

Maximizing Bond Value

More Bricks and Mortar and Less Interest

KernTax is a member-supported, 501(c) 4 non-profit corporation, with the mission to bring about more accountable, effective, efficient, reliable government. Basing its actions on common sense, innovation, and the long-term view, KernTax crafts positions based on adopted values. Founded in 1939, KernTax is committed to be the taxpayers' guard dog.

KernTax views any government collection of funds through any financial conduit to be taxation, be it a clearly identified as a tax, a fee for government service or a regulated rate structure. If it is excessive or not appropriate, KernTax must, by charter, act to educate and facilitate resolution and ensure fair representation and treatment for the county's taxpayers. We do not seek subsidies; we simply seek fair return to our local citizens from all regulatory bodies and their agent for levied taxes, or fees for services.

Bond Evaluation Process Stage I

3-6 months before School District places bond measure on ballot

- Meet with district to review plan
- Identify total debt capacity
- Identify existing debt
- Identify available bonding capacity
- Identify Authorized but Unissuable Debt.
- Establish district needs and wants
- Review detailed, prioritized project list, including estimated costs

Stage I continued...

- Discuss funding options
 - General Obligation Bonds
 - State matching funds
 - District Resources
 - Certificates of Participation
 - Lease-Leaseback

Stage II

Post-Meeting Due Diligence

- Review past AV growth
 - Identify anomalies if present
 - Adjust AV Growth to reflect a normalized rate
- Apply adjusted AV growth to model
- Analyze past bond performance
 - Plug in past debt-service schedule (County Treasurer)

