

Are the November State Tax Initiatives worrying you about going for a local school bond or parcel tax election?

Teleconference on November 2012 Local School Bond and Parcel Tax Election Strategies

May 17, 2012

Panelists:

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CLIFFORD MOSS, LLC



Presentation Outline



Section 1: Navigating the School Bond Environment

- Current Political Climate
- School Finance Practices Under Scrutiny
- What about the November State Tax Initiatives?
- 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 2 Key Points During Presentation



Section 1: Navigating the School Bond Environment

Current Political Climate



- As the November 2012 campaign season approaches, school districts continue to 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



November Tax Measures - Update



- The November Ballot is getting crowded!
- Political funding and media attention are going to Sacramento and others.
- **Can we compete?**
- Is this the right time to go?



Opportunities to Close the Funding Gap



GOOD NEWS! School Bonds are still winning!

- Nov 2010 – **73%** of local school bonds passed.
- Nov 2011 – **75%** of local school bonds passed.



Bond Measures Compared to Parcel Tax Measures

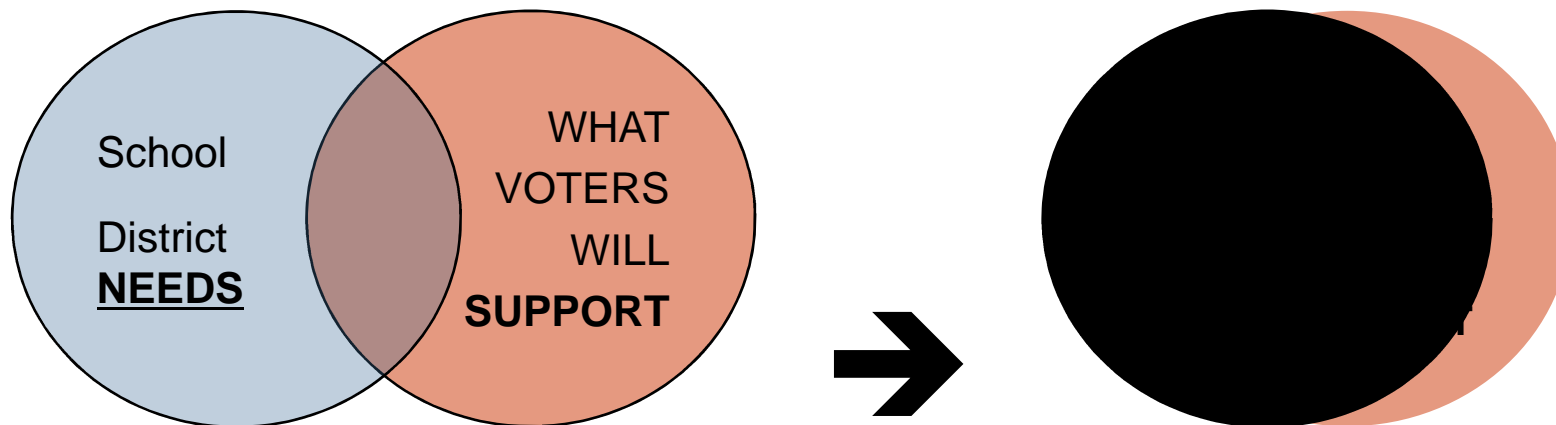


Proposition 39 Bond Measures	Parcel Tax Measures
55% Approval	66.7% Approval
Limited to funding FACILITIES, furniture and equipment (including technology)	Funding for ANY USE, including programs, personnel and operations
District gets money up front and taxpayers pay off debt over time	District gets 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

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! School bonds are still winning!**
- If General Fund RELIEF is your primary concern - a school bond will likely raise MORE than a parcel tax!
- **Potential factors that shape success:** number of Voters, demographic profile, aggregate bond amount, tax rate per \$100K, etc.
- **Deliberate preparation will help you win.** Factors driving success VARY by school 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 electoral feasibility and prepare for the ballot is the BEST investment you can make.



Q&A - Discussion



Section 2: Preparing for a Future Ballot

Key Predictors of Electoral Success



Phase 1 - Feasibility



Key Questions:

1. Is a facilities bond measure FEASIBLE?
2. How can the measure be “packaged” for success? Who participates here?
3. How does the Consulting Team work together? (Teamwork advantage)
4. How can we best communicate and outreach to voters to build & sustain support for a measure?

