

2012 School Bond Election Strategies & Local Opportunities to Close the Funding Gap

August 10, 2011

Panelists:

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Presentation Outline



Section 1: Navigating the School Bond Environment

- Current Political Climate
- School Finance Practices Under Scrutiny
- Opportunities to Close the Funding Gap
- Bond Measures Compared to Parcel Tax Measures
- The School Bond Advantage

Section 2: Preparing for a Future Ballot

- Steps to Prepare & Position for Electoral Success
- Legal and Financial Essentials
- Key Dates on the 2012 Horizon

Q & A / Discussion - At 3 Key Points During Presentation

Current Political Climate



- As the 2012 campaign season approaches, school districts work tirelessly to close the funding gap threatening the quality of education in *their local schools*
- Many wonder about passing a local tax measure as part of the solution - in an environment of continuing “taxpayer fatigue”
- The continuing tough economy and trouble in Sacramento FORCE new ways of thinking as proven solutions resurface from years past



School Finance Practices Under Scrutiny



- California Attorney General's office has recently expressed concerns over use of bond premium to pay costs of issuance
- Treasurer-Tax Collector of the County of Los Angeles recently released a White Paper expressing concerns over school finance practices
- Continual legislative and regulatory proposals with respect to campaign contributions



Opportunities to Close the Funding Gap



- Two ways school districts can raise funding from their own communities
 - Parcel Tax Measure
 - Bond Measure
- BOTH REQUIRE A VOTE OF THE PEOPLE

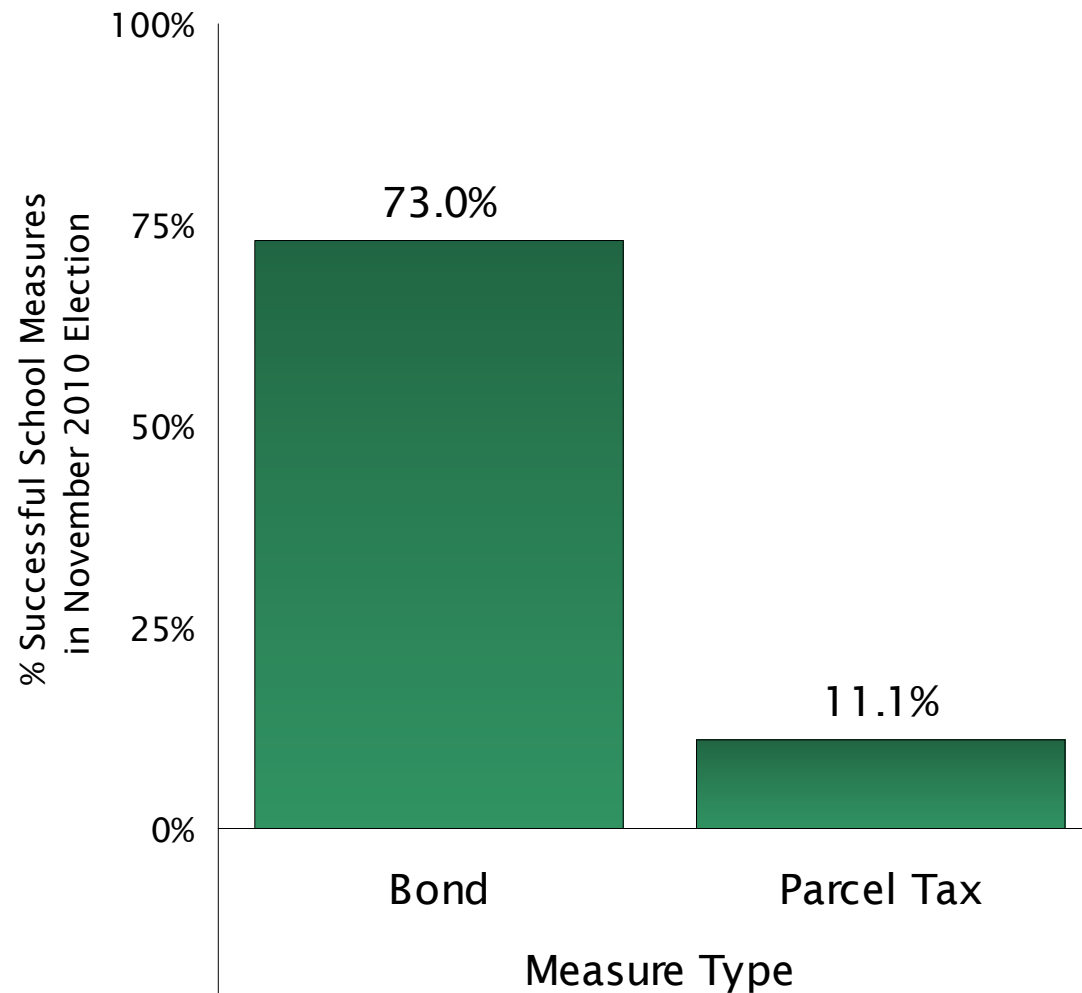


Bond Measures Compared to Parcel Tax Measures



Proposition 39 Bond Measures	Parcel Tax Measures
55% Approval	66.7% Approval
Limited to funding FACILITIES, equipment and technology	Funding for ANY USE, including programs, personnel and operations
District gets money up front and taxpayers pay off debt over time	District gets money year to year as taxpayers pay
Tax based on assessed value of property	By law, cannot be based on the value of property – typically a flat rate per parcel
Tax rate: \$30 (ESD or HSD), \$60 (USD), or \$25 (CCD) per \$100,000 of assessed value	No cap on tax other than political limitations
Mandatory Citizens' Oversight Committee	Optional Citizens' Oversight Committee
No exemptions available	Senior Exemptions available
Regularly scheduled ballot	May be on a special election ballot

