidential-general-election/Southwestern%20Community%20College%20District.pdf>

ACCOUNTABILITY REQUIREMENTS

The provisions in this section are specifically included in Measure ___ in order that the voters and taxpayers in the District may be assured that their money will be spent wisely. Expenditures to address specific facilities needs of the District will be in compliance with the requirements of Article XIII A, Section 1(b)(3), of the State Constitution and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified at Education Code Sections 15264 and following). The proceeds from the sale of the Bonds will be deposited into a Building Fund to be held by the San Diego County Treasurer, as required by the California Education Code, and will be used only for the purposes specified in Measure ___ and not for any other purpose.

Evaluation of Needs: The Board has identified detailed facilities needs of the District and has determined which projects to finance from a local bond at this time. The Board hereby certifies that it has evaluated enrollment growth, student safety, class size

Resolution No. 2024-015

A-7

July 8, 2024

accommodation, repairs/upgrades to older facilities, and information technology needs in developing the Project List as set forth above.

Independent Citizens' Oversight Committee: The Board shall establish an Independent Citizens' Oversight Committee under Education Code Section 15278 to ensure bond proceeds are expended only on the college facilities projects listed above. The Committee will be established within 60 days of the date when the results of the election appear in the minutes of the Board.

Performance Audits: The Board shall conduct an annual, independent performance audit to ensure that the Bond proceeds have been expended only on the college facilities projects listed as set forth above.

Financial Audits: The Board shall conduct an annual, independent financial audit of the Bond proceeds until all of those proceeds have been spent for the college facilities projects listed above.

Annual Report: The Superintendent/President of the District is required to cause an annual report to be filed with the Board, the first report to be filed not later than one year after the issuance of the first series of the Bonds, which report shall contain pertinent information regarding the amount of funds collected and expended, as well as the status of the projects listed in Measure ___ as required by Sections 53410 and 53411 of the Government Code.

Ballot Language

- ▶ List of protections as required by Prop 39
- ▶ List of Fiscal Accountability measures
- ▶ Ballot language includes a very broad listing of capital construction, modernization and remodel projects including infrastructure.
- ▶ Each project is assumed to include its share of furniture, equipment, architectural, engineering, and similar planning costs

