



COMPASS

IN THE SPOTLIGHT

Refunding Allows Evergreen Elementary School District to Issue "No Tax Rate Increase" New Bonds

To meet the demands of a growing population in Santa Clara County, Evergreen Elementary School District has successfully obtained bond authorizations to build new schools three times over the past twenty years. Each of these bond programs was structured by KNN to allow the District to campaign based on a "no tax rate increase" pledge - assuring voters that even with approval of the new bond measure, tax rates would not increase beyond their present level. For the November 2006 election, Evergreen sought its largest bond authorization to date: \$150 million.

With \$77 million in bonds outstanding and an escalating payment schedule, this was no easy task. KNN ultimately proposed a solution that involved multiple bond series, deferred debt service structures, and, initially, restructuring of the existing bond program to create additional capacity for debt service in the early years of the program. By refunding less than \$5 million of the existing bonds, KNN reduced tax year 2007-08 payments so that the combination of debt service on existing bonds and debt service on \$30 million of new bonds was less than the original debt service prior to the refunding.

Although the original plan called for the two series of bonds to sell together, KNN developed a better solution that eliminated federal tax law concerns surrounding the issue of a common plan of financing by selling the 25-year, \$30 million new bond competitively on February 7,

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NEWS AND NOTES

On the Web!

KNN Public Finance invites you to explore our updated website. Our online address remains the same (www.knninc.com), but everything else is new, graphically enhanced, and easier to access. We've added case studies, articles, and detailed descriptions of our capital solutions and strategic planning services.

Visit our website today and share the link with your colleagues. We look forward to your feedback at info@knninc.com.

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Rebuilding Together Oakland Volunteer Project

Trading computers and spreadsheets for hand tools and paint buckets, 33 KNN Public Finance and California Bank and Trust employees along with family and friends teamed to renovate the home of Mary Ann Meacham, a resident of East Oakland. In just ten hours, the industrious volunteers completed the following projects:

- Painting the entire exterior of the house
- Installing a security light on the front of the house
- Replacing a fan hood above the kitchen stove
- Painting two interior rooms
- Removing all old carpet and cleaning hardwood floors

"This volunteer project was a great cooperative effort among KNN, California Bank and Trust, Ms. Meacham, the neighborhood, and Rebuilding Together Oakland. We all



The financial professionals of KNN Public Finance and California Bank & Trust enjoy a completely different "work" environment during the Rebuilding Together Oakland volunteer day.



At the end of the day, Sachin Karamchandani, Katherine Perkins and Nedko Nedev give the project a "thumbs up" along with homeowner Mary Ann Meacham.

benefit as individuals by helping someone accomplish such a dramatic improvement to their day-to-day living and the morale of our offices improves as well," said John O'Sullivan, KNN's Senior Vice President. CB&T is a subsidiary of Zions Bancorporation. KNN is a division of Zions Bank.

"Rebuilding Together Oakland provides a great opportunity to do something real for a neighbor in need," said Ruth Alahydoian, KNN Vice President and volunteer team leader. "I was very impressed with how hard my colleagues worked, giving up an entire Saturday, getting sweaty and dirty, and pitching in wherever they were needed.

"It was very rewarding to see how we took a great burden off the homeowner's shoulders and improved her quality of life immeasurably," concluded Alahydoian.

2007, and the \$4 million refunding on February 22, 2007. While KNN is generally a strong advocate for fully competitive sales, the firm chose to sell the refunding by invited bid to allow more flexibility in bond structure and pricing. By moving the bond payments for the \$4 million out of the first three years, Evergreen realized enough cash flow

savings to effectively issue the new bond at no new cost to taxpayers in 2007-08.

KNN's Dave Olson and Sachin Karamchandari structured the sale of both bond issues for Evergreen.

Fresno County Shared Use Juvenile Court Project

Beginning in 2002, KNN Public Finance assisted Fresno County with the design and implementation of a \$150+ million financing plan for the construction of a new Juvenile Justice Campus. The Juvenile Justice Campus was designed to encompass all the functions and services required of a juvenile justice system within the County at one centralized location.

