
Mount Diablo Unified School District

August 24, 2015

**\$38,500,000 General Obligation
2010 Election, 2015 Series F Bonds**

SUMMARY OF GENERAL OBLIGATION BOND SALE

Prepared by:



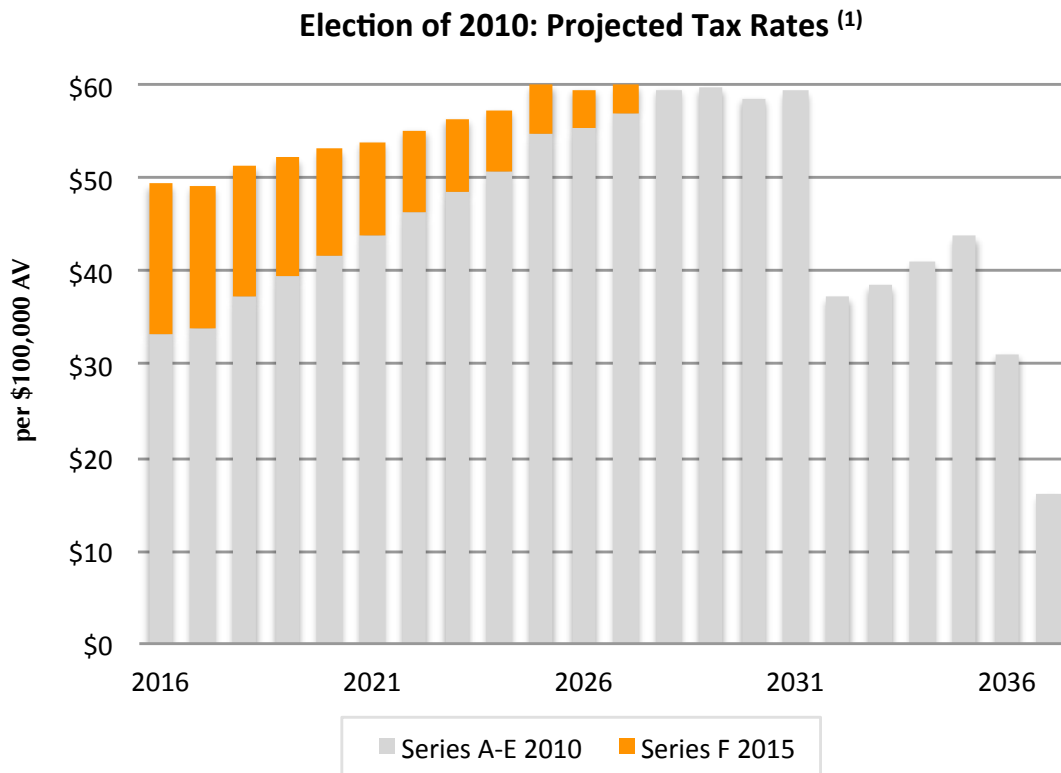
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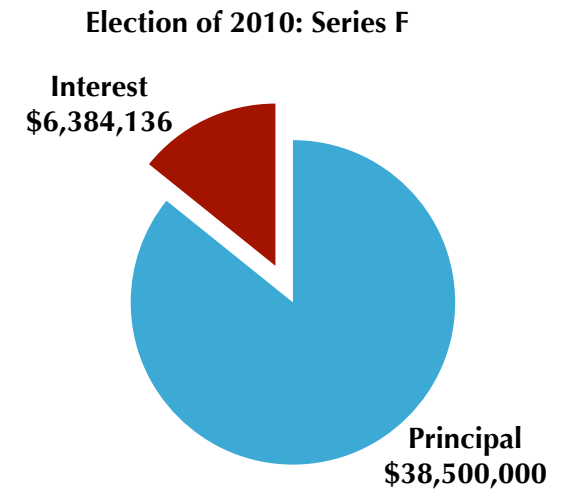
Mt. Diablo USD: **GO Bond Sale**

Mt. Diablo USD: Projected Interest Costs and Tax Rates

Bond Issue Downsized to Avoid Use of Capital Appreciation Bonds (CABs)



