
San Diego Unified School District

Proposition S Bond Financing Update





Proposition S Authorization

- \$2.1 billion of bonds authorized by voters on November 4, 2008
- 68.71% voter approval
- Secured by general obligation (“G.O.”) property tax pledge
- Extends current Prop. MM tax rate of \$66.70 / \$100,000 of assessed property value
- Original Prop. S bond program assumptions:
 - Phased issuances
 - Expected \$200 million to be available annually
 - Bonds to be issued with 25 year maturities (option for longer term)
 - Bonds to be issued over period of 10 years
 - Final payment in 2044
 - Total debt service of \$5.9 billion

Borrowing Constraints

- District assessed valuation (“A.V.”):
 - Slowing A.V. growth has delayed ability to borrow
 - Program originally anticipated 5% annual A.V. growth rate
- Maximum tax rate of \$66.70 / \$100,000 of A.V.
- Interest rates / market environment:
 - Higher rates and turmoil in financial markets could reduce future ability to borrow
 - Model assumes following interest rates:
 - Actual interest rates for debt issued
 - 6.0% rate for future capital appreciation bonds

Assessed Valuation Growth

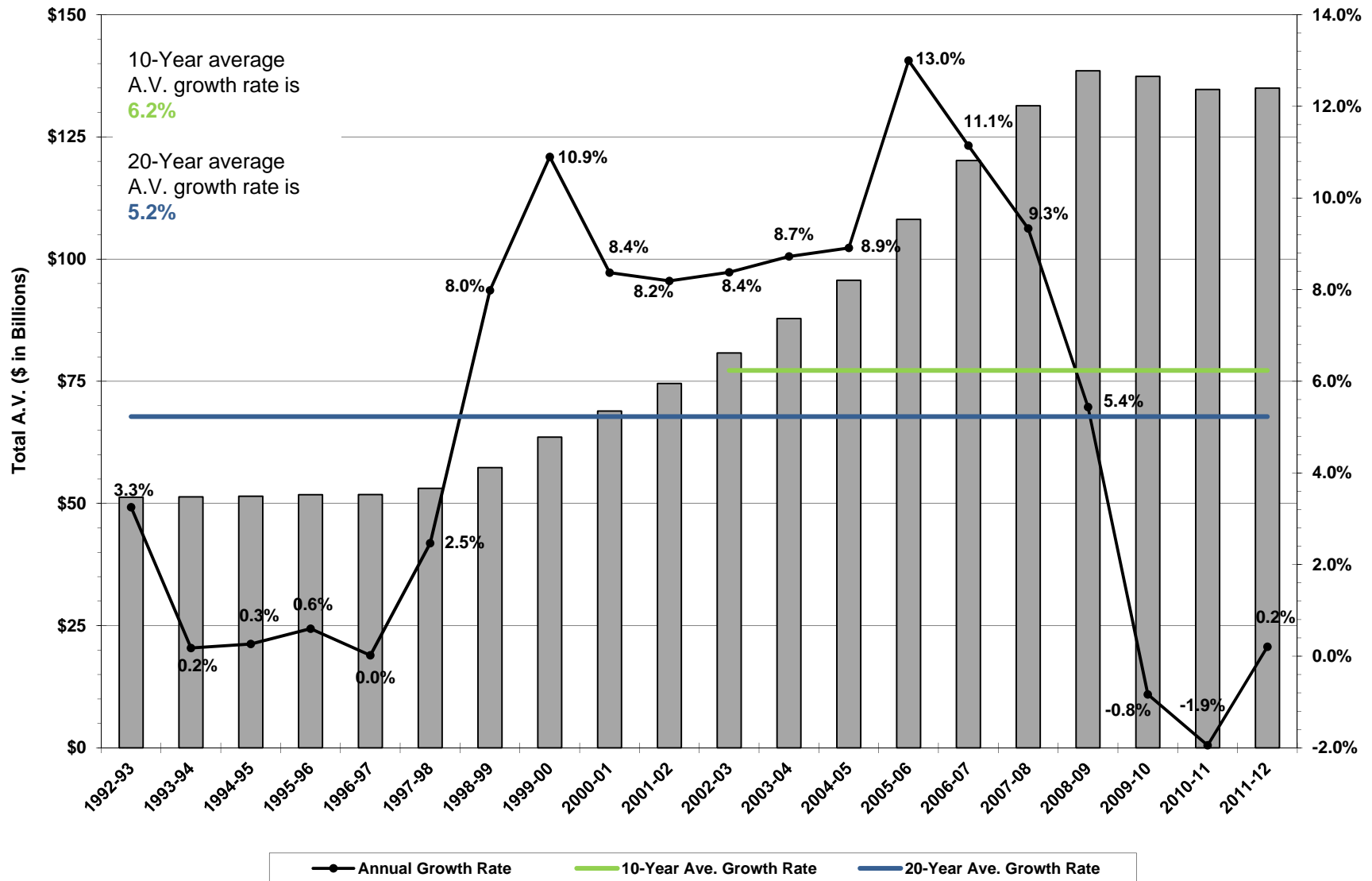
- A.V. growth key component of ability to borrow
- Real estate downturn has significantly impacted Prop. S
- Proposition 13 typically limits downside potential
- A.V. growth rate assumptions:

