



September 6, 2017

## Portola Valley School District

Board Presentation: Bond Program Overview & Illustrative 2018 Bond Measure

### Keygent LLC

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# Bond Program Considerations

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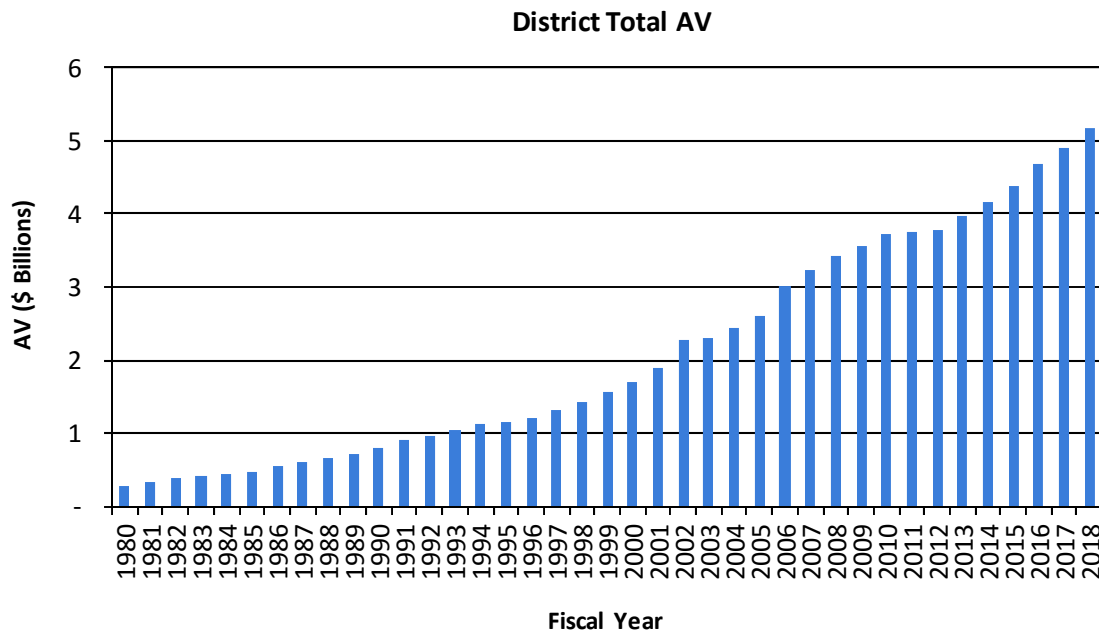
General obligation bond programs are structured based on projections of:

- ◆ **District project needs**
  - Project cash flow vs. timing and amount of bond sales
  - Other funds available to the District
- ◆ **District assessed value (“AV”)**
  - Projected AV growth has a significant effect on the bond issuance schedule and amounts
  - Along with outstanding bonds, determines statutory bonding capacity
- ◆ **Tax rates**
  - Annual tax rate  $\approx$  annual bond debt service  $\div$  fiscal year AV
- ◆ **Municipal bond interest rates**
  - Function of:
    - National and international financial market factors
    - District credit ratings
    - Bond structure, e.g. bond type, financing term, tax status and redemption feature
- ◆ **Recently enacted legislation (AB 182)**

*As the above factors change, the timing of bond sales and the amount of bonds sold are tailored to maintain tax rate targets*

