



Isom Advisors A Division of  
**URBAN FUTURES** | Incorporated



# Park and Recreation Facilities Funding Options and Analysis

by

Isom Advisors,  
a Division of Urban Futures, Inc.

May 20, 2021



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## About the Firms

# Introduction

Meeting your financial challenges and saving you money

- ❖ #1 in new bond programs for municipalities in California
- ❖ The leading financial advisor to school districts since 2011
- ❖ Isom Advisors is a full-service planning, campaign, and financial advisory firm that serves California municipalities
- ❖ Our staff has over 75 years experience providing honest advice and the highest level of service
- ❖ Relevant experience includes:
  - Benicia USD
  - **Chico RPD**
  - **Coalinga-Huron RPD**
  - El Dorado Hills CSD
  - Fairfield-Suisun USD
  - **Fair Oaks RPD**
  - **Fulton-El Camino RPD**
  - **Orangevale RPD**
  - **Pleasant Hill RPD**
  - Marysville USD
  - Rescue ESD
  - San Juan USD
  - Vacaville USD
  - Winters USD



"When I was a district superintendent considering a bond program, I turned to Isom Advisors first. They are honest, provide the highest level of service, and most importantly, get the job done."

**Dr. Wes Smith**  
Executive Director, ACSA

# Overview of Oppenheimer & Co. Inc.



Stands apart for its ability to focus its resources on an issuer's financings

## New York City Headquarters



- National Firm: Publicly traded on NYSE (Symbol: OPY)
- Large, independent full-service retail broker-dealer
- 92 offices in 24 states, the District of Columbia, and 5 foreign jurisdictions
- 2,908 total employees
- 1,002 financial advisors; over 350,000 accounts
  - \$104.8 billion of client assets under administration\*
  - \$38.8 billion of client assets under management\*
- \$685.6 million of Total Equity Capital\*
  - \$250.1 million of Excess Net Capital, allowing the Firm to sole manage a fixed rate bond issue of over \$1.5 billion\*
- **Among top 10 municipal underwriters by total number of transactions**

\*As of December 31, 2020

### *Oppenheimer checks the boxes:*

- *Distribution – well-rounded*
- *Banking – sophisticated and resourceful*
- *Capital – sufficient to sole-manage \$1.5 BN*
- *Underwriter – “name brand” with demonstrated willingness to employ capital*

# CA Public Finance Presence



Experience Locally and with Rec and Park Districts

## California Presence



- 5 offices, 160 employees including 60 financial advisors covering 30,000 accounts
- Participated in 144 transactions in California since 2018 as detailed in the adjacent table
- Oppenheimer is a member of the California Special Districts Association Finance Corporation
- Oppenheimer has served 23 Recreation and Park Districts

## Local Recreation and Park District Clients

Arcade Creek Recreation and Park District	El Dorado Hills Community Services District
Cameron Park Community Services District	Fair Oaks Recreation and Park District
Cordova Recreation and Park District	Fulton-El Camino Recreation and Park District
Cosumnes Community Services District	Orangevale Recreation and Park District

## OPCO's Public Finance Activity in CA

Years	Number of Transactions
2018	43
2019	51
2020	50

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# Funding Options for Recreation and Park Districts

# Municipal Funding Options

Different funding and financing mechanisms exist

- ❖ Special Tax and Assessments and Certificates of Participation / Leases
- ❖ General Obligation Bonds
- ❖ Several other funding mechanisms exist (Community Facilities Districts, Landscape and Lighting Districts, Maintenance Districts, and others) however will not be discussed based on our understanding of the District's needs

# COPs/ Lease Financing

Special Tax & Assessments can be secured by long-term securities

- ❖ Special Taxes and Assessments are voter approved levies that provide public agencies with additional funding for operations and capital improvements
- ❖ Special Taxes generally require 2/3rds voter approval and are typically a flat tax levied on a per parcel basis
- ❖ Assessments require 50% or 2/3rds depending on the type of assessment and is calculated using an engineer's report to determine benefit of the paying properties
- ❖ Lease financing provides public agencies with the ability to finance capital improvements and payments are annually appropriated and made from any lawfully available funds including funding from Special Taxes and Assessments
- ❖ Lease financing allows public agencies to avoid depleting reserves for large capital projects.
- ❖ Security:
  - ❖ Asset (of equal or greater value to the financing amount) required to secure the lease/certificates of participation payments
  - ❖ The market typically prefers essential assets to secure the financing



# General Obligation (G.O.) Bonds

Voter approved tax measure exclusively for capital projects

- ❖ GO bonds are debt instruments issued by states and local governments to raise funds for public works.
- ❖ Go bonds are backed by the full faith and credit of the issuing municipality. This means that the municipality commits its full resources to paying bondholders, including property taxation on an ad valorem basis.
- ❖ GO bonds are prized for their relative safety as investments.
- ❖ GO bonds require a passage rate of 2/3rds (except school districts can pass at 55% provided they meet certain criteria) and are limited to only be spent on facilities, fixtures, and equipment.
- ❖ Funds must be spent on local facility improvements, thus creating additional jobs and boosting the area economy.
- ❖ An independent citizens' oversight committee can be established to annually review expenditures.

