



DOWNEY UNIFIED SCHOOL DISTRICT

Overview of the Basics of General Obligation Bonds And Review of Past General Obligation Bond Programs

January 11, 2022

I. Overview of the Basics of General Obligation Bonds

The Basics of General Obligation Bonds

1. The General Obligation Bond is a Widely Used Financing Mechanism for Funding Capital Projects by California School Districts.
 2. General Obligation Bonds are Subject to Voter Approval at a **55%** Passage Rate.
 3. In 2022, California School Districts Can Place General Obligation Bond Measures on the **November Gubernatorial Election**.
 4. General Obligation Bonds are Repaid by Property Taxes Based on Assessed Valuation and Not Market Value. (**\$60/\$100,000 Limitation for Unified School District**)
 5. District's Board Votes to Place the Bond Measure on the Ballot with **Five Affirmative Votes Required on a Seven Member Board**.
 6. District's Board Votes to Prioritize the Projects to be Funded by the Bond Measure.
 7. District's Board Votes to Approve Each Individual Bond Issuance.
 8. A Citizen's Bond Oversight Committee is Required.
 - Accountability/Annual Audit/Transparency.
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What Types of Projects Can Be Funded with General Obligation Bonds?

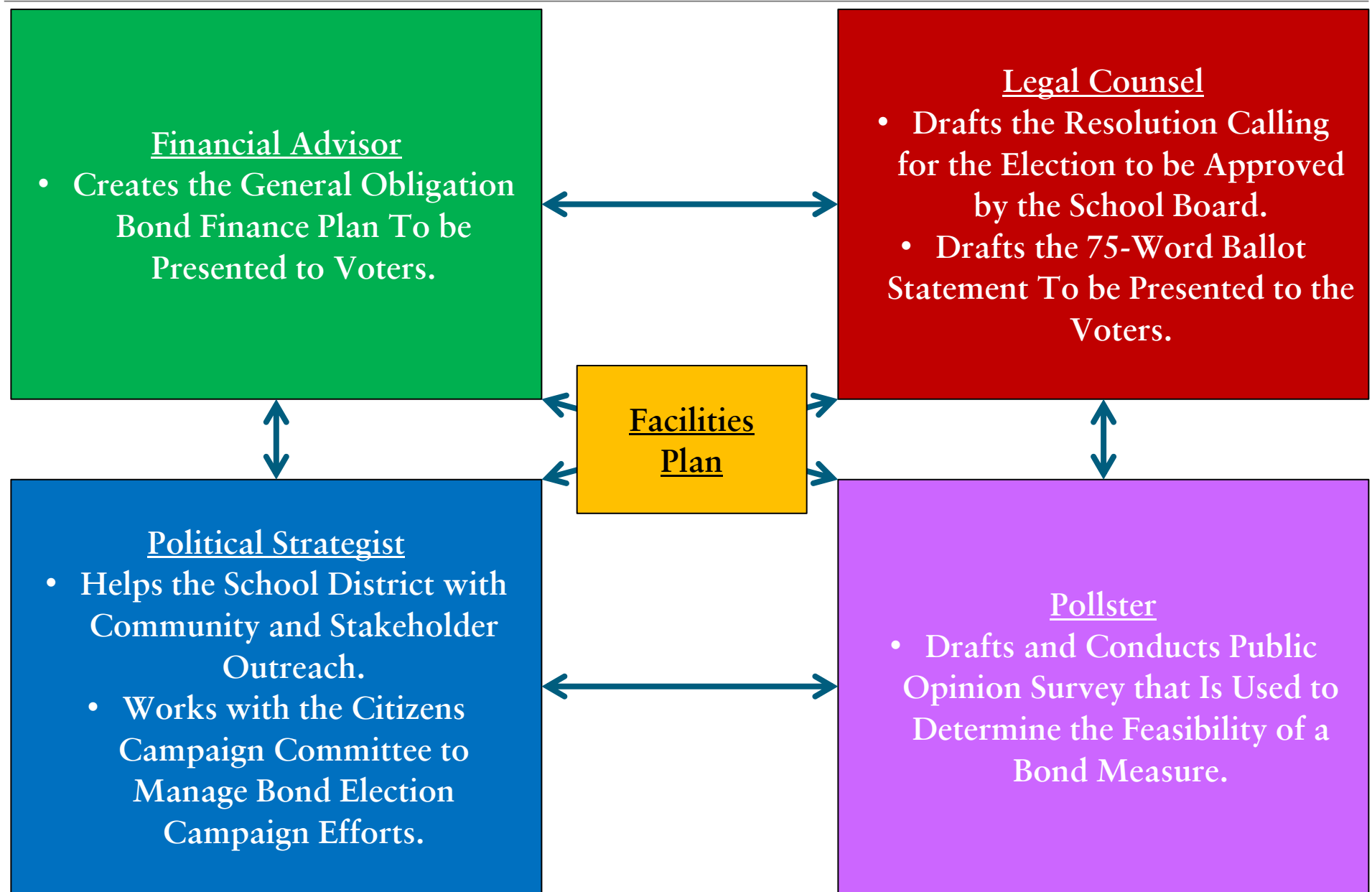
Can Be Funded

1. Construction of School Facilities
2. Modernization of School Facilities
3. Repair of School Facilities
4. Safety and Security
5. Technology
6. Furnish and Equip School Facilities

Cannot Be Funded

1. School District Operating Expenses
2. Regular Employee Salaries and Benefits
3. Pension Costs

Who Are the Professionals Normally Involved in a School District Bond Election?



The Five Ingredients of a California School District's General Obligation Bond Financing Program

1. Bond Authorization Amount
2. Phasing and Timing of Individual Bond Issues
3. Term of Individual Bond Issues
4. Projected Tax Rate Per \$100,000 of Assessed Valuation
