

November 16, 2023

Menlo Park City School District

Bond Information



Introduction

California school districts have two main options to fund/finance expenditures via property taxes with voter approval

- ◆ **Debt financing – funds are borrowed upfront and repaid over time, with interest**
 - General obligation (“GO”) bonds
 - Measure D (November 1995): \$22 million passed at 82.0%
 - Tax rate estimate: \$37 per \$100,000 of assessed value (“AV”)
 - Measure U (June 2006): \$91.1 million passed at 70.6%
 - Tax rate estimate: \$28 per \$100,000 of AV
 - Measure W (November 2013): \$23 million passed at 75.3%
 - Tax rate estimate: \$8.70 per \$100,000 of AV
- ◆ **Assessments – funds are available as they are collected**
 - Parcel taxes
 - April 1992: \$65/parcel for 4 years passed at 74.4%
 - November 1995: \$76/parcel for 8 years passed at 83.4%
 - **Measure A (April 2000): \$298/parcel without expiration passed at 74.7%**
 - **Measure A (November 2003): \$97/parcel without expiration passed at 80.9%**
 - **Measure B (November 2003): \$73/parcel without expiration passed at 77.4%**
 - Measure C (May 2010): \$178/parcel for 7 years passed at 76.2%
 - Measure X (March 2017): \$360/parcel for 7 years passed at 79.1%
 - **Measure B (November 2021): \$598/parcel for 12 years passed at 70.8%**

Comparison of Parcel Tax & Bond Measures

	Parcel Tax	Proposition 39 Bond
Voter Approval Threshold	◆ Two-thirds	◆ 55%
Primary Use of Proceeds	◆ Operational : any use, including programs, personnel and operations	◆ Capital : facilities and equipment (including technology)
Receipt of Proceeds	◆ Funding received each year as taxpayers pay property taxes	◆ Funding received upfront via debt issuance and taxpayers repay principal and interest via property taxes
Tax Parameters	<ul style="list-style-type: none"> ◆ Cannot be based on the value of property (typically a flat rate per parcel) ◆ No cap on tax other than political limitations 	<ul style="list-style-type: none"> ◆ Based on AV of property ◆ \$30 per \$100,000 of AV for non-unified school districts
Election Dates	◆ May be on a special election ballot	◆ Regularly scheduled ballot
Accountability Measures	◆ Optional Citizens' Oversight Committee	◆ Mandatory Citizens' Oversight Committee
Senior Exemptions	◆ Allowed	◆ Not allowed