Fiscal Year	A.V. Growth Rate
2009/10*	(0.91%)
2010/11*	(1.91%)
2011/12*	0.53%
2012/13	1.0%
2013/14	2.0%
2014/15	3.0%
2015/16	4.0%
Thereafter	5.0%

* Actual secured A.V. growth rate



Historic District A.V. Growth (Secured + Unsecured)





Projected Revenues for Prop. S

Fiscal Year Ending	A.V. For Rate Setting	Projected A.V. Increase From Prior	Tax Rate	Projected Property Taxes Generated	Cash Balance	Use of G.O. Tax Reserve	Total Funds Available for D/S	Existing Prop. MM D/S	Existing Prop. S D/S	Funds Available for New Prop. S D/S
2011	\$132,040,443,330	-1.91%	0.0667%	\$88,070,976	\$7,994,480	\$5,643,203	\$101,708,659	\$101,250,416	\$0	\$458,242
2012	132,314,094,782	0.53%	0.0667%	88,253,501	7,626,994	8,766,984	104,647,479	103,402,479	1,245,000	0
2013	133,637,454,849	1.00%	0.0667%	89,136,182	7,500,000	5,722,075	102,358,257	103,535,659	1,500,000	(2,677,401)
2014	136,310,203,946	2.00%	0.0667%	90,918,906	7,500,000	0	98,418,906	105,042,709	1,540,000	(8,163,803)
2015	140,399,282,093	3.00%	0.0667%	93,646,321	7,500,000	0	101,146,321	107,031,975	1,350,000	(7,235,654)
2016	146,014,788,316	4.00%	0.0667%	97,391,864	7,500,000	0	104,891,864	110,197,505	1,320,000	(6,625,641)
2017	153,314,816,189	5.00%	0.0667%	102,260,982	7,500,000	0	109,760,982	111,748,370	1,185,000	(3,172,388)
2018	160,979,831,224	5.00%	0.0667%	107,373,547	7,500,000	0	114,873,547	114,065,270	5,030,000	(4,221,723)
2019	169,028,082,496	5.00%	0.0667%	112,741,731	7,500,000	0	120,241,731	115,933,143	12,500,000	(8,191,411)
2020	177,478,731,526	5.00%	0.0667%	118,378,314	7,500,000	0	125,878,314	118,167,436	13,999,800	(6,288,922)
2021	186,351,897,905	5.00%	0.0667%	124,296,716	7,500,000	0	131,796,716	120,778,606	14,999,800	(3,981,690)
2022	195,668,707,199	5.00%	0.0667%	130,511,028	7,500,000	0	138,011,028	123,453,869	15,999,800	(1,442,641)
2023	205,451,341,246	5.00%	0.0667%	137,036,045	7,500,000	0	144,536,045	126,188,701	17,499,800	847,543
2024	215,723,090,969	5.00%	0.0667%	143,887,302	7,500,000	0	151,387,302	126,358,626	24,624,800	403,875
2025	226,508,411,831	5.00%	0.0667%	151,081,111	7,500,000	0	158,581,111	130,099,876	32,949,800	(4,468,566)
2026	237,832,982,063	5.00%	0.0667%	158,634,599	7,500,000	0	166,134,599	134,447,644	33,249,800	(1,562,845)
2027	249,723,763,799	5.00%	0.0667%	166,565,750	7,500,000	0	174,065,750	138,624,156	37,129,800	(1,688,206)
2028	262,209,067,275	5.00%	0.0667%	174,893,448	7,500,000	0	182,393,448	142,286,194	24,099,362	16,007,892
2029	275,318,618,230	5.00%	0.0667%	183,637,518	7,500,000	0	191,137,518	119,531,994	29,949,800	41,655,725
2030	289,083,628,684	5.00%	0.0600%	174,326,665	7,500,000	0	181,826,665	0	80,429,800	101,396,865
2031	303,536,871,253	5.00%	0.0600%	182,122,123	7,500,000	0	189,622,123	0	81,581,038	108,041,085
2032	318,712,757,172	5.00%	0.0600%	191,227,654	7,500,000	0	198,727,654	0	83,051,138	115,676,517
2033	334,647,418,234	5.00%	0.0600%	200,788,451	7,500,000	0	208,288,451	0	84,941,238	123,347,213
2034	351,378,792,814	5.00%	0.0600%	210,827,276	7,500,000	0	218,327,276	0	33,991,238	184,336,038
2035	368,946,716,196	5.00%	0.0600%	221,368,030	7,500,000	0	228,868,030	0	46,536,238	182,331,792
2036	387,393,015,422	5.00%	0.0600%	232,435,809	7,500,000	0	239,935,809	0	48,786,238	191,149,572
2037	406,761,608,878	5.00%	0.0600%	244,056,965	7,500,000	0	251,556,965	0	51,156,238	200,400,728
2038	427,098,610,860	5.00%	0.0600%	256,259,167	7,500,000	0	263,759,167	0	53,636,238	210,122,929
2039	448,452,441,371	5.00%	0.0600%	269,071,465	7,500,000	0	276,571,465	0	56,246,238	220,325,227
2040	470,873,941,408	5.00%	0.0600%	282,524,365	7,500,000	0	290,024,365	0	58,986,238	231,038,127

