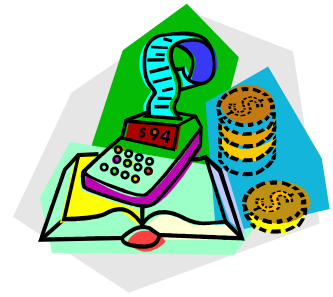


Elk Grove Unified School District

Implementing Measure M: Series 2021 Bond Sale Results



Presented by Lori Raineri and Matt Kolker
April 20, 2021

Agenda

- ◆ Competitive Bidding for the District's Bonds
- ◆ Results for the District and District's Taxpayers
- ◆ For Reference
 - ▶ Competitive Bidding History
 - ▶ Detailed Costs of Issuance
 - ▶ February 23, 2021 Board Presentation



Several GFOA Best Practices Referenced

- ◆ The District has been an avid user of Government Finance Officers Association (GFOA) best practices, several of them were utilized in this year's issuance of bonds, including:



- ▶ Use of Independent Financial Advisor
- ▶ Competitive Process to Select Underwriter
- ▶ Managed the Cost of Debt Issuance
- ▶ Call Features Incorporated into the New Issuance
- ▶ Use of a Debt Management Policy



Moody's & Fitch Rated the Bonds

Moody's INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 to Elk Grove USD, CA's GO Bonds, Election of 2016, Series 2021; outlook stable

19 Mar 2021

New York, March 19, 2021 – Moody's Investors Service has assigned a Aa2 rating to Elk Grove Unified School District, CA's General Obligation Bonds, Election of 2016, Series 2021. The bonds will be issued in the expected par amount of \$140.5 million. Concurrently, Moody's has affirmed Elk Grove Unified School District's (district) Aa3 issuer rating. The issuer rating reflects the district's ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features. Moody's has also affirmed the Aa2 general obligation (GO) bond rating on the district's \$176.8 million in outstanding GO debt. The outlook is stable.

RATINGS RATIONALE

The Aa3 issuer rating reflects the district's large and growing economy in Sacramento County (A1 stable) with above average income levels. As the fifth largest district within California, the district's financial operations are well managed, and the rating further reflects the district's sound financial position that will remain stable. Positively, the district's continued enrollment growth will support ongoing increases in Local Control Funding Formula revenues. The rating also incorporates the district's leverage, including debt, pension and OPEB obligations, which is somewhat elevated but will remain sustainable given manageable fixed costs and future revenue increases supported by continued enrollment growth.

The Aa2 rating on the school district's GOULT bonds is one notch higher than the district's issuer rating. The one notch distinction reflects California school district GO bond security features that include the physical separation through a "lockbox" for pledged property tax collections and a security interest created by statute.

RATING OUTLOOK

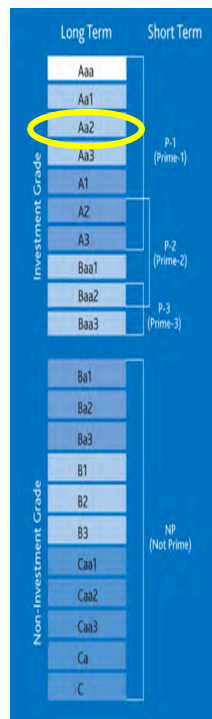
The stable outlook reflects our expectation that the district will continue to benefit from a large and stable economy poised for continue moderate growth and a financial position that will remain sound given management's prudent fiscal practices.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained material improvement in the district's financial position
- Significant and sustained improvement in resident income levels
- Material decline in the district's leverage

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Sizeable decline in reserves and liquidity
- Challenges in managing rising pension costs
- Substantial weakening in the district's economy



Fitch Rates Elk Grove Unified School District (CA) ULTGO Bonds 'AAA'; Outlook Stable

Mon 22 Mar, 2021 - 4:56 PM ET

Fitch Ratings - San Francisco - 22 Mar 2021: Fitch Ratings has assigned a 'AAA' rating to the following Elk Grove Unified School District, CA general obligation (GO) bonds:

--\$141 million GO bonds, Election of 2016, Series 2021.

In addition, Fitch has affirmed the following ratings:

--\$121 million, GO bonds, Election of 2016, Series 2019 at 'AAA';

--\$82.1 million GO bonds, Election of 2016, Series 2017 at 'AAA';

--The district's Long-Term Issuer-Default Rating (IDR) at 'AA'.

The distinction between the 'AAA' GO bond rating and the 'AA' IDR reflects Fitch's assessment that the pledged revenues for the GO bonds meet the definition of "special revenues" under the U.S. Bankruptcy Code and, therefore, bondholders are legally insulated from any operating risk of the district

The Rating Outlook is Stable.

Long-Term Rating	Short-Term Rating
AAA	F1+
AA+	F1+
AA	F1+
AA-	F1+
A+	F1 or F1+
A	F1
A-	F2 or F1
BBB+	F2
BBB	F3 or F2
BBB-	F3
BB+	B
BB	B
BB-	B
B+	B
B	B
B-	B
CCC	C
CC	C
C	C
RD/D	RD/D

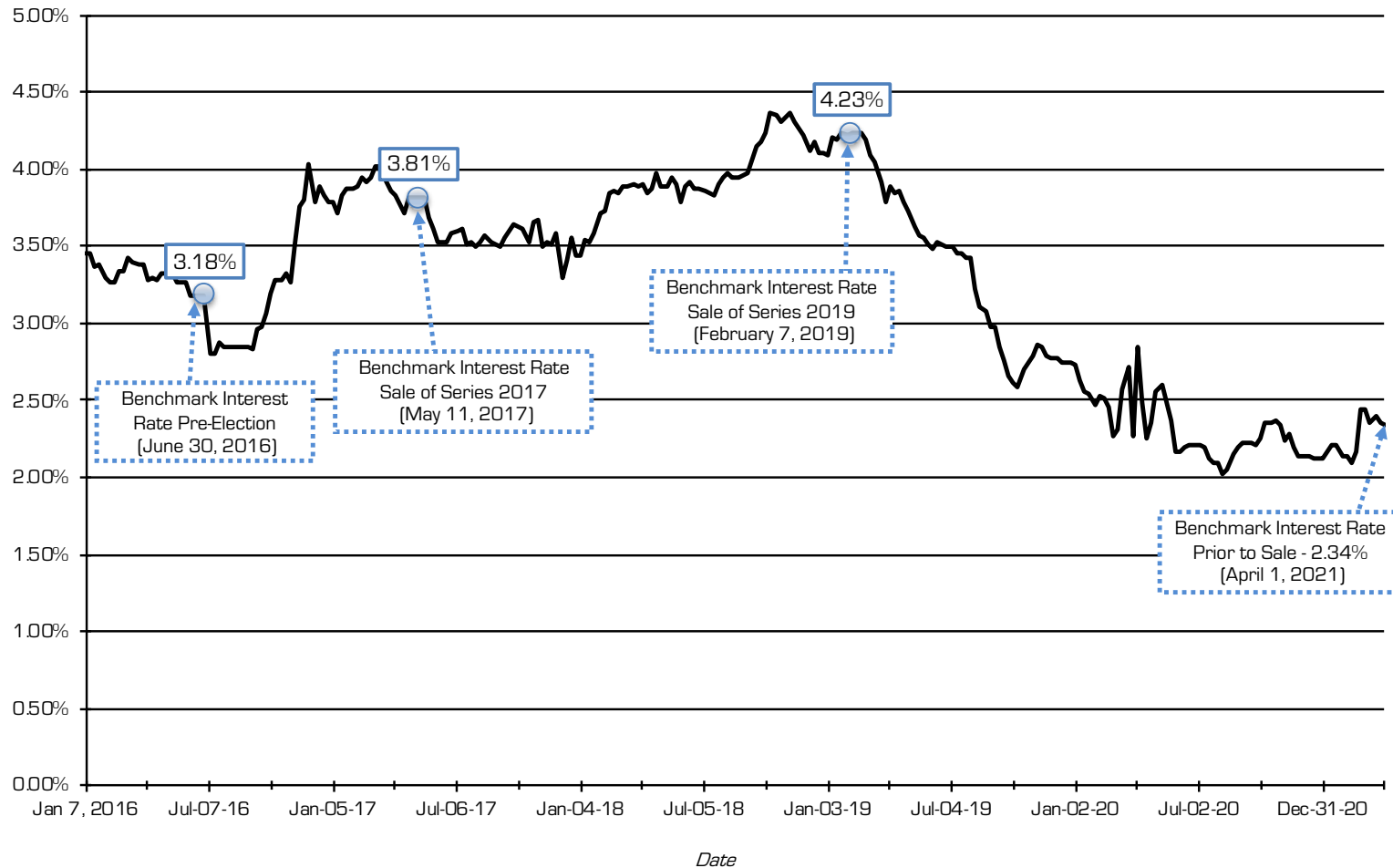
Rating Strategy: Utilized additional "AAA" rating strategy from Fitch to provide more options to bidders.

- ✓ Given the District's "Aa2" rating from Moody's and "AAA" rating from Fitch, the District chose not to pre-qualify for bond insurance (highest credit rating of "AA"); however, the winning bidder is free to seek bond insurance (but not likely).