Bond Program Considerations

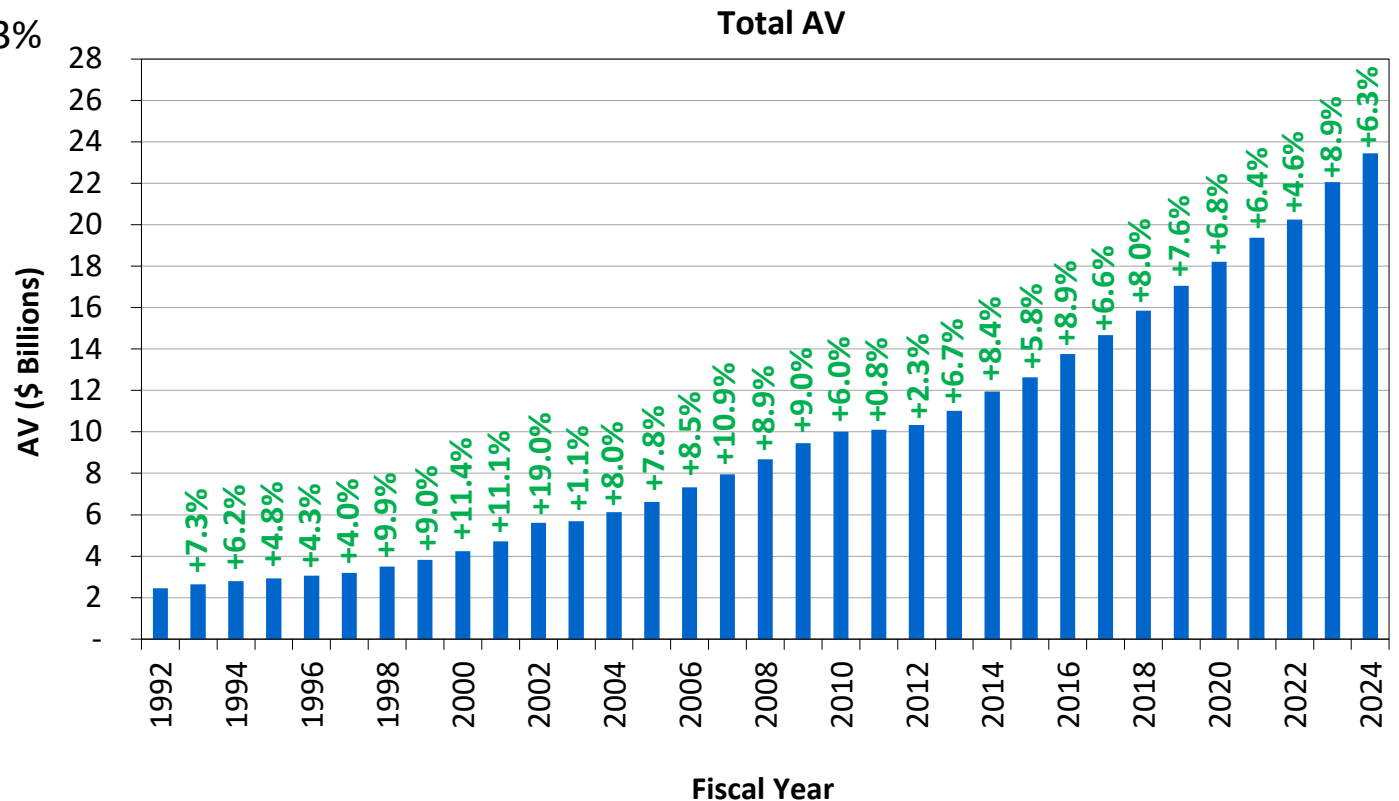
GO bond programs are generally structured based on:

- ◆ **Funding needs**
 - District projects
 - Scope
 - Cost
 - Timing
- ◆ **Financing constraints**
 - District AV
 - Tax rates
 - Interest rates
 - Legal parameters