**FEASIBILITY
Window:
4-6 weeks**

Start

Date

4-6 weeks

BOARD ACTION



Election

Date

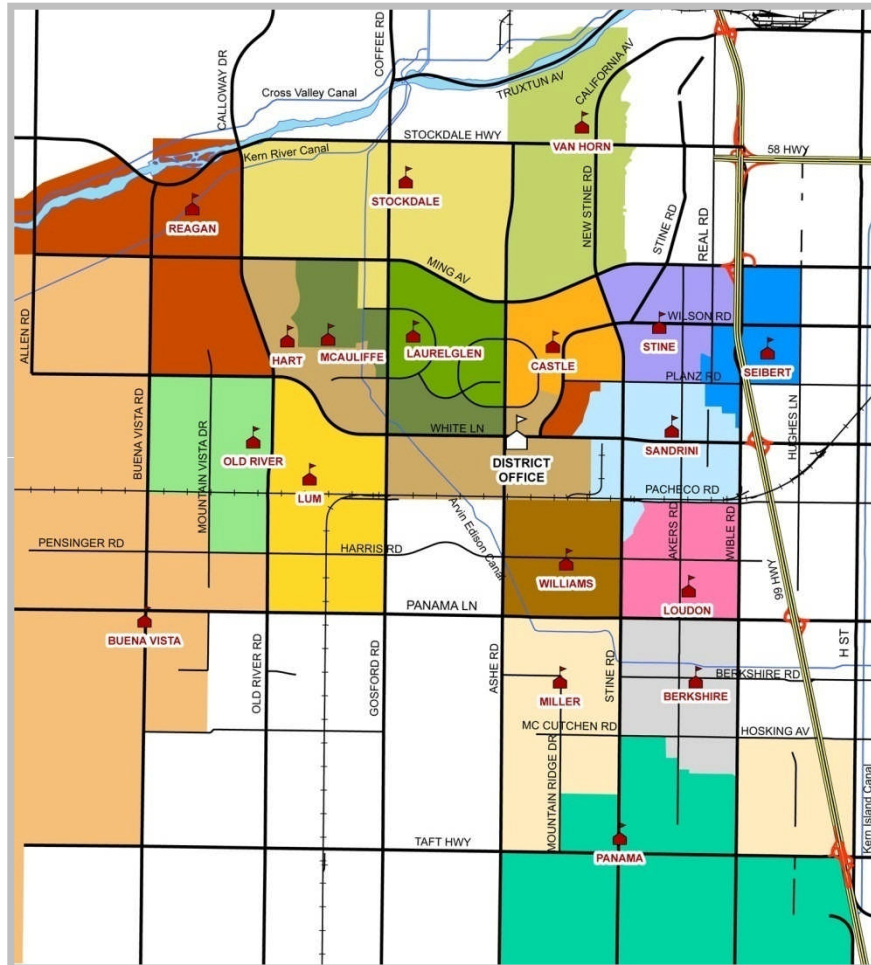
FEASIBILITY

PUBLIC EDUC & BALLOT PREP

CAMPAIGN – **88 days!**

POST ELECTION

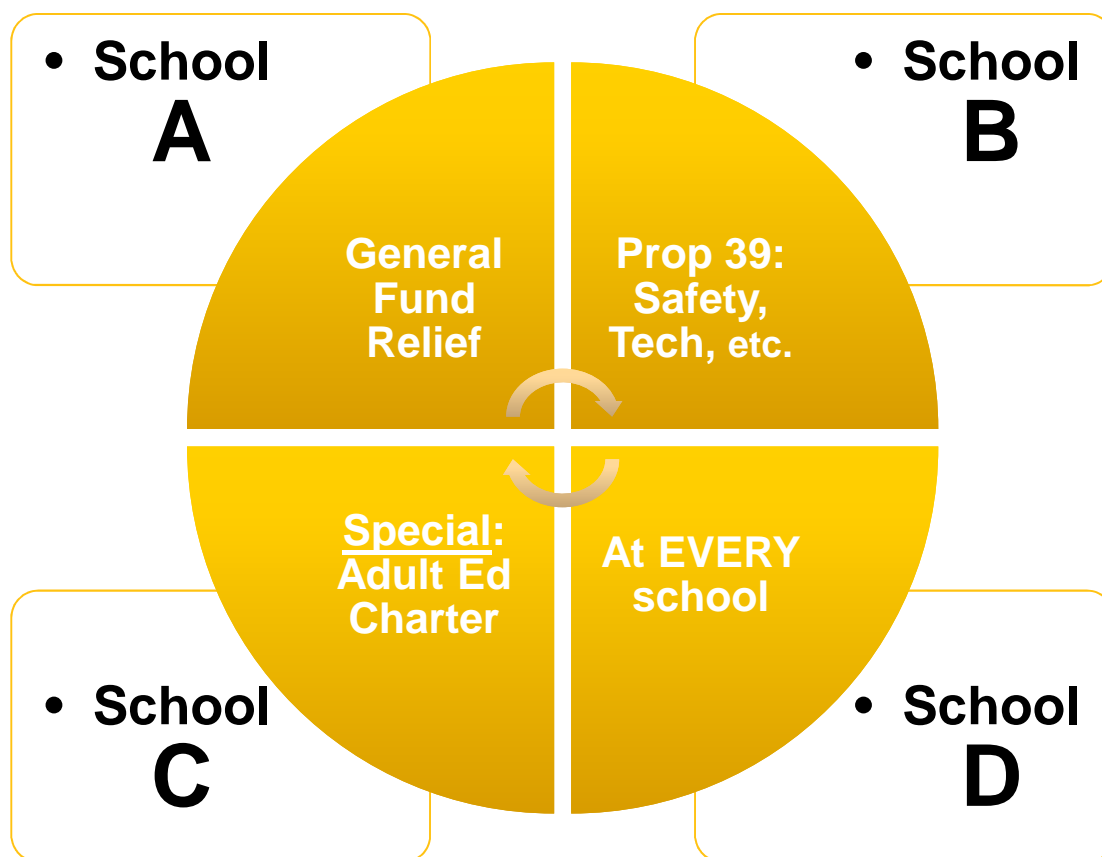
The Role of Your Facilities Master Plan



Facilities & technology
NEEDS exist throughout
your school district.

**Your FACILITIES MASTER
PLAN** is key **EVIDENCE**
with voters showing that you
have deliberately evaluated
school facilities and
technology **NEEDS**, and you
have developed a prudent,
responsible plan to address
them.

The Role of Your Facilities Master Plan



CUSTOMIZE and communicate by school area / school community.

