



**2018 Annual
Convention**
Community College League of California

Planning a Bond Program Post AB 195

November 16, 2018

Presenters

- **Willy Duncan**, *Superintendent/President*, Sierra Joint Community College District
- **Ed Maduli**, *Vice Chancellor, Administrative Services*, West Valley-Mission Community College District
- **David Casnocha**, *Managing Shareholder*, Stradling Yocca Carlson & Rauth
- **Ivory Li**, *Managing Director*, Piper Jaffray & Company

Placing a Measure on the Ballot

1. Adopt Resolution Ordering an Election.

- 2/3 's vote of Board
- Includes ballot language and bond project list
- Delivered to applicable country registrar of voters by the 88th day prior to election

2. Deliver Supplemental Materials – Tax Rate Statement, Arguments, Impartial Analysis.

Historical Requirements of Ballot Measure

- **75 word limit (district name is one word)**
- **Single sentence ending with a “?”**
- **Name of district, purpose of measure, amount of bonds, maximum interest rate on bonds, Prop 39 (COC/Audits)**
- **Question leads with capital project**

Example of November 2016 Election Ballot Language

“MIRACOSTA COLLEGE JOB TRAINING, COLLEGE TRANSFER, VETERAN SUPPORT MEASURE. To upgrade classrooms and career training facilities for science, healthcare, technology, advanced manufacturing, other growing local industries, provide job training/placement to Navy/Marines/other veterans, improve access to affordable higher education to local students, improve disabled access, **repair, construct, acquire classrooms, facilities, sites/equipment,** shall MiraCosta Community College District issue \$455,000,000 in bonds, at legal rates, subject to local control, requiring annual audits, and independent citizen oversight?”

November 2016 Tax Rate Statement Elements

- **Best estimate tax in first year after first sale of bonds (eg \$25/\$100,000)**
- **Best estimate tax in first year after last sale of bonds (eg \$25/\$100,000)**
- **Best estimate of highest tax rate (eg \$25/\$100,000)**
- **Best estimate of total debt service**

**MiraCosta's ballot materials only had three numbers:
\$455,000,000, \$14.99/\$100,000 AV, and \$777,089,013**

AB 1194 Revised Requirements of Tax Rate Statement

- **Average annual tax rate**
- **Final fiscal year in which the tax is anticipated to be collected**
- **Highest tax rate and year levied**
- **Total debt service (all principal and interest) when all bonds are sold**

Point: Lots of numbers regarding bonds presented to voters

AB 195 (July 2017) Added Requirements to Ballot Question

- **Shall the measure be adopted**
- **Amount of money to be raised annually**
- **Rate and duration of the tax rate to be levied for the bonds**
- **Language that is neither argumentative nor likely to create prejudice for or against the measure**

June 2018 Election – Sierra Joint CCD

“To bring older buildings to code/standards for continued use, improve workforce job training facilities to affordably prepare, train/retrain students/veterans for quality jobs, **repair, construct, acquire classrooms, facilities, equipment**, shall the measure for Sierra Joint Community College District to issue \$350,000,000 in bonds at legal rates and **levy on average 1.7 cents/\$100 assessed value (\$18,000,000 annually) while bonds are outstanding** be adopted, with taxpayer oversight/audits, no money for administrator salaries/pensions, all funds used locally?”

- **16 extra AB195 words**

November 2018 Election – West Valley Mission CCD

“WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT LOCAL, AFFORDABLE, CAREER/JOB TRAINING, REPAIR, VETERAN SUPPORT MEASURE. To upgrade educational facilities/technology to prepare students/veterans for 21st-century jobs, university transfer; update science, engineering, math classrooms, labs for nursing/healthcare careers; **acquire, construct, repair, classrooms, facilities, sites, equipment;** shall West Valley-Mission Community College District’s measure authorizing \$698,000,000 in bonds at legal rates, **levying \$13/\$100,000 assessed value averaging \$39,000,000 annually while bonds are outstanding,** be approved, with oversight, audits, no money for administrators’ salaries/ pensions?”

