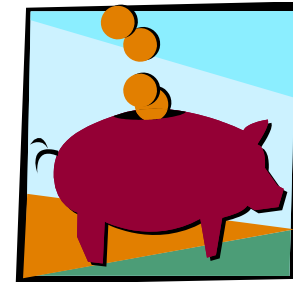


Capistrano Unified School District



Presentation Regarding Final Results of District Refinancings



Presented by Lori Raineri
January 23, 2013

Agenda

- **Review of District's Use of GFOA Best Practices**
- **Review of October Presentation Regarding Refinancing Candidates**
- **Savings to District Budget**
 - **Certificates of Participation**
- **Savings to District's Taxpayers**
 - **Measure A**



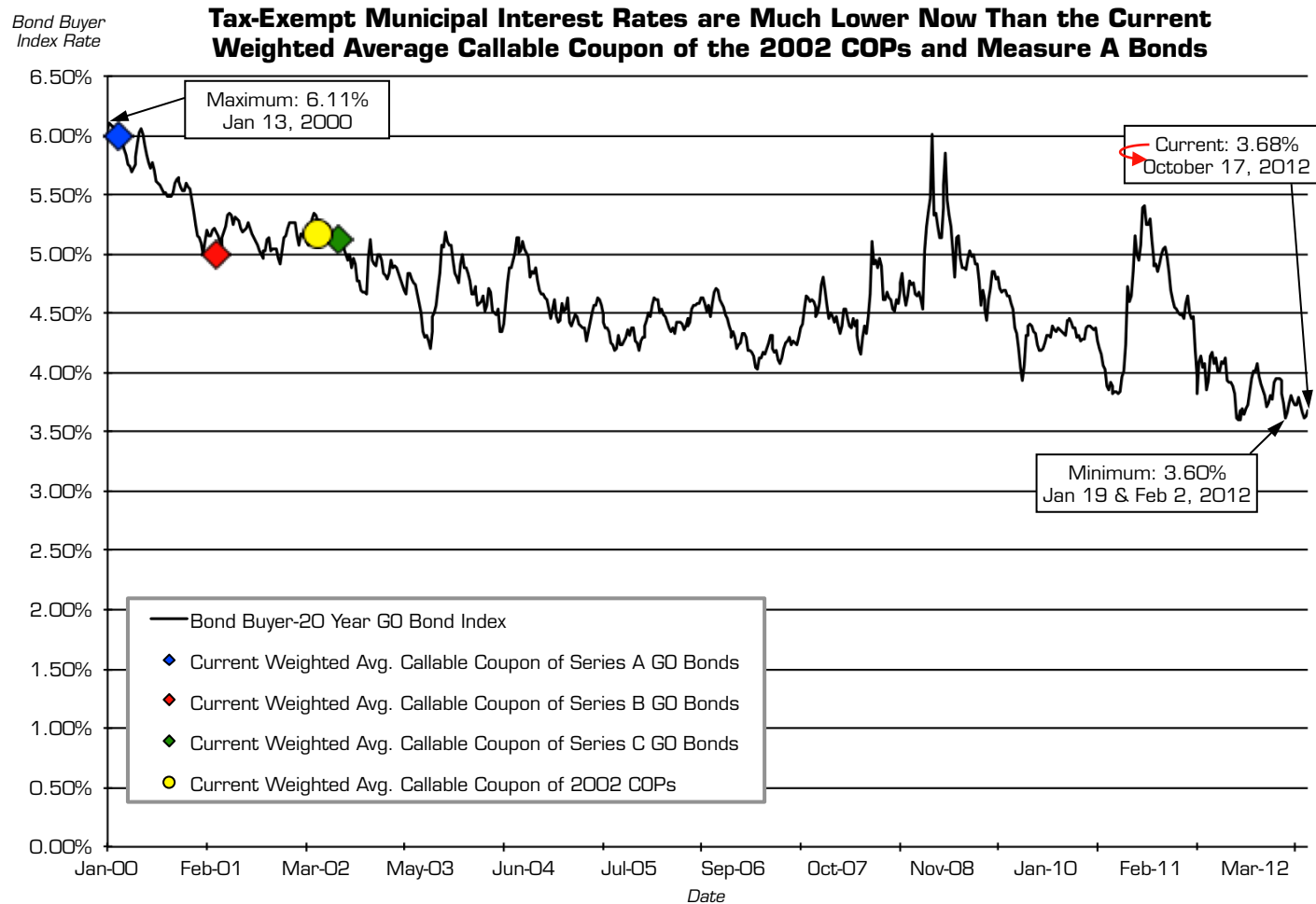
GFOA Best Practices Implemented

- **Use of Independent Financial Advisor**
- **Selected Financial Advisor Via RFP Process**
- **Use of Competitive Bid Process**
- **Refinancings Pursued**
- **Selected Bond Counsel Via RFP Process / Fee Quote Process**
- **Call Features Incorporated into New Issuances**



Conditions During Our October Presentation

Huge Drop in Interest Rates Over 18 Months



The 20-Bond Index is the average yield on the 20th year maturity for 20 general obligation bonds with an average rating equivalent to Moody's Investors Service's "Aa2" rating and Standard & Poor's Rating Service "AA". The Index is weekly as of each Thursday.

Low Interest Rates + Call Provisions → Refi

<u>Series</u>	<u>Date Issued</u>	<u>Issuance Amount</u>	<u>Outstanding as of Oct 18, 2012</u>	<u>Able to Call?</u>	<u>Callable Principal</u>	<u>Next Call Date</u>	<u>Call Premium</u>	<u>Weighted Avg. Callable Coupon</u>
Certificates of Participation								
Series 2002	April-02	\$31,950,000	\$22,845,000	Yes	\$22,845,000	Dec 1, 2012	0%	5.17%
General Obligation Bonds, Measure A, Election of 1999								
Series A	March-00	\$17,400,000	\$13,500,000	Yes	\$13,500,000	Any	0%	5.99%
Series B	March-01	\$17,875,000	\$2,230,000	Yes	\$2,230,000	Any	0%	5.00%
		\$12,124,930	\$12,124,930	No	\$0	Non-callable / no ability to refinance		
Series B Subtotal		\$29,999,930	\$14,354,930		\$2,230,000			
Series C	July-02	\$17,600,000	\$14,480,000	Yes	\$14,480,000	Any	0%	5.12%
Total for Measure A		\$64,999,930	\$42,334,930		\$30,210,000			



(1)



(2)

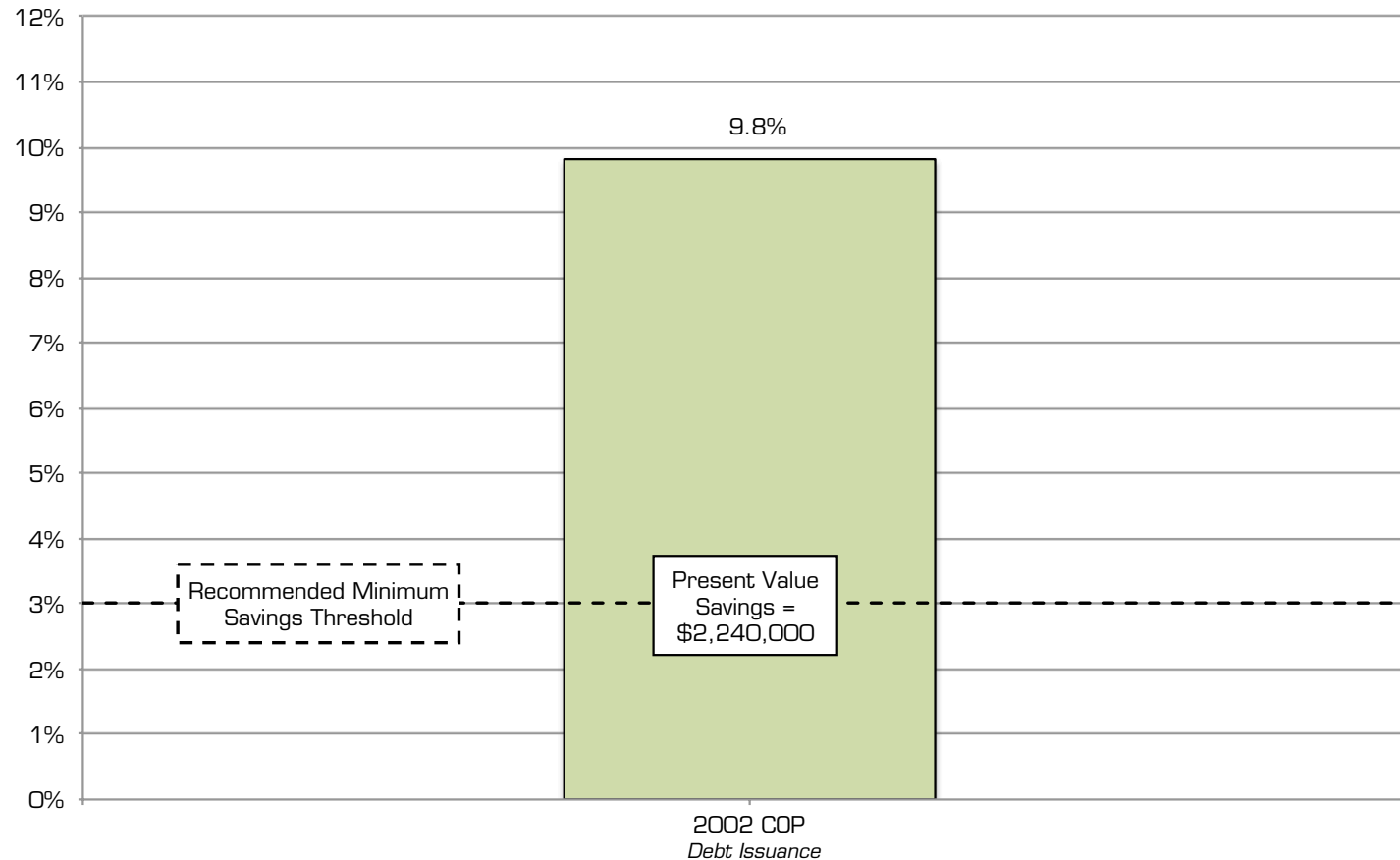


(1) Current interest bond component of Series B Bonds; (2) Capital appreciation bond component of Series B Bonds.
Note: Measure A was approved in November 1999 by 72.9% of voters authorizing \$65 million of bonds.