Second Meeting with District, a month later

- Review findings with district and make recommendations

Unified District

Assessed Valuation															
Year	Assessed Value	% Change	Mineral Roll	% MR	% Change	Other Assessments	% Change	Starting Oil \$							
2005	\$ 642,484,485	6.42%	\$ 8,565,642	1%	26.09%	\$ 633,918,843	6.20%	\$ 28.00							
2006	\$ 692,123,255	7.73%	\$ 25,532,244	4%	198.08%	\$ 666,591,011	5.15%	\$ 50.00							
2007	\$ 820,821,795	18.59%		0%	-100%	\$ 820,821,795	23.14%	\$ 50.00							
2008	\$ 1,062,871,776	29.49%	\$ 274,574,597	26%		\$ 788,297,179	-3.96%	\$ 77.00							
2009	\$ 966,996,958	-9.02%	\$ 180,642,687	19%	-34.21%	\$ 786,354,271	-0.25%	\$ 36.00							
2010	\$ 1,089,620,162	12.68%	\$ 304,623,716	28%	68.63%	\$ 784,996,446	-0.17%	\$ 69.00							
2011	\$ 1,234,543,942	13.30%	\$ 411,008,171	33%	34.92%	\$ 823,535,771	4.91%	\$ 84.00							
2012	\$ 1,395,323,909	13.02%	\$ 467,953,386	34%	13.86%	\$ 927,370,523	12.61%	\$ 95.50							
2013	\$ 1,437,473,302	3.02%	\$ 478,297,271	33%	2.21%	\$ 959,176,031	3.43%	\$ 98.50							
2014	\$ 1,577,052,671	9.71%	\$ 612,804,348	39%	28.12%	\$ 964,248,323	0.53%	\$ 101.00							
2015	\$ 1,408,433,269	-10.69%	\$ 396,442,471	28%	-35.31%	\$ 1,011,990,798	4.95%	\$ 54.00							
2016	\$ 1,333,731,058	-5.30%	\$ 257,359,846	19%	-35.08%	\$ 1,076,371,212	6.36%	\$ 35.00							
2009-16		3.34%	5.39%				4.05%								
				Oil Growth					Other Growth						
				5.00%					4.00%						
Debt Capacity									1998	2004	2012	1998	2004	2012	Total
2016	\$ 1,333,731,058	0.00%	\$ 257,359,846	19%	0.00%	\$ 1,076,371,212	0.00%	\$33,343,276	\$246,400	\$ 660,275	\$ 1,024,725	\$ 18.47	\$ 49.51	\$76.83	\$144.81
2017	\$ 1,389,653,899	4.19%	\$ 270,227,838	19%	5.00%	\$ 1,119,426,060	4.00%	\$34,741,347	\$237,600	\$ 667,475	\$ 1,056,275	\$ 17.10	\$ 48.03	\$76.01	\$141.14
2018	\$ 1,447,942,333	4.19%	\$ 283,739,230	20%	5.00%	\$ 1,164,203,103	4.00%	\$36,198,558	\$228,800	\$ 678,675	\$ 1,086,525	\$ 15.80	\$ 46.87	\$75.04	\$137.71
2019	\$ 1,508,697,419	4.20%	\$ 297,926,192	20%	5.00%	\$ 1,210,771,227	4.00%	\$37,717,435	\$ -	\$ 647,825	\$ 1,145,475	\$ -	\$ 42.94	\$75.92	\$118.86
2020	\$ 1,572,024,577	4.20%	\$ 312,822,501	20%	5.00%	\$ 1,259,202,076	4.00%	\$39,300,614	\$ -	\$ 667,325	\$ 1,181,975	\$ -	\$ 42.45	\$75.19	\$117.64
2021	\$ 1,638,033,786	4.20%	\$ 328,463,626	20%	5.00%	\$ 1,309,570,159	4.00%	\$40,950,845	\$ -	\$ 676,525	\$ 1,221,825	\$ -	\$ 41.30	\$74.59	\$115.89
2022	\$ 1,706,839,773	4.20%	\$ 344,886,808	20%	5.00%	\$ 1,361,952,966	4.00%	\$42,670,994	\$ -	\$ 694,525	\$ 1,267,528	\$ -	\$ 40.69	\$74.26	\$114.95
2023	\$ 1,778,562,232	4.20%	\$ 362,131,148	20%	5.00%	\$ 1,416,431,084	4.00%	\$44,464,056	\$ -	\$ 710,675	\$ 1,311,725	\$ -	\$ 39.96	\$73.75	\$113.71
