

Culver City Unified School District
General Obligation Bond Frequently Asked Questions

Q1. When Measure CC was approved in 2014, the community was promised that the bond tax would not exceed \$48 per \$100,000 of assessed value ("AV"). Have we kept this promise?

Yes, in fact the tax rate has come in under this amount. Below are the actual tax rates that were assessed on Measure CC since its inception:

- Fiscal year 2014-15: \$46.90 per \$100,000 of AV
- Fiscal year 2015-16: \$42.23 per \$100,000 of AV
- Fiscal year 2016-17: \$39.69 per \$100,000 of AV

Q2. Why have these tax rates been decreasing?

A bond's annual tax rate is approximately equal to annual bond debt service (principal + interest) divided by that fiscal year's AV. Since we knew the 2014-15 AV at the time of the first issuance, we were able to arrive at a tax rate just under \$48. We were conservative in our AV growth assumptions for 2015-16 and 2016-17, assuming 2% and 3% growth, respectively. Actual growth came in at 5.01% and 8.71%, respectively.

Q3. How has the Measure CC program changed since 2014?

Let's address this question from both sides of the bond program, cost and project needs.

Cost:

When Measure CC was initially prepared, the first \$26.5 million Series A was conservatively projected to have total debt service of \$50.3 million, resulting in a repayment ratio (debt service divided by principal) of 1.9 to 1 (in 2014, the State implemented a cap of 4 to 1). The actual \$26.5 million Series A benefited from strong credit ratings, a favorable interest rate environment, and good investor interest, resulting in actual debt service of \$41.5 million (repayment ratio of 1.6 to 1). Additionally, AV growth has been much stronger than projected, which means more tax revenue under the same tax rate promise.

Project Needs:

With the \$26.5 million Series A proceeds, the District kicked off its facilities program with improvement/renovation projects at the:

- High school library, multi-purpose room and athletic fields
- Middle school gym and multi-purpose room
- Elementary school playgrounds and air filtration system

With the Series A proceeds spent, Series B proceeds are required to continue projects such as:

- Frost Auditorium beautification
- District-wide libraries, nurses' offices, and HVAC
- Science classrooms
- CTE improvements
- Restroom modernization
- OCD kitchen

The District estimates that it will need approximately \$53 million within the next three years to meet project cashflow needs and to maximize the value of its taxpayer resources. In November 2016, 182 California K-14 bond measures totaling \$25.1 billion will be voted on. By issuing Series B in the beginning of 2017, The District may "get ahead" of these issuers to (1) encumber projects with contractors and (2) sell its bonds to investors before the first wave of supply comes to market from the prospective bond measures.

Q4. With the changes in Measure CC, will the term of the tax be longer than originally estimated?

The original Measure CC program projected a final repayment in 2044. This would remain unchanged.

Q5. Are we still able to issue all of our bonds as current interest bonds (the lower cost bonds which make regular interest payments) rather than capital appreciation bonds (the higher cost bonds which defer interest payments)?

Yes, all Measure CC bonds will only be issued as current interest bonds.