

Date: August 13, 2018

To: Kelly Porterfield, Assistant Superintendent Executive Services, CBO, Central USD

From: Mark Farrell, Dale Scott & Company

Re: Debt Limit Waiver

Background:

The Education Code limits outstanding general obligation bond principal to no more than 2.5% of the District's assessed valuation. District may, however, seek a waiver from this Education Code provision, and these waivers are routinely granted.

The District's assessed valuation underwent a period of significant decline from 2009 through 2013. The assessed valuation declined by 12.56% during this period. Although the District's assessed valuation has recovered these losses, it has not sufficiently grown to allow the District to issue the remaining \$62.3 million of its Measure C bonds without exceeding the 2.5% statutory debt limit under the California Education Code.

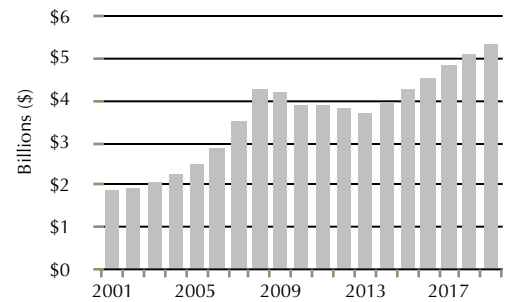
Recommended Action:

Based on current interest rates and the District's assessed valuation, the District could issue approximately \$42 million in 2016 Series B Bonds. The \$42 million issue will raise the District's total indebtedness to approximately 2.92% of its assessed valuation. A waiver application to increase the debt limit above 2.5% will be prepared and filed as part of the 2016 Series B issuance process.

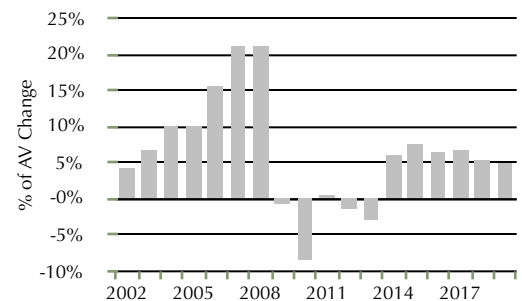
Steps to Apply for Waiver:

The waiver process requires informing and obtaining a position on the waiver application from collective bargaining units and bond oversight committee. A public hearing must be held and a resolution must be approved by the District board prior to applying for the waiver. A formal description of the need for the waiver will be drafted and submitted online at the State Board of Education's website by the District's Bond Counsel and Financial Advisor. The State Board's application review process takes between 10 to 12 weeks and is finalized at the board meeting following their review.

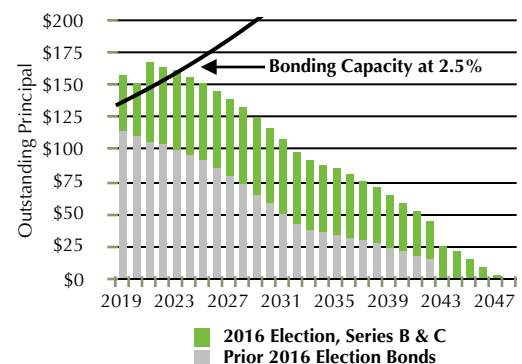
Assessed Valuation History



Assessed Valuation Change (%)



Bonding Capacity (\$millions)*



* Note: Analysis assumes 4% assessed valuation growth after 2019, 4.00% - 4.25% interest rates for 2016 Election, Series B & C Bonds.

Next Steps:

| Issuance Timing | | |
|--------------------|---|---|
| Date | Action | Responsibility |
| August 28, 2018 | District Board 1st Reading - Resolution to Obtain Bonding Capacity Waiver | District |
| August 31, 2018 | Submission of Waiver Application to State Board of Education | Bond Counsel & Financial Advisor |
| September 11, 2018 | District Board Action - Resolution to Obtain Bonding Capacity Waiver District Board 1st Reading - Bond Issuance Resolution | District |
| September 25, 2018 | District Board Action - Bond Issuance Resolution | District |
| November 8-9th | State Board of Education Action - Approval of Waiver Application | State Board of Ed |
| November 14, 2018 | Bond Sale | Financial Advisor & Underwriter |
| November 29, 2018 | Bond Closing - Funds delivered to District | Financial Advisor, Underwriter and Bond Counsel |