

Santa Clara Unified School District

Fiscal Stewardship: Issuing Series 2022 Bonds (Measure BB)



Santa Clara
Unified School District



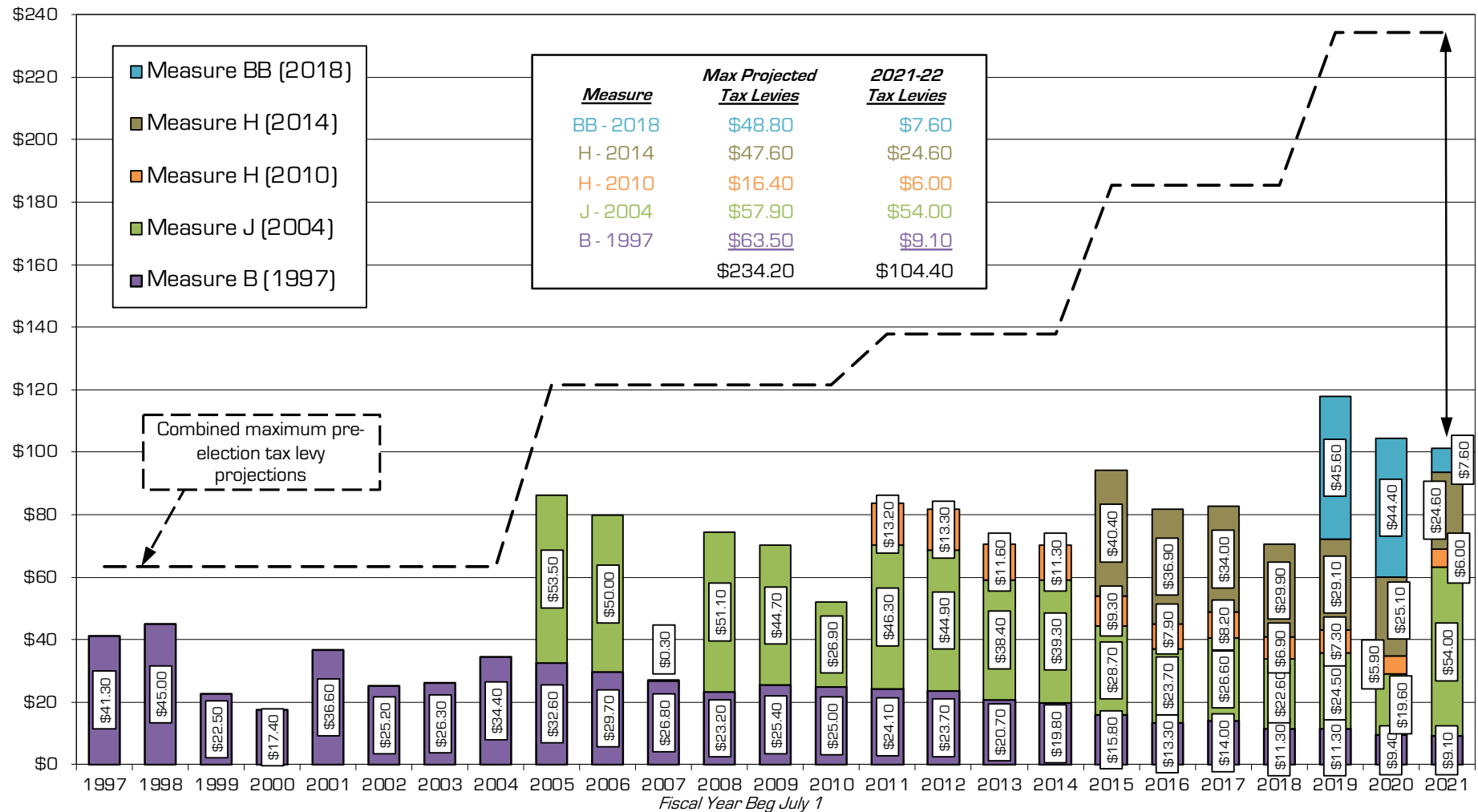
**Government
Financial
Strategies**

Presented by Lori Raineri
April 7, 2022

District's Stewardship → Less Taxes

Tax Levy per
\$100,000 of AV

Actual Tax Levies Much Lower Than Maximum Projected Pre-Election Projections



Tax levies actual through 2021-22 obtained from Santa Clara County Auditor-Controller's Department. 2017-18 average single family residential assessed value was \$509,588. 2017-18 median single family residential assessed value was \$479,413.

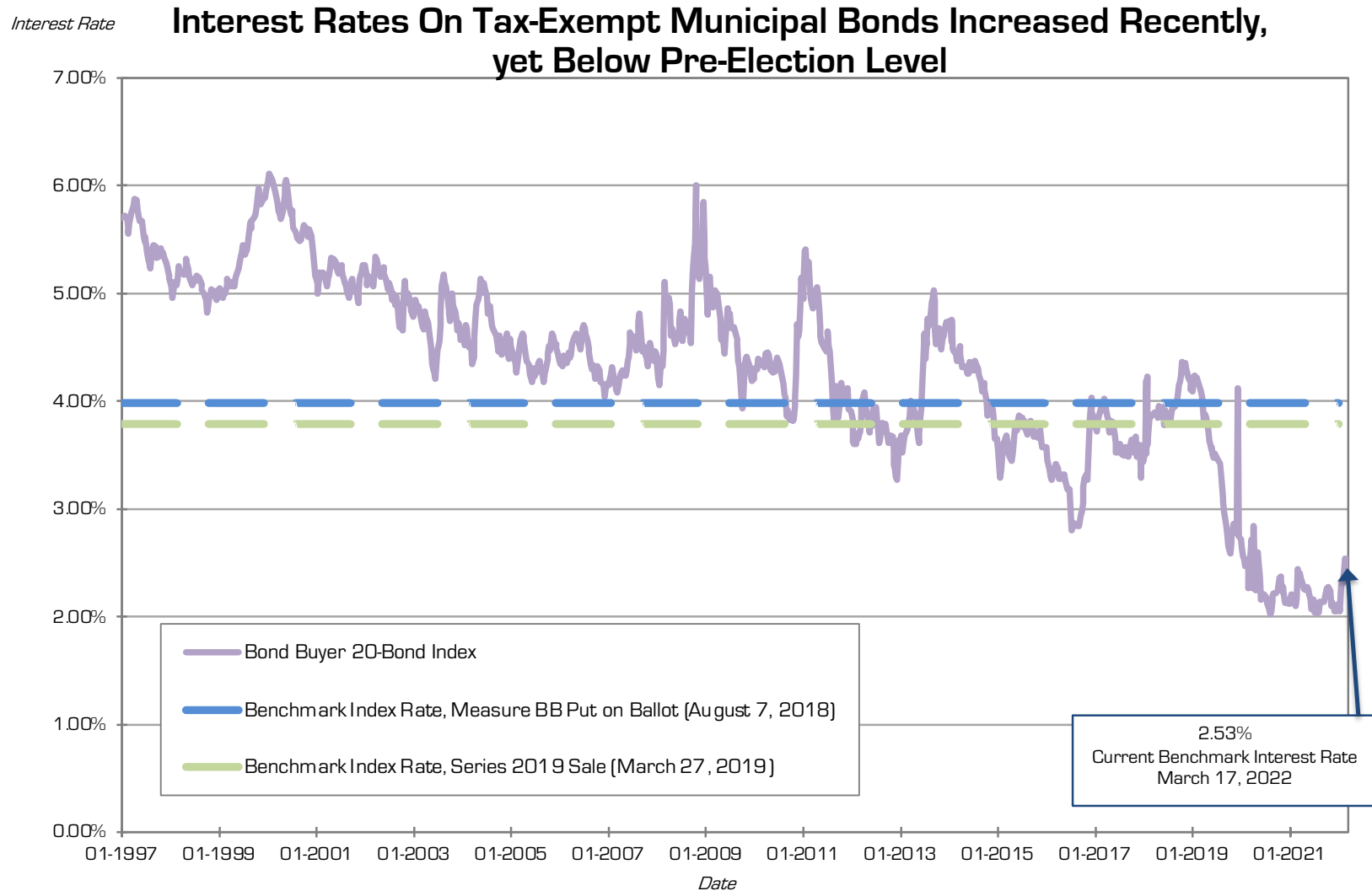
Agenda

- ◆ Market Update
- ◆ Implementing Measure BB

- ◆ For Reference
 - ▶ Updated Bonding Capacity
 - ▶ Bond Sale Details
 - ▶ Competitive Bidding History
 - ▶ Additional Assessed Value Information

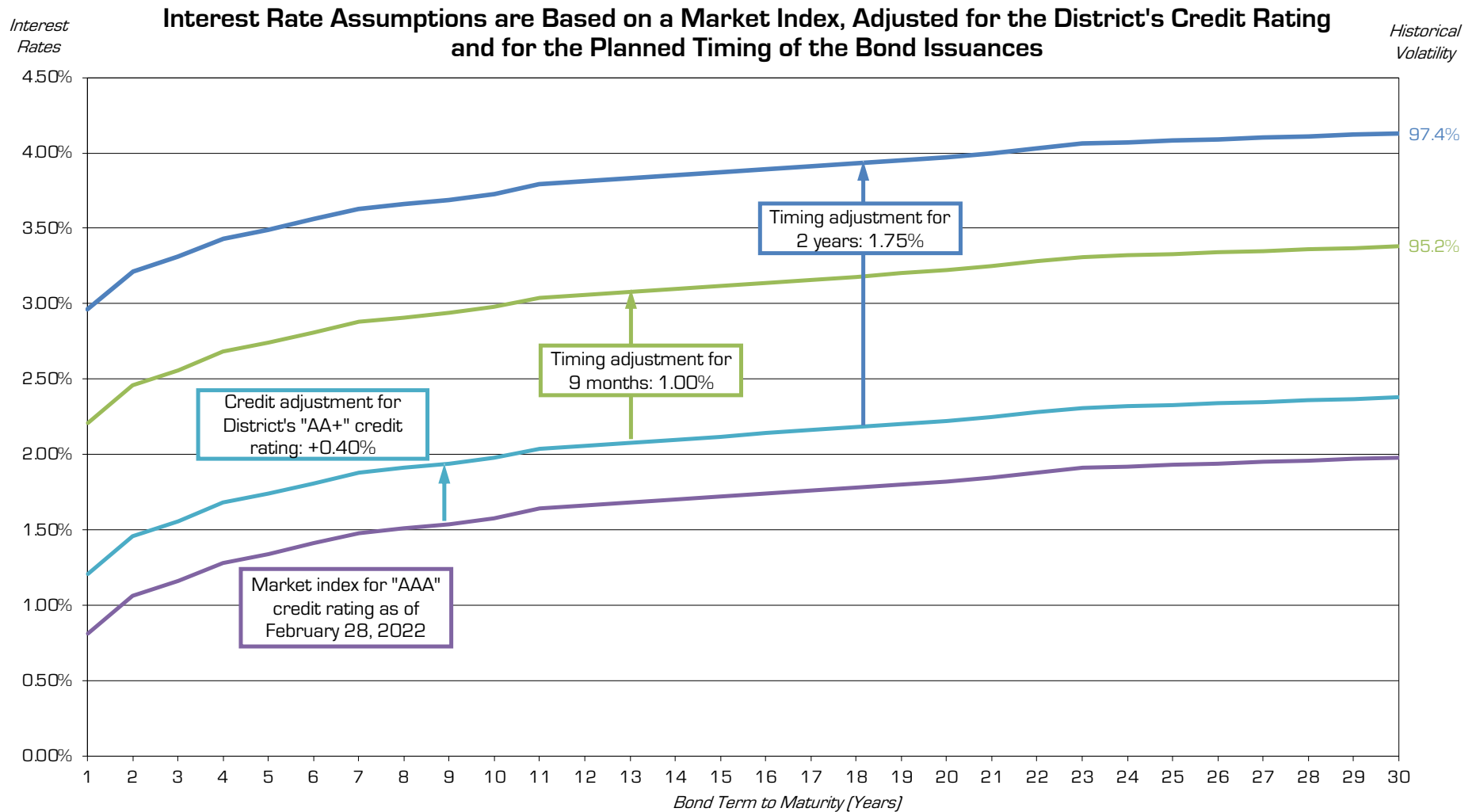


Interest Rates are Volatile



Notes: True interest cost from sale results, and shown as weighted average for all series of bonds issued on same date. The Bond Buyer 20-Bond Index consists of 20 general obligation bonds that mature in 20 years and is compiled every Thursday. The average rating of the bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Rating Service AA.