District AV History

AV is the value of all taxable property within district boundaries

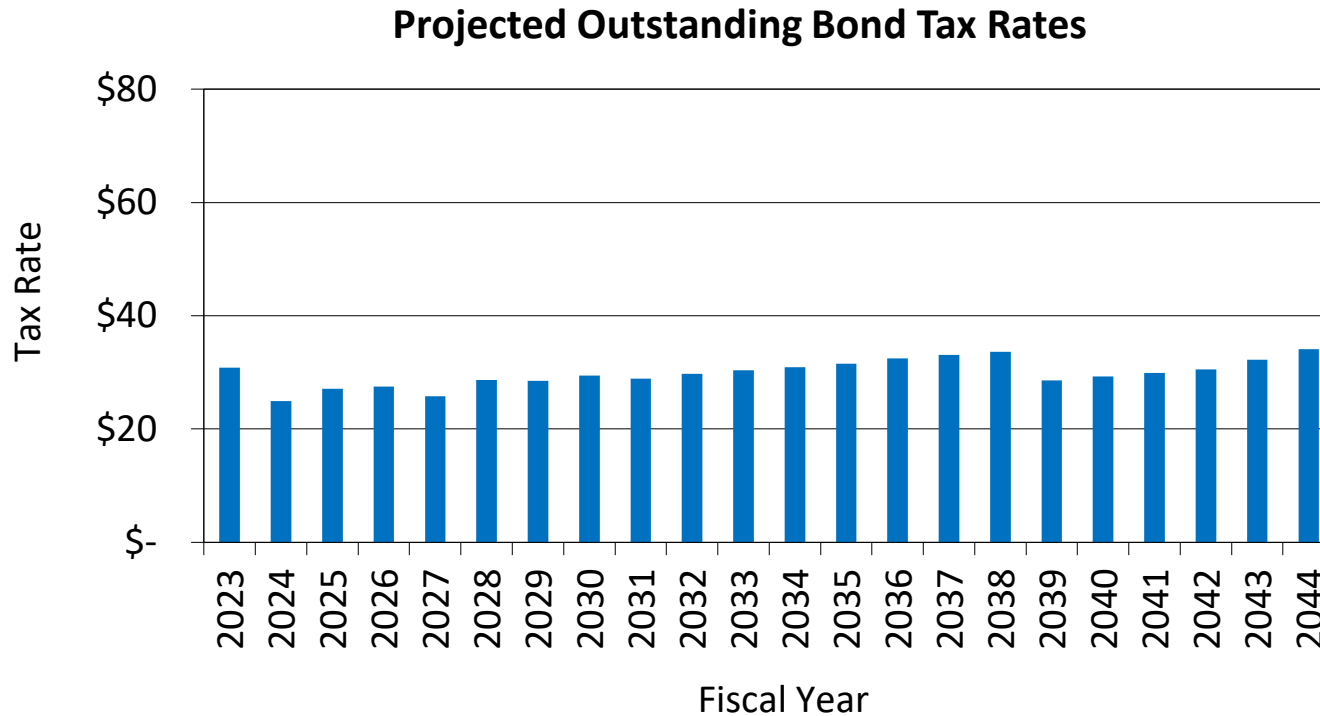
- ◆ The District's AV grew 6.3% in 2023-24 to hit an all-time high of \$23.4 billion
 - Annualized growth rates:
 - 5-year: 6.6%
 - 10-year: 7.0%
 - 20-year: 6.9%
 - 30-year: 7.3%



(1) Source: California Municipal Statistics, Inc. and San Mateo County data from 1992 to 2024.

District Projected Tax Rates

Tax rates for all outstanding bonds are projected to remain below \$40 per \$100,000 of AV



(1) Assumes future AV growth rates of 3% in 2024-25 and 4% annually thereafter.

2023-24 San Mateo County K-12 Bond Tax Rates

School District	Elementary & High School District Tax Rates ⁽¹⁾	Aggregate K-12 Tax Rates ⁽¹⁾
Cabrillo Unified		\$73.10
La Honda-Pescadero Unified		\$48.80
South San Francisco Unified		\$75.60
Jefferson Union High	\$80.20	
Bayshore Elementary	\$33.00	\$113.20
Brisbane Elementary	\$33.80	\$114.00
Jefferson Elementary	\$62.70	\$142.90
Pacifica Elementary	\$57.00	\$137.20
San Mateo Union High	\$47.60	
Burlingame Elementary	\$59.50	\$107.10
Hillsborough Elementary	\$58.30	\$105.90
Millbrae Elementary	\$29.80	\$77.40
San Bruno Elementary	\$26.80	\$74.40
San Mateo-Foster City Elementary	\$56.50	\$104.10
Sequoia Union High	\$39.10	
Belmont-Redwood Shores (within Belmont SFID)	\$43.70	\$82.80
Belmont-Redwood Shores (within Redwood Shores SFID)	\$47.30	\$86.40
Las Lomas Elementary	\$47.80	\$86.90
Menlo Park Elementary	\$24.90	\$64.00
Portola Valley Elementary	\$41.60	\$80.70
Ravenswood Elementary	\$67.40	\$106.50
Redwood City Elementary	\$49.10	\$88.20
San Carlos Elementary	\$45.50	\$84.60
Woodside Elementary	\$37.90	\$77.00

