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July 18, 2007

**Santa Barbara Schools Financing Authority  
2007 General Obligation Revenue Bonds**

Series A (Santa Barbara Elementary School District General  
Obligation Bond Refunding) \$13,265,000

and

Series B (Santa Barbara High School District General Obligation  
Bond Refunding) \$23,650,000

**SUMMARY OF GENERAL OBLIGATION REFUNDING BOND SALE  
PRICING BOOK**

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# District Bond History and Overview

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Santa Barbara School Districts

## Elementary School District 1998 Bond Overview

- ◆ In June 1998, Elementary School District (“ESD”) voters approved \$25,000,000 in bonds with 77% voter approval.
  
- ◆ The 1998 Bonds were authorized “to ease overcrowding and accommodate class-size reduction by building a new school and replacing old portables, to upgrade classrooms for technology, to construct permanent libraries, and to repair wiring, plumbing, heating, and leaky roofs.” (Ballot Language from June 1998 election)
  
- ◆ The \$25,000,000 of authorized Bonds were issued in 2 series over 6 years as follows:
  - Series A for \$15,000,000 in July of 1998
  - Series B for \$10,000,000 in November of 2004

# District Bond History and Overview

Santa Barbara School Districts

## High School District 2000 Bond Overview

- ◆ In March 2000, High School District (“HSD”) voters approved \$67,000,000 in bonds with 71.9% voter approval.
  
- ◆ The 2000 Bonds were authorized “to repair and upgrade every school in the Santa Barbara High School District and achieve facility parity, replace broken plumbing, gas and heating systems, repair roofs, rewire classrooms for technology, build an auditorium at Dos Pueblos High School, build necessary new classrooms, and make the District eligible for State matching funds.”  
(Ballot Language from March 2000 election)
  
- ◆ The \$67,000,000 of authorized Bonds were issued in 3 series over 5 years as follows:
  - Series A for \$25,000,000 in July of 2000
  - Series B for \$21,000,000 in August of 2004
  - Series C for \$21,000,000 in September of 2005

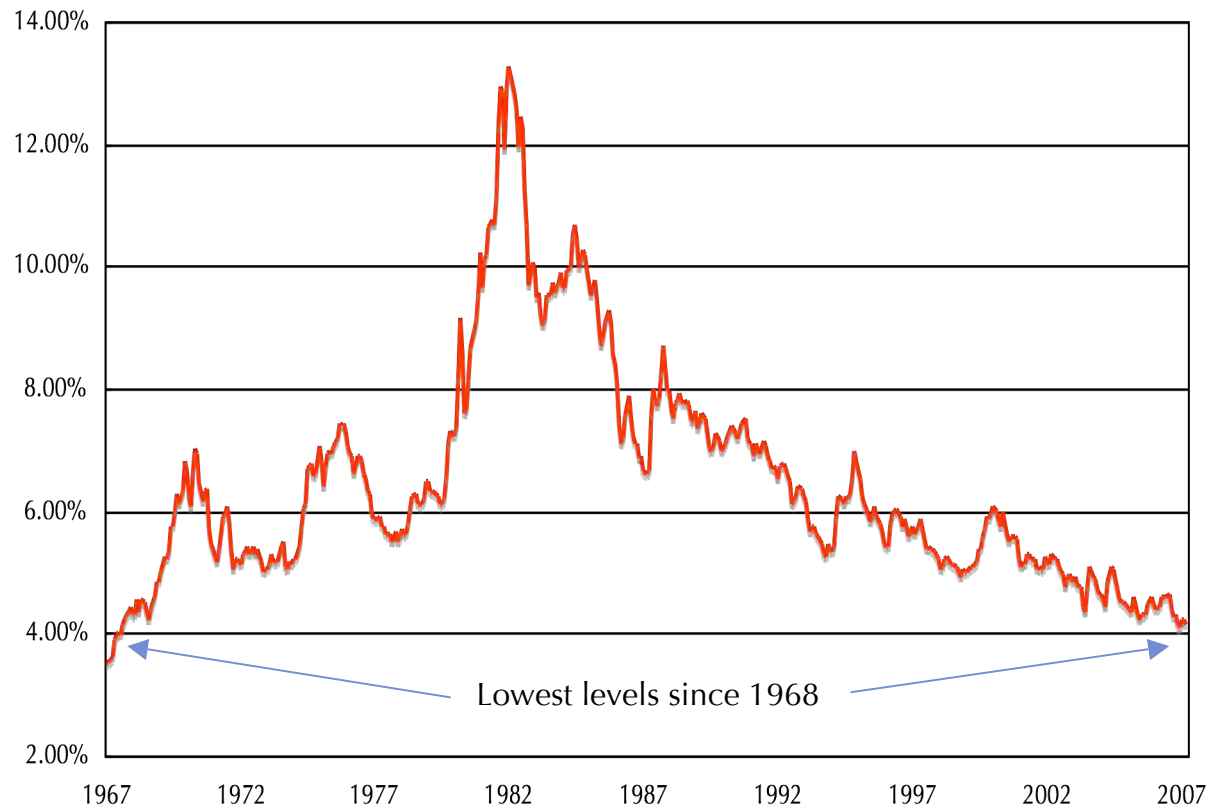
# Advance Refundings: Historical Interest Rate Review