Tough Economy – But bonds **are** still winning

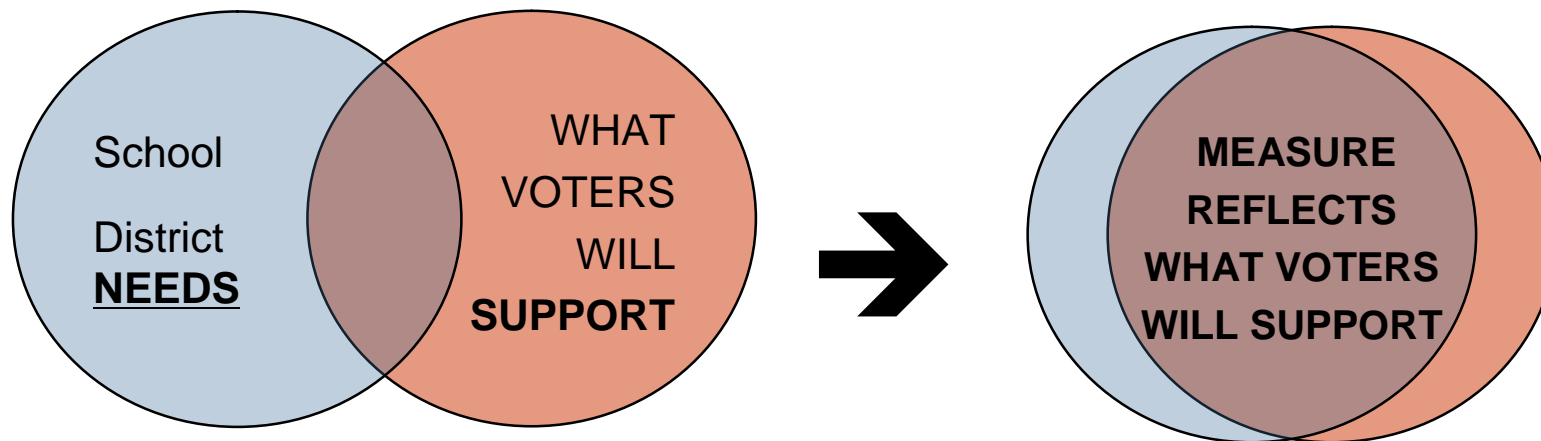


Emerging Trend: School Bonds CAN Provide General Fund Relief



- **Three Primary Examples**

- **Paying off Debt** - e.g. COPs
- **Energy Efficiency** - to save money on energy/utility bills
- **Technology Upgrades** - often paid from the General Fund



2012: The School Bond ADVANTAGE



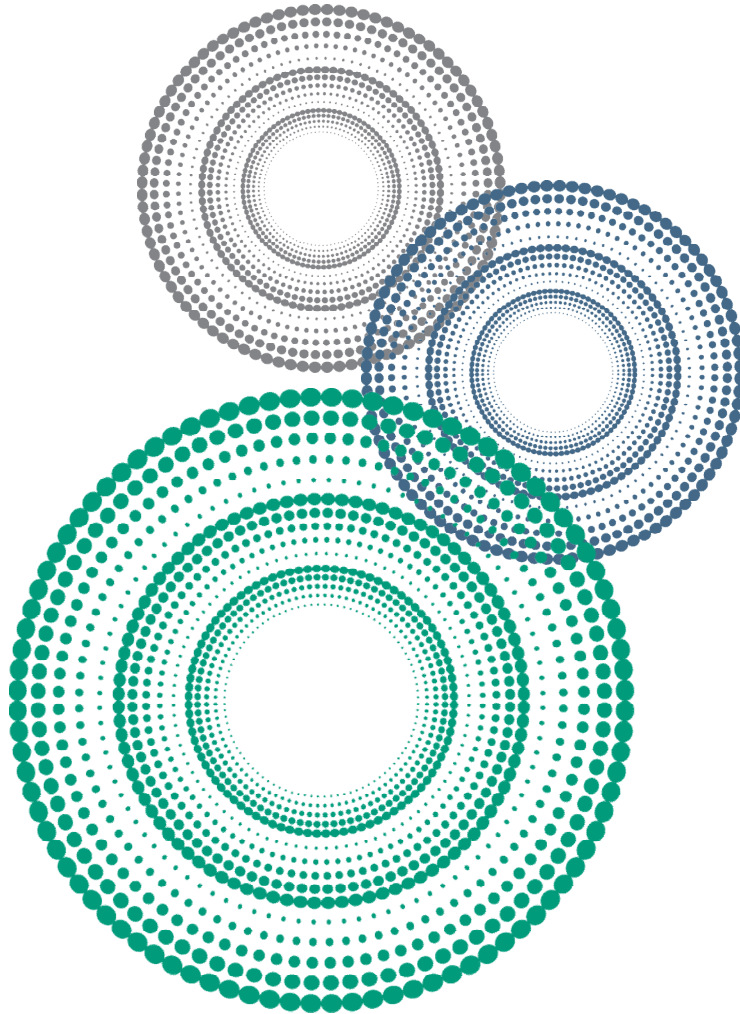
School Bonds are MUCH EASIER to pass

- School Bonds require 55% to pass
- Parcel Taxes require 66.7% to pass
- Bonds - ballot language is more voter-friendly
- Bonds have campaign funding advantages
- Bonds have better extension opportunities

FUNDS RAISED

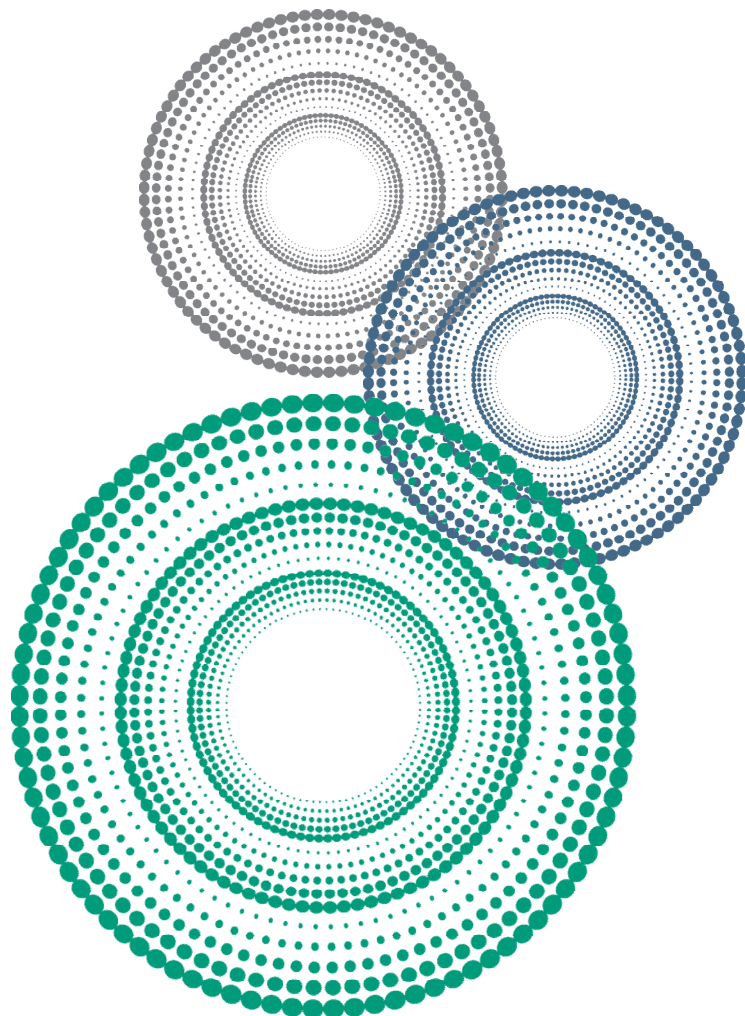
- Bonds often raise more money than parcel taxes for General Fund relief
- Bonds DON'T need the short sunset required (politically) to win most parcel taxes

Above All – REMEMBER!