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# Funding Analysis Options of the District

# Assessment District Funding



Limited funding but with more spending flexibility

**Table 2 – Residential Density and Assessment Factors**

	<i>Total Population</i>	<i>Occupied Households</i>	<i>Persons per Household</i>	<i>Pop. Density Equivalent</i>	<i>SqFt Factor</i>	<i>Proposed Rate</i>
Single Family Residential	38,247	14,992	2.55	1.00	1.00	1.00
Condominium	6,226	2,406	2.59	1.01	0.66	0.67
Duplex, Triplex, Fourplex	5,770	2,649	2.18	0.85	0.57	0.48
Multi-Family Residential (5+ Units)	9,779	5,325	1.84	0.72	0.68	0.49
Mobile Home on Separate Lot	454	273	1.66	0.65	0.37	0.24

**Table 3 – Commercial/Industrial Density and Assessment Factors**

<i>Type of Commercial/Industrial Land Use</i>	<i>Average Employees Per Acre <sup>1</sup></i>	<i>SFE Units per Quarter Acre <sup>2</sup></i>	<i>SFE Units per Acre After 5</i>
Commercial	24	0.500	0.500
Office	68	1.420	1.420
Shopping Center	24	0.500	0.500
Office	24	0.500	0.500
Self Storage or Parking Lot	1	0.021	

- ❖ Using the 2014-15 Carmichael RPD's Engineer report (see adjoining tables), an estimated \$45.00 tax rate per SFE unit generates approximately \$670,000 annually for the District
- ❖ Assuming District set aside \$170,000 annually for operation related expenditures (staffing, maintenance, etc.) leaving \$500,000 for capital expenditures
- ❖ District could sell a COP in the amount of approximately \$9,000,000 for capital improvements based on today's interest rates

# District Bond & A.V. History

District's tax base has grown by 49% since 2013

Carmichael RPD Historical Assessed Value		
Fiscal Year Ending	Total Value	% Change
2013	\$3,264,288,668	
2014	\$3,446,813,398	5.59%
2015	\$3,621,253,925	5.06%
2016	\$3,815,319,950	5.36%
2017	\$3,970,423,682	4.07%
2018	\$4,166,052,519	4.93%
2019	\$4,399,026,241	5.59%
2020	\$4,627,141,006	5.19%
2021	\$4,857,137,663	4.97%
<b>Average</b>		<b>5.09%</b>

❖ District has not attempted a G.O. bond measure

Source: Sacramento County

- ❖ District's 2020-21 assessed value is approximately \$4.9 billion; nine-year average assessed value growth rate is 5.09%
- ❖ District has no outstanding G.O. bond debt

# G.O. Bond Proceeds

District can generate between \$18.6 million and \$45.0 million

Carmichael RPD Bond Proceeds at Varying Tax Rates <sup>(1)</sup>				
Tax Rate per \$100,000	Series A 2022	Series B 2024	Series C 2027	Total Bond Proceeds
\$12.00	\$6,300,000	\$6,000,000	\$6,300,000	\$18,600,000
\$19.00	\$10,000,000	\$9,500,000	\$10,000,000	\$29,500,000
\$29.00	\$15,300,000	\$14,400,000	\$15,300,000	\$45,000,000

(1) Assumes AV growth of 3.50% and 30-year bond terms; Preliminary – Subject to change  
Source: Isom Advisors

- ❖ With projected annual assessed value growth of 3.50%, the District can generate up to \$45.0 million with 30-year terms
- ❖ At more aggressive growth rates or a longer bond program, the District could generate up to \$52.0 million
- ❖ Ad valorem taxes are not based on a flat per parcel tax or SFE rate, but ad valorem; this means the tax rate is calculated based on a property's assessed value using the same methodology that is currently in place for the 1% county levy (assessed value is the value placed on a property by the county assessor and typically lower than market value)