Interest Rates are Volatile

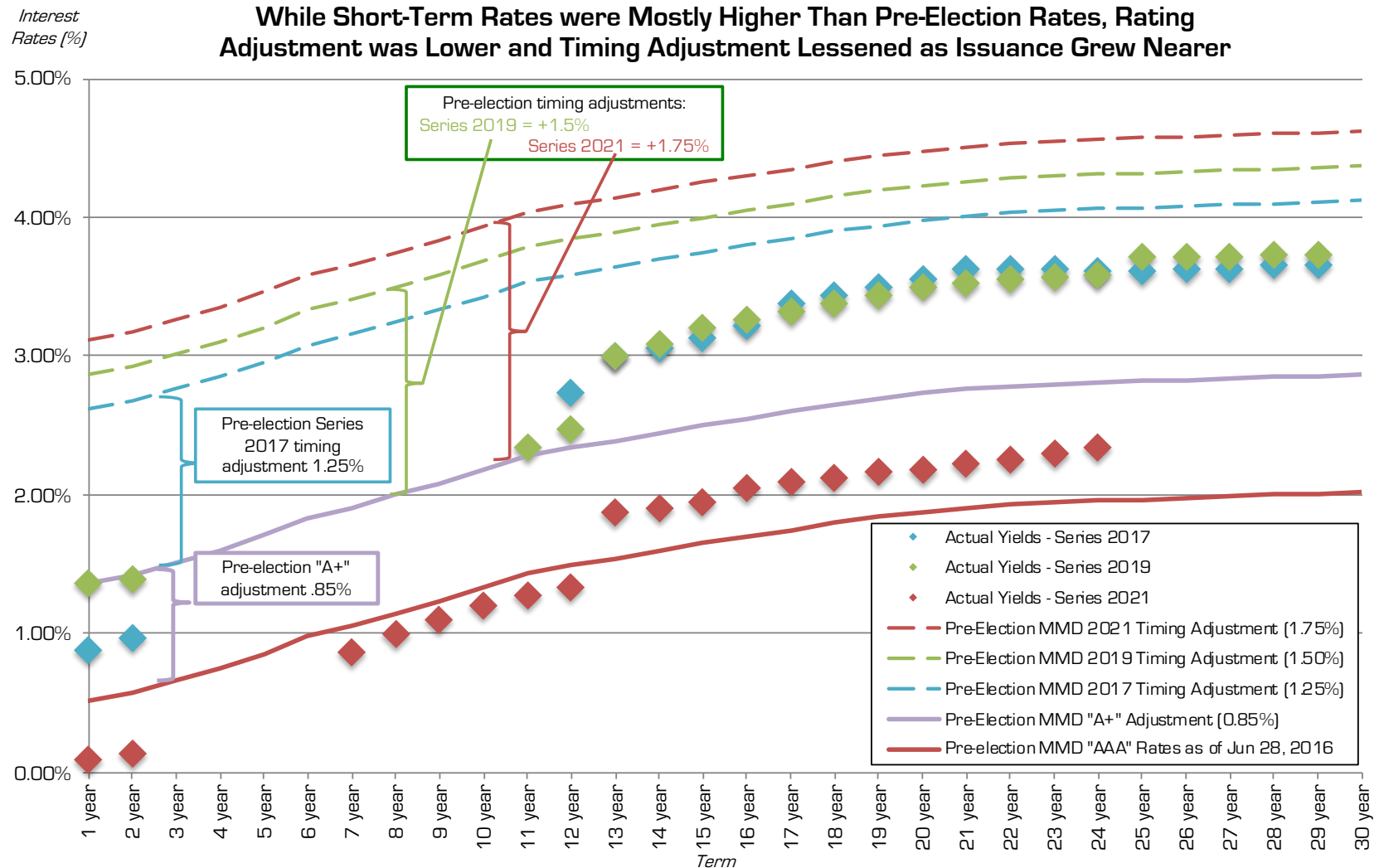
Interest Rate

The Benchmark Municipal Bond Interest Rate Has Fluctuated Since Measure M was Put on the Ballot, and is Currently 84bp Lower, But is Up Approximately 24bp Since February



Notes: The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years and is compiled every Thursday. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Rating Service AA.

Plan Assumes Rising Rates



MMD 'AAA' Yield Curve produced daily by Thomson Reuters to represent yields by maturity of the highest-grade AAA rated state general obligation bonds, as determined by the MMD analyst team.

Competitive Bid Process

- ◆ Bids for Series 2021 bonds accepted until Tuesday, April 6 at 9:05 am

- ▶ Par amount: \$140,500,000



- ◆ Internet notification and bidding:

- ▶ How do potential bidders know we're offering bonds?

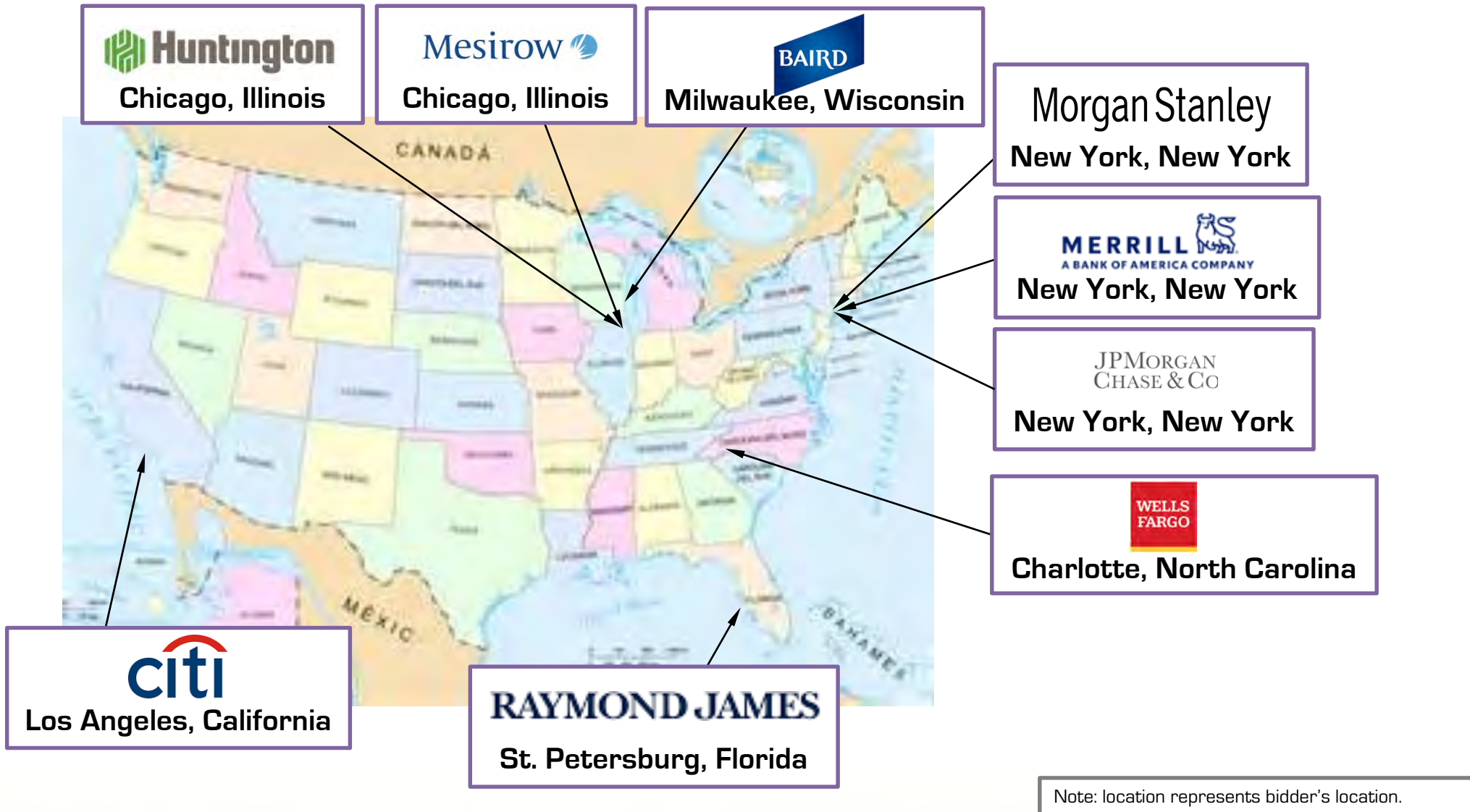
- AVIA - printer.
 - PARITY - bidding platform.
 - *The Bond Buyer* - industry newspaper.

- ▶ No limitations on who can bid.