Santa Barbara School Districts

## Municipal Rates at Historic Lows

### Long Term Municipal Bond Index\*

- ◆ "...muni rates are at a 38-year low." (Ying Chen Li, Merrill Lynch, October 2006)
- ◆ "Local governments in California and throughout the country have taken advantage of historically low fixed interest rates and have issued a near record number of financings and refinancings..." (CDIAC, March 2006)
- ◆ "It's not often you get to see something in the muni market that hasn't happened in 38 years." (Joe Mysak, Bloomberg, August 2006)



\* Source: Bond Buyer 20 General Obligation Bond yield index (3/1966 to 3/2007)

## Economy and Treasury Marketplace

- ◆ Today, current low interest rates enable the Districts to capture savings by refinancing the callable portion of the Elementary School District's 1998 Election Series A Bonds and the High School District's 2000 Election Series A Bonds. The savings would result in funds to be used for the projects authorized by the voters.
- ◆ District Board voted on June 26, 2007 to refund both the ESD's 1998 Election Series A Bonds and the HSD's 2000 Election Series A Bonds.
- ◆ The Refunding Bonds would be sold through negotiation with Piper Jaffray on July 18, 2007.
- ◆ Yield rates for the benchmark 10-Year U.S. Treasury Bond ranged from 5.12% falling to 5.04% during the week prior to the sale.
- ◆ The day before the sale, July 17, 2007, the 10-Year Treasury prices were beginning to rise again and yields closed down at 5.01%. On July 18, the Consumer Price index report showed that energy prices fell .5%, gasoline prices dropped 1.1% while food prices rose .5%. Federal Reserve Chairman, Bernanke, told Congress that "inflation will gradually recede" during the rest of the year.
- ◆ On the day of the sale, July 18, 2007, the 10-Year Treasury Bond opened at 5.04% and closed at 5.01%.

# Goals of Structuring

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## Needed to Achieve Multiple Goals

- ◆ Affirm “Aa3” rating with Moody’s Investors Services.
- ◆ Insure the Bonds in order to sell them at the lower “AAA” rates.
- ◆ Sell the Bonds, through negotiation, for maximum flexibility.
- ◆ Sell the Bonds as Current Interest Bonds to get the lowest rates.
- ◆ Maintain the District’s ability to call the Bonds, including special call features that permit the District to call certain bonds in 2010 with unused project fund balance if CA Attorney General issues an opinion which is adverse to “cash-out” refundings.
- ◆ Achieve lowest possible True Interest Cost (TIC).
- ◆ Maximize funds to the District’s construction projects. Initial estimated savings for the project fund was a combined amount of \$2 million.

# Results of GO Bond Sale

## Successful Sale Resulting in Large Return to Districts

- Districts received an “Aa3” rating from Moody’s, recognizing the Districts’ strong revenues, increases in assessed valuation, and good financial performance.
- Districts’ strong “Aa3” rating and low debt level enabled the bonds to be insured for a minimal expense. The winning insurance bid was received from MBIA for \$20,100 for the ESD Bonds and \$38,800 for the HSD Bonds. The bonds were sold at “AAA” rates.
- Through negotiations with Piper Jaffray, ESD sold \$13,265,000 of Bonds and the HSD sold \$23,650,000 of Bonds.
- Bonds were all Current Interest Bonds.
- Maintained the Districts’ ability to call the Bonds maturing in 2018 and later at par on or after August 1, 2017. Special call provisions allow the Districts to refund certain maturities early should the CA Attorney General issue an adverse opinion on “cash-out” refundings.
- Bonds were sold with an overall interest rate (True Interest Cost) of **4.413%** for the ESD and **4.536%** for the HSD (higher due to longer maturity schedule).
- Sale of the Bonds provided for **\$2.9 million** to be deposited in the projects funds (150% of the original estimate); **\$919,373.80** for the ESD and **\$1,933,758.91** for the HSD.