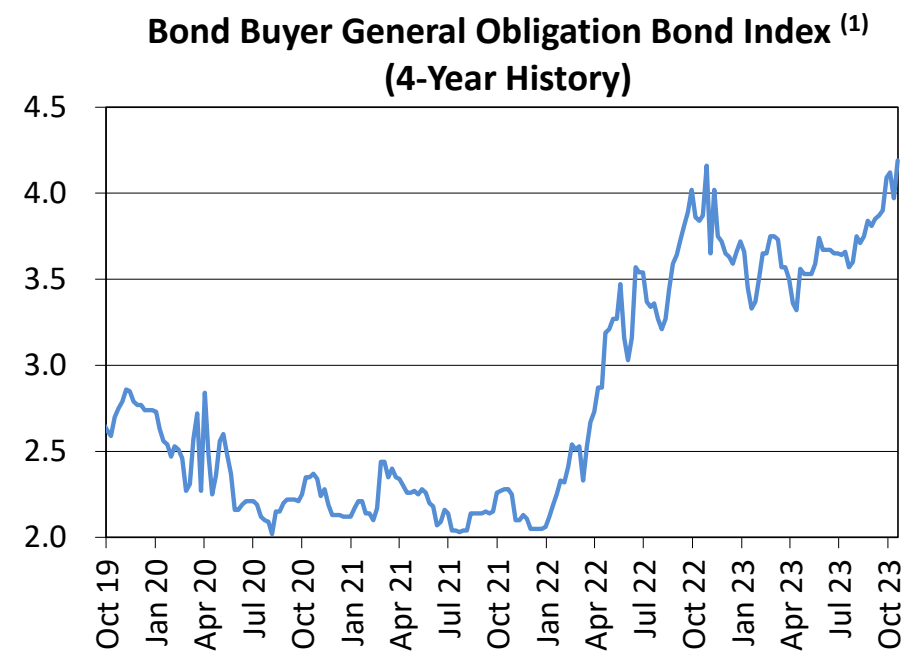
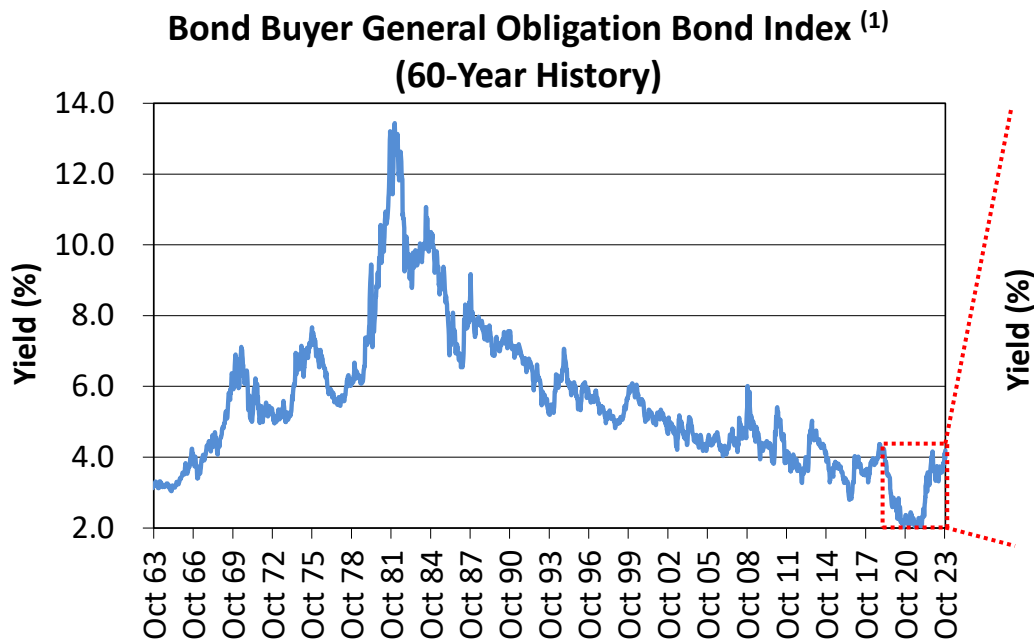
District taxpayers also pay for San Mateo County CCD's overlapping tax rate of \$19.00 per \$100,000 of AV

(1) Tax rate per \$100,000 of AV.