2024	\$ 1,853,326,033	4.20%	\$ 380,237,705	21%	5.00%	\$ 1,473,088,327	4.00%	\$46,333,151	\$ -	\$ 730,006	\$ 1,362,025	\$ -	\$ 39.39	\$73.49	\$112.88
2025	\$ 1,931,261,451	4.21%	\$ 399,249,591	21%	5.00%	\$ 1,532,011,861	4.00%	\$48,281,536	\$ -	\$ 749,606	\$ 1,411,700	\$ -	\$ 38.81	\$73.10	\$111.91
2026	\$ 2,012,504,405	4.21%	\$ 419,212,070	21%	5.00%	\$ 1,593,292,335	4.00%	\$50,312,610	\$ -	\$ 768,519	\$ 1,469,131	\$ -	\$ 38.19	\$73.00	\$111.19
2027	\$ 2,097,196,702	4.21%	\$ 440,172,674	21%	5.00%	\$ 1,657,024,028	4.00%	\$52,429,918	\$ -	\$ 786,742	\$ 1,528,200	\$ -	\$ 37.51	\$72.87	\$110.38
2028	\$ 2,185,486,297	4.21%	\$ 462,181,308	21%	5.00%	\$ 1,723,304,990	4.00%	\$54,637,157	\$ -	\$ 803,593	\$ 1,589,169	\$ -	\$ 36.77	\$72.71	\$109.48
2029	\$ 2,277,527,562	4.21%	\$ 485,290,373	21%	5.00%	\$ 1,792,237,189	4.00%	\$56,938,189	\$ -	\$ 822,476	\$ 1,656,056	\$ -	\$ 36.11	\$72.71	\$108.83
2030	\$ 2,373,481,568	4.21%	\$ 509,554,892	21%	5.00%	\$ 1,863,926,677	4.00%	\$59,337,039	\$ -	\$ 840,078	\$ 1,718,875	\$ -	\$ 35.39	\$72.42	\$107.81
2031	\$ 2,473,516,380	4.21%	\$ 535,032,636	22%	5.00%	\$ 1,938,483,744	4.00%	\$61,837,909	\$ -	\$ 835,000	\$ 1,787,713	\$ -	\$ 33.76	\$72.27	\$106.03
2032	\$ 2,577,807,361	4.22%	\$ 561,784,268	22%	5.00%	\$ 2,016,023,094	4.00%	\$64,445,184	\$ -	\$ -	\$ 1,860,900	\$ -	\$ -	\$72.19	\$ 72.19
2033	\$ 2,686,537,499	4.22%	\$ 589,873,481	22%	5.00%	\$ 2,096,664,017	4.00%	\$67,163,437	\$ -	\$ -	\$ 1,933,425	\$ -	\$ -	\$71.97	\$ 71.97
2034	\$ 2,799,897,733	4.22%	\$ 619,367,155	22%	5.00%	\$ 2,180,530,578	4.00%	\$69,997,443	\$ -	\$ -	\$ 2,013,325	\$ -	\$ -	\$71.91	\$ 71.91
2035	\$ 2,918,087,314	4.22%	\$ 650,335,513	22%	5.00%	\$ 2,267,751,801	4.00%	\$72,952,183	\$ -	\$ -	\$ 2,094,475	\$ -	\$ -	\$71.78	\$ 71.78
2036	\$ 3,041,314,162	4.22%	\$ 682,852,289	22%	5.00%	\$ 2,358,461,873	4.00%	\$76,032,854	\$ -	\$ -	\$ 2,177,400	\$ -	\$ -	\$71.59	\$ 71.59
2037	\$ 3,169,795,251	4.22%	\$ 716,994,903	23%	5.00%	\$ 2,452,800,348	4.00%	\$79,244,881	\$ -	\$ -	\$ 2,266,575	\$ -	\$ -	\$71.51	\$ 71.51
2038	\$ 3,303,757,010	4.23%	\$ 752,844,648	23%	5.00%	\$ 2,550,912,362	4.00%	\$82,593,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$0.00	\$ -
2039	\$ 3,443,435,737	4.23%	\$ 790,486,881	23%	5.00%	\$ 2,652,948,856	4.00%	\$86,085,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$0.00	\$ -
2040	\$ 3,589,078,036	4.23%	\$ 830,011,225	23%	5.00%	\$ 2,759,066,811	4.00%	\$89,726,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$0.00	\$ -
2041	\$ 3,740,941,269	4.23%	\$ 871,511,786	23%	5.00%	\$ 2,869,429,483	4.00%	\$93,523,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$0.00	\$ -