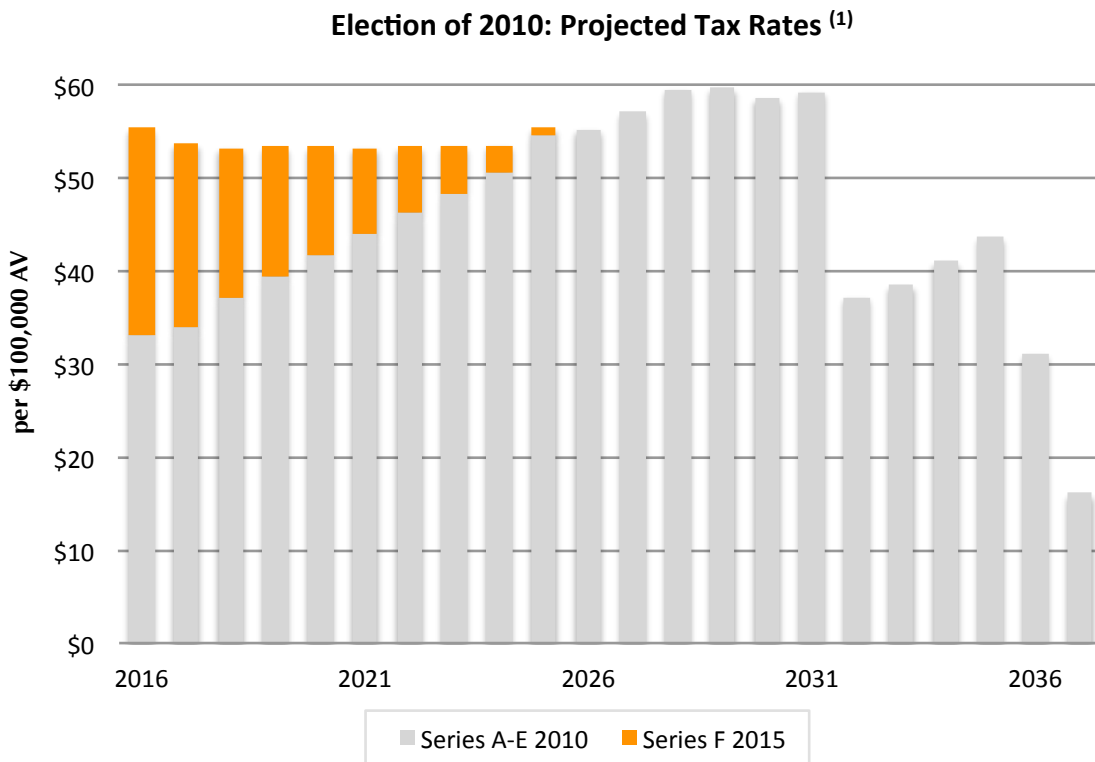
2010 Election: Series F (projection)	
Type	CIBs
Principal	\$38,500,000
Interest (@3.0%)	\$6,384,136
Total	\$44,884,136
Final Repayment	2027
Debt Ratio	1.17



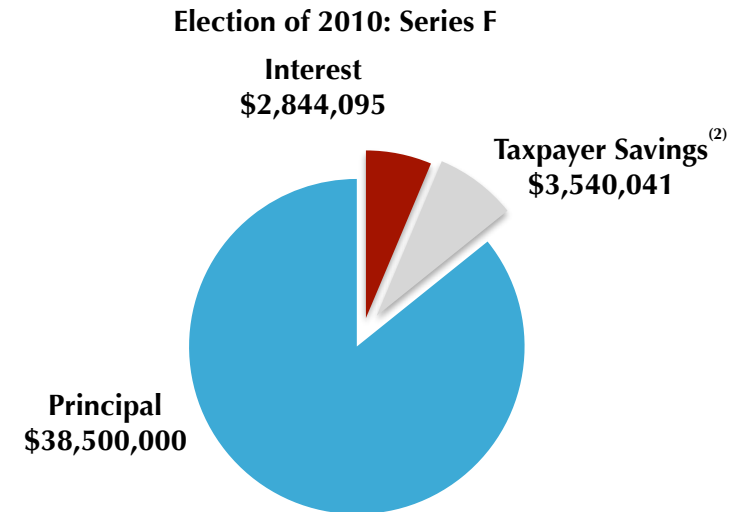
⁽¹⁾ Projections from 3/30/15 report to the MDUSD Board; assumed AV growth rate of 3.0% per year.