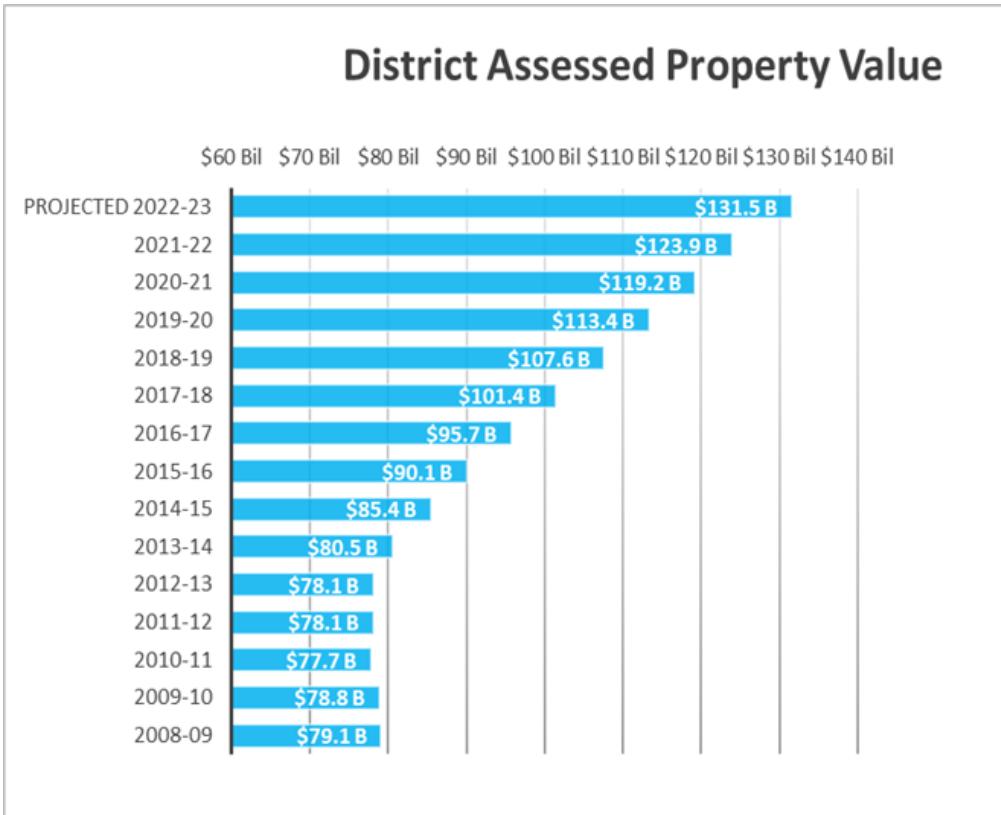


Measure EE: Neutral Analysis Here		California State Propositions
Bonsall Unified School District \$38 million bond.		
Measure HH: YES Analysis Here	Carlsbad Unified School District \$265 million bond.	Prop 6: NEUTRAL Analysis Here Repeals gas and diesel tax increases and vehicle fees that were enacted in 2017 and requires voter approval for fuel tax and vehicle fee increases in the future.
<input checked="" type="radio"/> YES	<input type="radio"/> NO	
Measure JJ: YES Analysis Here	Mountain Empire Unified School District \$15 million bond.	Prop 10: NO Analysis Here State statute that would repeal the Costa-Hawkins Rental Housing Act.
<input checked="" type="radio"/> YES	<input type="radio"/> NO	<input type="radio"/> YES <input checked="" type="radio"/> NO
Measure LL: YES Analysis Here	Vista Unified School District \$247 million bond.	One of the most important functions of the San Diego County Taxpayers Association (SDCTA) is to provide you—the voter—with ballot recommendations that satisfy our criteria for accountable, cost-effective and efficient government. We take pride in the depth of our analysis and the care taken in arriving at our positions.
<input checked="" type="radio"/> YES	<input type="radio"/> NO	SDCTA has reviewed the November 2018 Midterm Election local ballot measures.
Measure MM: YES Analysis Here	Del Mar Union School District \$186 million bond.	We offer detailed analyses of each proposition at www.sdcta.org , and they are also linked in this document. We hope our guide is helpful as you vote on November 6th or cast an absentee ballot beforehand!
<input checked="" type="radio"/> YES	<input type="radio"/> NO	
Measure NN: YES Analysis Here	South Bay Union School District \$18 million bond.	
<input checked="" type="radio"/> YES	<input type="radio"/> NO	
Measure VV: YES Analysis Here	Chula Vista Elementary School District \$150 million bond	
<input checked="" type="radio"/> YES	<input type="radio"/> NO	
Measure SS: YES Analysis Here	Valley Center Fire Protection District. Special parcel tax of \$180 per parcel with low-income senior exemptions to fund essential fire protection/emergency medical services.	
<input checked="" type="radio"/> YES	<input type="radio"/> NO	
Measure YY: NO Analysis Here	San Diego Unified School District \$3.5 billion bond.	
<input type="radio"/> YES	<input checked="" type="radio"/> NO	
		Sincerely,
Haney Hong, President & CEO		

- ▶ Remember there are outside forces at work
- ▶ Build a strong case, focus on areas which received strong support in polls
- ▶ Develop and maximize relationships both internal and external



