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Hemet Unified School District
Qualified School Construction Bonds

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QSCB-GO Bonds: Overview

Qualified School Construction Bonds (QSCBs)

QSCBs designed to fund school rehabilitation and construction

How were they created?

- ◆ QSCBs were created under the American Recovery and Reinvestment Act; it is established as a two-year program

Who is eligible?

- ◆ Any public K-12 school district or group of schools

How do QSCBs work?

- ◆ Principal to be repaid over 12 to 15 years (as established by U.S. Department of Treasury)
- ◆ Investors receive federal tax credit rather than tax-exempt interest payments

How much funding is available for California schools?

- ◆ QSCB allocations of \$773.5 million are available in 2009
- ◆ An additional \$582 million has been set aside for the 11 largest, poorest districts in the State
- ◆ It is anticipated that similar amounts will be allocated in calendar year 2010

What projects can be funded?

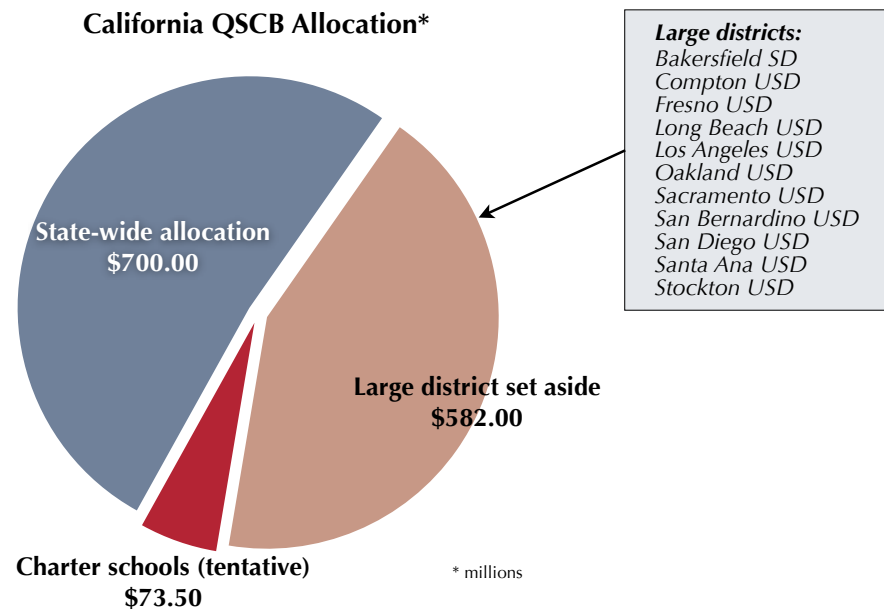
- ◆ Repair of public school facilities
- ◆ Construction of new facilities
- ◆ Acquisition of land on which QSCB project to be sited

What is the allocation method?

- ◆ Allocation to be administered by CDE
- ◆ \$25 million cap per district

When must the grant be used by?

- ◆ Bonds are to be issued in the year the allocation is made
- ◆ After the QSCBs are issued, funds must be spent within three years



\$25 million QSCB per district cap
Guidelines from the California Department of Education place a 2009 QSCB limit of \$25 million per district. It is anticipated that districts will be allowed to seek **an additional 2010 allocation of up to \$25 million.**

QSCB-GO Bonds: Structure

QSCB-GO Bond Structure

How are QSCBs structured?

Table 1: QSCB Repayment Fund

Year	Beginning Balance	Tax Collections	Interest Earned	QSCB Interest	QSCB Principal	Ending Balance
1				\$0	\$0	
2				\$0	\$0	
3				\$0	\$0	
4				\$0	\$0	
5				\$0	\$0	
6				\$0	\$0	
7				\$0	\$0	
8				\$0	\$0	
9				\$0	\$0	
10				\$0	\$0	
11				\$0	\$0	
12				\$0	\$0	
13				\$0	\$0	
14				\$0	\$0	
15				\$0	-\$25,000,000	
Total				\$0	-\$25,000,000	

Tax Collections
Security for QSCBs derives from pledge of GO Bond repayment

Reinvestment Regulations
Treasury regulations allow for the establishment and reinvestment of a sinking fund at rates set by the Treasury Department to repay the QSCBs. Current allowable rate = 4.98%

Interest Repayment
Interest payments are subsidized by way of a tax credit to investors provided by the Federal government

Principal Repayment
QSCB financing structured so that principal is repaid in a lump sum (bullet) at maturity

QSCB-GO Bond Structure

How can QSCBs be repaid with GO Bonds?