- **GOOD NEWS!** Even in this tough post-recession environment, the vast majority of bond measures are still winning
- If General Fund RELIEF is your primary concern - a school bond will likely raise MORE for you than a parcel tax!
- Potential factors that shape success
 - Number of Voters in District
 - Demographic make-up – age, political party, etc.
 - Aggregate bond amount
 - Tax rate per \$100K

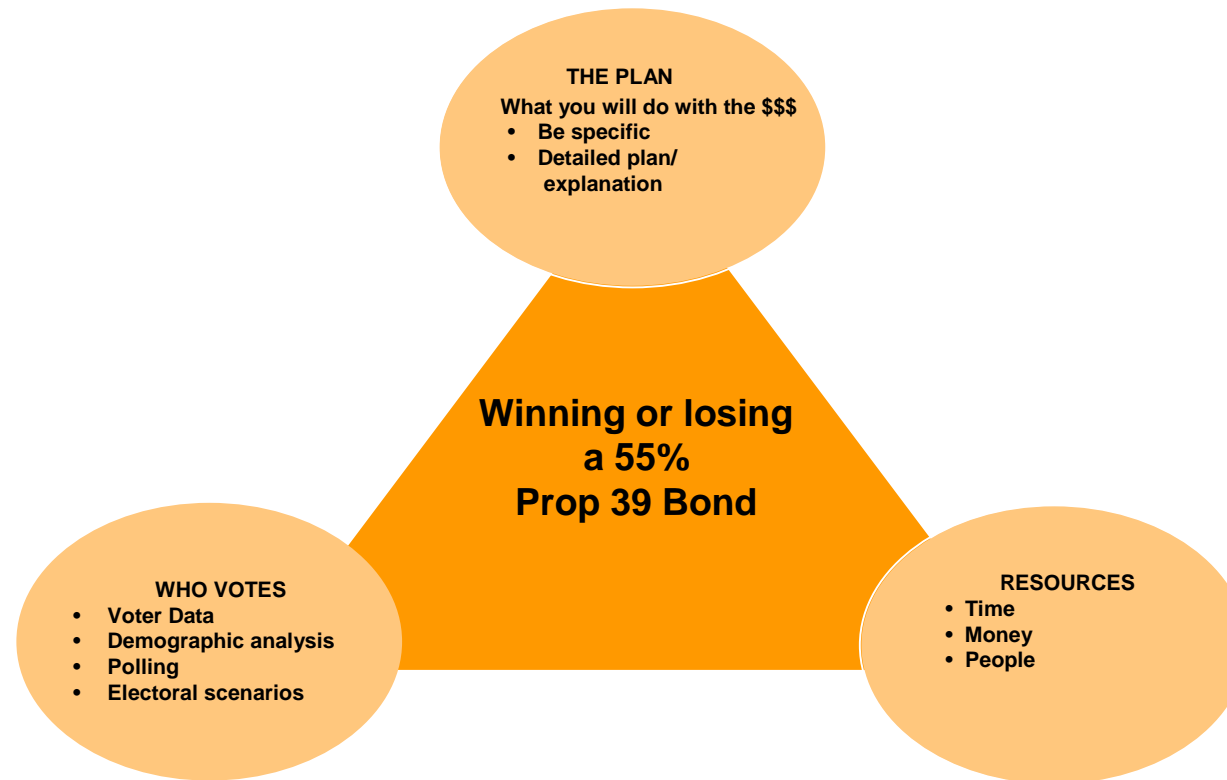
Above all – REMEMBER! (continued)



- There is a SCIENCE and an ART to preparing your District for electoral success
- Our experience suggests that the factors driving the end result - VARY BY DISTRICT
- Looking at any one factor in isolation won't help you to draw overall conclusions
- ***Every community IS unique***
- **Making a deliberate investment** to assess feasibility and prepare for future electoral success is the BEST investment you can make