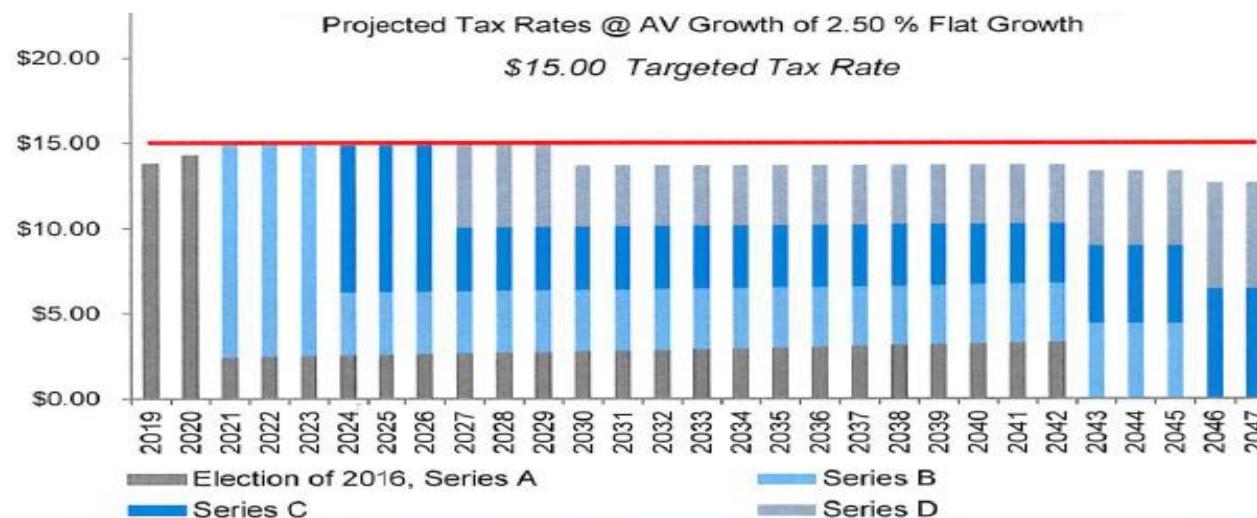
Tax Rate and Bond Sizing



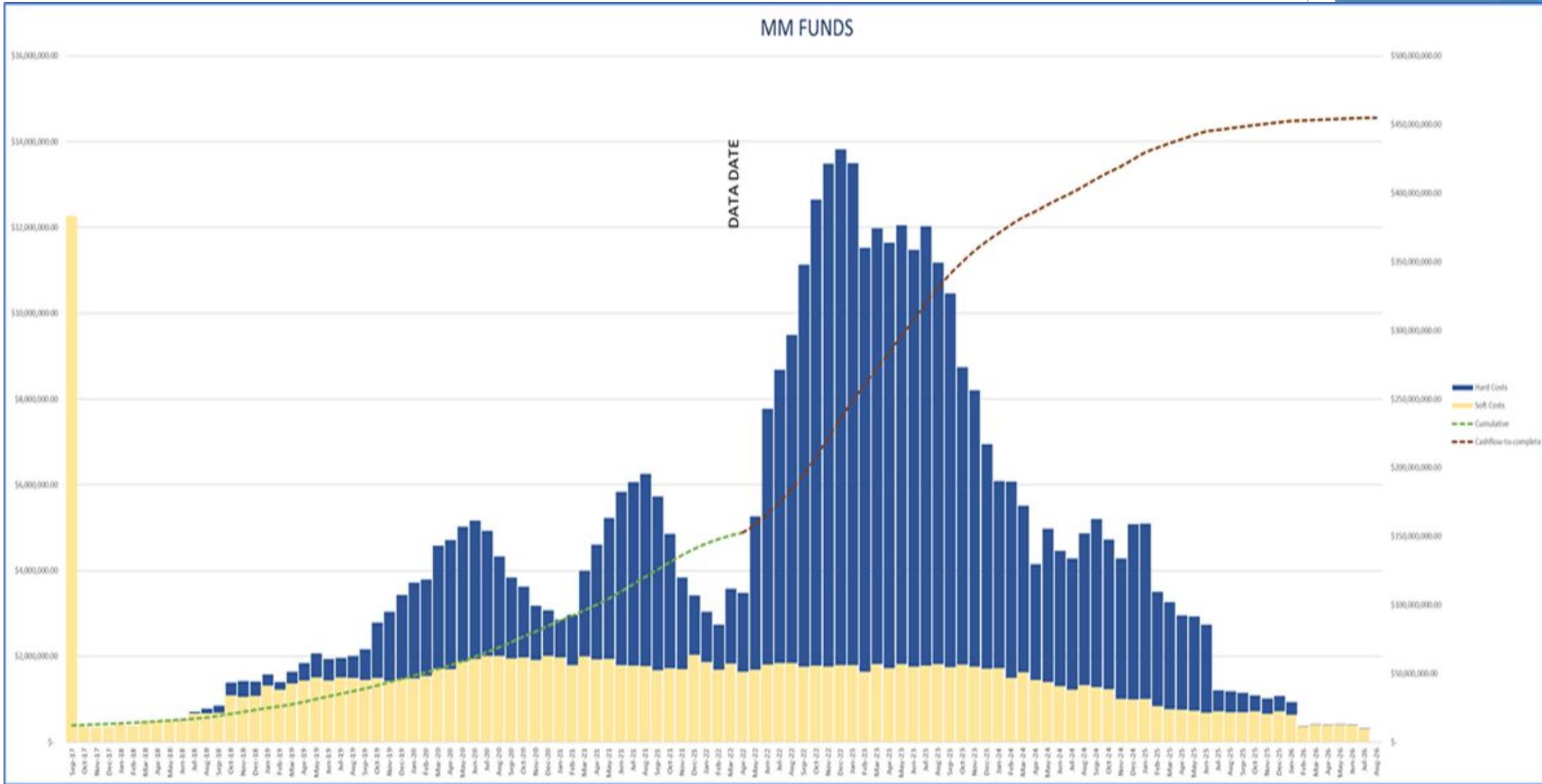
- ▶ Bond sizing includes:
 - ▶ District Assessed Property Value
 - ▶ AV Growth Projections
 - ▶ Keep these realistic
 - ▶ Length of maturity
 - ▶ Prop 39 Limitations
 - ▶ Bonding Capacity Limitations
 - ▶ Legal bonding capacity set at 2.5% of assessed value
 - ▶ Any limits you promised voters

Bond Sales and Stacking Calculations

	Series A	Series B	Series C	Series D
Principal Amount of Bonds:	\$100,000,000	\$125,000,000	\$125,000,000	\$105,000,000
Bond Issuance Date:	September 2017	2020-2021	2024	2027
Interest Rate Assumptions:	Actual	Current Rates as of 2/28/19	Current Rates Plus 100 bps	Current Rates Plus 100 bps
True Interest Cost (TIC):	3.05%	4.04%	4.03%	4.03%
Final Bond Maturity	08/01/2042	08/01/2045	08/01/2047	08/01/2047
Total Bond Debt Service:	145,149,272	\$181,179,867	188,142,267	154,846,600
Total Bond Payback Ratio:	1.45 to 1	1.45 to 1	1.51 to 1	1.47 to 1
Maximum Bond Tax Rate (per \$100,000 AV):	\$15.00	\$15.00	\$15.00	\$15.00
Assessed Valuation Growth Assumptions:	2.50%	2.50%	2.50%	2.50%