EARLY needs analysis and financial feasibility work allows for optimal planning.

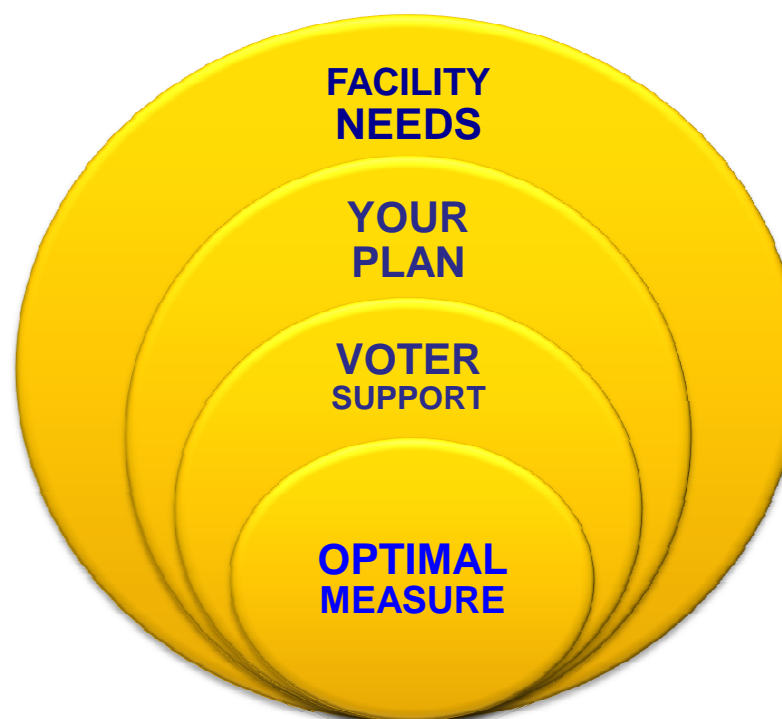
Selecting your bond team **EARLY** is key to creating the optimal bond package.

The Benefits of Polling/Research



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



Panama-Buena Vista Union School District
2012 School Bond Feasibility Project

Facilitator's Packet Opinion Leader Strategic Conversations

Because people support what they help

Goals:

1. To provide information and raise awareness about facility NEEDS and PBVUSD facility planning efforts.
2. To seek and obtain feedback from opinion leaders.

Optimal:

Customize the meeting setting and duration to maximize free flow of information between you and each opinion leader.

