

# Santa Clara Unified School District

## Revised Bond Financial Plan For a November 2018 Bond Election



**Santa Clara**  
Unified School District



Government  
Financial  
Strategies

Presented by Lori Raineri  
August 7, 2018

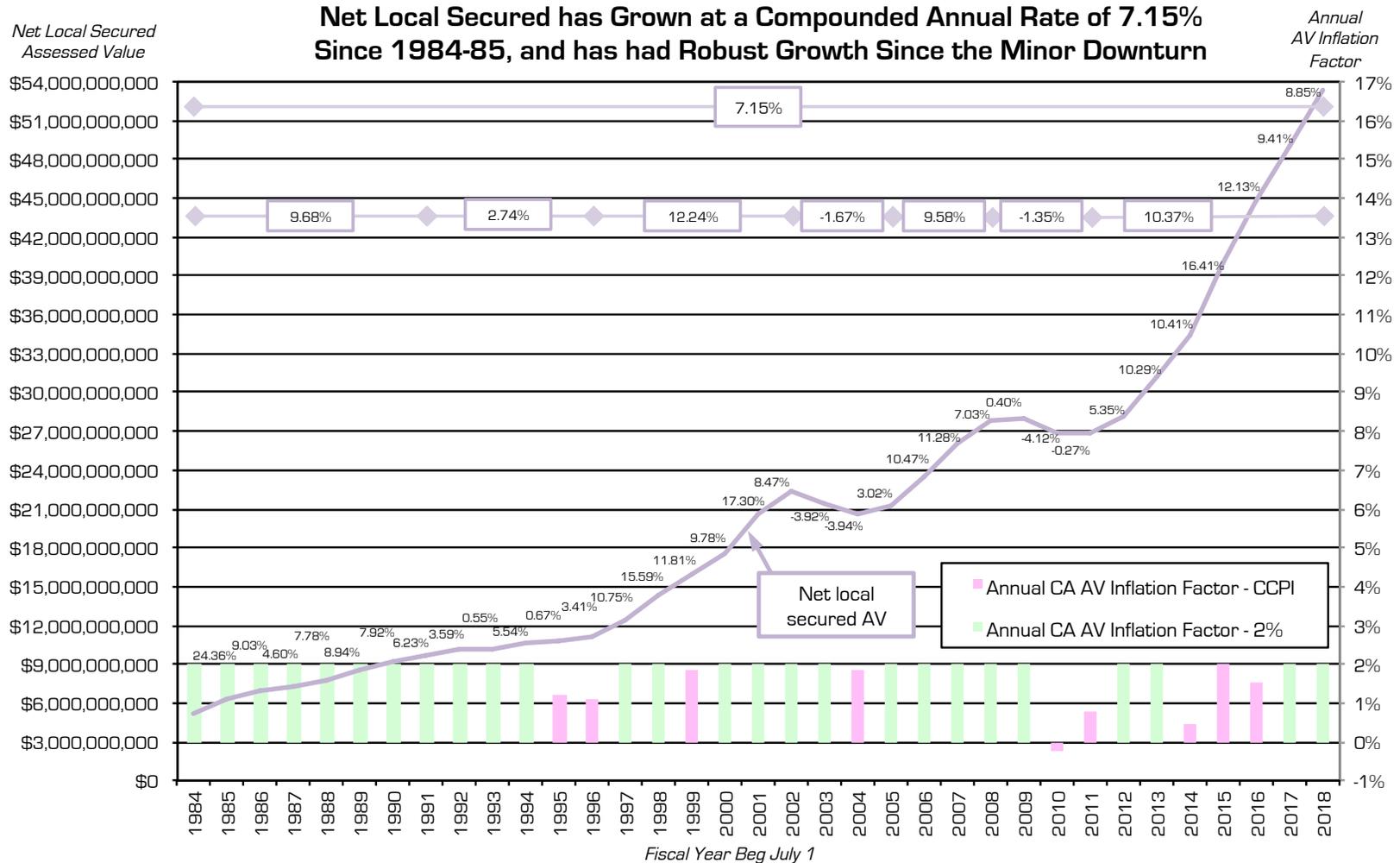
# Agenda

- ◆ Preliminary 2018-19 Assessed Value
- ◆ Update of District's Financial Stewardship
- ◆ Revised Bond Financial Plan
- ◆ For Reference
  - ▶ Assessed Value
  - ▶ Bonding Capacity
  - ▶ Presentation from July 12, 2018



# Tax Base > Assumed in 2018-19

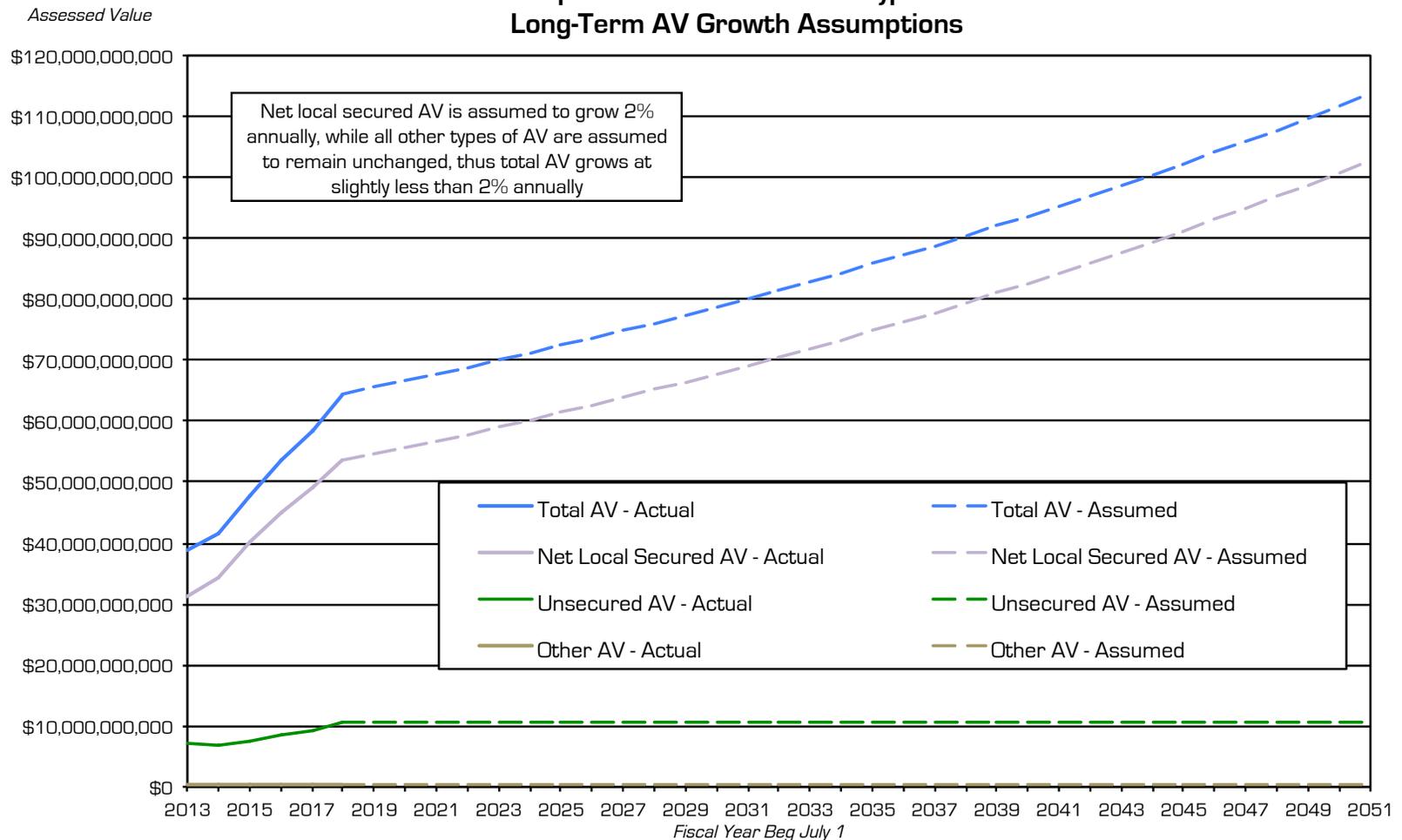
(based on preliminary 2018-19 assessed values)



Historic assessed value (AV) provided by the Santa Clara County Auditor-Controller's Office. The District's total AV is comprised of net local secured, utility, homeowners exemption, & unsecured. Changes shown are annual changes, while ranges are compounded annual growth rates. Annual California AV inflation factor provided by California State Board of Equalization, and is the lesser of the annual change in the CA CPI or 2%. 2018-19 AV is preliminary.

# Currently Assumed Assessed Value

**Different AV Assumptions Based on the AV Types Lead to Moderate Long-Term AV Growth Assumptions**

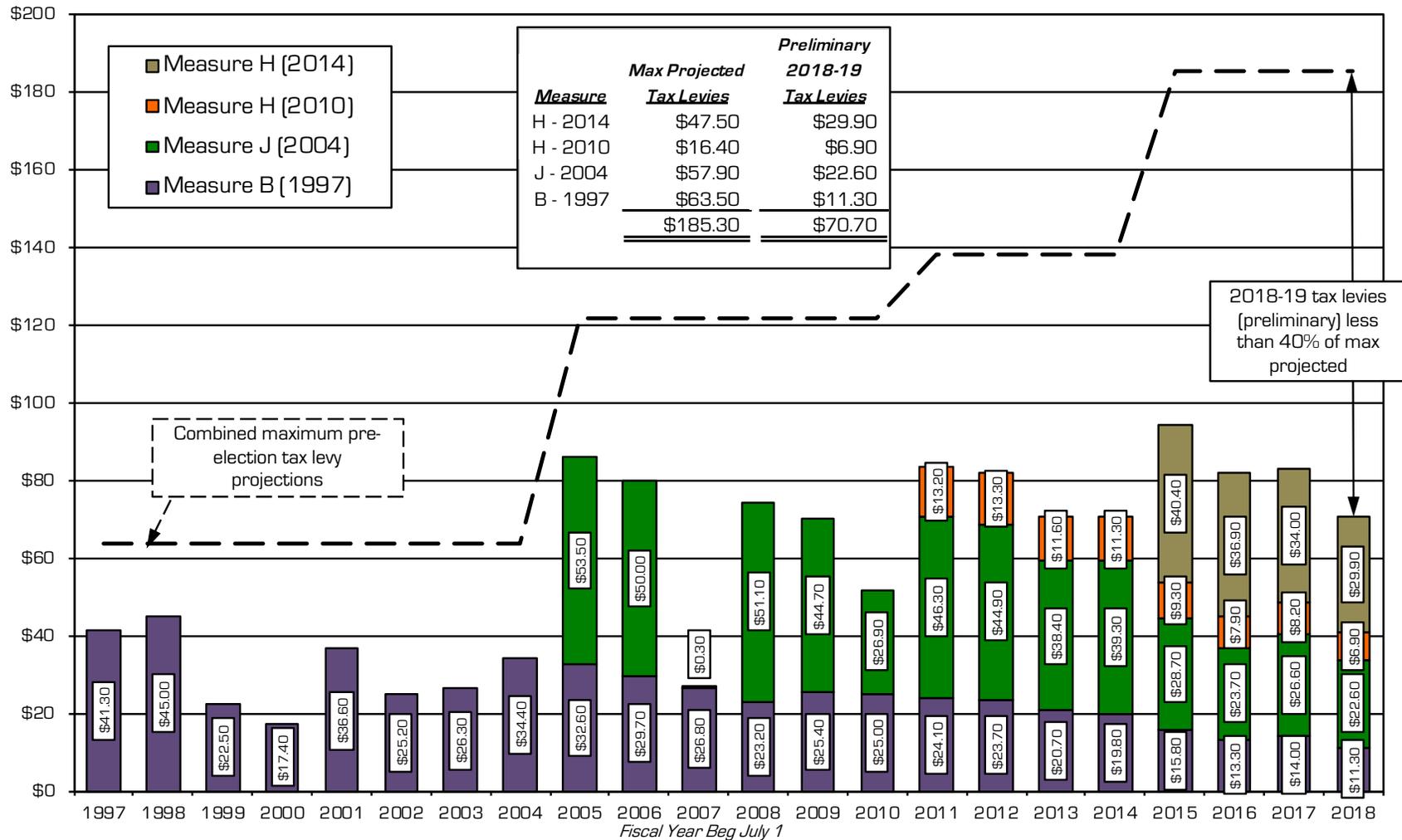


Historic assessed value (AV) provided by the Santa Clara County Auditor-Controller's Office. 2018-19 AV is preliminary. The District's total AV is comprised of net local secured, unsecured, & other (comprised of utility & homeowner's exemption). As homeowners exemption & unsecured components are relatively small and tend to be subject to less predictable volatility, AV growth assumptions focus only on net local secured.

# District's Stewardship + Strong AV Growth → Less Taxes

Tax Levy per \$100,000 of AV

Actual Tax Levies Much Lower Than Maximum Projected Pre-Election Projections

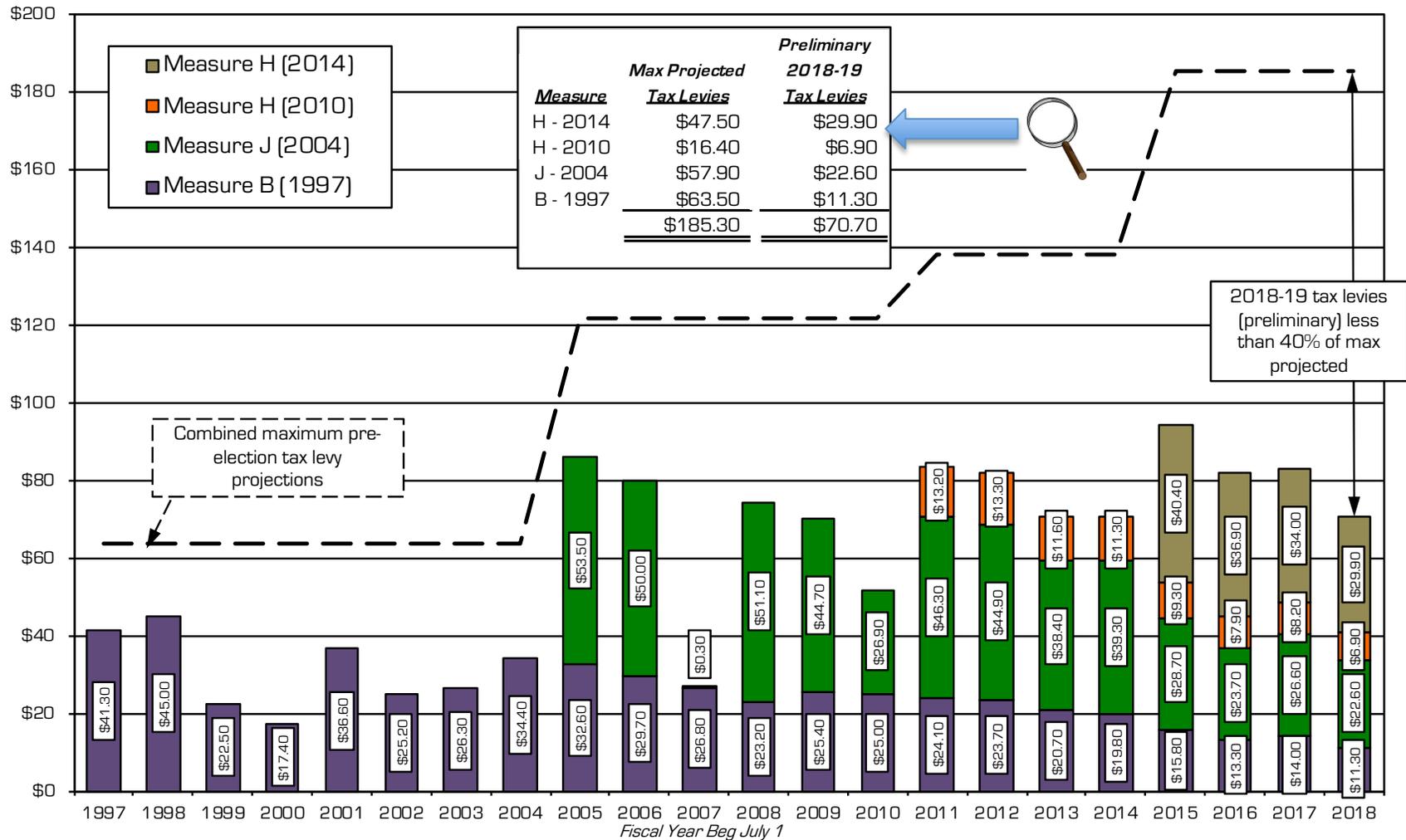


Tax levies actual through 2018-19 obtained from Santa Clara County Auditor-Controller's Department. 2018-19 is preliminary. 2017-18 average single family residential assessed value is \$509,588. 2017-18 median single family residential assessed value is \$479,413.