- **11 extra AB195 words**

Combining Ballot and Tax Rate Statement Words Regarding Money

Sierra: 6 numbers

Ballot: \$350,000,000; 1.7 cents/\$100 AV; \$18,000.000 annually

**TRS: Average tax: \$0.017 per \$100 AV (\$17 per \$100,000)
Highest tax: \$0.017 per \$100 AV (\$17 per \$100,000)
Final tax levied 2058-59
Total debt service \$685 million**

West Valley: 5 numbers

Ballot: \$698,000,000; \$13/\$100,000 AV; \$39,000,000 annually

**TRS: Average tax rate: \$1.3 cents/\$100 AV (\$13/\$100,000)
Highest tax rate: \$1.3 cents/\$100 AV (\$13/\$100,000)
Final tax levied 2049-50
Total debt service \$1,287,907,440**

Pre-AB 195 (Post Prop. 39) CCD Bond Statistics

Election Date	# of CCD Bonds On the Ballot	# of CCD Bonds Approved	Total \$ Approved
Apr-2001	1	1	\$ 1,245,000,000
Nov-2001	4	4	705,110,000
Mar-2002	14	13	2,314,947,814
Nov-2002	16	15	3,224,230,000
May-2003	1	1	980,000,000
Mar-2004	12	10	2,286,800,000
Nov-2004	11	11	1,467,714,000
Nov-2005	4	3	745,700,000
Jun-2006	8	4	1,347,300,000
Nov-2006	9	6	2,003,500,000
Feb-2008	3	2	940,000,000
Jun-2008	2	2	89,000,000
Nov-2008	10	10	5,440,100,000
Nov-2010	4	3	697,000,000
Nov-2011	1	0	0
Jun-2012	1	1	350,000,000
Nov-2012	8	7	2,354,655,000
Jun-2014	1	1	450,000,000
Nov-2014	11	9	2,129,500,000
Jun-2016	6	5	2,780,000,000
Nov-2016	14	13	7,533,246,000
Total	141	121	\$39,083,802,814

Approval Percentage: 85.8%

Average Bond Size: \$323,006,635

Post AB 195 CCD Bond Statistics

Election Date	District	Bond Program Size/ Total \$ Approved	Tax Rate (Per \$100,000)	Pass/Fail	# of CCD Bonds On the Ballot	# of CCD Bonds Approved	Total \$ Approved
Jun-2018							
	Sierra	\$ 350,000,000	\$17.00	√ (55.6%)			
	West Kern	\$ 50,000,000	\$25.00	X (48.9%)			
					2	1	\$ 350,000,000
Nov-2018							
	Allan Hancock	\$ 75,000,000	\$11.00	X (45.2%)			
	Chaffey	\$700,000,000	\$15.00	√ (57.2%)			
	Gavilan	\$248,000,000	\$20.00	√ (59.0%)			
	Mt. San Antonio	\$750,000,000	\$25.00	√ (60.8%)			
	Peralta	\$800,000,000	\$24.50	√ (74.5%)			
	San Bernardino	\$470,000,000	\$25.00	√ (61.0%)			
	West Valley-Mission	\$698,000,000	\$13.00	√ (59.8%)			
					7	6	\$3,666,000,000
Total					9	7	\$4,016,000,000

Approval Percentage: 77.8%

Average Bond Size: \$573,714,286

Overview of Sierra Joint CCD and Its Voter Demographics

- **2/3rds Republican**
- **Tax averse**
- **Two failed bond attempts in the early 2000's**
- **Use of School Facilities Improvement Districts (SFIDs) to build centers**

Consequences of AB 195

“To bring older buildings to code/standards for continued use, improve workforce job training facilities to affordably prepare, train/retrain students/veterans for quality jobs, **repair, construct, acquire classrooms, facilities, equipment**, shall the measure for Sierra Joint Community College District to issue \$350,000,000 in bonds at legal rates and **levy on average 1.7 cents/\$100 assessed value (\$18,000,000 annually) while bonds are outstanding** be adopted, with taxpayer oversight/audits, no money for administrator salaries/pensions, all funds used locally?”

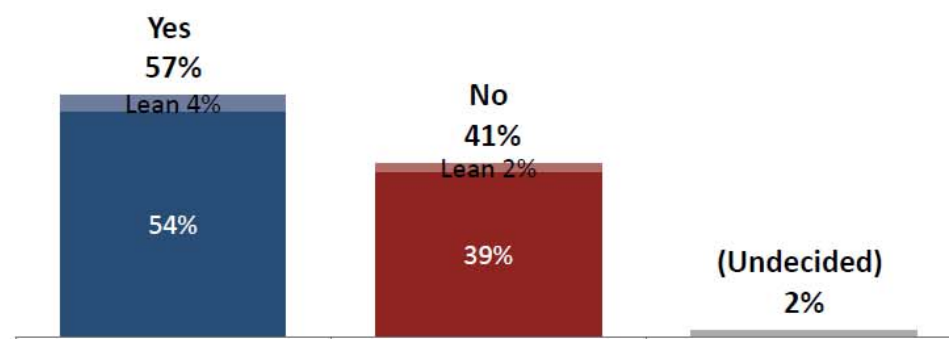
- **Reduced the number of words in the 75 word statement**
- **Display of tax rate created confusion**
- **Lost 7% from polling to actual outcome**