Interest Rates (1)

Following record low interest rates during the pandemic, interest rates rose due to:

- ◆ Supply chain/labor constraints
- ◆ Inflation
- ◆ Geopolitical conflicts
- ◆ Fed/other central bank actions in increasing interest rates (both taken and expected)



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

Credit Ratings

The 3 major credit rating agencies are:

- ◆ Moody's
- ◆ S&P
- ◆ Fitch

The rating criteria is generally:

- ◆ Local economy/tax base
- ◆ District finances
- ◆ District debt/pension
- ◆ District management

District bond credit ratings:

- ◆ **Moody's: Aaa**
 - Upgraded from Aa1 in October 2015
 - Affirmed in May 2023
- ◆ **S&P: AAA**
 - Upgraded from AA+ in June 2008
 - Affirmed in December 2022

	Moody's	S&P	Fitch	Rating Description
Investment grade	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-		
Non-investment grade	Ba1	BB+	BB+	Speculative
	Ba2	BB	BB	
	Ba3	BB-	BB-	
	B1	B+	B+	Highly speculative
	B2	B	B	
	B3	B-	B-	
	Caa1 & below	CCC+ & below	CCC & below	Extremely speculative/ Default

Illustrative November 2024 Election

How much can be generated through a new tax rate of \$30 per \$100,000 of AV?

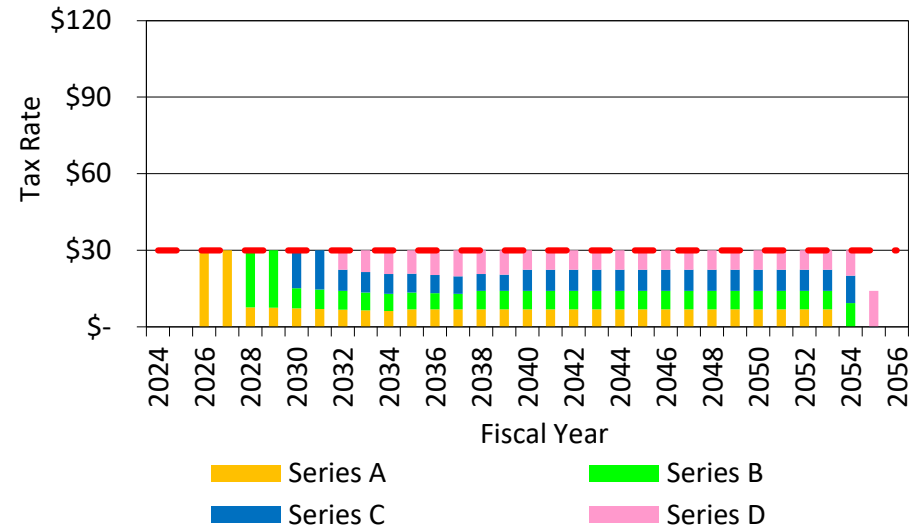
◆ Assumptions:

- Interest rates ⁽¹⁾: 5.25% - 6.00%
- Annual AV growth rates:
 - 2024-25: 3%
 - Thereafter: 4%
- Current interest bonds only