# District's Stewardship + Strong AV Growth → Less Taxes

Tax Levy per \$100,000 of AV

Actual Tax Levies Much Lower Than Maximum Projected Pre-Election Projections



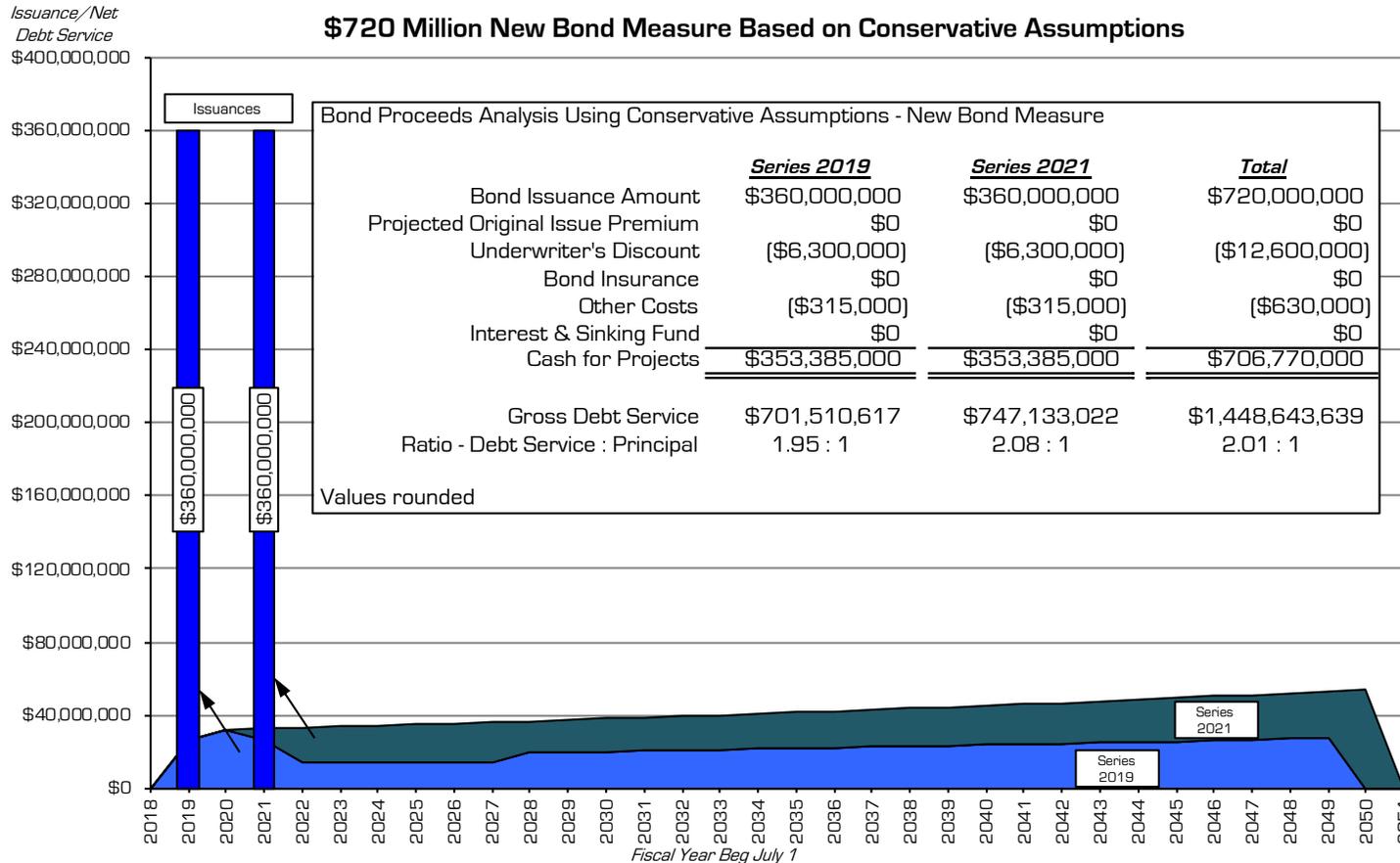
Tax levies actual through 2018-19 obtained from Santa Clara County Auditor-Controller's Department. 2018-19 is preliminary. 2017-18 average single family residential assessed value is \$509,588. 2017-18 median single family residential assessed value is \$479,413.

# Preliminary 2018-19 Tax Levies Less Than 40% of Max Projected Levies



<u>Measure</u>	<u>Max Projected Tax Levies</u>	<u>Preliminary 2018-19 Tax Levies</u>
H - 2014	\$47.50	\$29.90
H - 2010	\$16.40	\$6.90
J - 2004	\$57.90	\$22.60
B - 1997	\$63.50	\$11.30
	<u>\$185.30</u>	<u>\$70.70</u>

# \$720 Mil. Nets \$706.8 Mil for Projects



◆ At the July 12 Board meeting, it was presented that a \$700 million bond could be issued over four series

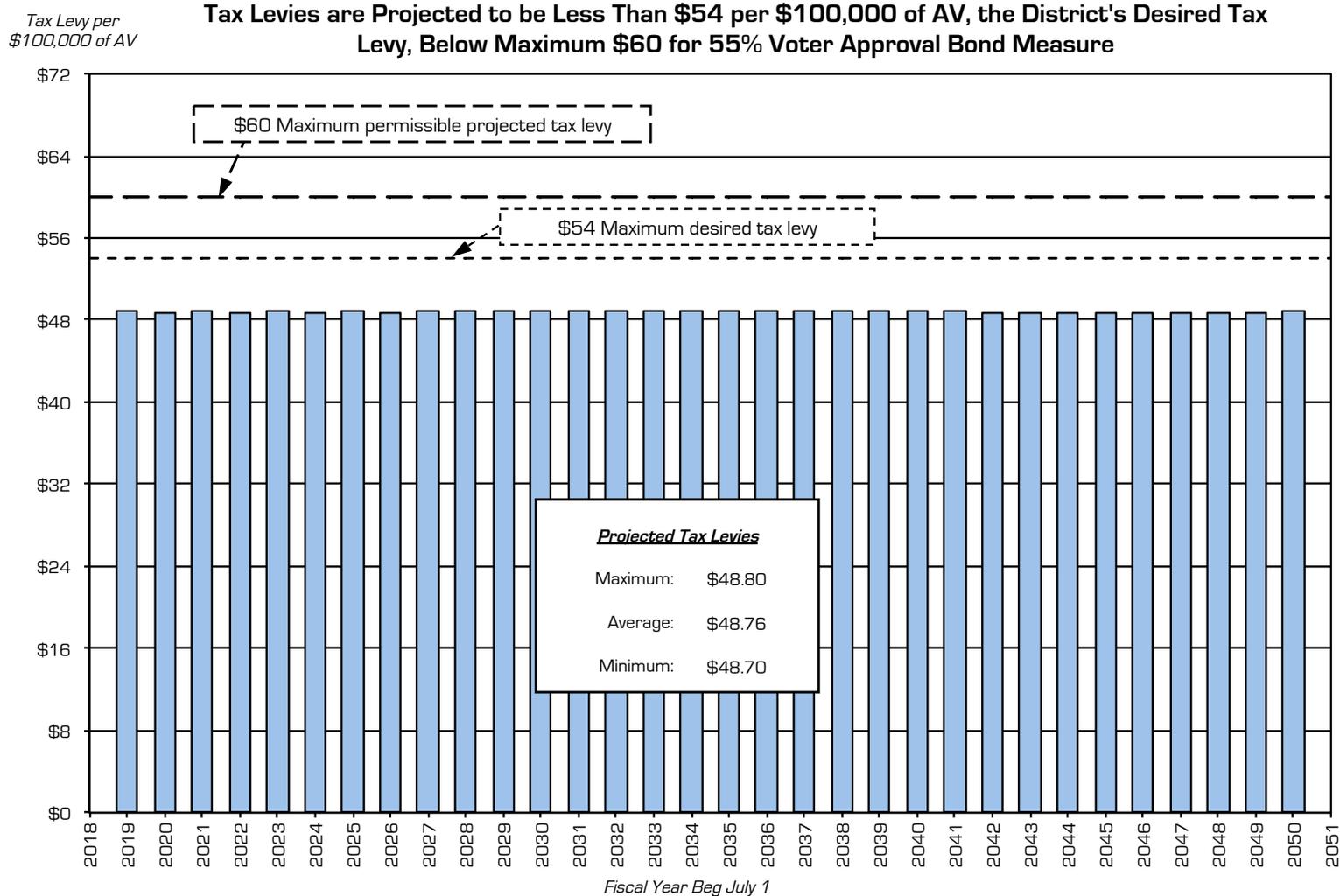
▶ Since July 12, preliminary 2018-19 assessed value has become available

✓ With the strong growth in assessed value, it is now feasible to issue \$720 million over two series, with the possibility of spending over three years

Debt service based on 2018-19 preliminary AV, & assumed 2% annual growth in net local secured, while all other AV types are assumed to remain unchanged. MMD "AAA" rates as of July 17, 2018, adjusted +50bp for assumed "AA" rating, plus timing adjustments for potential rate increasing prior to bond issuance of +125bp (2019) & +150bp (2021). Net debt service assumes unitary revenue of 1.5% of debt service (1.8% average since 2006-07), additional revenue of 0.1% of debt service (0.2% average since 2006-07), additional reserve receipts of 5% of reserve (8.7% average since 2006-07), & paying agent fees of 0.02% of debt service (0.013% since 2006-07).

# Projected Tax Levy ≤ \$48.80 per \$100k AV

(and lower than desired max of \$54 per \$100,000 AV)



Tax levies projected based on assumed debt service, AV through 2017-18 is actual; 2018-19 AV is preliminary, with net local secured AV assumed to grow 2% annually, while all other AV types are assumed to remain unchanged.

# Thank You!



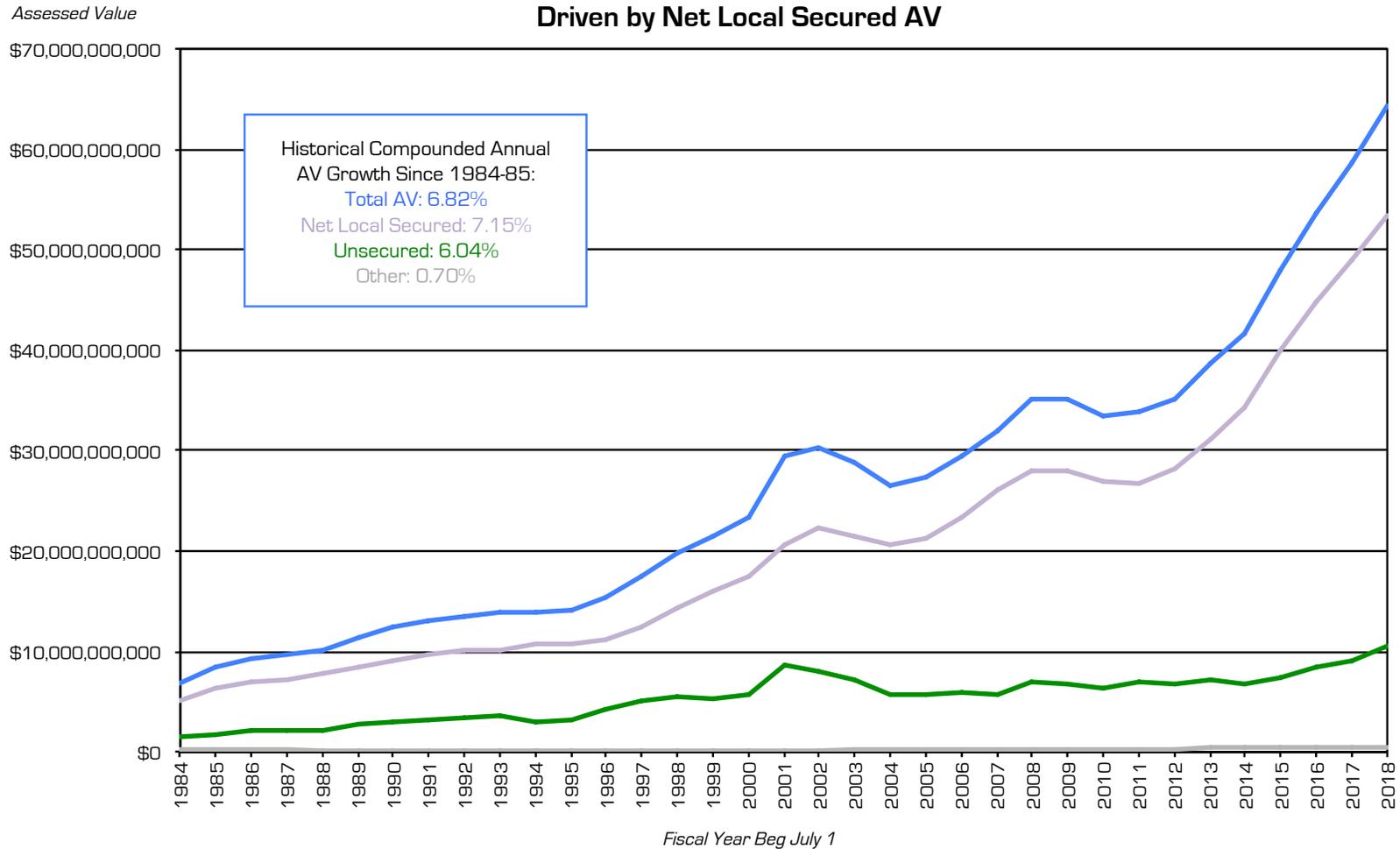
# For Reference

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- ◆ Assessed Value
- ◆ Bonding Capacity
- ◆ Presentation from January 25, 2018

