



Agenda Item Details

Meeting	Apr 07, 2016 - Regular Board Meeting
Category	6. Action
Subject	6.04 Refunding Option for Series B Bonds
Type	Action
Recommended Action	The Board Finance Committee recommends that the Governing Board review and approve refunding of Series B Bonds.

Background:

The voters of Yuba Community College District authorized the District \$190 Million general obligation bonds for its facilities and equipment on November 2006. In May 2007, Series A and Series B bonds, in the amount of \$29.50 million and \$65.49 million, respectively were issued. The Series A provided \$20.75 million from current interest serial bonds (CIBs) and \$8.75 million from capital appreciation bonds (CABs). The Series B provided \$50.35 million from CIBs and \$15.14 million from CABs. In July 2011, Series C bonds, in the amount of \$30.30 million from CIBs and \$4.63 million from CABs were issued.

Status and Analysis:

Series A, B, and C had a combination of CIBs and CABs. The debt to interest ratio varies for each of the series. Series B had a debt to interest ratio for CABs of 4.99 (meaning that we pay \$4.99 on every \$1.00 borrowed) and Series C had a debt to interest ratio for CABs of 12.71 (meaning that we pay \$12.71 on every \$1.00 borrowed).

Due to the District exceeding the cap of \$25 per \$100,000 per proposition 39, CABs were utilized which postpones the debt service (principal + interest) for the CABs debt until later years.

Therefore, the investors with CABs do not receive principal and accreted interest for at least 20 years. The Yuba Community College District's Governing Board took an action to put a moratorium on CABs due to the significant debt ratio and took an action to have a debt policy in place using criteria for borrowing of any debts to reduce impact on public funds and its taxpayers.

In an effort to seek various solutions, the District reached out to a Financial Adviser who has a solution for refunding CABs and CIBs which presents significant savings to the District's taxpayers. The solution was discussed with the Finance Committee and the Governing Board April 2015 through July 2015 for its review and discussion regarding possibility of refunding CABs and CIBs.

This solution presents significant savings to its taxpayers for the life of these debts. The savings vary depending on the debt service covered by taxpayers in the earlier years in comparison to postponing the debt service into later years. The taxpayers realized savings in excess of \$14.33 million with June 2015 financing. It was discussed during that time that additional recommendations will be forthcoming when opportunities are presented for saving taxpayer monies. This recommendation is to refunding Series B bonds.

The District had interest on Series A thru C of \$269 million prior the refinancing efforts and with the refinancing in June 2015 and anticipated refinancing of Series B, there will be a net reduction to taxpayers in interest of \$82 million or 30%.

Dale Scott & Company representatives, CBO Kuldeep Kaur, and Chancellor Douglas Houston will present additional details regarding this recommendation.

For Board Consideration / Discussion:

How does this action achieve the District/College Mission, Vision and Values and support Student Learning?

Refunding Bond Res.pdf (285 KB)

Yuba CCD Series D Update - Series B Refunding 4-7-16 Board Meeting final.key (1).pdf (2,688 KB)

signed 16-08.pdf (1,631 KB)

Motion & Voting

The Board Finance Committee recommends that the Governing Board review and approve refunding of Series B Bonds.

Motion by Michael K Pasquale, second by Brent Hastey.

Final Resolution: Motion Carries

Aye: Brent Hastey, Michael K Pasquale, Gary Sandy, V Richard Savarese, Xavier Tafoya, Richard Teagarden