

# Visalia Unified School District

## Implementing Measure A: Series 2020 Bond Sale Results



Presented by Lori Raineri and Matt Kolker

July 28, 2020

# Agenda

- ◆ Bond Sale Process and Results
- ◆ Conclusion
- ◆ For Reference
  - ▶ Costs of Issuance
  - ▶ April 28, 2020 Presentation



# Moody's and S&P Rated the Bonds

**MOODY'S**  
INVESTORS SERVICE

**Rating Action: Moody's assigns Aa3 to Visalia USD, CA's \$35.2M GO Bonds**

16 Jun 2020

New York, June 16, 2020 – Moody's Investors Service has assigned a Aa3 rating to Visalia Unified School District's \$35.2 million General Obligation Bonds, Election of 2018, Series 2020. Moody's maintains a Aa3 rating on the district's outstanding GO bonds.

**RATINGS RATIONALE**

The Aa3 rating reflects district's healthy and stable financial position anchored by management's conservative budgeting practices and a trend of steadily growing enrollment. The rating incorporates the district's large and growing Central Valley tax base and the below average socioeconomic profile of local residents. The rating reflects the district's manageable pension and OPEB liabilities and an low debt burden that will grow modestly in the coming years as the district exhausts its remaining bond authorization.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for Visalia Unified School District. California's Senate Bill 117 guarantees all districts funding based upon average daily attendance (ADA) through February 29, 2020, and waives instructional time penalties, effectively holding districts harmless for state funding in the current fiscal year. The state has appropriated an additional \$100 million to reimburse districts for the purchase of personal protective equipment and site cleanup costs.

**RATING OUTLOOK**

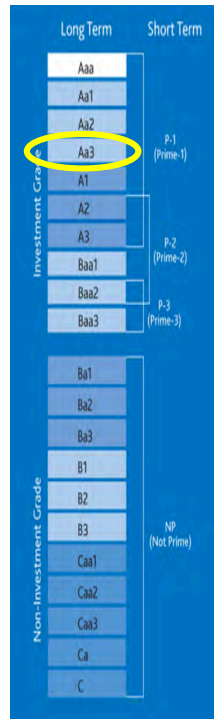
Outlooks are not typically assigned to local government credits with this amount of debt outstanding.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING**

- Significant strengthening of reserves
- Long-term trend of enrollment growth, supporting sustained revenue growth
- Strengthened local resident wealth and income profiles

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING**

- Material deterioration of liquidity or reserves
- Meaningful growth to debt, pension or OPEB burdens
- Sharp tax base contraction



## Visalia Unified School District (Tulare County), California; Appropriations; General Obligation

**Credit Profile**

US\$35.17 mil GO bonds election of 2018 ser 2020 dtd 07/09/2020 due 08/01/2044		
Long Term Rating	AA-/Stable	New
Visalia Unif Sch Dist approp (AGM)		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Visalia Unif Sch Dist COPs (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Visalia Unif Sch Dist GO rfdg bonds		
Long Term Rating	AA-/Stable	Affirmed

**Rating Action**

S&P Global Ratings assigned its 'AA-' long-term rating to Visalia Unified School District (Tulare County), Calif.'s anticipated \$35.1 million, election of 2018, series 2020 general obligation (GO) bonds. At the same time, S&P Global Ratings affirmed its 'AA-' long-term rating on the district's previously issued general obligation (GO) bonds. Finally, S&P Global Ratings affirmed its 'A+' underlying rating (SPUR) on the district's certificates of participation (COPs) outstanding. The outlook is stable.

Revenue from unlimited ad valorem taxes levied on taxable property in the district secures the GO bonds. The Tulare County Board of Supervisors has the power and obligation to levy these taxes at the district's request for the bonds' repayment. The county is required to deposit such taxes, when collected, into the bonds' debt service fund. Proceeds from the election of 2018, series 2020 GO bonds will be used to finance the renovation, construction, and improvement of school facilities. The district will have about \$169 million in direct debt outstanding at the beginning of fiscal 2021 after the current issuance.