Cash Flow / Construction Schedule

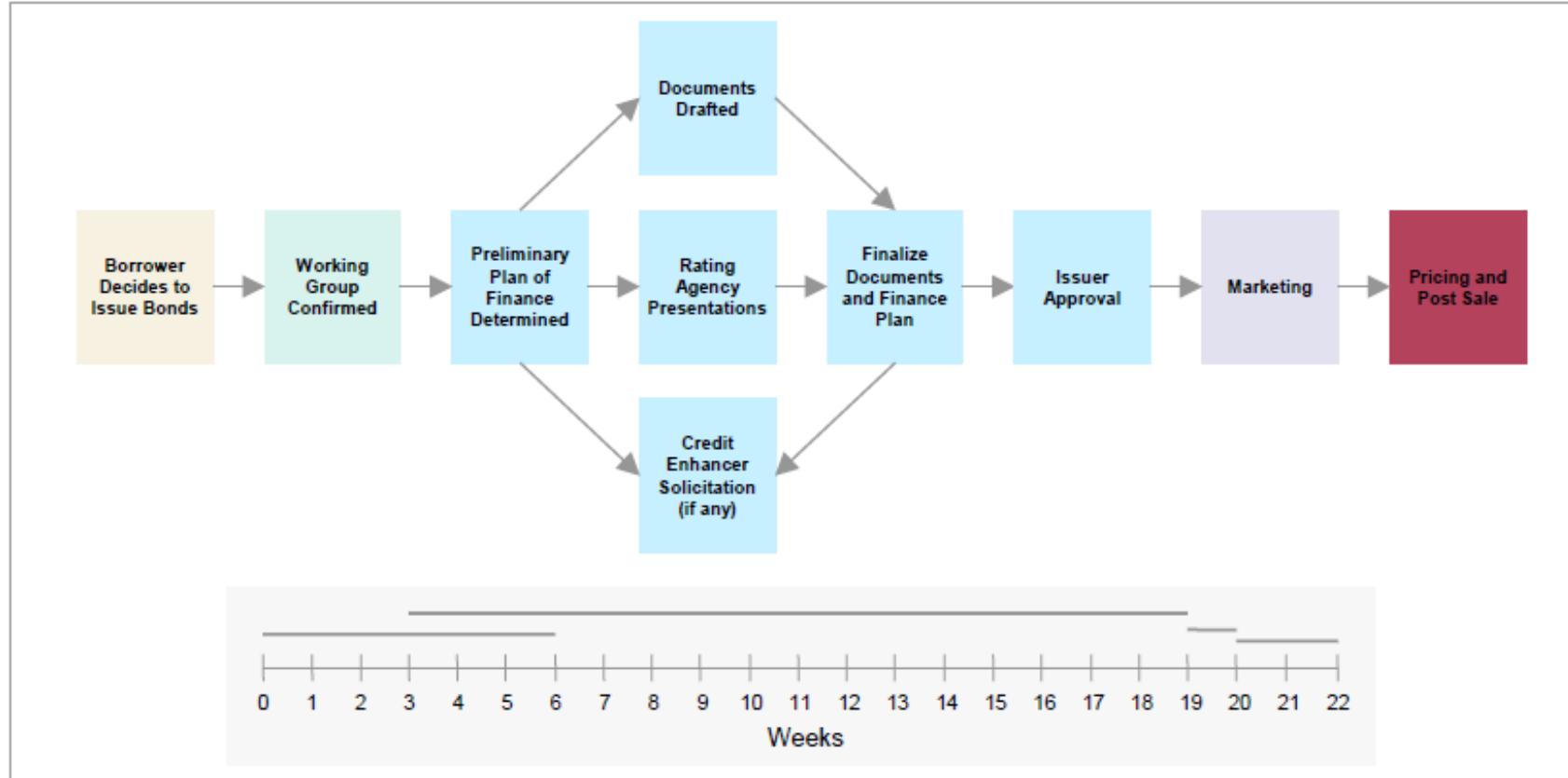


Once the Ballot Measure is Approved,
Now the Real Work Begins!