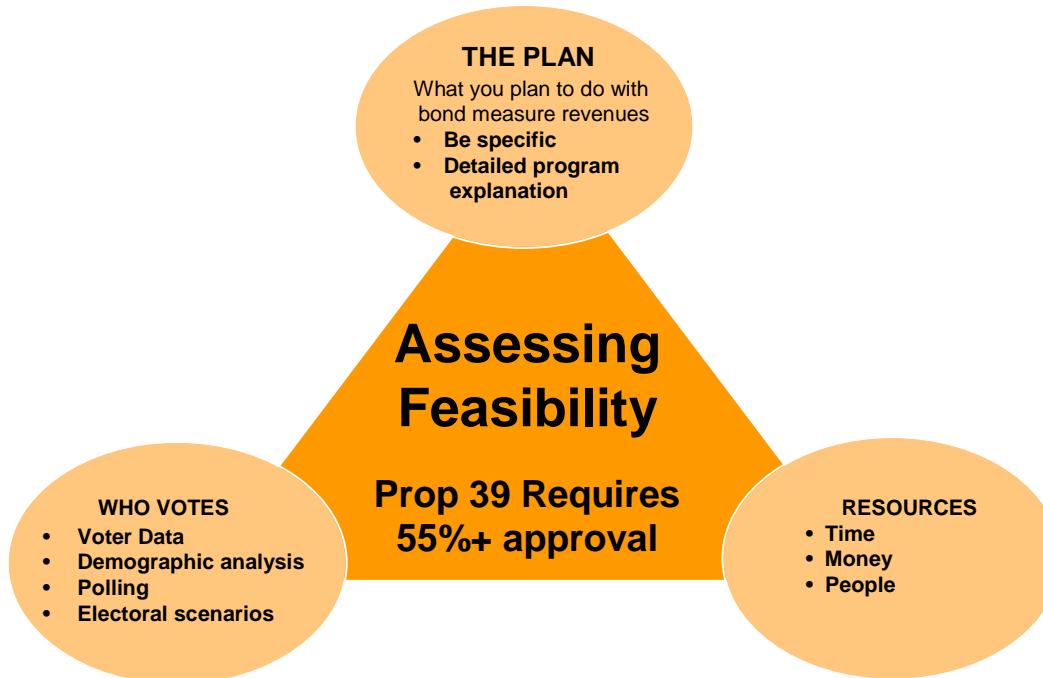
Q&A - Discussion

Key Predictors of Electoral Success

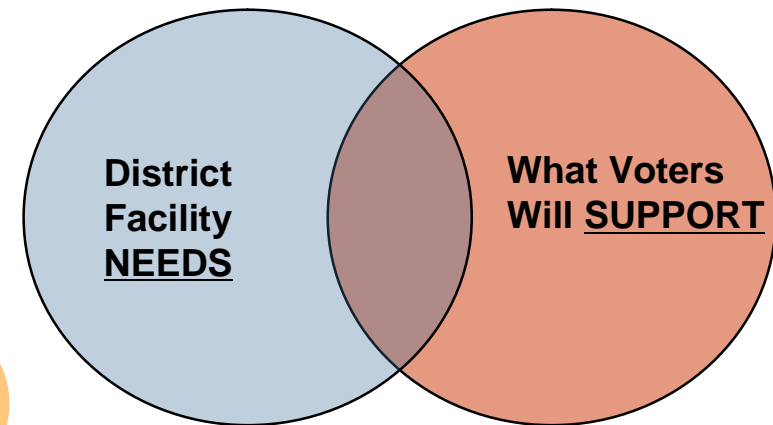


Three Driving Forces

Phase 1 - Feasibility



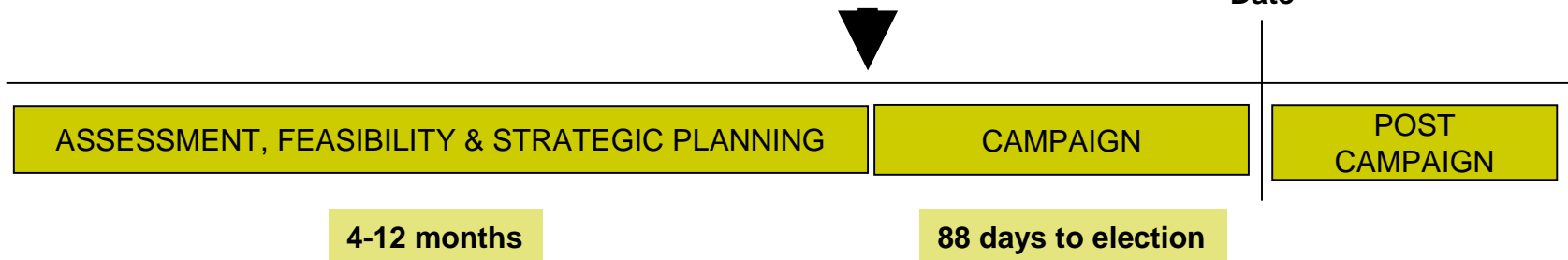
INTERSECTION OF INTERESTS



Start Date

BOARD ACTION

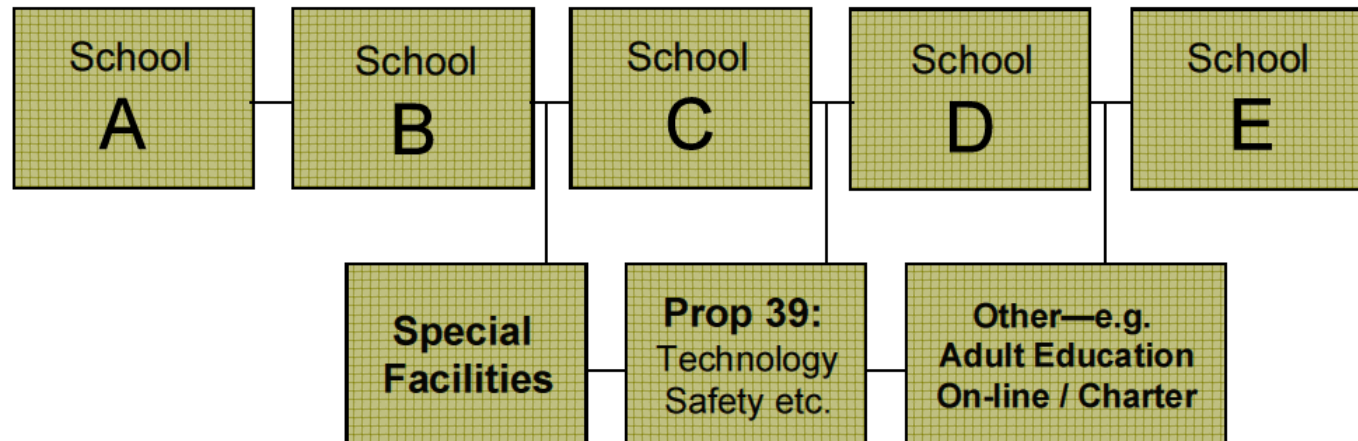
Election Date



The Role of Your Facilities Master Plan



Frame (and communicate) Your Plan by School Area



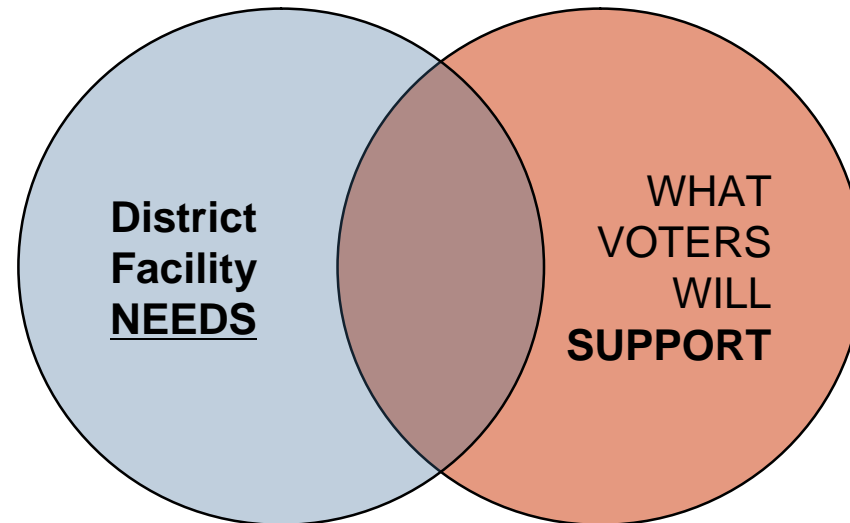
- Early needs analysis and financial feasibility work allows for optimal planning

The Benefits of Polling/Research

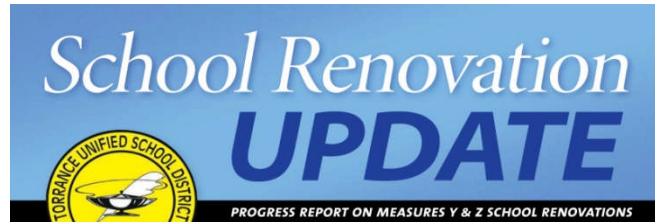


Is there an “Intersection of Interests”? Polling helps define the unique equation for *your* district & *your* community. POLLING helps package your measure for success:

- Ballot Language
- Tax Rate
- Project/Service Priorities
- Messaging & Outreach
- Targeting/GOTV
- Timing
- Funding Type
- Election Type



Phase 2: Public Info & Election Preparation



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Torrance, CA 90509-2954

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Torrance Unified School District
November 2009

Build America Bonds to reduce cost for local taxpayers and to accelerate timeline

THE AMERICAN RECOVERY and Reinvestment Act of 2009, the federal stimulus package approved by Congress earlier this year, created the new Build America Bond program. Under this program, local government agencies like Torrance Unified School District can issue bonds to fund construction and renovation projects at a reduced cost to local taxpayers.

This program has allowed TUSD to accelerate approximately \$23.5 million in bond sales without increasing the tax rate beyond the current rate. This will allow TUSD to design and move forward with additional school renovations.