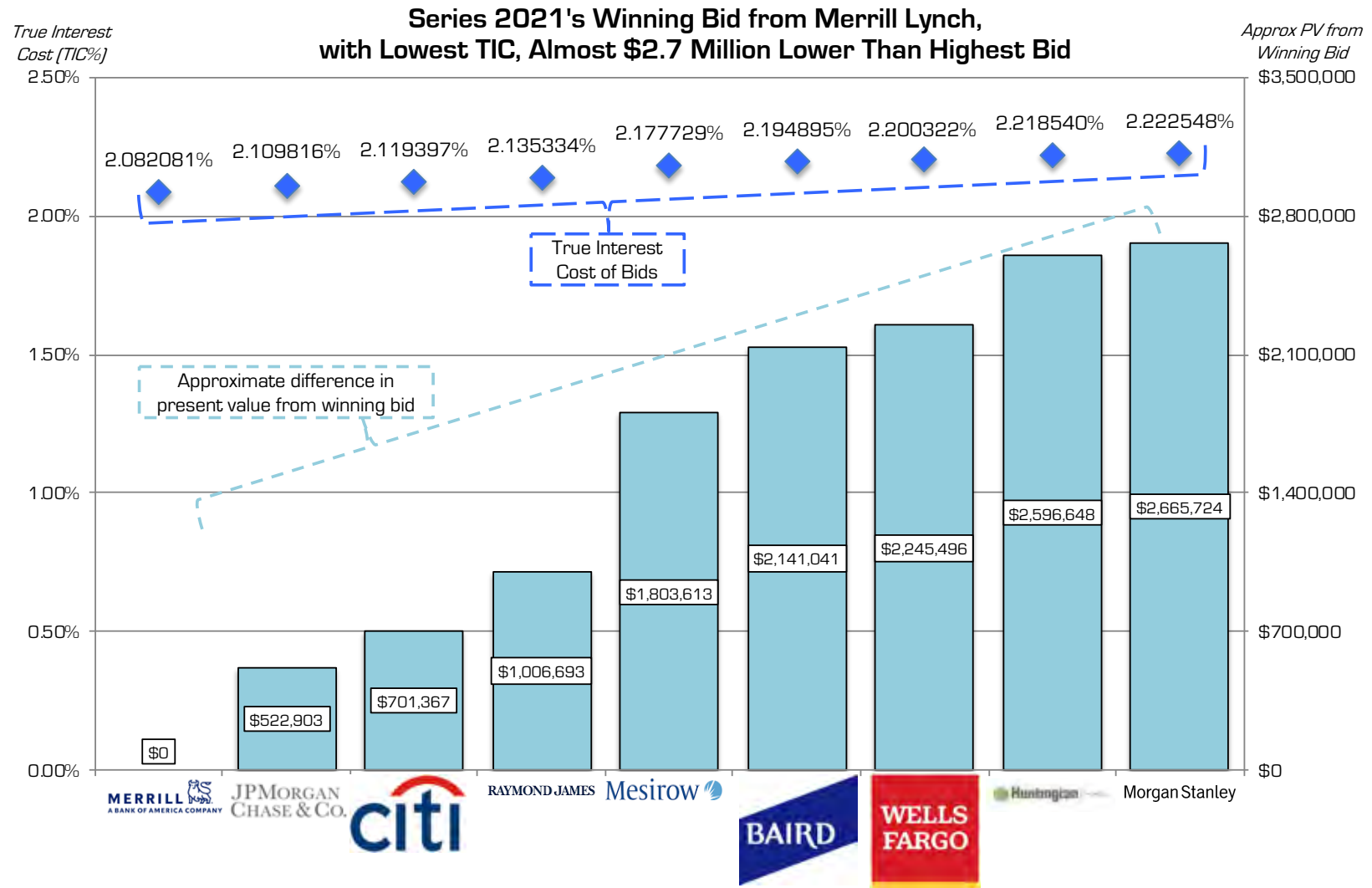
- ▶ Bidding allowed within flexible parameters.

✓ *More competition → better results for the District*

9 Underwriters Bid from Across the U.S.



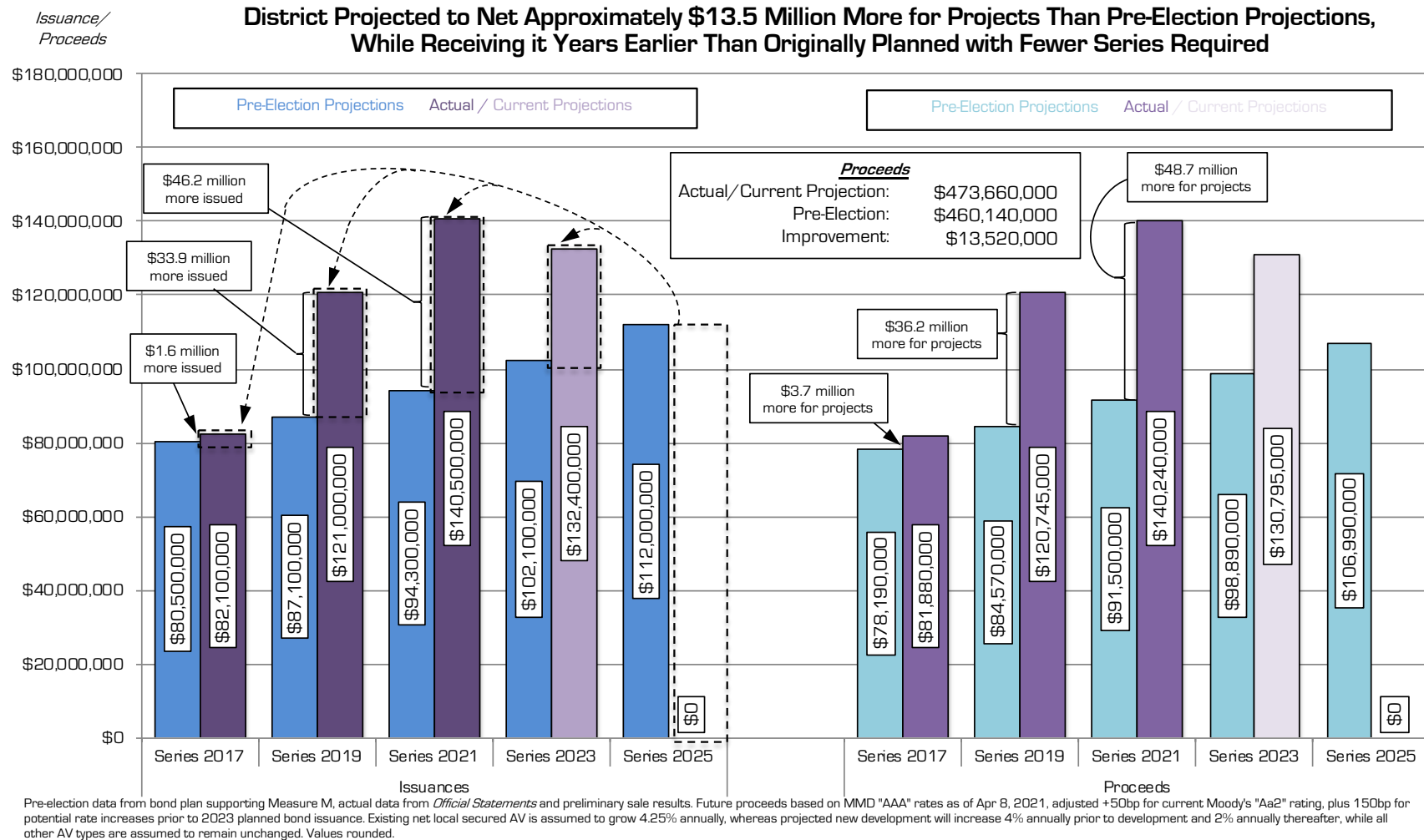
Bid Results



Notes: data from bids received. Subsequent to the bidding, the winning bid was restructured, changing the True Interest Cost (TIC) to 2.077648%.

More Funds For Facilities

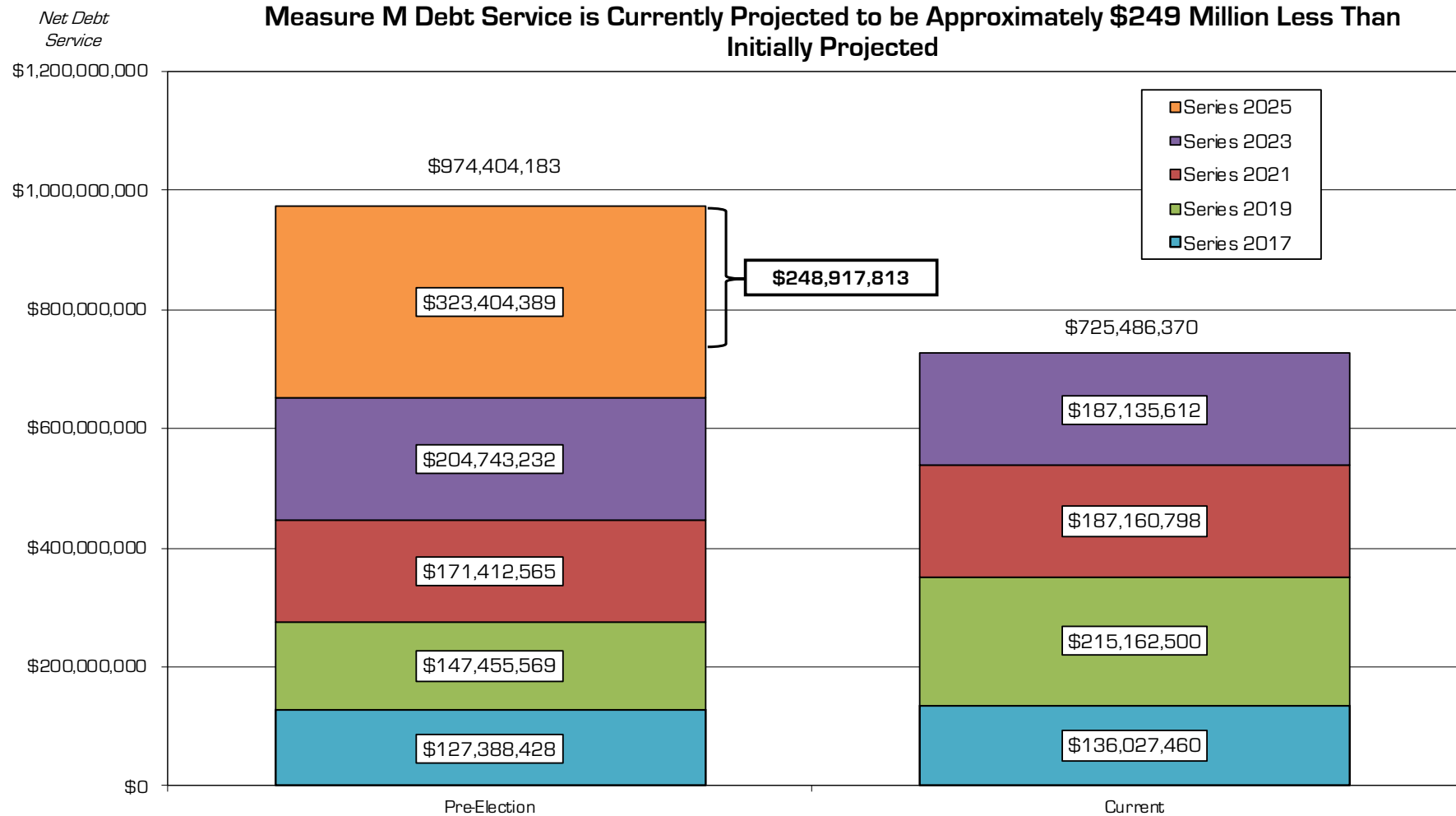
(Adjusting plan to meet project needs and taking advantage of "upside" has resulted in more funds for projects, earlier)