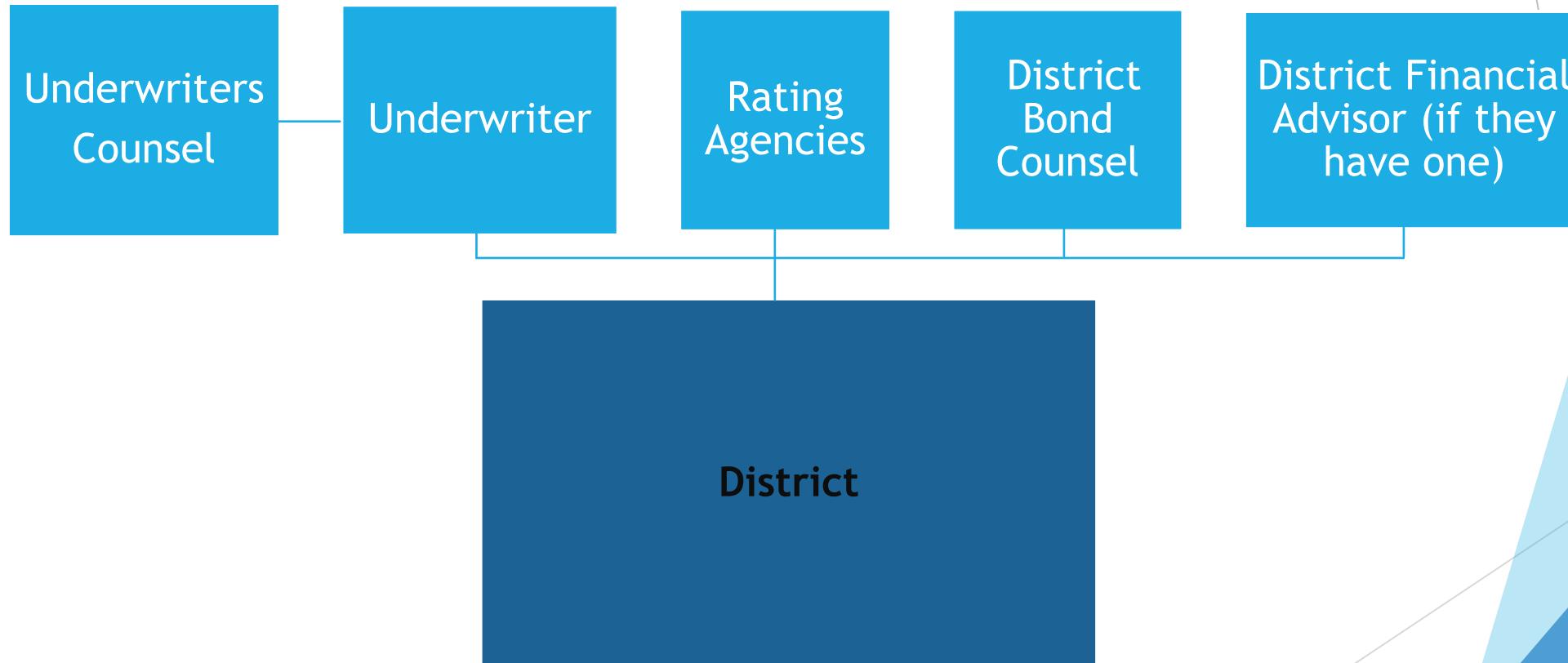
Potential Timeline and Milestones for Finance

Example of Typical Transaction Timeline

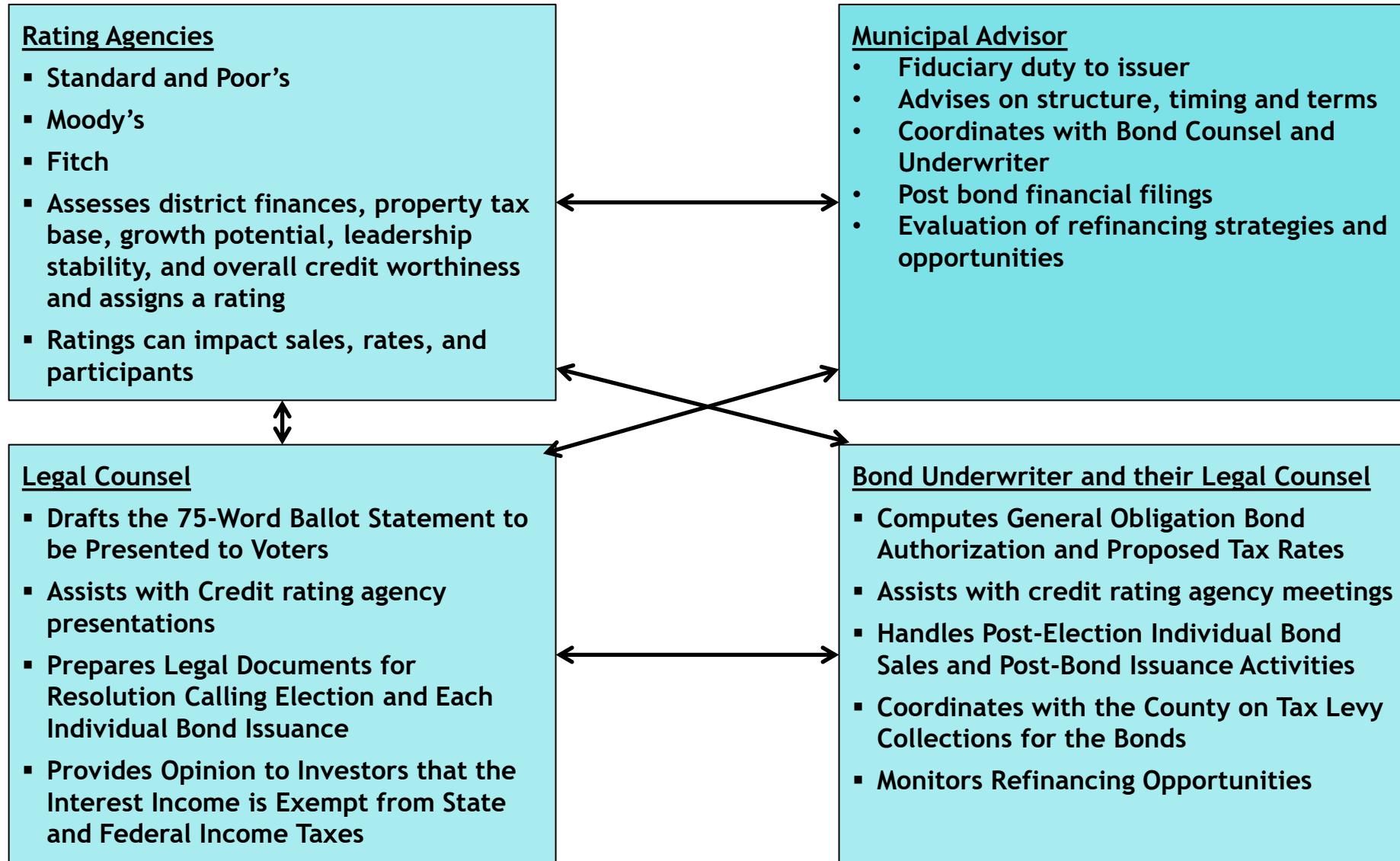


Timeline example from Morgan Stanley

Financing Team Members



Who Are the Professionals Involved in a Bond Election?