# Market Conditions and Comparables

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Santa Barbara School Districts

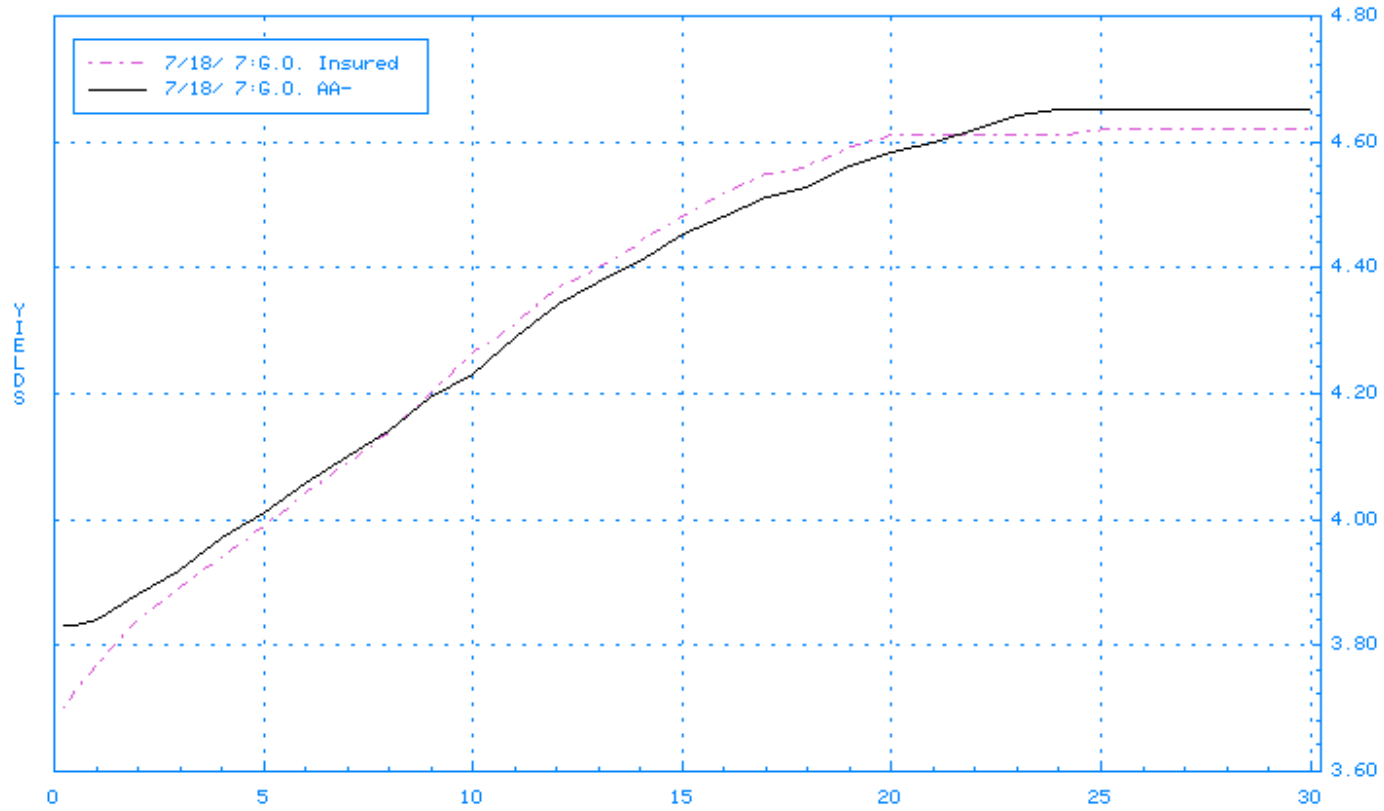
- ◆ FAIR MARKET YIELD CURVES (FMCH)  
Chart and table showing yield curves on General Obligation AA- and General Obligation Insured bonds on July 18, 2007
- ◆ MUNICIPAL INTER-MARKET YIELDS (MYC)  
Yield spread on “AAA” rated General Obligation Municipal Bonds to 10 Year U.S. Treasury on July 18, 2007
- ◆ G.O. MUNICIPAL BONDS (GBY)  
Yield spread of general obligation municipal bonds rated “AAA,” “AA,” “A” and “BAA1” on July 18, 2007
- ◆ PRE-PRICING STRUCTURE - YIELDS FOR COMPARABLE ISSUES  
Comparison of yields on comparable new issues
- ◆ PRICING STRUCTURE - FINAL RATE COMPARISON  
Final yields and structure for bonds compared with proposed yields from pre-pricing