Current Interest Rate Assumptions

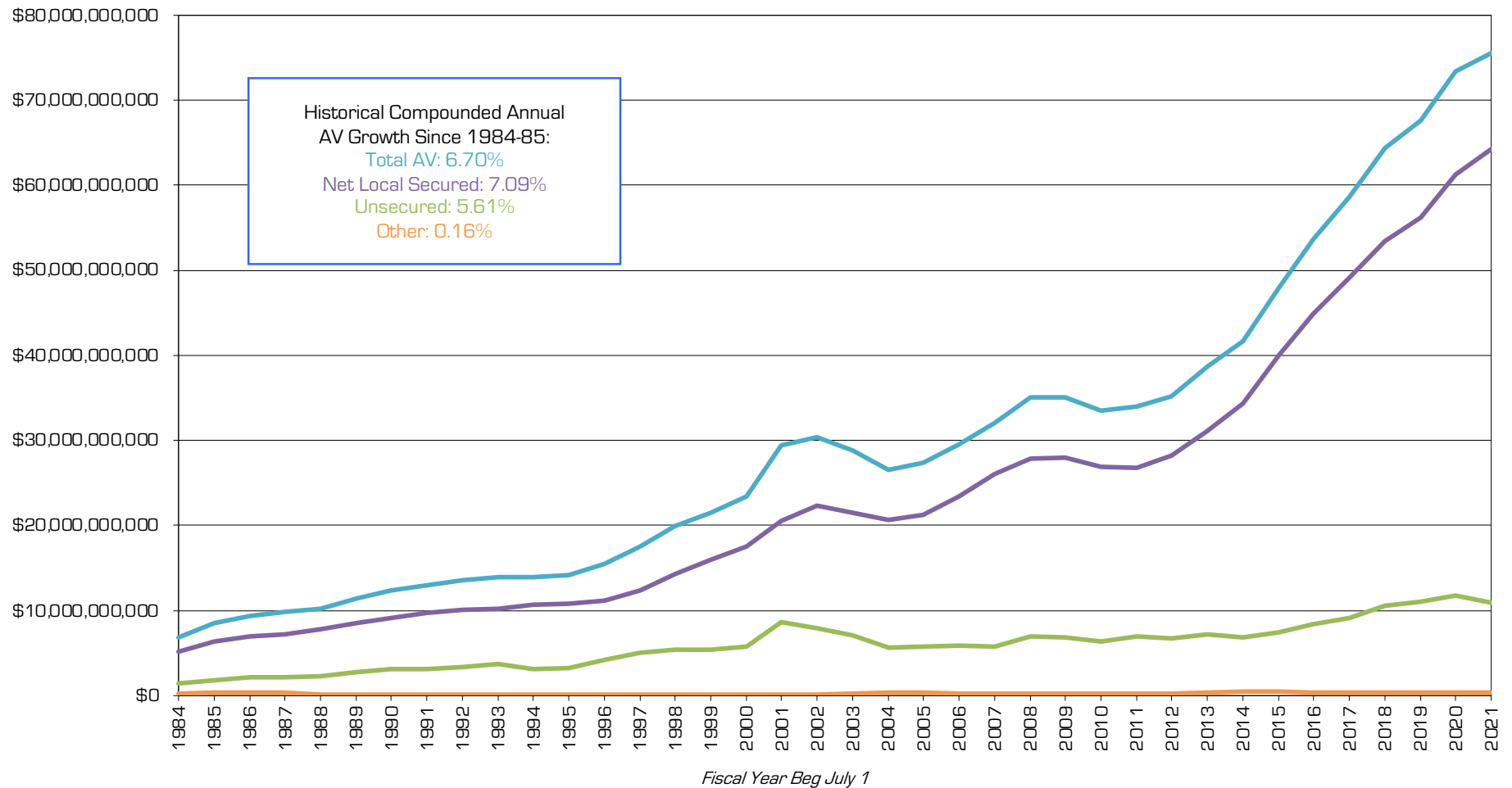


Notes: the market index for "AAA" credit is based on the Municipal Market Data (MMD) scale as of February 28, 2022. Credit adjustment based on review of GO bonds with same "AA+" credit rating. The 20-Bond Index is the average yield on the 20th year maturity for 20 general obligation bonds with an average rating equivalent to Moody's Investors Service's "Aa2" rating and Standard & Poor's Rating Service "AA." The Index is weekly as of each Thursday. Historical volatility based on 20-Bond Index over same timeframe, beginning January 1, 1984 to February 24, 2022.

Significant Growth in AV Since 1984

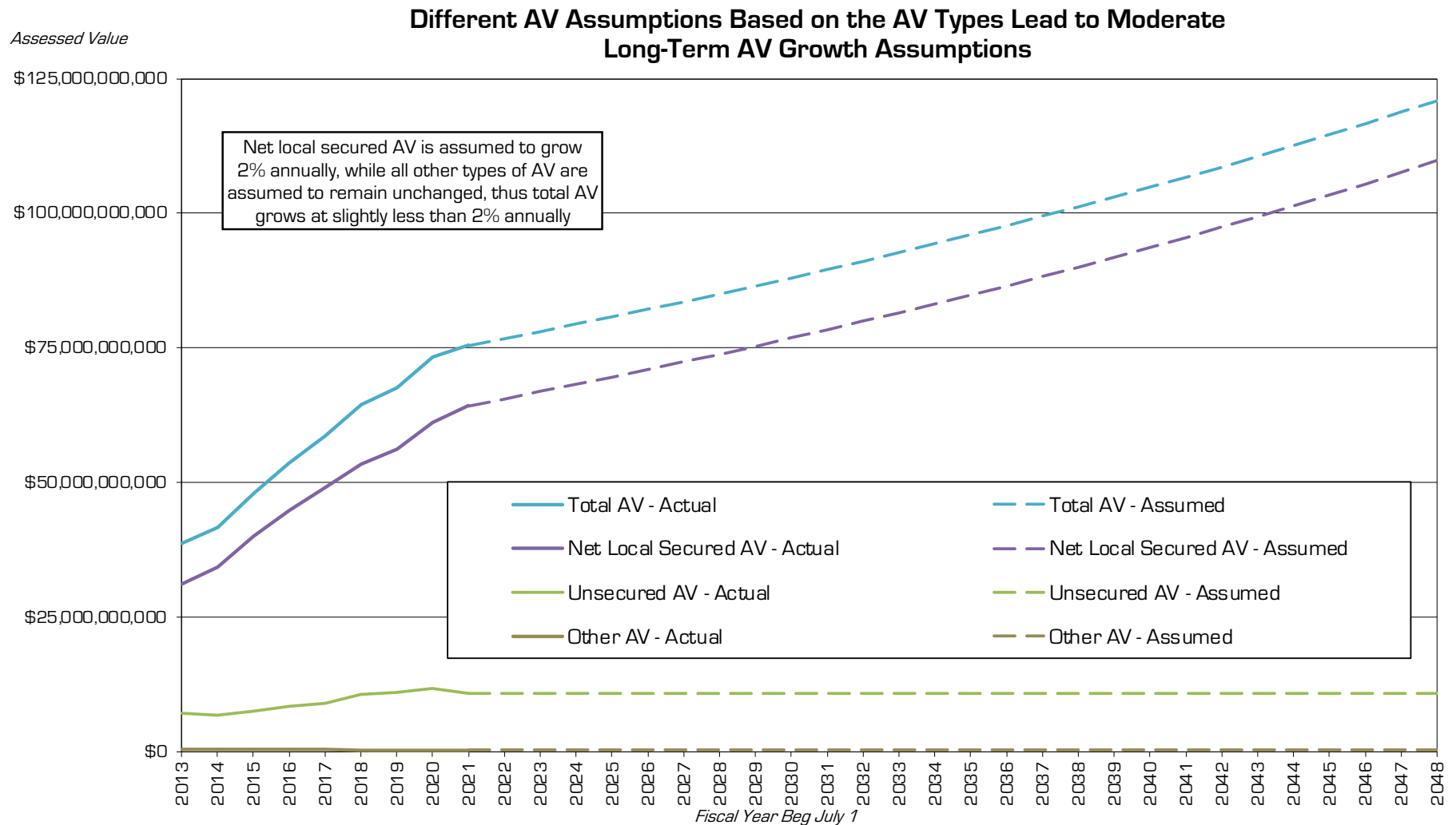
Growth in District's Assessed Value has Mainly been Driven by Net Local Secured AV

Assessed Value



Historical assessed value (AV) provided by the Santa Clara County Auditor-Controller's Office. The District's total AV is comprised of net local secured, unsecured, & other (comprised of utility & homeowner's exemption).

Moderate AV Projections



Historical assessed value (AV) provided by the Santa Clara County Auditor-Controller's Office. The District's total AV is comprised of net local secured, unsecured, & other (comprised of utility & homeowner's exemption). As homeowners exemption & unsecured components are relatively small and tend to be subject to less predictable volatility, AV growth assumptions focus only on net local secured.

Measure BB Received Strong Support

★ MEASURE BB-SANTA CLARA UNIFIED SD-SCHOOL BOND - 55% vote		View Contest Detail
Precincts Reporting: 100%		
	Votes	Percentage
BONDS YES	27,512	67.35%
BONDS NO	13,339	32.65%
	40,851	

MEASURE BB

Santa Clara Unified School District School Bond 55% Vote

To construct classrooms, labs, and school libraries to support student achievement, college readiness, and career training in math, science, engineering, technology, and arts; acquire, renovate, construct and equip facilities to improve older schools; to fix deteriorating roofs, plumbing and electrical systems, shall Santa Clara Unified School District issue \$720 million in bonds, raising approximately 5 cents/\$100 of assessed value (\$45 million annually) for 32 years to improve local schools, with independent citizen oversight, and all money staying local?