The downturn in the economy has put many major construction projects on hold or forced them to scale back. Contractors are eager for work and competitive bidding on large public projects are leading to lower construction costs than in recent years. That means that our tax dollars will stretch further than they would have just a year or two ago. It appears that the economy is on the road to recovery, which means that we have a limited opportunity to get this work done at a discounted price.

In addition, the projects funded by these bonds have created hundreds of jobs and pumped millions into the local economy at a time when economic stimulus is critical.

Construction set to begin at Hull Middle School and Fern Elementary School

AFTER BEING FORCED to close and relocate due to concerns regarding the safety of the type of portable building used as classrooms at the Hull site, construction is about to begin on a new Hull Middle School campus. Demolition of the old school campus was completed in August. Surveying, utility locating and geotechnical work are nearly complete. Plans for the new campus will be submitted to the Division of the State Architect for approval in November. Once these documents are approved, construction will begin on the campus that will include 28 classrooms, a library and media center, a multi-purpose building with food service, school offices and playing fields. Included in the plans are drawings for a gymnasium. The gymnasium will be built, depending on the availability of funds.

"For several years Hull Middle School has served as the most glaring example of the need to upgrade our school facilities here in Torrance," said TUSD Board of Education President Al Muratuchi. "It is very exciting to see that construction is set to begin so that Hull students can return to a safe and modern school facility that reflects the quality of education in Torrance."

Similar progress has been made in preparation for new construction at Fern Elementary School. With site planning complete and the documents set to be submitted for approval by the State Architect in November, construction of 15 new classrooms, a new multi-purpose building and a new food services center will begin in 2010.



The plan for the new Hull Middle School campus.



The plan for an expanded and modernized Fern Elementary School.

Message from the Board President

Dear Neighbor,

One year ago on November 4, 2008 our community overwhelming approved Measures Y&Z to fund the repair and renovation of aging school facilities here in Torrance. These measures fund urgent improvements at Torrance school buildings that are over 50 years old and some that are almost 90 years old. Each year over 25,000 students attend Torrance schools, and after decades of continuous use, aging school facilities are in desperate need of repairs and renovations to provide a safe and modern learning environment for students.

Torrance voters demonstrated their commitment to our local schools by approving Measure Y with a 74% yes vote and by approving Measure Z with a 77% yes vote. Approval of Measure Y provides \$265 million to fund the renovation of our core academic school facilities, including: repairing damaged walls, floors and foundations; replacing worn-out roofs, plumbing and lighting systems; removing asbestos and other hazardous materials from school sites; and renovating outdated classrooms and science labs (including replacing Hull Middle School).



Approval of Measure Z, a companion measure to Measure Y, provides \$80 million for the renovation of facilities that support learning, extra-curricular activities and ensure student safety, including: renovating worn-out physical education facilities, playgrounds and fields that serve the entire Torrance community; and constructing music and art classrooms and science labs at schools that do not have these facilities.

Out of appreciation for the community's support for these important measures, we are providing this update on the progress that has been accomplished over the past year. With the help and guidance of the Board of Education and our expert architects, engineers and contractors, we are working hard to ensure a high quality of work at our schools, careful budget management and timely completion of the projects. If you have questions about our school renovation program, please don't hesitate to contact my office by calling (310) 972-6001.

Sincerely,

Al Muratuchi
President, Board of Education



P.O. Box 2147, Merced, CA 95344



DUARTE SCHOOL FACILITIES UPDATE

For Facilities that Support Improving
the Local Quality of Education

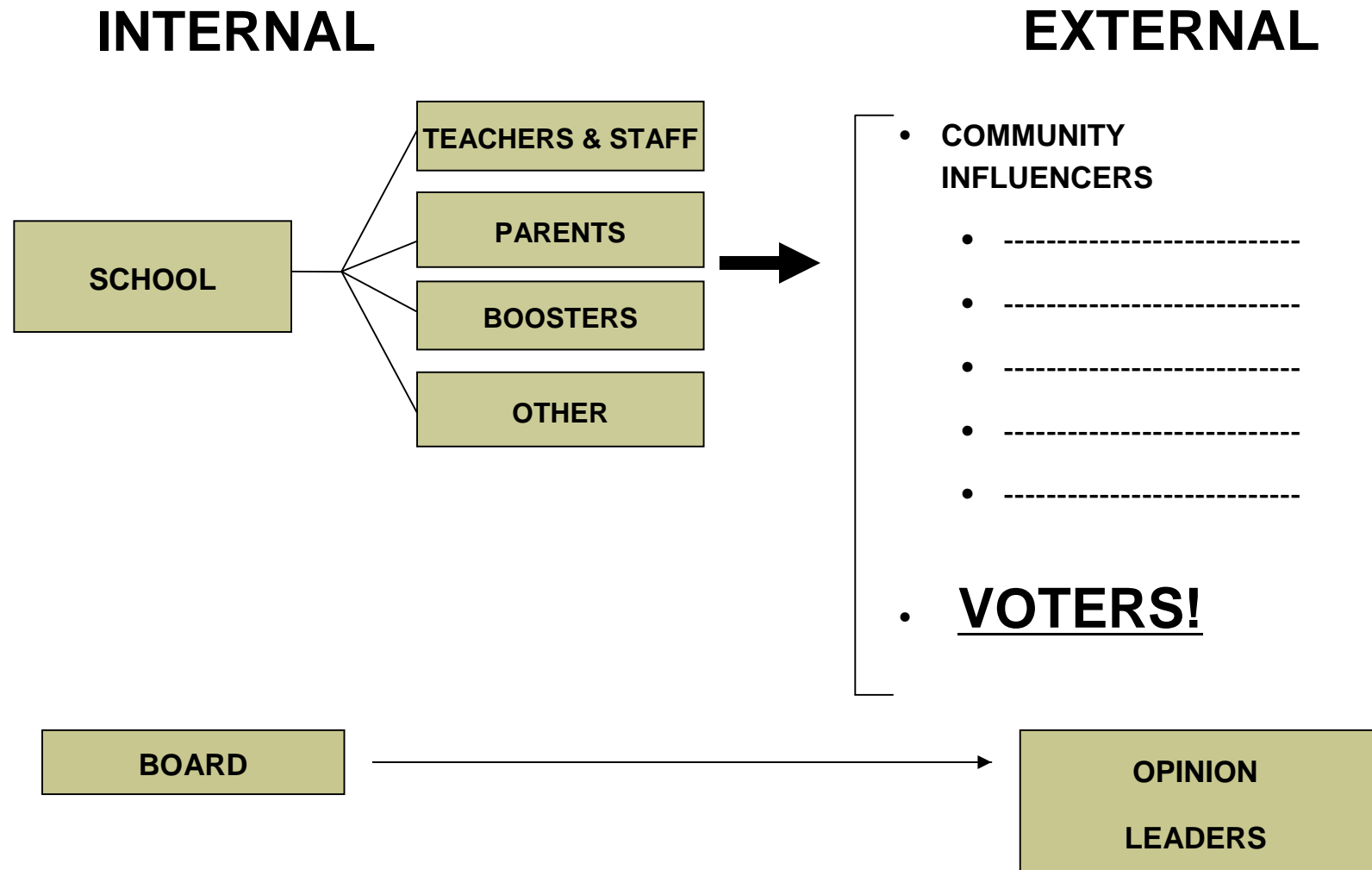
WE WANT YOUR INPUT.