Action Steps:

#	Action Step	By When:
1	MONITOR District facilities planning efforts.	On-going
2	SCHEDULE your "Strategic Conversations"	ASAP
3	CONDUCT your "Strategic Conversations"	April-May
4	LISTEN and RECORD feedback.	As you meet
5	REPORT results.	By June 1

Rev 04/12/11

Panama-Buena Vista Union School District QUALITY SCHOOLS K-8 Neighborhood School Facilities & Technology Update



PARENTS AND PROPERTY OWNERS: YOUR INPUT IS IMPORTANT TO US.

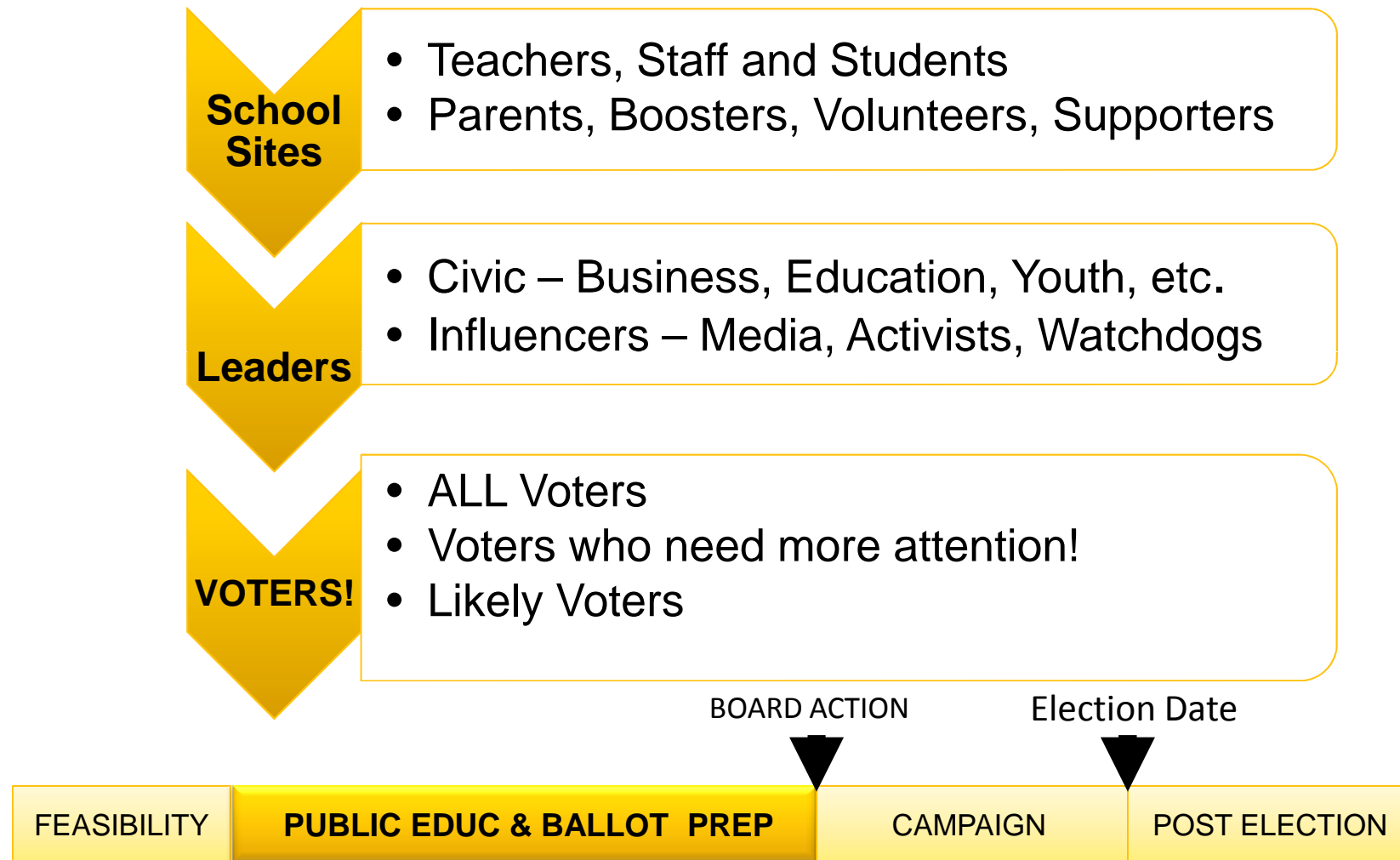
Section 1: Introduction to Study

Hi, my name is _____ and I'm calling on behalf of TNR, an independent public opinion research firm. We're conducting a survey of voters about important issues in your community and I'd like to get your opinions. If needed, this is a survey about important issues in Bakersfield. I'm NOT trying to sell anything and I won't ask for a donation. If needed, the survey should take about 12 minutes to complete. If the person asks why you need to speak to the listed person or if they ask to participate instead, explain: For statistical purposes, at this time the survey must only be completed by this particular individual.