Mt. Diablo USD: **Actual Interest Costs** and **Projected Tax Rates**

Favorable Market Conditions Resulted in Significantly Lower Interest Costs



2010 Election: Series F (actual)	
Type	CIBs
Principal	\$38,500,000
Interest (@1.91%)	\$2,844,095
Total	\$41,344,095
Final Repayment	2025
Debt Ratio	1.07



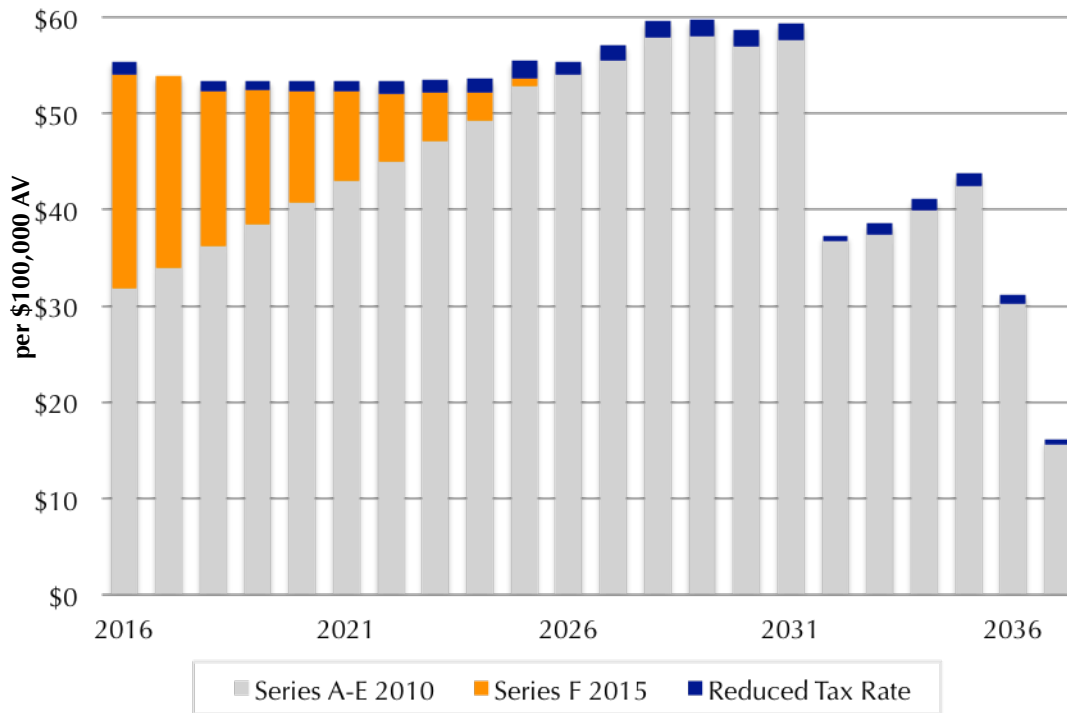
⁽¹⁾ Assumed AV growth rate of 3.0% per year.

⁽²⁾ Compared to 3/30/15 Projections.

Mt. Diablo USD: **Actual Interest Costs and Revised Tax Rates**

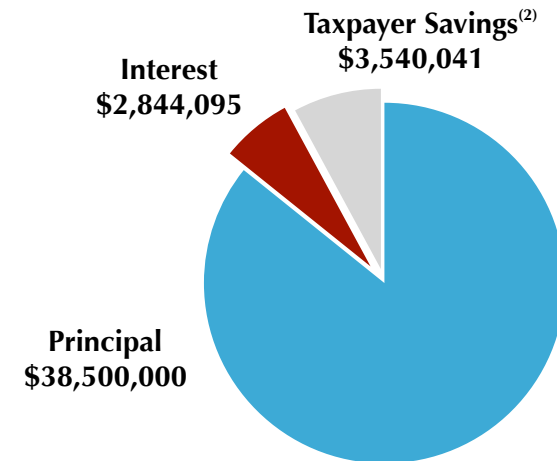
Higher Than Projected 2015-16 AV Will Result in Lower Tax Rates

Election of 2010: Actual 2015-16 and Projected Future Tax Rates ⁽¹⁾



2010 Election: Series F (actual)	
Type	CIBs
Principal	\$38,500,000
Interest (@1.91%)	\$2,844,095
Total	\$41,344,095
Final Repayment	2025
Debt Ratio	1.07