✓ **\$140,200,000 from Series 2021 deposited today!**

At a Projected Lower Cost

(Reminder: first three series issued for more than originally planned)



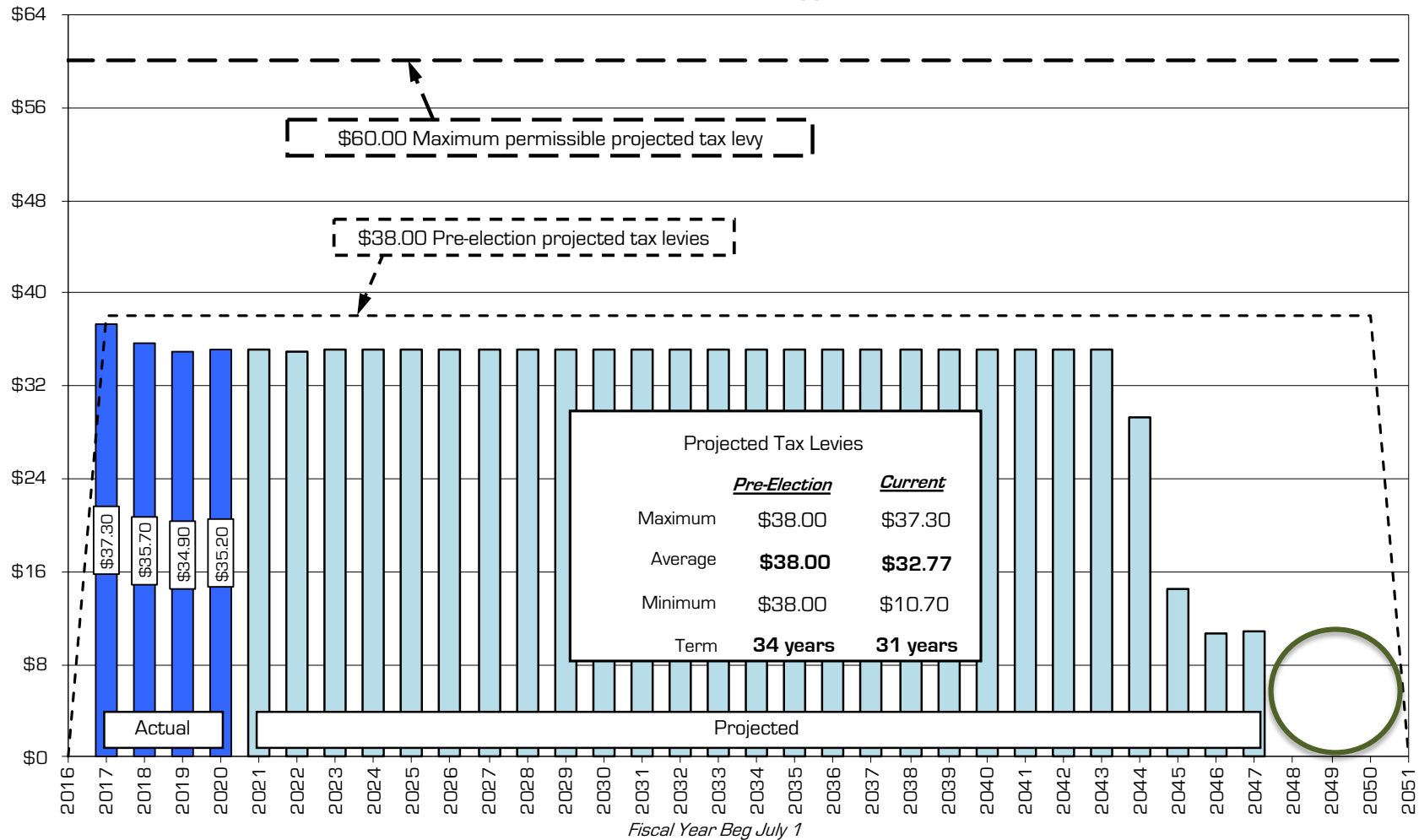
Pre-election projected debt service from bond plan that was the basis for the bond measure, adjusted proportionally for the increased authorization of \$476 million (originally \$475.3 million). Net debt service for Series 2017, 2019, & 2021 for current model is actual; Series 2023 is projected based upon MMD "AAA" rates as of Apr 8, 2021, adjusted +50bp for current Moody's "Aa2" rating, plus 150bp for potential rate increases prior to 2023 planned bond issuance. Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged. Values rounded.

Projected Tax Levies ≤ Pre-Election Est.

(and end 3 years earlier)

Tax Levy per
\$100,000 of AV

Tax Levies are Projected Below the Pre-Election Desired \$38, & Maximum Allowable \$60 per \$100,000 of Assessed Value Projection for a 55% Voter Approval Bond Measure with a Shorter Term



Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged. Actual tax levies from Sacramento County Auditor-Controller's Department.

Conclusion

✓ Lower debt service



✓ Less taxes



✓ More proceeds for projects



Thank You, Any Questions?

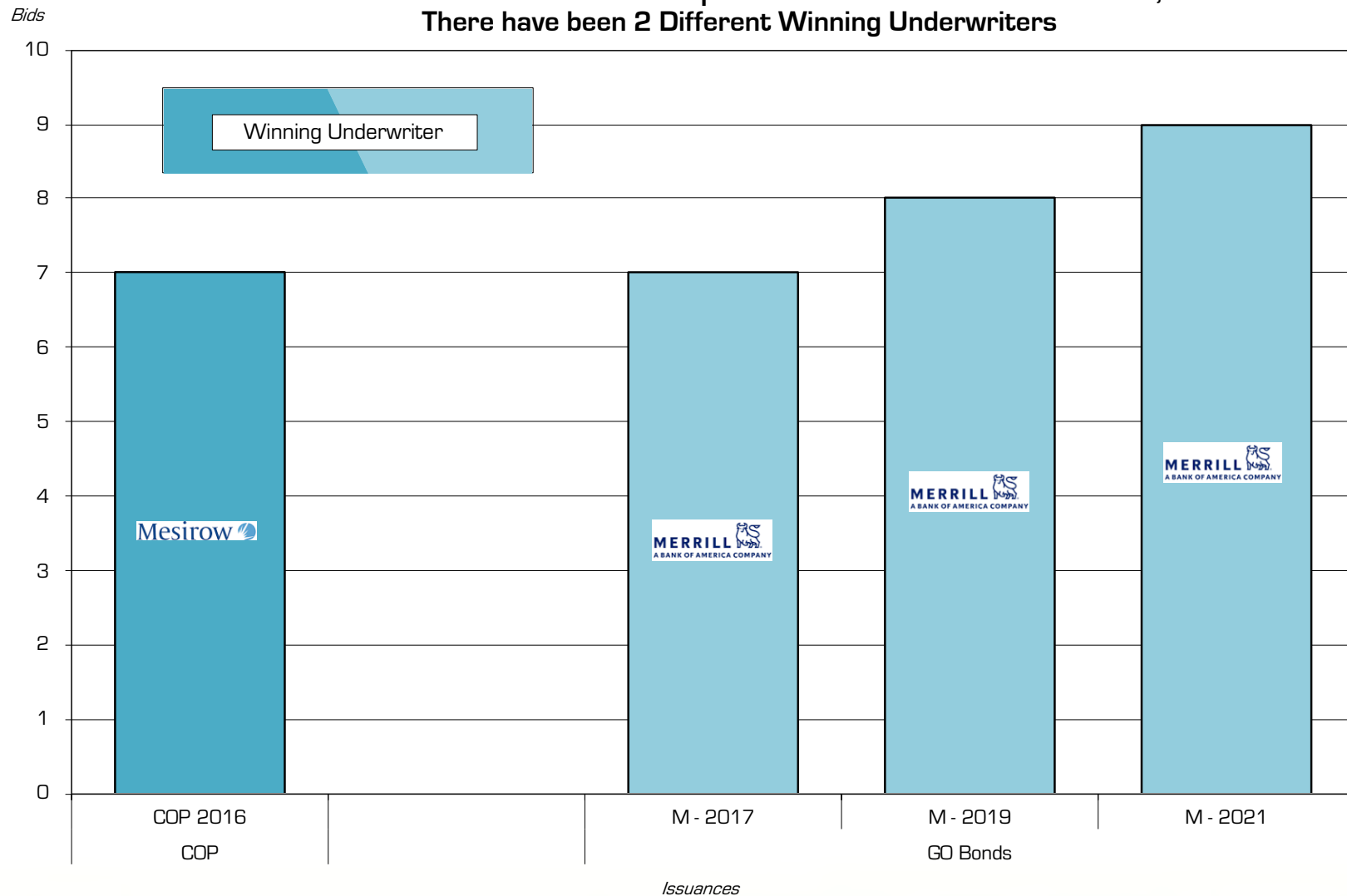


For Reference

- ◆ Competitive Bidding History
- ◆ Detailed Costs of Issuance
- ◆ February 23, 2021 Board Presentation