COP Was a Strong Refinancing Candidate

*PV Savings as
Percentage of
Existing Principal*

The \$2,240,000, or 9.8%, in Projected Refinancing PV Savings for the 2002 COP is Well Above Our Recommended Minimum Savings Threshold

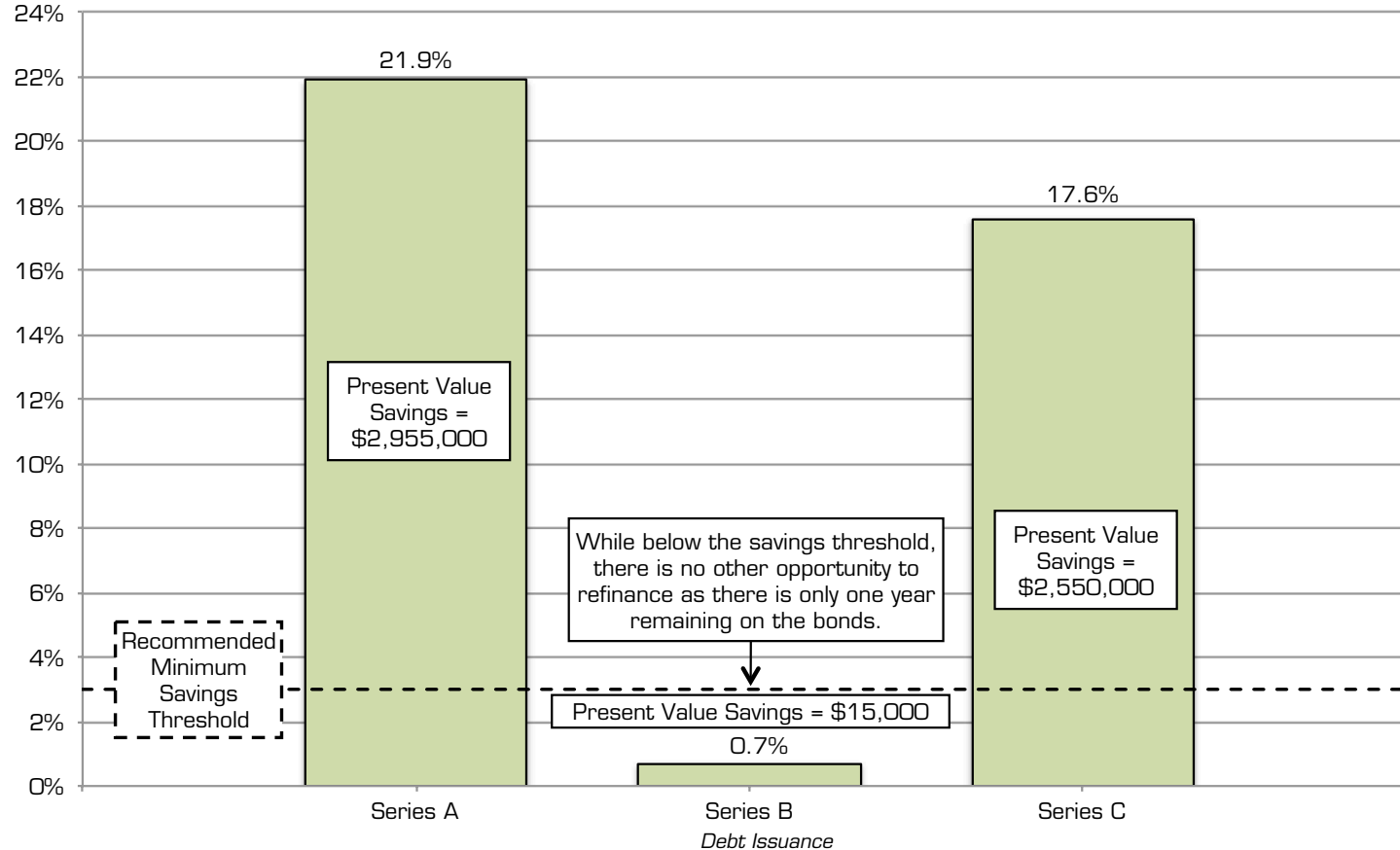


Projected present value savings are based on MMD "AAA" rates as of October 3, 2012 + 130bp and are subject to change. Savings estimate has been updated from the memorandum to reflect the Guaranteed Investment Contract used for the reserve fund of the existing COPs.

As Were the GO Bonds

Present Value
Savings as a
Percentage of
Existing Principal

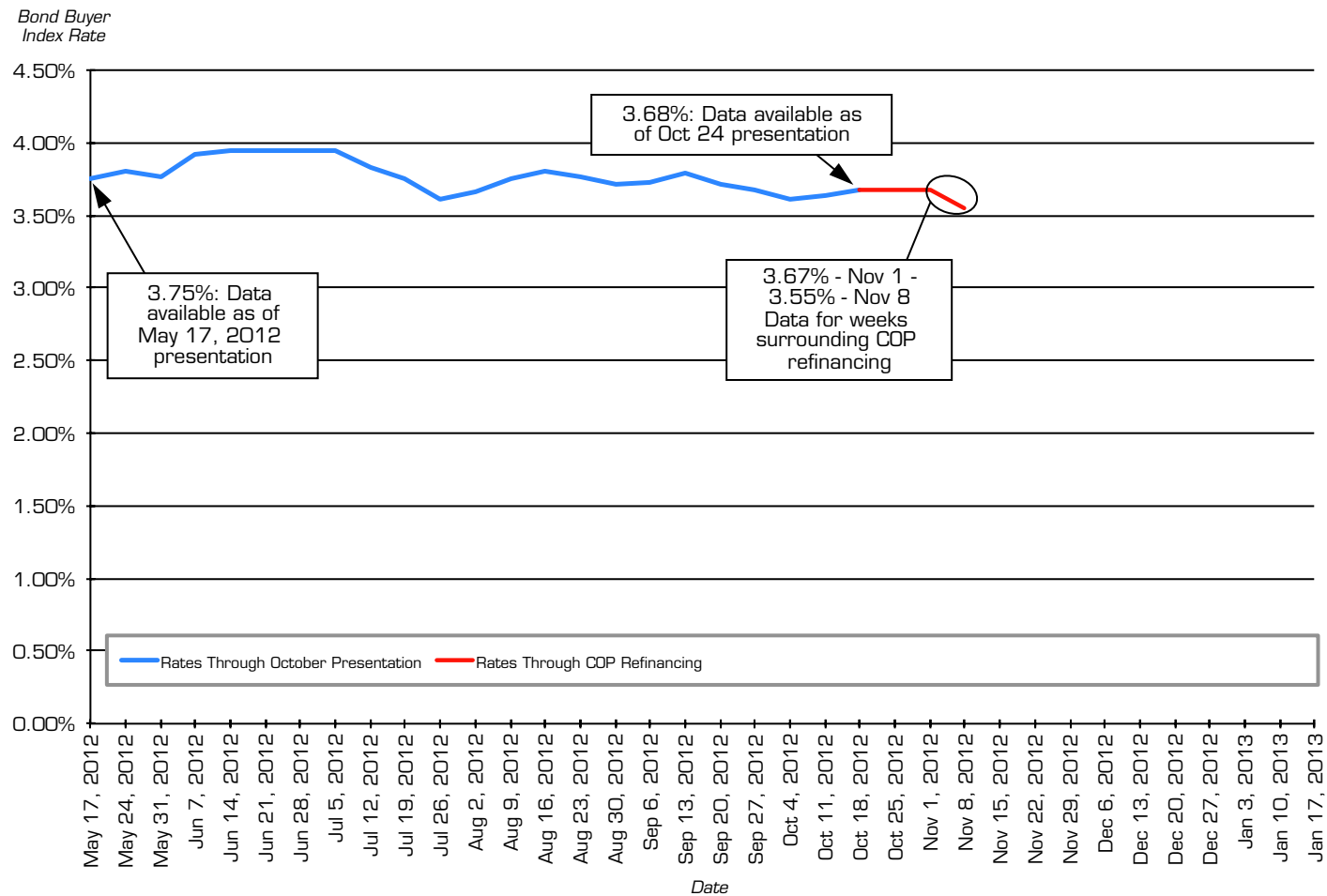
The \$5,520,000, or 18.3% in Projected PV Savings from Refinancing the District's Measure A General Obligation Bonds is Significant



Projected present value savings are based on MMD "AAA" rates as of October 3, 2012 + 90bp and are subject to change. The Series B capital appreciation bonds are not callable.

