

NEED FOR MEASURE H

The Facilities Master Plan (FMP) created in 2006 outlined a 20-year plan to invest in necessary repairs and upgrades to HUSD schools. Measure I in 2008, and Measure L in 2014, initiated the process of addressing identified needs, but major facility repairs and upgrades still need immediate attention.

On July 25, 2018, the HUSD Board of Education authorized placing a \$381.7 million bond measure on the ballot. This ballot measure became known as “Measure H.” If approved by voters, Measure H would provide funding to continue addressing needs identified in the 2006 FMP, as well as complete facility upgrade projects already in progress, consistent with the following Board-approved goals:

- Health and Safety
- Systems Equity
- Technology Enhancements
- Community Enhancements

MEASURE H BALLOT QUESTION

“To provide safe/modern schools; upgrade aging classrooms/school facilities; update classroom technology; provide art/music classrooms; improve accessibility for students with disabilities; upgrade fire safety/emergency communications/school security systems; install solar panels; repair leaky roofs; update plumbing/heating/ventilation systems, shall Hayward Unified School District issue \$381,700,000 in bonds at legal rates, levy approximately \$60 per \$100,000 of assessed value annually (generating approximately \$24,502,000), anticipated through 2049-50, with independent oversight and all funds staying local?”

VOTER SUPPORT FOR MEASURE H

Measure H was placed on the November 6, 2018 ballot for voters to decide on. As a Prop 39 bond measure, it required 55% of the voters’ support to pass. Measure H passed with a 72.9% “yes” vote.

MEASURE H PRIORITY PROJECTS

The following projects were prioritized for Measure H because they were determined to have the greatest impact on educational opportunities for students, including modern elementary facilities, visual and performing arts curriculum, athletics and the arts.

Priority Projects:

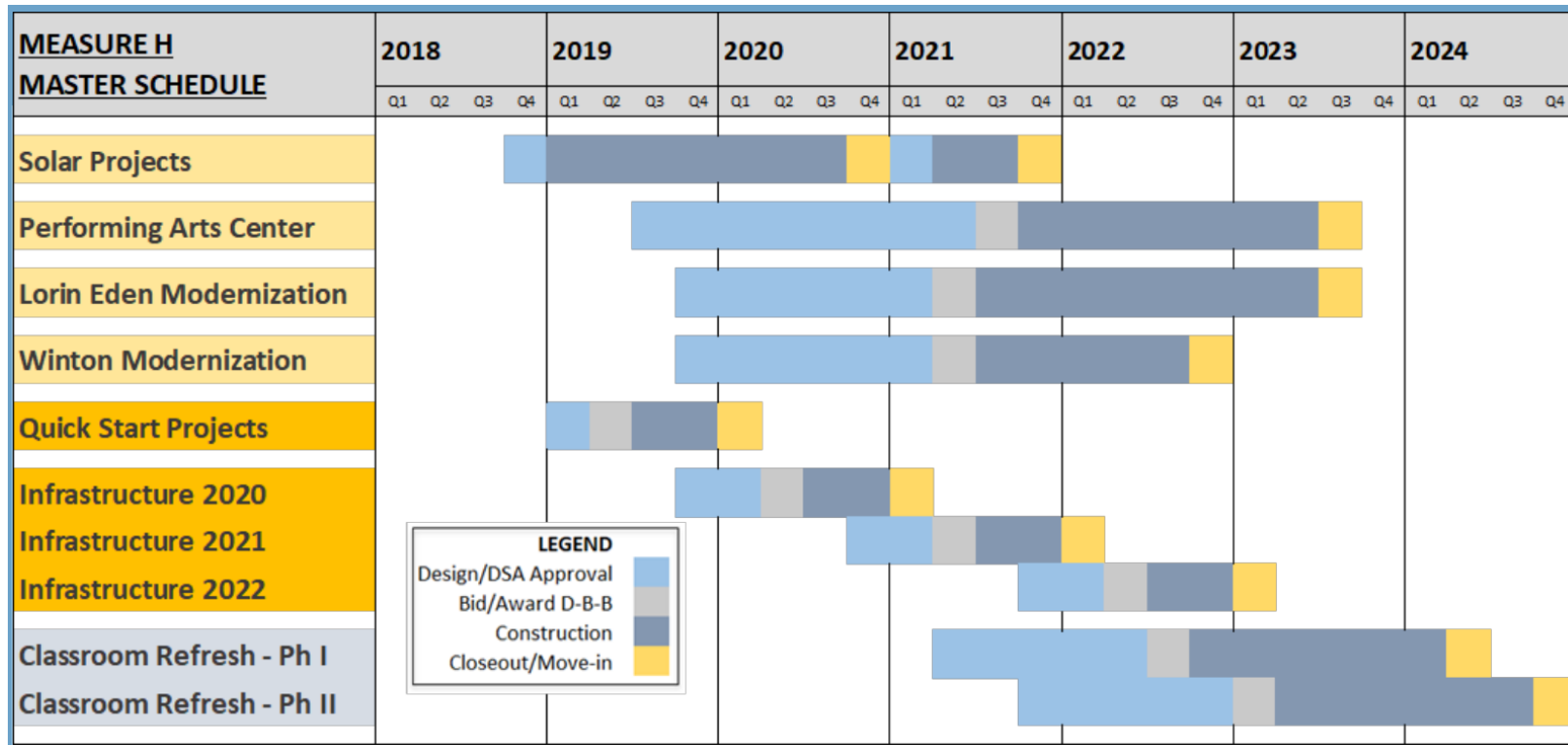
- New District-wide Solar Generating Facilities
- New District Performing Arts Center
- Modernization of Lorin Eden Elementary School
- Modernization Winton Middle School
- Infrastructure Improvements
- Classroom Modernization

