



**OAKLAND UNIFIED
SCHOOL DISTRICT**

Community Schools, Thriving Students

2015 Bond Sale Summary

\$180,000,000 General Obligation Bonds (Election of 2012), Series 2015 A and Series 2015 B (Federally Taxable)

\$168,705,000 2015 General Obligation Refinancing Bonds



Presented by Fiscal Services

Presented to Board of Education

And Citizen's Bond Oversight Committee

November 2015

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Highlights of Bond Sale:

3 Take-Aways

- **3.84%** - Low interest rates result in low overall rate of 3.84% in true interest cost to District taxpayers
- **\$26 Million** - Refinancing Measure C bonds results in savings of \$26 M for taxpayers
- **.28%** Additional interest rate cost due to no rating for Measure J bonds; **.17%** additional interest rate cost for refunding bonds.



Bond Interest Rates

3.84%

- The bond market is at one of it's lowest points over the last 10 years, making it a good time to sell bonds, even without a bond rating. (See graph on next page of the bond index that reflects the typical cost for a bond that matures in 20 years.)
- The District was able to sell:
 - \$180 million of Measure J at an all-in True Interest Cost (TIC) of **4.23%**
 - \$168.5 M refunding bonds at an all-in TIC of **3.32%**
 - The combined rate is **3.84%**, which is less than the rate the District is paying on bonds issued in 2009, with a bond rating, and in 2012 and 2013, without a bond rating.

Bond Buyer 20 Year GO Bond Index

Bond Buyer 20 Year GO Bond Index

Data Points: Weekly 1/6/2005 - 10/8/2015



The Index published on 7/30/2015 and 8/6/2015 was 3.75%

The Bond Sale Process

Pre-Sale Work Pays Off

Underwriter: The District sold the bonds through an underwriter - **Oakland-based Siebert, Brandford, Shank & Co., LLC**, who served as Senior Manager, assisted by Piper Jaffrey & Co. as co-manager.

Investor Calls: Prior to the sale, key District officials met or talked with over **30** bond investor organizations, answering questions and building confidence in the District's leadership and financial recovery.

Orders: Orders to purchase bonds far exceeded available bonds.

- Orders were placed by **57 investors**, of which 41 were new to OUSD.
- \$2 billion in orders were received for \$349 million in available bonds - **almost 6 times oversubscribed**.

Final Pricing: Final pricing, with orders far exceeding bonds for sale, was reduced to just a **.28%** premium for not having a credit rating for Measure J bonds, and **.17%** for the refunding bonds.

Refunding Savings

\$26 Million

- As in the refinancing of a home mortgage, general obligation bonds can also be refinanced when interest rates are lower than they were at time of the original issuance. (See Bond Buyer Index Graph earlier in presentation).
- Bonds issued in 2002 and 2005 were refinanced, reducing the on-going costs for taxpayers by over **10%** on those bonds.
- The savings is calculated by comparing the prior annual repayment schedule to the new repayment schedule. Over the remaining 15 year life of the bonds, taxpayers will save **\$26 million**. The present value is also calculated, as the savings will be over several years. The repayment was not extended. (See table on next page that compares prior bond repayment to new repayment.)

Cost of No Rating

.28% Add'l Interest Cost for Measure J **.17% Add'l Interest Cost for Refunding Bonds**

- The District's bonds have been non-rated since 2011 due to the lack of current audit reports; bond markets demand a premium on bonds that are not rated due to liquidity and credit concerns.
- The pre-marketing efforts and oversubscription by almost 6 times reduced the overall rates paid by the District to only **.28% over** the rates for bonds sold with a bond rating. This results in an additional cost of **\$10.4 million**.
- For the refunding, the overall rate difference is **.17%**, for an additional cost of **\$3.6 million**. The net savings of \$26 million for the refunding already incorporates this cost.