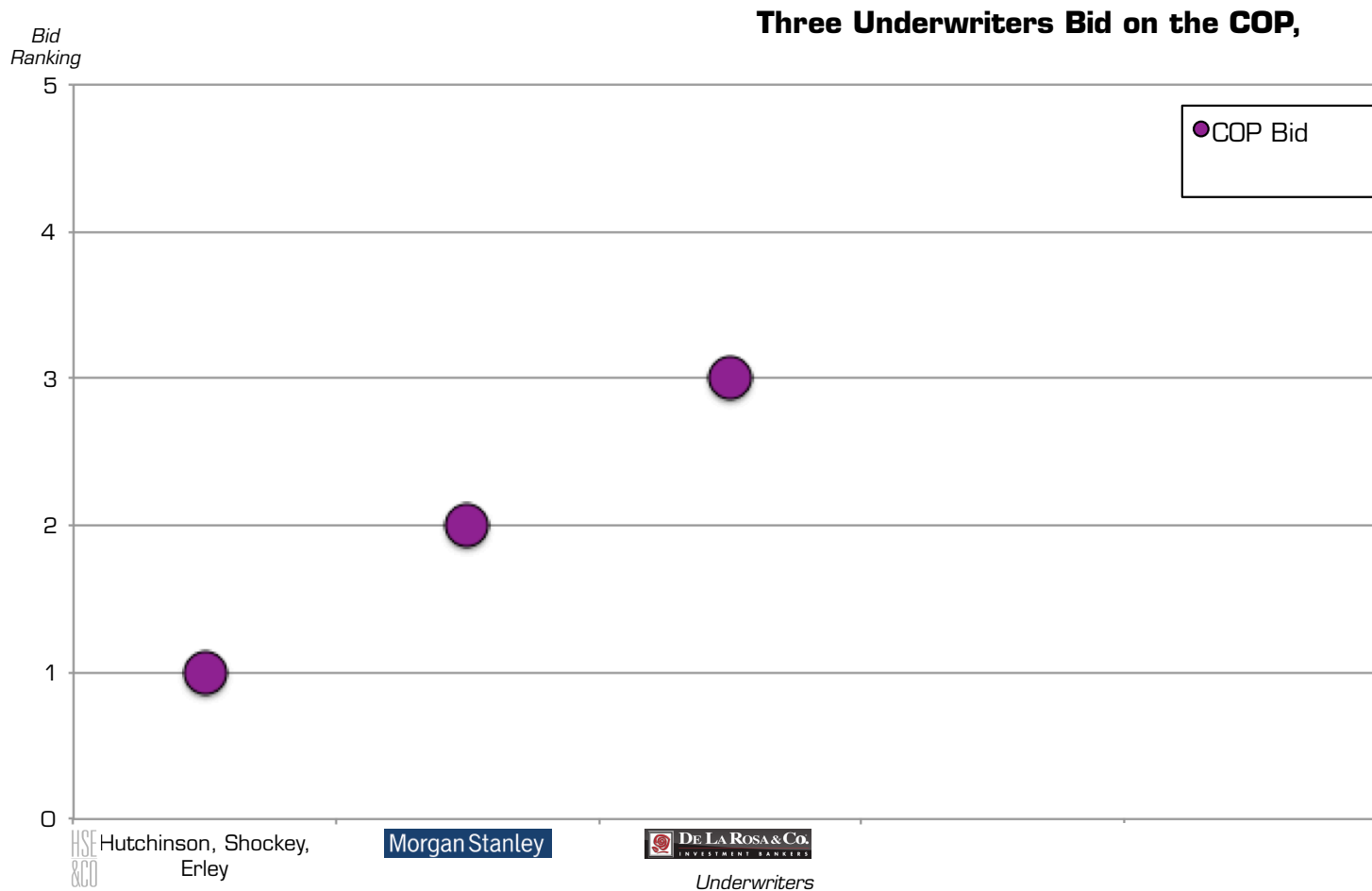
**Certificates of Participation
Refinancing
Sold November 6, 2012**

Low Interest Rates Facilitated Refinancing



The 20-Bond Index is the average yield on the 20th year maturity for 20 general obligation bonds with an average rating equivalent to Moody's Investors Service's "Aa2" rating and Standard & Poor's Rating Service "AA". The Index is weekly as of each Thursday.