Do you think this issue is extremely important, important, or not at all important?

Issue	Extremely important	Important	Not at all important	Refused
Total	14%	33%	43%	1%
Facilities	46%	40%	10%	4%
Technology	18%	55%	25%	1%
Other	26%	38%	26%	1%
Facilities	25%	50%	20%	5%
Technology	24%	40%	25%	1%
Other	41%	53%	5%	1%

Phase 2: Public Info & Election Preparation



Phase 2 Goal: Getting “Election-Ready”



“Election-Ready” Means:

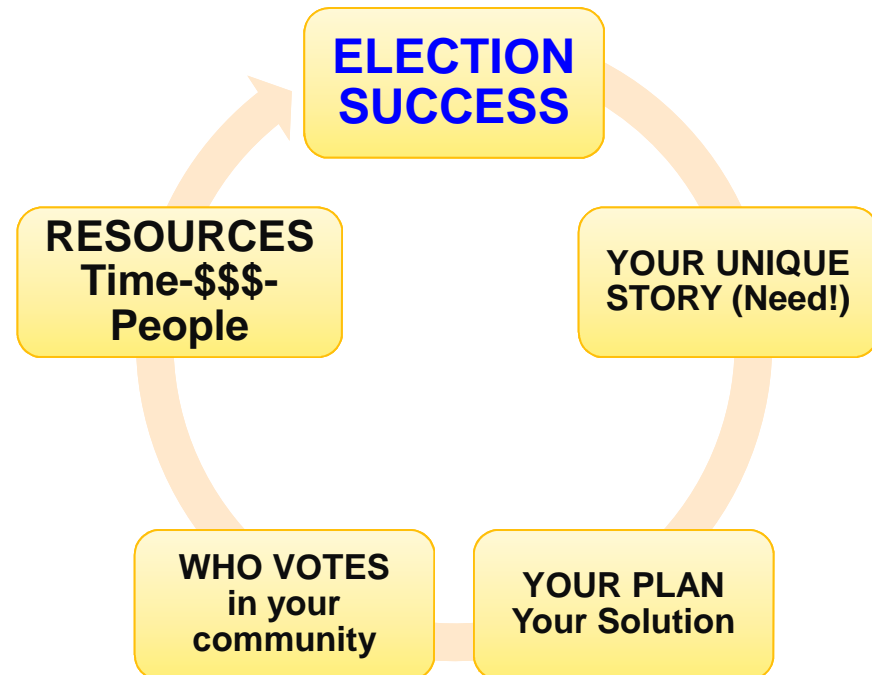
Intersection of Interests—Identified

Need—Communicated

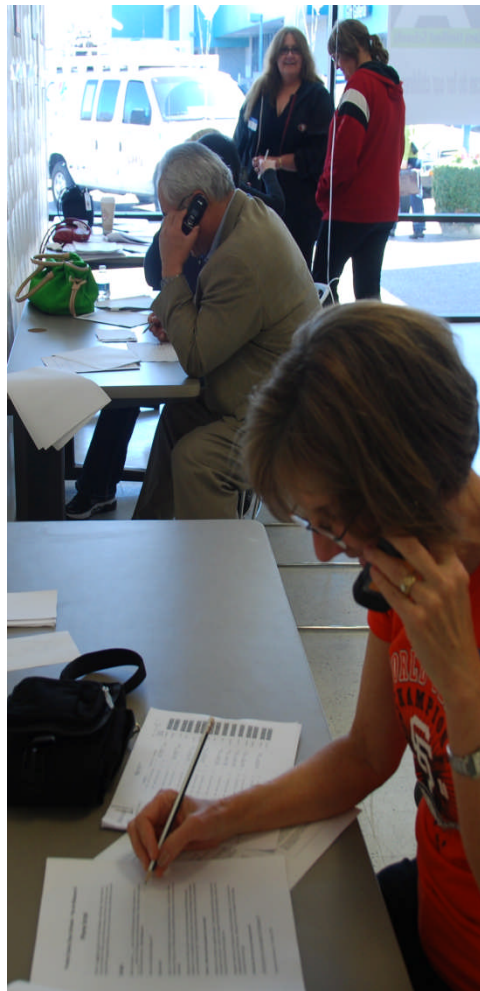
Community—Aware & Engaged

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

Board—Informed and prepared



The Community Campaign



FAIRFAX SCHOOLS



Paid for by Friends of Fairfax Schools—YES on C – 2010
14009 Calle Rosales, Bakersfield, CA 93314 • Phone: 661-588-8593 • FPPC