Competitive Bid Results

Of the District's 4 Recent Competitive GO Bond and COP Issuances,
There have been 2 Different Winning Underwriters



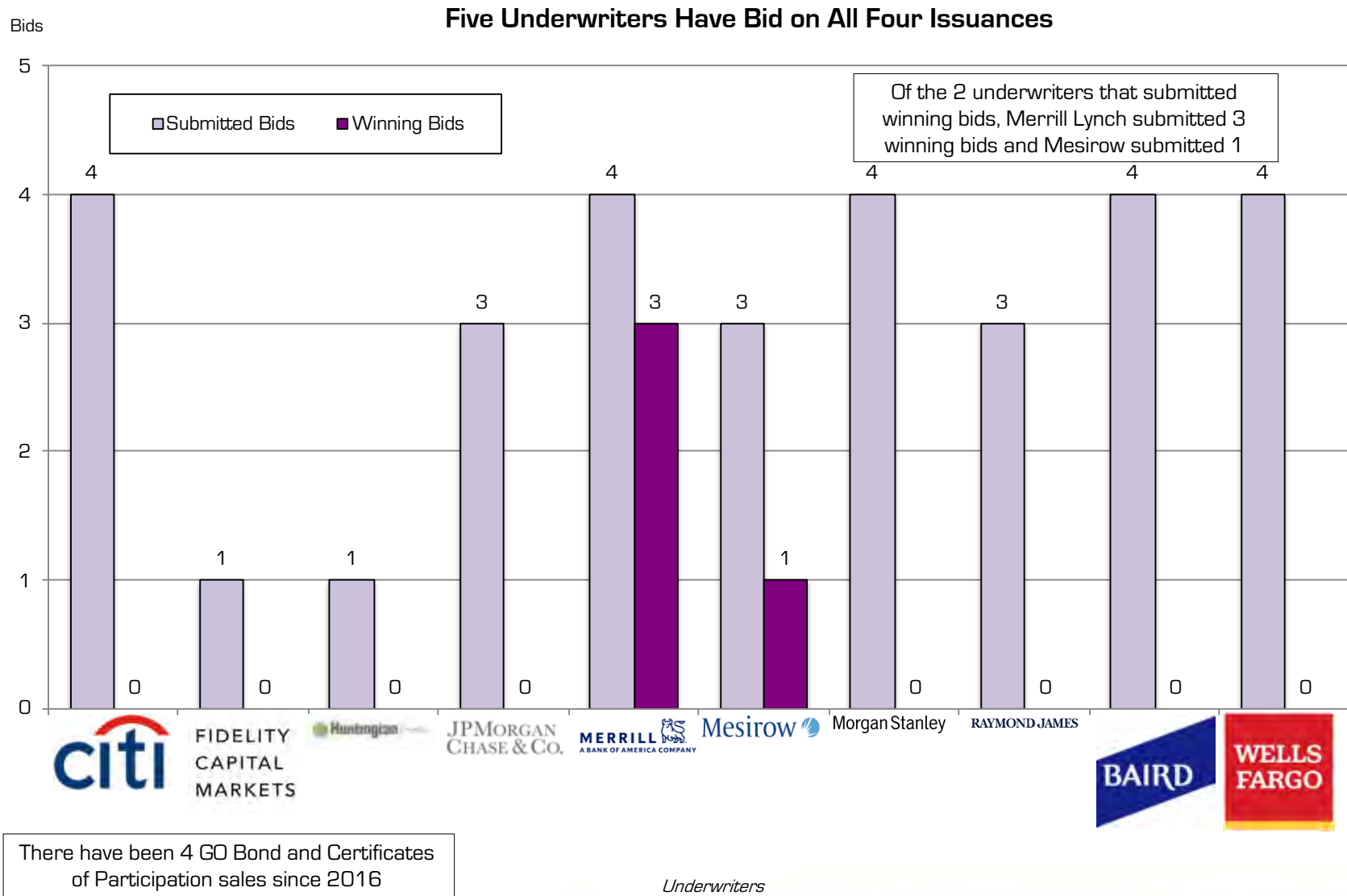
Competitive Bidding → Positive Outcomes

Since 2016, 10 Underwriters have Bid on the District's GO Bonds and Certificates of Participation, with Both Merrill Lynch and Mesirow Submitting Winning Bids

Underwriters



Frequent Bidders are not Always Winners



Detailed Costs of Issuance

ELK GROVE UNIFIED SCHOOL DISTRICT
(Sacramento County, California)
General Obligation Bonds, Election of 2016, Series 2021

Costs of Issuance

Description	Total Costs
• Lozano Smith, Bond Counsel	
Bond Counsel Services and Expenses:	\$30,625.00
Special Revenues Opinion:	\$25,000.00
• Government Financial Strategies inc., Financial Advisor	
Professional Services:	\$58,750.00
Expenses:	\$1,500.00
• Moody's Investors Service, Rating Agency	
Professional Services:	\$73,500.00
• Fitch Ratings, Rating Agency	
Professional Services:	\$62,000.00
• Other Issuance Expenses (break out listed below)	
Zions Bancorporation, National Association, Paying Agent	
Acceptance Fees:	\$350.00
First Year's Annual Administration Fee:	\$350.00
COI Fund Administration Fee:	\$250.00
Anticipated Direct Out-of-pocket Expenses:	\$0.00
AVIA Communications: POS/ OS Printer	\$2,000.00
Amtec: Verification Report	\$250.00
California Municipal Statistics, Research:	\$1,500.00
• Contingency	\$3,925.00
TOTAL COSTS OF ISSUANCE	\$260,000.00

Elk Grove Unified School District

Implementing Measure M: Issuing Series 2021 Bonds



Presented by Lori Raineri and Matt Kolker
February 23, 2021

Our Agenda for Tonight

- ◆ Measure M
- ◆ Updated Bond Financial Plan
- ◆ Bond Sale Details
- ◆ Next Steps
- ◆ For Reference
 - ▶ Debt Portfolio
 - ▶ Assessed Value
 - ▶ Legal
 - ▶ Disclosure
 - ▶ Detailed Costs of Issuance
 - ▶ Good Faith Estimates



Measure M Approved by Voters Nov. 8, 2016

VOTES PERCENT

Measure M

Vote for not more than 1

(WITH 285 OF 285 PRECINCTS COUNTED)

Yes	78,517	70.18
No.	33,368	29.82
Over Votes	25	
Under Votes	10,920	



Note: Sacramento county election results
<https://eresults.saccounty.net/>

ELK GROVE UNIFIED SCHOOL DISTRICT MEASURE M

M “To repair and modernize classrooms, fix deteriorating roofs, plumbing, and HVAC systems, improve student safety and campus security, construct and upgrade additional classrooms, labs, career technical education facilities and instructional technology to support student achievement in math, science, arts and skilled trades and keep up with growth and relieve overcrowding shall the Elk Grove Unified School District issue \$476,000,000 in bonds to be spent only on specified projects, with independent citizen oversight and no money for administrator salaries?”

Measure M Plan Adjusted Prior to 2017 Sale

(pages shown from March 21, 2017 presentation)

Simple Summary of Measure M

- ◆ Expenditures are limited to the types of projects listed in the measure.
- ◆ \$476 million of general obligation bonds (G.O. bonds) are to be issued.
- ◆ Expenditures are to have independent citizen oversight.

- ◆ Also:
 - ▶ Pre-Election estimated maximum tax rate of 3.8¢ per \$100 (\$38.00 per \$100,000) of Assessed Value.
 - ▶ Intention to issue bonds every 2 years from 2017 to 2025 (for a total of 5 series).

Adjustments to Bond Plan

- ◆ Assessed value growth greater than planned this past year
 - ▶ Growth of 6.27% compared to 4.46% planned
- ◆ Higher assumed interest rates
- ◆ Risk Management Strategy:
 - ▶ Because we assume that we'll face rising interest rates as a matter of risk management . . .
 - It's better to issue the first series with a longer term, and then if interest rates allow, shorten the terms of the later bond series, to reduce overall interest costs.
 - Therefore, we're currently proposing that the first series be issued with a 29 year term, and subsequent series be issued with 29 year terms or less.
 - This maximizes the potential of achieving the full issuance of \$476 million in bonds, within the \$38 target tax rate (well below the statutory projected tax rate limit of \$60).