Bonds Yes
Bonds No

Revised Plan for Measure BB

- ◆ Pre-election plan was for two series of bonds of \$360 million each in fiscal years 2019-20 and 2021-22
 - ▶ Adjustments to project timelines led to delaying sale of second series to fiscal year 2022-23
 - With a holistic view of financial stewardship, District utilized what would have been tax levies for Measure BB to improve the savings from refinancing Measure J bonds in 2021
- ◆ Current cash flow projections for Measure BB indicate a likely need for additional funds in Fall 2022
 - ▶ To improve efficiency on the bonds and to ensure that the 2022-23 tax levies reflect the proposed 2022 bond issuance, an estimated debt service schedule can be provided to the County for fiscal year 2022-23
 - ▶ Tax-exempt financings require the District to reasonably expect to spend proceeds within three years
 - Current projections are to issue final series of bonds in Spring 2024

Projected Measure BB Cash Flow

(When issuing bonds, the District should reasonably expect to spend the proceeds within 3 years)

<u>Quarter from</u>	<u>Beginning Balance *</u>	<u>Bond Deposits</u>	<u>Interest Earnings</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Jan - Mar-2022	\$215,476,216		\$0	[\$23,653,062]	\$191,823,154
Apr - Jun-2022	\$191,823,154		\$538,691	[\$42,138,460]	\$150,223,385
Jul - Sep-2022	\$150,223,385		\$479,558	[\$64,593,705]	\$86,109,238
Oct - Dec-2022	\$86,109,238	\$227,305,000	\$375,558	[\$40,654,732]	\$273,135,065
Jan - Mar-2023	\$273,135,065		\$215,273	[\$41,257,048]	\$232,093,290
Apr - Jun-2023	\$232,093,290		\$682,838	[\$11,169,851]	\$221,606,277
Jul - Sep-2023	\$221,606,277		\$580,233	[\$7,787,570]	\$214,398,941
Oct - Dec-2023	\$214,398,941		\$554,016	[\$9,206,923]	\$205,746,033
Jan - Mar-2024	\$205,746,033		\$535,997	[\$11,130,756]	\$195,151,275
Apr - Jun-2024	\$195,151,275	\$128,400,000	\$514,365	[\$15,854,859]	\$308,210,781
Jul - Sep-2024	\$308,210,781		\$487,878	[\$18,722,109]	\$289,976,550
Oct - Dec-2024	\$289,976,550		\$770,527	[\$21,170,313]	\$269,576,764
Jan - Mar-2025	\$269,576,764		\$724,941	[\$26,000,642]	\$244,301,063
Apr - Jun-2025	\$244,301,063		\$673,942	[\$34,210,383]	\$210,764,622
Jul - Sep-2025	\$210,764,622		\$610,753	[\$47,293,705]	\$164,081,669
Oct - Dec-2025	\$164,081,669		\$526,912	[\$40,698,855]	\$123,909,726
Jan - Mar-2026	\$123,909,726		\$410,204	[\$32,463,443]	\$91,856,487
Apr - Jun-2026	\$91,856,487		\$309,774	[\$29,479,206]	\$62,687,055
Jul - Sep-2026	\$62,687,055		\$229,641	[\$25,468,211]	\$37,448,485
Oct - Dec-2026	\$37,448,485		\$156,718	[\$17,886,605]	\$19,718,598
Jan - Mar-2027	\$19,718,598		\$93,621	[\$7,430,344]	\$12,381,875
Apr - Jun-2027	\$12,381,875		\$49,296	[\$5,698,735]	\$6,732,437
		<u>\$355,705,000</u>	<u>\$9,520,737</u>	<u>[\$573,969,516]</u>	

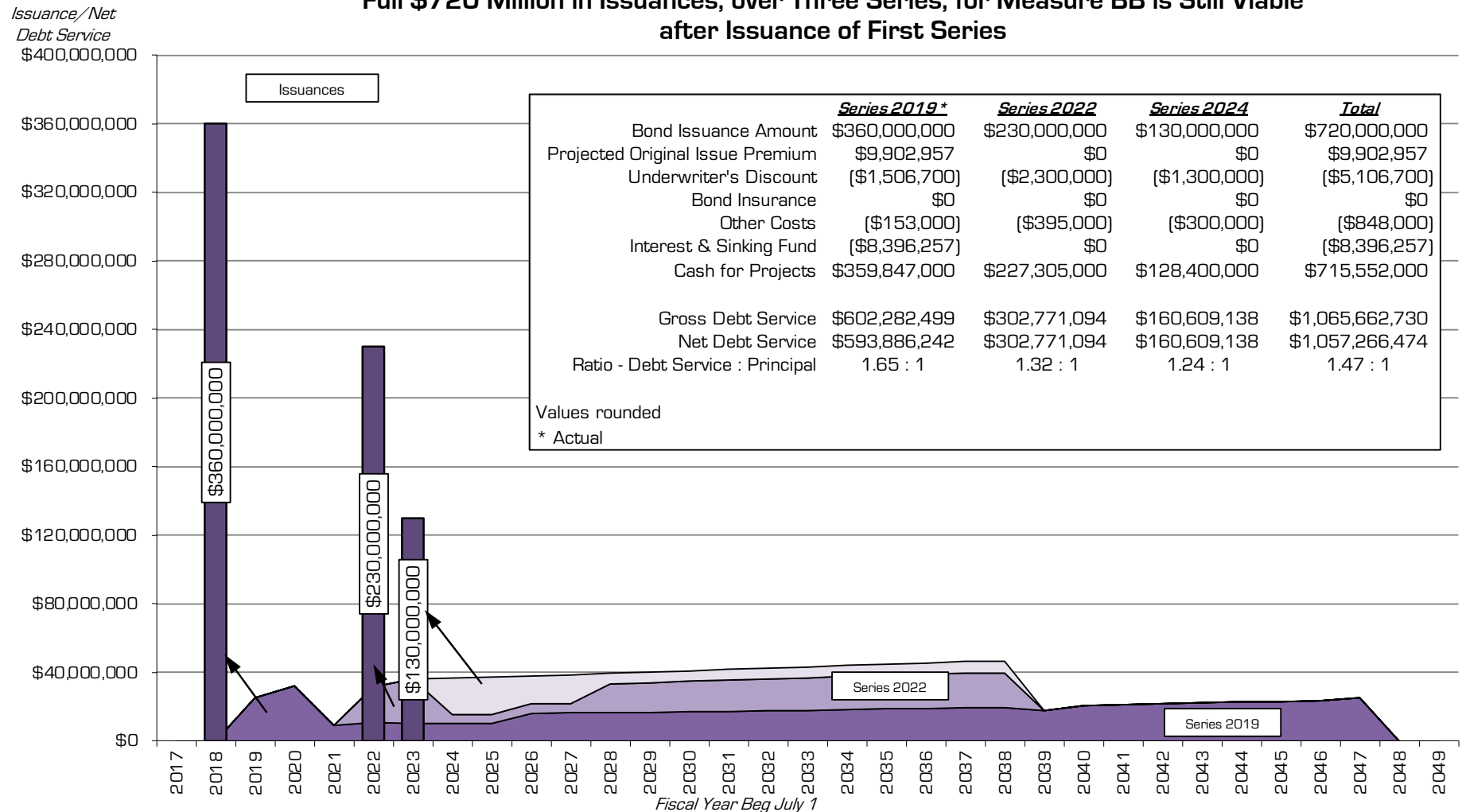
* Beginning balance is an estimate = initial proceeds less expenditures through Dec 2021

* Actual and projected expenditures provided by the District

* Interest earnings assumes an annual rate of 1.0%

\$230M Issuance in 2022 Based on Project Cash Flow Projections

Full \$720 Million in Issuances, over Three Series, for Measure BB is Still Viable after Issuance of First Series

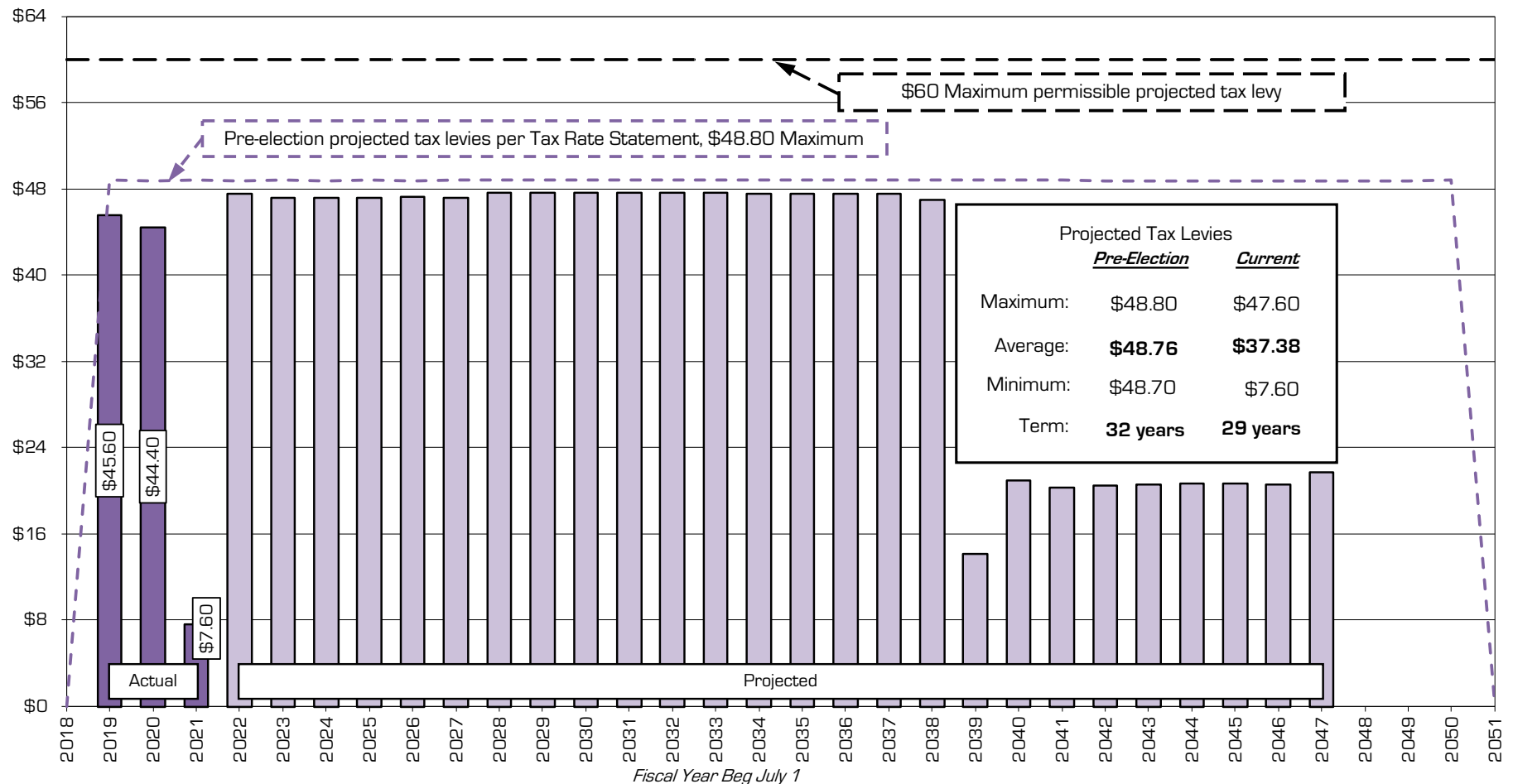


Debt service based on 2021-22 AV, with 2% assumed annual growth in net local secured, while all other AV types are assumed to remain unchanged. MMD "AAA" rates as of February 28, 2022, adjusted +40bp for assumed "AA+" rating, plus timing adjustment for potential rate increasing prior to bond issuances of +100bp (2022) and +175bp for 2024. Net debt service assumes unitary revenue of 1.5% of debt service & reserve (2.0% average since 2006-07), additional revenue of 0.1% of debt service & reserve (0.2% average since 2006-07), additional reserve receipts of 8% of reserve (10.4% average since 2006-07), & paying agent fees of 0.02% of debt service & reserve (0.014% since 2006-07).