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



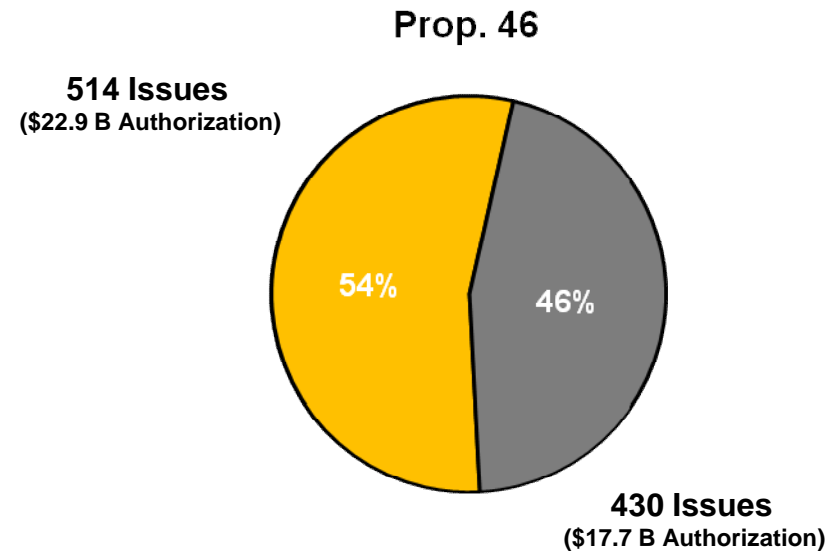
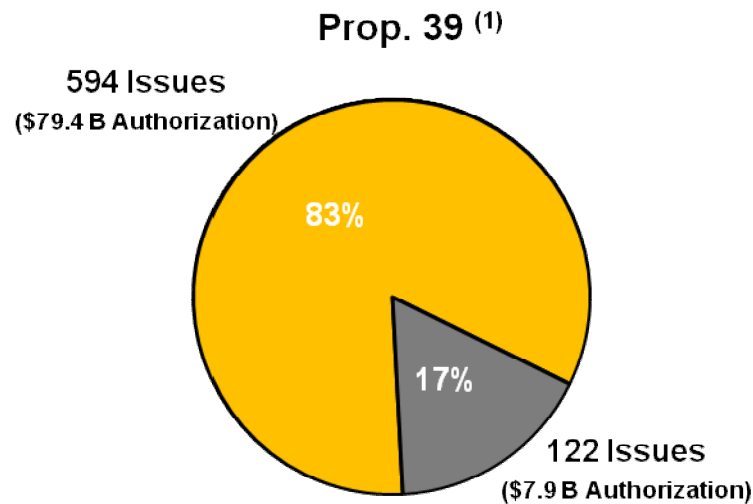
Proposition 46

- Requires 2/3rds voter approval

Proposition 39

- Requires 55% voter approval

School District GO Election Results 1986 - 2011



PASS



FAIL

(1) Proposition 39 elections commenced in Spring 2001.

(2) Source: School Services of California.

Election Dates



Proposition 46

- Generally any Tuesday

Proposition 39

- Statewide primary, general or special elections

<i>Election Date</i>	<i>Filing Date</i>
November 6, 2012	August 10, 2012

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

November 2012 Election Scenario



➤ **ASAP!**

FEASIBILITY FIRST!

Due Diligence – NEEDS Assessment / Poll

➤ **Summer 2012**

PUBLIC EDUC. - BALLOT MEASURE PREP

Continued facilities/program/financial due diligence
Stakeholder / Opinion Leader / Voter Engagement
Increasing Board Engagement / Finalize Facilities
Master Plan / Ballot Measure Preparation

➤ **Early August 2012**

Board Action to Place Measure on Ballot

➤ **August 10, 2012**

Filing Deadline for November 2012 Election

➤ **Aug-Sept-Oct thru Nov 6**

Campaign Window

➤ **November 6, 2012**

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 district
 - \$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