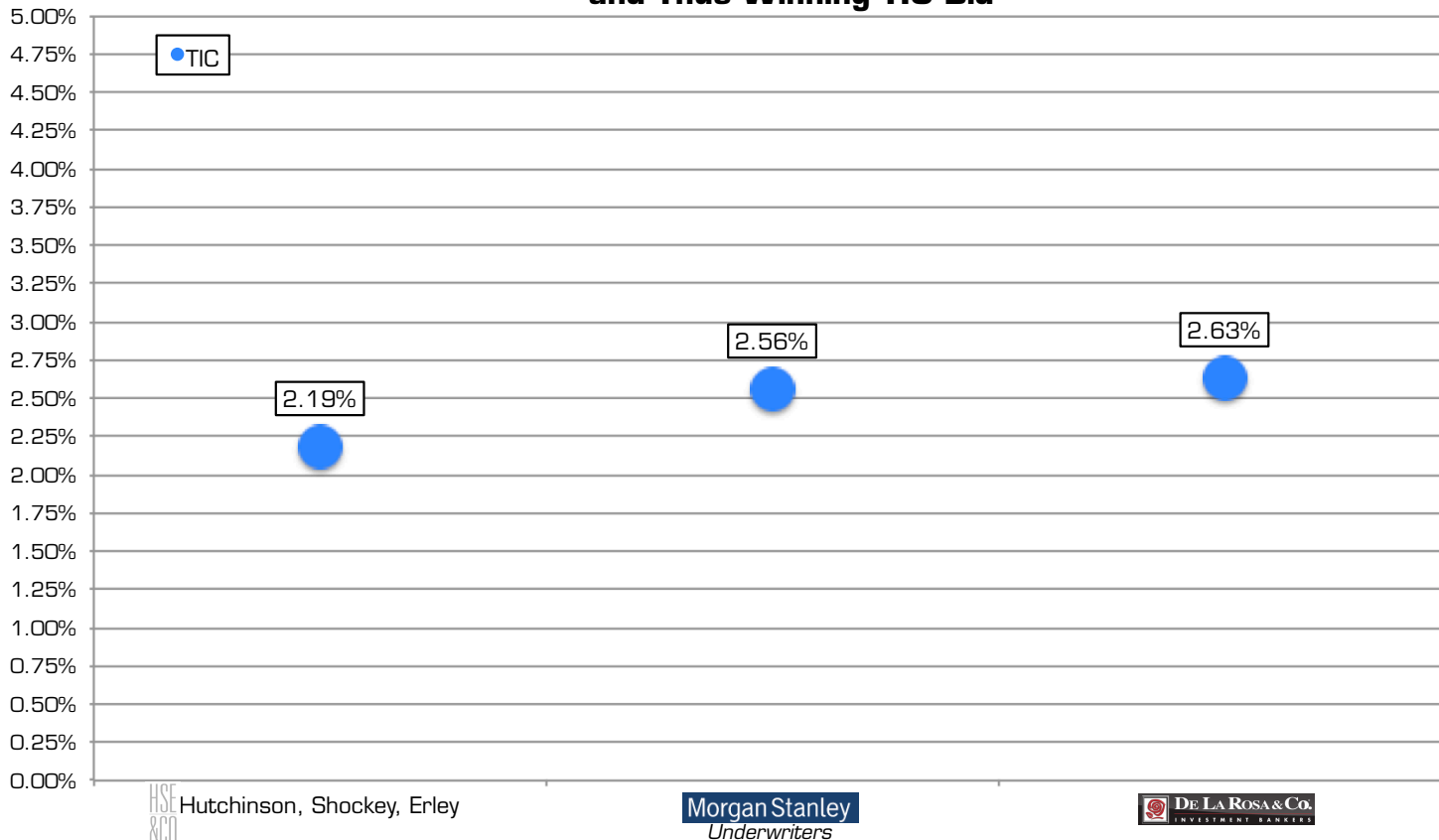
Market Demand for the District's COP



Competitive Sale Method → Low Int. Rates

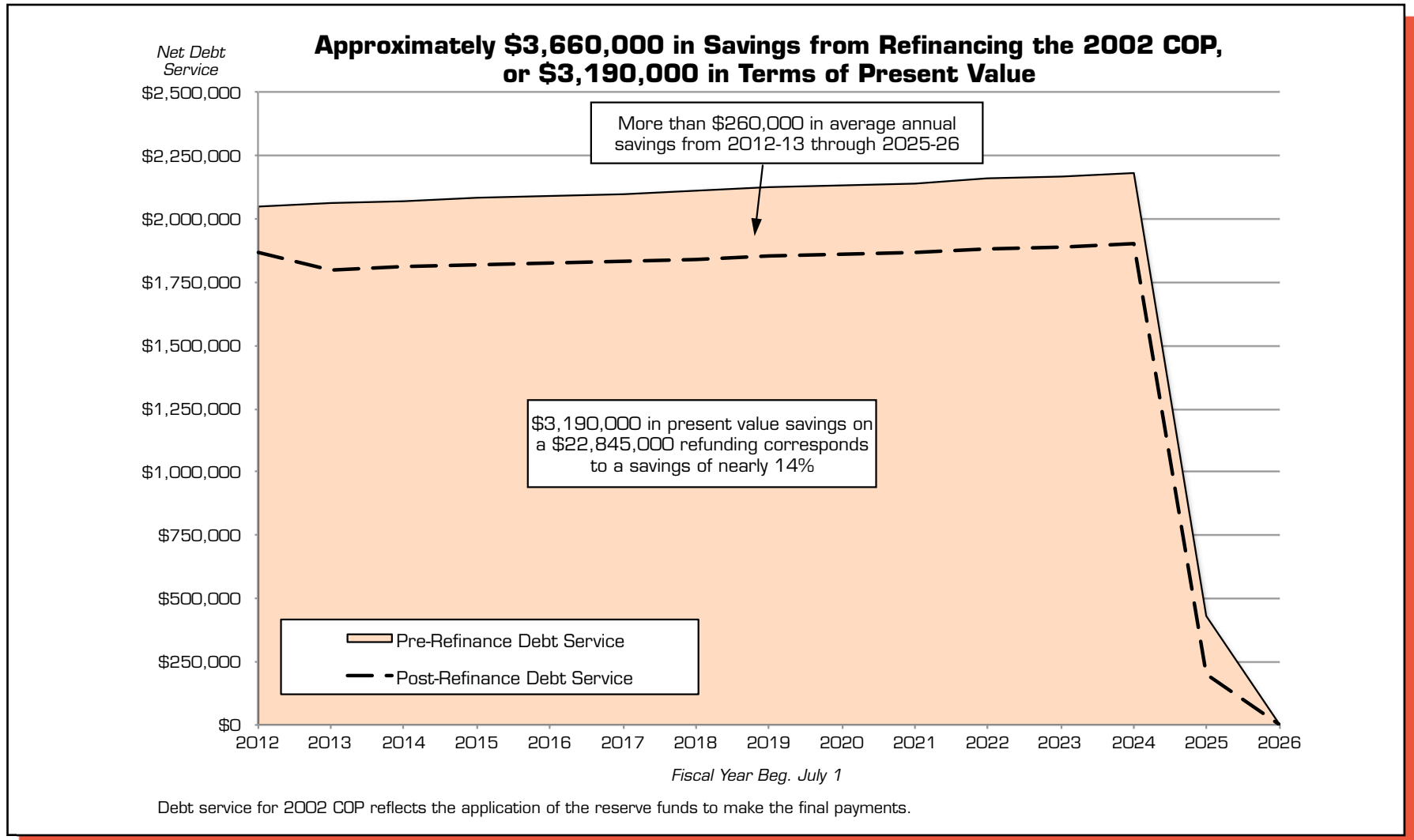
True Interest
Cost (TIC)

**For the COP, Hutchinson, Shockey, Erley Submitted the Lowest,
and Thus Winning TIC Bid**

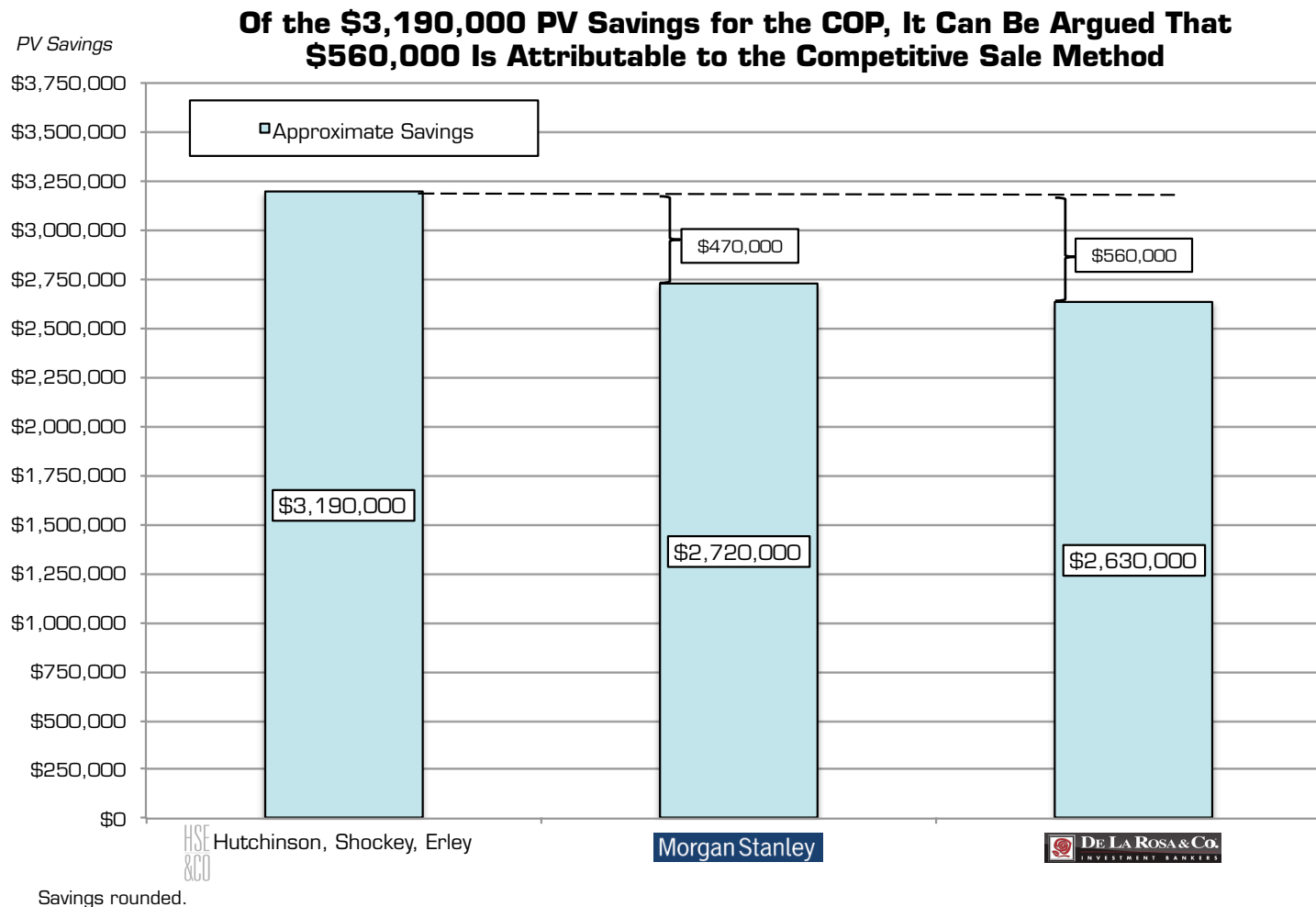


TIC rounded to nearest 0.01%. Ten of eleven academic analyses produced over three decades found that negotiated sales resulted in higher true interest cost, with a minimum average of 10 basis points (0.10%) higher and a maximum average of 54 basis points (0.54%) higher; the eleventh analysis showed no difference.

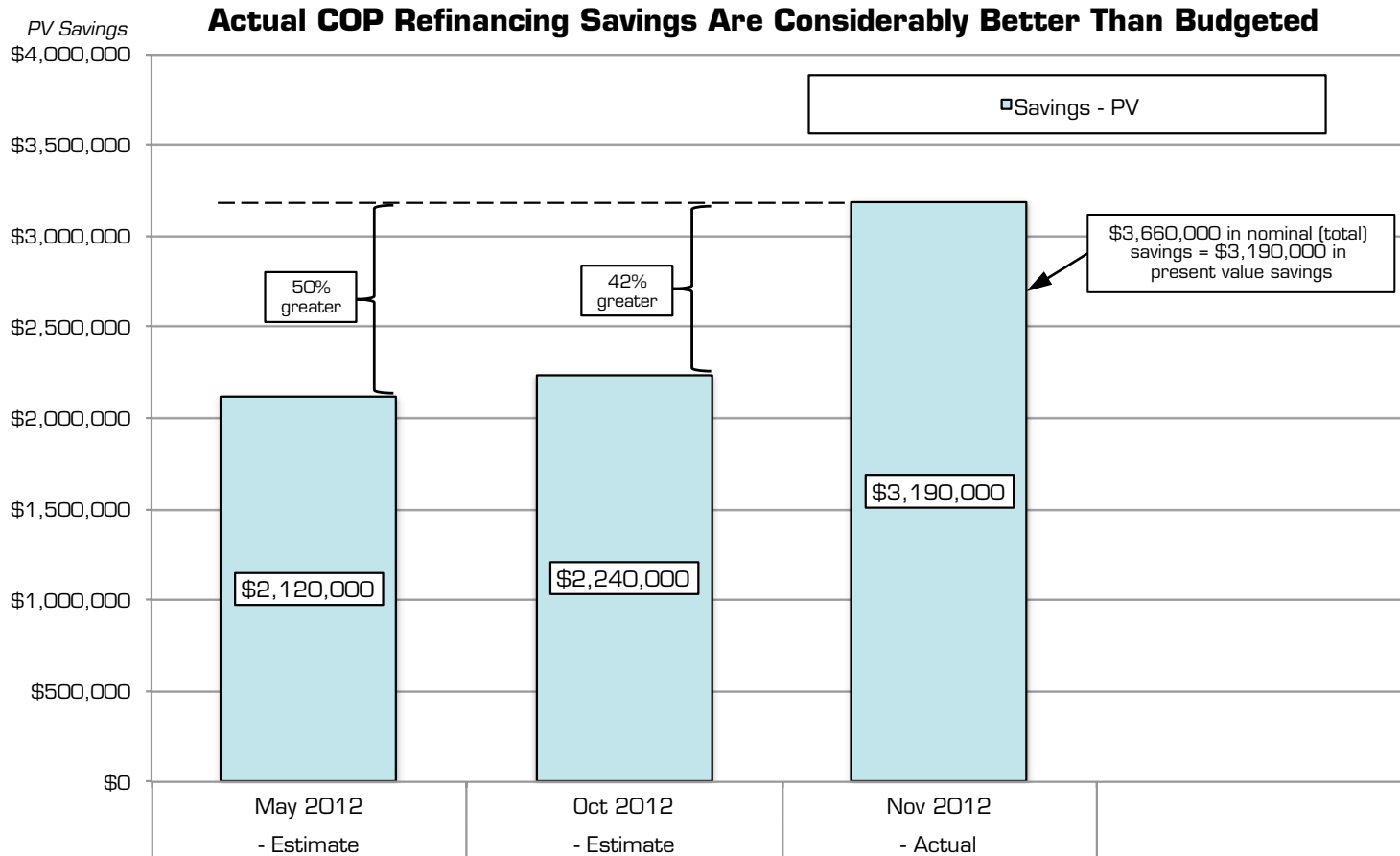
\$3.66M Total Savings = \$3.19M PV Savings