5. District Assessed Valuation and Assumption as to Future Growth



II. Summary of Past Downey USD General Obligation Bond Programs

Overview of Measure D General Obligation Bond Program

Measure “D” (Election of 1996)

1. Approved by Voters on June 4, 1996.
2. Passage Rate: 74.3% (2/3rd Required).
3. \$27,500,000 Bond Program Size.
4. Series A Bonds: \$3,000,000 Issued in August 1996.
5. Series B Bonds: \$7,000,000 Issued in July 1997.
6. Series C Bonds: \$5,000,000 Issued in July 1998.
7. Series D Bonds: \$3,000,000 Issued in July 1999.
8. Series E Bonds: \$9,500,000 Issued in July 2001.
9. **No Remaining Voter-Approved Bond Authorization.**
10. Fiscal Year 2021-22 Tax Rate of \$15.04 Per \$100,000 of Assessed Valuation.
11. Final Year of Taxation: FY 2030-31.

Overview of Measure D General Obligation Bond Program

Measure “D” (Election of 2002)

1. Approved by Voters on November 5, 2002.
2. Passage Rate: 67.1% (55% Required).
3. \$65,000,000 Bond Program Size.
4. Series A Bonds: \$20,000,000 Issued in June 2003.
5. Series B Bonds: \$20,000,000 Issued in June 2004.
6. Series C Bonds: \$25,000,000 Issued in May 2005.
7. **No Remaining Voter-Approved Bond Authorization.**
8. Fiscal Year 2021-22 Tax Rate of \$29.13 Per \$100,000 of Assessed Valuation.
9. Final Year of Taxation: FY 2029-30.

Overview of Measure O General Obligation Bond Program

Measure “O” (Election of 2014)

1. Approved by Voters on November 4, 2014.
2. Passage Rate: 61.9% (55% Required).
3. \$248,000,000 Bond Program Size.
4. Series A Bonds: \$50,000,000 Issued in October 2015.
5. Series B Bonds: \$134,997,984 Issued in February 2019.
6. Series C Bonds: \$63,000,000 Issued in May 2021.
7. 96.0% Traditional Current Interest Bonds / 4.0% Capital Appreciation Bonds.
8. **No Remaining Voter-Approved Bond Authorization.**
9. Fiscal Year 2021-22 Tax Rate of \$50.87 Per \$100,000 of Assessed Valuation.
10. Final Year of Taxation: FY 2047-48.