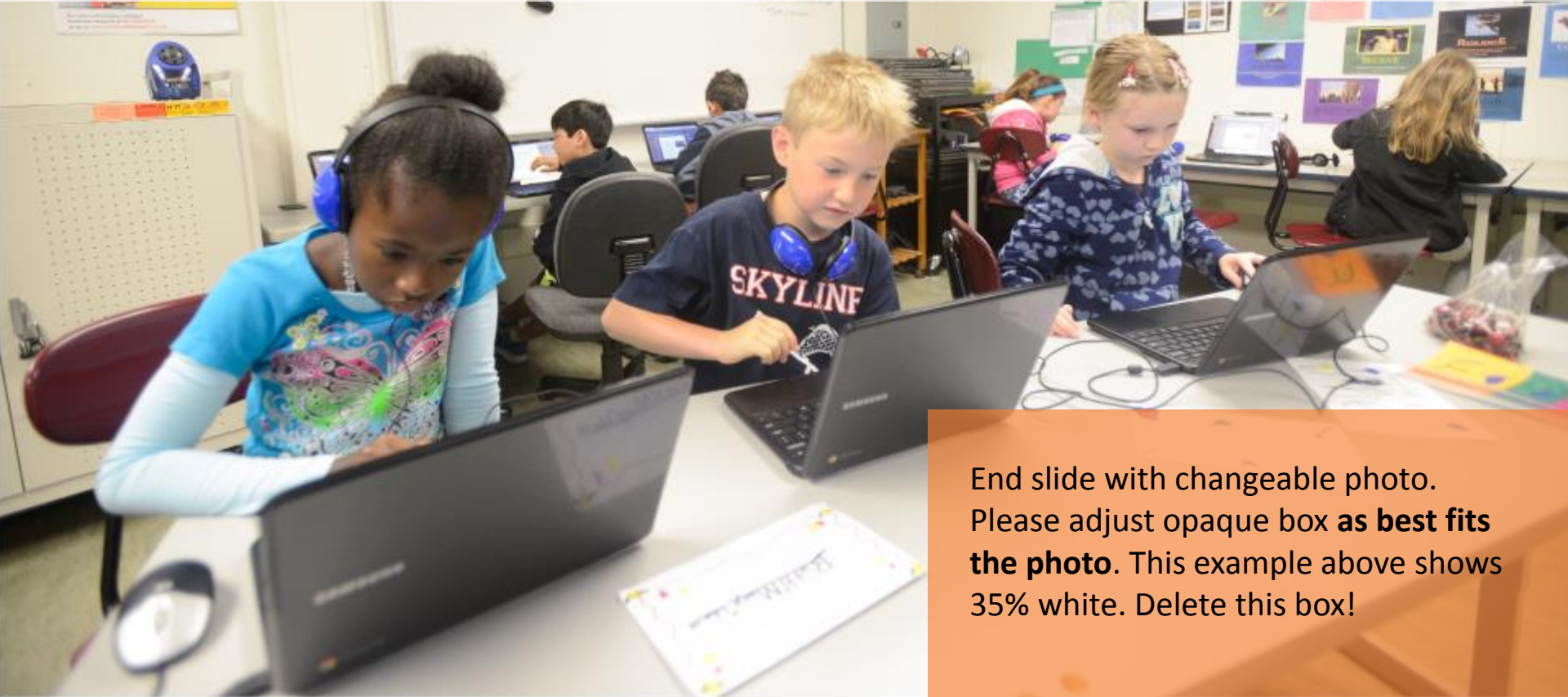


Overall Costs of Issuance

Section 15146(c) of the Education Code requires that after a bond sale and closing, actual cost information be provided to the governing Board and to the public