Outstanding Debt	\$25,134,907
Debt Capacity	\$33,343,276
Remaining Capacity	\$ 8,208,370

Bond Evaluation Stage III

Grade the district's final proposal

- ✓ Past performance
 - Past promises to taxpayers
 - Completion of Project List
 - Financial results (Staying under legal tax rate cap)
 - Completion of Prop 39 requirements
 - Annual Reports
 - Performance & Financial audits
 - Prop 39 webpage

Bond Evaluation Process Stage III

- ✓ Current Bond Proposal
 - Past performance of financial advisors
 - Detailed Project lists
 - Plans to reduce costs
 - Commitment to Competitive bond sales
 - No CABS or premium
- ✓ Prioritization of Needs and Wants
- ✓ Project List
- ✓ Openness, transparency and communication

Bond Evaluation Stage IV

Make recommendation to Kerntax Board

Decide appropriate action to take

Support

No Position

Do Not Support

Appropriate Action

Ballot Arguments

Rebuttal Augments

Political Action: Independent Political Action Committee

Why should you do this?

- Establish the parameters for a fiscally responsible bond
- To establish appropriate AV growth projections
- Tax rate limitations
- Identify protentional CAB's and Premium
- Will program create Authorized but Unissuable Debt?
- What is the TDS, Total Debt Service going to be?

TDS is Total Debt Service: Principal + Interest + Fees

The legal limit for TDS is 4.0

If the District is issuing \$20MM of bonds

- If the TDS of 4.0
 - Principle \$20MM, Interest \$60MM, TDS is \$80MM
 - 25% projects, 75 % Interest
- If the TDS of 3.0
 - Principle \$20MM, Interest \$40MM, TDS is \$60MM
 - 33.3% projects, 66.6 % Interest
- If the TDS of 2.0
 - Principle \$20MM, Interest \$20MM, TDS is \$40MM
 - 50% projects, 50 % Interest
- If the TDS of 1.6
 - Principle \$20MM, Interest \$12MM, TDS is \$32MM
 - 62% projects, 38 % Interest
- If the TDS of 1.2
 - Principle \$20MM, Interest \$4MM, TDS is \$24MM
 - 80% projects, 20 % Interest

Good bond programs require engagement, oversight
And, most importantly districts that want to get it
right!

Kerntax Engagements 2016

Taxpayers Benefit - June Primary

Year	District	Savings	Description
2016	Beardsley	N/A	Bond amount (\$12MM) exceeds debt capacity (\$10.5MM). Helped district adopt realistic model for current bond. FA model based upon 3% growth. Actual 2009-16 = 2.28%.
2008	Fairfax	\$38.2MM	Bond amount (\$19MM) exceeds debt capacity (~\$5MM). 2010 Prop 39 bond = \$24.8MM, issued \$5.7MM. Requested district to de-authorize \$19.1MM. Unable to issue remaining \$. Analysis Sheet . FA model based upon 4% growth. Actual 2009-16 =2.63%. <u>Concerned current bond will have authorized unissued debt remaining.</u>
2012	Wasco ESD	N/A	Bond amount (\$9.7MM) debt capacity (~\$14MM). District provided attached model Analysis Sheet then went to the ballot with two measures. <u>Lack of transparency</u> . Kerntax No Support. Taxpayers on the hook for another \$30/\$100K. FA model based upon 4% growth. Actual 2009-16 = 4.2%.
2012	Wasco ESD	N/A	Bond amount (\$9.4MM) debt capacity (~\$14MM). District provided attached model Analysis Sheet then went to the ballot with two measures. <u>Lack of transparency</u> . Kerntax No Support. Taxpayers on the hook for another \$30/\$100K. FA model based upon 4% growth. Actual 2009-16 = 4.2%.
	Total	\$38.2MM	

Kerntax Engagements 2016

Taxpayers Benefit - November General

Year	District	Savings	Description
2016	KCCD	\$573MM	Original proposal \$621MM. Final ballot amount \$503MM. District aligned its issuances with the project allowing for short-term bonds leading to a total debt service ratio (TDS) of 1.07 to 1. <u>Should be considered a model for large districts</u>
2016	KHSD	\$627MM	Original proposal \$660MM. Agreed to \$440MM over two elections (2016 & 2020). 2016 approved \$280MM @ 1.20 to 1. 2020 expecting to pass a \$160MM @ 1.40 to 1. <u>District put taxpayers first.</u> Confident voters will support 2020 measure. <u>District has shown fiscal responsibility over the years.</u>
2016	McFarland	\$230MM	Kerntax coordinated campaign against \$110MM Bond (Prop 46 – 66.7%). <u>Measured failed at the ballot box.</u> Savings based upon FA projections 4% growth rate, district average 2009-16 3.34%. Analysis Sheet . <u>Voter results: 52.6 – Yes, 47.4 - No</u>
2016	MUROC	N/A	Bond amount \$21MM. District issuing debt below their debt capacity (\$27MM). FA's projections are conservative. District should be able to issue all it debt. <u>Good model!</u> FA model based upon 3.75% growth. Actual 2009-16 = 9.1%.
2016	BCSD	\$34MM	Bond amount (\$110MM) exceeds debt capacity (~\$36MM). 2006 Prop 39 bond = \$100MM, issued \$83MM. Requested district to de-authorize \$17MM. Unable to issue remaining \$. Analysis Sheet . FA model based upon 4.25% growth. Actual 2009-16 =0%. <u>Concerned the district will not be able to issue current debt unless growth increases.</u>
	Total	Cont. Next page	

Kerntax Engagements 2016

Taxpayers Benefit - November General Cont.

