

EDUCATION: SCHOOL DISTRICT SAVING MILLIONS BY REPAYING BONDS QUICKLY

The San Juan Unified School District in suburban Sacramento County, one of the state's largest school districts, is frontloading the repayment schedule for some bonds issued last week, to save millions in interest costs.

Kent Stephens, chief financial officer of the district and architect of the plan, told the district's Finance, Transportation and Budget Committee on June 3 that the idea is to maximize the amount of tax dollars going to construction, rather than interest.

Geoff Urbina, managing director of KeyBanc Capital Markets, underwriter for the bond, said: "All in all, it was a very successful sale. We were able to achieve the goals of the district, meet the constraints, and really hold to the strategy that Mr. Stephens has laid out."

Of the \$80 million Series 2 bond, \$43.7 million of the principal will be retired within three years. Mr. Urbina estimated that the district saved \$45 million in interest costs, compared to a conventional 25-year amortization. He added: "Mr. Stephens is the facilitator of this methodology, which is an approach unique to the state. I do think it's going to lead to a new paradigm for districts in California."

This approach contrasts with the Poway School District's recent issue of \$105 million in bonds that require almost \$1 billion in debt service due to the lack of up-front payments, and a 40-year maturity. In response to Poway, the Legislature last year approved [AB 182](#) (Buchanan), which provides, among other things, that the ratio to debt service to principal not exceed \$4 of debt service to \$1 of principal. Many observers sought tougher restrictions on school district borrowing.

Under the short-term bond sales approach, Mr. Stephens said the debt service for some bonds will be around \$1.11 for every dollar borrowed.

(Sources: Kent Stephens' remarks to the San Juan Unified Facilities, Transportation and Budget Committee, June 3; *The Bond Buyer*, June 10.)