TOTAL PAR AMOUNT:		\$348,705,000	\$180,000,000	\$168,705,000
Service	Provider	Total Cost	Measure J Series 2015 A&B	2015 GO Refunding
Underwriters Compensation	Siebert Brandford Shank & Piper Jaffray	\$2,543,040	\$1,399,682	\$1,143,359
Other Costs of Issuance:				
Bond/Disclosure Counsel (Fee & Expenses)	Orrick Herrington & Sutcliffe	\$182,500	\$94,206	\$88,294
Financial Advisor Fee (Fee & Expenses)	KNN Public Finance	\$165,000	\$85,172	\$79,828
Paying Agent	U.S. Bank National Association	\$3,170	\$1,585	\$1,585
Escrow Agent	U.S. Bank National Association	\$500	-	\$500
Verification Agent	Causey Demgen & Moore	\$2,000	-	\$2,000
Electronic Distribution & Printing (POS/OS)	AVIA Communications	\$1,190	\$614	\$576
Rating	Standard & Poor's	\$60,000	-	\$60,000
Rating	Moody's	\$60,000	-	\$60,000
District Costs	Oakland USD	\$50,000	\$25,810	\$24,190
Contingency	Excess to go to Building Fund/DSF	\$18,876	\$7,299	\$11,578
Total Other Costs of Issuance		\$543,236	\$214,686	\$328,551
Total Costs of Issuance		\$3,086,277	\$1,614,367	\$1,471,909
Total Costs of Issuance as a % of Par		0.89%	0.90%	0.87%

EVERY STUDENT THRIVES!



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APPENDIX

- Refunding Analysis
- Cost of Selling Non-Rated Bonds



Refunding Analysis

**Comparison of
bond repayment
each year results in
\$26 million in
overall savings over
the next 15 years.**

Period Ending	Prior Debt Service	Refunding Debt Service	Savings	Present Value Savings to 8/20/2015
2016	\$17,059,663	\$14,960,056	\$2,099,606	\$2,046,765
2017	17,375,363	15,686,750	1,688,613	1,585,898
2018	17,719,138	16,021,750	1,697,388	1,540,135
2019	18,085,688	16,356,000	1,729,688	1,516,580
2020	18,624,075	16,842,750	1,781,325	1,509,197
2021	18,993,463	17,147,500	1,845,963	1,511,194
2022	19,393,838	17,507,000	1,886,838	1,492,180
2023	20,491,688	18,501,500	1,990,188	1,520,311
2024	21,342,688	19,267,000	2,075,688	1,531,638
2025	24,090,000	21,756,000	2,334,000	1,663,443
2026	32,431,000	29,288,750	3,142,250	2,163,059
2027	9,885,000	8,925,000	960,000	638,592
2028	9,883,000	8,943,500	939,500	603,721
2029	9,968,750	9,022,750	946,000	587,464
2030	10,058,125	9,108,750	949,375	569,752
Total	\$265,401,475	\$239,335,056	\$26,066,419	\$20,479,929

Cost of Selling Non-Rated Bonds

The District's financial advisor, KNN Public Finance, has estimated the cost of not having a rating by using the pricing of a recent large rated school district bond transaction, rated Aa2/AA insured, A3/A+ underlying, part new money and part refunding, and applying those rates to the District's 2015 Series A Bonds and 2015 General Obligation Refunding Bonds. The table below walks through the difference in TIC and the resulting difference in interest costs.

Measure J Bonds 2015 Series A Bonds (to 2040)	Actual Numbers (Non-rated)	100% Insured and Rated Scenario	Difference ("Premium")
Par Amount (and Building Fund deposit)	\$173,500,000	\$173,500,000	-
TIC	4.23%	3.94%	.28%
Total Net Debt Service	\$300,407,398	\$290,001,204	\$10,406,194

2015 GO Refunding Bonds (to 2030)	Actual Numbers (75% Insured and Rated)	100% Insured and Rated Scenario	Difference ("Premium")
Par Amount	\$168,705,000	\$166,375,000	\$2,275,000
TIC	3.19%	3.02%	.17%
Total Net Debt Service	\$239,335,056	\$235,690,065	\$3,644,991