↓ CONTINUED UNTIL FINAL MATURITY ↓

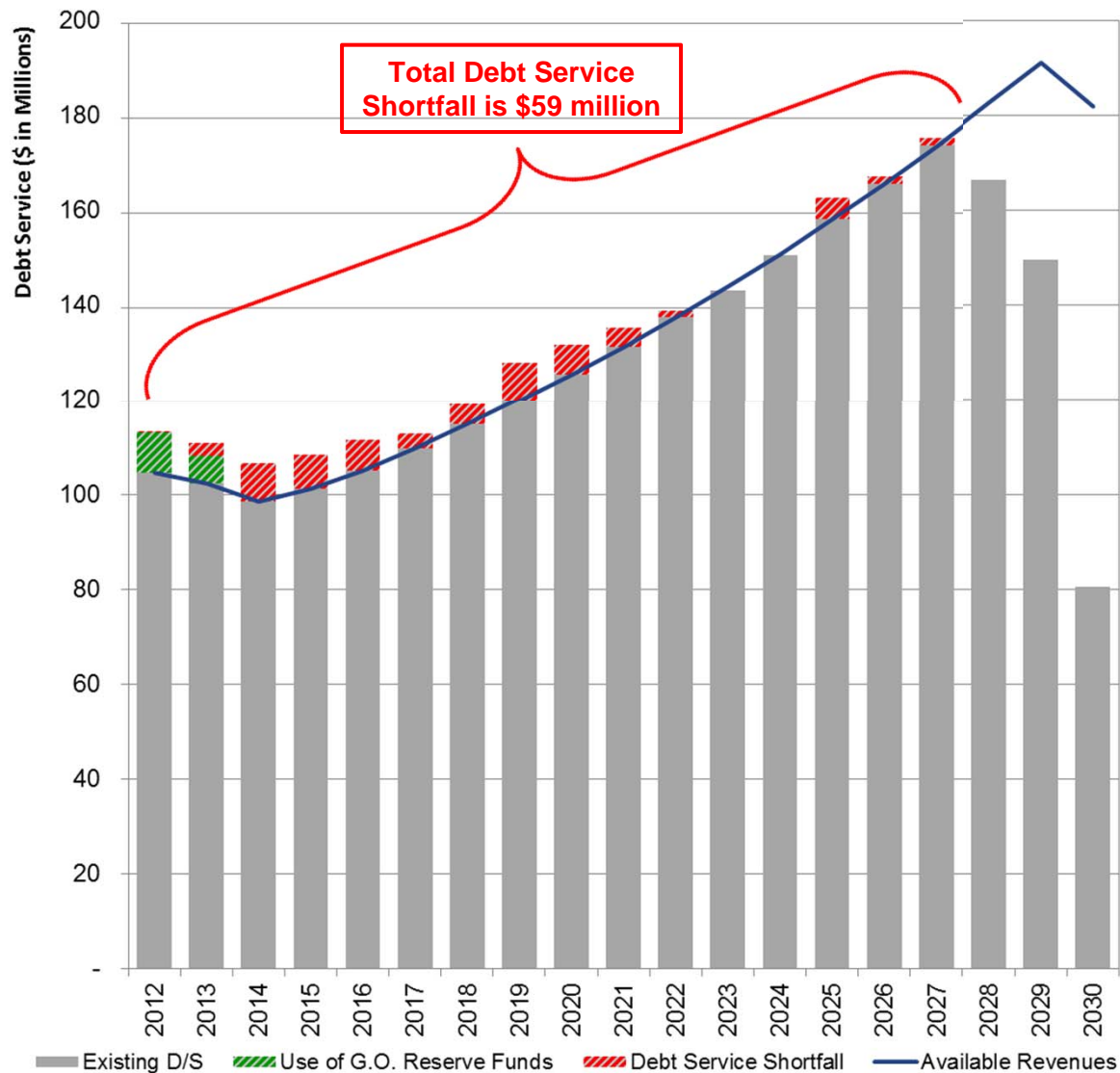
Challenge: How to Read Ballot Language

- It is unclear whether Prop. S bond program ballot language precludes District from issuing any future new money Prop. S bonds while financing model projects a tax rate that exceeds \$66.67/\$100,000 threshold. Ballot language reads:

“Based on historical assessed value data and certain assumptions about future growth in assessed values and how, when and at what cost the bonds will be issued, the District shall only issue bonds if it projects that the tax rate necessary to pay debt service on the proposed bonds, when combined with the tax rate necessary to pay debt service on presently outstanding bonds in each year, will not exceed the rate levied in the 2007-2008 fiscal year (being \$66.70/\$100,000 of assessed value) to pay debt service on the presently outstanding bonds alone.”

- Financing model projections show that required tax rate will exceed \$66.70/\$100,000 threshold beginning in 2012/13, in order to repay previously issued bonds