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### FAIR MARKET YIELD CURVES - HIST.



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410  
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2007 Bloomberg L.P.  
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P132 Muni **FMCH**

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**FAIR MARKET YIELD CURVES - HIST.**

	#1	#2	#3	#4
3MO	3.70	3.83		
6MO	3.73	3.83		
1YR	3.77	3.84		
2YR	3.84	3.88		
3YR	3.89	3.92		
4YR	3.94	3.97		
5YR	3.99	4.01		
7YR	4.09	4.10		
10YR	4.26	4.23		
15YR	4.48	4.45		
20YR	4.61	4.58		
30YR	4.62	4.65		

#1 = 7/18/07 : G.O. Insured

#2 = 7/18/07 : G.O. AA-

#3 = :

#4 = :

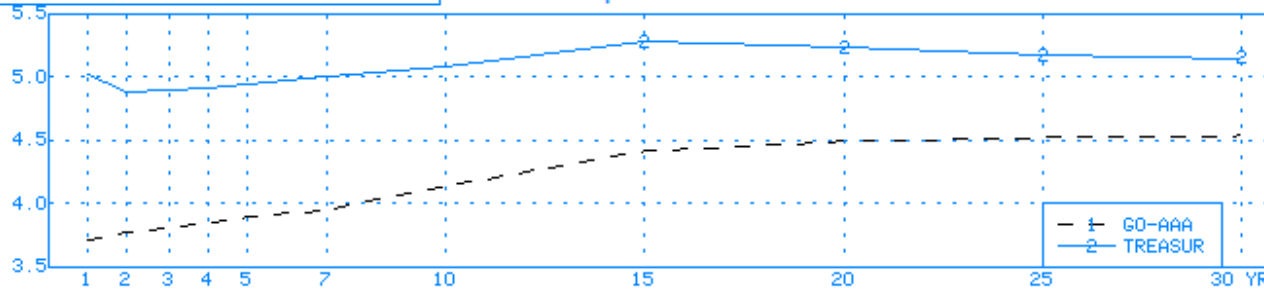
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P019 Muni MYC

### MUNICIPAL INTER-MARKET YIELD HISTORY

CURVE	DATE	TAX(%)	1	2	SPREAD	%
			GO-AAA	TREASURY	(+/-BPs)	
1-	1 7/18/07	CLOSE 0.0	7/18/07	7/18/07		
2-	7 7/18/07	CLOSE 0.0				
	Reverse					
	MUNICIPAL BOND CODES					
	1) G.O. AAA	1 Yr	3.710	5.014	-130	74.0
	2) G.O. AA	2 Yr	3.780	4.872	-109	77.6
	3) G.O. A	3 Yr	3.820	4.893	-107	78.1
		4 Yr	3.860	4.917	-106	78.5
		5 Yr	3.890	4.930	-104	78.9
		7 Yr	3.970	4.997	-103	79.4
	U.S. GOVERNMENT	10 Yr	4.140	5.079	-94	81.5
	7) TREASURIES	15 Yr	4.420	5.275	-86	83.8
	8) AGENCIES	20 Yr	4.500	5.224	-72	86.1
		25 Yr	4.530	5.158	-63	87.8
		30 Yr	4.540	5.139	-60	88.3

NOTE: MUNI YIELDS WILL BE GROSSED UP BY TAX RATES.