# District AV

The District experienced 5.67% AV growth in 2017-18



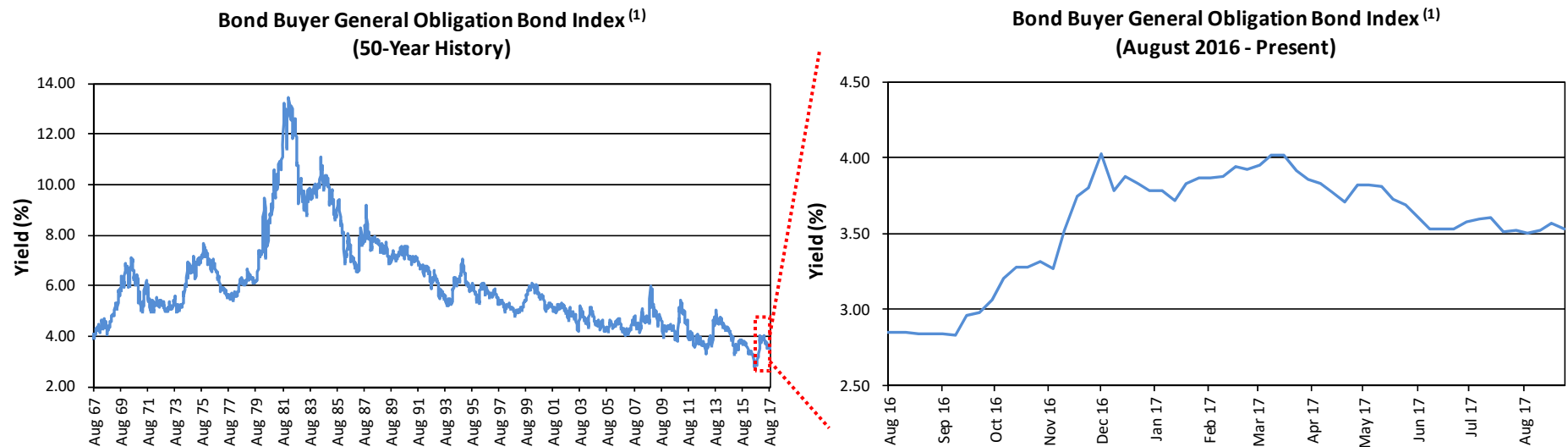
Growth Statistics			
Annualized Growth Rates:		Lowest Rolling Averages:	
1-year:	5.67 %	3-year:	1.96 %
5-year:	5.46	5-year:	2.91
10-year:	4.18	10-year:	4.18
15-year:	5.55	15-year:	5.26
20-year:	6.70	20-year:	6.70
25-year:	6.62	25-year:	6.62
30-year:	7.10	30-year:	7.10
35-year:	7.46	35-year:	7.46

FY	Total AV <sup>(1)</sup>	Annual % Change
1980	\$ 283,871,612	
1981	328,577,104	15.75 %
1982	381,636,822	16.15
1983	417,421,810	9.38
1984	445,883,110	6.82
1985	480,048,596	7.66
1986	539,134,084	12.31
1987	597,302,755	10.79
1988	660,864,017	10.64
1989	713,325,578	7.94
1990	806,943,065	13.12
1991	896,461,918	11.09
1992	966,216,782	7.78
1993	1,042,318,209	7.88
1994	1,112,049,225	6.69
1995	1,157,460,825	4.08
1996	1,216,768,921	5.12
1997	1,307,595,076	7.46
1998	1,414,081,862	8.14
1999	1,561,006,098	10.39
2000	1,703,646,452	9.14
2001	1,902,289,126	11.66
2002	2,269,379,277	19.30
2003	2,299,100,682	1.31
2004	2,447,972,072	6.48
2005	2,611,654,275	6.69
2006	3,000,733,435	14.90
2007	3,233,867,219	7.77
2008	3,433,222,522	6.16
2009	3,563,387,880	3.79
2010	3,738,648,491	4.92
2011	3,750,499,501	0.32
2012	3,791,754,054	1.10
2013	3,963,264,410	4.52
2014	4,176,510,892	5.38
2015	4,393,030,584	5.18
2016	4,683,187,829	6.60
2017	4,893,664,498	4.49
2018	5,171,072,056	5.67

(1) Source: California Municipal Statistics, Inc. and San Mateo County. 2017-18 values are preliminary.