Challenge: Tax Revenue Shortfall



Fiscal Year	Debt Service Shortfall	Tax Rate in \$/\$100,000
2012	\$0	\$0.00
2013	(\$2,677,401)	(\$2.00)
2014	(\$8,163,803)	(\$5.99)
2015	(\$7,235,654)	(\$5.15)
2016	(\$6,625,641)	(\$4.54)
2017	(\$3,172,388)	(\$2.07)
2018	(\$4,221,723)	(\$2.62)
2019	(\$8,191,411)	(\$4.85)
2020	(\$6,288,922)	(\$3.54)
2021	(\$3,981,690)	(\$2.14)
2022	(\$1,442,641)	(\$0.74)
2023	\$0	\$0.00
2024	\$0	\$0.00
2025	(\$4,468,566)	(\$1.97)
2026	(\$1,562,845)	(\$0.66)
2027	(\$1,688,206)	(\$0.68)
Total	(\$59,720,891)	

Strategy I: Validation Process

- Propose issuance of new money Prop. S bonds, structured so that their repayment will not cause tax rate to exceed \$66.70 / \$100,000 threshold
- District approves resolution in January 2012 authorizing issuance of proposed new money Prop. S bonds
- After 60 days, validation period passes and District can issue proposed new money Prop. S bonds
- As long as projections show tax rates exceeding \$66.70 / \$100,000, District will be required to go through validation process each time it issues subsequent series of Prop. S bonds