# Different Growth Rates for Different AV

**Growth in District's Assessed Value has Mainly been Driven by Net Local Secured AV**

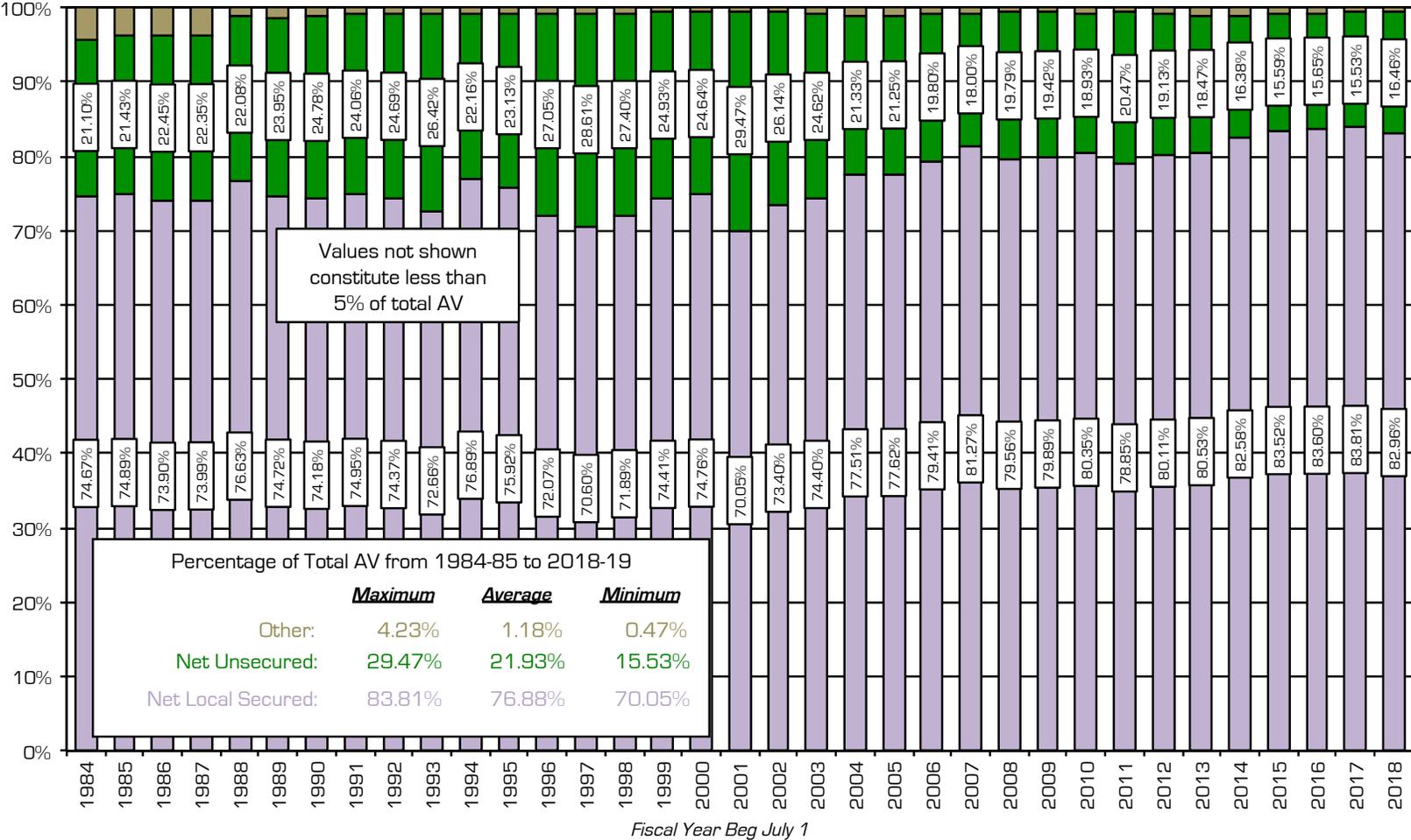


Historic assessed value (AV) provided by the Santa Clara County Auditor-Controller's Office. The District's total AV is comprised of net local secured, unsecured, & other (comprised of utility & homeowner's exemption). 2018-19 AV is preliminary.

# Most AV is Net Local Secured

Since 1984-85, Net Local Secured AV has Become an Even Greater Component of Total AV

Assessed Value

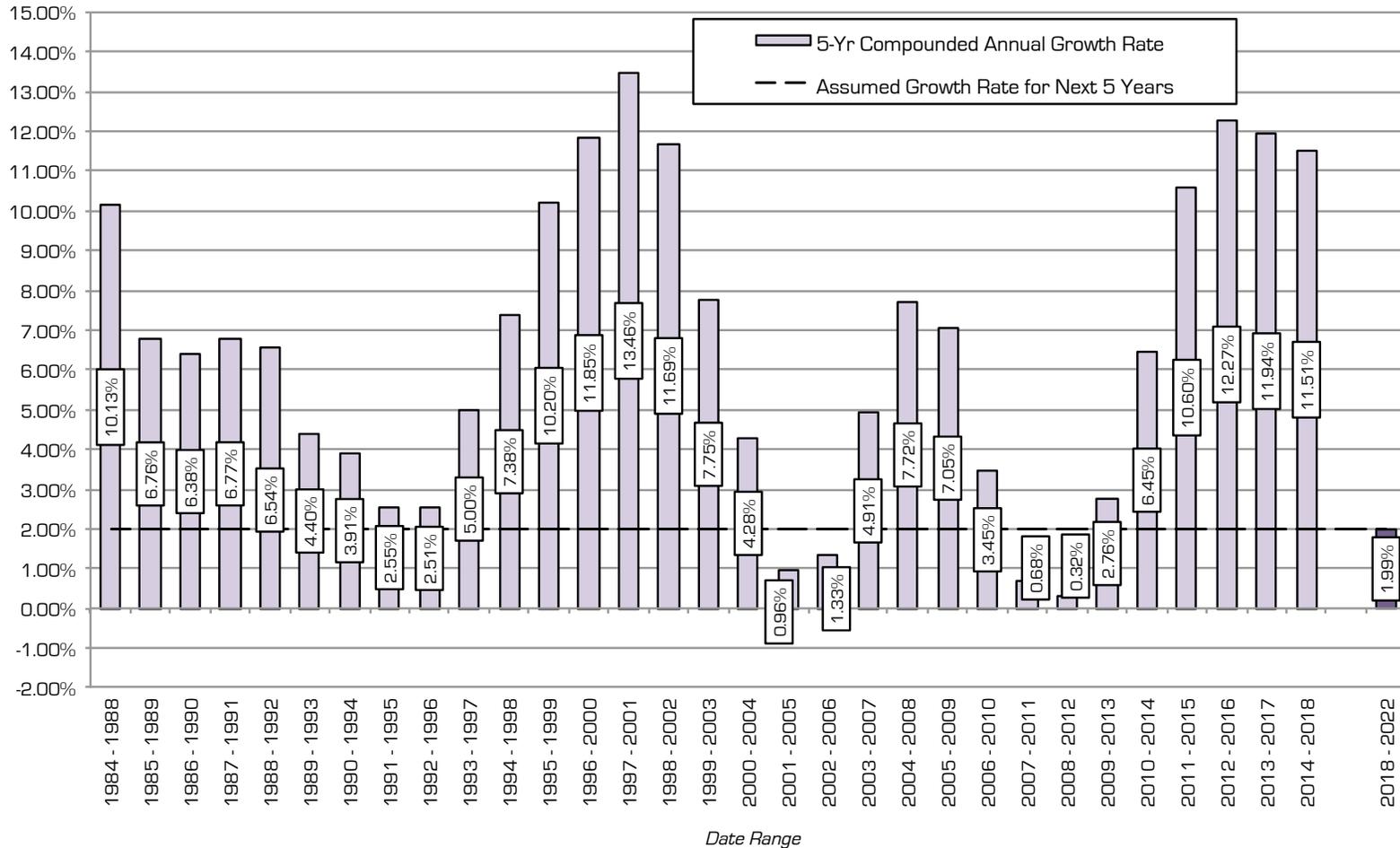


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# Historical AV Analysis – 5 Year Periods

Compounded Annual  
Growth Rate - Total  
Secured AV

## AV Assumptions Used Result in 1.99% Annual Growth Over 5 Years

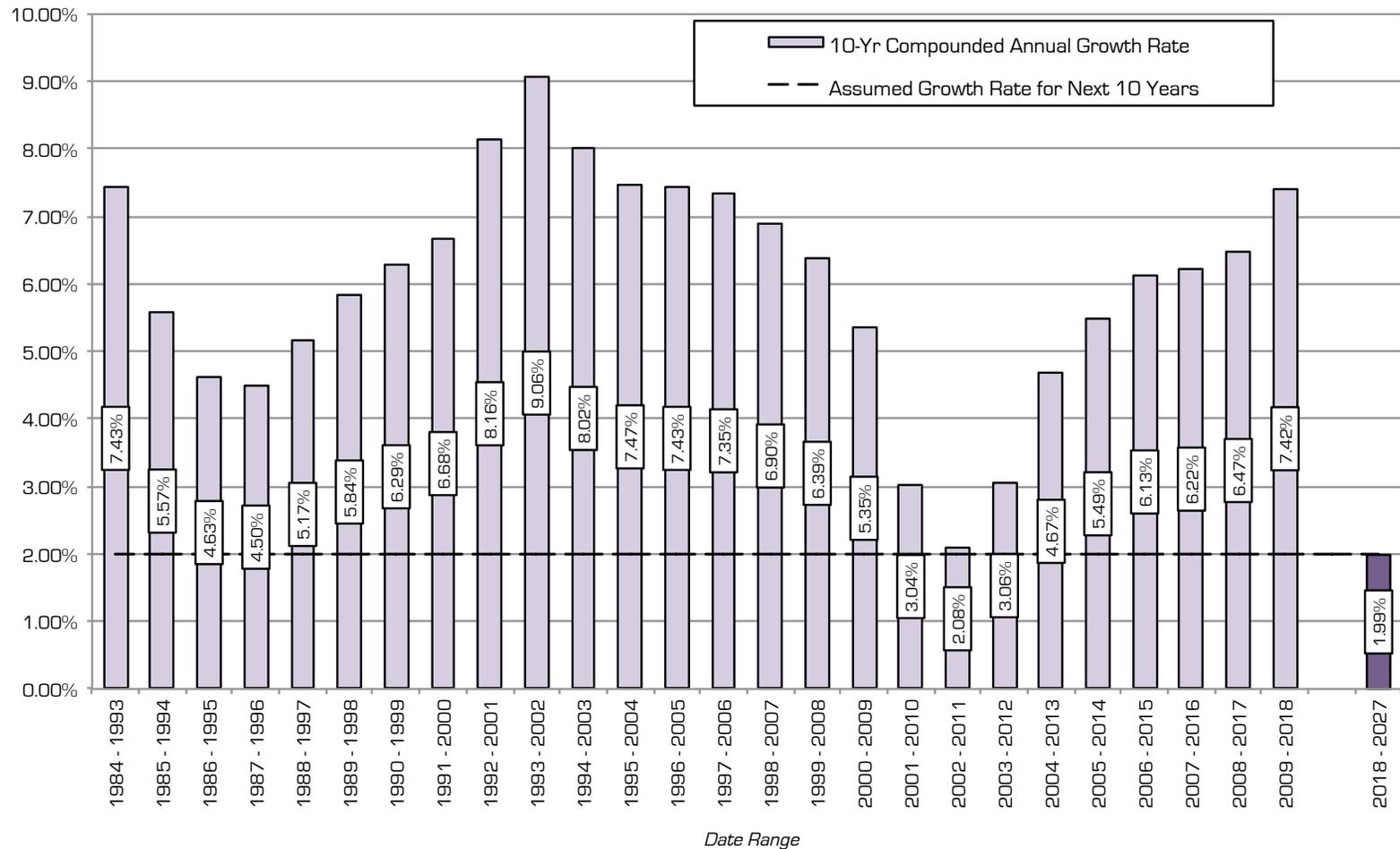


Historical data from Santa Clara Co. Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged. 2018-19 AV is preliminary.

# Historical AV Analysis – 10 Year Periods

Compounded Annual  
Growth Rate - Total  
Secured AV

## AV Assumptions Used Result in 1.99% Annual Growth Over 10 Years

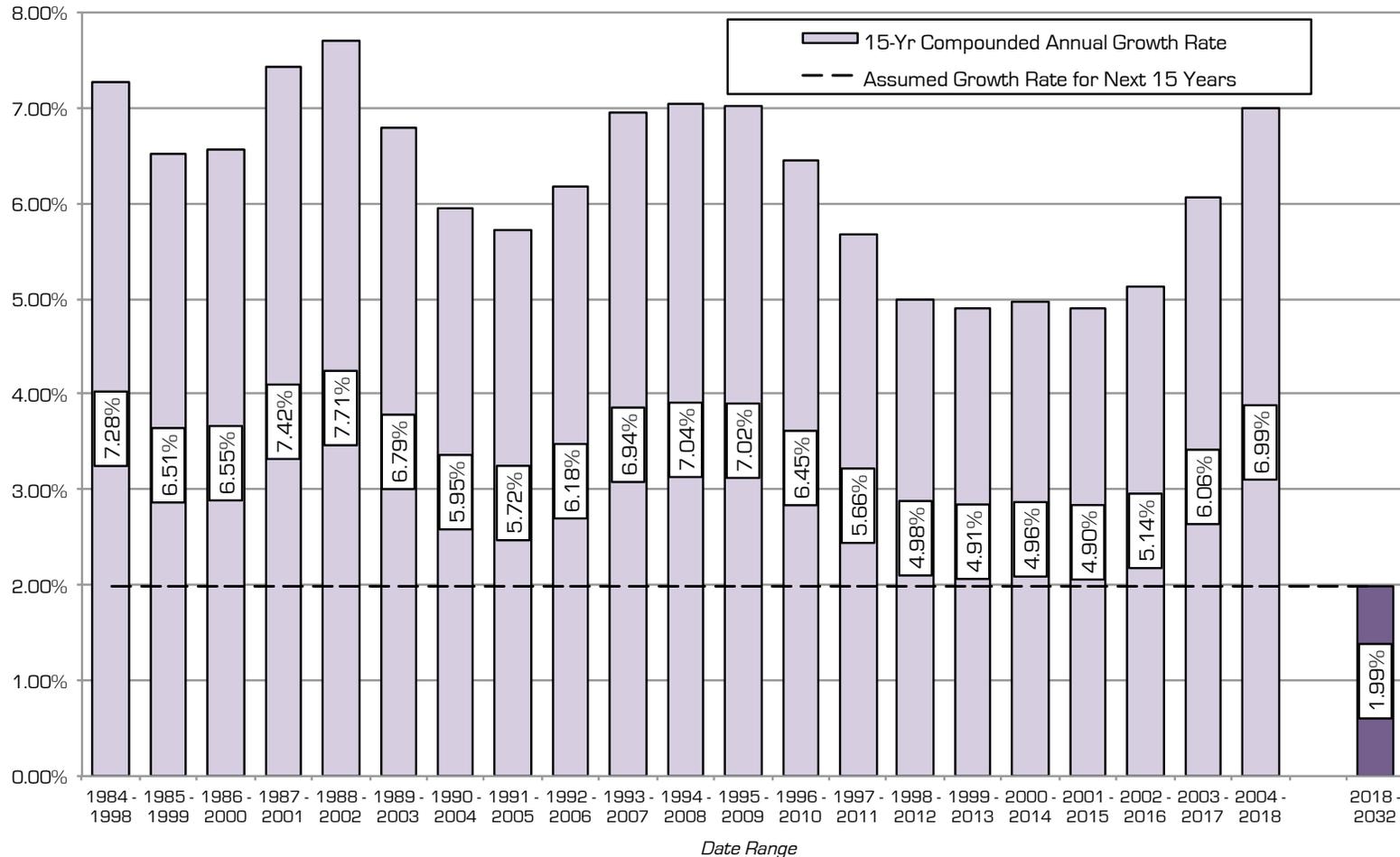


Historical data from Santa Clara Co. Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged. 2018-19 AV is preliminary.