Primary Documents

Summary of Description of Legal Documentation

Legal Documentation

Documents	Parties	Purpose	Typical Preparation
Bond Resolution or Indenture	Issuer Issuer and Trustee	Sets forth security provisions and covenants with which borrower must comply; authorizes general issuance of debt; sets forth parameters under which bonds can be issued, flow of funds, pledge of revenues, types of permitted investments and events of default and remedies	Bond Counsel
Series Resolution or Supplemental Indenture	Issuer Issuer and Trustee	Sets forth specific features (amounts, maturities, and redemption features)	Bond Counsel
Loan Agreement (if "conduit" issue – proceeds loaned to another entity such as a college/university, hospital, corporation)	Issuer and Borrower	Provides for loan of bond proceeds to borrowing entity; sets forth covenants with which borrower must comply	Bond Counsel
Bond Purchase Agreement	Underwriter and Issuer	Governs purchase of bonds, provisions for underwriter "outs" and stickers and conditions of closing	Underwriter's Counsel
Preliminary Official Statement ("POS" or Red Herring)	Issuer	Provides information on security, purpose of issue, background on issuer (and borrower); used to market bonds to potential investors; provides means of disclosure The draft version of the Official Statement which is mailed by the issuer or underwriters to determination of prices and interest rates. The primary selling and disclosure document, it contains in-depth information concerning the issuer, the proposed financing's terms and structures and other relevant background information. A statement that no offer for or acceptance of bonds can occur on the basis of the POS is made in red on the left of the cover, thus causing it to be known as the Red Herring.	Underwriter's Counsel
Final Official Statement ("OS")	Issuer	Final Version of POS; includes final rates, maturities, sinking fund payments and redemption provisions	Underwriter's Counsel