Strategy II: Restructure Existing Debt

- In second strategy, District would issue a series of refunding bonds that will:
 - ✓ Restructure Prop. MM and Prop. S debt service in such a manner that eliminates tax rate shortfall, and
 - ✓ Provide annual debt service savings in each year and comply with all State law restrictions for G.O. refunding bonds
- Current projections show cumulative tax rate shortfall of approximately \$59 million
- If successful, refinancing will eliminate tax rate shortfall and allow District to immediately issue new money Prop. S Bonds
- This strategy has been reviewed and approved by District's bond counsel

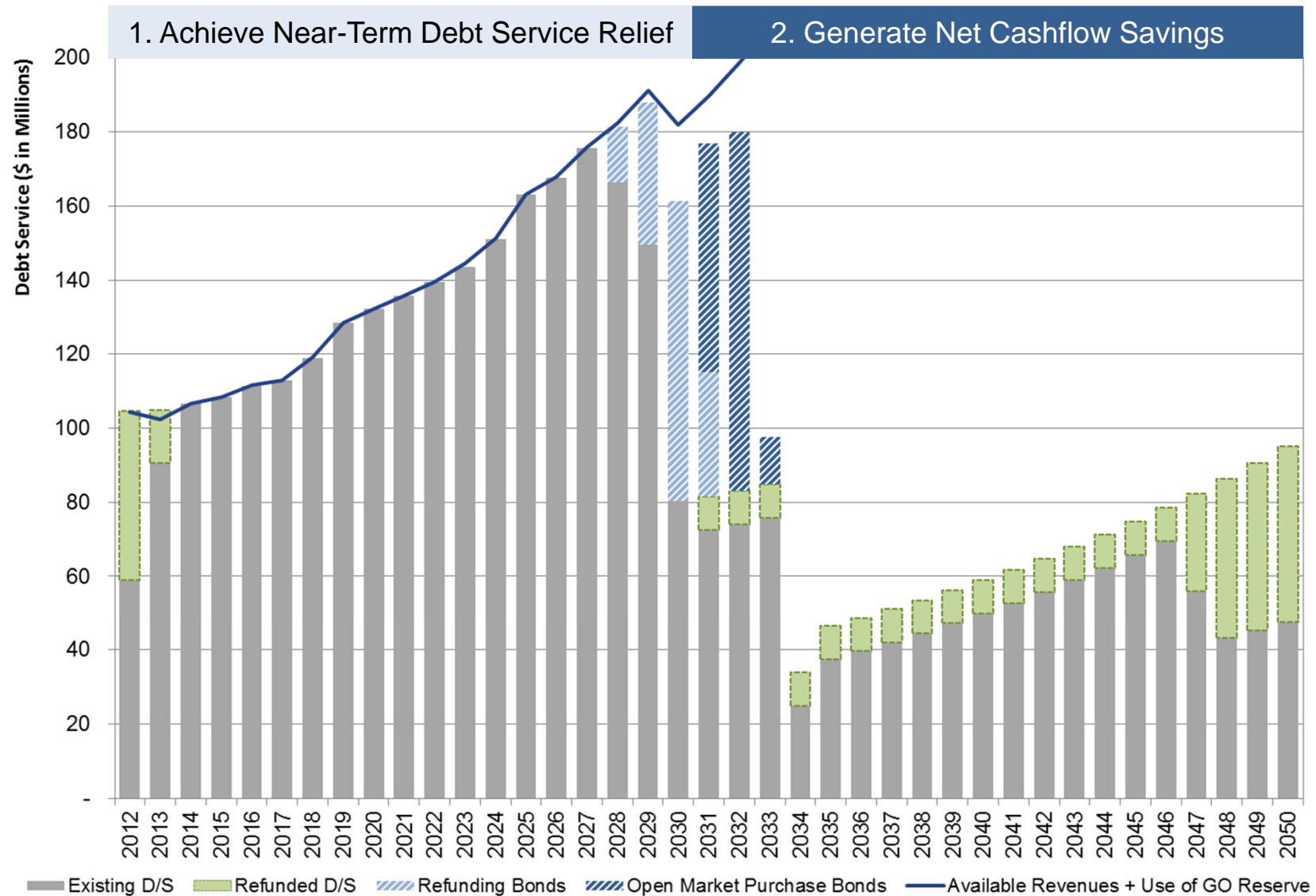
Strategy II: Refunding Component

- Refunding is a two-step, combined plan of finance which eliminates tax rate shortfall through a refunding and an open market purchase
- Refunding component of this strategy will:
 - ✓ Refund \$45 million of debt service due on July 1, 2012
 - ✓ Refund \$14 million of debt service due on July 1, 2013
 - ✓ Generate \$59 million of total debt service savings
- Debt service savings will result in \$59 million being made available, which will be utilized in years 2012/13 through 2026/27 to offset projected tax rate shortfalls
- Refunding bonds will mature after 2027, when financing model projects sufficient capacity to support debt service of refunding bonds

Strategy II: Open Market Purchase Component

- Open market purchase component of this strategy will:
 - ✓ Purchase and refund a portion of the District's 2009 and/or 2010 Prop. S bonds that mature from 2040 to 2050
 - ✓ Purchase will be financed with newly issued non-callable capital appreciation bonds maturing in years 2028 through 2033
- Debt service savings associated with refunding of purchased bonds will more than offset dis-savings associated with restructuring of 2012 and 2013 maturities
- Two-step plan will result in lower total debt service savings and a final maturity that is shorter than final maturity of refunded bonds

