

GENERAL OBLIGATION BOND

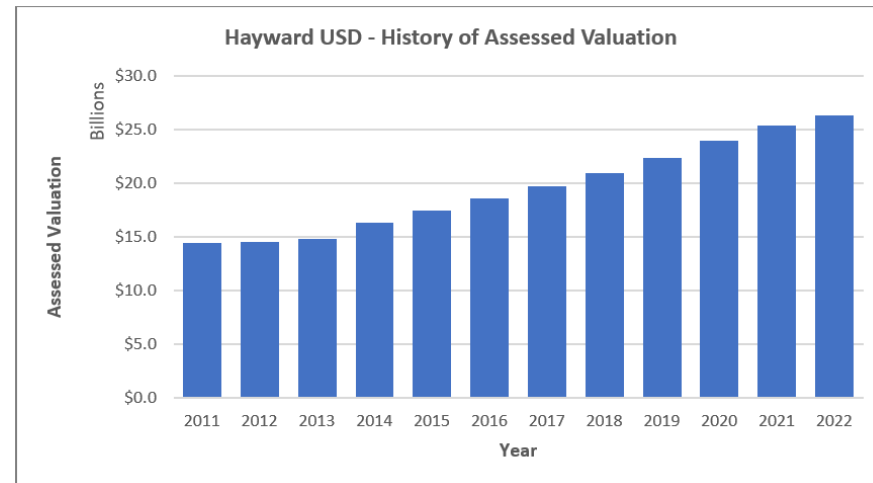
A School District can call for a Proposition 39 election to ask voters to support a General Obligation Bond to fund facilities improvements. A Proposition 39 election requires 55% approval by voters. A regular (non-Proposition 39) election requires 2/3 approval by voters. Historically, the Hayward community has been supportive of HUSD General Obligation Bonds.

- In 2008, Hayward voters approved the \$205 million Measure I Bond with 72.2% support.
- In 2014, Hayward voters approved the \$229 million Measure L Bond with 77.4% support.
- In 2018, Hayward voters approved the \$381.7 million Measure H Bond with 72.9% support.

History of Assessed Value

Assessed valuation or the taxable value is the main determinant when calculating the amount of bonds that can be issued by the District. The assessed value of a property is calculated annually by the County and is typically below a property's market value due to Proposition 13.

The District's assessed valuation has increased steadily since the last housing market downturn in 2007-08. Most notably, the District's assessed value has grown by approximately 25% since 2018 when Measure H was approved. Please refer to table at right.



Proposition 39 Tax Rate Analysis

One of the legal requirements under Proposition 39 is that the projected tax rate associated with each separate Proposition 39 bond measure must be at or below \$60 per \$100,000 in assessed value for unified school districts. Based on reasonable assessed valuation growth projections of 3.5% per year over time, the maximum amount of bonds for a new Proposition 39 election is presently estimated to be approximately \$458,000,000.

Tax Rate	Series A	Series B	Series C	Total
\$60 per \$100,000 in assessed value	\$160,000,000	\$148,000,000	\$150,000,000	\$458,000,000

This analysis assumes three series of bonds issued every other year with an average borrowing rate of 4.75%.

Statutory Bonding Capacity

Under California Education Code, the statutory bonding capacity limit is 2.5% of the taxable property of the district for unified school districts. This requirement was put into place in 1878 and has not evolved with changing capital facility standards (such as greater use of technology and energy efficiency) and increasing statutory and regulatory requirements (such as accessibility and structural safety).

This Education Code requirement can be waived by the California Board of Education. More than 100 waivers have been granted based on the recognition that bonding capacity requirements create inequitable access to facilities funding. Hayward Unified School District received a bonding capacity waiver in connection with Measure H in July 2020 to increase the limit to 3.32% of the District's assessed value.

The table below shows the remaining bonding capacity under (a) the statutory bonding capacity limit of 2.5% of assessed value, (b) the current bonding capacity limit for the District with the waiver from the California Board of Education of 3.32% of assessed value, and (c) the potential bonding capacity limit with a waiver for a new bond authorization of 5.0% of assessed value.

	Statutory Bonding Capacity (2.5%)	Current Waiver Levels (3.32%)	Potential Future Waiver Levels (5.0%)
Assessed Valuation (2021-22)	\$26,377,870,548	\$26,377,870,548	\$26,377,870,548
Gross Bonding Capacity at stated %	\$659,446,764	\$875,745,302	\$1,318,893,527
Less: Currently Outstanding Bonds	(\$692,985,496)	(\$692,985,496)	(\$692,985,496)
Less: Remaining Measure H Bonds	(\$66,700,000)	(\$66,700,000)	(\$66,700,000)
Net Remaining Bonding Capacity	(\$100,238,732)	\$116,059,807	\$559,208,032

Please note the calculated bonding capacity amounts above are based on 2021-22 assessed valuation and currently outstanding bonds. With continued assessed valuation growth and as the District issues and repays prior bonds, these figures will change over time.