MEASURE H PROGRESS

Projects completed or in progress under Measure H are summarized on the following pages.

IMPLEMENTATION SCHEDULE

Measure H projects completed or in progress have been implemented on efficiently as shown in the Measure H Master Schedule presented below:





New District-wide Solar Generating Facilities

Project Scope:

This project entails the installation of solar generating facilities on 33 HUSD owned properties. The scope also includes the installation of Electric Vehicle Charging Stations at 23 HUSD owned properties and monitoring hardware at all installation sites.

Progress to Date:

- Projects complete at all sites except Mt Eden HS.
- Mt. Eden design is being finalized based on the design of the performing arts center

Project Timeline:

- Planning/Design: 2018
- Construction: 2019-21



New District Performing Arts Center

Project Scope:

This project entails a new District Performing Arts Center to be constructed on the Mt. Eden High School Campus. The design includes 500 seats, a small performance/community room space and full support spaces for the back-of-house.

Progress to Date:

- Construction documents submitted to DSA for review in February 2021
- Steering committee of stakeholders has met 4 times to review design
- HUSD entered into a contract with Blach Construction to perform preconstruction services

Project Timeline:

- Planning/Design: 2018
- Construction: 2019-21



Modernization of Lorin Eden Elementary School

Project Scope:

The project consists of constructing new modular classroom buildings to replace existing portable classroom, relocate the administration to the front of the school, renovate existing administration into a library/media center, modernize the existing classrooms and perform required ADA upgrades.

Progress to Date:

- Construction documents submitted to DSA for review in January 2021
- A Lease-Leaseback process is being used to contract for the modular buildings

Project Timeline:

- Planning/Design: 2020-21
- Construction: 2021-23



Modernization of Winton Middle School

Project Scope:

The project consists of constructing a music/drama classroom addition onto the multipurpose building. Modernization of the existing classrooms per the standards and perform required ADA upgrades.