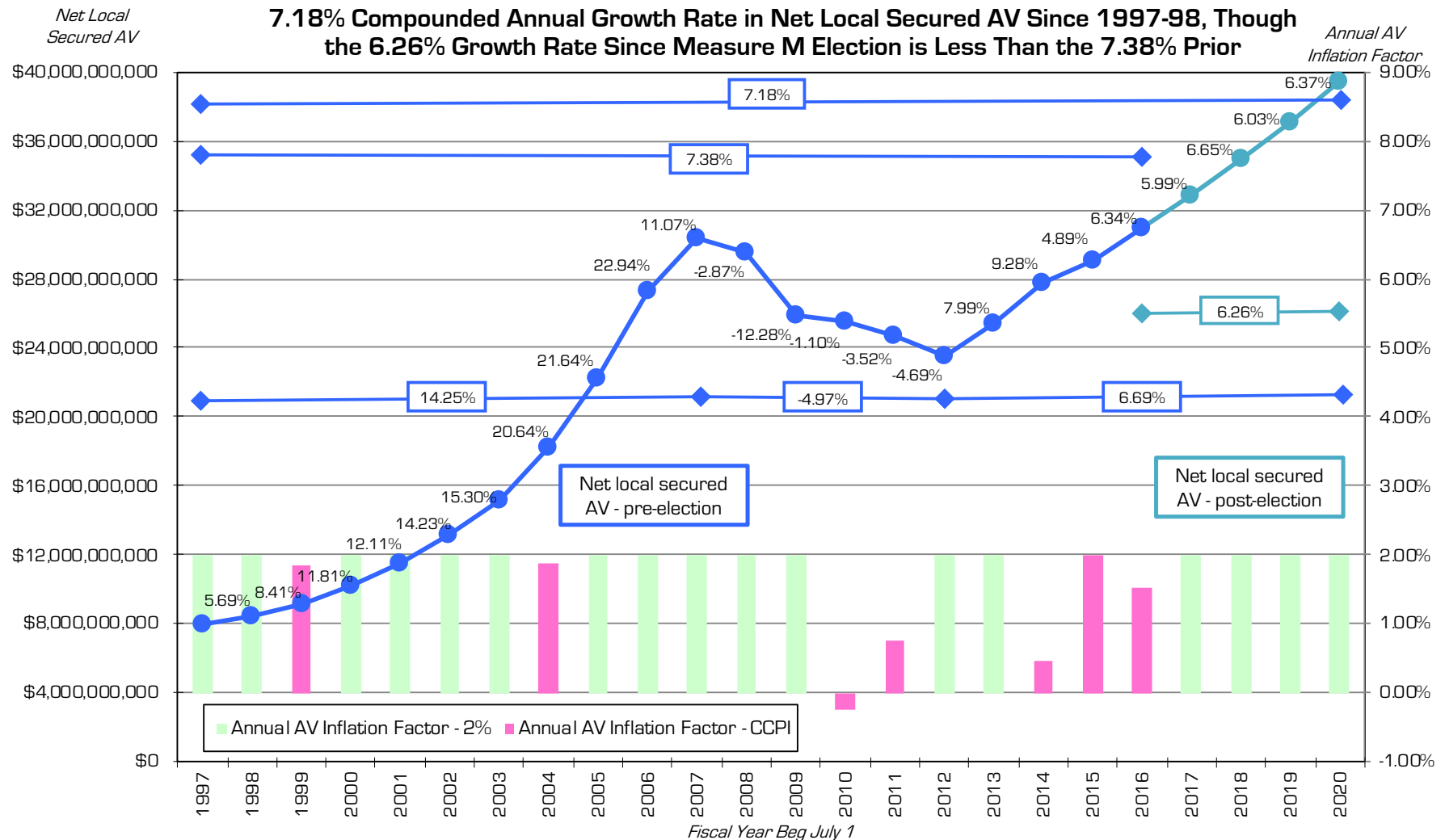
Bond Financial Plan is Periodically Updated Based on Actual Data

- ◆ Assessed value has continued to increase more than estimated
- ◆ Interest rates have decreased since Measure M was put on the ballot (and since the issuance of Series 2019 bonds), and are currently near historical lows
- ◆ Current estimate for project expenditures over the next two years is just over \$140 million
- ◆ Plan has been updated to reflect
 - ▶ faster issuance of bonds
 - ▶ while staying under the target tax levy of \$38 per \$100,000 of a.v.
 - ▶ and reducing the no. of bond series to four, lessening costs of issuance

Series	Amount
2017 (<i>actual</i>)	\$82.1 million
2019 (<i>actual</i>)	\$121.0 million
2021 (<i>planned</i>)	\$140.5 million
2023 (<i>planned</i>)	<u>\$132.4 million</u>
Total	\$476.0 million

✓ *More funds for projects, earlier, and at less cost to taxpayers*

AV has Shown Strong Growth Recently

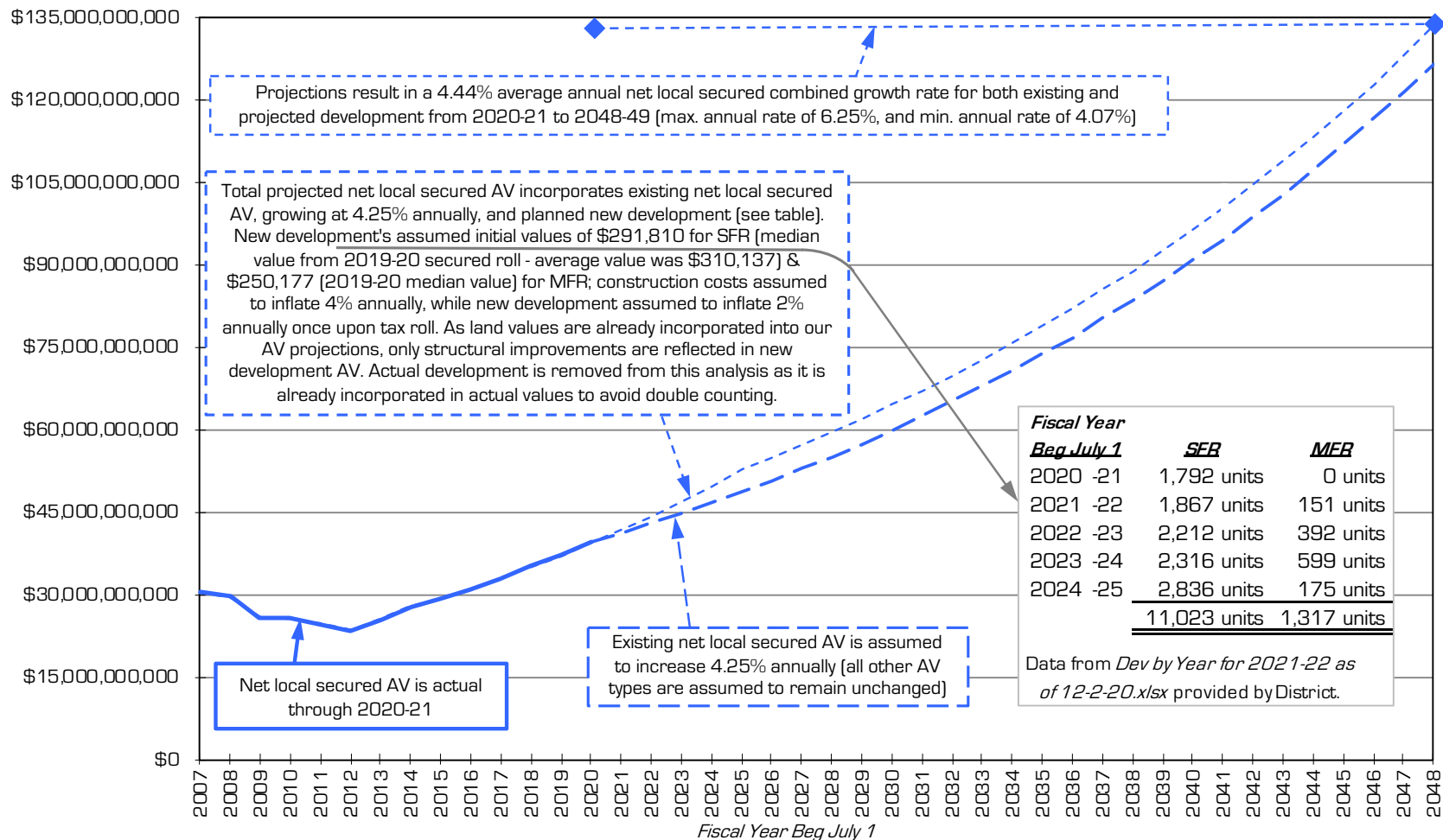


Historical data provided by Sacramento Co. The District's total AV is comprised of net local secured, utility, homeowners exemption, and unsecured values. Since 1997-98, net local secured has annually comprised 94% - 97% of the District's total AV, which was comprised of 109,201 parcels in 2019-20. As individually the other components are relatively small and tend to be subject to less predictable volatility, the AV focuses on net local secured. Date ranges show compounded annual growth rates, while other changes show year-over-year changes. Annual California AV inflation factor provided by the California State Board of Equalization, & is the lesser of the annual change in the CA CCPI or 2%.