Table 2: QSCB Repayment Fund

Year	Beginning Balance	Tax Collections	Interest Earned*	QSCB Interest	QSCB Principal	Ending Balance
1	\$0	\$324,483	\$4,867	\$0		\$329,350
2	\$329,350	\$666,360	\$19,876	\$0		\$1,015,586
3	\$1,015,586	\$941,060	\$44,583	\$0		\$2,001,230
4	\$2,001,230	\$1,167,589	\$77,551	\$0		\$3,246,369
5	\$3,246,369	\$1,407,219	\$118,499	\$0		\$4,772,088
6	\$4,772,088	\$1,597,368	\$167,123	\$0		\$6,536,579
7	\$6,536,579	\$1,597,368	\$220,058	\$0		\$8,354,005
8	\$8,354,005	\$1,597,368	\$274,581	\$0		\$10,225,953
9	\$10,225,953	\$1,597,368	\$330,739	\$0		\$12,154,060
10	\$12,154,060	\$1,597,368	\$388,582	\$0		\$14,140,010
11	\$14,140,010	\$1,597,368	\$448,161	\$0		\$16,185,539
12	\$16,185,539	\$1,597,368	\$509,527	\$0		\$18,292,434
13	\$18,292,434	\$1,597,368	\$572,734	\$0		\$20,462,535
14	\$20,462,535	\$1,597,368	\$637,837	\$0		\$22,697,739
15	\$22,697,739	\$1,597,368	\$704,893	\$0	-\$25,000,000	\$0
Total		\$20,480,390	\$4,519,610	\$0	-\$25,000,000	

Annual levy on property for repayment of GO Bonds (\$60 combined cap)

\$20.5 million in GO bond payments from taxpayers

\$4.5 million in interest earnings from escrow investment

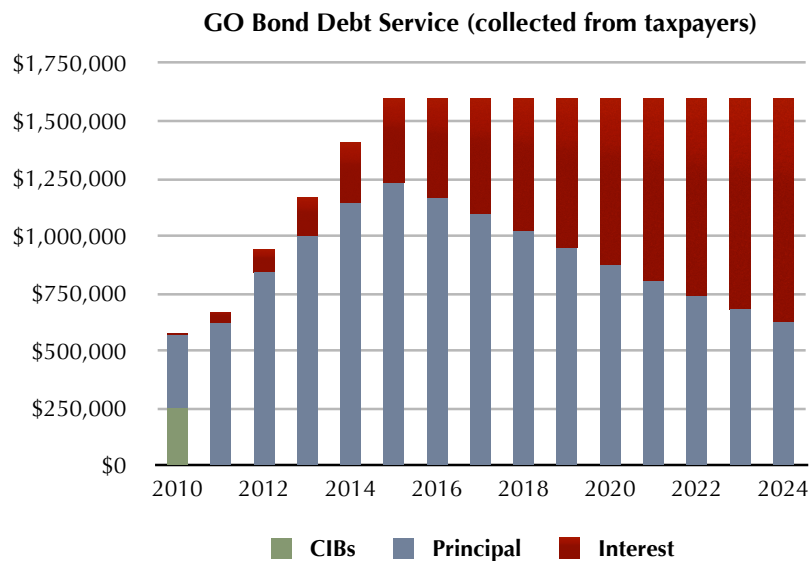
Repayment of QSCB

*Calculated at 3.0% on average balances

QSCB-GO Bond Structure

How are GO Bonds structured for QSCB repayment?

Table 3: GO-CAB Bond Amortization



What are Capital Appreciation Bonds (“CABs”)?
 Unlike current interest bonds (“CIBs”), CABs are sold at a deep discount and mature at par without requiring semi-annual interest payments. The use of CABs allows for more flexibility in developing the cashflow needs of the QSCB sinking fund.

Year	Principal (CABs)	Yield	Interest	Total Payments
1	\$314,573	3.15%	\$9,909	\$324,483
2	\$620,016	3.67%	\$46,344	\$666,360
3	\$841,201	3.81%	\$99,859	\$941,060
4	\$998,828	3.98%	\$168,761	\$1,167,589
5	\$1,142,282	4.26%	\$264,938	\$1,407,219
6	\$1,230,846	4.44%	\$366,522	\$1,597,368
7	\$1,164,399	4.62%	\$432,969	\$1,597,368
8	\$1,093,597	4.85%	\$503,770	\$1,597,368
9	\$1,021,768	5.09%	\$575,600	\$1,597,368
10	\$948,549	5.35%	\$648,819	\$1,597,368
11	\$875,381	5.62%	\$721,987	\$1,597,368
12	\$801,976	5.91%	\$795,392	\$1,597,368
13	\$740,691	6.09%	\$856,677	\$1,597,368
14	\$680,900	6.28%	\$916,468	\$1,597,368
15	\$625,489	6.45%	\$971,878	\$1,597,368
Total	\$13,100,497		\$7,379,893	\$20,480,390