HIGH SCHOOL FACILITIES Improvement Plan

Please read!
Your input is
important to us.

To Relieve Severe High School
Overcrowding and Improve the
Quality of Education in Merced

Phase 2: Public Info & Election Preparation



Phase 2 Goal: Getting “Election-Ready”



“Election-Ready” Means:

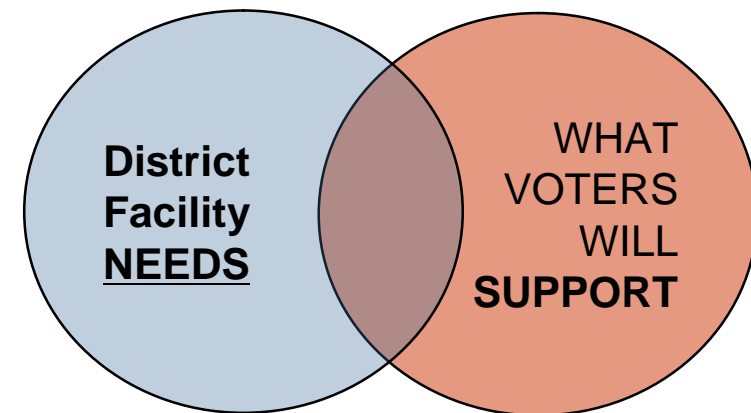
Intersection of Interests—Identified

Need—Communicated

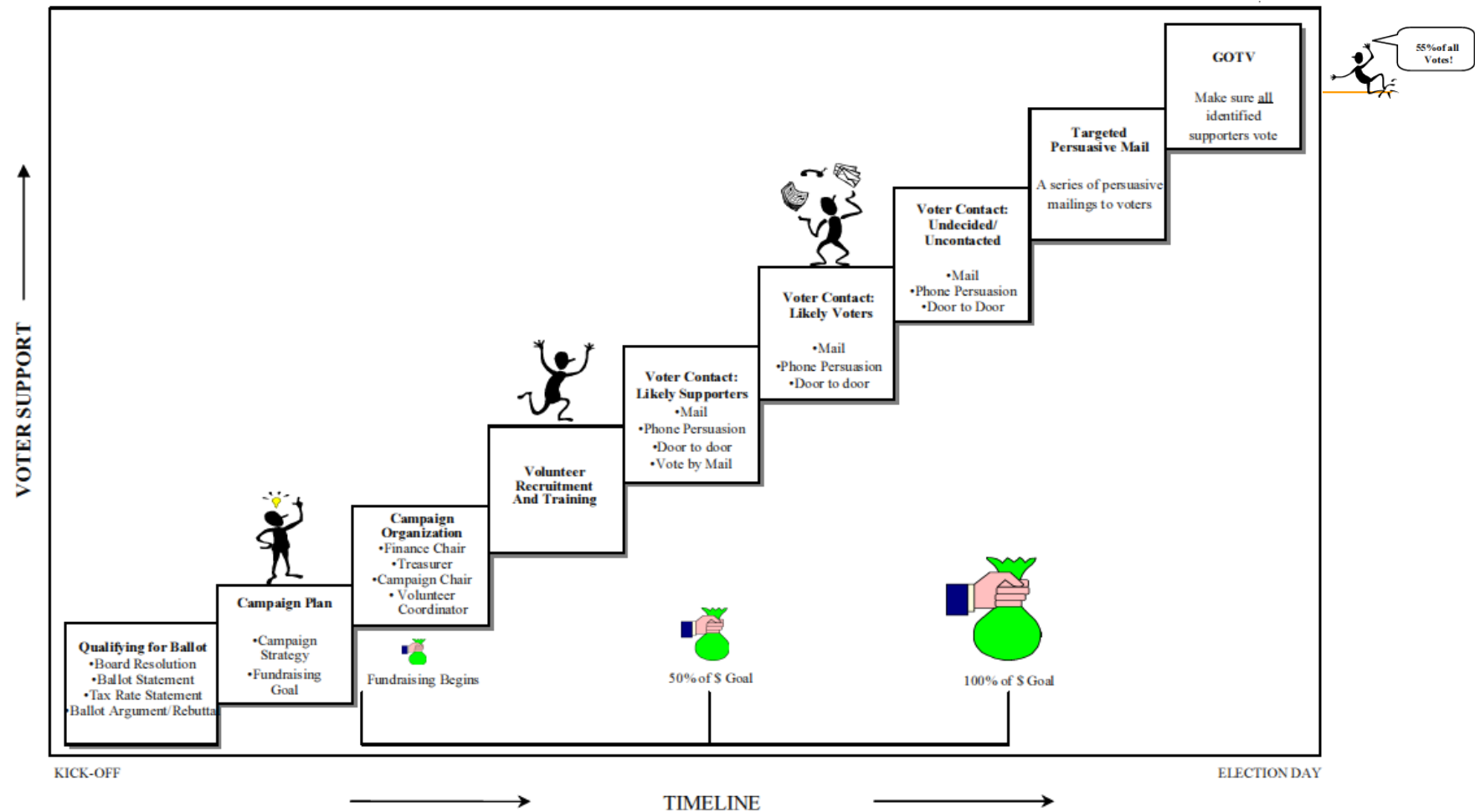
Community—Aware & Engaged

Facility Assessment / Bond Plan—
Appropriate, aligned, and detailed

Board—Informed and prepared



The Community Campaign



Proposition 39 Compared to Proposition 46



- **Board Approval**
- **Voter Approval Thresholds**
- **Election Dates**
- **Use of Bond Proceeds**
- **Accountability Measures**
- **Tax Rate Limitations**
- **Debt Limits**

Board Approval



Proposition 46

- Requires simple majority approval of school board members

Proposition 39

- Requires 2/3rds approval of school board members

Voter Approval Thresholds



Proposition 46

- Requires 2/3rds voter approval

Proposition 39

- Requires 55% voter approval

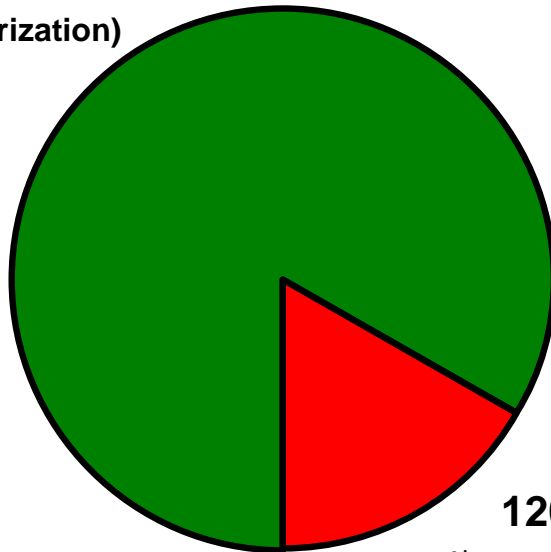
Comprehensive School Bond Election Results