Strategy II: Create Near-Term Savings to Offset Shortfall

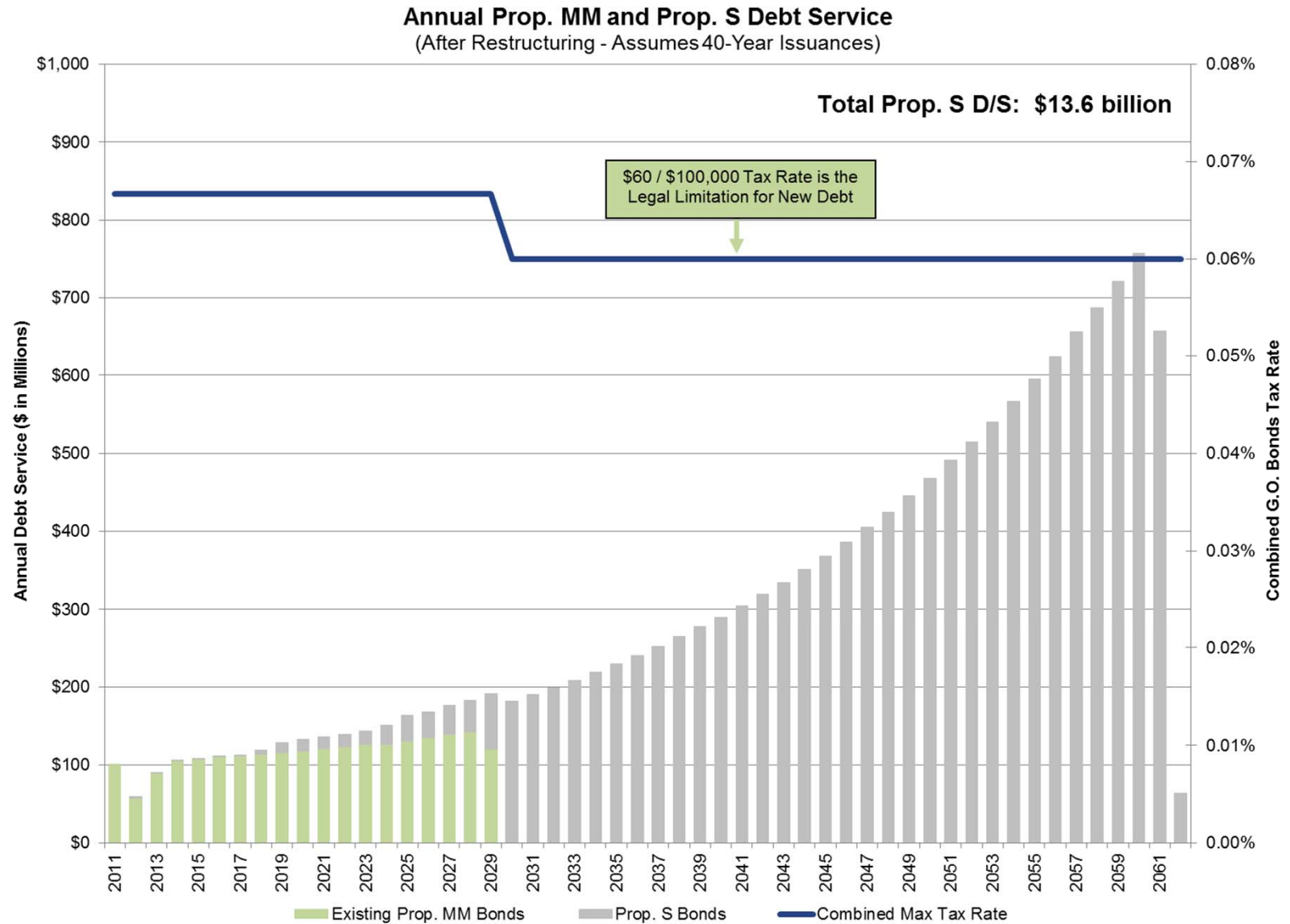


Projected Issuance Schedule After Successful Restructuring

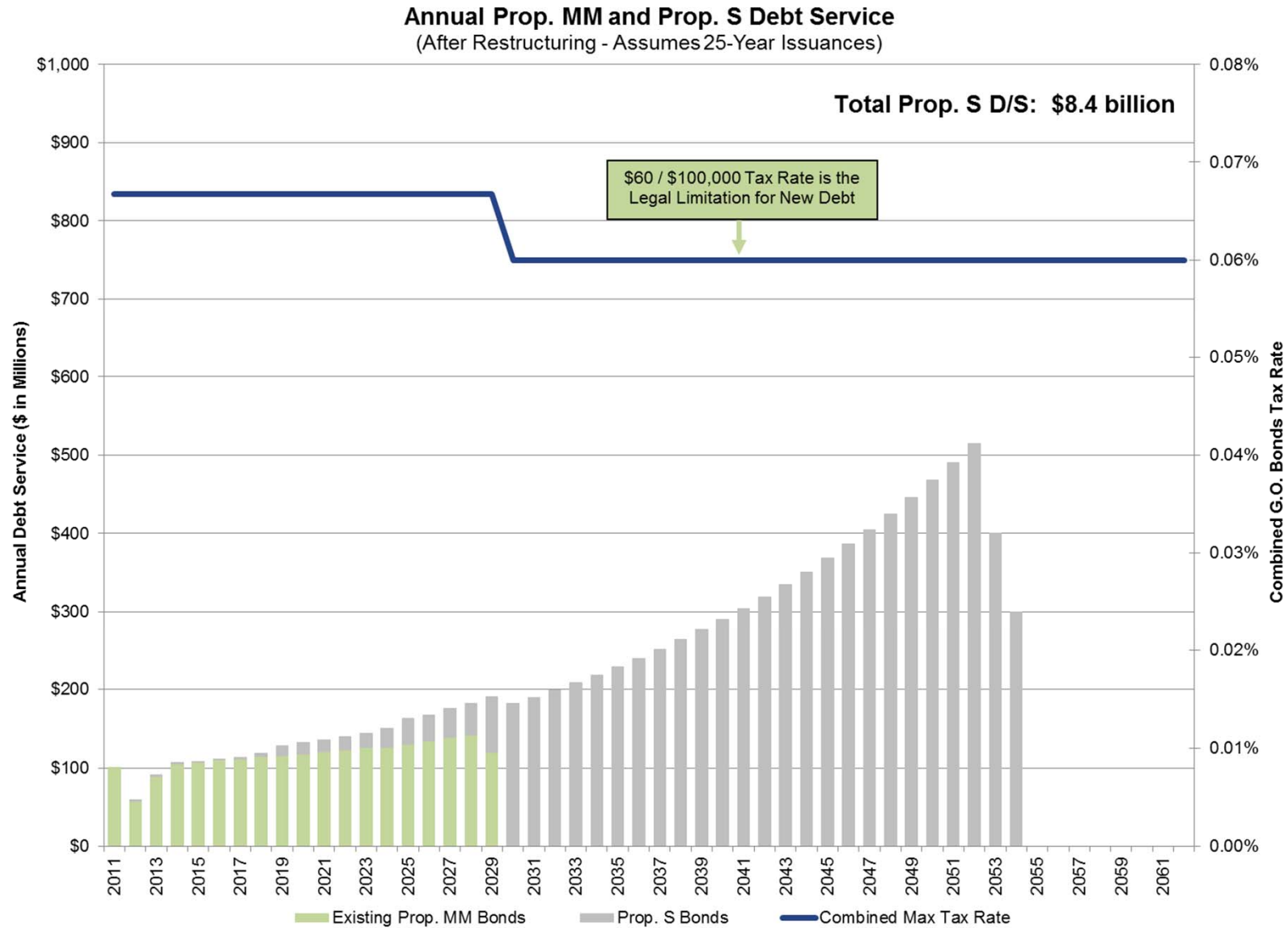
40 Year Structure			25 Year Issuance Structure	
Issuance Date	Est. Proceeds	Est. Maturity	Est. Proceeds	Est. Maturity
April 2009	\$170 mm*	July 1, 2033 (24 years)	\$170 mm*	July 1, 2033 (24 years)
August 2010	\$200 mm*	July 1, 2050 (40 years)	\$200 mm*	July 1, 2050 (40 years)
March 2012	\$150 mm	July 1, 2051 (40 years)	\$90 mm	July 1, 2037 (25 years)
August 2013	\$130 mm	July 1, 2052 (40 years)	\$60 mm	July 1, 2038 (25 years)
August 2014	\$130 mm	July 1, 2053 (40 years)	\$60 mm	July 1, 2039 (25 years)
August 2015	\$125 mm	July 1, 2054 (40 years)	\$60 mm	July 1, 2040 (25 years)
August 2016	\$125 mm	July 1, 2055 (40 years)	\$60 mm	July 1, 2041 (25 years)