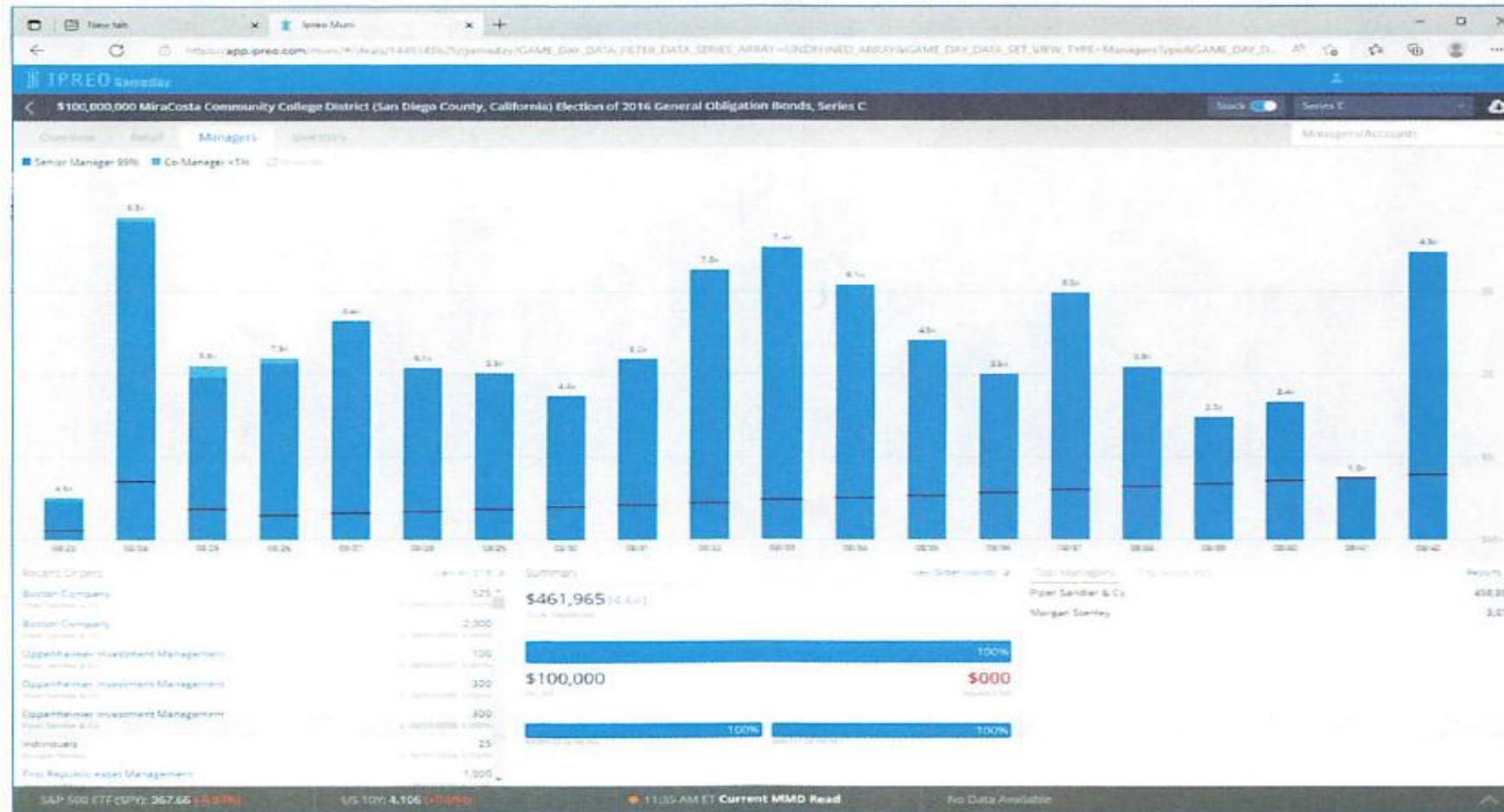
Credit Rating Agency Presentations

- Measure MM Bonds were rated **Aaa** by Moody's Investors Service ("Moody's") and **AAA** by Standard & Poor's Global Ratings ("S&P"). Both ratings are the highest possible ratings that a public agency issuing debt can achieve.
- Moody's cited the following in the District's most recent credit report:
 - Strong financial position supported by the district's deep entrenchment in community funded status
 - Very large and growing tax base
 - Strong resident income levels
- S&P cited the following in the District's most recent credit report:
 - Deep, diverse, and wealthy tax base that is extremely strong on a per capita level
 - Strong financial policies and practices, with an experienced management team
 - Community-funded status that generates an additional \$68 million of operating revenue outside of the state framework
 - Maintenance of very strong and growing available general fund balances, which management expects will continue

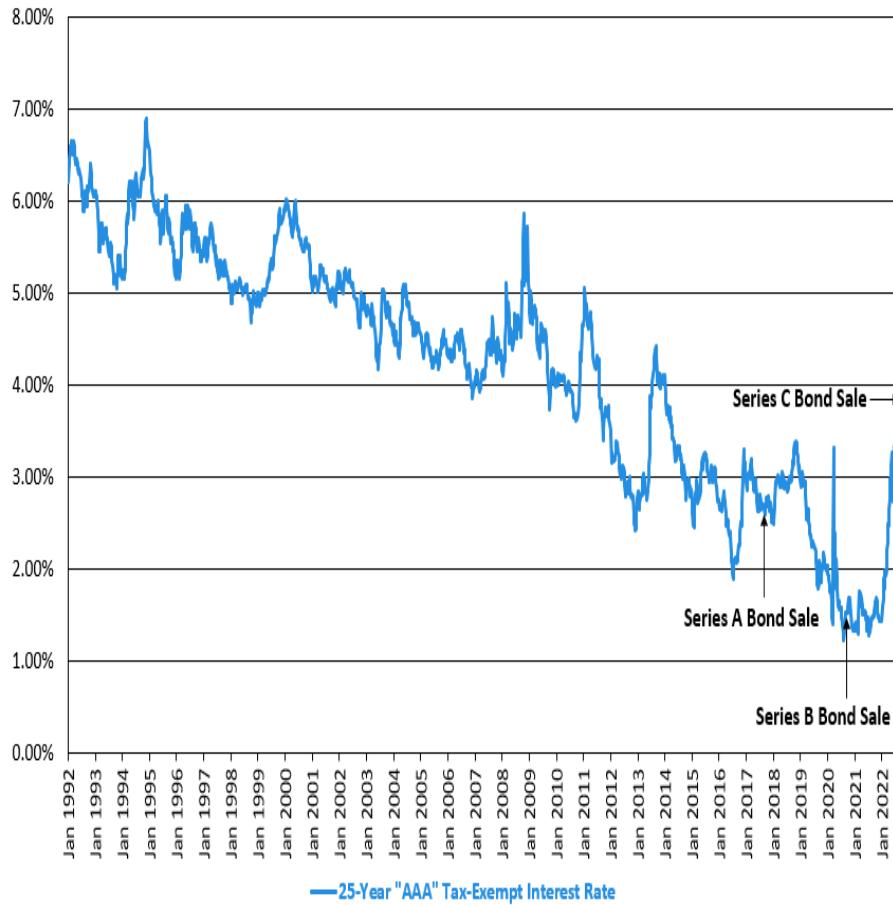
	Moody's	S&P	Rating Description
Investment Grade	Aaa	AAA	Prime
	Aa1	AA+	High grade
	Aa2	AA	
	Aa3	AA-	
	A1	A+	Upper medium grade
	A2	A	
	A3	A-	
	Baa1	BBB+	Lower medium grade
	Baa2	BBB	
	Baa3	BBB-	
Non-Investment Grade	Ba1	BB+	Speculative
	Ba2	BB	
	Ba3	BB-	
	B1	B+	Highly speculative
	B2	B	
	B3	B-	
	Caa1 & below	CCC+ & below	Extremely speculative/ Default

- ▶ Rating designate the bond investment grade.
 - Will impact rate, participation levels
- ▶ Information will likely include:
 - District Overview
 - District Finances
 - District Tax Base
 - Local Economic Factors
 - Bond project lists and financing summary
 - Other info
- ▶ Stay engaged, you need to drive this work

Day of the Sale, Let the Negotiations Begin!