Projected Levies < Pre-Election Estimates and End 3 Years Earlier

Tax Levy per
\$100,000 of AV

Tax Levies are Projected to Average \$37.38 per \$100,000 of AV, Approximately 23% Less Than \$48.80 Maximum Projected Tax Levy Conveyed to Voters, and for 3 Fewer Years of Taxation



Debt service for \$230 million issuance in 2022, & \$130 million issuance in 2024 are assumed, based on tentative November 1, 2022 and May 1, 2024 close dates. Collection uses Santa Clara County collection methodology, consisting of a reserve equal to the following payment due during the first half of the following Fiscal Year, less previously collected reserve. Levies based on an assumed 2% annual increase in net local secured AV, while all other types of AV are assumed to remain unchanged, and based on assumed unitary revenue of 1.5% of debt service & reserve (2.0% historical average since 2006-07), other revenue of 0.1% of debt service & reserve (0.2% historical average since 2006-07), 8% additional reserve account receipts (10.4% historical average since 2006-07), and 0.02% paying agent fees (0.014% historical average of debt service & reserve since 2006-07). Values rounded.

Next Steps



- ◆ Today's Board meeting
 - ▶ Information presentation
- ◆ April 28, 2022 Board meeting
 - ▶ Board considers adoption of resolution authorizing the County to levy 2022-23 property taxes based on an estimated debt service schedule
- ◆ September 22, 2022 Board meeting
 - ▶ Board considers adoption of resolution authorizing issuance of bonds
- ◆ October 2022
 - ▶ Sale of bonds conducted at the offices of Government Financial Strategies
- ◆ October 27, 2022 Board meeting
 - ▶ Presentation of results of bond sale
- ◆ November 2022
 - ▶ Closing: Proceeds deposited with County

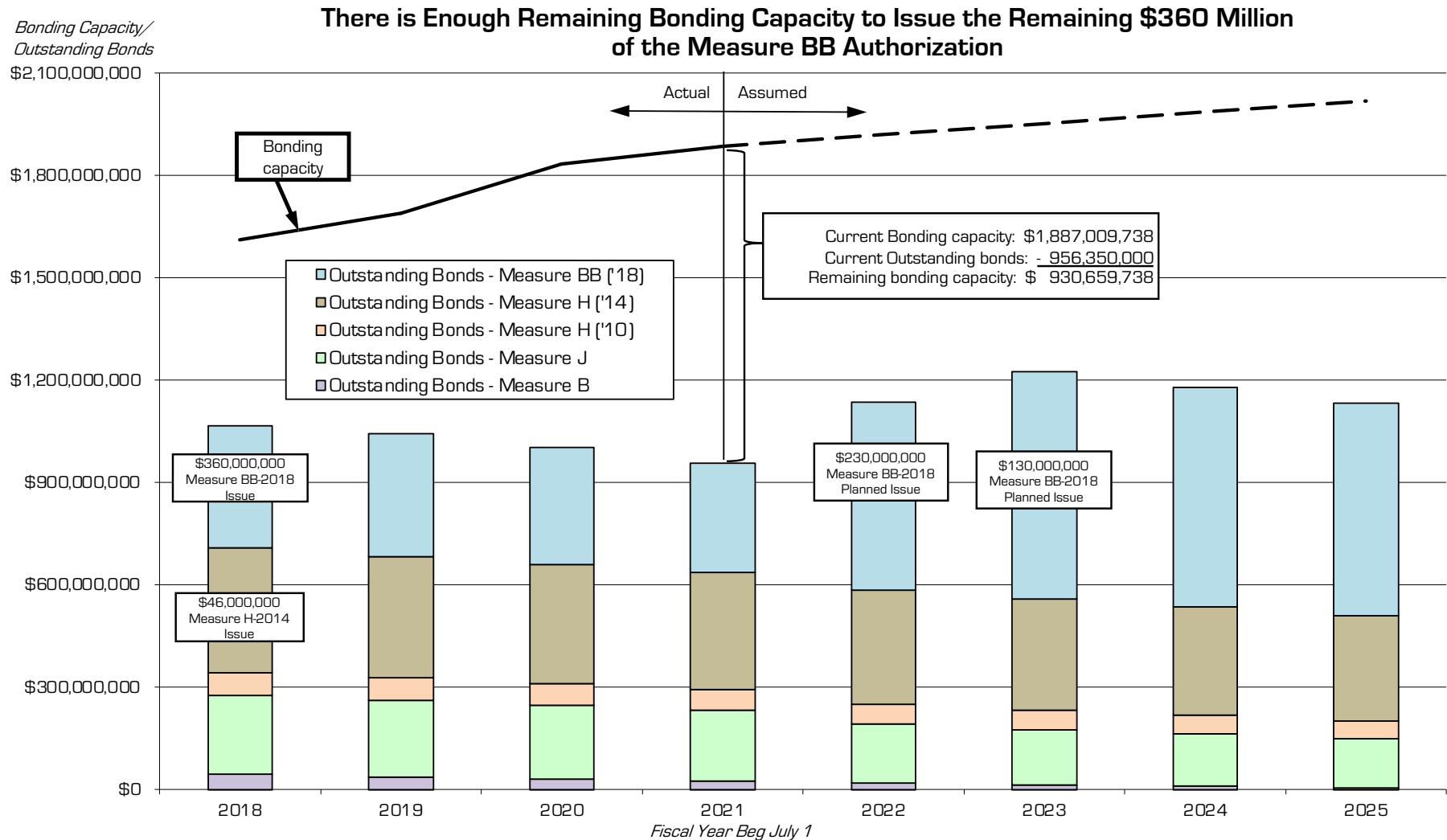
Any Questions?



For Reference

- ◆ Updated Bonding Capacity
- ◆ Bond Sale Details
- ◆ Competitive Bidding History
- ◆ Additional Assessed Value Information

Sufficient Bonding Capacity



Unified district's bonding capacity is 2.5% of total AV. 2021-22 AV is actual and projected thereafter, based on net local secured AV assumed to grow 2% annually, while all other AV types are assumed to remain unchanged. Bonding capacity as of Aug 20 when AV becomes "equalized." Outstanding bonds from Official Statements. Values rounded.

Sale Methods

◆ Competitive Process - auction



◆ Negotiated Process - sale to pre-selected underwriter or lender/investor



The Government Finance Officers Association (GFOA) recommends that "bond issuers sell their debt using the method of sale that is most likely to achieve the lowest cost of borrowing while taking into account both short-range and long-range implications for taxpayers and ratepayers."

GFOA Competitive Criteria



- ◆ Criteria that favors a Competitive Process:
 - ✓ Rating of the bonds is at least in the single-A category.
 - The District's current bond rating is "AA+"
 - ✓ Bonds are general obligation bonds or full faith and credit obligations of the issuer or are secured by a strong, known and long-standing revenue stream.
 - The bonds are general obligation bonds.
 - ✓ Bond structure does not include innovative or new features that require extensive explanation to the bond market.
 - The bonds do not include features requiring extensive explanation.
 - ✓ Issuer is well known and frequently in the market.
 - The District is well known and frequently in the market.

We meet 4 out of the 4 competitive process criteria.

GFOA Negotiated Criteria



◆ Criteria that favors a Negotiated Process:

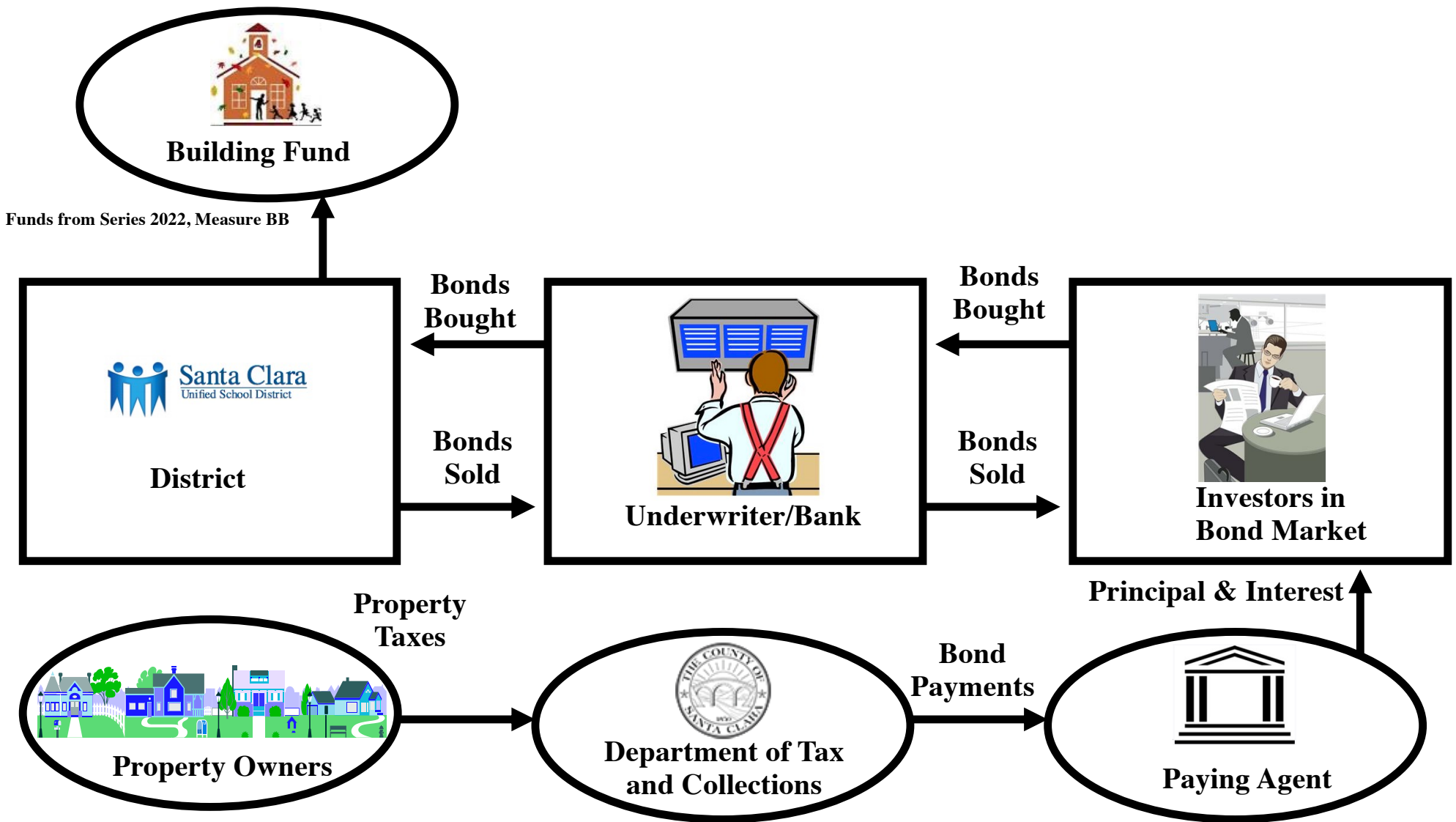
- ✗ Rating of the bonds is lower than the single-A category.
 - The District's current bond rating is "AA+"
- ✗ Bond insurance or other credit enhancement is unavailable or not cost-effective.
 - Bond insurance is expected to be available and cost-effective.
- ✗ Structure of bonds has features better suited to negotiation.
 - The bonds do not include such features.
- ✗ Issuer desires to target underwriting participation to include disadvantaged business enterprises or local firms.
 - All underwriters will have the opportunity to participate.
- ✗ Other factors that the issuer, in consultation with its financial advisor, believes favor the use of a negotiated sale process.
 - There are no other factors favoring a negotiated sale.