# Interest Rates

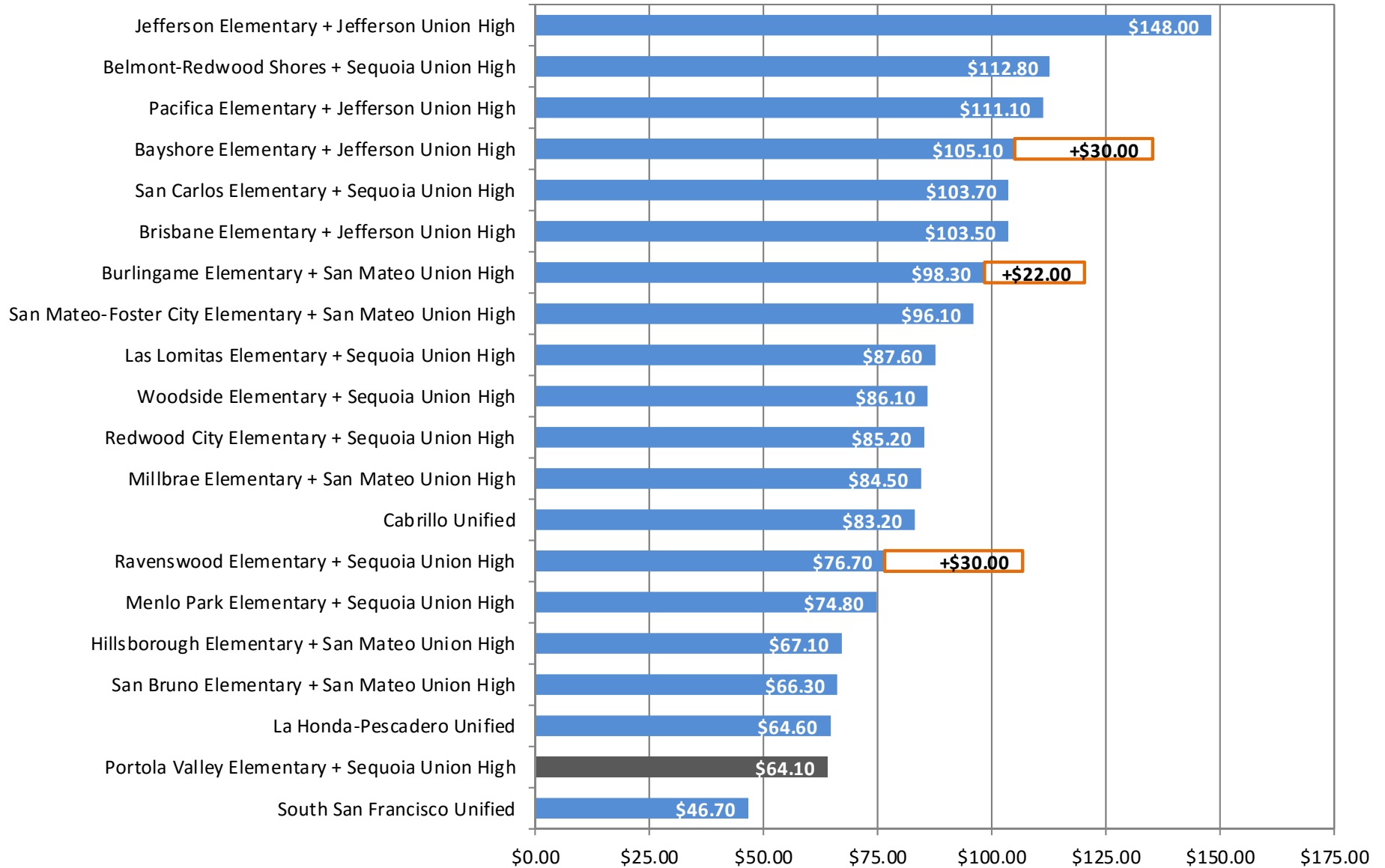
Municipal bond interest rates increased after the November 2016 presidential election, but have declined in recent months and remain near historic lows



(1) Index reflects average yield to maturity of 20 general obligation bonds with 20-year maturities rated 'Aa2' by Moody's Investors Service and 'AA' by Standard and Poor's. Source: The Bond Buyer & Bloomberg.