With Expected New Development, AV Projected to Grow 4.44% Annually

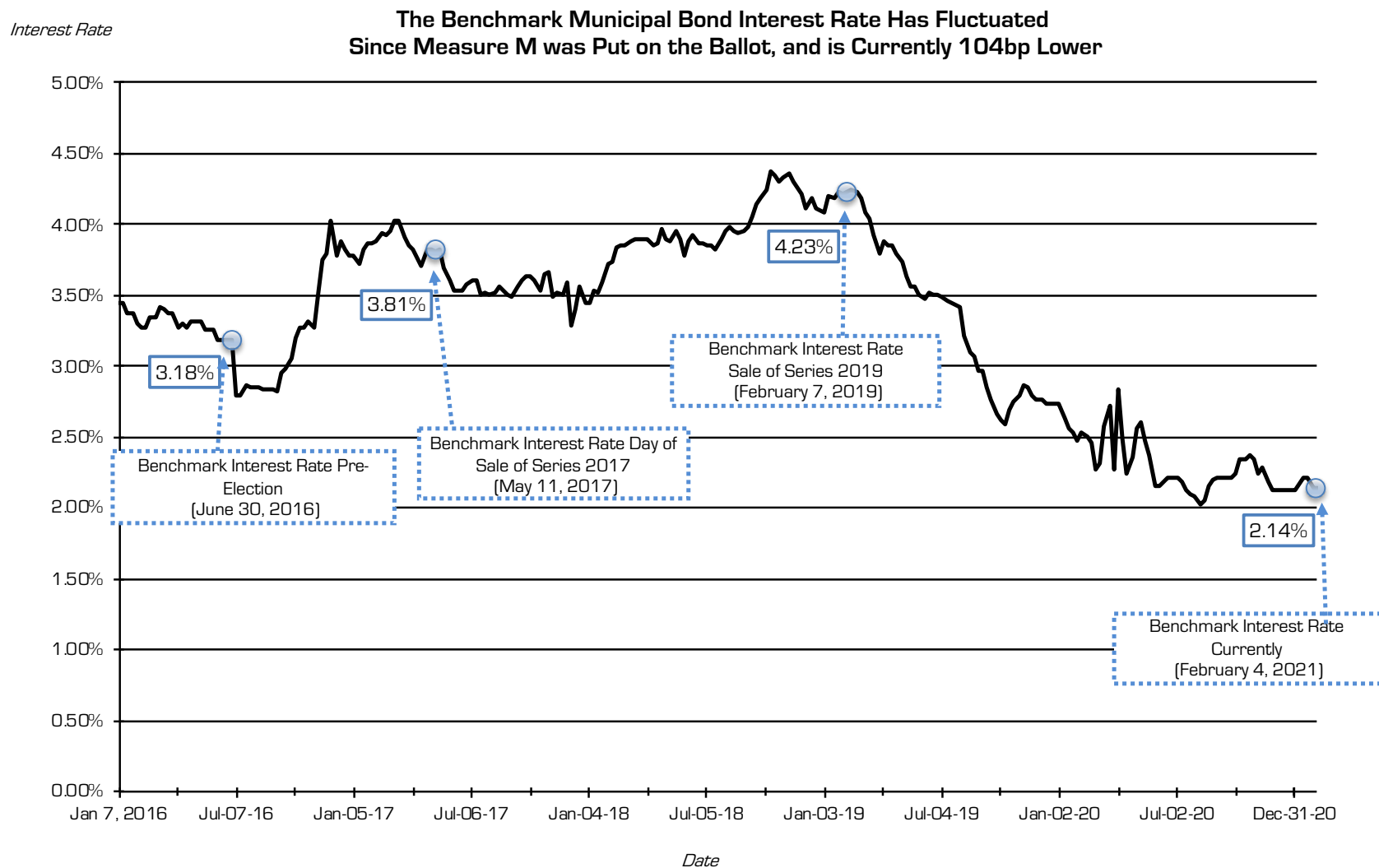
Net Local Secured
Assessed Value

New Development Leads to Increased District Assessed Value



Historic data provided by Sacramento County. The District's total AV is comprised of net local secured, utility, homeowners exemption, and unsecured values. Since 1997-98, net local secured has annually comprised 94% - 97% of the District's total AV. As individually the other components are relatively small and tend to be subject to less predictable volatility, the AV focuses on net local secured. Annual California AV inflation factor provided by the California State Board of Equalization, and is the lesser of the annual change in the CA CCPI or 2%.

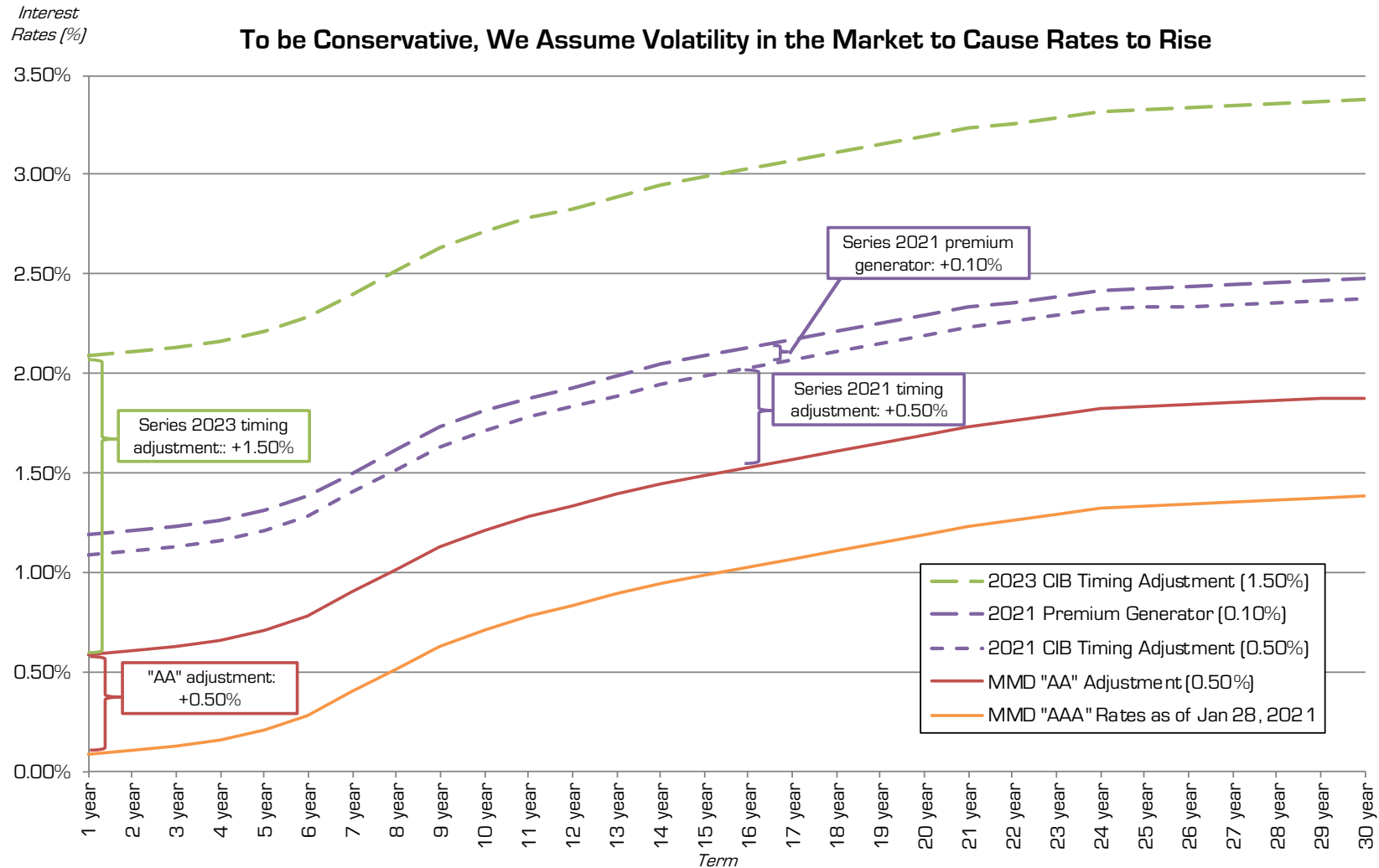
Interest Rates are Volatile



Notes: The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years and is compiled every Thursday. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Rating Service AA.

Interest Rates Assumed to Rise

(Planning for rates to increase allows for a feasible plan under adverse conditions, and to take advantage of favorable conditions)



MMD 'AAA' Yield Curve produced daily by Thomson Reuters to represent yields by maturity of the highest-grade AAA rated state general obligation bonds, as determined by the MMD analyst team.

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)

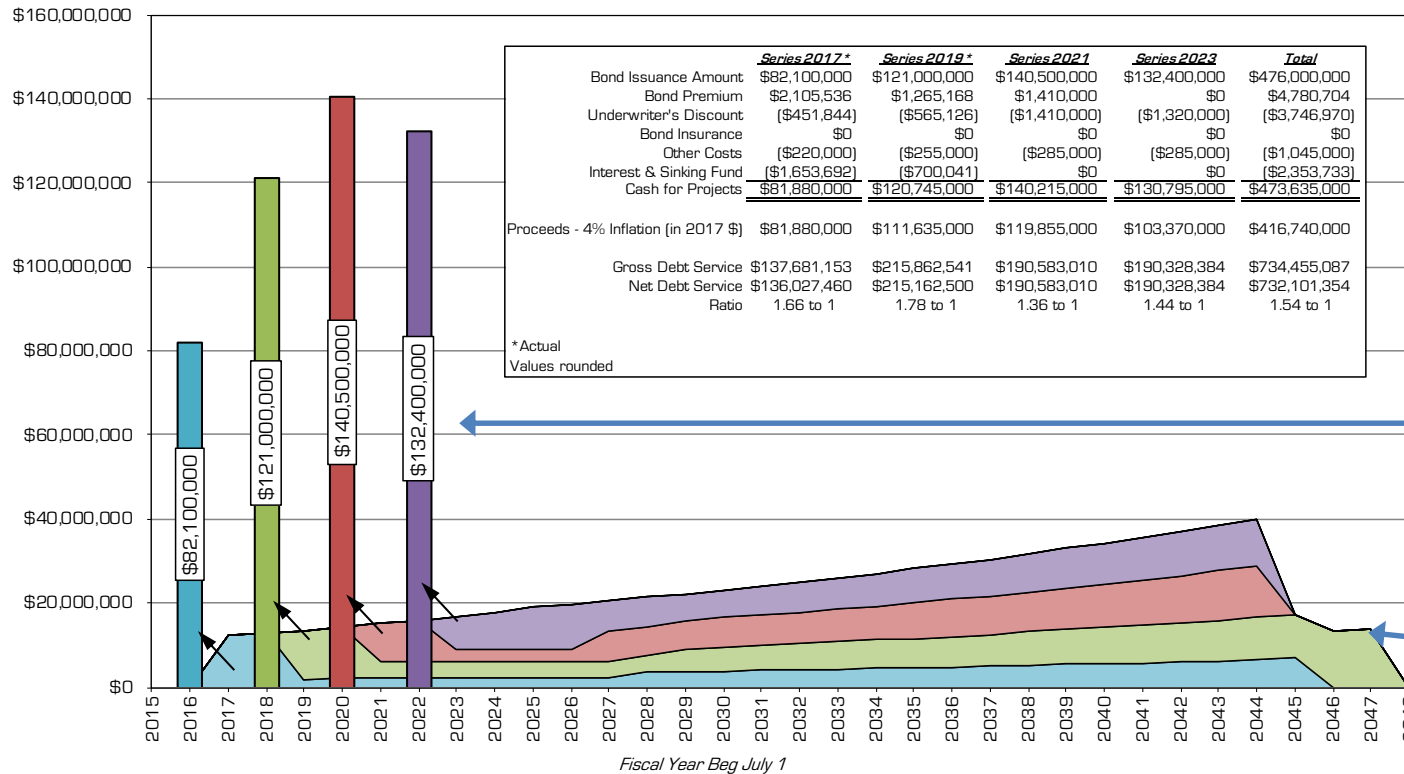


\$140.5M Issuance in 2021 Based on Project Needs

(current estimate is slightly more than \$140M needed for projects over next 2 years)

Issuance/Net
Debt Service

Issuing \$140.5 Million in 2021 Leaves \$132.4 Million Left to be Sold



Net debt service assumes application of Counties prior year assumed delinquency revenue. Series 2017 & 2019 debt service are actual. Projected debt service based on MMD "AAA" rates as of Jan 28, 2021, adjusted +50bp for current Moody's "Aa2" rating, plus timing adjustments for potential rate increases prior to bond issuance of +50bp (2021) & +150bp (2023). Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged.