Table 4: GO-CIB Bond Amortization

Year	Principal (CIBs)	Yield	Interest	Total Payments
1	\$245,000	3.50%	\$7,350	\$252,350

Table 5: Combined Bond Amortization

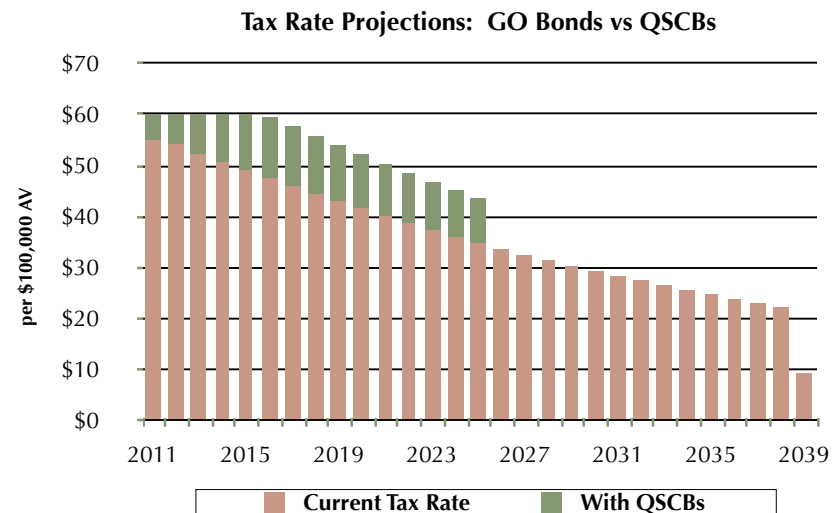
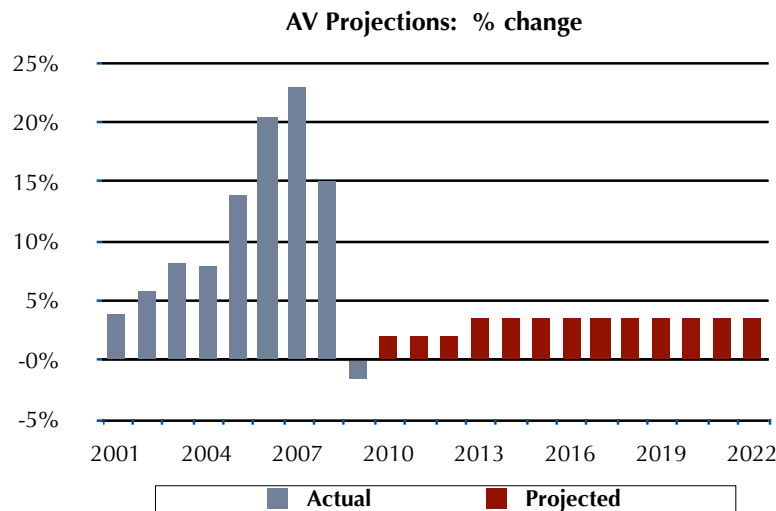
	Principal		Interest	Total Payments
Total	\$13,345,497		\$7,387,243	\$20,732,740

Hemet USD Bond Summary

QSCBs will allow District to accelerate projects

2006 GO Bond Election	
	Bonds
2007	\$60,000,000
2008	\$40,000,000
2009	\$13,350,000
Remaining	\$35,650,000
Total	\$149,000,000

QSCB-GO Bond Structure: Cost Analysis			
	Traditional GO Bonds	QSCB-GO Bonds	Difference
GO Bonds Issued	\$25,000,000	\$13,345,497	\$11,545,503
Projects Financed	\$25,000,000	\$24,349,050	\$650,950
Total Cost to Taxpayers	\$46,593,346	\$20,732,740	-\$25,860,606
NPV to Taxpayers	\$25,300,000	\$13,178,577	-\$12,121,423



QSCB-GO Bond Timing

Issuance Schedule (tentative)

Date	QSCB-GO Bonds	GO Bonds
mid-July	Submit QSCB application to State	
mid-July to mid-August	Board presentation (if requested)	
August	Distribute term sheet, distribution list and timetable	
late August to early September	Draft POS and legal documents	Draft legal documents
TBD	Place resolutions on Board agenda	
TBD	Documents to rating agencies	
late August to early September	Board approval of resolutions	
late August to early September	JPA approval of resolutions	(not required)
late August to early September	Rating presentation (tentative)	
September	Receive rating	(not required)
September	Price & sell QSCB-GO	Set GO bond rates
September	Close QSCB-GO	Close GO Bonds