Election of 2010: Series F



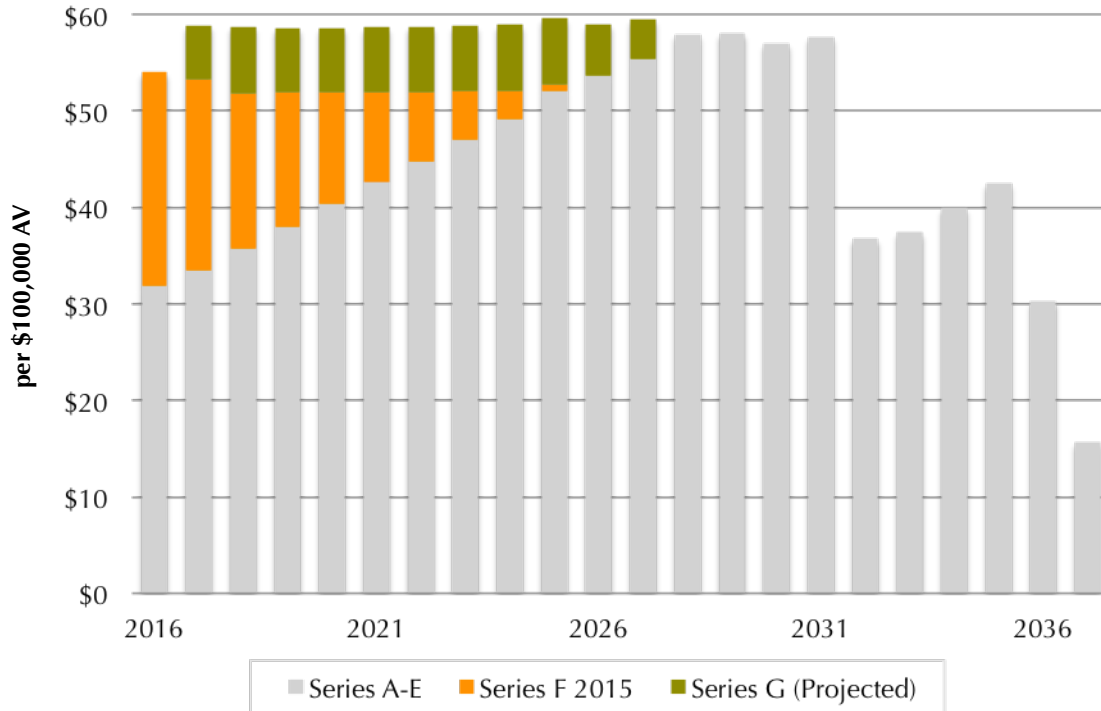
⁽¹⁾ Revised based on actual 2015-16 AV increase of 7.08%. 3% annual growth assumed thereafter.

⁽²⁾ Compared to 3/30/15 Projections.

Mt. Diablo USD: **Projected Future Interest Costs**

Another Year of 7.2% Growth Enables Issuance of Remaining Bonds in 2017

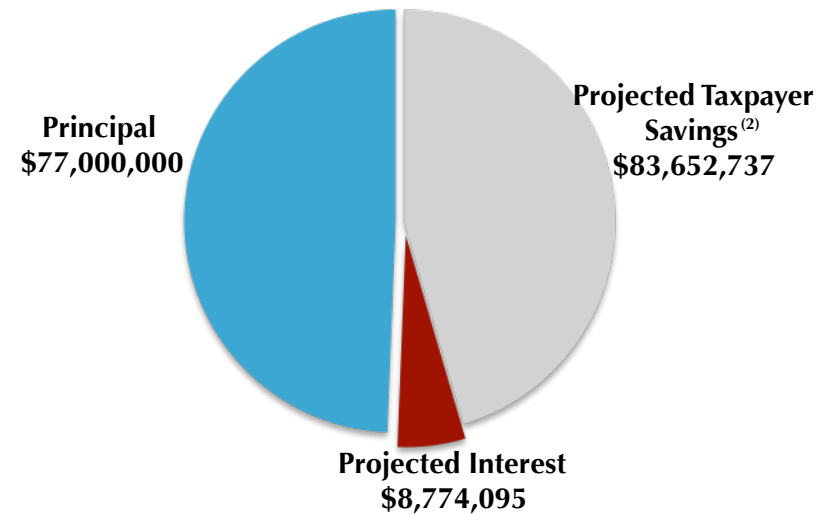
Election of 2010: Actual 2015-16 and Projected Future Tax Rates ⁽¹⁾



2010 Election: Series F & G (projected)			
	Series F	Series G ⁽¹⁾	Total
Principal	\$38,500,000	\$38,500,000	\$77,000,000
Interest	\$2,844,095	\$6,173,736	\$9,017,831
Total	\$41,344,095	\$44,673,736	\$86,017,831
Final Repayment	2025	2026	
Debt Ratio	1.07	1.16	1.12

* Assumes 7.2% interest rate

Election of 2010: Series F & G



⁽¹⁾ Assumes 7.2% annual growth in 2016-17 and 3% thereafter.

⁽²⁾ Compared to 3/30/15 Projections.