August 2017	\$125 mm	July 1, 2056 (40 years)	\$60 mm	July 1, 2042 (25 years)
August 2018	\$125 mm	July 1, 2057 (40 years)	\$65 mm	July 1, 2043 (25 years)
August 2019	\$125 mm	July 1, 2058 (40 years)	\$65 mm	July 1, 2044 (25 years)
August 2020	\$125 mm	July 1, 2059 (40 years)	\$70 mm	July 1, 2045 (25 years)
August 2021	\$120 mm	July 1, 2060 (40 years)	\$75 mm	July 1, 2046 (25 years)
August 2022	\$115 mm	July 1, 2061 (40 years)	\$85 mm	July 1, 2047 (25 years)
August 2023	\$115 mm	July 1, 2061 (39 years)	\$95 mm	July 1, 2048 (25 years)
August 2024	\$110 mm	July 1, 2061 (38 years)	\$100 mm	July 1, 2049 (25 years)
August 2025	\$110 mm	July 1, 2062 (38 years)	\$130 mm	July 1, 2050 (25 years)
August 2026	--	--	\$145 mm	July 1, 2051 (25 years)
August 2027	--	--	\$155 mm	July 1, 2052 (25 years)
August 2028	--	--	\$155 mm	July 1, 2053 (25 years)
August 2029	--	--	\$200 mm	July 1, 2054 (25 years)

* Actual issuance amounts

Debt Service - 40 Year Issuances



Debt Service - 25 Year Issuances



Prop. S Model Comparison

	Original 2008 Assumptions	2009 Board Workshop Model	Restructure Model (25-Year)	Restructure Model (40-Year)
Total proceeds generated	\$2.1 billion	\$2.1 billion	\$2.1 billion	\$2.1 billion
Total number of issuances	6	15	20	16
Date of final issuance	2019	2023	2029	2025
Date of final payment	2044	2053	2054	2062
Average proceeds per each remaining issuance	\$350 million	\$157 million	\$96 million	\$124 million
Total debt service cost	\$5.9 billion	\$7.9 billion	\$8.4 billion	\$13.6 billion
P.V. of Proceeds*	\$1.8 billion	\$1.6 billion	\$1.4 billion	\$1.6 billion

* Present value calculated on an annual basis assuming a 5% discount rate.