Long Term	Short Term
AAA	
AA+	
AA	A-1+
<b>AA-</b>	
A+	
A	A-1
A-	
BBB+	A-2
BBB	
BBB-	A-3
BB+	
BB	
BB-	B
B+	
B	
B-	
CCC+	
CCC	
CCC-	C
CC	
C	

✓ Given the District's "Aa3" rating from Moody's and "AA-" rating from Standard & Poors, we advised the District to not purchase bond insurance (highest credit rating of "AA"); however, the winning bidder was free to seek bond insurance (but not likely).

# Competitive Bid Process

- ◆ Bids for Series 2020 bonds accepted until Thursday, June 25 at 9:05 am

- ▶ Par amount: \$35,170,000

The screenshot shows the MUNIOS website interface. At the top, it displays the MUNIOS logo and the bond details: \$35,170,000\* VISALIA UNIFIED SCHOOL DISTRICT (TULARE COUNTY, CALIFORNIA) GENERAL OBLIGATION BONDS, ELECTION OF 2018, SERIES 2020. Below this is a table with the following information:

SALE DATE	Thursday, June 25, 2020
SALE TIME	UNTIL 9:05 AM PDT
TYPE	Competitive
STATE	California
RATINGS	S&P Rating: "AA-" Moody's Rating: "Aa3"

At the bottom of the screenshot, there are two download buttons: "PRELIMINARY OFFICIAL STATEMENT" with a "DOWNLOAD HERE" button, and "BOND PURCHASE AGREEMENT" with a "DOWNLOAD HERE" button.

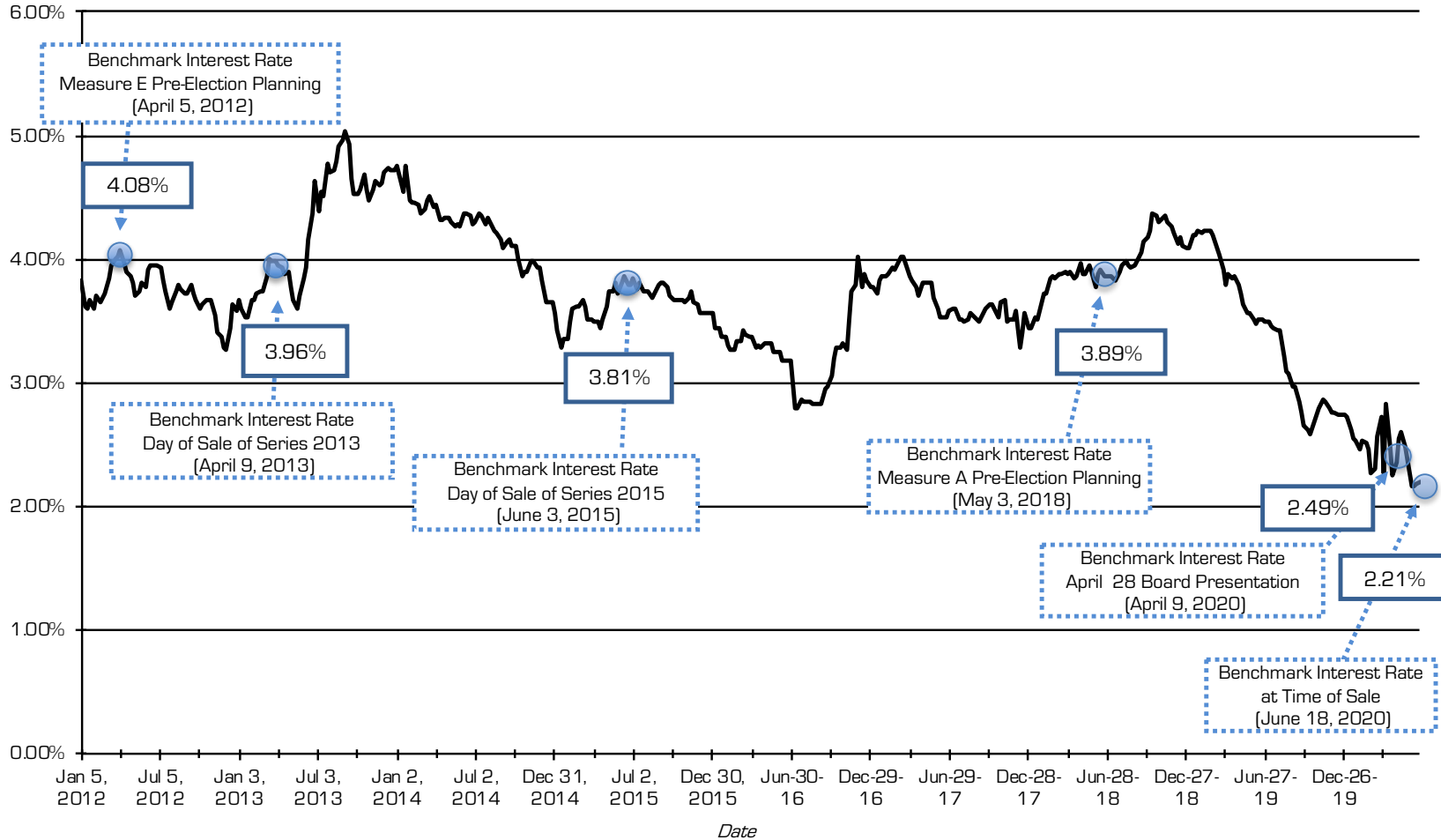
- ◆ Internet notification and bidding:

- ▶ MuniOS - notify market and provide documents.
- ▶ PARITY - notify market and to accept bids.
- ▶ *The Bond Buyer* (industry newspaper) - notify market.
- ▶ Any bank or underwriter allowed to bid.
- ▶ Bidding allowed within flexible parameters.

✓ *More competition → better results for the District*

# Market is Volatile

*Interest Rate*     **The Benchmark Municipal Bond Interest Rate Fluctuates Over Time; When 2020 Bonds Sold, Rate was 168 Basis Points (1.68%) Below Measure A Pre-Election Planning**

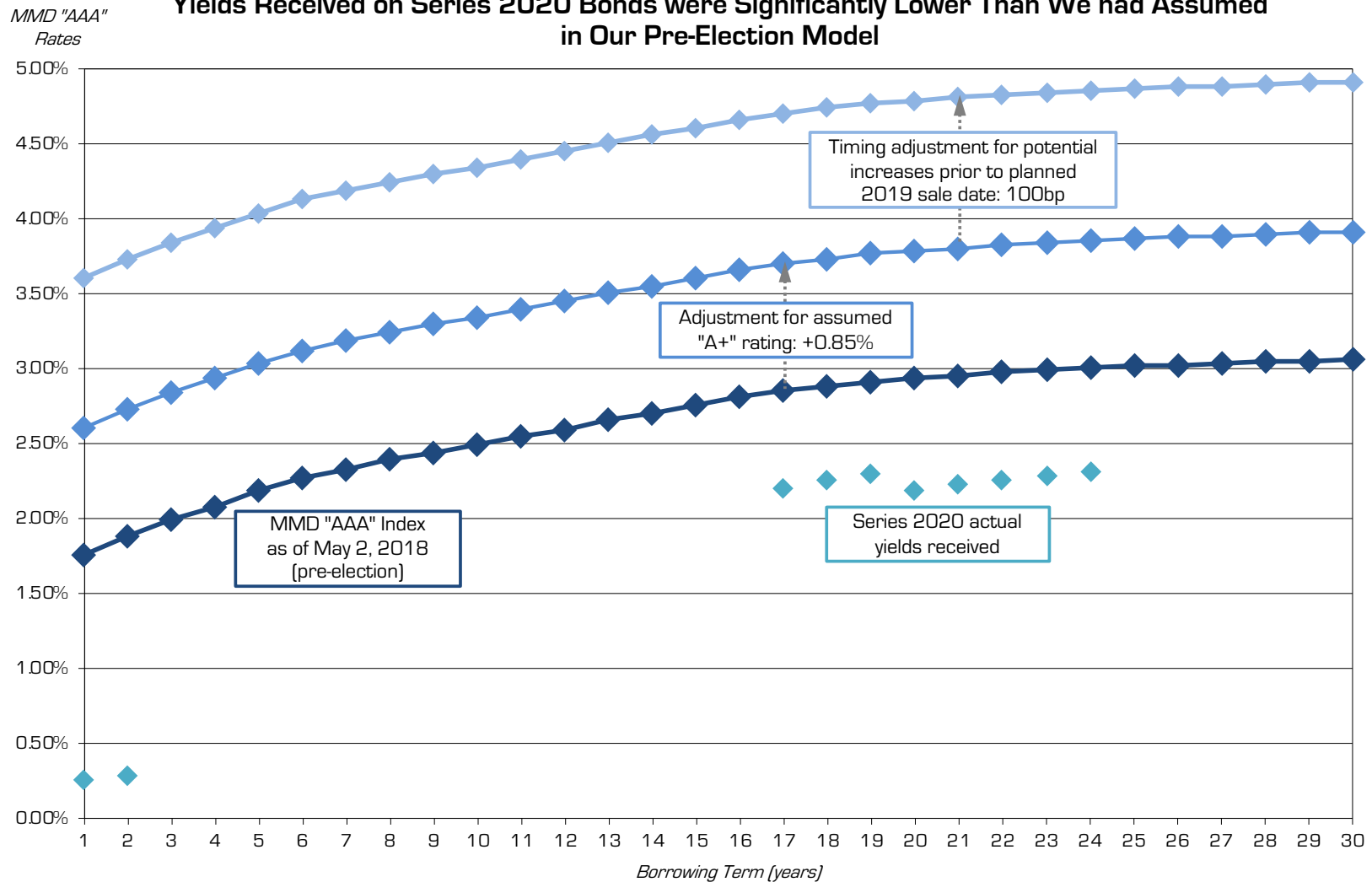


Notes: The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years and is compiled every Thursday. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Rating Service AA.



# Reoffering Yields Below Pre-Election Estimates

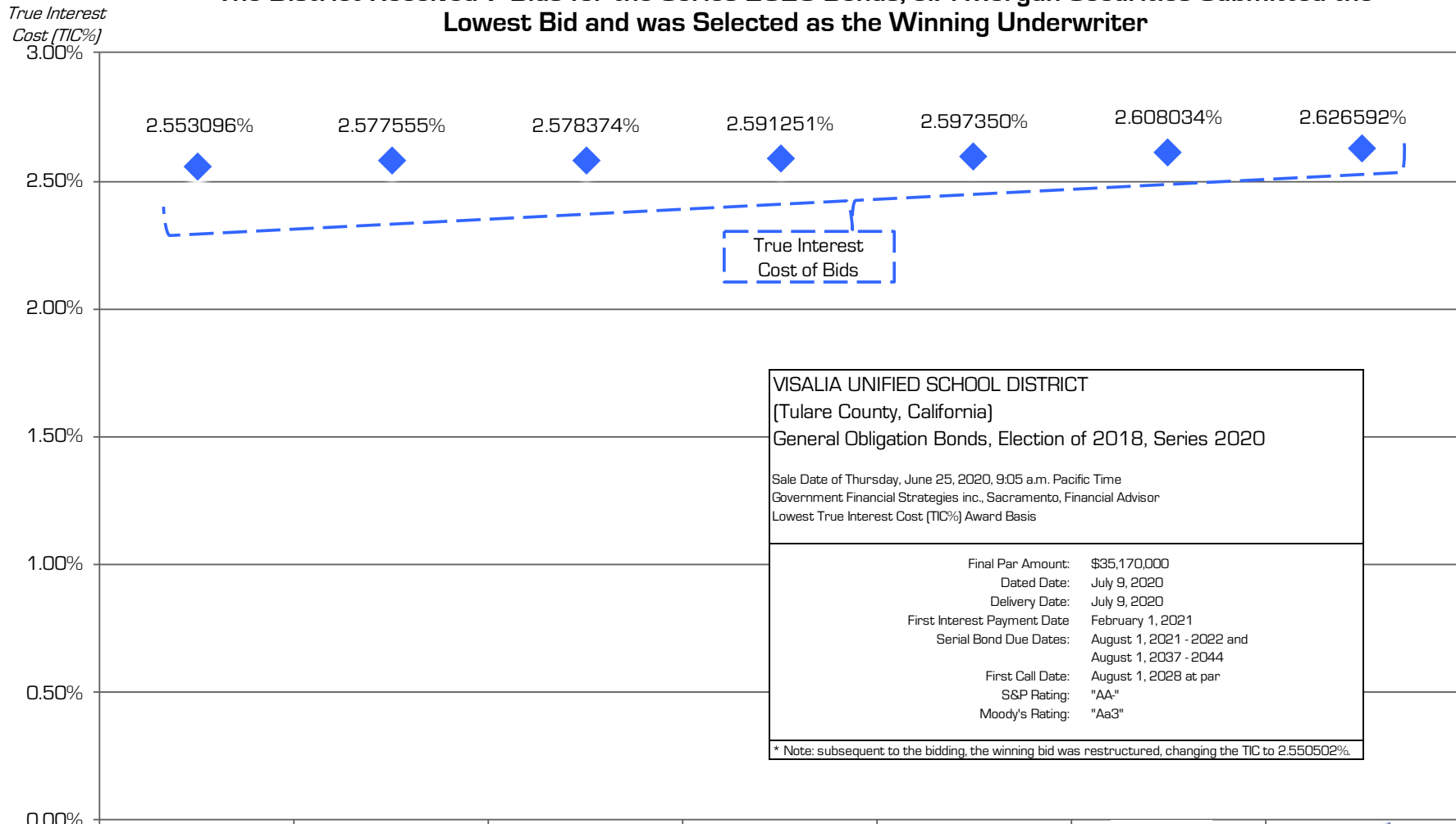
**Yields Received on Series 2020 Bonds were Significantly Lower Than We had Assumed in Our Pre-Election Model**