Year	District	Savings	Description
2016	Fruitvale	\$27.8MM	Bond amount (\$23MM) exceeds debt capacity (~\$17MM). 2006 Prop 39 bond = \$29.8MM, issued \$15.9MM. Requested district to de-authorize \$13.9MM. Unable to issue remaining \$. Analysis Sheet FA model ~4% growth. Actual 2009-16 = 1.73%. <u>Without increase in AV district will be unable to issue current debt without CAB's.</u>
2016	General Shafter	\$65MM	Original proposal \$40MM placed on June ballot. Measure failed. Debt capacity \$11.6MM. District has never issued debt. District has adequate growth. Measure refined and placed on November ballot \$7.5MM where it passed.
2016	Greenfield	\$60MM	Bond amount (\$19MM) exceeds debt capacity (~\$14MM). 2006 Prop 39 bond = \$40MM, issued \$10MM. Requested district to de-authorize \$30MM. Unable to issue remaining \$. Analysis Sheet FA model ~4.5% growth. Actual 2009-16 = .24%. <u>Without increase in AV district will be unable to issue current debt without CAB's.</u>
2016	Lost Hills	\$11.6MM	Original proposal \$12.8MM. Agreed to \$7MM. District debt capacity is \$18.4MM. District has negative AV growth over the past 8 years. Suggested the district break bond into 2 issuances to protect taxpayers until AV growth recovers.
2016	Standard	\$6MM	Original proposal \$39MM. Agreed 33MM. Taxpayers recommended \$30MM. Debt capacity is \$25.5MM. District agreed to include a provision in the resolution that states if amount can not be issued by 2026 the district will de-authorize remaining amount.
	Total	\$1.6B	TAXPAYERS SAVINGS

Kerntax Engagements 2008-2014

Taxpayers Benefit

Year	District	Savings	Description
2007	Midway Elementary	\$8.8MM - \$11MM	\$4.4MM bond killed. Discovered a 17 yr. old COP triggered fraud audit
2008	Wasco UHSD	\$89MM	Original proposal \$78MM (<i>Prop 46</i>) reduced to \$45MM. Measure failed in 2007. Refined measure to \$33.5MM (<i>Prop 39</i>). Measures passed in 2008.
2012	Cal City Parcel Tax	\$18MM	Helped defeat parcel tax
2012	Taft City SD	\$17.2MM - \$34.4MM	Requesting de-authorization of outstanding balance \$8.6MM (<i>Org Bond = \$23.6MM, issued \$15MM</i>). Heavily impacted by decline in oil industry. <u>District made some questionable investments with bond funds.</u> Solar project payout is ~20 years
2012	Elk Hills SD	\$12.4MM	Helped defeat \$6.2MM Bond. Two taxpayers made up 98% of TA. <u>90% of TA was under Prop 13 protection meaning any growth would have to be through new reserves or new construction</u>
2013	Lakeside SD	\$36MM	Reduced BAN conversion cost from \$72MM - \$36MM
2014	Elk Hills SD	\$14.26MM	Helped defeat \$7.13MM Bond. <u>See comment above</u>
2014	Mojave SD	\$36MM	District de-authorized \$9MM in authorized but unissued bonds, passed \$8MM new issuance
2014	Arvin	N/A	District adopted 1 st cost reduction strategy. Keep construction cost in check
	Total	\$232MM – \$251MM	