Mt. Diablo USD: **Special Tax Revenue Bonds**

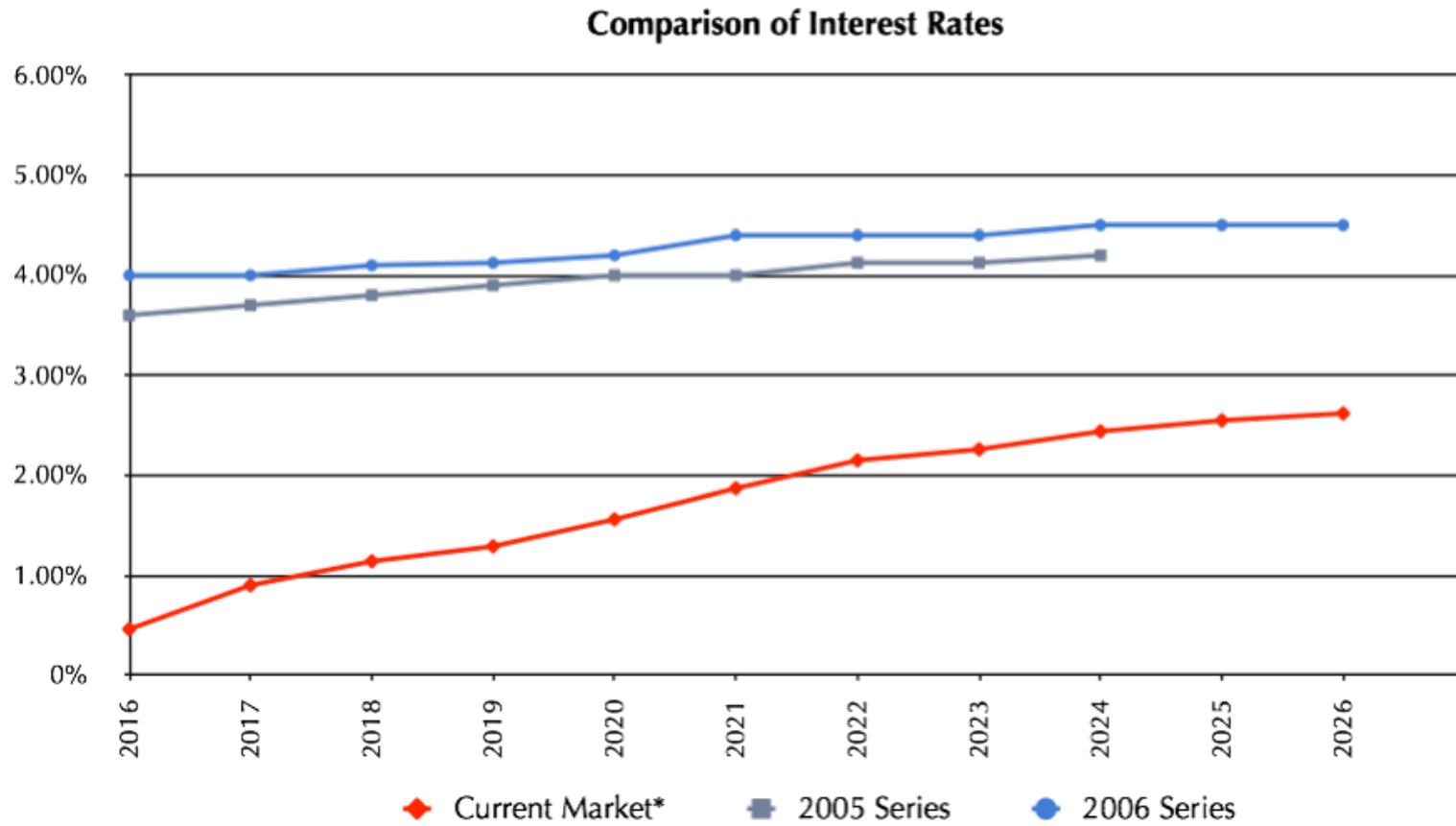
Refinancing Opportunity

Refunding Special Tax Revenue Bonds Saves Taxpayers Money with No Cost to the General Fund

- Current interest rate environment provides an opportunity to refinance the outstanding 2005 Special Tax Revenue and Refunding Bonds and the outstanding 2006 Special Tax Refunding Bonds
- Similar to home mortgage refinancing, old bonds are replaced by issuing a new series of refunding bonds at lower interest rates
- Lower interest rates will reduce annual bond payments
- The term of the bonds may be reduced
- Financing costs are contingent upon the successful completing of the financing and paid from bond proceeds - **no general fund cost**
- Typically can be completed in 8 to 10 weeks