Progress to Date:

- Construction documents submitted to DSA for review in December 2020
- HUSD is starting the process to use a Lease-Leaseback delivery method for this project

Project Timeline:

- Planning/Design: 2020-2021
- Construction: 2021-2022



District-wide Infrastructure Improvements

Project Scope:

The project consists of the replacement of roofing, replacement of fire alarm and public address systems, exterior painting, paving and security upgrades at multiple campuses.

Progress to Date:

- Most summer projects have been completed
- Ongoing development of scope and drawings for future projects

Project Timeline:

- Planning/Design: 2019-22
- Construction: 2019-23
- Please refer to the overall timeline on the following page



Classroom Refresh

Project Scope:

The project consists of the modernization of classrooms at to be determined campuses. The scope will include new finishes, cabinetry, teaching wall, lighting upgrades & required ADA improvements. Classrooms would also receive new furniture.

Progress to Date:

- Classroom Standard has been developed - Refreshing portable classrooms not included
- First site designated by the Board is Winton MS to align the modernization project with the higher classroom standards developed.

Project Timeline:

- Planning/Design: 2021-2022
- Construction: 2022-2023

Infrastructure Projects

	Name of School	2019			2020					2021					2022				
		Roof	FA/PA	Paint	Roof	FA/PA	Paint	Paving	Scrty	Roof	FA/PA	Paint	Paving	Scrty	Roof	FA/PA	Paint	Paving	Scrty
Hayward High Feeder	Hayward High School				X	X	X	X	X										
	Bret Harte Middle School						X	X	X						X				
	Winton Middle School	X		X															
	Burbank Elementary School								X								X		
	East Avenue Elementary School																X		X
	Fairview Elementary School																X		X
	Stonebrae Elementary School								X								X		
	Strobridge Elementary School											X		X	X	X		X	
Mt. Eden High Feeder	Mt. Eden High School										X	X	X	X	X				
	Anthony Ochoa Middle School		X									X		X	X			X	
	Martin Luther King Middle School								X								X		
	Eden Gardens Elementary School	X					X		X										
	Longwood Elementary School		X		X		X	X	X										
	Lorin Eden Elementary School	X																	
	Palma Ceia Elementary School										X	X		X	X			X	
	Park Elementary School											X		X	X	X		X	
Tennyson High Feeder	Southgate Elementary School				X	X	X	X	X										
	Tennyson High School						X		X	X								X	
	Cesar Chavez Middle School				X	X	X	X	X										
	Bowman Elementary School											X		X	X	X		X	
	Eldridge Elementary School											X		X	X	X		X	
	Glassbrook Elementary School		X									X		X	X			X	
	Ruus Elementary School		X		X		X	X	X										
	Schafer Park Elementary School																X		X
	Treeview Elementary School	X	X	X					X									X	
	Tyrrell Elementary School																X		X

MEASURE H BOND FINANCING

HUSD issued a Request for Proposals (RFP) for bond financing services in November of 2018 after the passage of Measure H. As a result, the District assembled a new bond finance team, led by Isom Advisors, A Division of Urban Futures.

The Measure H bond financing plan was designed to be three issuances over several years. After the November 2018 election, interest rates began to decline as investors shifted to “safe” investments such as municipal markets with ongoing geopolitical issues (such as Brexit and tariff/trade concerns).

The District’s first Measure H issuance was priced on February 27, 2019, so that HUSD would be in the market before the State of California entered the market the following week with a very large bond sale. HUSD’s bonds were priced at one of the lowest interest rate environments in recent months. The table below shows recent 10- and 30-year Municipal Market Data (MMD) interest rates, including on February 27, 2019.

Date	10-year MMD Rates	30-year MMD Rates
8/3/2018	2.48%	3.05%
9/7/2018	2.49%	3.10%
10/5/2018	2.68%	3.35%
<u>11/6/2018</u>	<u>2.77%</u>	<u>3.46%</u>
12/3/2018	2.51%	3.22%
1/4/2019	2.27%	2.99%
2/6/2019	2.17%	3.07%
2/27/2019	2.08%	2.96%
3/6/2019	2.11%	3.00%

This first Measure H bond issuance for \$145 million, completed on March 20, 2019, resulted in lower transaction costs to taxpayers than the good faith estimate prepared in June 2018. As summarized in the table below, the savings to Hayward taxpayers was over \$3.1 million.