Note-"MMD" = Municipal Market Data. Estimated reoffering yields based on MMD "AAA" rates shown. Series 2020 yields from winning bid. Original plan was to issue first series in 2019.

# Bid Results

The District Received 7 Bids for the Series 2020 Bonds; J.P. Morgan Securities Submitted the Lowest Bid and was Selected as the Winning Underwriter



VISALIA UNIFIED SCHOOL DISTRICT  
 (Tulare County, California)  
 General Obligation Bonds, Election of 2018, Series 2020

Sale Date of Thursday, June 25, 2020, 9:05 a.m. Pacific Time  
 Government Financial Strategies inc., Sacramento, Financial Advisor  
 Lowest True Interest Cost (TIC%) Award Basis

Final Par Amount:	\$35,170,000
Dated Date:	July 9, 2020
Delivery Date:	July 9, 2020
First Interest Payment Date:	February 1, 2021
Serial Bond Due Dates:	August 1, 2021 - 2022 and August 1, 2037 - 2044
First Call Date:	August 1, 2028 at par
S&P Rating:	"AA"
Moody's Rating:	"Aa3"

\* Note: subsequent to the bidding, the winning bid was restructured, changing the TIC to 2.550502%.

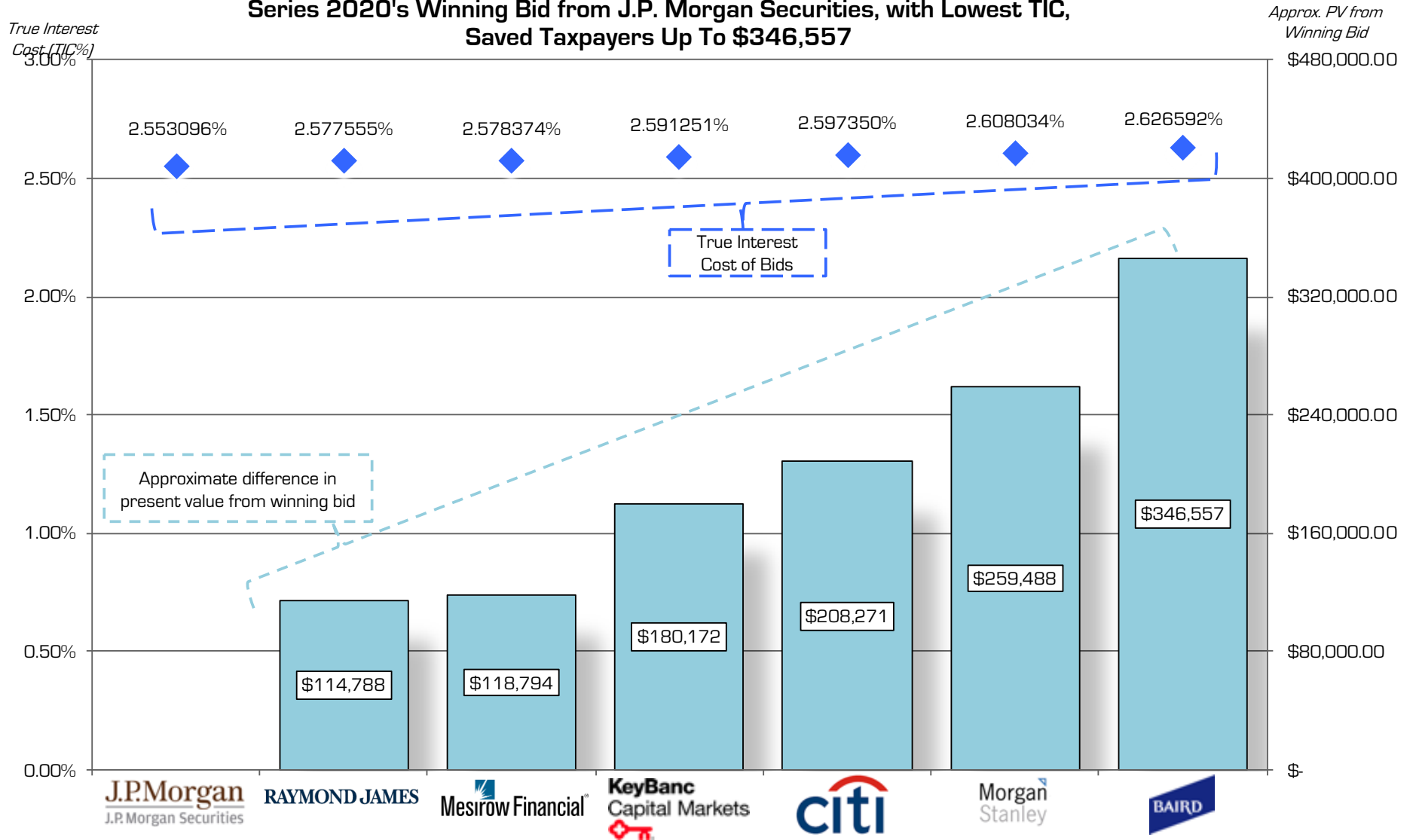


RAYMOND JAMES



# Bid Results

Series 2020's Winning Bid from J.P. Morgan Securities, with Lowest TIC,  
Saved Taxpayers Up To \$346,557





# Bidding Came From Across US

(and none from California)