School District GO Election Results: January 1986 – November 2010

Prop. 39 ⁽¹⁾

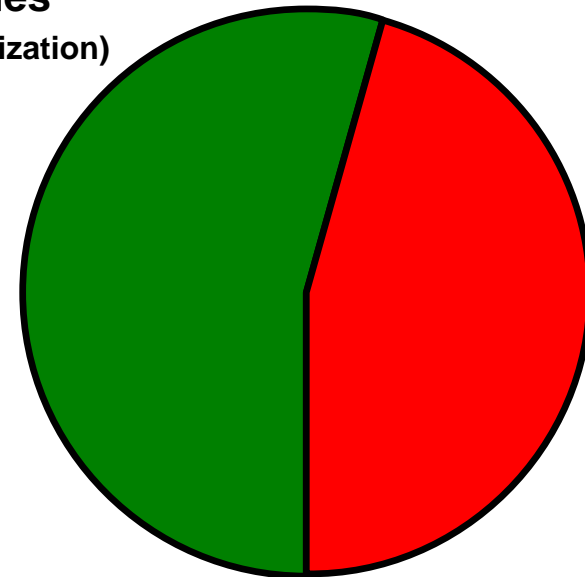
588 Issues
(\$78.7 B Authorization)



120 Issues
(\$7.3 B Authorization)

Prop. 46

514 Issues
(\$22.9 B Authorization)



431 Issues
(\$17.7 B Authorization)

(¹) Proposition 39 elections commenced in Spring 2001.

Source: School Services of California

 **PASS**

 **FAIL**

Election Dates



Proposition 46

- Generally any Tuesday

Proposition 39

- Statewide primary, general or special elections

<i>Election Date</i>	<i>Filing Date</i>
June 5, 2012	March 9, 2012
November 6, 2012	August 10, 2012

- Other dates only if coincide with regularly scheduled district-wide election

June 2012 Election Scenario



□ Early Fall 2011

FEASIBILITY FIRST!

Due Diligence - NEEDS Inventory

Strategic Assessment, including Public Opinion Poll

WITH FEASIBILITY RESULTS...

Decisions ▲ (allowing time for communications)

Develop voter-aligned Public Education Strategy

□ Round 1: FALL 2011
Round 2: Jan-Mar 2012

PUBLIC EDUC. - BALLOT MEASURE PREP

Pre-Electoral Communications Window

Stakeholder / Community Engagement

Increasing Board Discussion / Engagement

Ballot Measure Preparation / Tracking Poll - if needed

□ Early Mar 2012

Board Action to Place Measure on Ballot

□ March 9, 2012

Filing Deadline for June 2012 Election

□ Mar-Apr-May thru June 5

Campaign Window

□ **June 5, 2012**

ELECTION DAY!

November 2012 Election Scenario



□ Early Fall 2011

FEASIBILITY FIRST!

Due Diligence - NEEDS Inventory
Strategic Assessment, including Public Opinion Poll

□ Round 1: FALL 2011
Round 2: Jan-Jun 2012
(MORE TIME!)

WITH FEASIBILITY RESULTS...

Decisions ▲ (allowing time for communications)
Develop voter-aligned Public Education Strategy

□ June - July 2012

PUBLIC EDUC. - BALLOT MEASURE PREP

Pre-Electoral Communications Window
Stakeholder / Community Engagement
Increasing Board Discussion / Engagement

□ Early August 2012

Ballot Measure Preparation / Tracking Poll - if needed

□ August 10, 2012

Board Action to Place Measure on Ballot

□ Aug-Sept-Oct - thru Nov 6

Filing Deadline for November 2012 Election

□ **November 6, 2012**

Campaign Window

ELECTION DAY!

Use of Bond Proceeds



Proposition 46

- Land acquisition
- Purchase or construction of new school facilities
- Renovation and repair of existing school buildings
- Permanent improvements to school grounds

Proposition 39

- All the above PLUS
- Furnishing and equipping of school facilities
- Lease of real property for school facilities

Opportunities to Close the Funding Gap; Projects Providing General Fund Relief



- **Solar Projects**
- **Energy Efficient Heating, Air Conditioning and Ventilating Systems**
- **“Cool” Roofing Systems**
- **Window Projects for Energy Efficiency and Natural Light**
- **Replacement of Facilities/Equipment Requiring Constant Maintenance**
- **Refinance Existing Lease Obligations/COPs**
- **Technology Endowments**

Accountability Measures



Proposition 46

- Separate Account/Annual Report

Proposition 39

- Separate Account/Annual Report
- List of specific school facility projects to be funded
- Citizens Oversight Committee (COC)
- Performance and Financial Audits

Tax Rate Limitations



Proposition 46

- No maximum tax rate

Proposition 39

- Tax rate as a result of any single election must be projected to be no more than (per \$100,000 of assessed value):
 - \$30 for elementary and high school districts
 - \$60 for unified school districts
 - \$25 for community college districts

Debt Limits



Same for Proposition 39 and Proposition 46

- 2.5% of assessed value of taxable property within a unified school district
- 1.25% for other school districts