COP Refi Generated Significant Savings

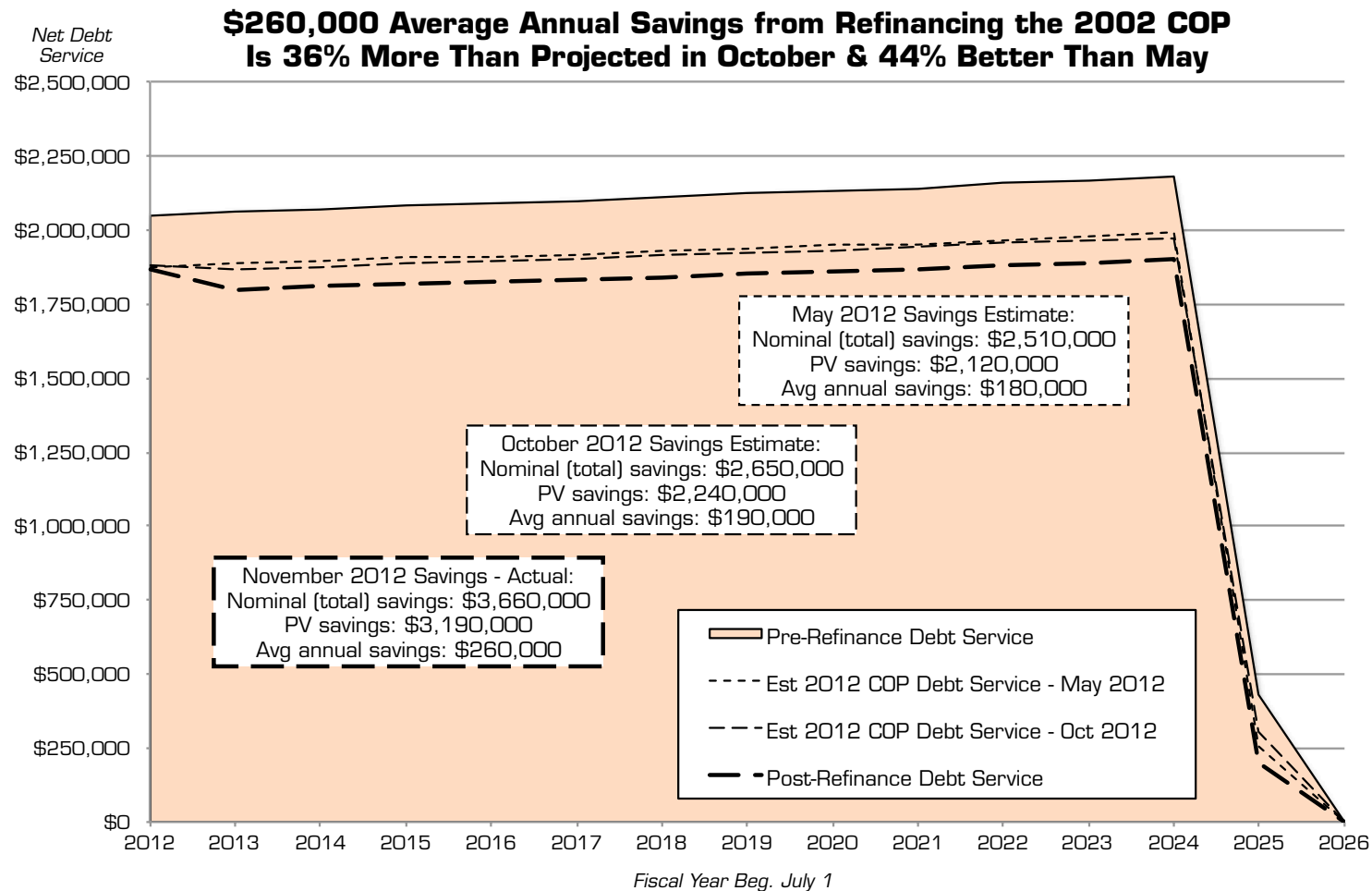


COP Refinancing Exceeded Expectations



Savings rounded.

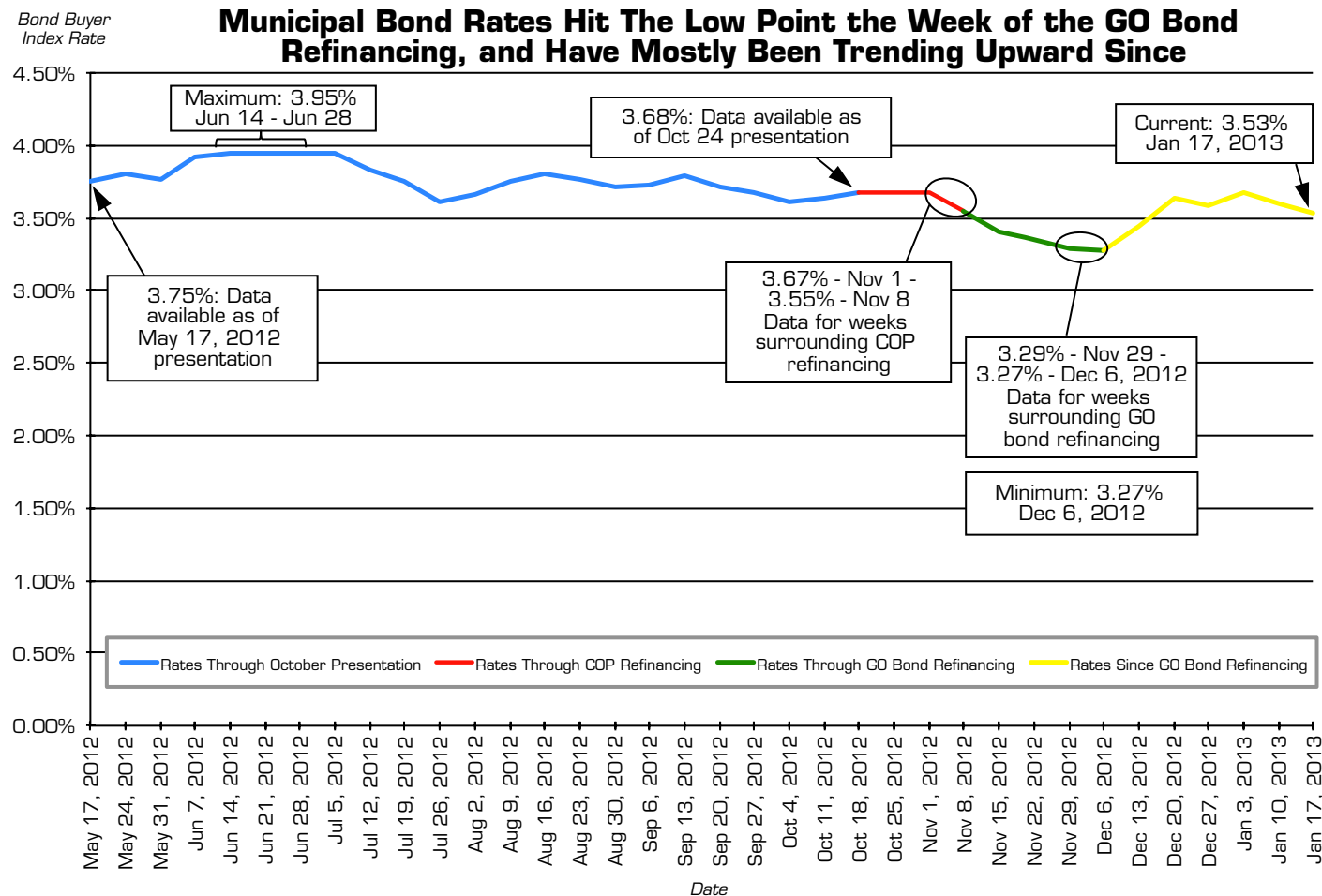
Annual COP Savings More Than Budgeted



Debt service for 2002 COP reflects the application of the reserve funds to make the final payments.