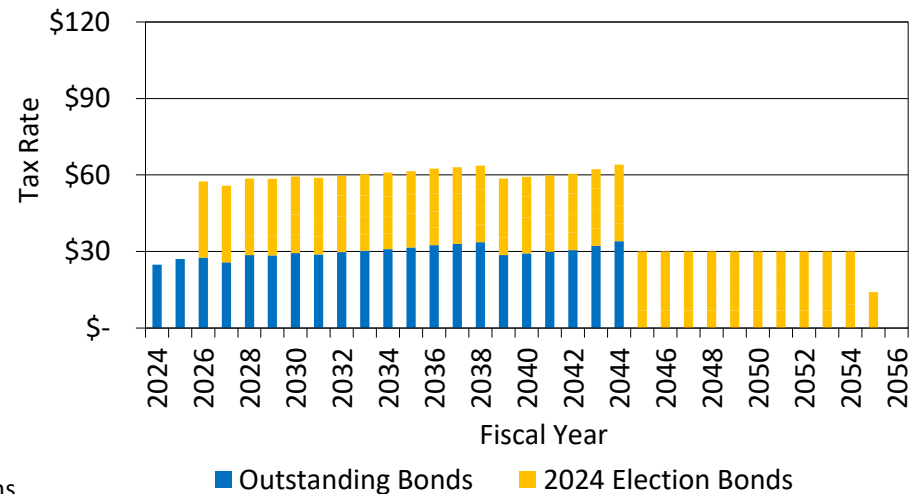
Illustrative Issuance Schedule ⁽²⁾

Series	Issue Date	Proceeds	Rpmt Ratio
A	March 2025	\$ 50,000,000	2.0 to 1
B	July 2027	50,000,000	2.0 to 1
C	July 2029	50,000,000	2.1 to 1
D	July 2031	50,000,000	2.2 to 1
Total		\$ 200,000,000	2.1 to 1

Projected 2024 Election Tax Rates



Aggregate Tax Rates



(1) Assumes higher than current market interest rates. Subject to market fluctuations.

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

Sensitivity Analysis

The assumptions and financing terms can be adjusted to meet the District's needs

	Tax Rate	Long-Term AV	Interest Rates
Tax Rate:	<i>See below</i>	\$30.00	\$30.00
LT AV Growth:	4.00%	<i>See below</i>	4.00%
Interest Rate:	5.25% - 6.00%	5.25% - 6.00%	<i>See below</i>

Tax	Proceeds	Rate	Proceeds	Rate	Proceeds
\$30.00	\$ 200,000,000	5.0%	\$ 216,000,000	5.75% - 6.50%	\$ 188,000,000
\$28.00	\$ 187,000,000	4.0%	\$ 200,000,000	5.25% - 6.00%	\$ 200,000,000
\$26.00	\$ 173,000,000	3.0%	\$ 184,000,000	4.75% - 5.50%	\$ 212,000,000
\$24.00	\$ 160,000,000				
\$22.00	\$ 147,000,000				
\$20.00	\$ 133,000,000				
\$18.00	\$ 120,000,000				
\$16.00	\$ 107,000,000				
\$14.00	\$ 93,000,000				
\$12.00	\$ 80,000,000				
\$10.00	\$ 67,000,000				

Upcoming Proposition 39 Election Opportunities

Proposition 39 bond elections can only be held on regularly scheduled election dates

- ◆ Generally speaking, this is the State Primary and General Elections in even years

- March 2024
- November 2024
- June 2026
- November 2026

- ◆ Notes:

- Beginning in 2020, the State Primary moved from June to March in presidential election years
- San Mateo County CCD (which fully encompasses Menlo Park CSD) used to hold odd-year Board elections, which would have been a Proposition 39 opportunity

- ◆ Special State-wide elections may provide additional opportunities as well

Illustrative November 5, 2024 Election Timeline

Activity	Estimated Timing
Develop or update District facility plan/needs assessment to identify and prioritize potential bond projects	Currently – April 2024
Bond team meeting, including District personnel, financial advisor, bond counsel, pollster, and strategist	Currently – April 2024
Determine all available sources of capital improvement funds, including State funds, capital fund reserves, donations, developer fees, and bond proceeds	Currently – April 2024
Begin community outreach to educate voters on District’s project needs	Currently & Ongoing
Identify issues within the community that could impact the bond election	April 2024
Conduct voter opinion survey	April 2024
Adjust community messages based on voter opinion survey	May 2022 – Jul 2024
Finalize bond projects list, election amount, estimated tax rates, and draft ballot language	Jul 2024
Adopt resolution, including tax rate statement, calling for bond election (<i>must be received by County Registrar of Voters by August 9, 2024</i>)	Jul 2024
Prepare impartial analysis and pro-ballot argument for voter pamphlet	Aug 2024
Election	Nov 5, 2024
Certify election results	Dec 2024
Issuance of bonds	March 2025