# Historical AV Analysis – 15 Year Periods

Compounded Annual  
Growth Rate - Total  
Secured AV

**AV Assumptions Used Result in 1.99% Annual Growth Over 15 Years**

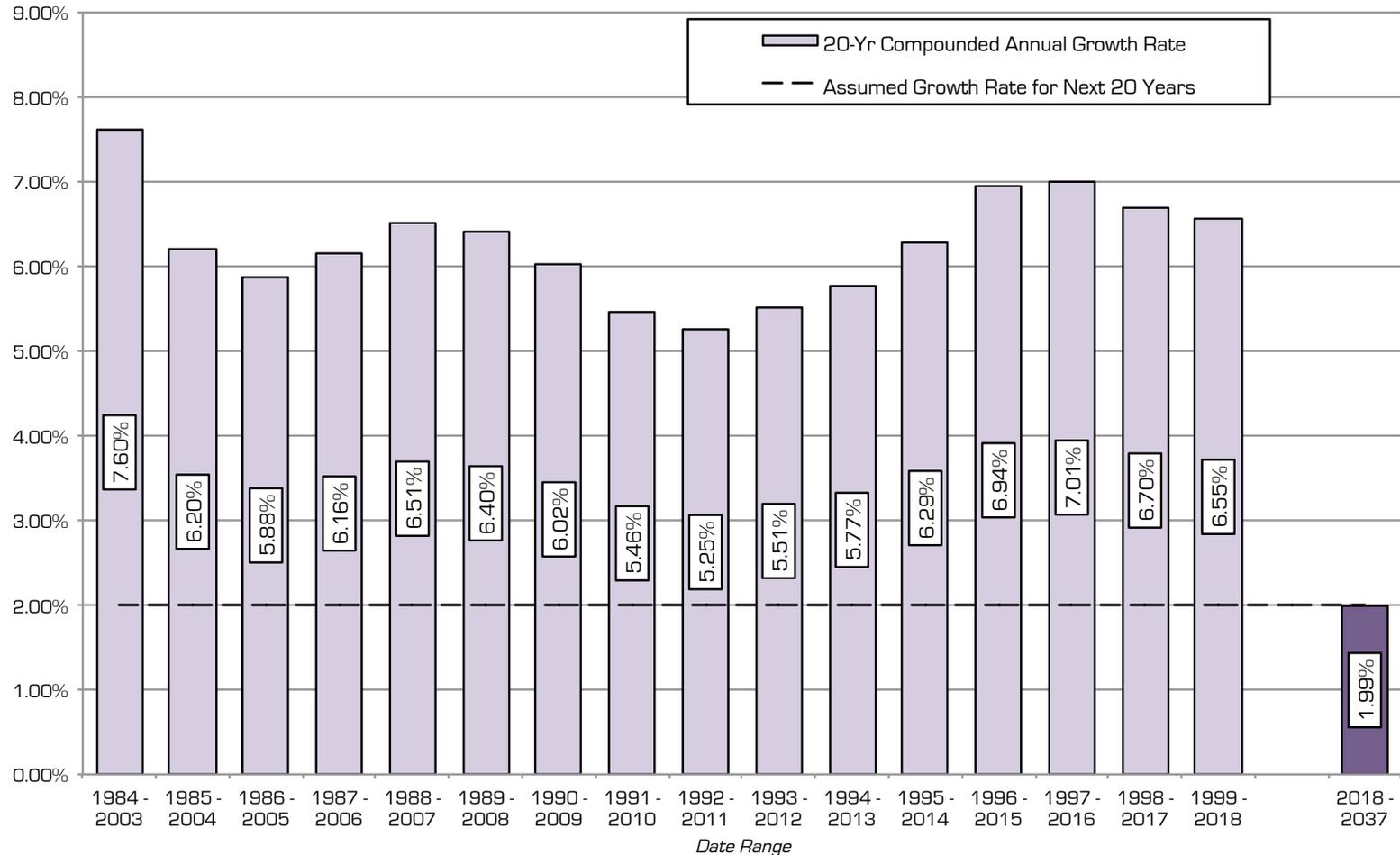


Historical data from Santa Clara Co. Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged. 2018-19 AV is preliminary.

# Historical AV Analysis – 20 Year Periods

Compounded Annual  
Growth Rate - Total  
Secured AV

## AV Assumptions Used Result in 1.99% Annual Growth Over 20 Years

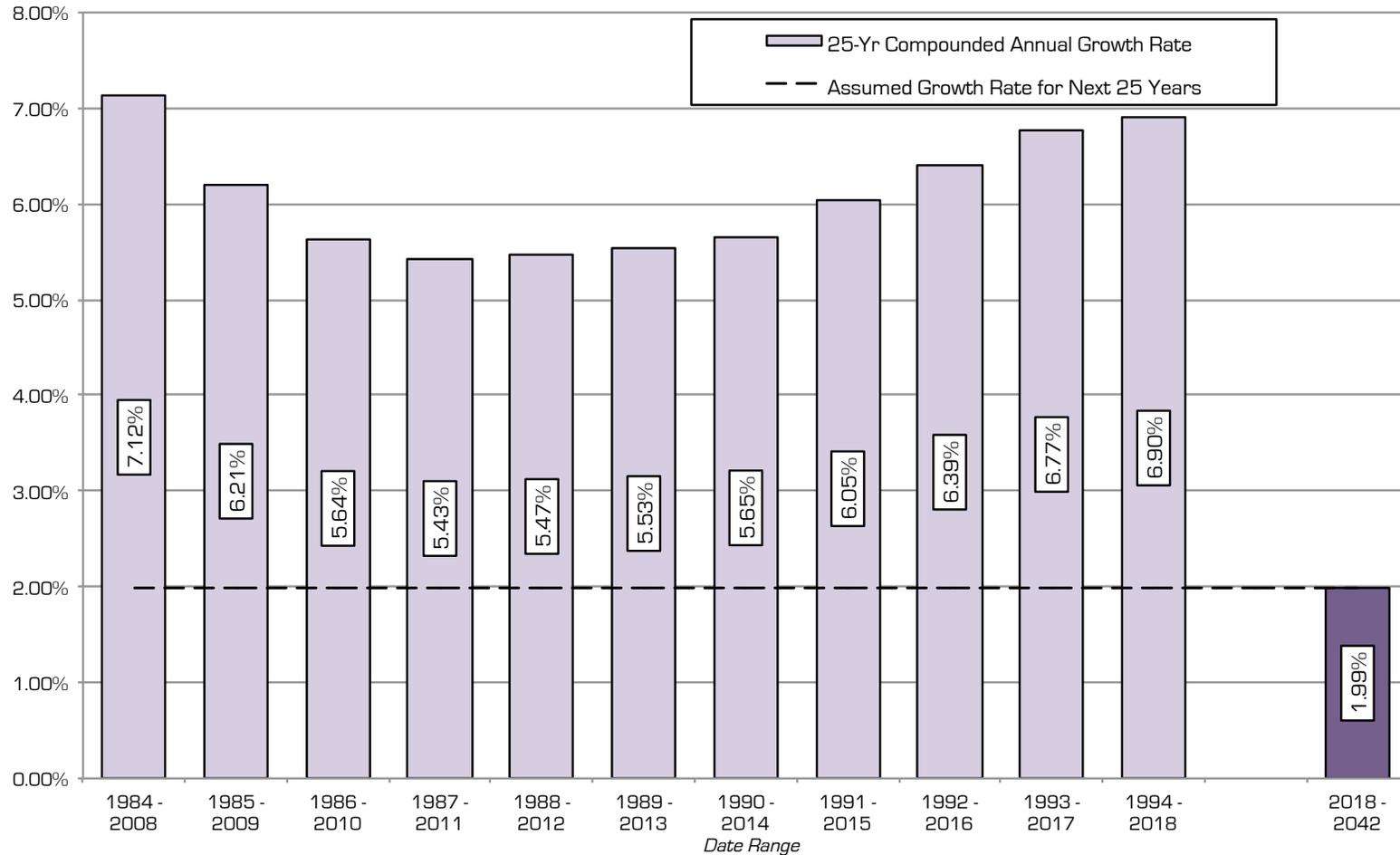


Historical data from Santa Clara Co. Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged. 2018-19 AV is preliminary.

# Historical AV Analysis – 25 Year Periods

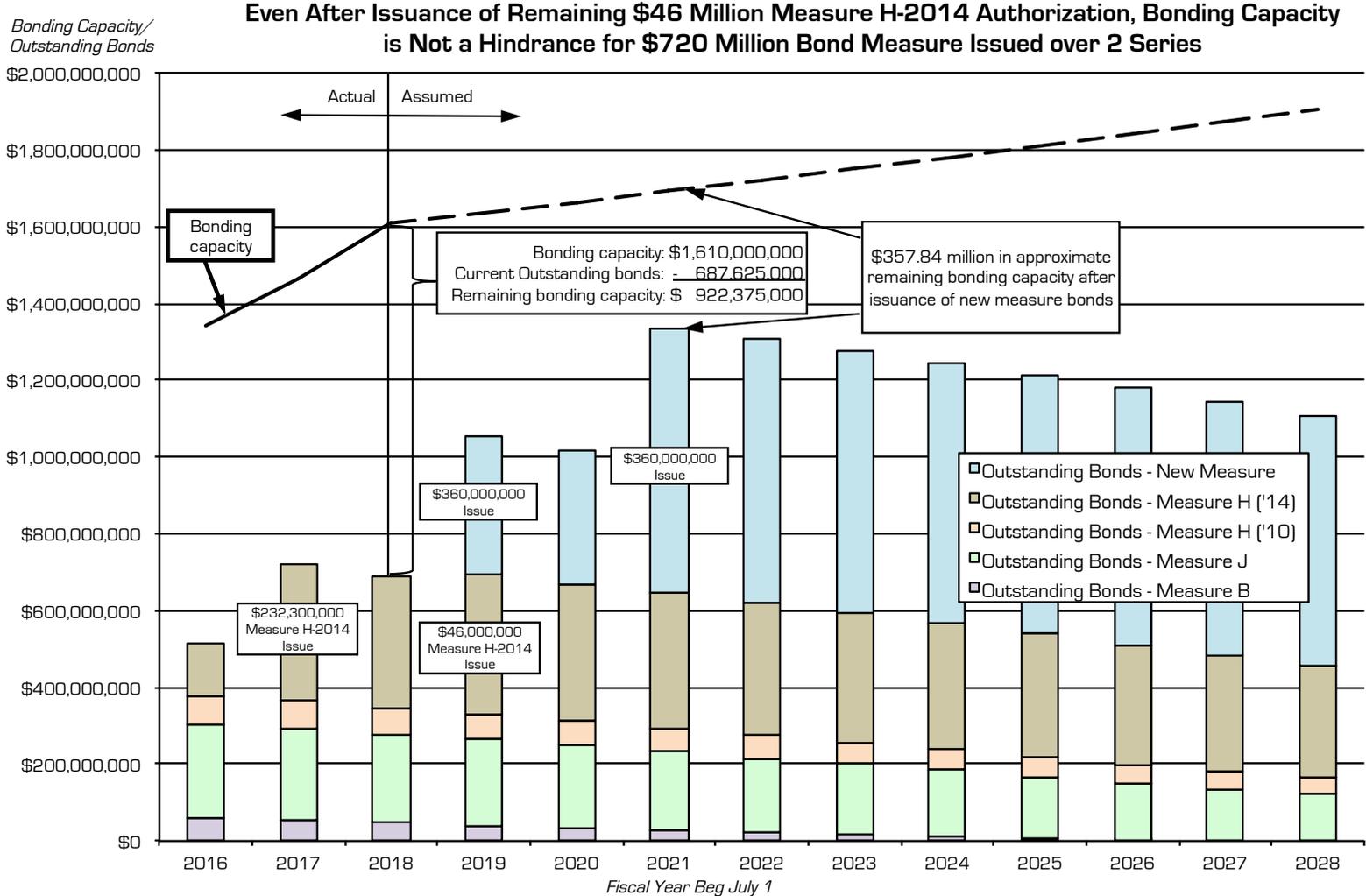
Compounded Annual  
Growth Rate - Total  
Secured AV

## AV Assumptions Used Result in 1.99% Annual Growth Over 25 Years



Historical data from Santa Clara Co. Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged. 2018-19 AV is preliminary.

# Sufficient Bonding Capacity



Unified district's bonding capacity is 2.5% of total AV. 2017-18 AV is actual; 2018-19 AV is preliminary, based on net local secured AV assumed to grow 2% annually, while all other AV types are assumed to remain unchanged. Bonding capacity as of Aug 20 when AV becomes "equalized." Outstanding bonds from Official Statements. Values rounded.

# Santa Clara Unified School District

## Updated Bond Financial Plan For a November 2018 Bond Election



**Santa Clara**  
Unified School District



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Strategies

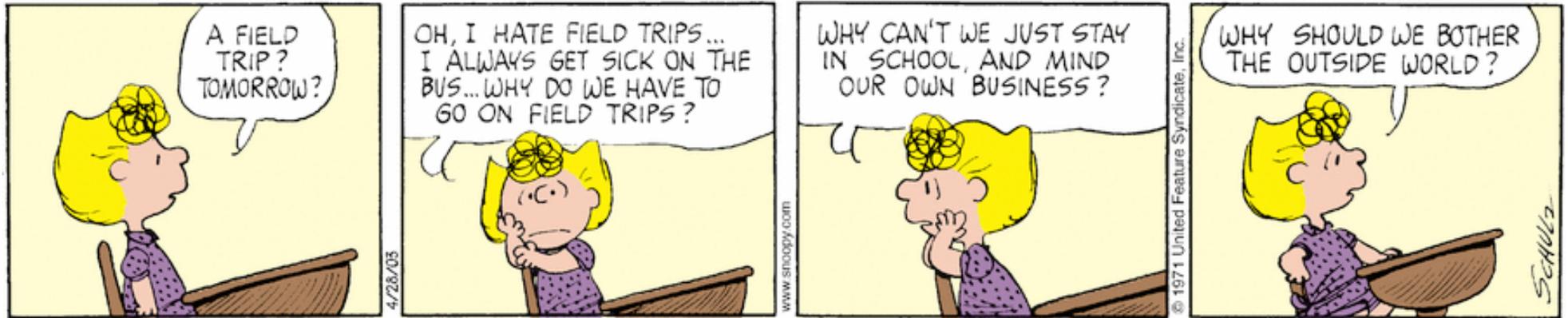
Presented by Lori Raineri  
July 12, 2018

# Agenda

- ◆ Review of District's Financial Stewardship
- ◆ Updated Bond Financial Plan
- ◆ Next Steps
- ◆ For Reference
  - ▶ Additional Information on Financial Stewardship
  - ▶ Bonding Capacity
  - ▶ Presentation from January 25, 2018