A new County-State "joint use" court facility represents the final building component of Phase I of the new Juvenile Justice Campus development. To finance the design, development, financing, construction and completion of the new juvenile court facility and offices, KNN assisted Fresno County with the issuance of \$55,350,000 in Lease Revenue Bonds on April 4, 2007. The bonds are secured by the main County jail facility and the central plant facility at the Juvenile Justice Campus.

This shared facility project came at a unique time when trial court facility legislation is separating State court facilities from county government. Approximately 58% of the building will be occupied by the California Superior Court and approximately 42% will be occupied by the County when it opens in December 2008. The County is ultimately responsible for the entire annual lease payments and will budget for the entire lease payment in its annual budget. However, given the joint tenancy of the building, the Administrative Office of the Courts (AOC) has agreed to

pay 58% of the base rental payments. This innovative payment structure was crafted in a Lease Purchase Agreement between the County of Fresno and the AOC.

With assistance from KNN, Fresno County secured a rating upgrade from Standard & Poor's in connection with the financing. S&P increased the County's underlying issuer rating from "A+" to "AA-" and, accordingly, its Lease Revenue Bond rating from an "A" to "A+". The increase reflected several considerations, including expansion of the County's economic base, consecutive years of growth in assessed valuation, property taxes and fund balances as well as the County's strong financial management practices. The rating upgrade resulted in extremely aggressive bond insurance bids for the financing.

The County received a total of seven bids for its Bonds by way of competitive sale with a low true interest cost (T.I.C.) of 4.369915%. The lowest bid represented interest cost savings of approximately \$375,000 as compared to the highest bid.

KNN's David Leifer was supported by Bobby Cheung and Dave Olson on this transaction. Previously, KNN had assisted Fresno County with the issuance of Tobacco Bonds and another series of Lease Revenue Bonds in connection with the financing of the state-of-the-art Juvenile Justice Campus.

MEET OUR PROFESSIONALS



Mark Li

Assistant Vice President

Mark joined KNN in March 2004. He currently serves our county and special district clients and is one of the lead advisors to the State of California Public Works Board for its Lease Revenue Bond Program.

Mark is also one of KNN's specialists in preparing complex cash flow models for revenue enterprises, including the Sonoma County Transportation Authority, the Stanislaus Waste-to-Energy Financing Agency, the Madera County Transportation Commission and the Merced County Regional Waste Authority. For the past year he has assisted the MCRWA with its first solid waste revenue bond issue for the expansion of the Authority's two principal solid waste sites. He helped the Authority secure 'A/A3' ratings and an aggressive bond insurance bid, enabling the Authority to proceed with a competitive sale of its bonds in mid-July.

Prior to joining KNN, Mark served as an investment banking Vice President for Salomon Smith Barney. His work included debt, equity, and mergers and acquisitions in a broad array of industries. In addition, as a Financial Analyst at Ogden Projects, he worked on several municipal waste-to-energy projects.

Mark earned an M.B.A. from Carnegie Mellon University in 1992 and a B.S. in Mechanical Engineering from Cornell University in 1987.



Joanna Bowes

Vice President

Joanna joined KNN in 2006 as a senior financial advisor from A.G. Edwards where she was an investment banker and manager of the firm's California public finance office. She has been involved in the municipal bond business for nineteen years, working initially as a trader and underwriter for Fidelity Investments in Boston, then as an investment banker and financial advisor in California. Because of her diversified experience she has a general municipal finance portfolio for California cities and counties, water districts, and K-12 schools. Her clients include the Napa Valley School District, the Fremont Unified School District, the City of Santa Clara, the County of Orange, and the Coachella Valley Water District. Joanna recently completed a \$90 million bond sale for the Napa Valley Unified School District.

With her diversified background in both taxable and tax-exempt securities, Joanna is an expert in economic analysis, bond structure, and pricing. In addition, her many years at Fidelity have given her insight into the nuances of retail and institutional marketing. Prior to joining KNN, Joanna was Director and Manager of Public Finance for A.G. Edwards California office for six years. She also served as Vice President, Investment Banking with Prudential Securities.

Joanna is a graduate of Northwestern University and holds an M.B.A. from the University of Connecticut.



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