Frequently Asked Questions

Q1. Has the community been consulted on the amount of the bond ($106 million) and whether taxpayers can afford the added taxes?

A1. Yes, the District conducted a poll that tested bond measure amounts and various tax rates. The results of the poll have been incorporated into the proposed bond measure. Additionally, the District has held numerous public meetings where questions and concerns of the community were answered and discussed openly.

Q2. Is our proposed bond measure cost effective for taxpayers?

A2. Yes, the proposed measure will be issued in four separate installments. The total combined payment schedule will consist of regular payments of principal and interest. Please see the estimated repayment schedule below:

Date	Principal	Interest	Total
8/1/15	2,050,000	1,457,500	3,507,500
8/1/16	2,495,000	1,344,750	3,839,750
8/1/17	2,790,000	1,207,525	3,997,525
8/1/18	1,530,000	2,644,075	4,174,075
8/1/19	1,810,000	2,552,275	4,362,275
8/1/20	2,115,000	2,443,675	4,558,675
8/1/21	725,000	4,039,275	4,764,275
8/1/22	985,000	3,992,150	4,977,150
8/1/23	1,275,000	3,928,125	5,203,125
8/1/24	160,000	5,610,150	5,770,150
8/1/25	225,000	5,601,350	5,826,350
8/1/26	350,000	5,588,975	5,938,975
8/1/27	635,000	5,569,087	6,204,087
8/1/28	955,000	5,531,088	6,486,088
8/1/29	1,305,000	5,473,299	6,778,299
8/1/30	1,685,000	5,396,127	7,081,127
8/1/31	2,105,000	5,295,628	7,400,628
8/1/32	2,565,000	5,169,277	7,734,277
8/1/33	3,070,000	5,014,658	8,084,658
8/1/34	3,620,000	4,828,955	8,448,955
8/1/35	4,215,000	4,609,369	8,824,369
8/1/36	4,870,000	4,353,225	9,223,225
8/1/37	5,585,000	4,056,733	9,641,733
8/1/38	6,355,000	3,716,136	10,071,136
8/1/39	7,200,000	3,328,076	10,528,076
8/1/40	8,115,000	2,887,896	11,002,896
8/1/41	9,105,000	2,391,231	11,496,231
8/1/42	10,180,000	1,833,515	12,013,515
8/1/43	11,360,000	1,184,669	12,544,669
8/1/44	6,565,000	437,229	7,002,229
Total	106,000,000	111,486,023	217,486,023

Q3. Does our proposed bond measure use the more costly capital appreciation bonds ("CABs") which defer interest payments to future generations?

A3. No, our proposed bond measure only utilizes current interest bonds, which are the most cost-effective bond type that the District can issue.

Q4. The proposed bond measure makes the assumption that the tax base in our community will grow approximately 4.5% annually; is this reasonable?

A4. Yes, this is reasonable and actually a conservative assumption. The District's tax base growth has averaged 5.15% annually over the past 20 years. Just this last year, the tax base grew by 7.54%.

Q5. How will the local residential real estate market help support the tax base, which pays the proposed bond back?

A5. There is currently a significant amount of untapped value in the community tax base. Right now, the average assessed value ("AV") of a home is approximately $368,000. This is far below market value because of Proposition 13 (which only allows the County Assessor's Office to increase the AV of a home by a maximum of 2% per year unless the home is sold to a new buyer). The median sales prices for Culver City single family homes in 2013 were $725,000 in the zip code area of 90230 and $853,000 in the zip code area of 90232. As you can see there is a large gap between AV and market value due to Proposition 13. Once these homes start selling (and many of them have), the AV for these properties will be equal to market value.

Q6. A community member has introduced the alternative idea of funding CCUSD capital projects with a parcel tax instead of a bond measure? Why is the District choosing a bond over a parcel tax?

A6. A bond measure can meet the capital project funding timing; the parcel tax option proposed by the community member cannot meet the timing.

Q7. Various blog posts have claimed that the parcel tax option is fiscally responsible and a bond measure is not. Is this true?