# Moving Forward



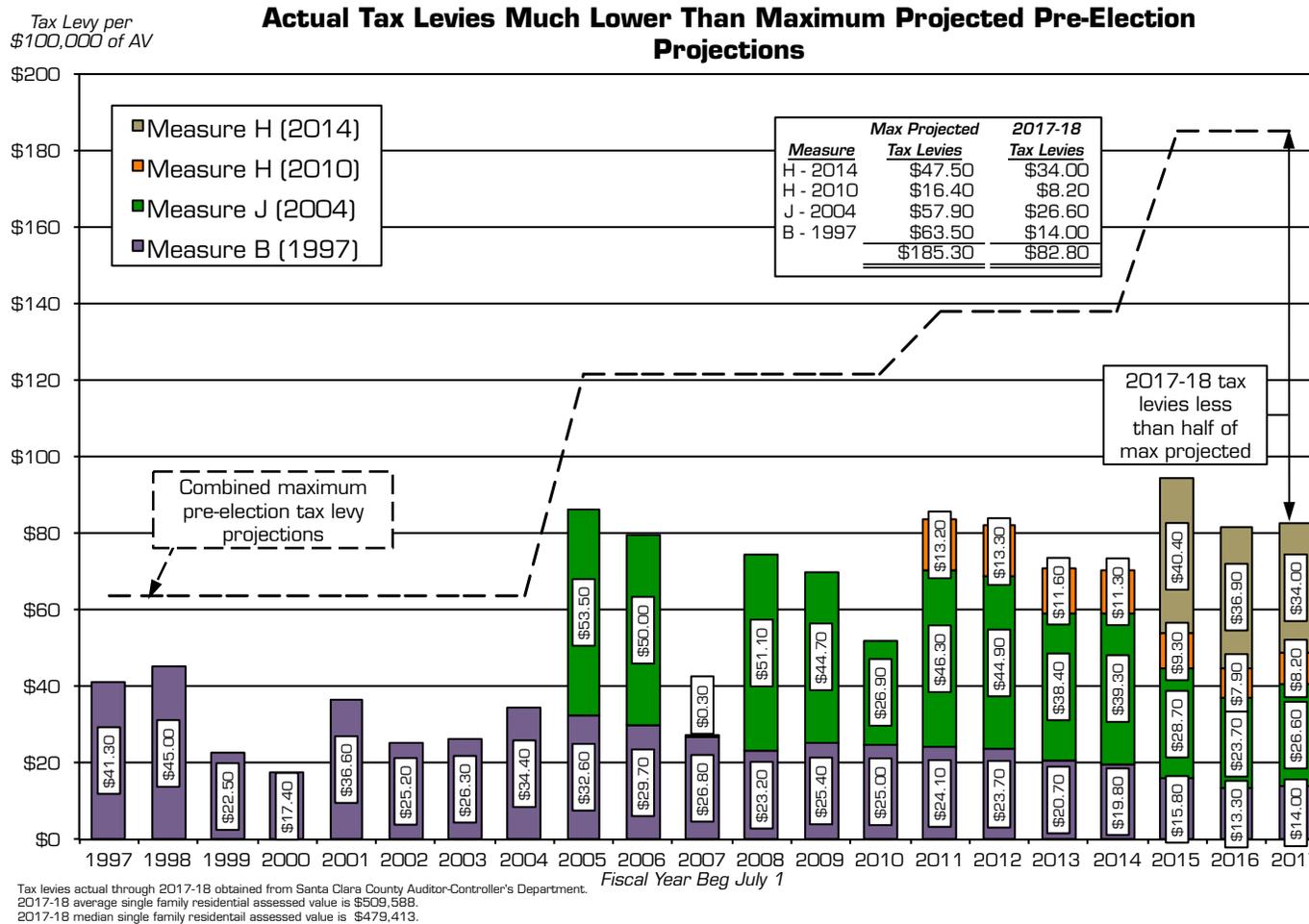
# Bond Measure History

Santa Clara Unified School District General Obligation Bond Measures Since 1997

<u>Election Date</u>	<u>Measure</u>	<u>Bond Amount</u>	<u>Required Vote</u>	<u>Vote in Favor</u>	<u>Estimated at Time of Election</u>		<u>Final Date of Repayment(*)</u>
					<u>Debt Service</u>	<u>Ratio of Debt Service to Principal</u>	
June 3, 1997	B	\$145,000,000	2/3	76.0%	\$336,625,735	2.3 : 1	Jul 1, 2027
November 2, 2004	J	\$315,000,000	55%	72.0%	\$621,229,433	2.0 : 1	Jul 1, 2036
November 2, 2010	H	\$81,100,000	55%	64.4%	\$164,788,174	2.0 : 1	Jul 1, 2036
November 4, 2014	H	\$419,000,000	55%	69.4%	\$816,738,574	1.9 : 1	Jul 1, 2042

(\*) Final date of repayment reflects the date of the final maturity; the final year of taxation could be earlier; for Measure H-2014, the final year of repayment is based on currently issued bonds.

# District's Stewardship → Less Taxes

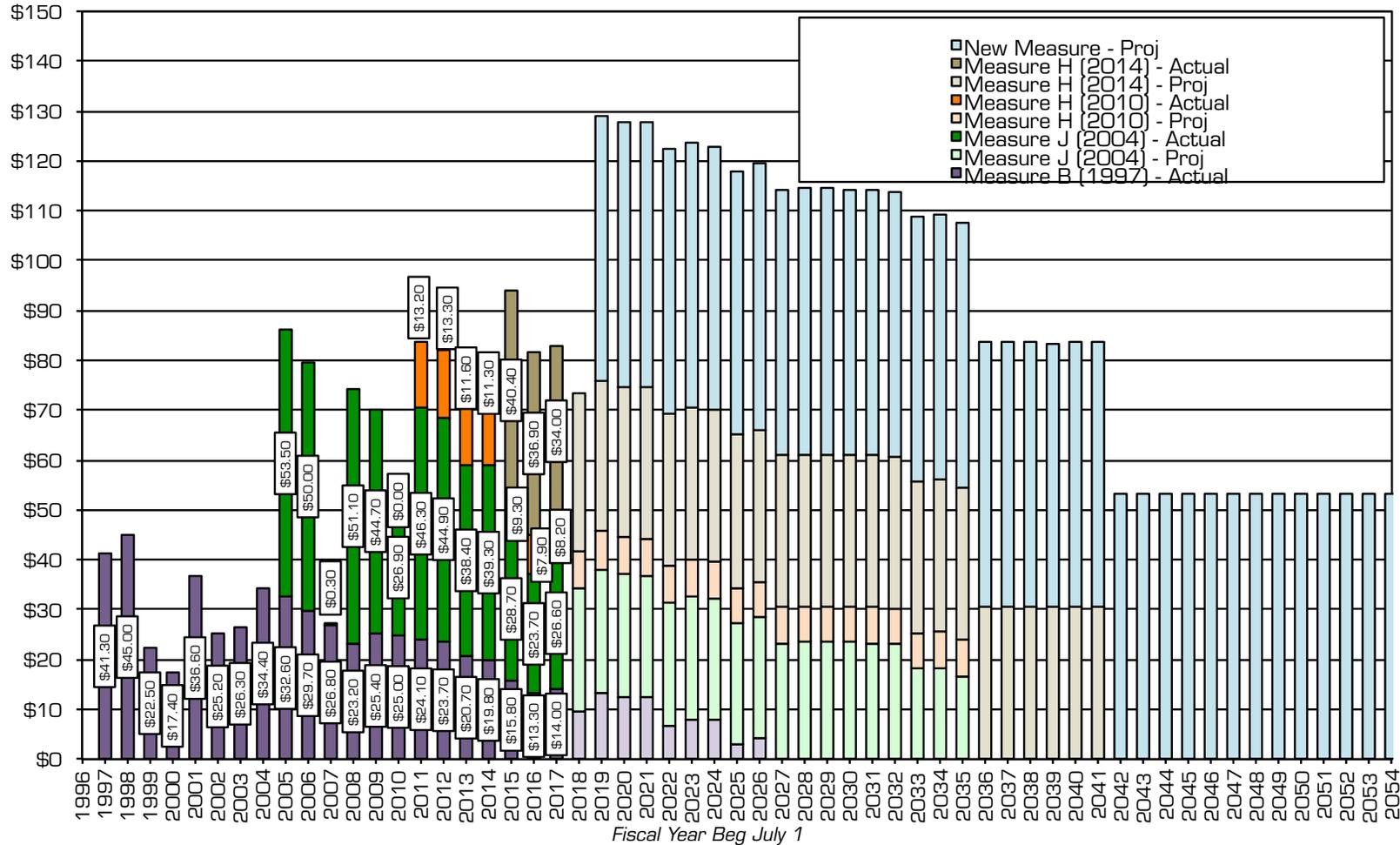


- ◆ As previously shown in a presentation to the Board on January 25, 2018
- ◆ Please see the "For Reference" section for details on how the District has been able to gain 1% more proceeds at 22% lower cost than anticipated from good fiscal stewardship.



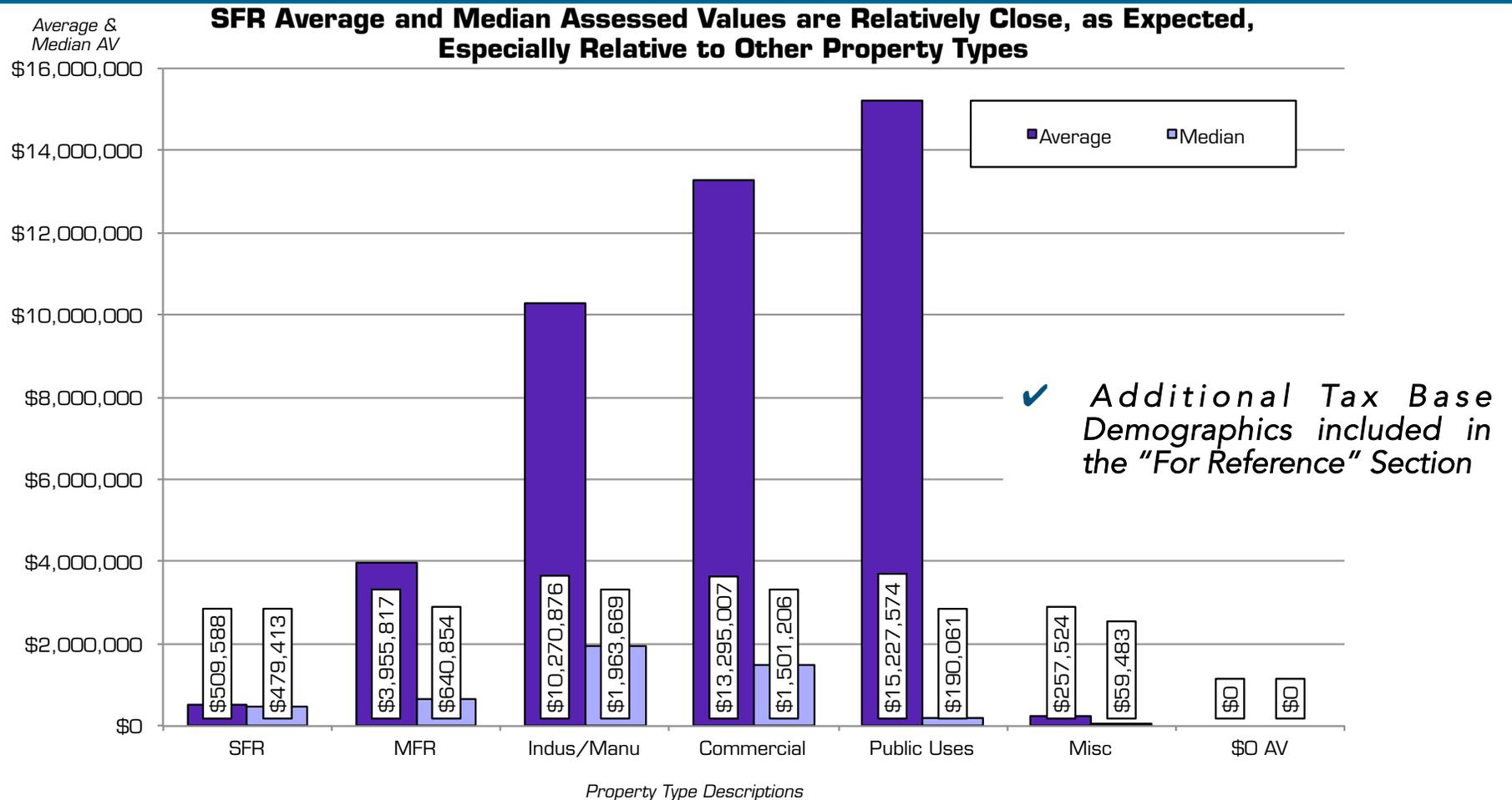
# Combined Levies from Four Measures

*Tax Levy per \$100,000 of AV* **Combined Tax Levies Projected to Peak at Just Under \$130 per \$100,000 of AV**



Tax levies actual through 2017-18; projections based on assumed debt service, AV through 2017-18 is actual, with net local secured AV assumed to grow 2% annually, while all other AV types are assumed to remain unchanged.

# Understanding Who Pays What



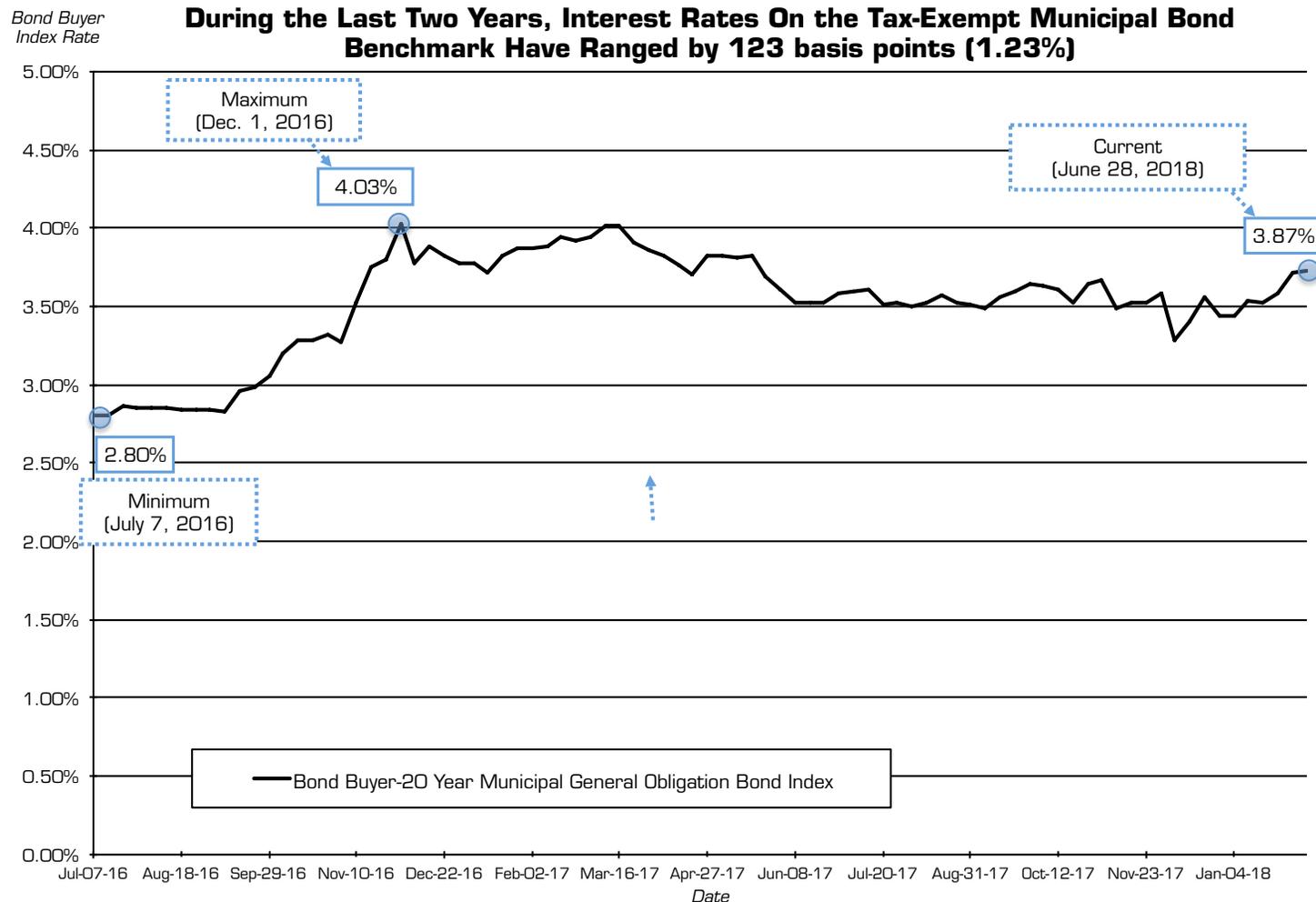
Note: 2017-18 assessment roll as provided by Santa Clara County Assessor's office. Indus/Manu comprised of County categories: Industrial and Manufacturing; Misc comprised of Misc, Agricultural, Housing-Misc, Unknown, Utilities, & Vacant.