# San Mateo County K-12 Bond Tax Rates

**2016-17 San Mateo County K-12 Tax Rates + Approved 2016 Bond Measure Tax Rates**



# Election Scenario A: Conservative Assumptions

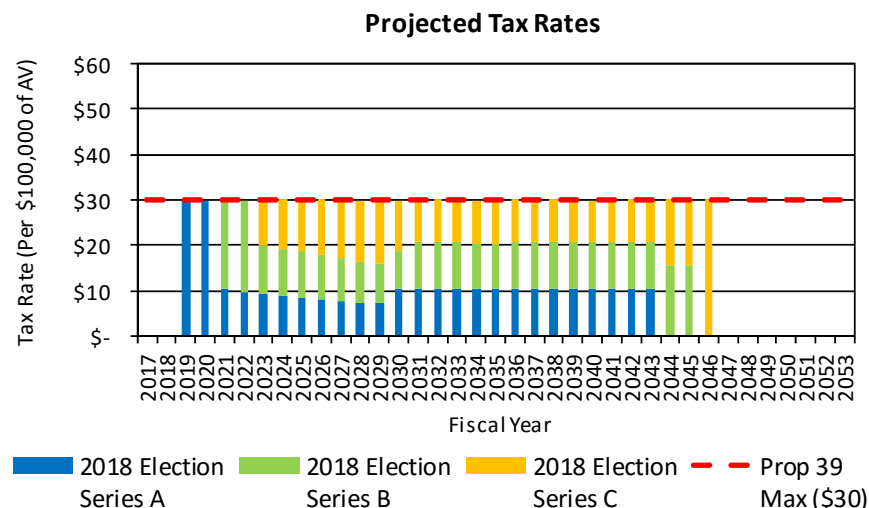
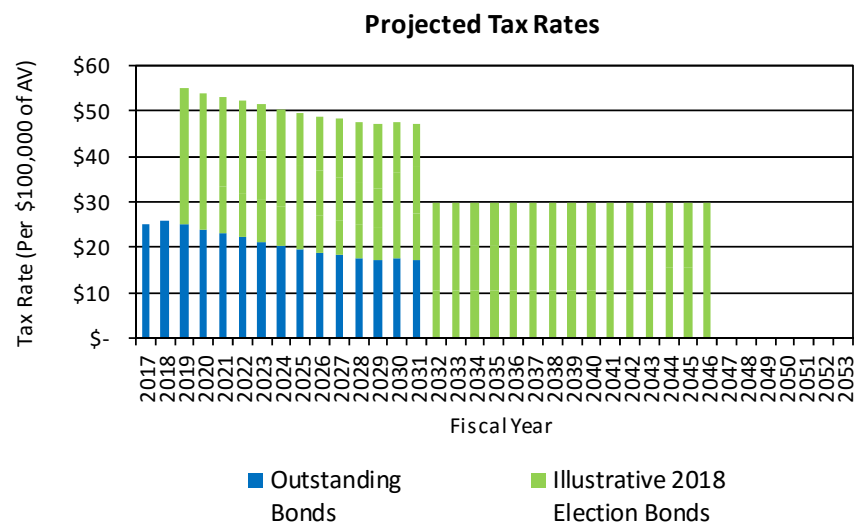
**Summary:** Request voters to authorize a new tax in an amount of \$30 per \$100,000 of AV (Prop 39 max) to generate \$36.9 million of AV (Prop 39 max) to generate \$36.9 million

◆ **Assumptions:**

- June 2018 election
- Maximum term: 25 years
- Interest rates: 5.50% - 6.50%
- 100% current interest bonds (“CIBs”)
- 0% capital appreciation bonds (“CABs”)
- Annual AV growth rates:
  - 2018-19: 3.0%
  - Thereafter: 4.0%

**Illustrative Issuance Schedule <sup>(1)</sup>**

Issue	Issue Date	Proceeds	Estimated Debt Service	Estimated Repayment Ratio	Estimated % CABs
Series A	August 2018	\$ 12,300,000	\$ 22,565,775	2.06 to 1	0.0 %
Series B	August 2020	12,300,000	26,674,500	2.17 to 1	0.0
Series C	August 2022	12,300,000	29,553,057	2.40 to 1	0.0
<b>Total</b>		<b>\$ 36,900,000</b>	<b>\$ 78,793,332</b>	<b>2.22 to 1</b>	<b>0.0 %</b>



(1) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District’s project needs.