SCHOOL FACILITIES PROGRAM (SFP)

The District is eligible to apply to the SFP to fund facility improvements. The State operates two main funding programs: Modernization and a New Construction. Eligibility for Modernization funding, which would require a 40% match by HUSD, is based on the age of the facilities to be improved by site. Eligibility for New Construction funding, which would require a 50% match by HUSD, is based on enrollment growth by site. Additionally, HUSD may be eligible for Facility Hardship funding, which would also require a 50% District match, for facility improvements that meet program criteria. HUSD's eligibility for Modernization and New Construction funding is calculated at the time a project is submitted to SFP funding and confirmed when the Office of Public School Construction (OPSC) begins reviewing the funding application. Currently, a new State-wide facilities bond would be required for HUSD to receive any new SFP funds. Facility Hardship eligibility is determined on a case-by-case basis.

Presently, two bills in support of a new K-14 statewide facilities bond in 2022 are making their way through the legislature. AB 75 (O'Donnell) would place a \$12 billion bond on the 2022 ballot. SB 22 (Glazer) would place a \$15.5 billion bond on the 2022 ballot. It is expected only one of these bills would be put before voters.

Historically, HUSD has proactively pursued funding opportunities from the various SFP programs and previously the State's Lease Purchase Program (LPP, closed in 1991). HUSD's awards and approvals are summarized below:

- Total received from LPP (23 applications): \$45,030,601
- Total received from SFP (10 applications): \$14,727,348
- Total approved from SFP (3 applications): \$25,409,256*
- Total received and approved: \$85,167,205

* These funds are expected to be received December 2021

POTENTIAL ASSET MANAGEMENT REVENUES

DCG Strategies, Inc. provided an analysis of under-utilized HUSD properties to evaluate strategies that could result in one-time or ongoing revenues to HUSD as outlined in Section 10 of this report. If realized, these revenues would be expected to fund capital improvements to HUSD properties, such as the facilities recommendations outlined in Section 7 of this report. One possible scenario based the strategy of selling under-utilized properties for highest-and-best-use, and closing properties, is outlined below:

- Total Facilities Needs (10-year horizon) \$905 million
- Less Facilities Needs of Properties Closed <\$308 million>
- Less Revenues from Properties Sold <\$139 million>
- Total Remaining Need \$458 million
- Total Potential Bond Proceeds \$458 million

This strategy would provide the following benefits to Hayward taxpayers over a 10-year horizon:

- It reduces the total funding needed from taxpayers by \$280 million
- It reduces the number of future bond measures needed from three to only one or two
- It aligns with the current estimate of potential bond proceeds assuming a new waiver from the State

MELLO-ROOS, COMMUNITY FACILITIES DISTRICT (CFD) SCHOOL FACILITY IMPROVEMENT DISTRICT (SFID)

Mello-Roos is a form of financing that can be used by cities, counties, and special districts (such as school districts). Mello-Roos Community Facilities Districts (CFDs) raise money through special taxes that must be approved by two-thirds of the voters within the district.

A CFD is formed to finance major improvements and services within the district which might include schools, roads, libraries, police and fire protection services, or ambulance services. Since 1982, school districts with new residential and commercial development in their boundaries have been able to form CFDs to build new schools. Of the 64 CFD elections held since 1983, 31 were successful. Of the five CFD elections held since 1999, only one was successful. In 1998, a new law permitted the formation of School Facility Improvement Districts (SFIDs) with a two-thirds community vote approval. This voter approval threshold was subsequently lowered to 55%. Through June 2014, four of 18 SFID elections at the two-thirds vote threshold were successful, while 28 of the 36 SFID elections at the 55% vote threshold were successful.

DEVELOPER FEES

School districts in California have the authority to levy developer fees on residential and commercial construction or reconstruction. The funds collected from developer fees, may be used only for facilities improvements. These fees are charged both to developers of new properties and to property owners who remodel, based on the concept that new construction will lead to additional students. Individual school districts decide whether to levy the fees and at what rate up to the allowed maximum. Districts are required to substantiate the financial impact of the new development and show that they have used the revenues to address that impact. In January 2020, the State Allocation Board (SAB), pursuant to Government Code Section 65995(b)(3), authorized an increase in the allowable amount of statutory school facilities fees (Level I School Fees) from \$3.79 to \$4.08 per square foot of assessable space for residential development, and from \$0.61 to \$0.66 per square foot of assessable covered and enclosed space for commercial development. Therefore, school districts are now able to assess Level I School Fees at the newly established \$4.08 and \$0.66 per square foot rates, provided such rates are properly justified pursuant to State law.