Declining Assessed Valuations



- The State of California had seen double-digit growth in assessed valuation for many local governments, including school districts, from 2003-2007
- Recently, this trend has slowed or reduced to high single digit and double digit reductions in assessed valuations
- As referenced below, 9 of the top 15 populated Counties in California sustained an increase in assessed valuation from 2010-11 to 2011-12, up from only 2 the previous year

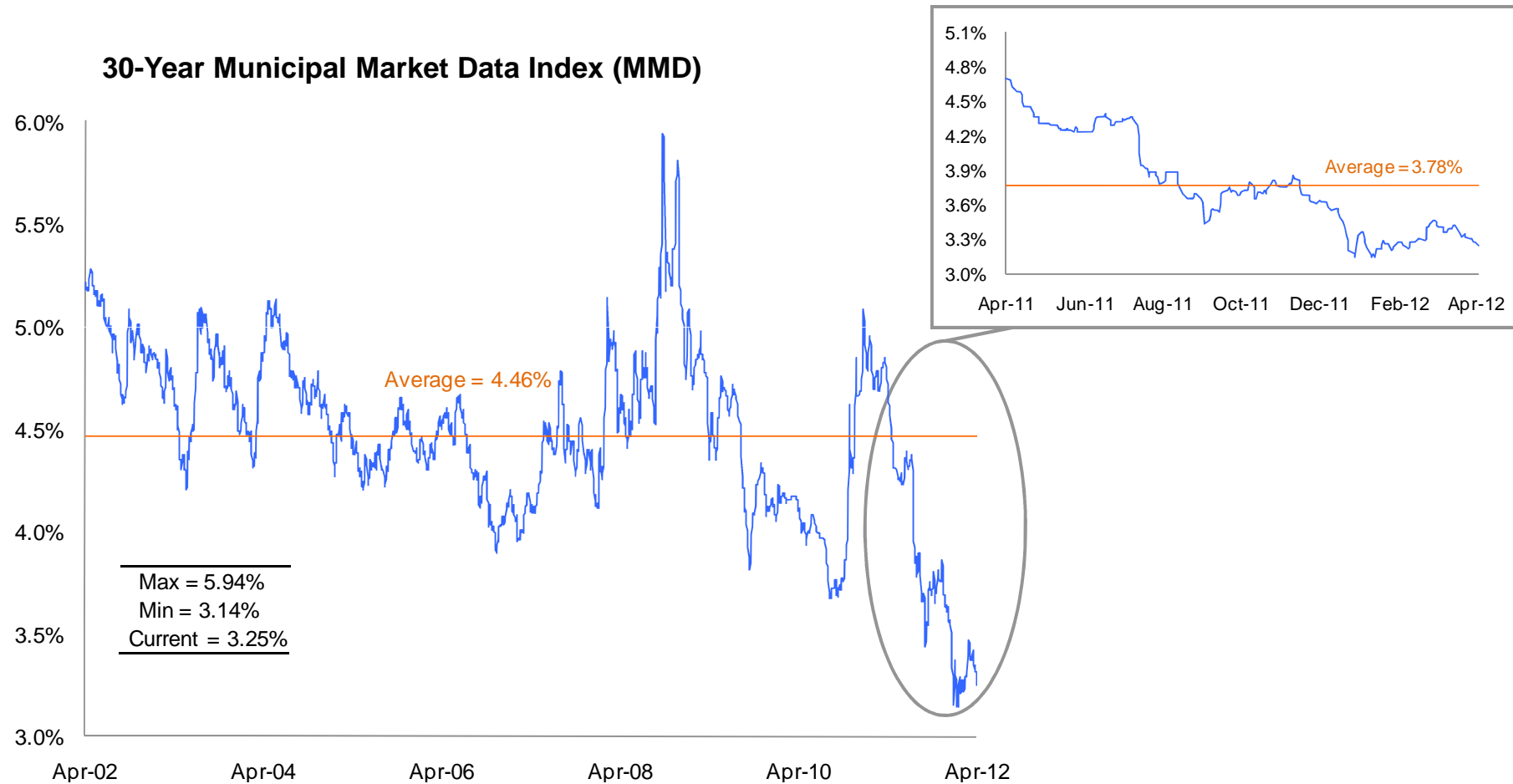
County	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Alameda	9.46%	7.97%	4.77%	-2.51%	-1.58%	0.05%
Contra Costa	11.71%	8.84%	0.31%	-6.97%	-3.05%	-0.37%
Fresno	13.48%	12.78%	1.49%	-2.95%	-0.76%	0.47%
Kern	21.58%	11.92%	5.89%	-6.20%	4.63%	2.43%
Los Angeles	10.61%	9.08%	6.95%	-0.53%	-1.81%	1.41%
Orange	11.18%	8.34%	3.89%	-1.38%	-0.54%	0.98%
Riverside	22.79%	16.55%	1.44%	-10.49%	-4.40%	-1.25%
Sacramento	14.95%	9.34%	1.81%	-7.15%	-1.84%	-3.65%
San Bernardino	17.67%	15.51%	5.20%	-6.01%	-4.32%	-0.47%
San Diego	12.06%	9.22%	4.42%	-2.40%	-1.42%	0.40%
San Francisco	7.56%	8.40%	8.63%	7.08%	4.32%	0.49%
San Joaquin	17.14%	9.04%	-0.81%	-10.22%	-3.81%	-3.70%
San Mateo	8.63%	7.83%	7.99%	0.68%	-1.44%	0.96%
Santa Clara	8.88%	8.22%	6.98%	0.14%	-2.40%	0.90%
Ventura	11.65%	7.98%	3.17%	-2.42%	-0.26%	0.00%