The Role of Assessed Valuation



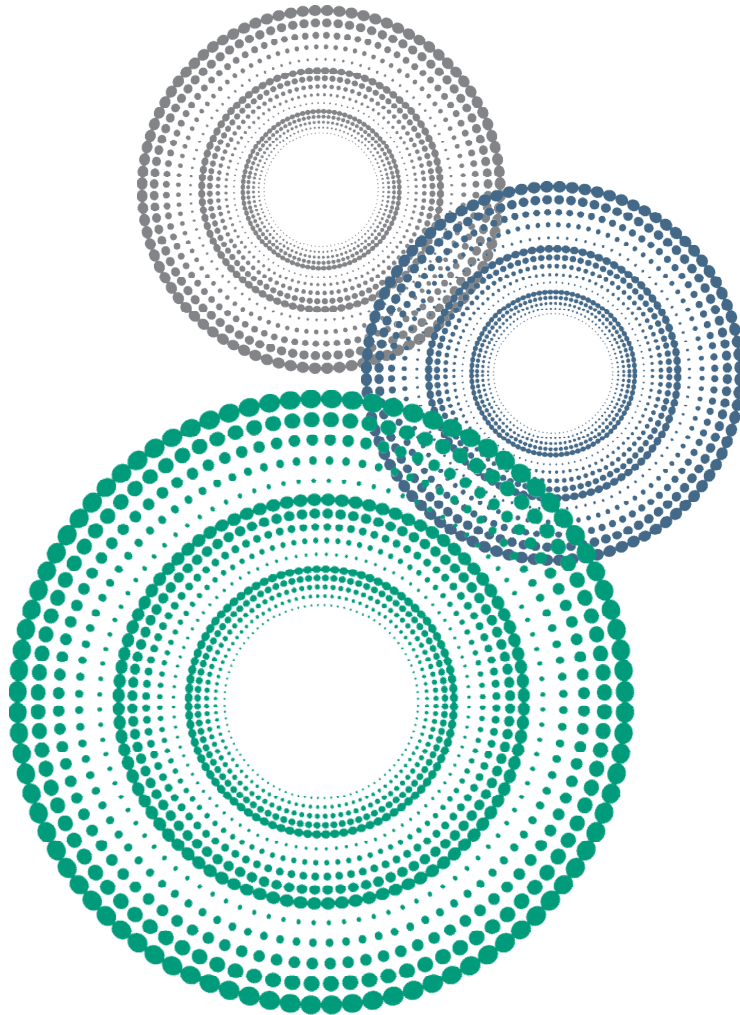
General Obligation Bond Constraints

- Assessed Value Assumptions versus Actual Growth (Decline)
- Statutory Bonding Capacity
- Assessed Value and Proposition 13

Assessed Valuation Drives Access to Bond Dollars

- Voter Approved Authorization \neq Cash Available Now
- Higher growth allows earlier issuance
- Lower growth/decline hinders issuance

Unified Legal, Financial & Political Strategy



- **The end goal:** Prepare a measure that will meet all legal requirements, attract sufficient votes to pass the measure and preserve flexibility to the extent permitted to handle changing circumstances.
- **Remember!** Even in this tough post-recession environment, the vast majority of bond measures are still winning.
- There is a SCIENCE and an ART to preparing your for electoral success.
- ***Every community IS unique!***
- **Making a deliberate investment** to assess feasibility and prepare for future electoral success is the BEST investment you can make.

THE PRESENTERS—

Bonnie Moss



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Bonnie Moss is an Executive Vice President and a lead consultant at TRAMUTOLA LLC, with 25+ years experience in community and local government relations, campaigns and elections, marketing, and public relations. Over her 24+ -year association with TRAMUTOLA, first as a candidate and local elected official, then as a corporate client, and now as a TRAMUTOLA team member, Bonnie has become a passionate advocate of the firm's public mobilization model. A graduate of Wellesley College, Bonnie spent 17 years working in corporate America and 8 years as an elected Trustee on the Hayward Board of Education prior to joining TRAMUTOLA. Bonnie has considerable expertise and success managing local tax elections, public sector communications and local candidate elections. She has guided hundreds of successful campaigns in communities throughout California and the nation using the TRAMUTOLA model.

TRAMUTOLA LLC is today California's leading firm specializing in local tax election feasibility, planning and campaign management. With a track record spanning nearly 25 years, TRAMUTOLA has helped school districts up and down the state determine feasibility, plan for and/or win 266 local tax elections (most requiring 66.7% voter approval) producing over \$25 billion in lasting school and community improvements. TRAMUTOLA is based in Oakland, California. Learn more at **www.tramutola.com**.

THE PRESENTERS—

Timothy McLarney, Ph.D.



Timothy McLarney, Ph.D.
True North Research, Inc.
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e-mail: mclarney@tn-research.com

Timothy McLarney, Ph.D., is President of True North Research, Inc. A published author and a nationally recognized expert in survey research methodology, Dr. McLarney has designed and conducted over 500 surveys for public agencies, including more than 200 tax measure feasibility studies. Of the measures that have gone to ballot based on Dr. McLarney's recommendation, more than 94% have been successful. In total, the research that Dr. McLarney has conducted has led to over \$19 billion in successful bond and tax measures. Dr. McLarney holds an M.A. and Ph.D. in Government from Cornell University with an emphasis in survey research methods, voting behavior and sampling, a Bachelor's degree in Politics from the University of California, Santa Cruz, and was a Visiting Scholar at the Institute of Governmental Studies at UC Berkeley.

True North Research is a full-service survey research firm that is dedicated to providing public agencies with a clear understanding of the opinions, priorities and concerns of their residents and voters. Through designing and implementing scientific surveys, focus groups and one-on-one interviews, as well as expert interpretation of the findings, True North helps its clients to move with confidence when making strategic decisions in a variety of areas -- including planning, passing revenue measures, and developing compelling public information campaigns. Learn more at www.tn-research.com.

THE PRESENTERS—

John Baracy



John Baracy
Stone & Youngberg
tel: 213-443-5025
e-mail: jbaracy@syllc.com

John Baracy is a Director in the Los Angeles office of Stone & Youngberg. Mr. Baracy brings over 17 years of experience to California and Arizona education finance. Mr. Baracy has expertise in the managing and structuring of new money and refunding issues, analysis of debt capacity, tax rate analysis, rating agency credit presentations, arbitrage rebate requirements, derivative financings, and investment of bond proceeds for general obligation bonds, bond anticipation notes, certificates of participation, tax credit bonds, Mello-Roos bonds and all other California education finance vehicles. Mr. Baracy is also a registered member of C.A.S.H., CASBO, CSBA and CALSA. Stone & Youngberg has successfully assisted California school districts pass over 129 bond elections exceeding \$4.0 billion since 2002.

Stone & Youngberg is nationally recognized as a leading financial services firm, with an 80-year tradition of excellence. We trade and underwrite more Arizona and California municipal bonds, land-secured debt, and redevelopment financing than any other firm in the United States. Institutions and individuals rely on us for innovative investment approaches that reflect our traditions of independence and professionalism. As we have expanded our locations to major markets across the country, Stone & Youngberg remains focused on the growing needs of America's cities, counties, school districts and states, as well as individual and institutional investors. The firm's website is **www.syllc.com**.

THE PRESENTERS—

Donald Field, Esq.



Donald Field, Esq.

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Donald Field, a public finance partner resident in Orrick's Orange County and Los Angeles offices, has extensive experience in the financing techniques used by school districts in California, and has drafted and reviewed scores of school bond measures. His practice focuses on local governmental infrastructure financing, including general obligation bond financing, land-secured financing and municipal lease financing, as well as tax and revenue anticipation note (TRAN), pension obligation and other post-employment benefits (OPEB) obligation financings. He is the Co-Chair of Orrick's practice group for School Finance and General Obligation Bonds and the principal author and editor of the third edition of *The XYZs of California School District Debt Financing*, published by Orrick in 2005.

Orrick, Herrington & Sutcliffe LLP has maintained a substantial practice in the area of public finance for over a century. It has been the premier bond counsel firm in California throughout that period, and has been ranked first in the country for most of the last ten years in total volume of financings for which it served as bond counsel. Orrick's public finance attorneys are located in Los Angeles, Irvine, San Francisco, Sacramento, New York, Seattle, Portland and Washington, D.C. From these offices, Orrick serves as bond counsel for issuers in more than 40 states, several territories and other countries. The firm's website is **www.orrick.com**.