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 <TAB> to Select Data for Different Dates

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**G.O. MUNICIPAL BONDS**

BLOOMBERG DAILY GENERIC OAS YIELDS

THURSDAY CLOSE DATE: 7/26/07

AAA MUNICIPAL  
 AS % OF  
 CURRENT US GOVT.'S

	AAA (SECTOR 49)	AA (SECT.104)	A (SECT.159)	BAA1 (SECT.631)	
1 YR 2008	3.69	3.8	3.98	4.24	76.94
2 YR 2009	3.73	3.83	4.03	4.27	82.41
3 YR 2010	3.77	3.87	4.08	4.29	83.28
4 YR 2011	3.8	3.91	4.13	4.32	82.70
5 YR 2012	3.83	3.95	4.18	4.34	83.33
7 YR 2014	3.92	4.04	4.27	4.39	83.36
9 YR 2016	4.03	4.13	4.37	4.45	84.10
10 YR 2017	4.08	4.19	4.43	4.48	84.36
12 YR 2019	4.19	4.29	4.52	4.54	85.95
14 YR 2021	4.3	4.37	4.58	4.6	87.51
15 YR 2022	4.34	4.39	4.6	4.62	87.97
17 YR 2024	4.4	4.46	4.65	4.67	88.49
19 YR 2026	4.42	4.51	4.68	4.71	88.20
20 YR 2027	4.43	4.53	4.69	4.72	88.06
25 YR 2032	4.47	4.6	4.72	4.76	89.57
30 YR 2037	4.48	4.61	4.72	4.76	90.51



**SANTA BARBARA SCHOOLS FINANCING AUTHORITY**  
**2007 General Obligation Revenue Bonds**  
**(SANTA BARBARA ELEMENTARY & HIGH SCHOOL DISTRICT GENERAL OBLIGATION BOND REFUNDING)**

**Final Rate Comparison**

PRELIMINARY
Santa Barbara Elementary School District General Obligation Revenue Bonds \$13,355,000

PROPOSED FINAL
Santa Barbara Elementary School District General Obligation Revenue Bonds \$13,265,000

PRELIMINARY
Santa Barbara High School District General Obligation Revenue Bonds \$23,765,000

PROPOSED FINAL
Santa Barbara High School District General Obligation Revenue Bonds \$23,640,000

Insured Rating: Aaa (MBIA)  
 Underlying Rating: Aa3 (Moody's)  
 Pricing Date: 7/18/2007  
 Call Provision: 8/1/2017 @ 100%  
 8/1/2010 @ 100% Unexpended Project Funds  
 Call for 8/1/2011-8/1/2012 Maturities

Insured Rating: Aaa (MBIA)  
 Underlying Rating: Aa3 (Moody's)  
 Pricing Date: 7/18/2007  
 Call Provision: 8/1/2017 @ 100%  
 8/1/2010 @ 100% Unexpended Project Funds  
 Call for 8/1/2011-8/1/2012 Maturities

Insured Rating: Aaa (MBIA)  
 Underlying Rating: Aa3 (Moody's)  
 Pricing Date: 7/18/2007  
 Call Provision: 8/1/2017 @ 100%  
 8/1/2010 @ 100% Unexpended Project Funds  
 Call for 8/1/2011-8/1/2013 Maturities

Insured Rating: Aaa (MBIA)  
 Underlying Rating: Aa3 (Moody's)  
 Pricing Date: 7/18/2007  
 Call Provision: 8/1/2017 @ 100%  
 8/1/2010 @ 100% Unexpended Project Funds  
 Call for 8/1/2011-8/1/2013 Maturities