	Series 2019 Pre-Election Estimates (6/20/2018)	Actual Series 2019 Financing Costs (3/20/2019)	Difference
Underwriter's Discount	\$2,190,000	\$282,750	(\$1,907,250)
Municipal Bond Insurance	\$1,510,000	\$270,956	(\$1,239,044)
Other Financing Costs	\$225,000	\$260,000	\$35,000
Total Costs	\$3,925,000	\$813,706	(\$3,111,294)
Par Amount	\$125,000,000	\$145,000,000	\$20,000,000

When compared to the last Measure L bond issuance completed on May 11, 2017, the transaction costs of the first Measure H issuance was lower by more than \$800k as shown in the table below.

	Actual Series 2017 Financing Costs (5/11/2017)	Actual Series 2019 Financing Costs (3/20/2019)	Difference
Underwriter's Discount	\$1,376,932	\$282,750	(\$823,226)
Municipal Bond Insurance		\$270,956	
Other Financing Costs	\$245,000	\$260,000	\$15,000
Total	\$1,621,932	\$813,706	(\$808,226)
Par Amount	\$134,000,000	\$145,000,000	\$11,000,000

In addition to issuing the first series of Measure H bonds, the finance team completed a refunding on March 20, 2019 of \$86.3 million in previous bond debt to take advantage of the low interest rate environment. This refunding, as summarized in the table below, will save Hayward tax payers more than \$14.1 million.

	Estimate at Board Meeting (2/13/2019)	Final Refunding (3/20/2019)
Gross Savings	\$6,192,567	\$14,116,399
PV Savings	\$3,315,966	\$8,447,876
PV Savings as % of Refunded Par	3.94%	10.05%

The finance team recognized from the outset that a “waiver” from the California Department of Education (CDE), allowing HUSD to exceed its bond indebtedness limit of 2.5% of the taxable assessed value of property within District boundaries, would be necessary to execute the planned Measure H projects. HUSD applied for a waiver, which was approved by CDE on August 18, 2020. This approval increased HUSD’s bond indebtedness limit to 3.32% until December 31, 2028. However, HUSD still can not exceed the statutory tax rate of \$60 per \$100,000 of assessed value per bond Measure.

Having successfully completed the waiver process, a second Measure H bond issuance for \$170 million, completed on September 10, 2020, resulted in lower transaction costs to taxpayers than the good faith estimate prepared. As summarized in the table below, the savings to Hayward taxpayers was over \$15 million.

	Good Faith Est	Final
True Interest Cost	5.00%	3.01%
Total Proceeds	\$170,000,000	\$170,000,000
Finance Charge	\$1,242,000	\$1,008,473
Total Obligations	\$292,000,000	\$277,145,294

The finance team completed a second refunding on September 10, 2020 of \$175.1 million in previous bond debt to take advantage of the low interest rate environment. This refunding, as summarized in the table below, will save Hayward tax payers more than \$18.6 million.

	Good Faith Est	Final
Par Amount (Ref)	\$104,155,000	\$175,095,000
Savings	\$7,740,389	\$18,629,335
PV Savings %	6.72%	8.53%

Presently, it is anticipated that a new waiver from CDE will be needed in order to issue additional bonds.

Since 2000, CDE has approved over 100 waiver requests. Some requests have been amended. None have been denied.

A recent review of historical bond ratings by Moody's and Standard & Poor's (S&P) shown below indicates HUSD's bond rating has stabilized and improved since 2018. This rating is a metric of HUSD's credit worthiness as it puts bonds up for sale to the market. A positive outlook indicates a possibility the rating agency may upgrade the credit rating in the next 12 months. A negative outlook indicates a possibility the rating agency may downgrade the credit rating in the next 12 months. A stable outlook indicates the rating agency is not anticipating a change in the credit rating in the next 12 months.