# Election Scenario B: More Ambitious Assumptions

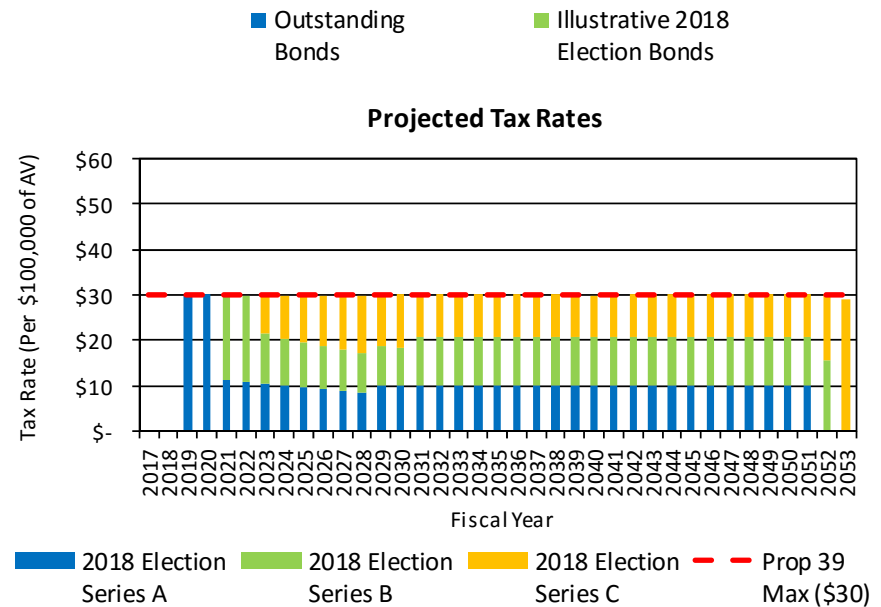
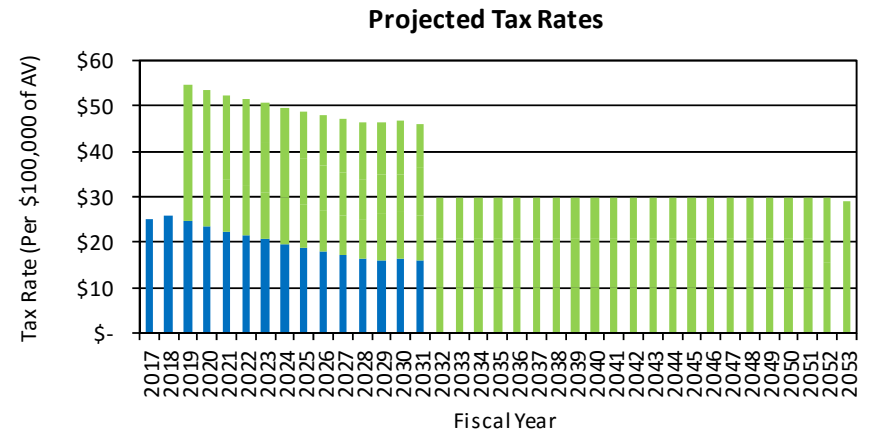
**Summary:** Request voters to authorize a new tax in an amount of \$30 per \$100,000 of AV (Prop 39 max) to generate \$50 million of AV (Prop 39 max) to generate \$50 million

◆ **Assumptions:**

- June 2018 election
- Maximum term: 33 years
- Interest rates: 5.50% - 5.75%
- Estimated 83.7% CIBs and 16.3% CABs
- Annual AV growth rate: 4.50%

**Illustrative Issuance Schedule <sup>(1)</sup>**

Issue	Issue Date	Proceeds	Estimated Debt Service	Estimated Repayment Ratio	Estimated % CABs
Series A	August 2018	\$ 16,700,000	\$ 42,067,425	2.52 to 1	16.2 %
Series B	August 2020	16,700,000	43,714,525	2.62 to 1	19.2
Series C	August 2022	16,600,000	46,602,750	2.81 to 1	13.5
<b>Total</b>		<b>\$ 50,000,000</b>	<b>\$ 132,384,700</b>	<b>2.65 to 1</b>	<b>16.3 %</b>



(1) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District's project needs.