◆ As previously shown in a presentation to the Board on January 25, 2018

# Factors for Updating Bond Financial Plan

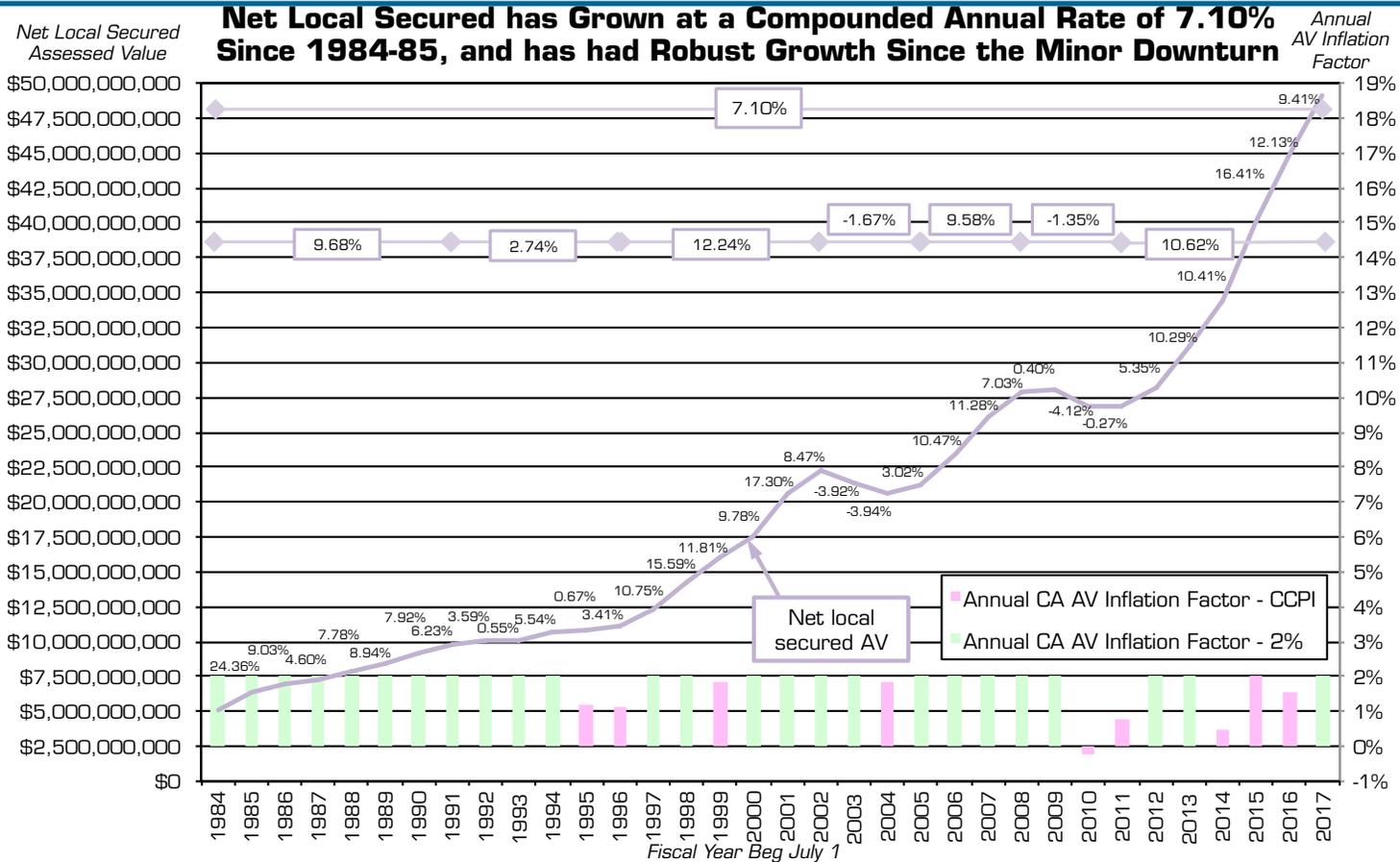
- ◆ Interest Rates
  - ▶ Municipal Market Data (“MMD”) AAA rates have increased an average of 25 basis points since January 2018
  - ▶ Adjustments
    - Credit: recent credit rating increase from S&P (to AA+), along with the previous AAA rating from Moody’s lowered our assumed credit adjustment by 10 basis points
    - Timing: historical volatility is analyzed for the time period between the date of the MMD rates and the scheduled issuance dates
      - Each series has a different timing adjustment
      - Approximately 95% confidence is targeted, and may fluctuate based on rounding the adjustment factor to the nearest 25 basis points
      - In January 2018, the confidence intervals ranged from 93.2% to 96.5%
      - In July 2018, using the same adjustment, but being 6 months closer to the start of the assumed issuance schedule, the confidence interval range improved to 94.1% to 96.6%
- ◆ Assessed Value
  - ▶ Currently using data through 2017-18
    - 2018-19 data should be available by mid-August
  - ▶ As shown later in this presentation, Net Local Secured AV is assumed to grow 2%, while all other AV is assumed to remain constant
    - This has been a consistent assumption used by the District
- ◆ Targeted Projected Tax Levy (\$54/\$100,000 AV)
- ◆ Targeted Total Issuance Amount (\$875M)
  - ▶ A lower amount would mean fewer planned bond series (discussed later in this presentation)
- ◆ Expenditure Cash Flow
  - ▶ Once the Board gives direction on the projects to be funded, the expenditure cash flow and the bond plan will be adjusted as needed, though please note that most of the adjustments occur as the bond plan is implemented

# Interest Rates are Volatile



The 20-Bond Index is the average yield on the 20th year maturity for 20 general obligation bonds with an average rating equivalent to Moody's Investors Service's "Aa2" rating and Standard & Poor's Rating Service "AA". The Index is weekly as of each Thursday.

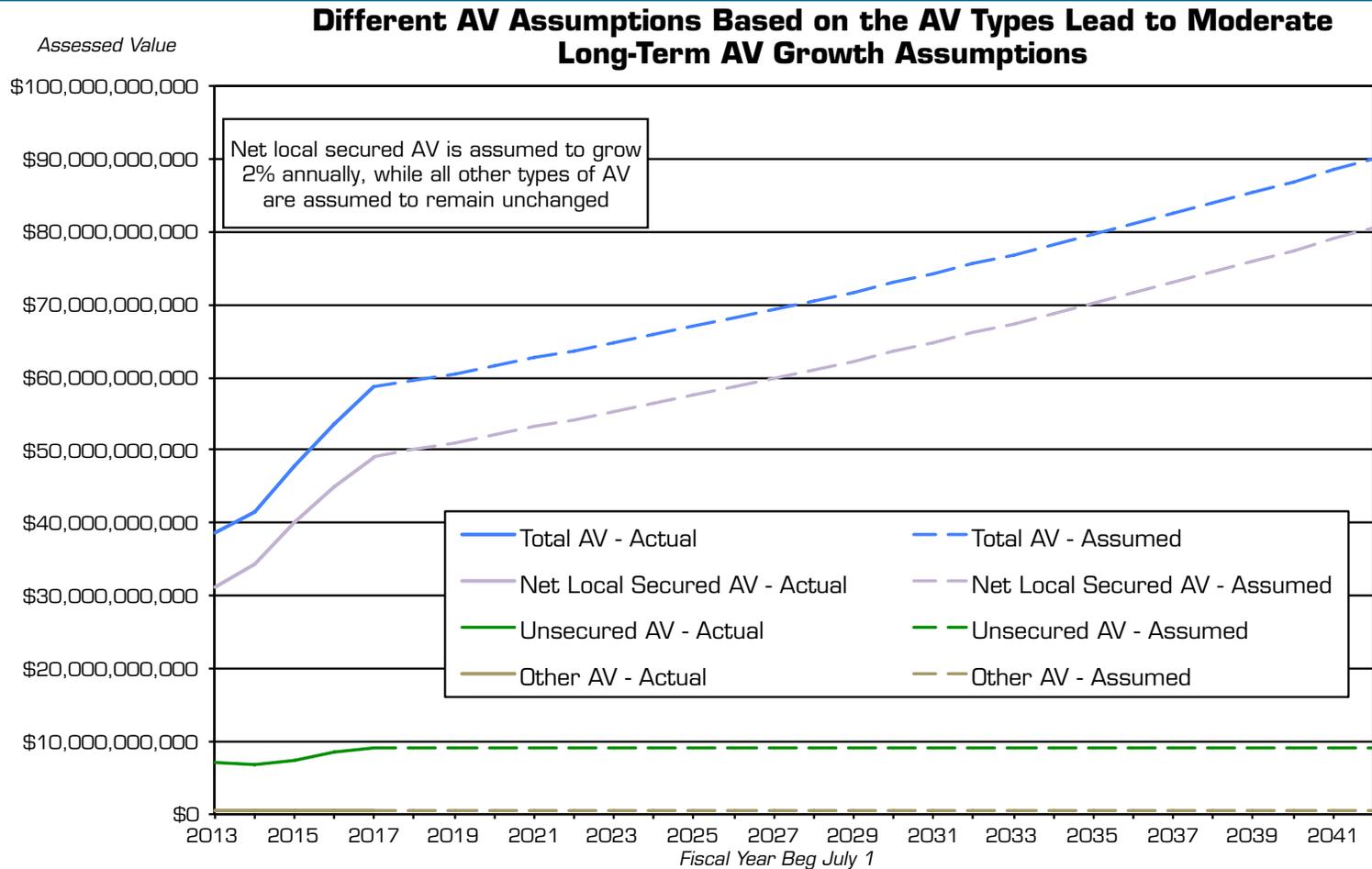
# Tax Base Grew > Assumed in 2017-18



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- ◆ As previously shown in a presentation to the Board on January 25, 2018
- ◆ Additional information regarding historical AV growth can be found in the "For Reference" section

# Currently Assumed Future Assessed Value

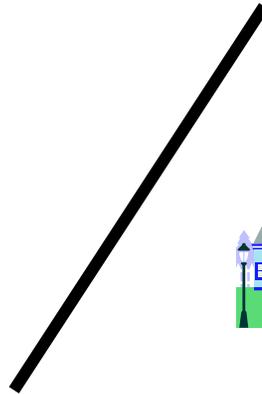


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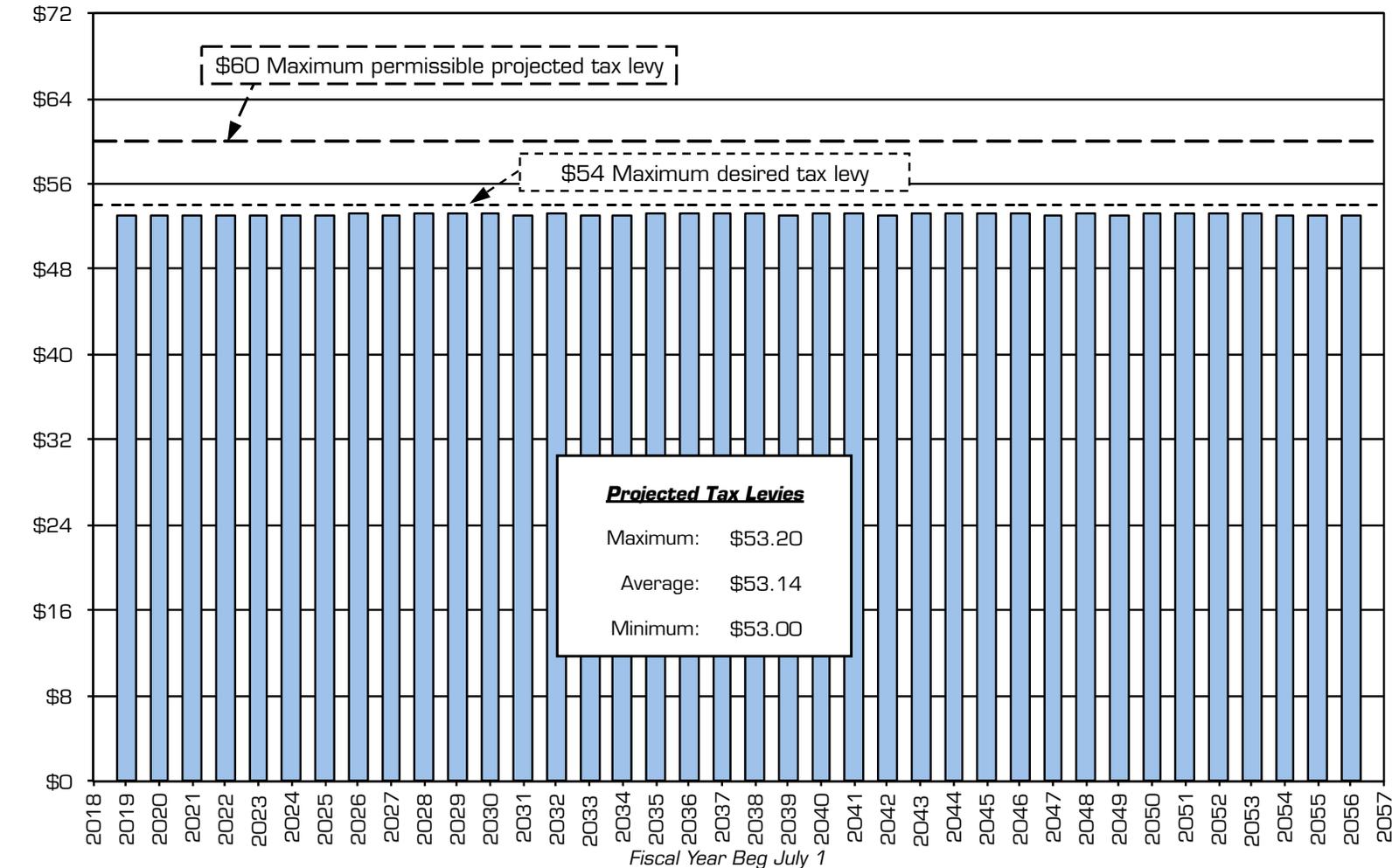
# General Obligation Bond Tax Rates

- ◆ Bond tax rate  $\approx$  debt service  $\div$  assessed value
- ◆ Each property in the District pays its pro rata share, based on its individual assessed value (not market value)