*Source: California Board of Equalization

Municipal Tax-Exempt Interest Rates



Long-term high-grade rates hit all-time lows on February 2, continue to stay low



Source: Thomson Financial. MMD is an index of 'AAA' rated general obligation bonds. As of 4/23/2012.

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 electoral environment, the vast majority of local school bond measures are still winning.
- Preparing for electoral success is an ART and a SCIENCE. ***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

THE PRESENTERS—

Bonnie Moss



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Bonnie Moss is a Principal with Clifford Moss, LLC, a political strategy, communications and public affairs consulting firm based in Oakland, CA. Bonnie is a 25-year veteran of successful local political campaigns, marketing, public relations, and communications strategies that have created impact and winning results across hundreds of communities in California and the nation. A native of San Jose, CA, Bonnie attended MIT and Wellesley College, graduating with a BA in Urban Studies from Wellesley. After 17 years in corporate America, Bonnie joined Tramutola LLC in 1999 to learn the campaign business. Twelve years later Bonnie is today leading Clifford Moss, LLC with partner Tom Clifford.

Clifford Moss is a new consulting firm dedicated to helping school clients and others achieve political and electoral success. The Oakland-based firm led by Tom Clifford and Bonnie Moss, brings 30+ years of combined in-the-trenches political expertise to its clients, yet operates like a hungry start up with fresh thinking, enthusiasm, and a spirited belief that people support what they help create. Our services include: local political strategy, election feasibility, ballot measure planning and preparation, public information programs, and effective ground campaigns. Clifford Moss career track records include dozens of local election wins and billions of dollars in funding for schools, hospitals, colleges, public safety facilities and other community assets. The firm's website is: **www.cliffordmoss.com**.

THE PRESENTERS—

Adam Bauer



Adam Bauer

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Adam Bauer is a Principal and practice sector leader for the K-14 practice at Fieldman, Rolapp & Associates, California; Independent Financial Advisor since 1966. He has 12 years of experience helping public agencies develop finance plans and assisting them with the debt issuance process. Adam is an expert in Proposition 39 GO Bond structuring and has worked with school districts to develop financing programs to fund their capital facility needs. He has expertise in General Obligation Bonds, Bond Anticipation Notes, Lease Revenue Bonds, Community Facilities District, Tax and Revenue Anticipation Notes, and Mitigation Agreements. Adam is also an expert contributor for the University of Southern California's (USC) Rossier School of Education School Business Management Program.

Fieldman, Rolapp & Associates provided independent financial advice and services to all levels of government and non-profits regarding intricate financing and investment activities since 1966. Extraordinary background and experience in land-based, utility and school financings and other complex scenarios sets Fieldman apart. We are continually expanding our depth and breadth in municipal finance and now provide services in six specialized sectors: school districts, water agencies, cities, utilities, continuing disclosure/after market, and redevelopment agencies. Because of the firm's independence and extensive experience with public sector clients, Fieldman is a trusted resource for financial services that are effective and practical. The firm's website is **www.fieldman.com**.

THE PRESENTERS—

John Baracy



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John R. Baracy is a Director in the Los Angeles office of Stone & Youngberg, a Division of Stifel Nicolaus (“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, certificates of participation, tax credit bonds, Mello-Roos bonds and all other 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 100 bond elections exceeding \$3.0 billion since 2002.

Stone & Youngberg is nationally recognized as a leading financial services firm, with an 80-year tradition of excellence serving California. 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—

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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**.