Recent History of Bond Refinancings and Highlights

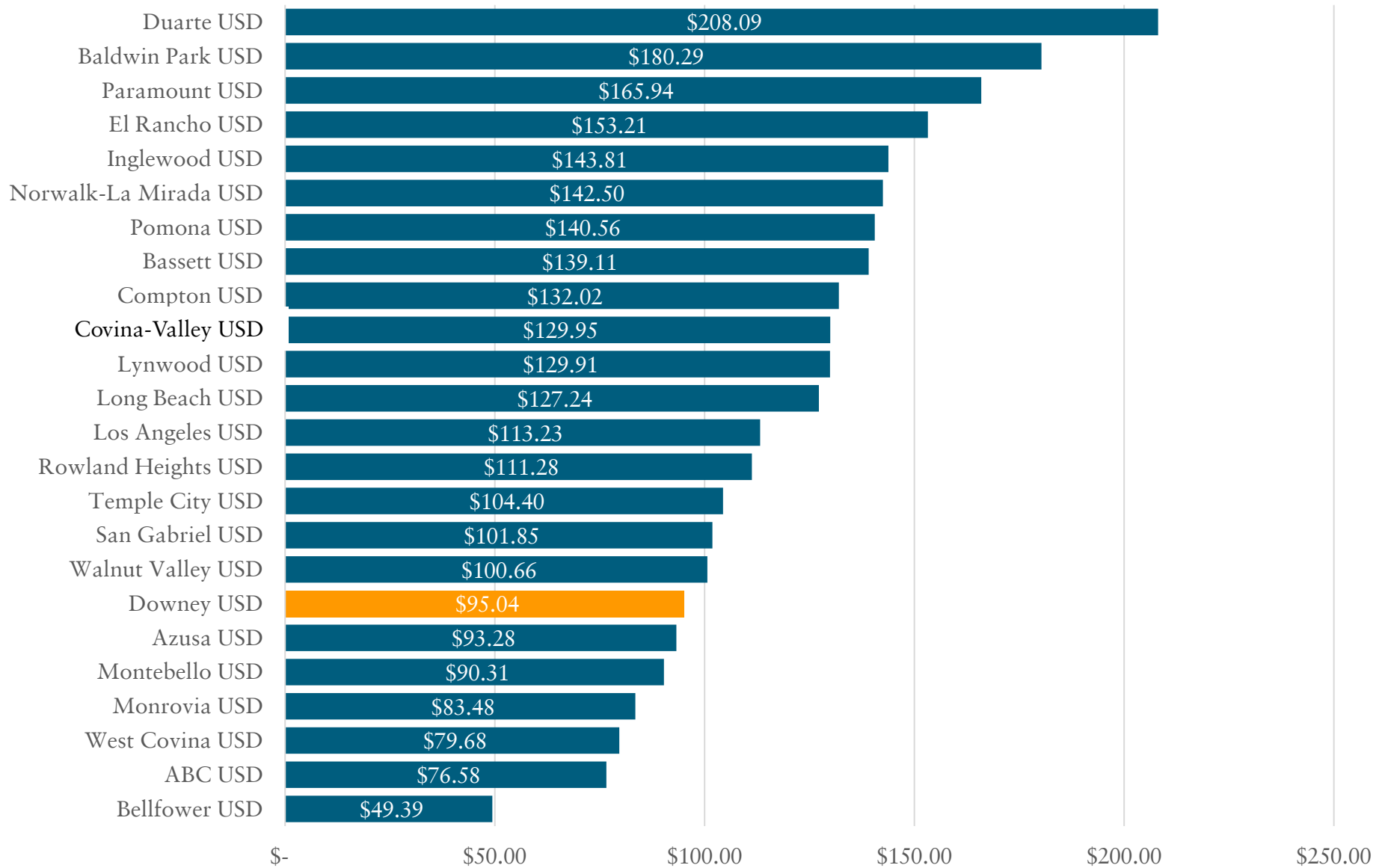
2021 General Obligation Bond Refinancing

- Refinanced:
 - \$2,280,000 of Measure D 2011 General Obligation Refunding Bonds
 - \$8,950,000 of Measure D 2012 General Obligation Refunding Bonds
- **5.03%** Old Interest Rate vs. **0.39%** New Interest Rate
- Saved **\$1,426,430** for Taxpayers (Net of Transaction Costs)
- No Extension of Term of Old Bonds

