TO: Santa Clara County Board of Education
FROM: Micaela Ochoa  
Chief Business Officer
VIA: Jon R. Gundry  
County Superintendent of Schools
SUBJECT: Approve Funding and Next Steps to Pay off Certificates of Participation (COP) and Retire Debt

Background

In 1995, the Santa Clara County Office of Education Finance Corporation (Corporation) financed $16,165,000 to purchase the 1290 Ridder Park Building. In July 2002, the Corporation issued the 2002 Refunding Certificates of Participation (COP) in the amount of $15,895,000 to pay off/retire the 1995 debt and issue new debt with lower interest rates.

Currently, the SCCOE still owes an estimated $11.5 million in principal and interest on the 2002 COP’s. Annual payments on the 2002 COP’s are approximately $1.2 million and scheduled through 2025. The SCCOE has one-time funds that can be used to pay off the COP’s, retire the debt, and realize an economic benefit.

Current Status

During the September 25, 2014 Budget Study Committee Meeting, and the October 1, 2014 Board of Education Meeting, staff presented the idea of paying off the COPs and retiring the debt.

As previously noted, the SCCOE makes annual payments toward the COP of $1.2 million for principal and interest. The final payment is scheduled to take place in 2025.

During the Winter of 2013, the Administration presented the idea of retiring the COP debt, and set aside $2 million in RDA funds for that purpose. Those RDA funds are still reserved for this facility related purpose. In addition, as presented on October 1, 2014, the Administration reported an additional $5.1 million of state revenue (as a result of LCFF) received at year-end for 2013-14.

The SCCOE has a great opportunity to pay off the COPs. Some of the benefits of paying off the debt include:

- Providing $1.2 million of ongoing revenue to be used for ongoing expenditures like staffing for early learning programs, or other ongoing services for critically necessary programs.
- Generating a few million in savings from not having to pay the remaining interest on this debt. These savings could be used for critically needed services and programs.
- Augmenting the SCCOE’s assets.
Fiscal Implications

The amount required to pay off the COP in this fiscal year is approximately $8.8 million (net amount after credits). Funding would come from the designated $7.2 million, as discussed on October 1, 2014. Of the $7.2 million:

- $2 million is from prior RDA funds that can only be used for facility related purposes, and
- $5.2 million is from State Aid that was recently confirmed as a result of how LCFF is calculated for an Excess Tax County Office of Education.

The remaining $1.6 million could be provided from the Facilities Reserve Designation. Or, alternatively, the $1.6 million could also be borrowed for 2 years from the Facilities Reserve Designation, and repaid in 2 years.

Recommendation

Approve next steps including funding as noted below to be used to retire the COP debt and generate $1.2 million of ongoing revenue:

- $2 million from prior RDA funds that can only be used for facility related purposes,
- $5.2 million from State Aid that was recently confirmed as a result of how LCFF is calculated for an Excess Tax County Office of Education, and
- $1.6 million from Facility Reserve Designation (remaining balance in Facility Reserve Designation would be approximately $6.65 million).

None of the above revenue accounts have been budgeted for any other purposes. Next steps would include bringing this item to the Corporation for review and approval.
Background

- In 1995, the Santa Clara County Office of Education Finance Corporation (Corporation) financed $16,165,000 to purchase the 1290 Ridder Park Building
- In 2002, the Corporation issued the 2002 Refunding Certificates of Participation (COP) in the amount of $15,895,000 to pay off/retire the 1995 issue new debt with lower interest rates
- Currently, the SCCOE still owes an estimated $11.5 million in principal and interest on the 2002 COP's
Background

- Annual payments on the 2002 COP's are approximately $1.2 million
- Payments are currently scheduled through 2025 (about 10 more years)
- The SCCOE has one-time funds that can be used to pay off the COP's, retire the debt, and realize an economic benefit

Benefits to Paying Off COP's

- Provides $1.2 million of ongoing revenue to be used for other ongoing expenditures like staffing for early learning programs, or other ongoing services for critically necessary programs
- Generating a few million in savings from not having to pay the remaining interest on this debt
- Augmenting the SCCOE's assets
What Resources Would We Use to Pay Off Debt?

The amount required to pay off the COP in this fiscal year is approximately $8.8 million (net amount)

- Recommended funding would come from the already designated $7.2 million, as previously discussed on September 25 and October 1, 2014. Of the $7.2 million:
  - $2 million, from prior RDA funds that have been designated for COP payoff, and can only be used for facility related purposes
  - $5.2 million, from State Aid that was confirmed as a result of how LCFF is calculated for an Excess Tax County Office of Education
  - $1.6 million from the Facilities Reserve Designation (reserve designation would be adjusted to $6.65 Million)

Recommended Action

- Approve funding as noted below to be used to retire the COP debt and generate $1.2 million of ongoing revenue:
  - $2 million from prior RDA funds that can only be used for facility related purposes,
  - $5.2 million from State Aid that was recently confirmed as a result of how LCFF is calculated for an Excess Tax County Office of Education, and
  - $1.6 million from Facility Reserve Designation (remaining balance in Facility Reserve Designation would be approximately $6.65 million)

- None of the above revenue accounts have been budgeted for any other purposes