A7. No this is not true. A bond can deliver project dollars in an amount and on a schedule necessary to meet the District's project needs. A parcel tax on the other hand, delivers proceeds only when property taxes are collected in December and April of each fiscal year and do NOT meet the District's project needs.

The District has conducted facilities studies and has a project plan that is aligned with the bond financing plan. If project proceeds were instead received over a parcel tax in semiannual installments, not only could the projects not be completed, but the value of the future installments would have less purchasing power – this would ultimately lead to the District paying more for the same projects to be completed as construction costs would be significantly higher. This is not an economical way to finance school projects.

For an average homeowner, a bond will actually cost less than a parcel tax on both a nominal and a present value basis. This is because a bond is repaid based on a percentage of the AV of a property, whereas a parcel tax is based on a fixed dollar amount against a real estate parcel, regardless of AV. In the case of a bond, a large property owner such as Sony would pay a tax commensurate with the value of their land, whereas with a parcel tax, Sony would pay the same amount as the average homeowner with a parcel of significantly less value. Simply put, a bond is a more economical financing mechanism for the District's homeowners; the added cost of a bond over a parcel tax is being borne by the largest taxpayers, such as Sony.

Q8. Why are each individual series of bonds structured with early principal amortization followed by years where no principal is amortized?

A8. The projected repayment schedules are optimized to leave room for future issuances of bonds. Bonds are layered around each other to maintain a level tax rate overall. As an example, Series A has no principal amortizing in the 4th year of the financing. This is intended to leave room (or tax rate capacity) for Series B to amortize principal. If Series A had principal in the 4th year, Series B would either have less principal (or no principal) in that year, resulting in Series B being a costlier financing. When bonds are issued, it is important not to look at a single issuance in isolation, but to look at the bond program as a whole, and what would be cost effective for taxpayers over the bond program, not just for a single series.

Please see the estimated repayment schedule below:

	Projected Series A			Projected Series B			Projected Series C			Projected Series D			
Date	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Total Debt Service
8/1/15	2,050,000	1,457,500	3,507,500										3,507,500
8/1/16	2,495,000	1,344,750	3,839,750										3,839,750
8/1/17	2,790,000	1,207,525	3,997,525										3,997,525
8/1/18	-	1,054,075	1,054,075	1,530,000	1,590,000	3,120,000							4,174,075
8/1/19	-	1,054,075	1,054,075	1,810,000	1,498,200	3,308,200							4,362,275
8/1/20	-	1,054,075	1,054,075	2,115,000	1,389,600	3,504,600							4,558,675
8/1/21	-	1,054,075	1,054,075	-	1,262,700	1,262,700	725,000	1,722,500	2,447,500				4,764,275
8/1/22	-	1,054,075	1,054,075	-	1,262,700	1,262,700	985,000	1,675,375	2,660,375				4,977,150
8/1/23	-	1,054,075	1,054,075	-	1,262,700	1,262,700	1,275,000	1,611,350	2,886,350				5,203,125
8/1/24	160,000	1,054,075	1,214,075	-	1,262,700	1,262,700	-	1,528,475	1,528,475	-	1,764,900	1,764,900	5,770,150
8/1/25	225,000	1,045,275	1,270,275	-	1,262,700	1,262,700	-	1,528,475	1,528,475	-	1,764,900	1,764,900	5,826,350
8/1/26	295,000	1,032,900	1,327,900	-	1,262,700	1,262,700	-	1,528,475	1,528,475	55,000	1,764,900	1,819,900	5,938,975
8/1/27	370,000	1,016,675	1,386,675	-	1,262,700	1,262,700	-	1,528,475	1,528,475	265,000	1,761,237	2,026,237	6,204,087
8/1/28	455,000	996,325	1,451,325	-	1,262,700	1,262,700	335,000	1,528,475	1,863,475	165,000	1,743,588	1,908,588	6,486,088
8/1/29	545,000	971,300	1,516,300	455,000	1,262,700	1,717,700	260,000	1,506,700	1,766,700	45,000	1,732,599	1,777,599	6,778,299
8/1/30	645,000	941,325	1,586,325	560,000	1,235,400	1,795,400	340,000	1,489,800	1,829,800	140,000	1,729,602	1,869,602	7,081,127
8/1/31	750,000	905,850	1,655,850	670,000	1,201,800	1,871,800	450,000	1,467,700	1,917,700	235,000	1,720,278	1,955,278	7,400,628
8/1/32	865,000	864,600	1,729,600	800,000	1,161,600	1,961,600	560,000	1,438,450	1,998,450	340,000	1,704,627	2,044,627	7,734,277
8/1/33	990,000	817,025	1,807,025	935,000	1,113,600	2,048,600	690,000	1,402,050	2,092,050	455,000	1,681,983	2,136,983	8,084,658
8/1/34	1,125,000	762,575	1,887,575	1,080,000	1,057,500	2,137,500	830,000	1,357,200	2,187,200	585,000	1,651,680	2,236,680	8,448,955
8/1/35	1,275,000	700,700	1,975,700	1,245,000	992,700	2,237,700	980,000	1,303,250	2,283,250	715,000	1,612,719	2,327,719	8,824,369
8/1/36	1,435,000	630,575	2,065,575	1,420,000	918,000	2,338,000	1,145,000	1,239,550	2,384,550	870,000	1,565,100	2,435,100	9,223,225
8/1/37	1,605,000	551,650	2,156,650	1,610,000	832,800	2,442,800	1,325,000	1,165,125	2,490,125	1,045,000	1,507,158	2,552,158	9,641,733
8/1/38	1,790,000	463,375	2,253,375	1,815,000	736,200	2,551,200	1,525,000	1,079,000	2,604,000	1,225,000	1,437,561	2,662,561	10,071,136
8/1/39	1,990,000	364,925	2,354,925	2,040,000	627,300	2,667,300	1,745,000	979,875	2,724,875	1,425,000	1,355,976	2,780,976	10,528,076
8/1/40	2,205,000	255,475	2,460,475	2,280,000	504,900	2,784,900	1,980,000	866,450	2,846,450	1,650,000	1,261,071	2,911,071	11,002,896
8/1/41	2,440,000	134,200	2,574,200	2,545,000	368,100	2,913,100	2,235,000	737,750	2,972,750	1,885,000	1,151,181	3,036,181	11,496,231
8/1/42				3,590,000	215,400	3,805,400	3,405,000	592,475	3,997,475	3,185,000	1,025,640	4,210,640	12,013,515
8/1/43							5,710,000	371,150	6,081,150	5,650,000	813,519	6,463,519	12,544,669
8/1/44										6,565,000	437,229	7,002,229	7,002,229
Total	26,500,000	23,843,050	50,343,050	26,500,000	26,807,400	53,307,400	26,500,000	29,648,125	56,148,125	26,500,000	31,187,448	57,687,448	217,486,023
Repayment Ratio			1.90 to 1			2.01 to 1			2.12 to 1			2.18 to 1	2.05 to 1

In aggregate, the amortization schedule shows that regular interest and principal payments are being made (see response to Question 2).

Q9. Why does the annual bond debt service increase?

A9. The increase in annual bond debt service is intended to coincide with the projected annual AV growth rate. Recall that the annual tax rate is approximately equal to annual bond debt service divided by the AV in that particular year.

As a hypothetical example, if bond debt service in year 1 is $4.8 million, and AV in that year is $10 billion, then the tax rate is $4.8 million/$10 billion, or 0.0480%, or $48 per $100,000 of AV. In year 2, if bond debt service increases by 4.5% to $5.016 million and AV also increases by 4.5% to $10.45 billion, the tax rate is $5.016 million/$10.45 billion, or 0.0480%, or $48 per $100,000 of AV.

Annual bond debt service increases at the same projected AV growth rate such that District taxpayers experience a level tax rate.