Continue to Monitor Conditions



Comparison of Original vs. Final Measure MM Bond Plans

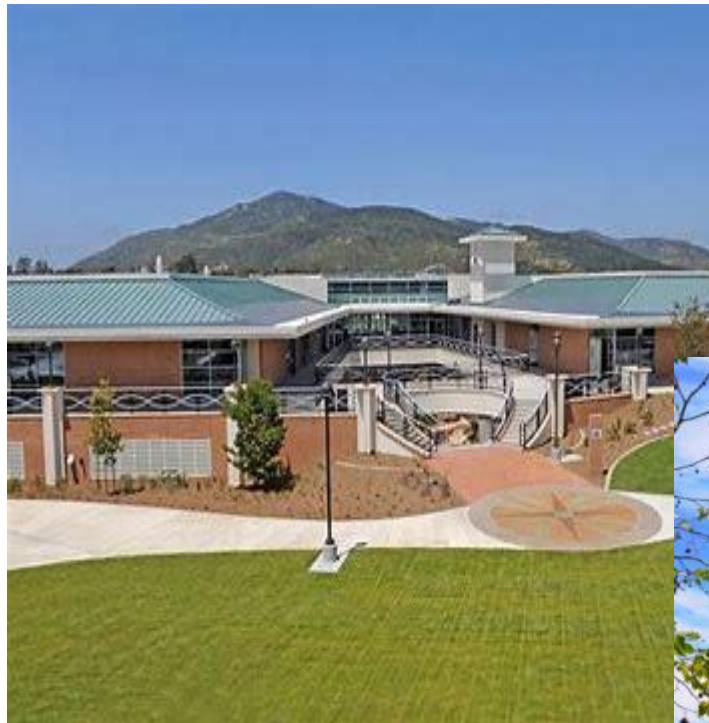
	Original Plan at Election	Final Plan
Issue Summary		
Series A	\$ 80,000,000 (2017)	\$100,000,000 (2017)
Series B	\$125,000,000 (2019)	\$255,000,000 (2020)
Series C	\$125,000,000 (2021)	\$100,000,000 (2022)
Series D	\$125,000,000 (2024)	
Duration to Access All Authorization	7 Years	5 Years
Total Length of Tax	30 Years	28 Years
Maximum Maturity	25 Years	25 Years
% of Capital Appreciation Bonds	0.00%	0.00%
Total Debt Payback	\$777,089,013	\$624,237,764
Total Program Repayment Ratio	1.71 to 1	1.37 to 1
Estimated Maximum Tax Rate	\$14.99	\$14.43
Estimated Average Tax Rate (Per \$100,000 Assessed Valuation)	\$14.99	\$13.07
Assumed AV Growth Rates		
FY 2017-18	4.00%	5.99% (Actual)
FY 2018-19	4.00%	6.49% (Actual)
FY 2019-20	4.00%	5.48% (Actual)
FY 2020-21	4.00%	5.08% (Actual)
FY 2021-22	4.00%	3.94% (Actual)
FY 2022-23	4.00%	7.79% (Actual)
FY 2023-24 and Thereafter	4.00%	3.00%
Assumed AV Delinquency Rates		
Secured	2.00%	2.00%
Unsecured	0.00%	0.00%

Resources

- ▶ Subject Matter Experts (SME's)
 - ▶ Community College Facilities Coalition (CCFC)
 - <https://www.caccfc.org>
 - ▶ Association for Physical Plant Administrators (APPA)
 - <https://www.appa.org/>
 - ▶ ACBO
 - <https://www.acbo.org>
 - ▶ Colleagues and mentors - never be afraid to call and ask questions
 - ▶ Listserves
 - CBO, Facilities
- ▶ State Facilities Planning
 - <https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Facilities-Planning/Reports-and-Guidelines>
- ▶ FUSION System
 - <https://fusion2-prod.azurewebsites.net/Identity/Account/Login>

Always Looking to Market

- 2023 Olivenhain Municipal Water District “Pure Excellence” Award •
- 2024 CMAA Project Achievement Award, Health & Wellness Hub
- 2024 SDCTA Golden Watchdog Award
- 2024 ENR’s CA Regional Best Project for Higher Education - HWH
- 2024 - CMAA Distinguished Owner Honoree, Tom Macias
- SDCTA 100% A+ Transparency Scorecard
- 2025 CMAA Project Achievement Award - Chem/Bio
- 2025 AIA Award - Chem/Bio
- 2025 AIA Award - Health & Wellness Hub
- 2025 AIA Patron of the Year Award
- 2025 - CMAA Distinguished Owner Honoree, Tim Flood
- SDCTA 100% A+ Transparency Scorecard



PROPOSITION R | COMPLETED WINTER 2016

Questions?