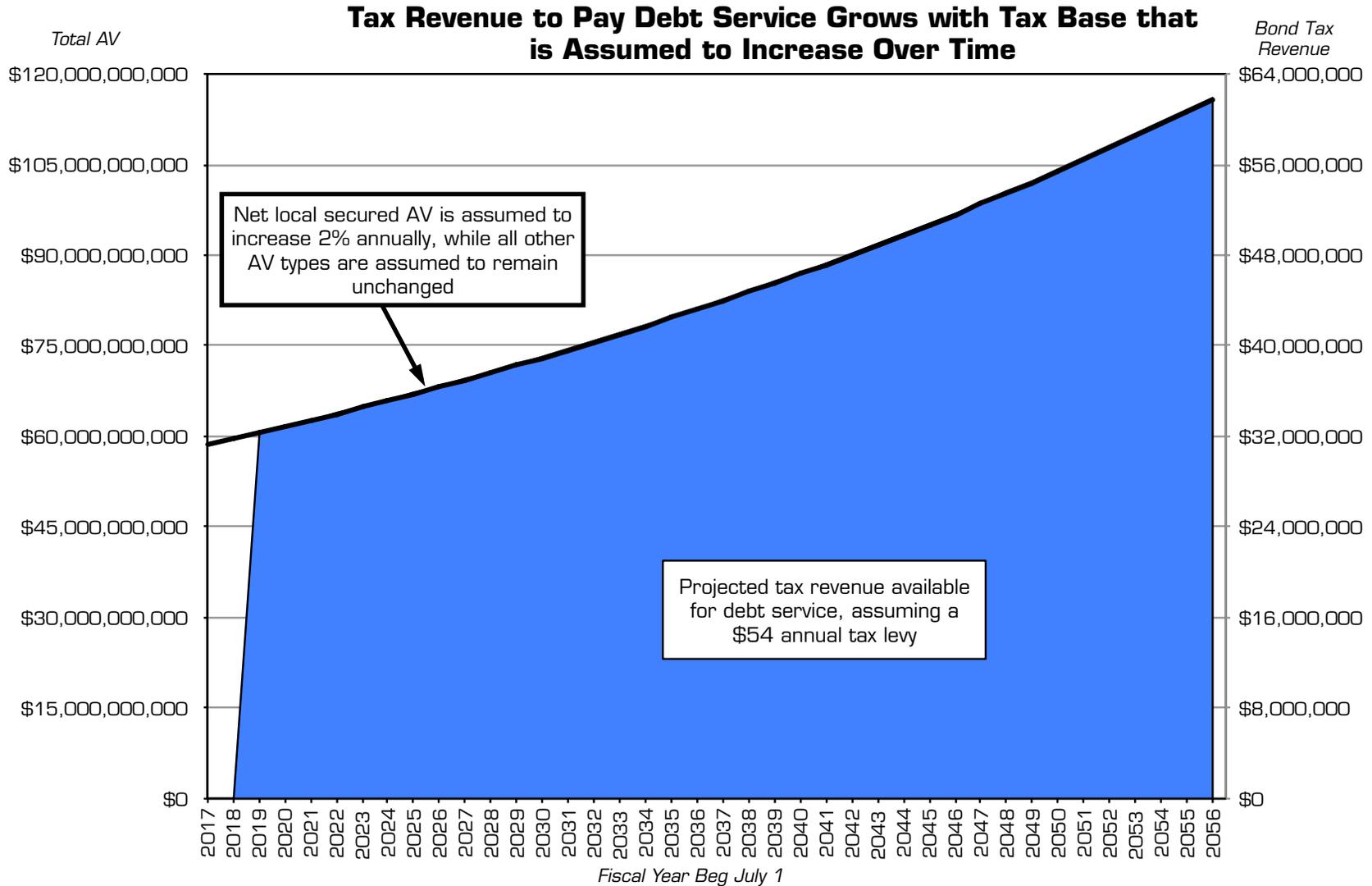
# Tax Rate Below \$54 Per \$100,000 AV

Tax Levies are Projected Near \$54 per \$100,000 of AV, the District's Desired Tax Levy, Below Maximum \$60 for 55% Voter Approval Bond Measure



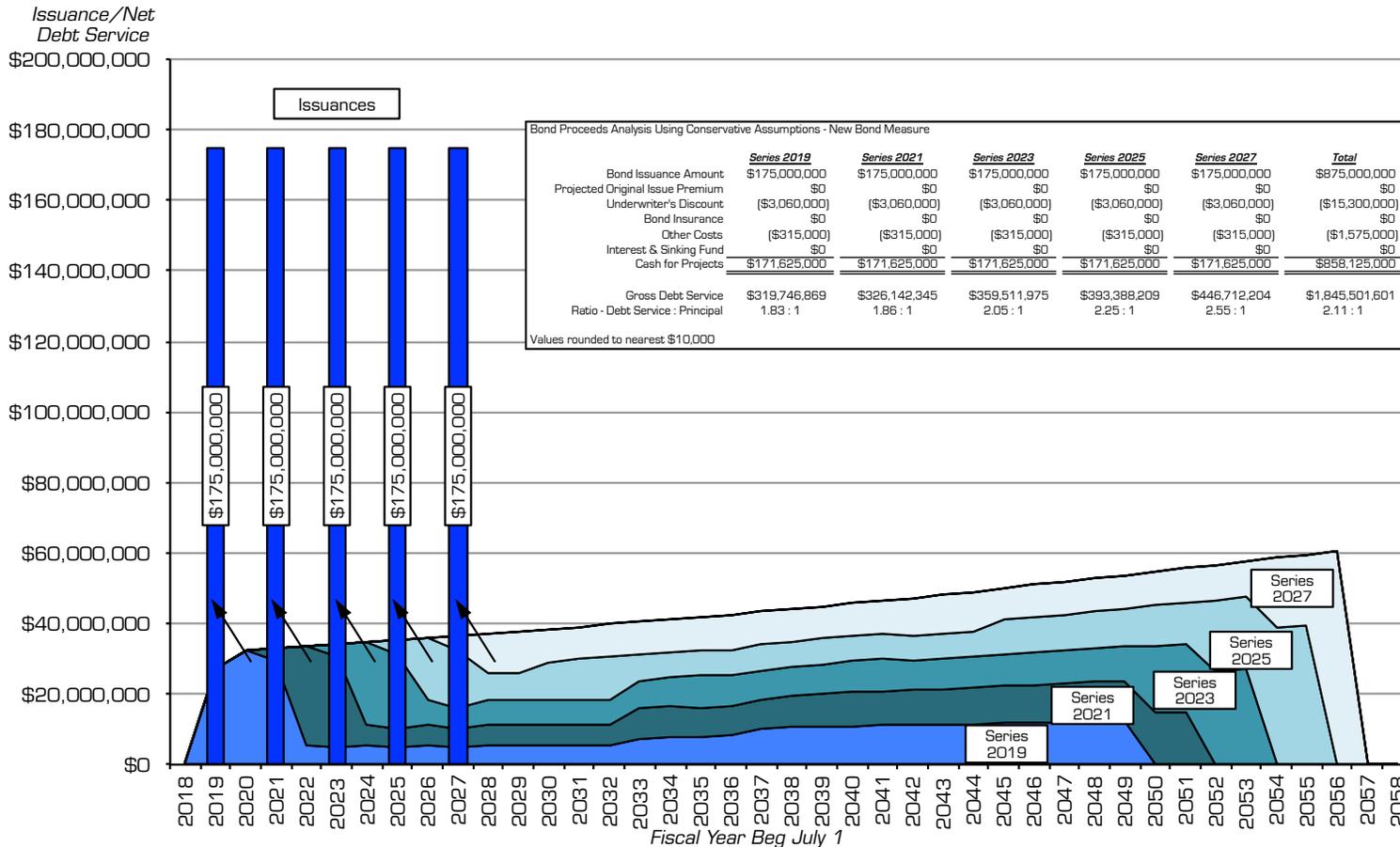
Tax levies projected based on assumed debt service, AV through 2017-18 is actual, with net local secured AV assumed to grow 2% annually, while all other AV types are assumed to remain unchanged.

# Stable Tax Rate → Payments Grow w/Proj. AV



# \$875 Mil. Nets \$858 Mil. for Projects

No capital appreciation bonds (CABS)

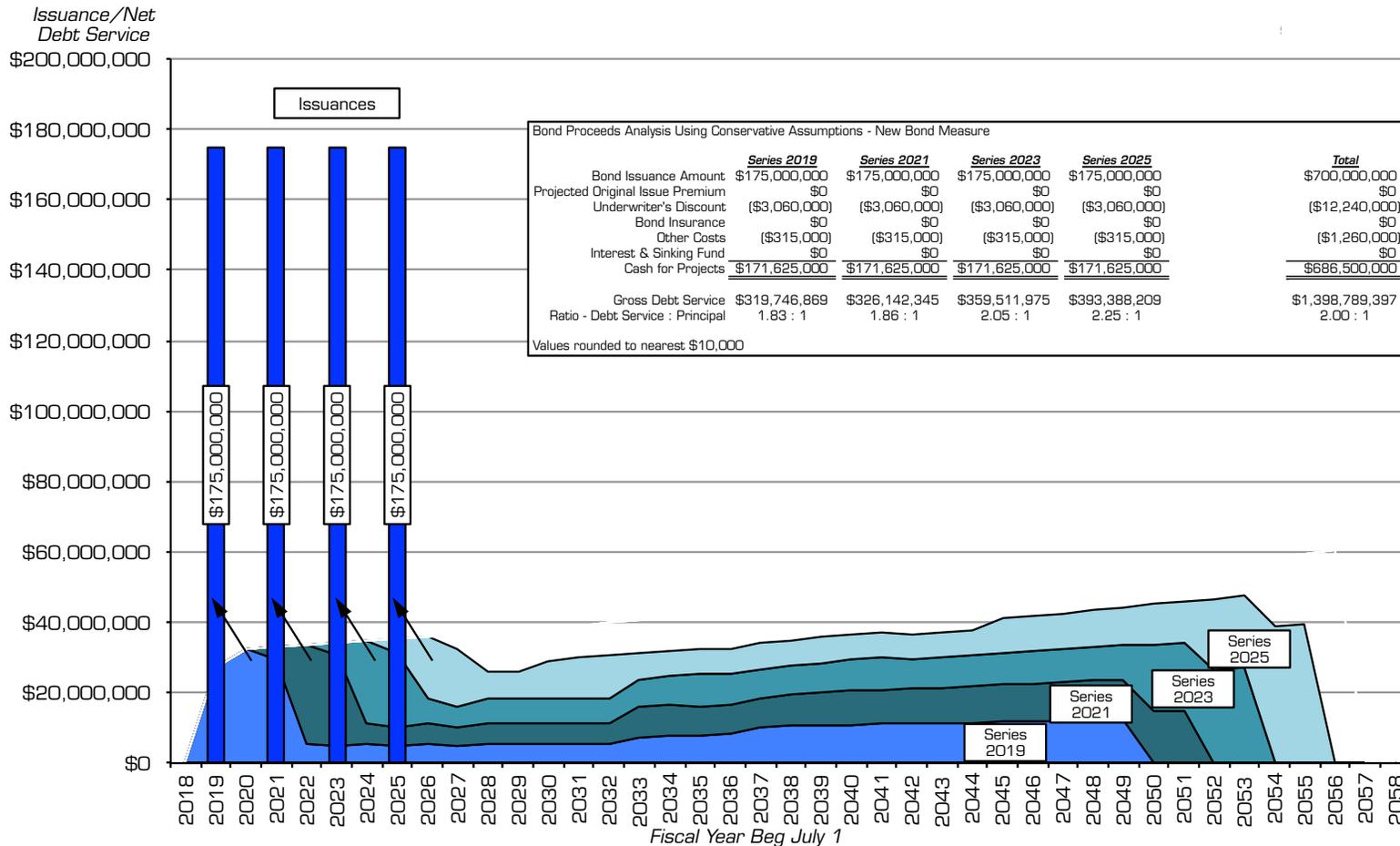


- ◆ For planning purposes, bond measure model assumes bonds to be sold in 5 equal series over 9 years
- ◆ Similar to past measures, the bond plan will be updated over time to reflect the expenditure cash flow needed for projects, as well as changing market conditions

Debt service based on 2017-18 AV, & assumed 2% annual growth in net local secured, while all other AV types are assumed to remain unchanged. MMD "AAA" rates as of Jun 29, 2018, adjusted +50bp for assumed "AA" rating, plus timing adjustments for potential rate increasing prior to bond issuance of +125bp (2019) & +150bp (2021), +175bp (2023), +200bp (2025), & +225bp (2027). Net debt service assumes unitary revenue of 1.5% of debt service (1.8% average since 2006-07), additional revenue of 0.1% of debt service (0.2% average since 2006-07), additional reserve receipts of 5% of reserve (8.7% average since 2006.07), & paying agent fees of 0.02% of debt service (0.013% since 2006-07).

# \$700 Mil. Nets \$686.5 Mil. for Projects

and Could Have a Shorter Total Repayment Period with 4 Series of Bonds Rather than 5

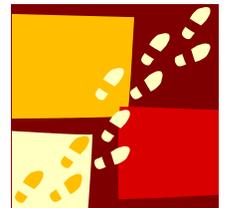


- ◆ Given current facilities needs, reducing the total proposed bond measure amount suggests eliminating the last series of bonds.
  - ▶ Rather than 5 bond series and 9-10 years of expenditures, 4 bond series and 7-8 years of expenditures
- ◆ An alternative would be to reduce the tax amounts and borrow a lower amount over the same 9-10 years of expenditures. This would reduce the tax rate to approximately \$40 to \$45 per \$100,000 of assessed value.
  - ▶ and likely accelerate desired timing of next bond measure

Debt service based on 2017-18 AV, & assumed 2% annual growth in net local secured, while all other AV types are assumed to remain unchanged. MMD "AAA" rates as of Jun 29, 2018, adjusted +50bp for assumed "AA" rating, plus timing adjustments for potential rate increasing prior to bond issuance of +125bp (2019) & +150bp (2021), +175bp (2023), +200bp (2025), & +225bp (2027). Net debt service assumes unitary revenue of 1.5% of debt service (1.8% average since 2006-07), additional revenue of 0.1% of debt service (0.2% average since 2006-07), additional reserve receipts of 5% of reserve (8.7% average since 2006.07), & paying agent fees of 0.02% of debt service (0.013% since 2006-07).

# Next Steps for November Election

- ◆ Tonight - Board receives update on facilities options and bond financial plan
- ◆ August 7- Board considers resolution calling for election
- ◆ After Board approval - resolution filed with Santa Clara County
  - ▶ Legal deadline – August 10
- ◆ November 6, 2018 would be election day!