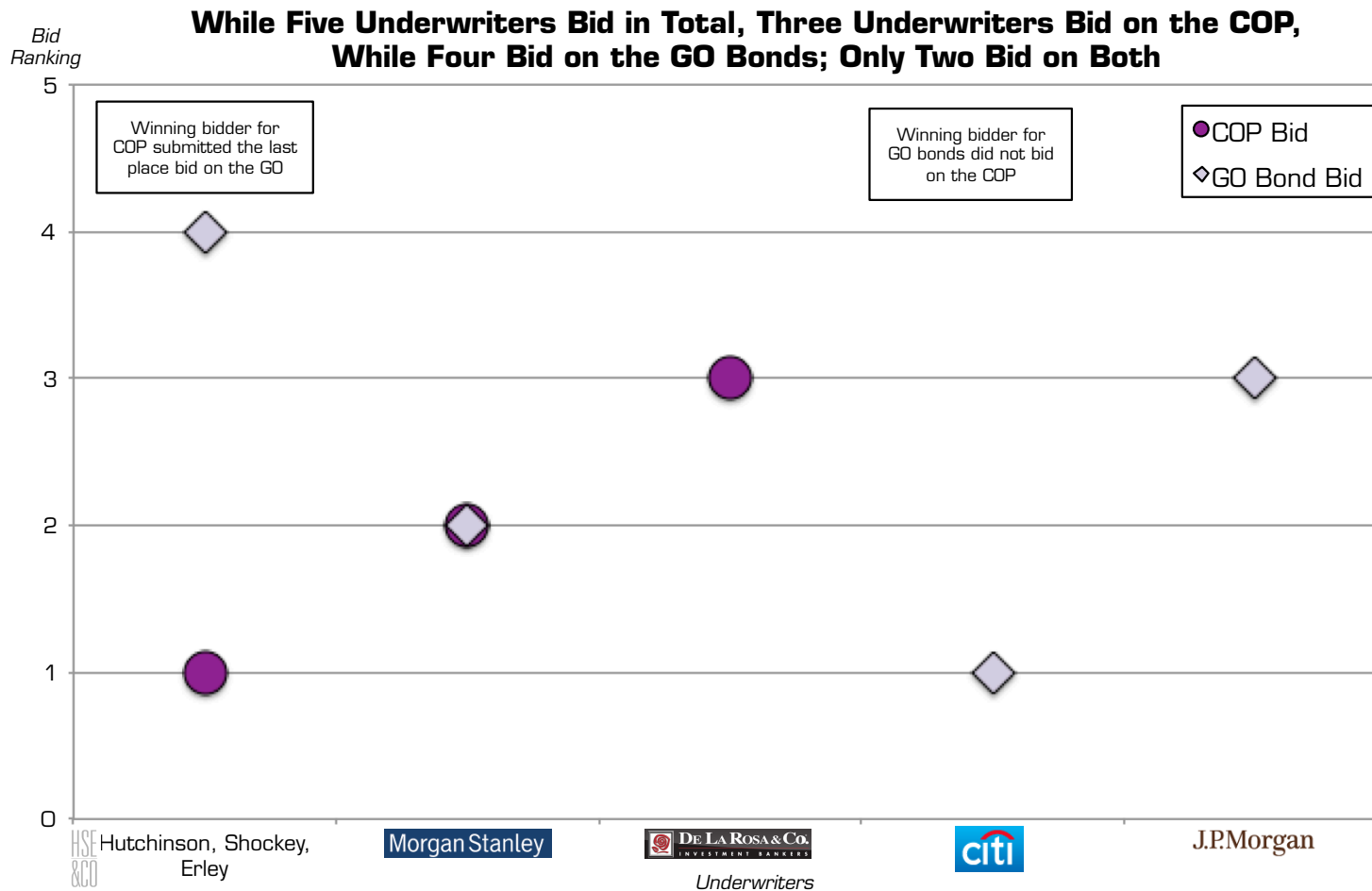
**Measure A - General Obligation
Bond Refinancing
Sold December 4, 2012**

Low Interest Rates Facilitated Refinancing

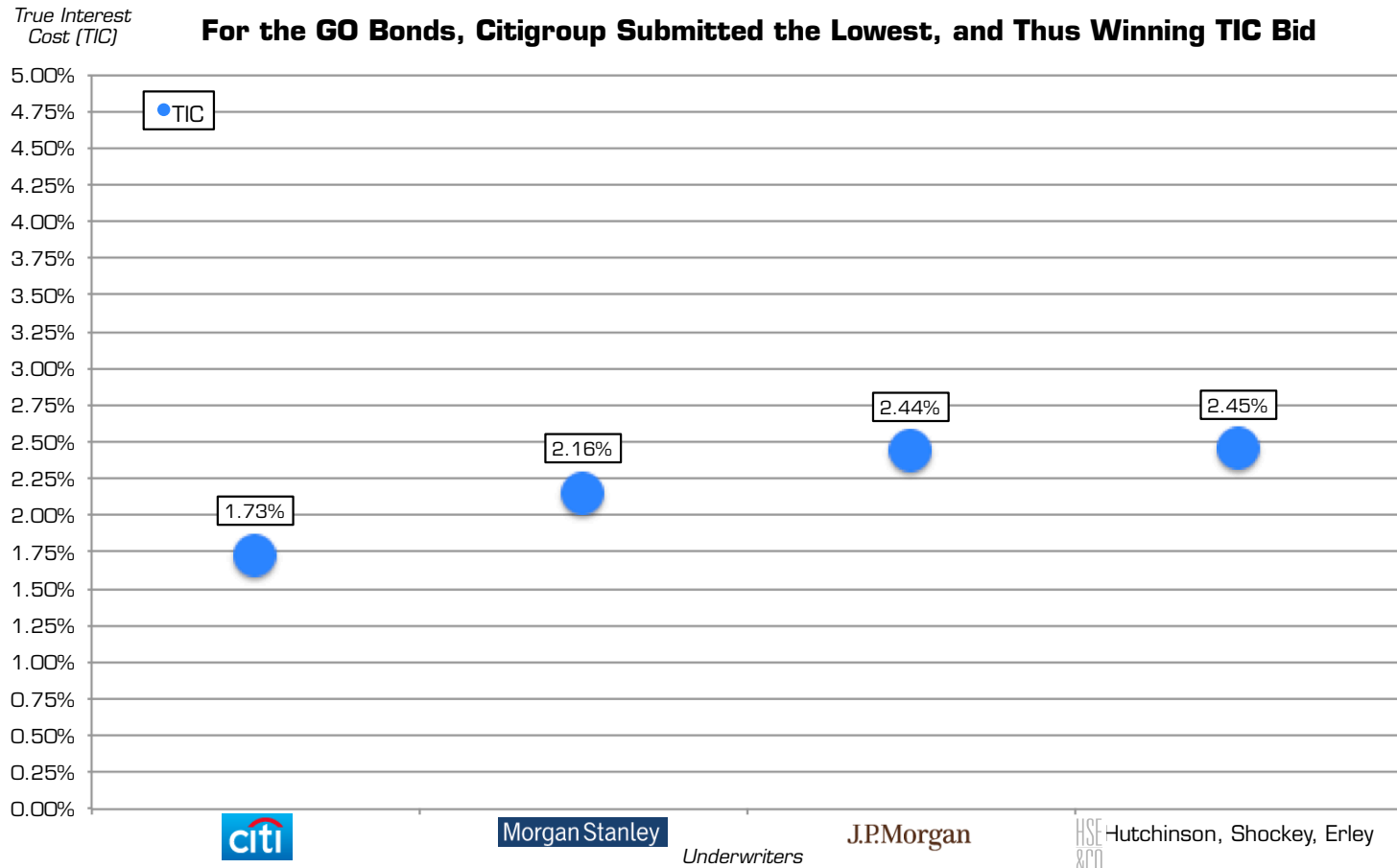


The 20-Bond Index is the average yield on the 20th year maturity for 20 general obligation bonds with an average rating equivalent to Moody's Investors Service's "Aa2" rating and Standard & Poor's Rating Service "AA". The Index is weekly as of each Thursday.