Interest Rate Comparison

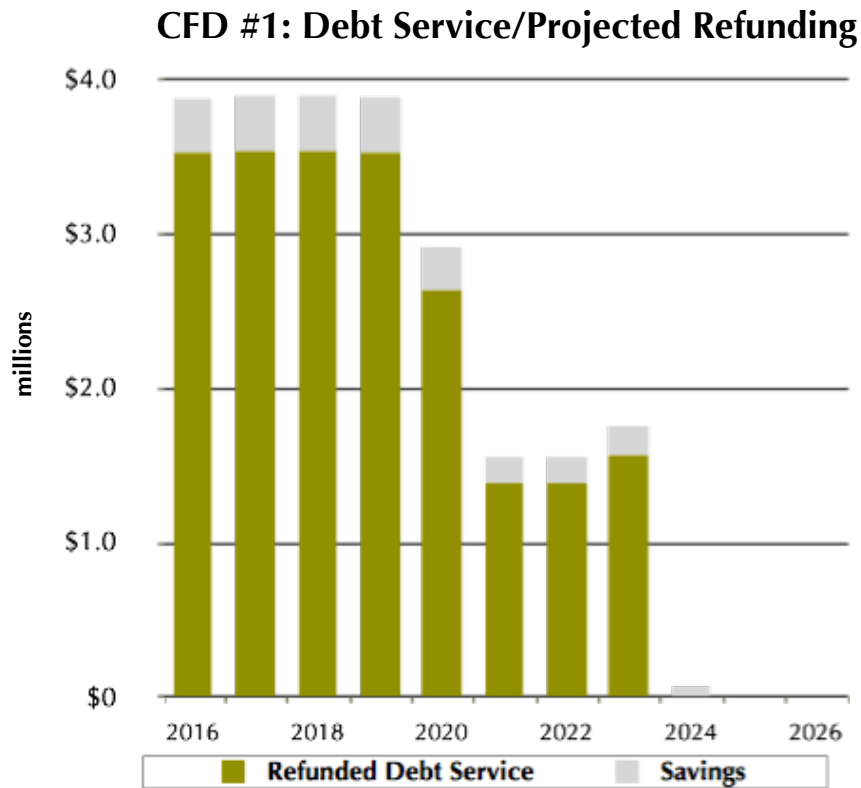
Current Interest Rates are Lower Than the Rates on the Outstanding Bonds



* Analysis based on interest rates as if August 20, 2015. Rates subject to market fluctuation.

Mt. Diablo USD: **Projected**

Refunding of CFD Debt Produces Significant Savings



	2005 Spec Tax Rev & Ref Bonds	2006 Spec Tax Ref Bonds	Total
Refunded Principal	\$10,105,000	\$12,945,000	\$23,050,000
Refunding Principal	\$8,005,000	\$10,455,000	\$18,460,000
Average Interest Rate of Refunded Bonds	4.04%	4.16%	
Average Interest Rate of Refunding Bonds	2.33%	2.05%	
Estimated Issuance Costs ⁽¹⁾	\$171,261	\$223,677	\$394,938
Net Debt Service Savings	\$1,239,950	\$1,069,364	\$2,309,314
Present Value of Debt Service Savings	\$1,148,403	\$1,029,885	\$2,178,287
Present Value Savings as % of Refunded Principal	11.36%	7.96%	9.45%

⁽¹⁾ All financing costs including underwriters discount, legal fees, financial advisor fees, rating fees, escrow fees, bond insurance, surety bond, etc.

Mt. Diablo USD, Series F Bonds: **Appendices**

Mt. Diablo USD: **Goals of Structuring**

Bond Sale Structured to Achieve Multiple Goals

- ◆ Obtain the highest possible District rating from Standard and Poor's ("S&P") rating agency to attract the maximum number of potential investors.
- ◆ Sell the Bonds via negotiated sale with Stifel Nicolaus & Co. and George K. Baum to optimize structure and flexibility.
- ◆ Structure the bond with a shorter maturity schedule in order to preserve the ability to issue future authorization.
- ◆ Generate premium to pay underwriting costs.
- ◆ Costs of issuance paid out of project funds.

Mt. Diablo USD: **Sale Results**

Successful Sale Resulting in Low Rates to Taxpayers

- ✓ The District's general obligation bonds were rated "Aa3" by Moody's by rating services.
- ✓ Moody's noted that the Mount Diablo economy is strong with stable finances. The District's debt and pension obligations are elevated compared to other District's in the Aa3 category but keeping reserves above 20% could put upward pressure on the rating.
- ✓ Bonds sold with a True Interest Cost of 1.915%.
- ✓ Bonds are not callable.
- ✓ Premium generated to pay underwriter's costs.
- ✓ Cost of issuance paid out of project funds.