We meet 0 out of the 5 negotiated process criteria.

Primary Legal Documents

- ◆ *Board Resolution: authorizes bonds and signing of documents within parameters (bond amount, interest rate, etc.)*
- ◆ *Form of Bond Purchase Agreement: the underwriter purchases the bonds from the District and resells them to investors*
- ◆ *Preliminary Official Statement: discloses important information about the District and financing to investors*
- ◆ *Form of Paying Agent Agreement: a bank is assigned responsibility for forwarding principal and interest payments to investors*
- ◆ *Form of Continuing Disclosure Certificate: District provides updates to the bond market annually and if any significant events occur*

Legal Structure – General Obligation Bonds

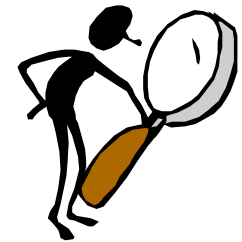


Preliminary Official Statement - Overview of Disclosure

◆ Honest and Fair Dealing

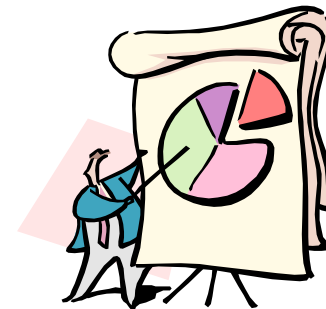
Disclose all “material” facts

Heightened Securities and Exchange
Commission scrutiny



◆ Marketing

Present and future



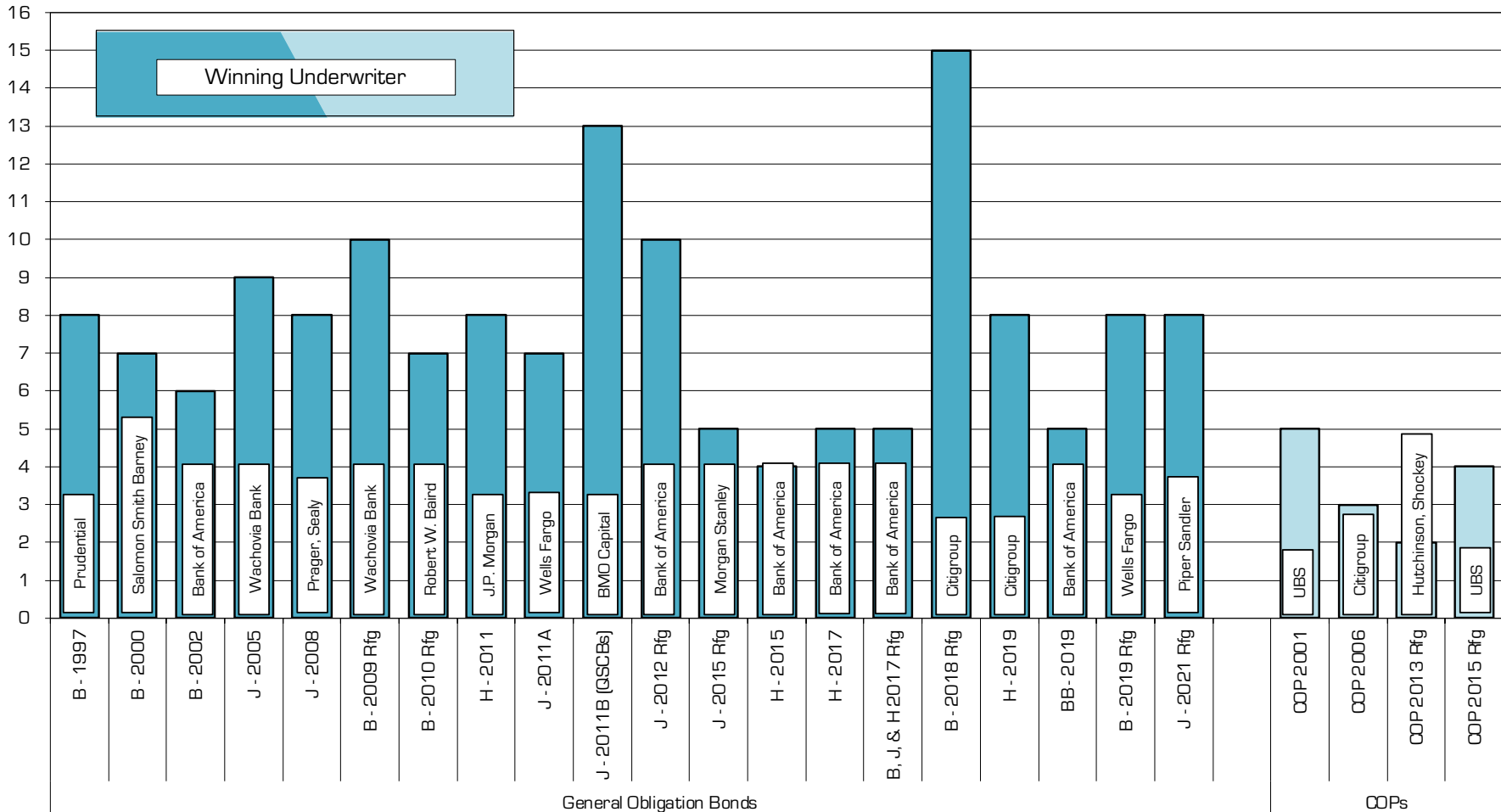
Tips for Reviewing the Disclosure

- ◆ In reviewing the Preliminary Official Statement:
 - ▶ Format is based on the industry standard, for the convenience of the primary audience -- investors. Standard information is provided in standard fashion, which is often not in the best writing style.
 - ▶ Providing too much information can obscure important points; however, omitting information which might be material to an investment decision could be illegal and would be inappropriate.
 - ▶ It is better to bring something to our attention, so that it can be considered and discussed, rather than assume that we've already thought of it.

Competitive Bid Results

Of the District's 24 Competitive GO Bonds and COP Issuances Since 1997,
There have been 14 Different Winning Underwriters