# Two Bond Elections

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The District may place two bonds measures on the same ballot in order to generate more funds for projects

- ◆ Increases the total proceeds to \$73.8 million for Scenario A and \$100 million for Scenario B with an aggregate new tax rate of \$60
- ◆ Examples of other districts that have successfully passed two bonds simultaneously:
  - Los Nietos School District (November 2014)
  - Wasco Union Elementary School District (June 2016)
  - East Whittier City School District (November 2016)
  - John Swett Unified School District (November 2016)
- ◆ The two bonds are typically marketed separately, e.g. “middle school bond” and “elementary school bond”
- ◆ The voter opinion survey will be helpful in determining voter support for two measures



# Impact to Median and Average Homeowners

The District's bond tax rate currently constitutes ~2.3% of the total property taxes assessed against homeowners (within a typical tax rate area #019-000). See below:

	<b>2016-17 Tax Rate (%)</b>	<b>2016-17 Tax Rate (per \$100,000 of AV)</b>	<b>Estimated Taxes for Median Single Family Home in District <sup>(1)</sup></b>	<b>Estimated Taxes for Average Single Family Home in District <sup>(2)</sup></b>
General Tax Rate	1.00000%	\$1,000.00	\$14,242.91	\$20,281.69
Midpeninsula Regional Open Space District	0.00060	0.60	8.55	12.17
Portola Valley Elementary School District	0.02500	25.00	356.07	507.04
Sequoia Union High School District	0.03910	39.10	556.90	793.01
San Mateo Community College District	0.02470	24.70	351.80	500.96
<b>Total Tax Rate</b>	<b>1.08940%</b>	<b>\$1,089.40</b>	<b>\$15,516.23</b>	<b>\$22,094.87</b>

Below are estimates of the annual tax bill increase for homeowners assuming different new tax rates for 2018 District election bonds

<b>2018 Election Bond Tax Rate (per \$100,000 of AV)</b>	<b>Estimated New Taxes for Median Single Family Home <sup>(1)</sup></b>	<b>Estimated New Taxes for Average Single Family Home <sup>(2)</sup></b>
\$30.00	\$427.29	\$608.45
\$40.00	\$569.72	\$811.27
\$50.00	\$712.15	\$1,014.08
\$60.00	\$854.57	\$1,216.90

(1) AV of median single family home as of 2017-18: \$1,424,291.

(2) AV of average single family home as of 2017-18: \$2,028,169.

# Bonding Capacity

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Bonding capacity is a **statutory** limit on the amount of general obligation bonds that can be outstanding at any given point

- ◆ Based on:
  - Current AV multiplied by 1.25% statutory debt limit factor for non-unified school districts
  - Less: outstanding general obligation bonds
- ◆ Increases as AV grows and outstanding general obligation bonds are paid
- ◆ Does not limit the amount of bond authorization districts can request from voters

## Estimated Current Bonding Capacity <sup>(1)</sup>

2017-18 Total AV	\$ 5,171,072,056
Statutory Debt Limit Factor	x 1.25%
Bonding Capacity	<u>64,638,401</u>
Outstanding General Obligation Bonds	(15,050,000)
Available Bonding Capacity	\$ 49,588,401

- ◆ The District may need to seek a bonding capacity waiver from the California Department of Education depending upon the timing and amounts of future bond issuances
  - The waiver approval process takes 3-4 months

(1) Subject to confirmation by the County Auditor-Controller.

# Deadline for County Registrar of Voters

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The District (or its bond counsel) must submit certain items to the County Registrar of Voters in order to get on the ballot in 2018:

- ◆ **June 5, 2018 election:**

- March 9, 2018: Deadline to submit Board-adopted resolution calling for a bond election and tax rate statement
- March 16, 2018: Deadline to submit arguments for and against the ballot measure
- March 26, 2018: Deadline to submit rebuttals & impartial analysis

- ◆ **November 6, 2018 election:**

- August 10, 2018: Deadline to submit Board-adopted resolution calling for a bond election and tax rate statement
- August 17, 2018: Deadline to submit arguments for and against the ballot measure
- August 27, 2018: Deadline to submit rebuttals & impartial analysis