West Valley – Mission Community College District: Testing the Impact

- 616 email-to-web and telephone surveys of West Valley-Mission Community College District voters were conducted in June 2018
- A split sample methodology was used to test different ballot question language for the November 2018 bond measure (Sample A: AB 195 compliant; Sample B: Non-AB 195 compliant)
- Support was slightly lower and opposition was higher among respondents presented with AB 195-complaint language:

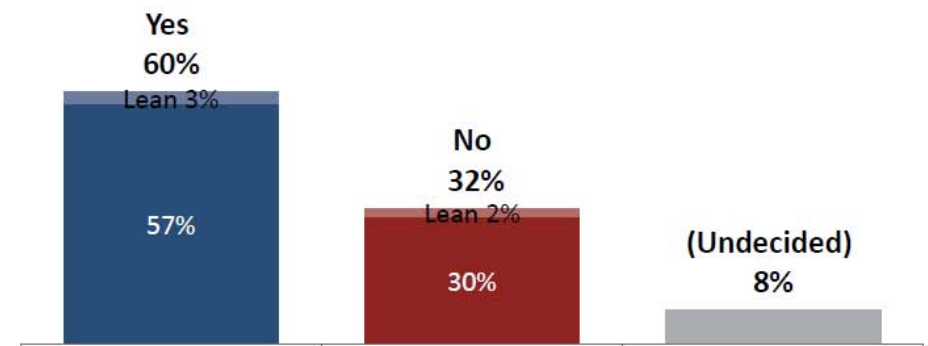
AB195-Compliant

*To upgrade educational facilities/technology to affordably prepare local students/veterans for 21st-century jobs/university transfer, update science/engineering/math classrooms/labs for career training in nursing/healthcare/improved class availability, acquire, construct, repair/equip classrooms/facilities/sites/equipment, shall this West Valley-Mission Community College District measure authorizing \$698,000,000 in bonds, at legal rates, **levy approximately \$13/\$100,000 assessed value/\$39,000,000 annually while bonds are outstanding, be approved, with taxpayer oversight, audits, no money for administrators' salaries/pensions?***



Non-AB195-Compliant

To upgrade educational facilities/technology to affordably prepare local students/veterans for 21st-century jobs/university transfer, update science/engineering/math classrooms/labs for career training in nursing/healthcare/improved class availability, acquire, construct, repair/equip classrooms/facilities/sites/equipment, shall West Valley-Mission Community College District issue \$698,000,000 in bonds, at legal rates, with taxpayer oversight, annual audits, and no money for Sacramento, administrators' salaries or employee pensions?



Support Differences

- Gender: opposition was higher for AB 195-complaint ballot language with both men and women, but more substantially with women
- Age: opposition to the AB 195 measure wording was particularly high among voters age 50-64; however, voters 65 and over actually responded better to the AB 195 version than the non-AB 195 version
- Party: support was similar with each party regardless of ballot question wording; however, opposition to the AB 195 wording was greater among Democrats and voters with no party preference
- Voter Propensity: opposition to the AB 195 version was greater than the non-AB 195 version regardless of voter propensity
- Homeownership: renters in particular showed more opposition to an AB 195 compliant measure

Other AB 195 Comparisons

Based on a sample of polling done for K-14 districts throughout the State, there did appear to be a significant impact on support for school/community college bond measures incorporating AB 195 language:

	Poll Results:		
	Non-AB195	AB195 Compliant	Difference
Elementary School District STEM Classrooms and Safety Bond (Pre-tested September 2017, re-tested May 2018)	68% YES	56% YES	-12%
Unified School District Safety and Classroom Updates Measure (Pre-tested October 2017, re-tested June 2018)	75% YES	61% YES	-14%
Unified School District Safety/Repair and Technology Bond (Pre-tested May 2017, re-tested January 2018)	66% YES	60% YES	-6%
Unified School District Safety and Security Improvement Bond (Poll tested August 2017 vs June 2018 election result)	78% YES	70% YES	-8%
*Elementary School District Repair/ Student Safety Bond (Pre-tested April 2016, re-tested Feb. 2018)	67% YES	56% YES	-11%
*Unified School District STEM Classroom Bond (Pre-tested July 2016, re-tested Jan. 2018)	66% YES	55% YES	-11%
*Community College Education, Repair and Student Safety Bond	76% YES	62% YES	-14%
*Fire Protection District Emergency Medical Response and Disaster Protection Bond (Tested May 2018)	74% YES	61% YES	-13%
*Community College District Facilities Bond (Tested Sept. 2017; defeated on June 2018 ballot)	71% YES	48% YES (failed on June '18 ballot)	-23%