Additional Demand for District GO Bonds

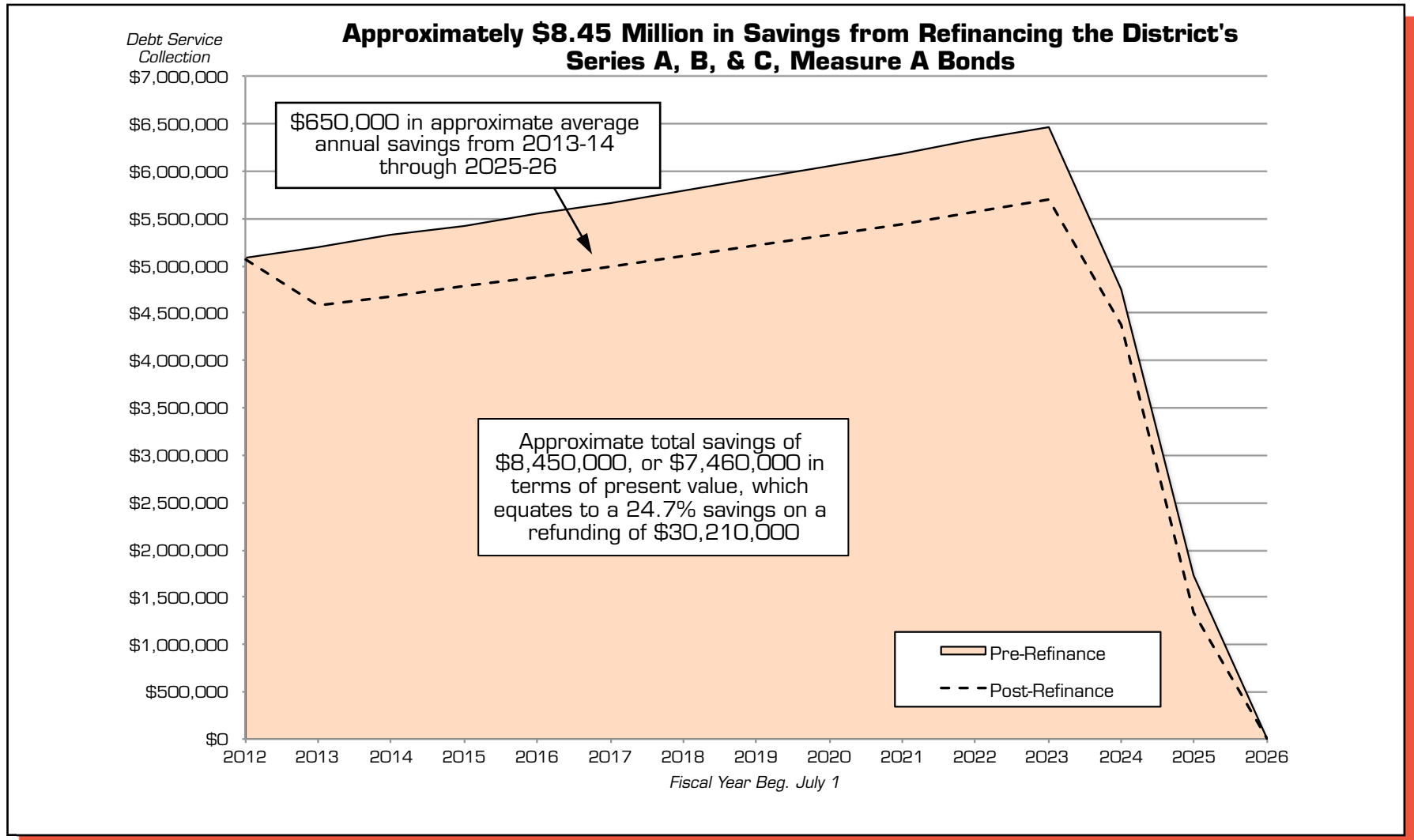


Competitive Sale Method → Benefit For GOs

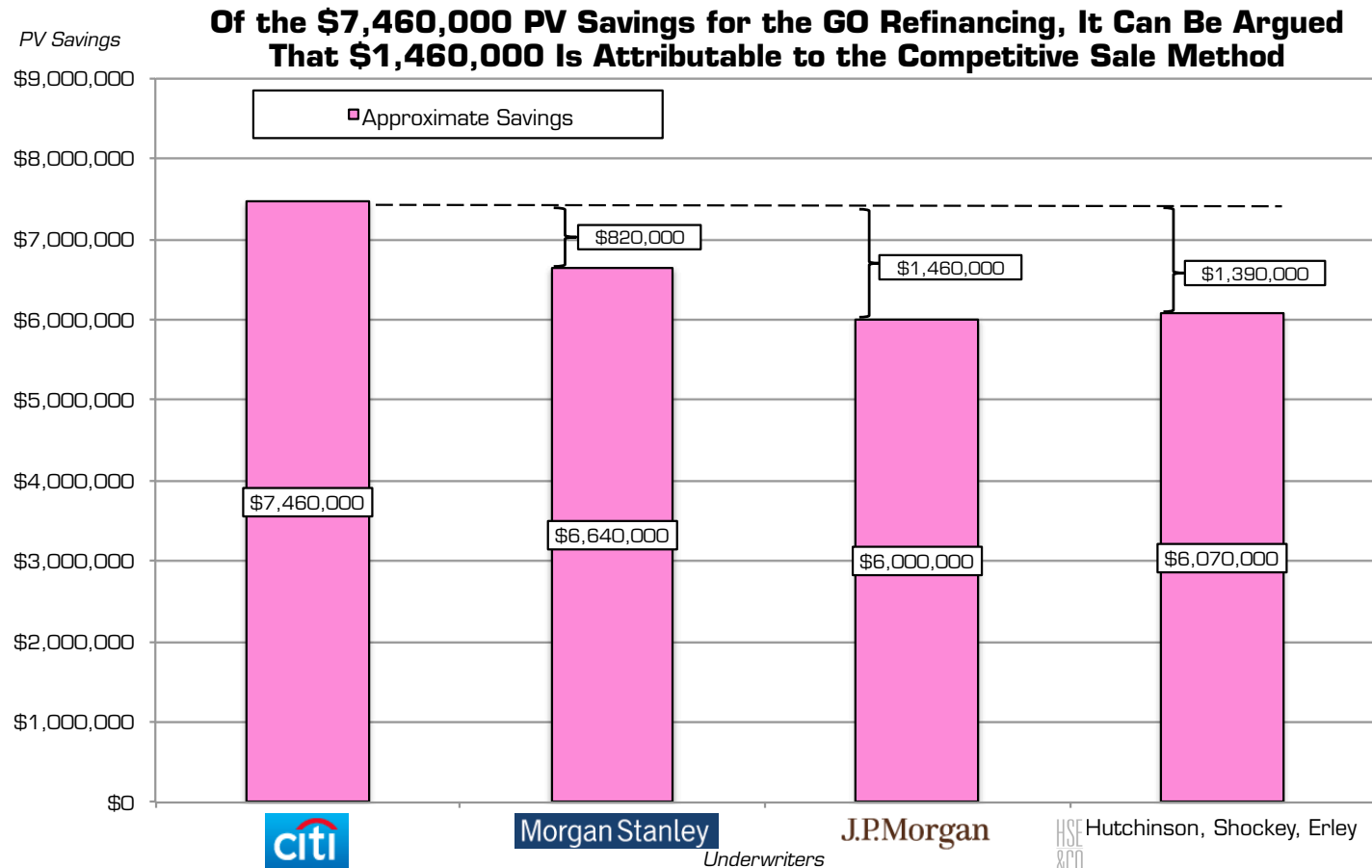


TIC rounded to nearest 0.01%. Ten of eleven academic analyses produced over three decades found that negotiated sales resulted in higher true interest cost, with a minimum average of 10 basis points (0.10%) higher and a maximum average of 54 basis points (0.54%) higher; the eleventh analysis showed no difference.