10-Year Treasury: 5.04% - 5.09%

10-Year Treasury: 4.99% - 5.07%

10-Year Treasury: 5.04% - 5.09%

10-Year Treasury: 4.99% - 5.07%

True Interest Cost: 4.427%

True Interest Cost: 4.413%

True Interest Cost: 4.551%

True Interest Cost: 4.536%

Year	Maturity	Value	Coupon	YTC	YTM	Maturity	Value	Coupon	YTC	YTM	YTM Change	Maturity	Value	Coupon	YTC	YTM	Maturity	Value	Coupon	YTC	YTM	YTM Change	Year
2008	80,000	4.000%	3.600%	3.600%	75,000	4.000%	3.600%	3.600%	0.000%	195,000	4.000%	3.600%	3.600%	185,000	4.000%	3.600%	3.600%	0.000%	2008				
2009	490,000	4.000%	3.640%	3.640%	480,000	4.000%	3.630%	3.630%	-0.010%	230,000	4.000%	3.640%	3.640%	225,000	4.000%	3.630%	3.630%	-0.010%	2009				
2010	530,000	4.000%	3.700%	3.700%	525,000	4.000%	3.690%	3.690%	-0.010%	810,000	4.000%	3.700%	3.700%	800,000	4.000%	3.690%	3.690%	-0.010%	2010				
2011	575,000	4.000%	3.875%	3.875%	565,000	4.000%	3.860%	3.860%	-0.015%	840,000	4.000%	3.875%	3.875%	830,000	4.000%	3.860%	3.860%	-0.015%	2011				
2012	625,000	4.000%	3.930%	3.930%	605,000	4.000%	3.910%	3.910%	-0.020%	875,000	4.000%	3.930%	3.930%	870,000	4.000%	3.910%	3.910%	-0.020%	2012				
2013	670,000	4.250%	3.920%	3.920%	660,000	4.250%	3.900%	3.900%	-0.020%	910,000	4.000%	3.970%	3.970%	900,000	4.000%	3.950%	3.950%	-0.020%	2013				
2014	725,000	4.250%	3.960%	3.960%	705,000	4.250%	3.940%	3.940%	-0.020%	945,000	4.250%	3.960%	3.960%	935,000	4.250%	3.940%	3.940%	-0.020%	2014				
2015	780,000	4.500%	4.010%	4.010%	760,000	4.375%	3.990%	3.990%	-0.020%	985,000	4.500%	4.010%	4.010%	975,000	4.500%	3.990%	3.990%	-0.020%	2015				
2016	840,000	4.500%	4.090%	4.090%	815,000	5.000%	4.040%	4.040%	-0.050%	1,030,000	4.500%	4.090%	4.090%	1,020,000	5.000%	4.040%	4.040%	-0.050%	2016				
2017	900,000	4.500%	4.170%	4.170%	880,000	5.000%	4.120%	4.120%	-0.050%	1,080,000	4.500%	4.170%	4.170%	1,075,000	5.000%	4.120%	4.120%	-0.050%	2017				
2018	965,000	4.500%	4.250%	4.268%	945,000	5.000%	4.210%	4.265%	-0.003%	1,125,000	4.500%	4.250%	4.268%	1,125,000	5.000%	4.210%	4.265%	-0.003%	2018				
2019	1,030,000	5.000%	4.330%	4.416%	1,020,000	5.000%	4.270%	4.364%	-0.052%	1,175,000	5.000%	4.330%	4.416%	1,180,000	5.000%	4.270%	4.364%	-0.052%	2019				
2020	1,115,000	5.000%	4.360%	4.474%	1,090,000	5.000%	4.320%	4.441%	-0.033%	1,235,000	5.000%	4.360%	4.474%	1,240,000	5.000%	4.320%	4.441%	-0.033%	2020				
2021	1,195,000	5.000%	4.390%	4.524%	1,170,000	5.000%	4.370%	4.508%	-0.016%	1,300,000	5.000%	4.390%	4.524%	1,310,000	5.000%	4.370%	4.508%	-0.016%	2021				
2022	1,280,000	5.000%	4.420%	4.568%	1,260,000	4.750%	4.510%	4.572%	0.004%	1,365,000	5.000%	4.420%	4.568%	1,365,000	4.750%	4.510%	4.572%	0.004%	2022				
2023	1,375,000	4.625%	4.570%	4.586%	1,345,000	4.750%	4.530%	4.594%	0.008%	1,430,000	4.750%	4.550%	4.608%	1,435,000	4.750%	4.530%	4.594%	-0.014%	2023				
2024	180,000	4.500%	4.620%	4.620%	365,000	4.500%	4.600%	4.600%	-0.020%	1,495,000	4.750%	4.570%	4.627%	1,495,000	4.750%	4.550%	4.613%	-0.014%	2024				
2025										1,570,000	4.750%	4.590%	4.645%	1,575,000	4.750%	4.570%	4.631%	-0.014%	2025				
2026										1,640,000	4.750%	4.610%	4.661%	1,645,000	4.750%	4.600%	4.654%	-0.007%	2026				
2027										1,725,000	4.750%	4.630%	4.676%	1,725,000	4.750%	4.630%	4.676%	0.000%	2027				
2028										1,805,000	4.750%	4.640%	4.684%	1,730,000	4.750%	4.650%	4.690%	0.006%	2028				