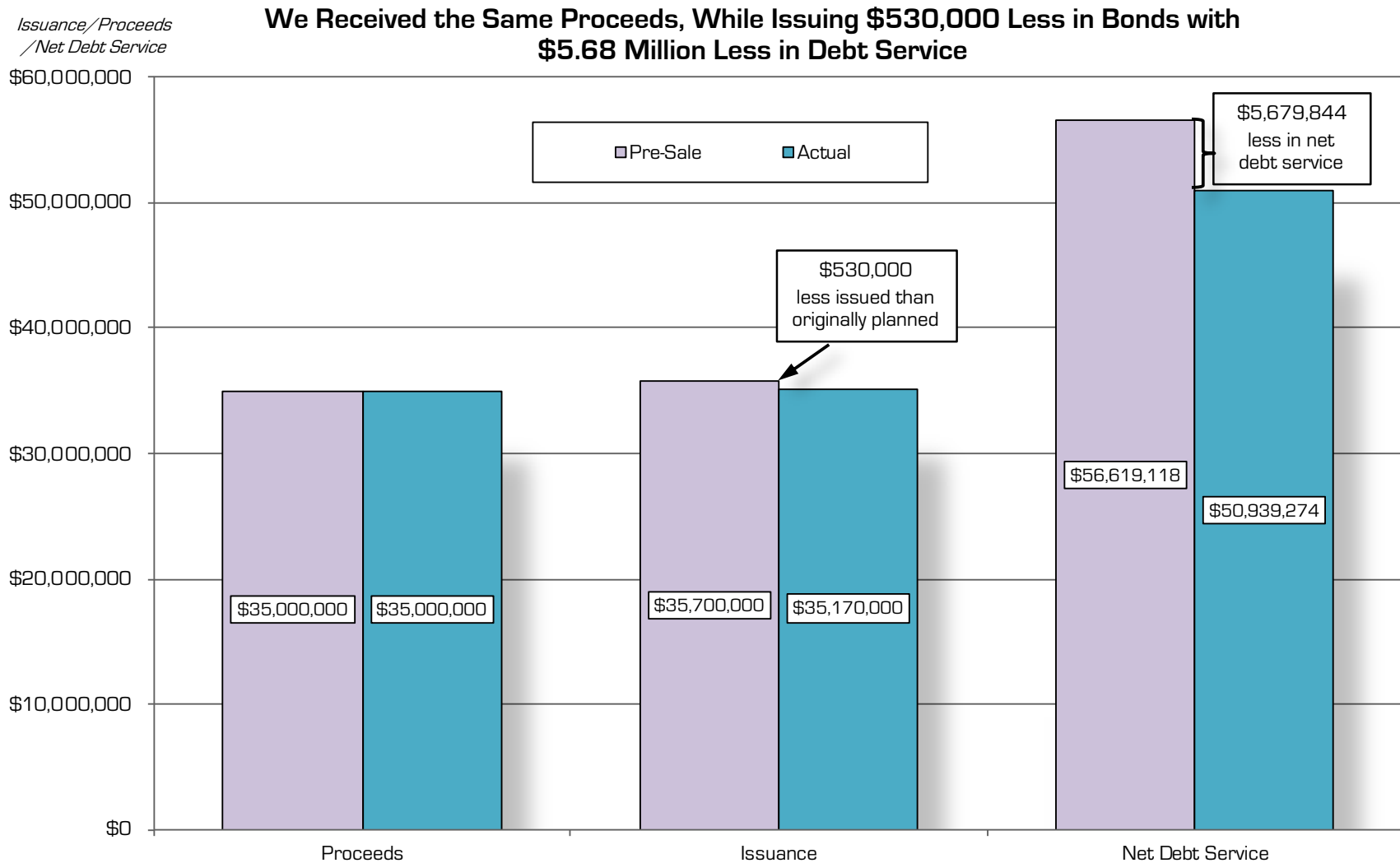


Note: location represents bidder's location.

