



Meadows Union School District

Certificates of Participation (COPs) Debt Financing Overview

*Board Meeting
June 12th, 2018*

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Background and Current Situation

- The District has \$5.7 million of G.O. Bond funding available today from its 2016 Measure “R” election
- The total cost of the Gymnasium Project is \$7.3 million, funded as follows:

Funding Source	Amount
Available Bond Funds	\$5.7 million
Additional Funding from District	\$1.6 million
Total	\$7.3 million

- The District is eligible for approximately \$2.043 million of State Aid grants, however this may not be received for up to 36 months or longer
- In order to complete the project now, the District is exploring issuing a COP that can be repaid in the future from these State Aid grants

What is a COP?

- A debt obligation payable from any source of funding available to a district, primarily paid from the General Fund
- Unlike a GO Bond, the COPs must be repaid with District funds; a property tax may not be levied to pay the COPs
- However, a COP can be fully repaid from any legally available sources including a GO Bond, Developer Fees, and State Aid Reimbursement
- Proceeds can be used to fund, acquire, and modernize district facilities and equipment
- Typical term of 15-30 years, however, cannot exceed the useful life of the project being financed
- Review by County Office of Education and County Auditor required by Ed Code 17-150

COP Structural Considerations for Meadows Union SD

- Mitigate impact of COPs on General Fund by funding capitalized Interest for first three years allowing the District to have lower payments initially
- Will ensure State Aid grant funds can be used to prepay the COPs
- COP will have an optional Call Provision allowing for the repayment after 2018
- **In the event of a delay in the receipt of State Aid funds, the COP shall be structured in a manner in which payment from the General Fund will be manageable and not impact the day-to-day operations of the District**
- Based on a COP par amount of \$2.275 million, the estimated payoff of the COP in 3 years, or 2021, is \$2.096 million
- The District should be prepared to make the COP payments for a period as long as required until State Aid funds are received or if the amount of State Aid received is less than expected

Proposed COP Structure

2018 Certificates of Participation (COPs)

Current Market Rates +0.25%	
Term	30 years
Par Amount	\$2,275,000
Project Fund	\$1,745,771
True Interest Cost	4.25%
Total Debt Service	\$3,559,706
Repayment Ratio	1.56x
Average Debt Service Payments	\$122,289
Average Payment as % of Expenditures	2.09%

Notes:

1. Preliminary, subject to change; rates as of 6/5/2018
2. Assumes "BBB+" Underlying Rating and "AA" Rated Bond Insurance
3. Assumes \$175,000 cost of issuance, \$30,000 underwriter's discount, 70 bps bond insurance, and 3.5% surety
4. Interest due through 8/1/2021 will be funded through bond proceeds; first interest payment due from the general fund will be 2/1/2022
5. First principal payment due from the general fund will be 2/1/2019
6. FY2017-18 Budget Total Expenditures: \$5,843,876

COP Impact on the General Fund

		\$2.275 Million COP	
FY	Estimated Expenditures ⁽¹⁾	Debt Service ⁽²⁾	COP Payments as % of Expenditures
2018	\$5,843,876	-	-
2019	\$5,960,754	\$85,000	1.43%
2020	\$6,079,969	\$45,000	0.74%
2021	\$6,201,568	\$45,000	0.73%
2022	\$6,325,600	\$82,903	1.31%
2023	\$6,452,112	\$120,272	1.86%
2024	\$6,581,154	\$123,988	1.88%
2025	\$6,712,777	\$122,488	1.82%
2026	\$6,847,033	\$120,988	1.77%
2027	\$6,983,973	\$124,413	1.78%
2028	\$7,123,653	\$122,763	1.72%

⁽¹⁾General Fund Adopted Budget for Fiscal Year 2017-18; assumes 2% annual growth

⁽²⁾Debt service is net of capitalized interest; assumes term of 30 years

New Construction Grant Eligibility

- Eligibility is determined by the gap between projected enrollment and existing classroom capacity
- Based on the review of State records and our site visit, the District is eligible for \$619,493 million in New Construction Grants
- New Construction Grants may be utilized district wide and are not restricted to any particular site

Meadows Union School District, New Construction Grant Eligibility			
Type	Per Pupil Grant	Pupil Grants	Estimated Amount
K-6	\$11,567	25	\$289,175
7-8	\$12,234	27	\$330,318
Total New Construction Grant Eligibility			\$619,493

Modernization Grant Eligibility

- Modernization Eligibility is established separately for each school site
- Eligibility is calculated by site and the number of eligible permanent and portable classrooms based on age (25 or over for permanent, 20 or over for portables) and that students enrolled in those facilities are based on State loading standards
- Based on the review of State records and our site visit, the District has approximately \$353,250 in Modernization Grant Eligibility

Meadows Union School District, Modernization Grant Eligibility			
Type	Per Pupil Grant	Pupil Grants	Estimated Amount
K-6	\$4,404	58	\$255,432
7-8	\$4,658	21	\$97,818
Total Modernization Grant Eligibility			\$353,250

Site Development Grant Eligibility

In addition to providing funding based on enrollment and age of the facilities, the State will also assist in Site Development costs associated with the particular project. These include:

- ✓ Site clearance and demolition
- ✓ Rerouting utility lines, storm drains and erosion control
- ✓ Relocation of portable, stairs and retaining walls, and any fire code requirements
- ✓ Curbs and gutters, sidewalks and street lights
- ✓ Any cost of bringing utilities onto the site including water, sewer, gas, and electrical

Based on the Meadows gymnasium project requirements, the architect was able to identify over \$2 million that was attributable to Site Development. As a result, the District will be eligible to be reimbursed for 50% of those expenses, or over \$1 million from the State.

Summary of State Aid Grant Eligibility

Meadows Union School District			
Type	Per Pupil Grant	Pupil Grants	New Construction
K-6	\$11,567	25	\$289,175
7-8	\$12,234	27	\$330,318
Subtotal New Construction Grant Eligibility			\$619,493

Type	Per Pupil Grant	Pupil Grants	Modernization
K-6	\$4,404	58	\$255,432
7-8	\$4,658	21	\$97,818
Subtotal Modernization Grant Eligibility			\$353,250

Site Development Grant Eligibility			\$1,070,261
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TOTAL STATE AID GRANT ELIGIBILITY			\$2,043,004
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Next Steps

- 1) **June 12th** - Board to review information and options presented tonight before reaching a final decision
- 2) **July 10th** – Final COP structure and legal documents presented to Board for approval at the July Board meeting
- 3) **By July 30th** - Acquire credit rating on the COPs
- 4) **By August 8th** – Solicit investors, negotiate interest rates and sell COPs
- 5) **By August 30th** - Close COP transaction

Questions?

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