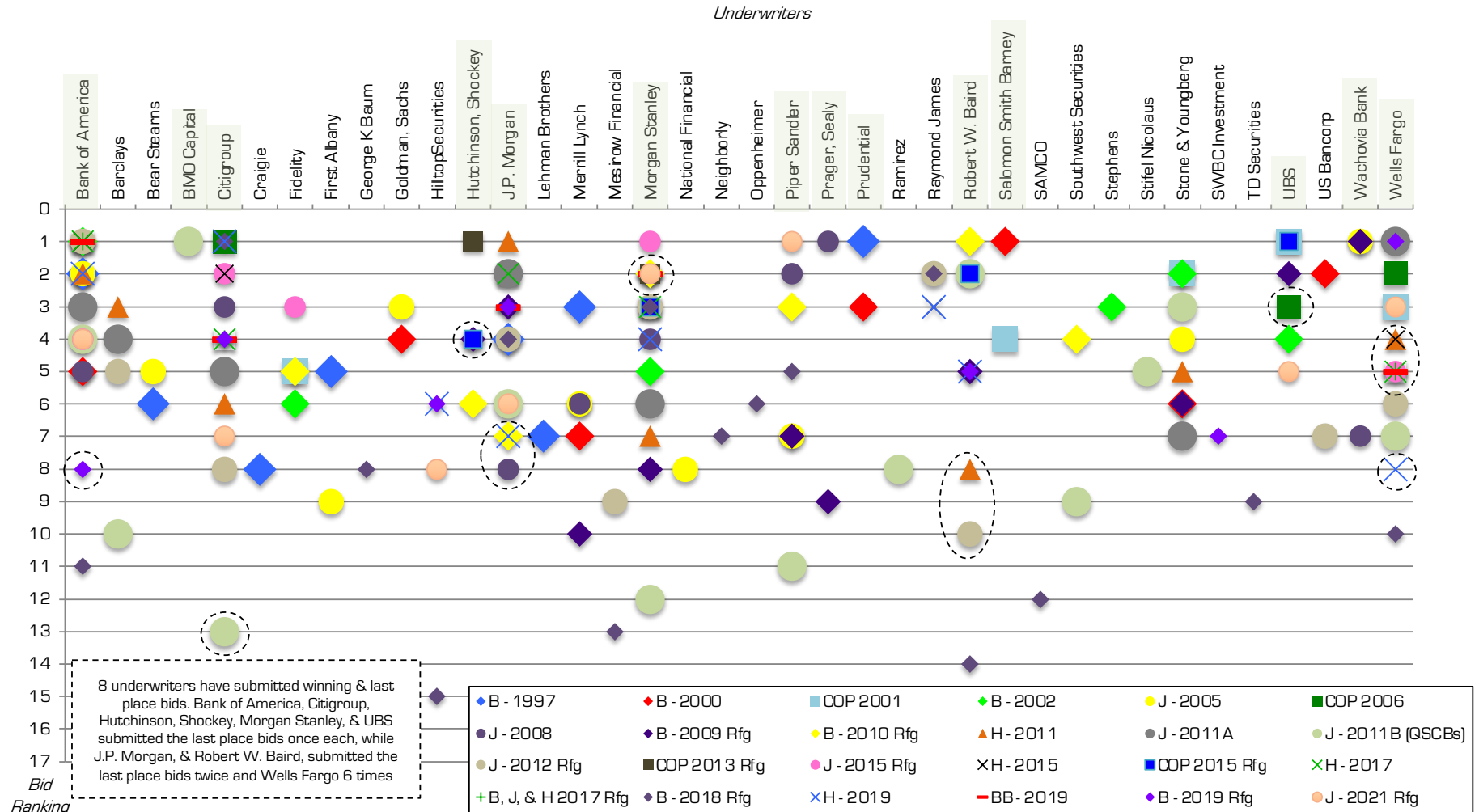
Bids



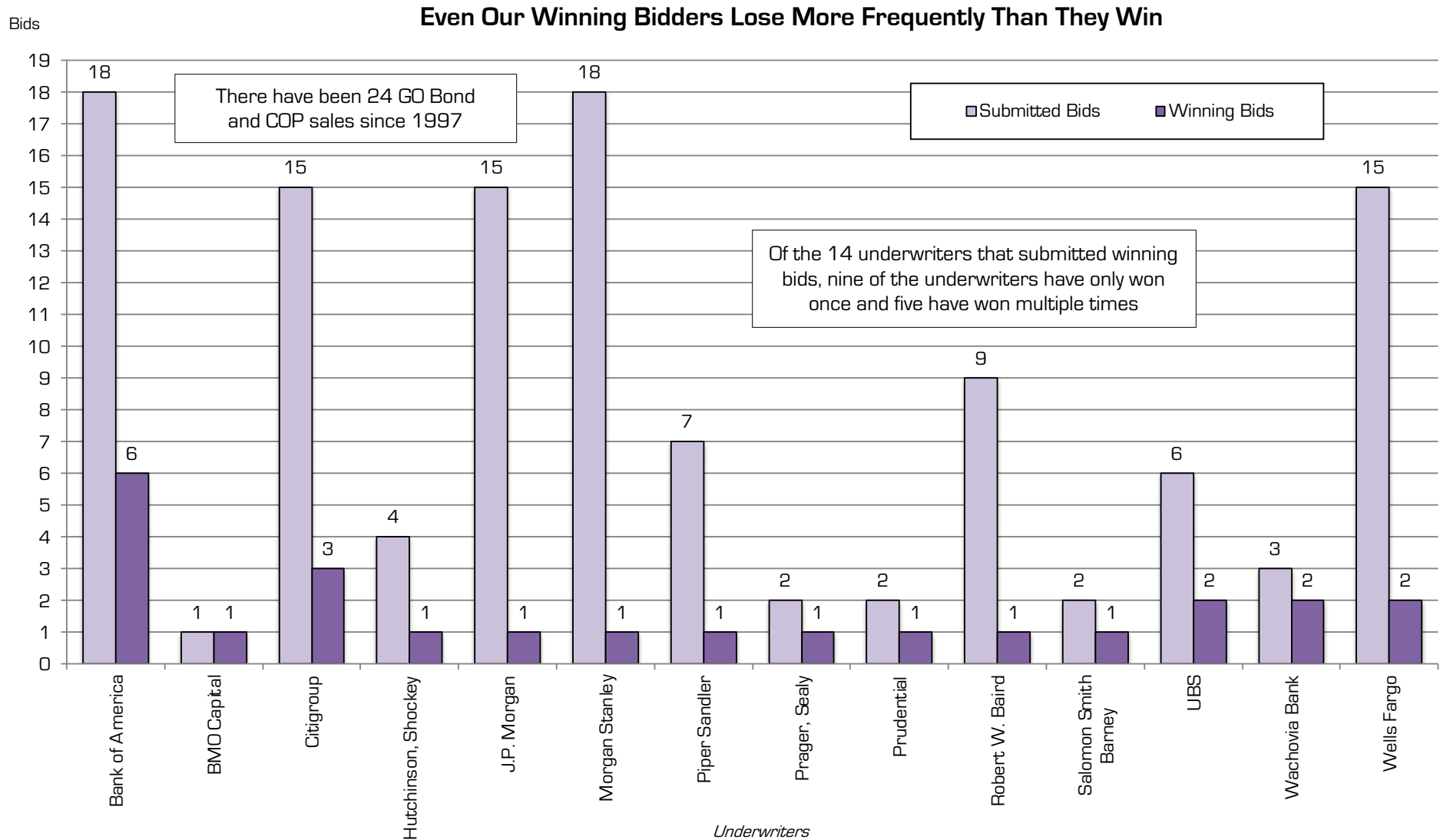
Issuances

Competitive Bidding → Positive Outcomes

Since 1997, 38 Underwriters have Bid on the District's GO Bonds and COPs, with 14 Different Underwriters Submitting Winning Bids



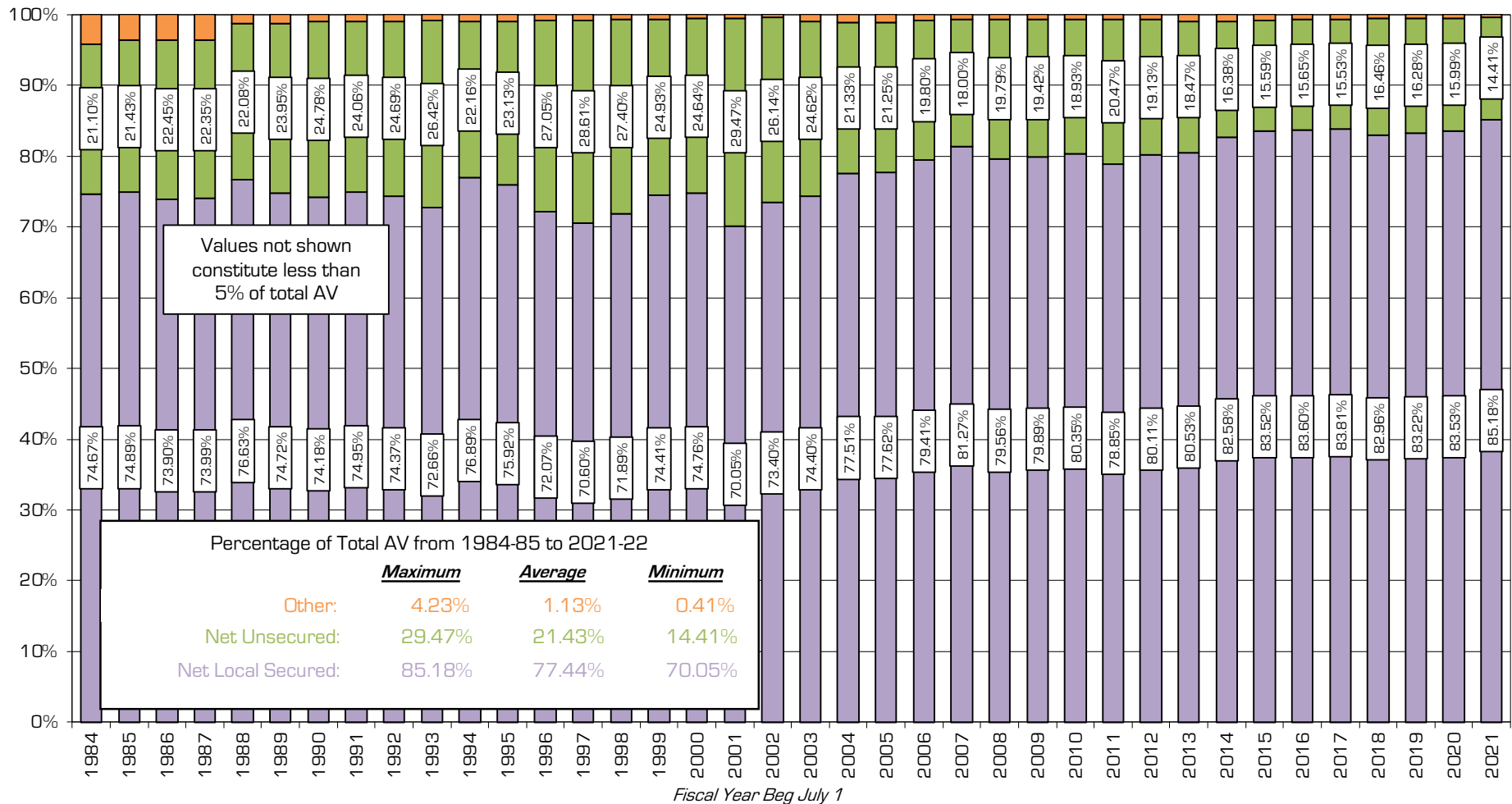
Frequent Bidders are not Always Winners



Most AV is Net Local Secured

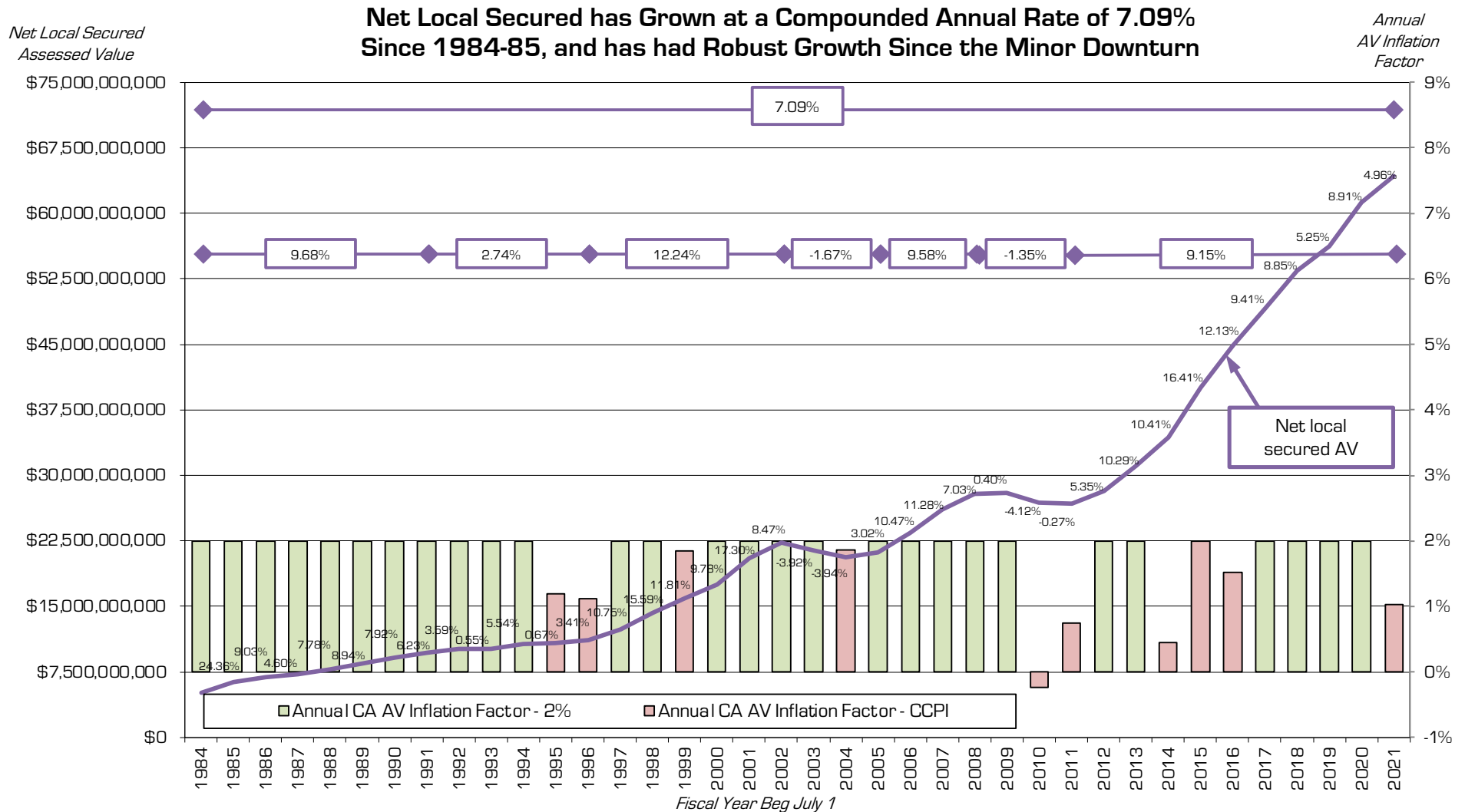
Since 1984-85, Net Local Secured AV has Become an Even Greater Component of Total AV

Assessed Value



Historical assessed value (AV) provided by the Santa Clara County Auditor-Controller's Office. The District's total AV is comprised of net local secured, unsecured, & other (comprised of utility & homeowner's exemption).

