



TRINIDAD UNION SCHOOL DISTRICT

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TRINIDAD UNION SCHOOL DISTRICT GENERAL OBLIGATION BOND 2012

Beginning immediately after the June 5, 2012 election, the Trinidad Union School District began work to create a bond financing plan which would honor the economic interests of the community which had supported our school in the election. In order to bring expert counsel to this process, school officials conferred with an experienced bond attorney, as well as with the Humboldt County Auditor and Treasurer for assistance in structuring the bond financing.

Between that time and the closing of the Bond on December 4, 2012, the District conferred with County Treasurer John Bartholomew on a regular basis. All financial document drafts were copied to the Treasurer for his comment, and he also communicated directly with District financial advisors and the underwriter of the bond. In the end, the District was responsible for all decisions made relative to securing the bond funds, but thanks to this regular consult with the county, the District was able to proceed in as informed a manner as possible.

In reviewing the “debt service” impact of other public school bonds on the taxpayer, the District discovered a wide ranging debt service which varied from approximately 2:1 all the way to 10:1 relative to the original amount of the bond. A high ratio means a high payback for property owners; for instance a debt service ratio of 8:1 would mean that a \$5,000,000 bond measure would cost the public \$40,000,000 over the life of the bond.

The goal of the Trinidad Union School District was to develop a financing plan which would be at the lower end of that range, thereby saving taxpayers a lot of money. Our final debt service ratio is 2.52: 1, or near the very bottom of that range.

Capital Appreciation Bonds (CABs) were a regular part of the discussion of the financing plan. CABs are, in general, considered the least favorable of the bond options for the taxpayer, but often must be part of the financing plan in order to attract bond purchasers. The final bond structure does have some CABs in the structure but at a low percentage level, as follows:

- \$271,235 in convertible CABs (12.3% of the bond issue), which will be converted to Current Interest Bonds (“CIBs”), the least expensive type of bond readily available to California school districts.
- \$88,384 in CABs (4% of the bond issue).
- \$1,825,000 in Current Interest Bonds (83.7% of the bond issue).

Because the inclusion of CABs was at such a low percentage level, the net debt service was impacted only slightly – once again the debt service ratio for the Trinidad Union School District GO Bond is a very low 2.52:1 (or \$5,559,000 over 35 years on the \$2,200,000 bond).

We hope you agree that the taxpayer has been well served by a very careful and collaborative process which included extensive consultation with the County Treasurer. The District has made every effort to be extremely diligent in protecting taxpayer interests, while at the same time obtaining the funding to make significant deferred maintenance upgrades and/or new construction. The result of the bond will be improved school quality for students and higher property values for our constituents, together with significant taxpayer protection.

Geoff Proust, Superintendent