\$8.45M Taxpayer Savings = \$7.46M PV

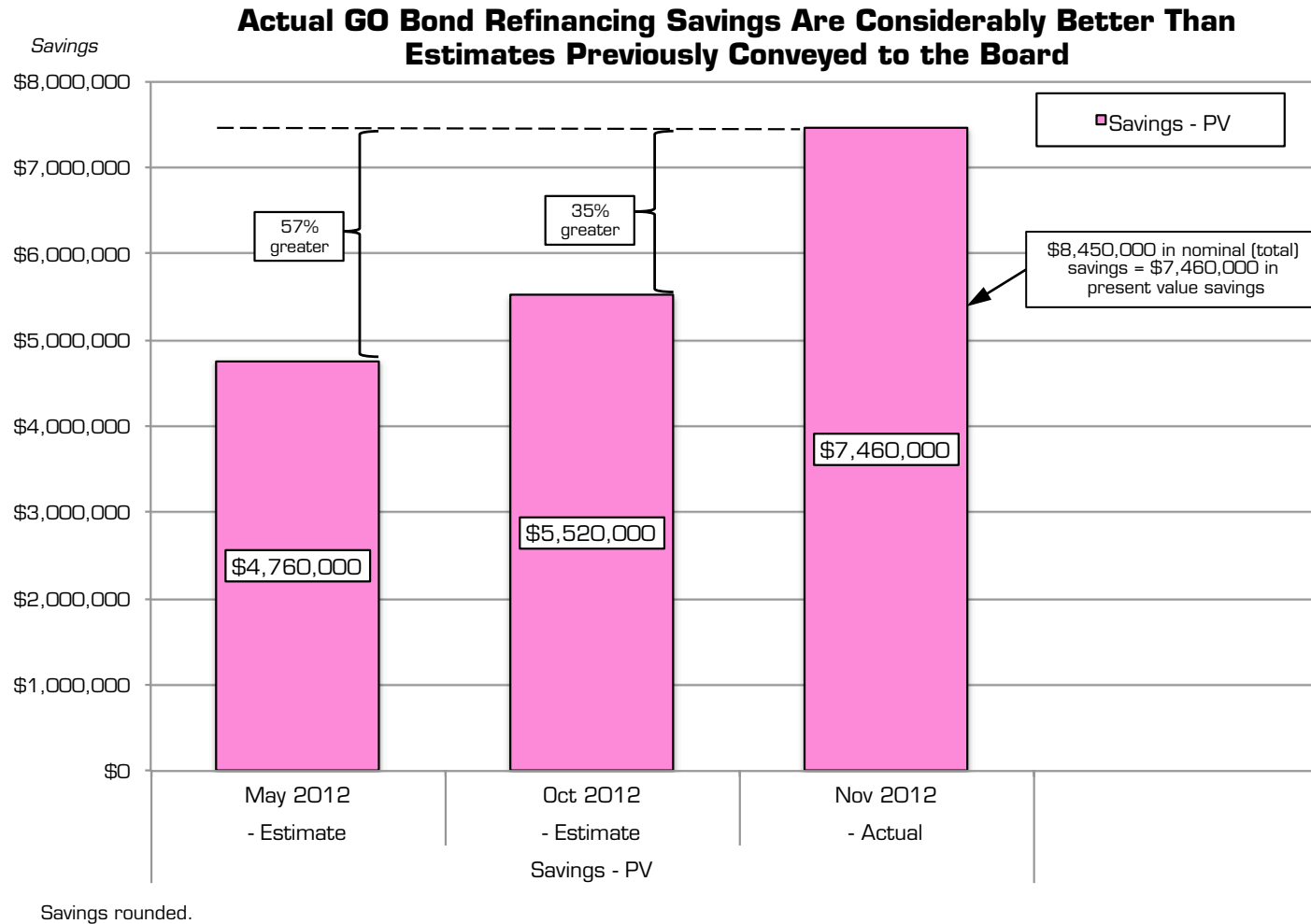


GO Refi Generated Significant Savings

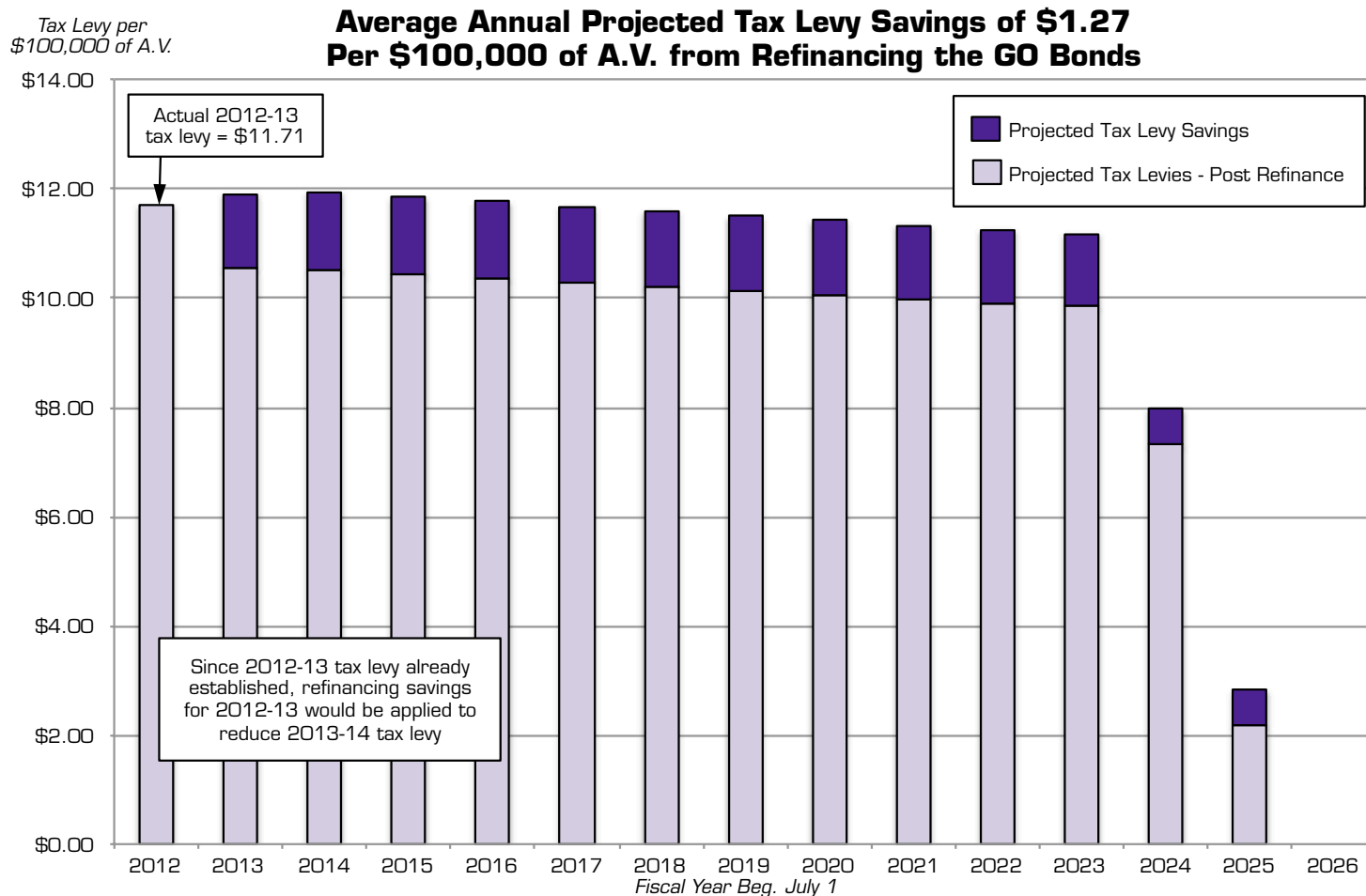


Savings rounded. The closeness of the TIC on the J.P. Morgan and Hutchinson, Shockey, Erley bids, despite different structuring (J.P. Morgan had higher coupons, coupled with a large premium, whereas Hutchinson, Shockey, Erley had lower coupons and a much smaller premium) results in an anomalous outcome of a slightly greater savings from a slightly higher TIC bid.

GO Refi Savings Exceeded Expectations

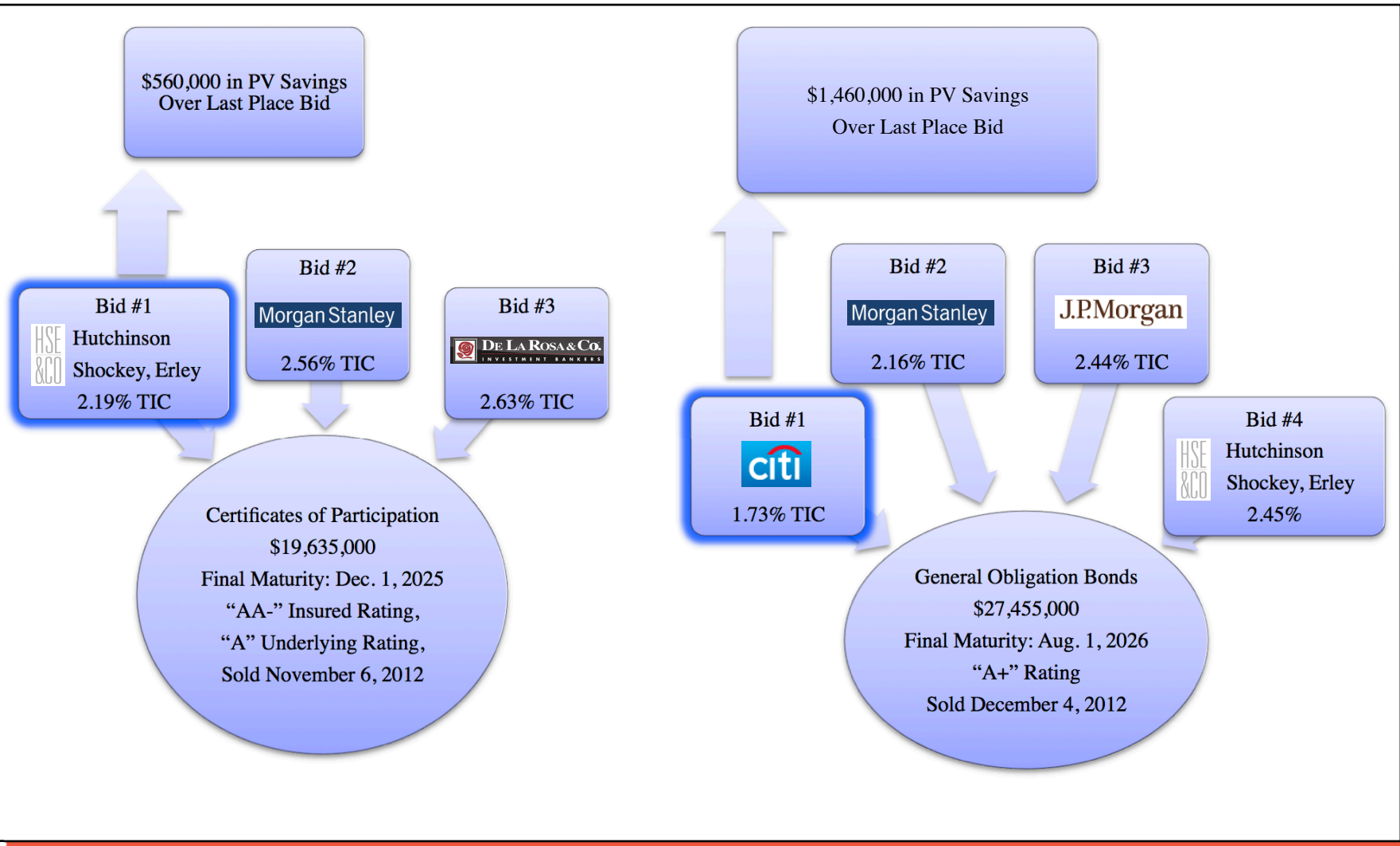


\$1.27 Est. Levy Savings = 12% Reduction



Projected tax levies are based on assumed growth in net local secured assessed value of 1% for 2013-14, 2% for 2014-15, and 3% annually thereafter. To be conservative, tax levy projections do no account for cash on hand (interest earnings, delinquencies and penalties from prior years).

> \$2.0 Mil Attributable to Competitive Sale



Summary

■ District Savings - Refinancing Certificates of Participation

- Nominal Savings: \$3,660,000
- PV Savings: \$3,190,000
- Avg Annual Savings (2012-13 - 2025-26): \$260,000

■ Taxpayer Savings - Refinancing General Obligation Bonds

- Nominal Savings: \$8,450,000
- PV Savings: \$7,460,000
- Avg Annual Savings (2013-14 - 2025-26): \$650,000
- Projected Avg Annual Tax Levy Savings: \$1.27 per \$100,000 of AV (2013-14 - 2025-26)

■ Competition produced savings of:

- \$560,000 relative to the last place bid for the COP
- \$1,460,000 relative to the last place bid for the GO

Questions?