A Closer Look at Net Local Secured AV

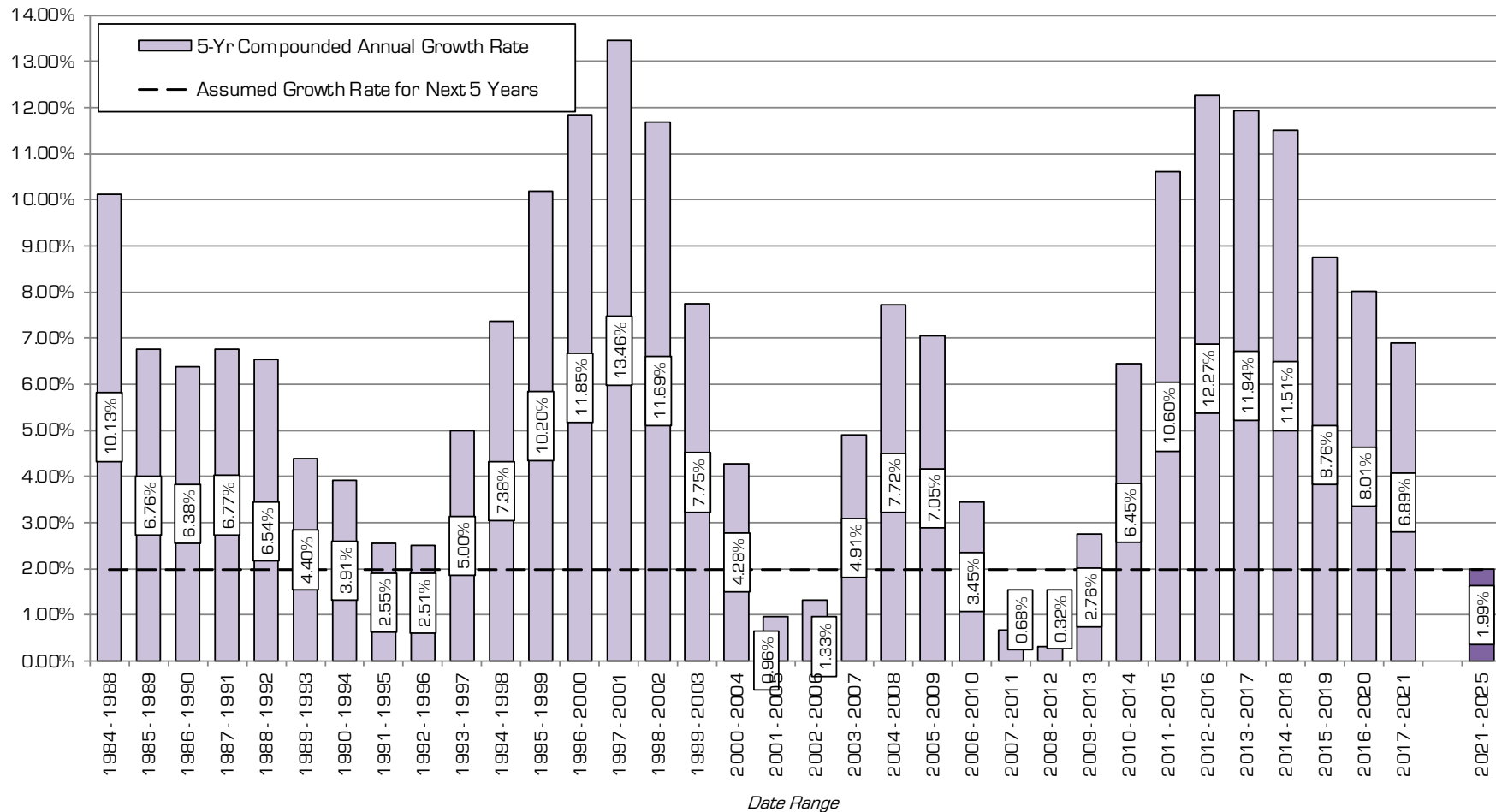


Historical assessed value (AV) provided by the Santa Clara County Auditor-Controller's Office. The District's total AV is comprised of net local secured, utility, homeowners exemption, & unsecured. Changes shown are annual changes, while ranges are compounded annual growth rates. Annual California AV inflation factor provided by California State Board of Equalization, and is the lesser of the annual change in the CA CPI or 2%.

Historical AV Analysis – 5 Year Periods

Compounded Annual
Growth Rate - Total
Secured AV

AV Assumptions Used Result in 1.99% Annual Growth Over 5 Years

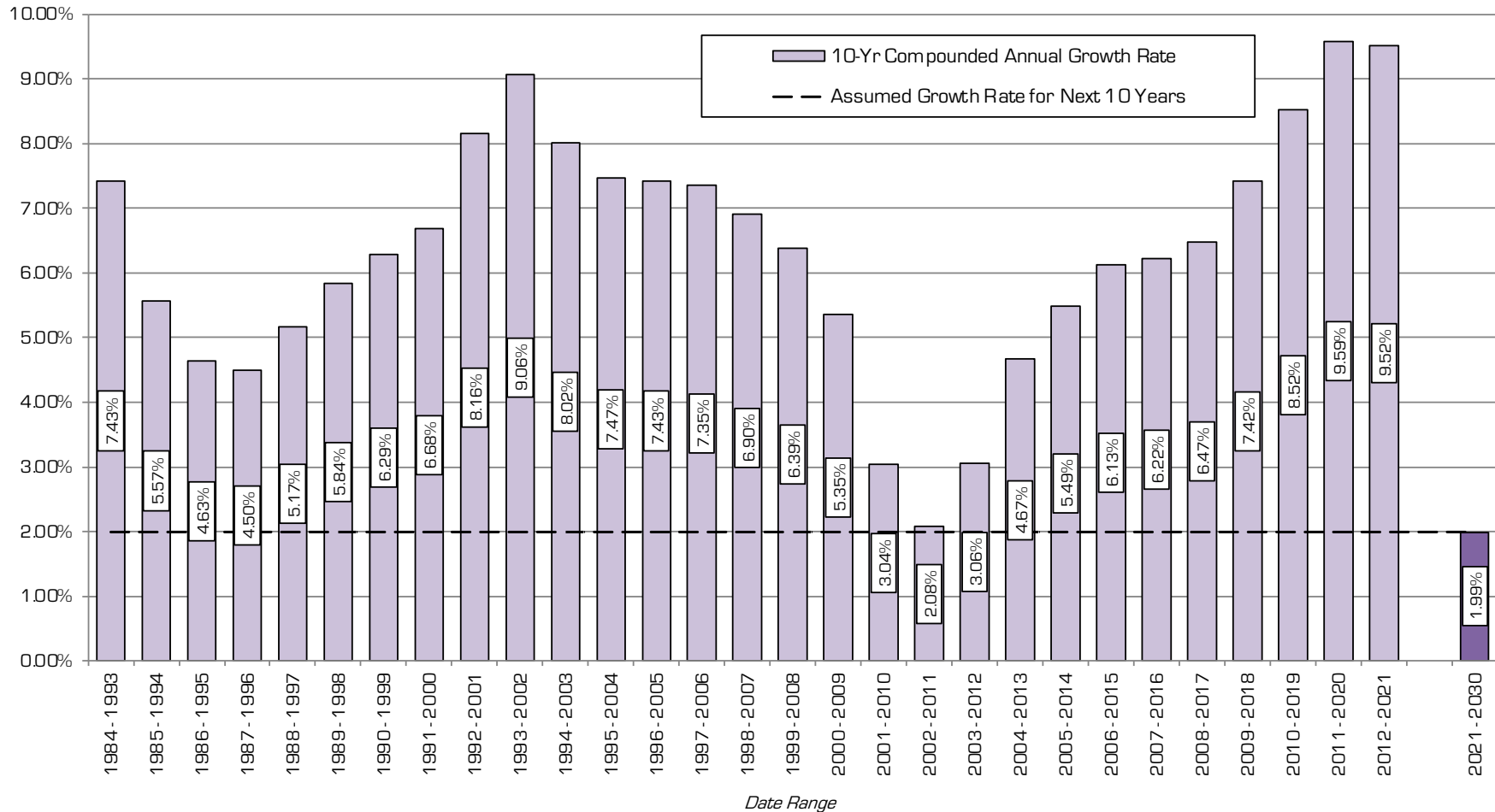


Historical data from Santa Clara Co. Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