# Questions or Comments?

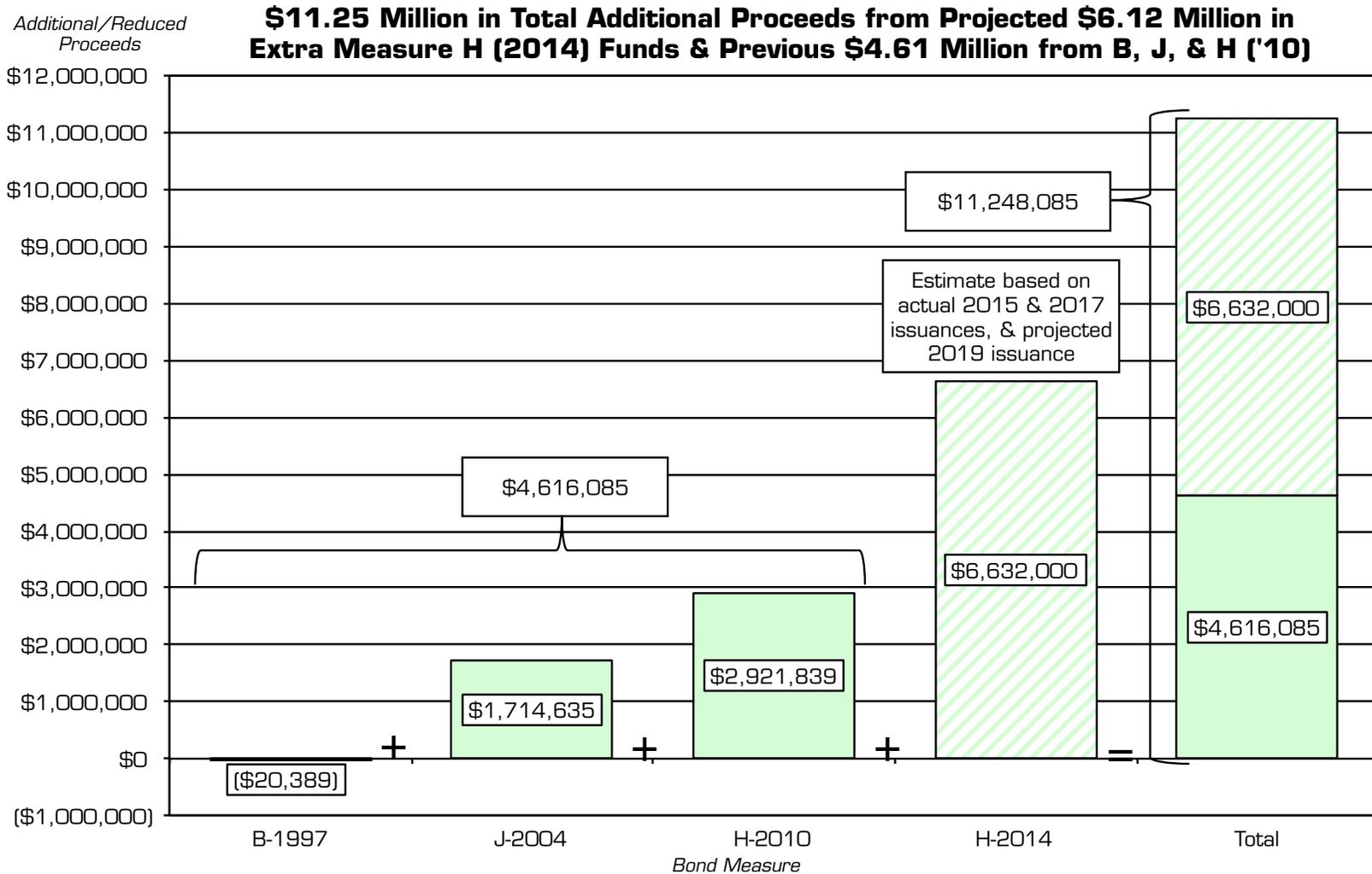


# For Reference

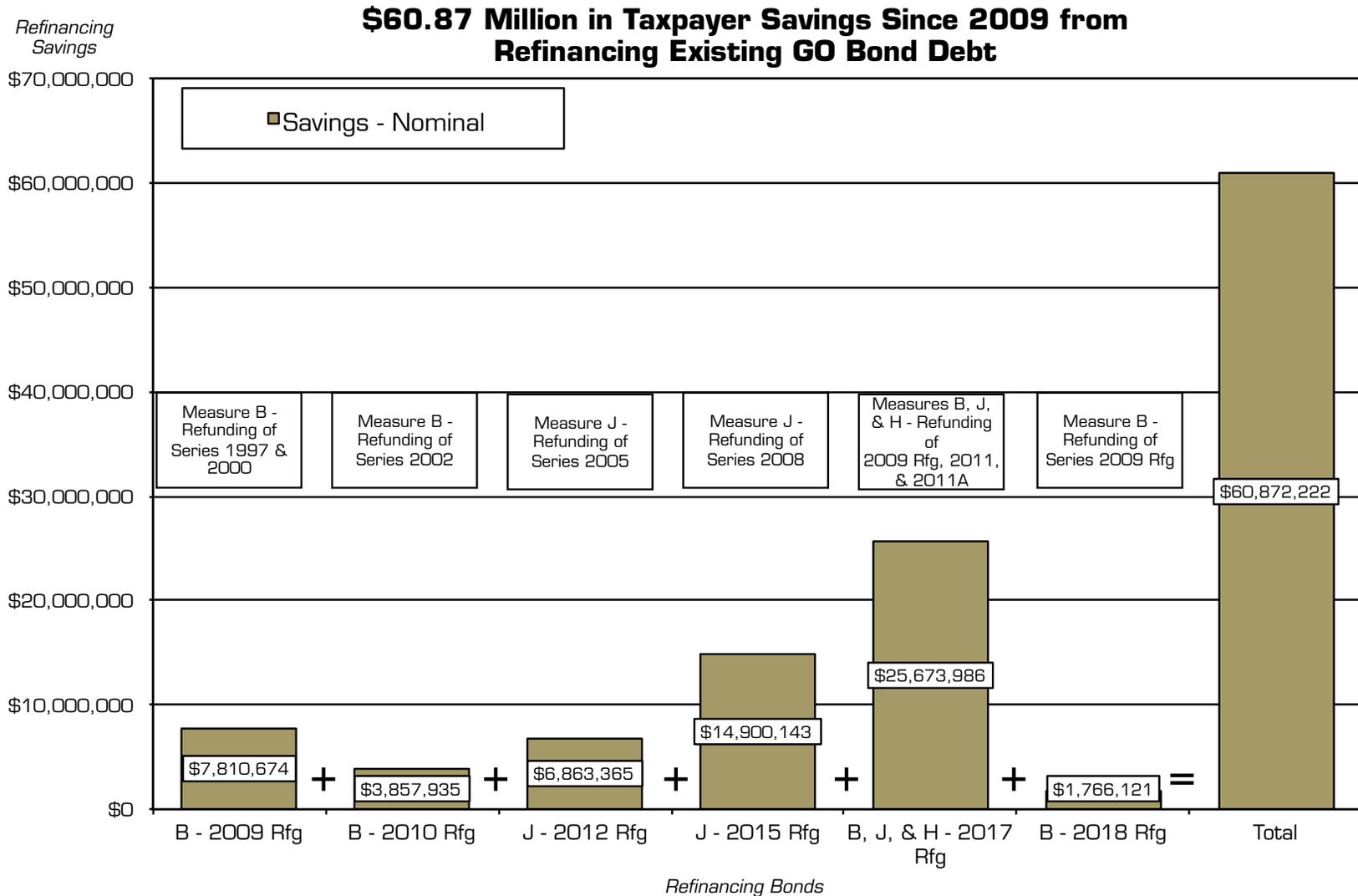
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- ◆ Additional Information on Financial Stewardship
- ◆ Bonding Capacity
- ◆ Presentation from January 25, 2018

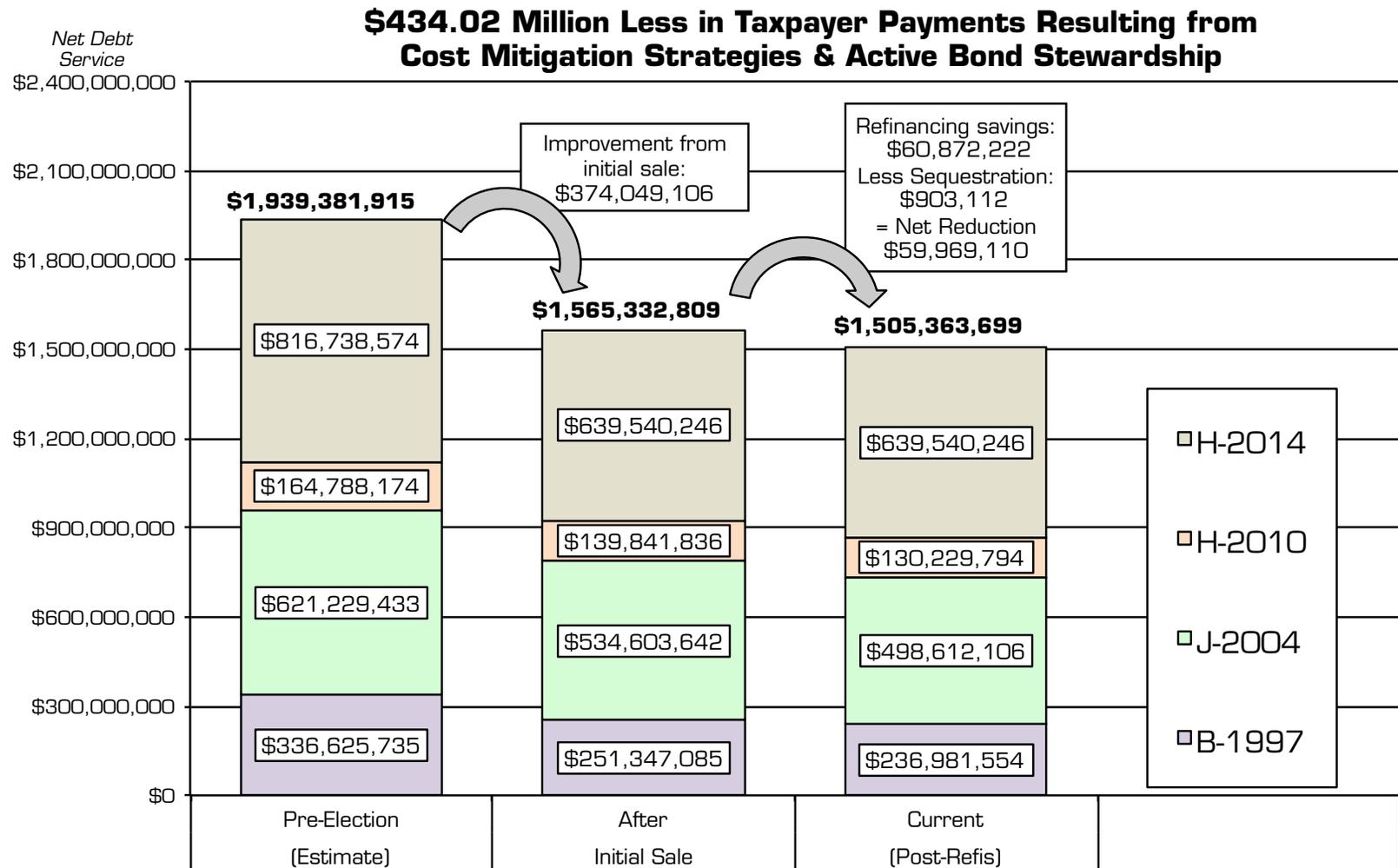
# Financial Stewardship: More Proceeds



# Financial Stewardship: Savings from Refis



# Total Savings to Taxpayers

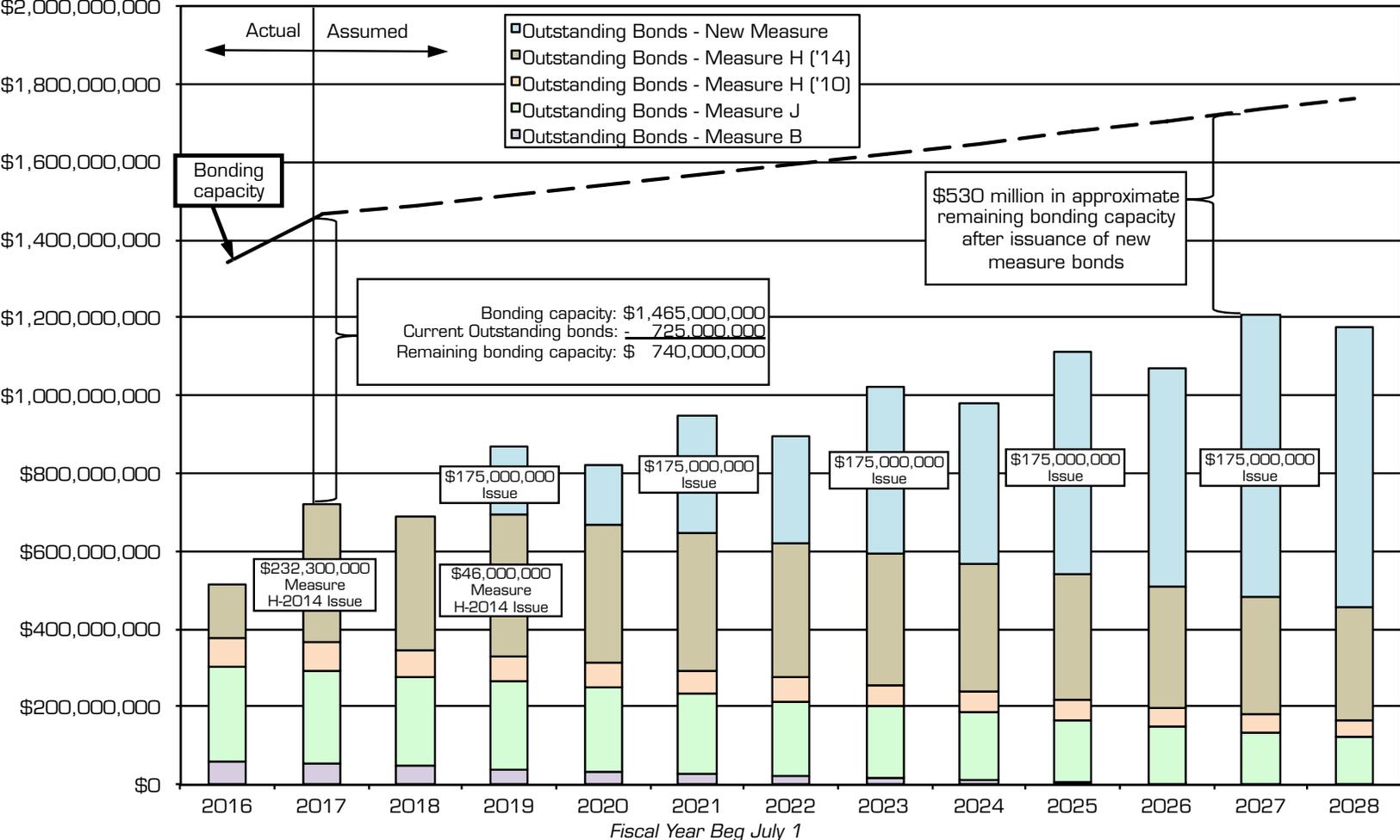


Measure B debt service reflects \$73,225 deposit to Interest & Sinking Fund (ISF) for Series 2000 & 2002; Measure J reflects \$3,759,291 deposit to ISF for Series 2005, 2008, and 2011 A, and additional \$903,112 debt service from sequestration; Measure H (2010) reflects \$1,127,701 deposit to ISF; Measure H (2014) reflects \$18,228,463 deposit to ISF. Measure H-2014 has not been refinanced. Current debt service does not take into account potential refinancing opportunities, & assumes July 2019 issuance of remaining \$46 million of Measure H-2014 authorization. Values rounded.

# Sufficient Bonding Capacity

Bonding Capacity/  
Outstanding Bonds

**Even After Issuance of Remaining \$46 Million Measure H-2014 Authorization, Bonding Capacity is Not a Hindrance for \$875 Million Bond Measure**



Unified district's bonding capacity is 2.5% of total AV. 2017-18 AV is actual; net local secured AV assumed to grow 2% annually, while all other AV types are assumed to remain unchanged. Bonding capacity as of Aug 20 when AV becomes "equalized." Outstanding bonds from Official Statements. Values rounded.