Importance of Properly Structured Bond Programs

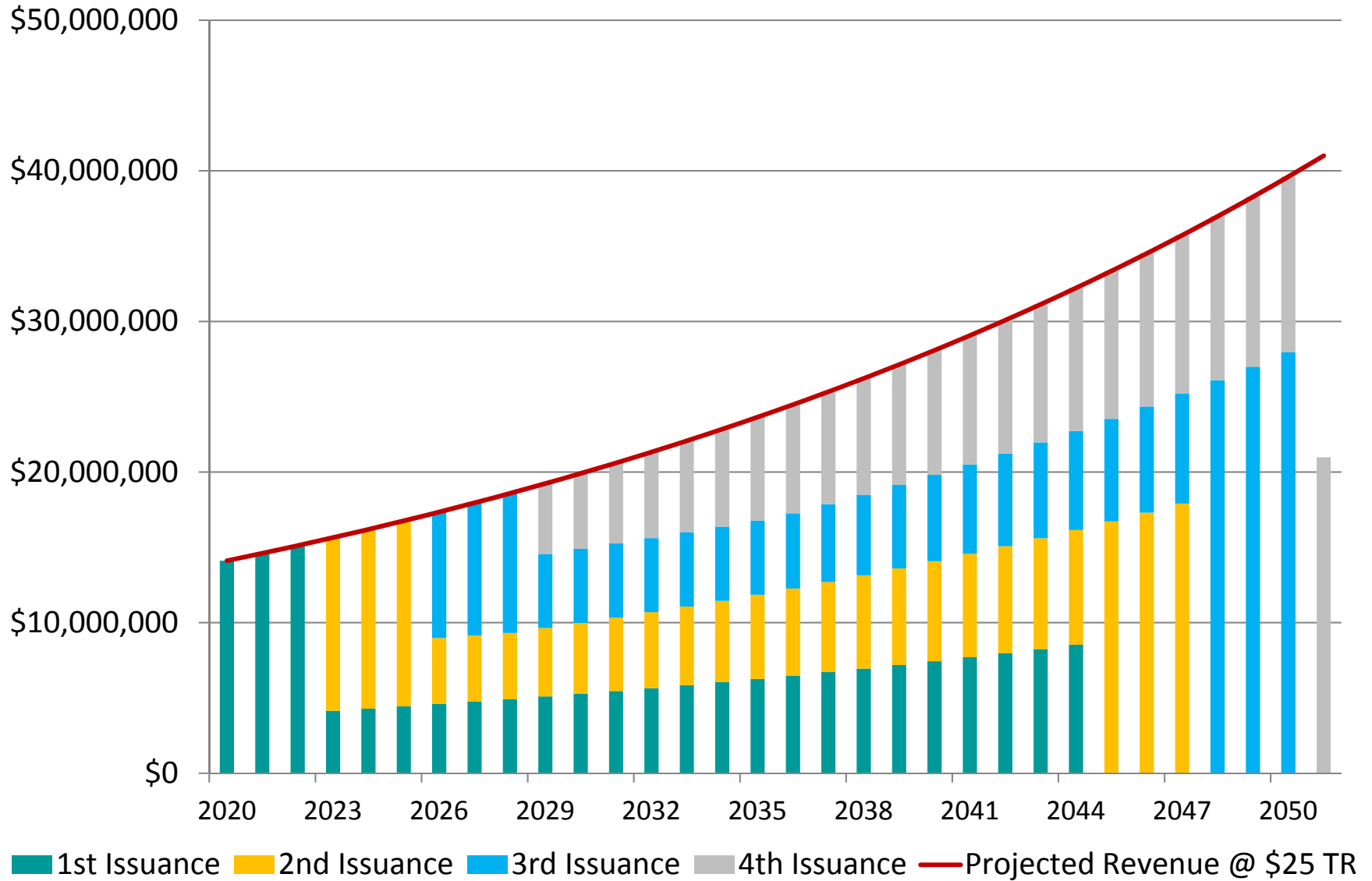
- **Use conservative and reasonable assumptions**
 - Projected assessed valuation growth
 - Future interest rates
- **Phase individual bond issues to match project cash flow schedules**
- **Utilize length of bond financing, additional bond series and other financing tools to lower tax rate if possible**