# Actual Sources and Uses of Funds

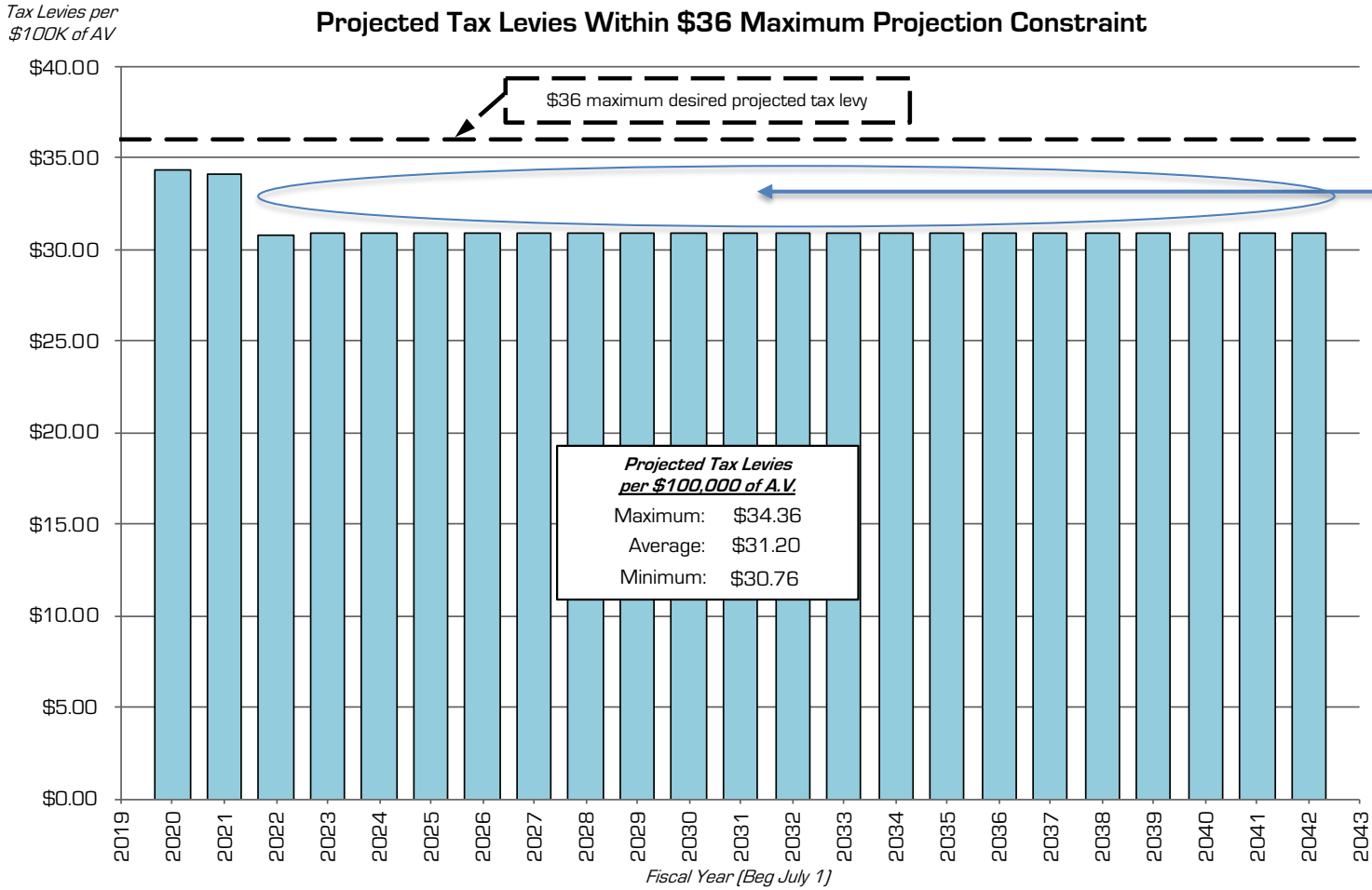
Sources	<i>Pre-Sale Estimate - Apr 28, 2020 Board Mtg</i>	<i>Actual</i>	<i>Difference from Pre-Sale</i>
<u>Bond Proceeds</u>			\$0.00
Par Amount:	\$35,700,000.00	\$35,170,000.00	(\$530,000.00)
Premium:	\$0.00	\$1,372,981.05	\$1,372,981.05
Total:	\$35,700,000.00	\$36,542,981.05	\$842,981.05
 Total Sources	<u>\$35,700,000.00</u>	<u>\$36,542,981.05</u>	<u>\$842,981.05</u>
 <u>Uses</u>			
<u>Project Fund Deposits</u>			
Building Fund	\$35,000,000.00	\$35,000,000.00	\$0.00
 <u>Delivery Date Expenses</u>			
Cost of Issuance:	\$170,000.00	\$170,000.00	\$0.00
Underwriter's Discount:	\$360,000.00	\$191,115.01	(\$168,884.99)
Bond Insurance:	\$170,000.00	\$0.00	(\$170,000.00)
Total:	\$700,000.00	\$361,115.01	(\$338,884.99)
 <u>Other Uses of Funds:</u>			
Interest & Sinking Fund:	\$0.00	\$1,181,866.04	\$1,181,866.04
 Total Uses	<u>\$35,700,000.00</u>	<u>\$36,542,981.05</u>	<u>\$842,981.05</u>

# Taxpayers Will Save Nearly \$6 Million



Actual net debt service reflects application of \$1,181,866 deposited to Interest & Sinking Fund. Pre-Sale data from April 28, 2020 presentation to the Board.

# Projected Tax Levies ≤ Pre-Election Est.



- ◆ Series 2020 Bonds were structured to provide sufficient "taxing capacity" to issue the next series of bonds
- ◆ Depending on actual AV growth and interest rates, the plan will be updated to minimize the cost to taxpayers

Net local secured AV is assumed to increase 3% annually, while all other AV types are assumed to remain unchanged.

# Bond Sale Was Better than Budget

✓ Lower debt service



✓ Less taxes



# Thank You, Any Questions?

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