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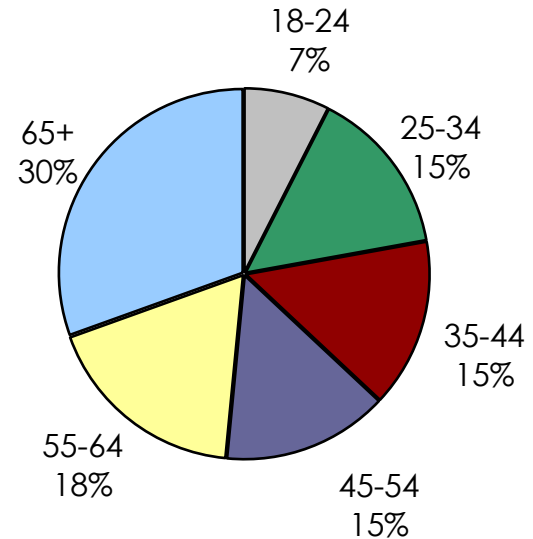
# Voter Demographics

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Voter demographics are favorable to bond programs

- ❖ District has 26,919 total voters
- ❖ Democrats are the largest segment (40%), followed by Republicans (33%) and Other (27%)
- ❖ 81% of voters vote-by-mail
- ❖ District has an older voting population with 48% of voters aged 55 and over

Voter Age Demographics



District Voter Demographics		
	<u>Total</u>	<u>Percent</u>
<b>Democrats</b>	<b>10,905</b>	<b>40%</b>
Republicans	8,857	33%
Other	7,157	27%
VBM Voters	21,850	81%

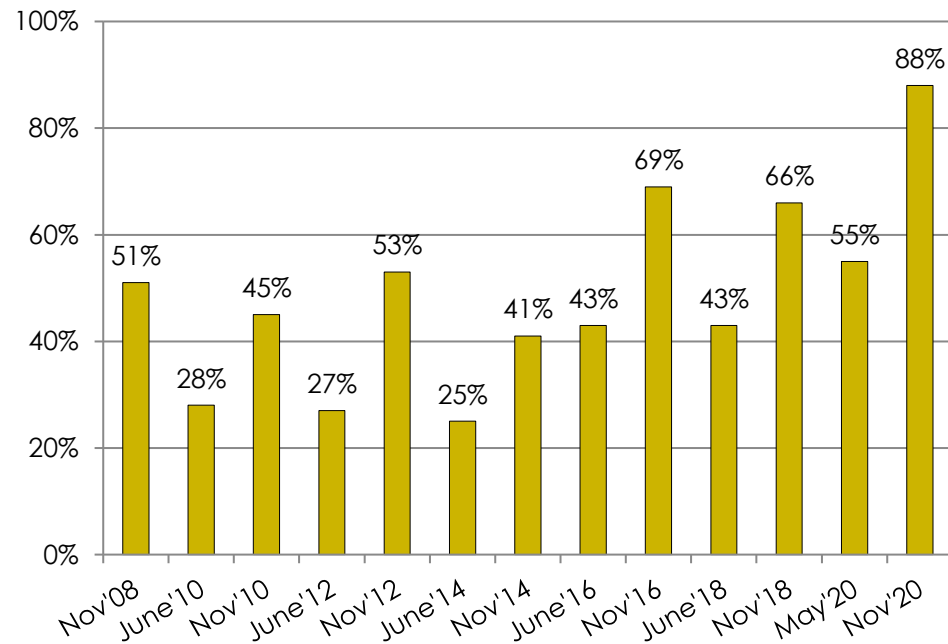
Source: Political Data

# Voter Turnout

Turnout can have a significant bearing on success

- ❖ Historical voter turnout has ranged from a low of 25% in June of 2014 to a high of 88% in November 2020
- ❖ Voter turnout varies considerably by election date and type of election and must be considered as different voters show up for different elections
- ❖ June 2022 turnout is estimated to be 50%

### Recent District Voter Turnouts



Source: Political Data



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## Next Steps

# June 2022 Election

Following these steps are key to District's success

Task	Responsible Party	June 2022
Prepare project list/Master Plan	District/Architect	Ongoing
Board Meeting - approve "exploring" feasibility of a voter approved measure	District	May 2021
Conduct Survey	Consultant	June 2021
Initiate public information program, speaking with elected officials, large taxpayers, community service groups to discuss proposed bond measure	District	Aug. – Dec. 2021
Board Meeting - Survey Results Presentation	Consultant	August 2021
Finalize Capital and Financing Plan based on Community Outreach	Consultant	November 2021
Prepare Resolution for Calling Election, including Ballot Language, Project List, Tax rate Statement	Consultant/ Bond Counsel	January 2022
Board Meeting - Board action to adopt Resolution Calling Election	District	February 2022
Submit Resolution Calling Election and Tax Rate Statement	District	March 2022
Prepare Argument in Favor of Measure	Consultant/District	March 2022
Submit Argument in Favor of Measure	Consultant/District	March 2022
Form campaign committee and conduct campaign kick-off meeting	Campaign Committee	March 2022
Run Campaign	Campaign Committee	March – June 2022
Election Day		June 7, 2022