Economy and Treasury Marketplace

- ◆ Interest rates for the benchmark 10-Year U.S. Treasury Bond remained low ranging from 2.23% to 2.29% during the week prior to the sale.
- ◆ Economic news released on the week prior to the sale included, existing home sales which showed a positive jump of 5.1% in May, new home sales which shows a rise of 2.2% in May, GDP came in as expected at a minus 0.2 percent and jobless claims continue to trend lower with an unemployment rate for insured workers remaining near a record low at 1.7 percent.
- ◆ On June 30, the market closed with the Dow Jones up 12.63 points at 17,755.87, the Nasdaq up 47.88 points at 5,148.18, and the S&P 500 up 4.82 points at 2,111.60. The 10-Year U.S. Treasury Bond closed at 2.28%.

Mt. Diablo USD: **Sale Results - Sources and Uses**

2010 Election, Series F Bonds

Sources of Funds

Principal Amount	\$38,500,000.00
Net Original Issue Premium	<u>4,670,511.70</u>
Total Sources of Funds	\$43,170,511.70

Uses of Funds

Building Fund	\$38,275,000.00
Debt Service Fund	4,458,761.70
Costs of Issuance ⁽¹⁾	225,000.00
Underwriter' s Discount	<u>211,750.00</u>
Total Uses of Funds	\$43,170,511.70

(1) Final Costs of Issuance amount of \$199,425 includes the following: Financial Advisor Fee (\$85,000), Courier and delivery (\$100), OS printing and misc copying (\$1,558.79), Bond Counsel Fee (\$67,000), Special Tax Counsel Fee (\$15,000), Moody' s Rating Agency Fee (\$25,000), Paying Agent Fee (\$1,755), Miscellaneous Expenses (\$2,387.10), and Contingency (\$1,624.11). Excess amounts were deposited in the debt service fund.

Mt. Diablo USD: **General Market Information**

- ◆ FAIR MARKET YIELD CURVES

Chart and table showing yield curves on “A”, “AA”, California General Obligation Bonds, and Insured GO Bonds on June 30, 2015.

- ◆ MUNICIPAL INTER-MARKET YIELDS

Yield spread on “AAA” rated General Obligation Bonds to 10 Year U.S. Treasury on June 30, 2015.