Historical AV Analysis – 10 Year Periods

Compounded Annual
Growth Rate - Total
Secured AV

AV Assumptions Used Result in 1.99% Annual Growth Over 10 Years

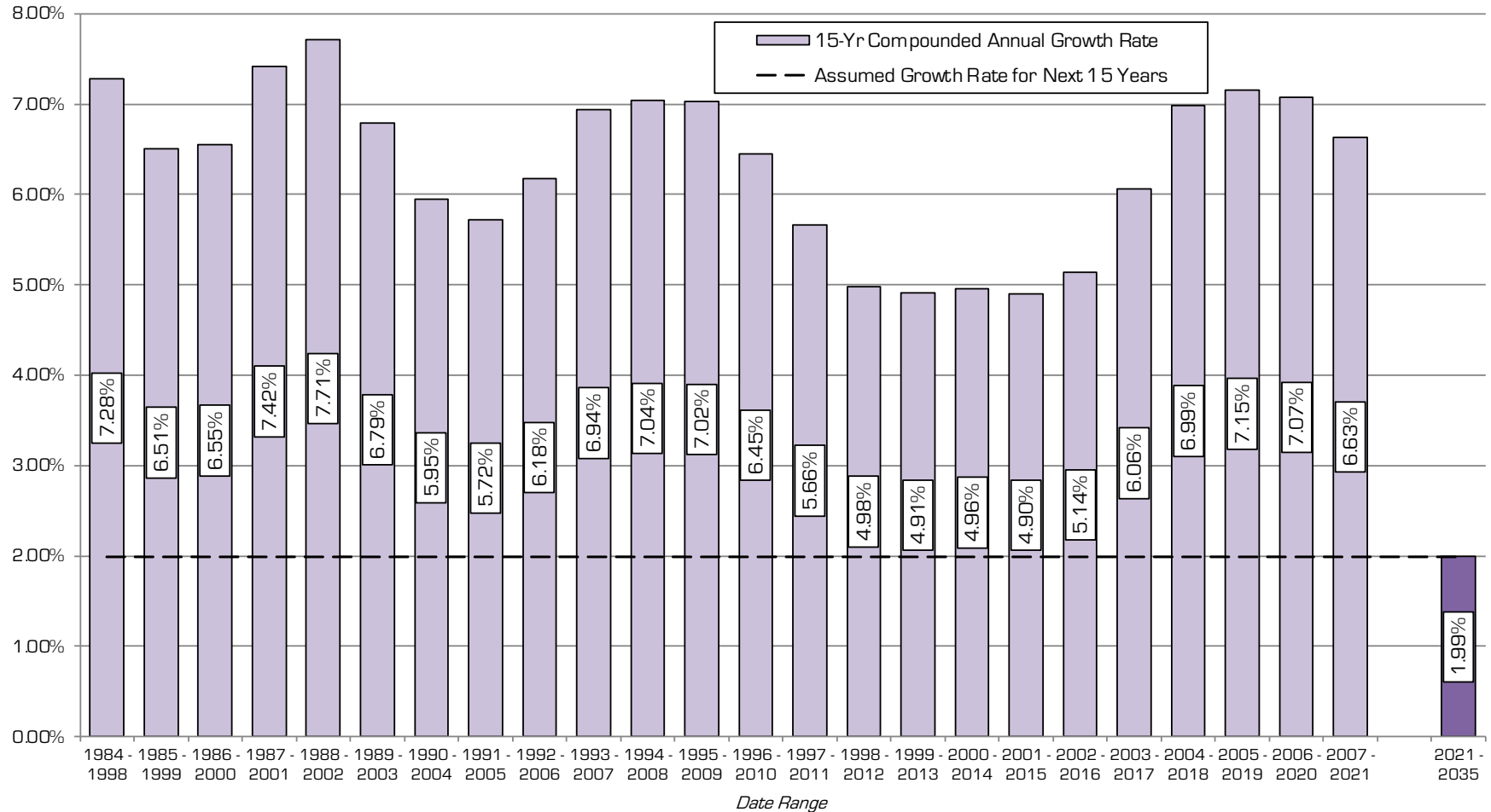


Historical data from Santa Clara Co. Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

Historical AV Analysis – 15 Year Periods

Compounded Annual
Growth Rate - Total
Secured AV

AV Assumptions Used Result in 1.99% Annual Growth Over 15 Years

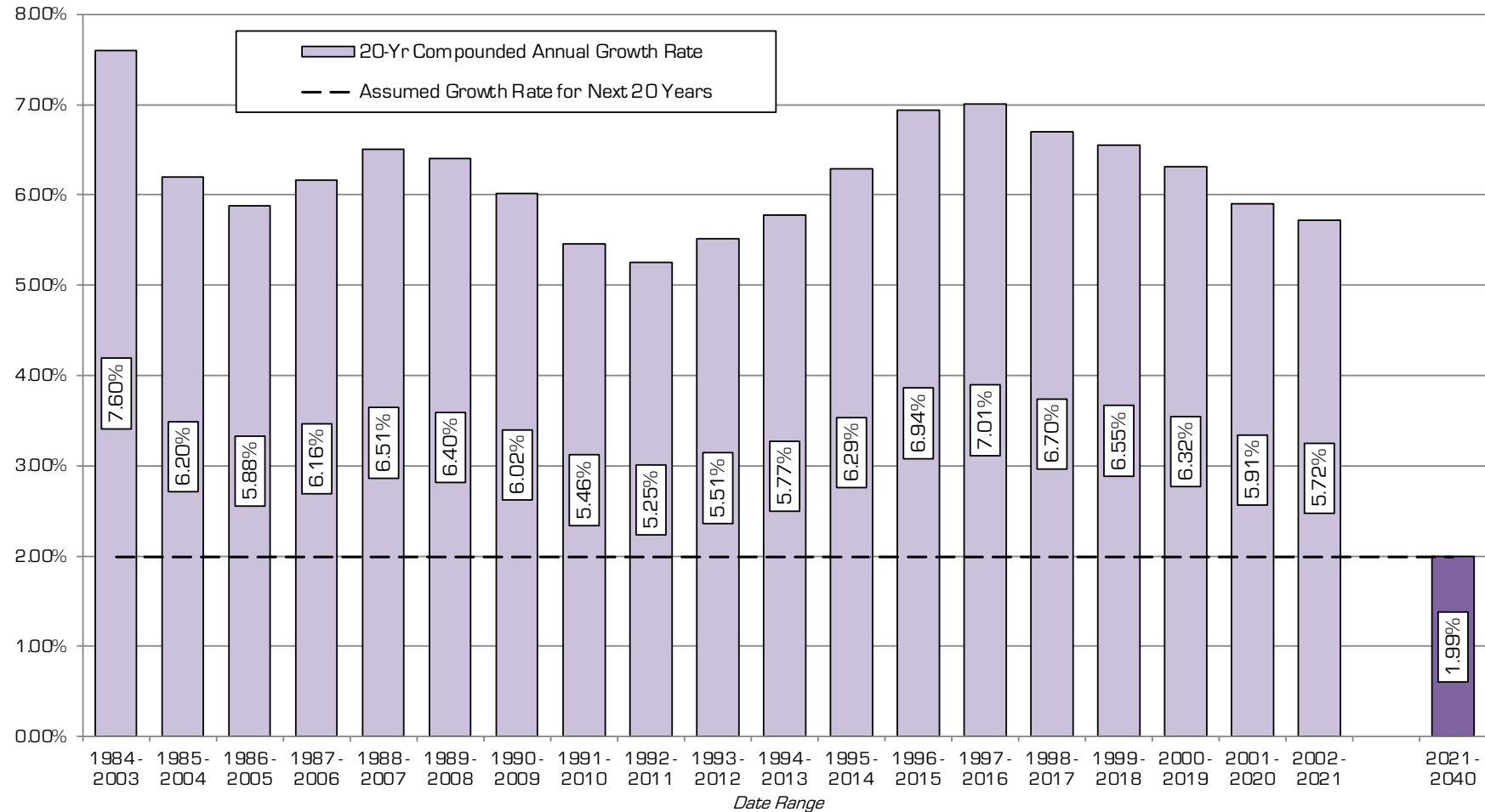


Historical data from Santa Clara Co. Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

Historical AV Analysis – 20 Year Periods

Compounded Annual
Growth Rate - Total
Secured AV

AV Assumptions Used Result in 1.99% Annual Growth Over 20 Years

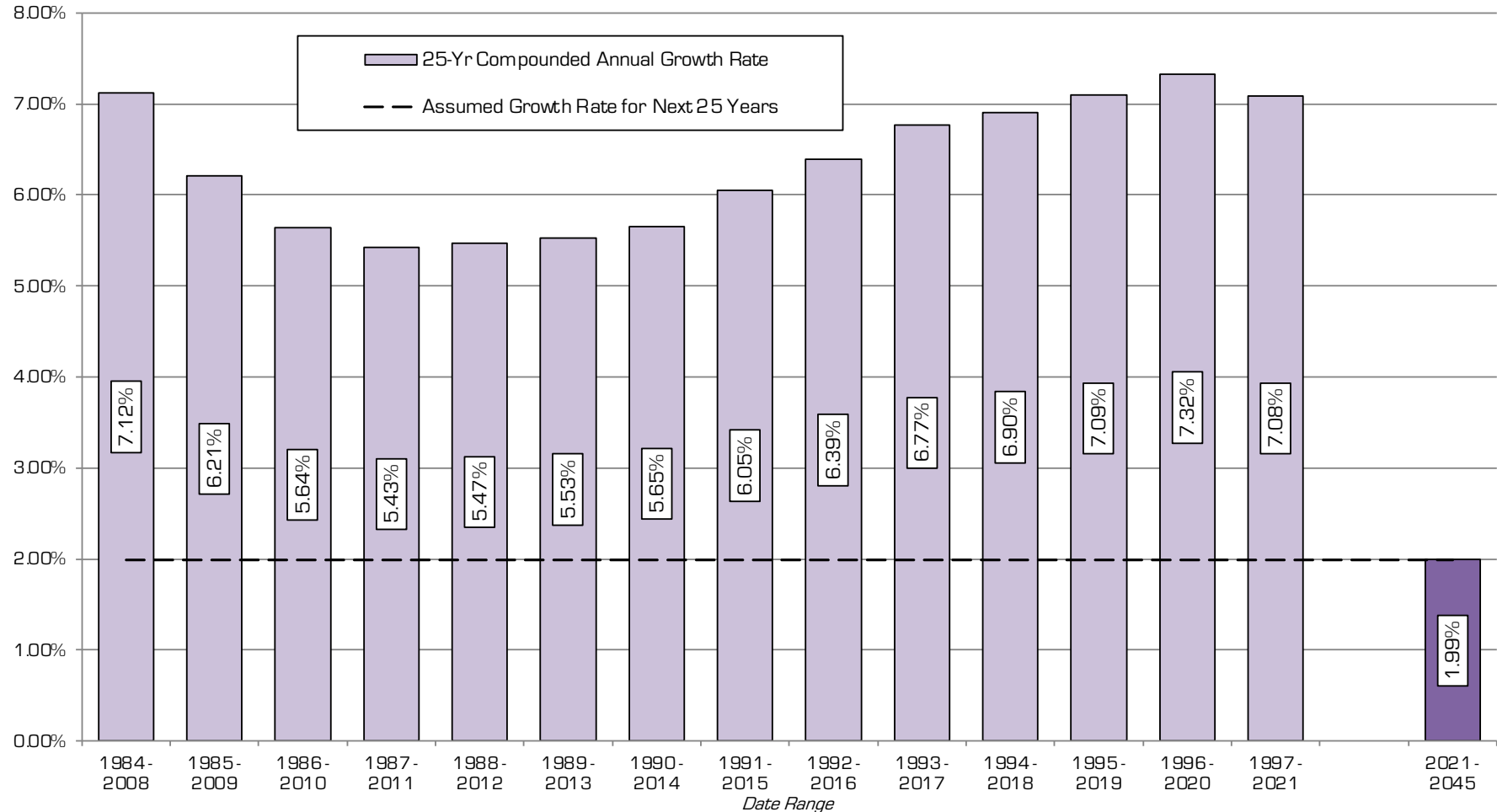


Historical data from Santa Clara Co. Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

Historical AV Analysis – 25 Year Periods

Compounded Annual
Growth Rate - Total
Secured AV

AV Assumptions Used Result in 1.99% Annual Growth Over 25 Years



Historical data from Santa Clara Co. Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.