Date	Moody's Rating	Outlook
Aug 2020	A1	Stable
May 2019	A2	Positive
Jul 2018	A3	Stable
Nov 2016	A3	Negative
June 2015	A3	Negative
Jan 2014	A2	Stable
Dec 2011	A2	Negative

Date	S&P Rating	Outlook
Aug 2020	A+	Stable
Feb 2019	A+	Stable
Apr 2017	A+	Stable
Dec 2016	A+	Stable
Jun 2015	A+	Negative
Feb 2014	A+	Stable
Nov 2013	A+	Negative
Aug 2012	A+	Negative
Mar 2010	A+	Stable

Credit Rating Scales by Agency, Long-Term

Moody's	S&P	Fitch	
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper medium grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment grade speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Highly speculative
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	Substantial risk
Caa2	CCC		Extremely speculative
Caa3	CCC-		Default imminent with little prospect for recovery
Ca	CC	CC	
	C	C	
C			In default
/	D	D	
/			

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"Junk"



Following is the text of an article published by Moody's in September of 2020:

"The Hayward Unified School District received an upgraded credit rating from Moody's and a stable outlook from Standard & Poor's. Both are considered among the top three credit rating agencies in the industry. The upgraded rating to near high-grade investment status and a stable outlook reflect the district's efforts over the past three years to implement solid business practices.

Moody's and Standard & Poor's provide international financial research on bonds issued by government entities. Both companies rank the creditworthiness of borrowers using a standardized ratings scale. In 2018, Moody's rated HUSD at an A3 and in two short years upgraded HUSD two levels to our more recent A1 rating. This brings the district just shy of being categorized as a high grade investment. Credit ratings are extremely important because they convey to potential investors the risk associated with buying a certain bond. An investment grade credit rating indicates a low risk of a credit default, making it an attractive investment. A high credit rating for HUSD results in a lower cost of borrowing for its taxpayers, ultimately saving its taxpayers money.

Moody's provided the following rationale for the upgrade, "The district's reserve and liquidity positions, while still relatively thin, have improved from narrow levels and stabilized under current management, a driver of the upgrade. Previously, historic turnover of prior administrations challenged the district's operations and ability to make systemic changes to ensure fiscal stability. Current management...launched a district-wide marketing and rebranding campaign, which supports our expectation of stability." They go on to note, "The A1 rating continues to reflect the district's large tax base which is poised for additional growth, above average resident income measures and a local economy that is a part of the larger San Francisco Bay Area."

Standard & Poor's (S&P) assigned an A+ rating for the district, reaffirming their positive assessment of HUSD and is in alignment with Moody's assessment. As a credit rating agency, the company issues credit ratings for the debt of public and private companies, and other public borrowers such as governments and governmental entities. S&P rates borrowers on a scale from AAA to D.

Below is a scale of the credit ratings provided by the different rating agencies: HUSD Ratings - Moody's rating is A1 and S&P's rating is A+.

This news is a positive development for the Hayward community as it helps drive borrowing costs down when issuing remaining portions of the Measure H authorization and when refunding outstanding bonds (previously issued Measure I or Measure L bonds at a lower rate). Refunding outstanding bonds is similar to refinancing a mortgage. It reduces borrowing costs for our taxpayers, who have been incredibly supportive of HUSD schools. HUSD did a refunding in 2019 which saved taxpayers over \$14M in gross savings or over \$8M in present value savings. The latest refunding bond completed this month resulted in \$18M in gross savings, or over \$13M in present value savings. Therefore, in two years, HUSD has capitalized on its improved credit rating and historically low interest rates to save over \$32M in gross savings, or \$21M in present value savings to its community."