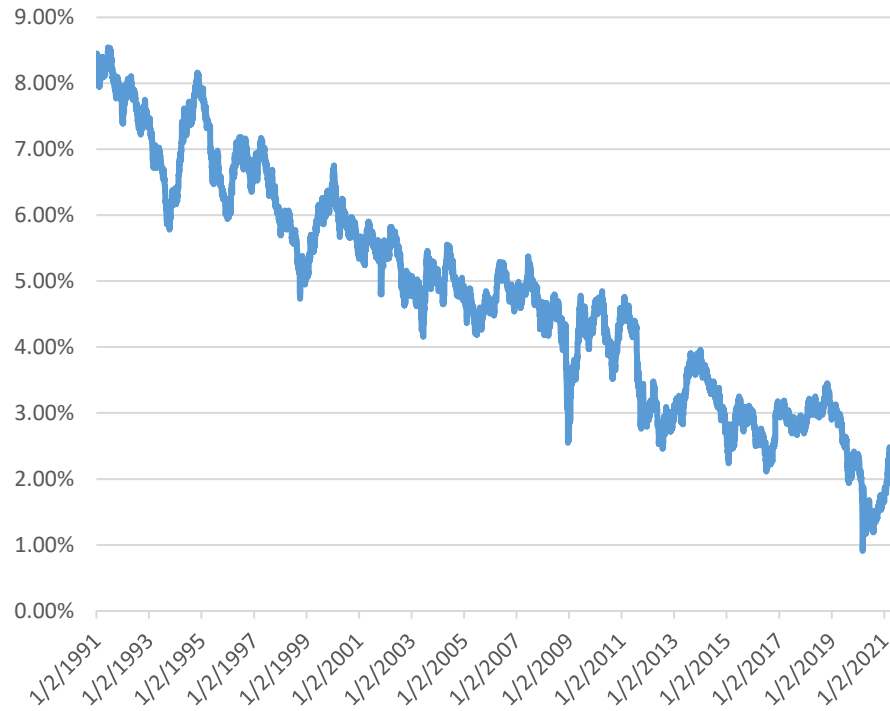
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## Appendix A - The Market

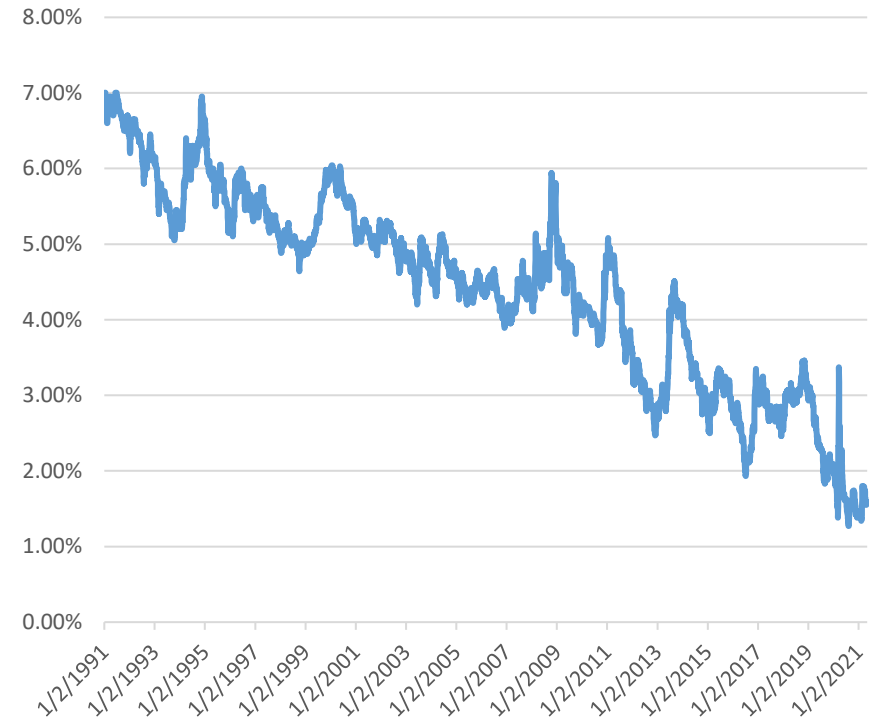
# Municipal Market Commentary

## Historical Overview

30-Year Treasury Yield



30-Year Tax Exempt Yield



- Both the 30-year Treasury and 30-year MMD are not far off of their all-time lows
- The 30-year MMD hit its 30-year low of 1.27%, in August of 2020. The 30-year MMD is currently 32 bps higher at 1.59%.

Source: Bloomberg; REFINITIV TM3