Sample Bond Program (Base Case)

Total Bond Authorization Amount				\$400,000,000
1 st Issuance	2019	25-Year Bond		\$100,000,000
2 nd Issuance	2022	25-Year Bond		\$100,000,000
3 rd Issuance	2025	25-Year Bond		\$100,000,000
4 th Issuance	2028	23-Year Bond		\$100,000,000
Total Length of Time to Access All Bond Authorization				9 Years
District Assessed Valuation				\$52.7 Billion
Assumed Future Assessed Valuation Growth (Per Year)				3.50%
Assumed Average Municipal Interest Rate				5.50%
Total Debt Service				\$789 Million
Final Year Tax Levied				2050-51
Average Annual Debt Service				\$25,000,000
Estimated Tax Rate (Per \$100,000 of Assessed Valuation)				\$25.00

Sample Bond Program Illustration (Base Case)

Projected Tax Revenue and Debt Service



Sample Ways to Lower Estimated Tax Rate

	Base Case			Alternative 1 (Extended Bond Term)			Alternative 2 (Extended Bond Term & Additional Issuance)		
Bond Authorization	\$400,000,000			\$400,000,000			\$400,000,000		
1 st Issuance	2019	25-Year	\$100,000,000	2019	30-Year	\$100,000,000	2019	30-Year	\$80,000,000
2 nd Issuance	2022	25-Year	\$100,000,000	2022	30-Year	\$100,000,000	2022	30-Year	\$80,000,000
3 rd Issuance	2025	25-Year	\$100,000,000	2025	28-Year	\$100,000,000	2025	28-Year	\$80,000,000
4 th Issuance	2028	23-Year	\$100,000,000	2028	26-Year	\$100,000,000	2028	26-Year	\$80,000,000
							2031	24-Year	\$80,000,000
Time to Access Authorization	9 Years			9 Years			12 Years		
Assumed AV Growth Rate	3.50%			3.50%			3.50%		
Assumed Avg Interest Rate	5.50%			5.50%			5.50%		
Total Debt Service	\$789 Million			\$852 Million			\$832 Million		
Final Tax Levy	2050-51			2053-54			2054-55		
Avg Annual DS	\$25,000,000			\$24,000,000			\$23,000,000		
Tax Rate (/ \$100K)	\$25.00			\$23.59			\$21.28		

Sample Ways to Lower Estimated Tax Rate (Continued)

	Base Case	Alternative 3 (Extended Bond Term, Additional Issuance & Higher AV Growth Rate)	Alternative 4 (Extended Bond Term, Additional Issuance, Higher AV Growth Rate & Lower Interest Rate)
Bond Authorization	\$400,000,000	\$400,000,000	\$400,000,000
1 st Issuance	2019 25-Year \$100,000,000	2019 30-Year \$80,000,000	2019 30-Year \$80,000,000
2 nd Issuance	2022 25-Year \$100,000,000	2022 30-Year \$80,000,000	2022 30-Year \$80,000,000
3 rd Issuance	2025 25-Year \$100,000,000	2025 28-Year \$80,000,000	2025 28-Year \$80,000,000
4 th Issuance	2028 23-Year \$100,000,000	2028 26-Year \$80,000,000	2028 26-Year \$80,000,000
		2031 24-Year \$80,000,000	2031 24-Year \$80,000,000
Time to Access Authorization	9 Years	12 Years	12 Years
Assumed AV Growth Rate	3.50%	4.00%	4.00%
Assumed Avg Interest Rate	5.50%	5.50%	5.00%
Total Debt Service	\$789 Million	\$844 Million	\$805 Million
Final Tax Levy	2050-51	2054-55	2054-55
Avg Annual DS	\$25,000,000	\$23,000,000	\$22,000,000
Tax Rate (/ \$100K)	\$25.00	\$19.73	\$18.50

2020 Bond Election Schedule

Election Date	Election Material Submission Deadline
March 3, 2020	January 4, 2020
November 3, 2020	August 7, 2020

Lessons Learned

- **Importance of carefully drafted ballot language**
- **Importance of polling: test the ballot language!**
- **Understand your voter demographics**
- **Utilize financing tools to meet tax rate threshold**

Questions?

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