2015 General Obligation Bond Refinancing

- Refinanced:
 - \$2,900,000 of Measure D Series C General Obligation Bonds
 - \$7,140,000 of Measure D 2006 General Obligation Refunding Bonds
- **4.06%** Old Interest Rate vs. **3.10%** New Interest Rate
- Saved **\$748,264** for Taxpayers (Net of Transaction Costs)
- No Extension of Term of Old Bonds

Bond Tax Rates of Comparable Unified School Districts in Los Angeles County



III. A Potential New 2022 General Obligation Bond Measure

**Downey Unified School District
Potential 2022 General Obligation Bond Plan
General Assumptions**

- Similar to Measure O, Full \$60 Per \$100,000 of Assessed Valuation Tax Rate
- Similar to Measure O, Three Bond Draws Accessed Over a 7 Year Period
- Mostly Traditional Current Interest Bonds
- Nominal Amount of Capital Appreciation Bonds
- Actual Interest Rates Received on Downey USD Measure O Series C Bond Sale

**Downey Unified School District
Potential 2022 General Obligation Bond Plan
Total Bond Dollars and Issuance Phasing**

Downey Unified School District Potential 2022 General Obligation Bond Plan No Capital Appreciation Bonds 1/11/2022			
Assumed Assessed Valuation Growth Rate	Minimum Prop. 13 Growth 2.00%	Measure O At Time of Election 4.50%	Measure O At Time of Series C 4.63%
Total Bond Dollars Under 3 Different Scenarios	\$312,000,000	\$504,000,000	\$510,000,000
Issue Summary			
Series A (2023)	\$104,000,000	\$168,000,000	\$170,000,000
Series B (2026)	\$104,000,000	\$168,000,000	\$170,000,000
Series C (2029)	\$104,000,000	\$168,000,000	\$170,000,000
Term of Bonds	30 Years	30 Years	30 Years
Total Debt Payback	\$457,072,481	\$800,472,040	\$809,093,210
Debt Payback Ratio	1.46	1.59	1.59
Targeted Tax Rate (Per \$100,000 Assessed Valuation)	\$60.00	\$60.00	\$60.00

Downey Unified School District History of Assessed Valuation Performance for the Past 20 Years

Fiscal Year	Assessed Valuation	Growth Rate
2002-03	\$5,855,139,087	4.82%
2003-04	\$6,332,872,354	8.16%
2004-05	\$6,779,321,680	7.05%
2005-06	\$7,552,149,302	11.40%
2006-07	\$8,408,400,102	11.34%
2007-08	\$9,142,231,017	8.73%
2008-09	\$9,639,297,605	5.44%
2009-10	\$9,864,603,225	2.34%
2010-11	\$9,159,073,900	-7.15%
2011-12	\$9,313,641,956	1.69%
2012-13	\$9,500,295,988	2.00%
2013-14	\$9,801,543,360	3.17%
2014-15	\$10,261,542,689	4.69%
2015-16	\$10,769,745,052	4.95%
2016-17	\$11,395,193,063	5.81%
2017-18	\$11,974,999,122	5.09%
2018-19	\$12,640,550,579	5.56%
2019-20	\$13,458,891,098	6.47%
2020-21	\$14,156,878,345	5.19%
2021-22	\$14,526,061,473	2.61%

Time Period	Growth Rate
20-Year Average Growth	4.97%

IV. Possible Next Steps

Next Steps Towards a Potential November 2022 General Obligation Bond Measure

January 11, 2022

- ✓ General Obligation Bond Presentation to the Board

February 2022

- ✓ Identify Capital Projects/ Facilities Needs that Would be Funded with a November 2022 Bonds
- ✓ Board Authorizes Staff to Work with Bond Counsel, Financial Advisor and Public Opinion Polling Firm to Explore the Feasibility of a November 2022 Bond

March 2022

- ✓ Develop and Conduct Public Opinion Poll to Measure Voter Support for a Potential November 2022 Bond

April 2022 to May 2022

- ✓ Conduct Community Outreach Regarding Potential November 2022 Bond

June 2022 to July 2022

- ✓ Preparation of Draft Ballot Materials for Preliminary Board Review

No Later Than August 12, 2022

- ✓ Board Adopts Resolution Placing a Bond Measure on the November 8, 2022 Ballot

August 2022 to November 2022

- ✓ Privately Funded Independent Bond Advocacy Campaign

November 8, 2022

- ✓ Election Day