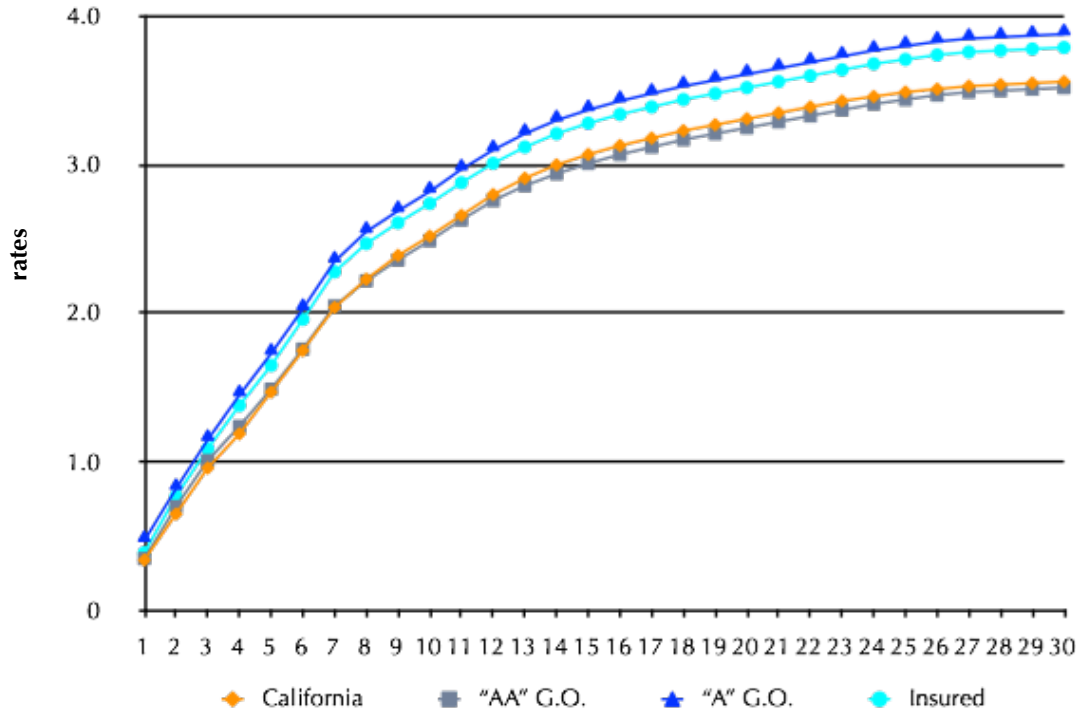
- ◆ G.O. MUNICIPAL BONDS

Yield spread of General Obligation Municipal Bonds rates “AAA,” “AA,” “A,” “A” Revenue, Insured and U.S. Treasury on June 30, 2015

- ◆ PRE-PRICING and PRICING STRUCTURE - YIELDS FOR COMPARABLE ISSUES

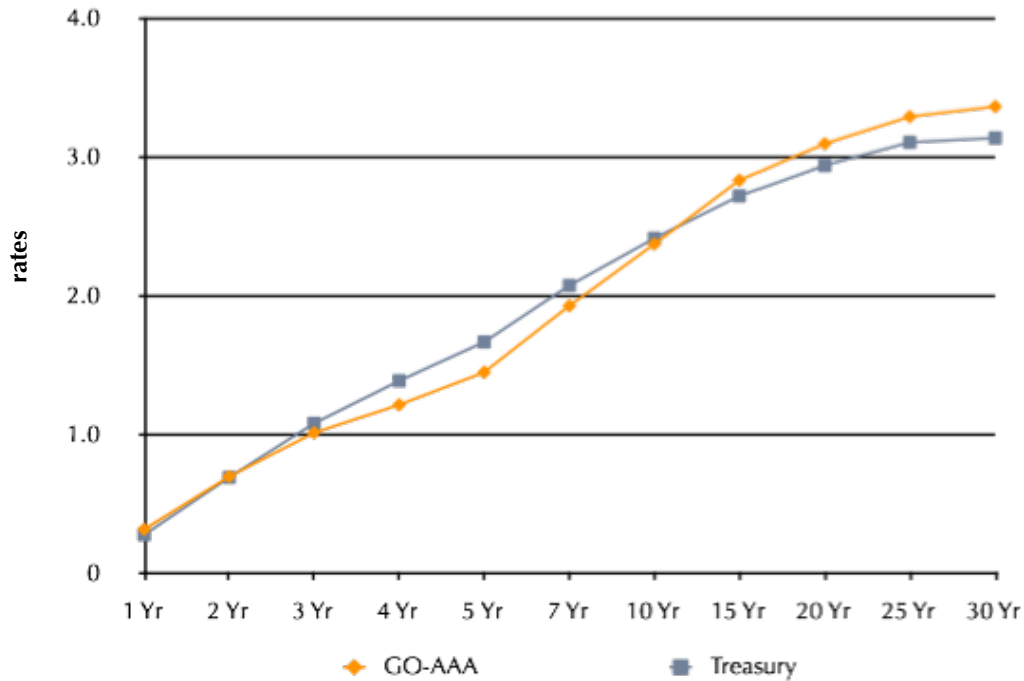
Comparison of yields at pre-pricing (June 29, 2015) with those of comparable recent issues and comparison of final pricing (June 30, 2015) with pre-pricing coupons and yields.

Mt. Diablo USD: Fair Market Yield Curve as of June 30, 2015



Years	California	"AA" GO	"A" GO	Insured
1	0.34	0.35	0.47	0.39
2	0.65	0.7	0.82	0.77
3	0.96	1.01	1.15	1.09
4	1.19	1.24	1.45	1.38
5	1.47	1.49	1.73	1.65
7	2.04	2.05	2.35	2.28
10	2.52	2.49	2.82	2.74
15	3.07	3.01	3.37	3.28
20	3.31	3.25	3.61	3.52
25	3.49	3.44	3.8	3.71
30	3.56	3.52	3.88	3.79

Mt. Diablo USD: Municipal Inter-Market Yield as of June 30, 2015



Term	GO-AAA	Treasury	Spread (+/- BPs)
1 Yr	0.316	0.277	4
2 Yr	0.697	0.691	1
3 Yr	1.013	1.081	-7
4 Yr	1.215	1.388	-17
5 Yr	1.449	1.667	-22
7 Yr	1.928	2.075	-15
10 Yr	2.374	2.415	-4
15 Yr	2.834	2.721	11
20 Yr	3.096	2.94	16
25 Yr	3.291	3.106	19
30 Yr	3.364	3.138	23