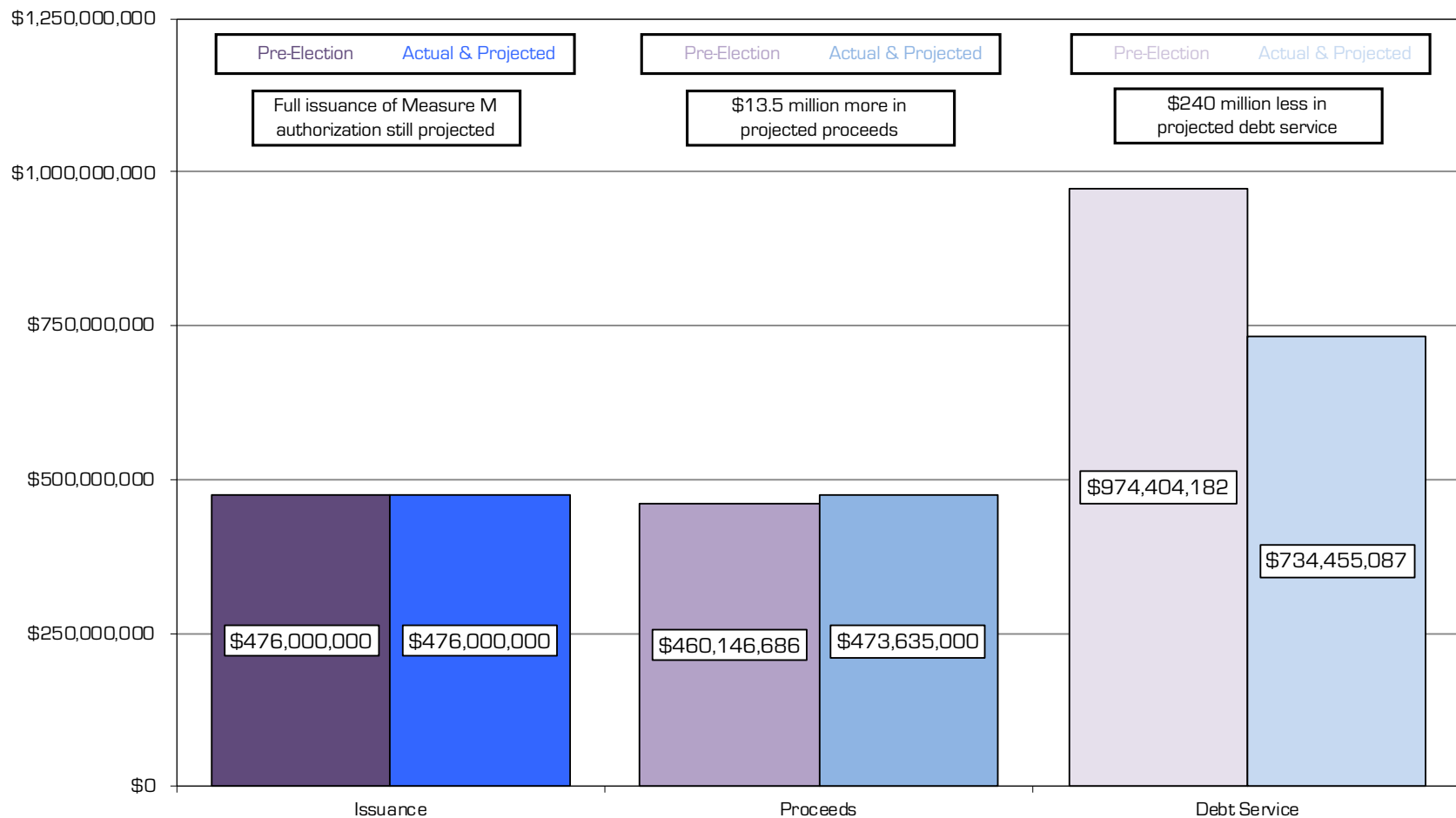
◆ Favorable conditions and implementing Measure M faster than originally planned has allowed:

- ▶ Issuing over four series instead of five
- ▶ Having all bonds repaid 3 years earlier (2047 instead of 2050)

More Proceeds at Less Cost Expected

Issuances/Proceeds/ & Debt Service

Lower Interest Rates & Stronger Than Assumed AV Growth Led to Improved Issuance Structure, with Approximately \$13.5M in Extra Projected Proceeds & \$240M Less in Projected Debt Service

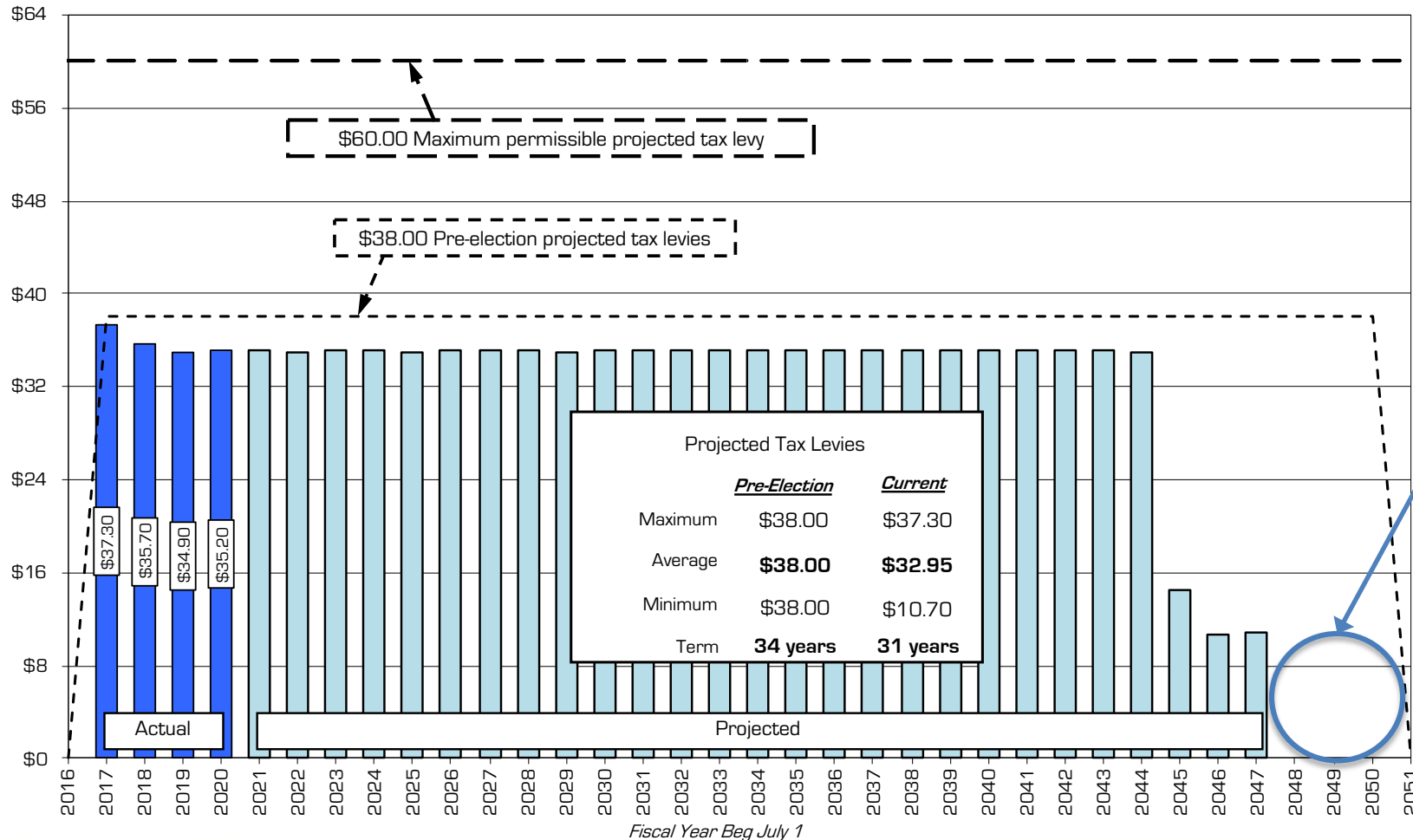


Series 2017 & 2019 proceeds are actual. Future proceeds based on MMD "AAA" rates as of Jan 28, 2021, adjusted +50bp for current Moody's "Aa2" rating, plus timing adjustments for potential rate increases prior to bond issuance of +50bp (2021) & +150bp (2023). Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged. Pre-election plan assumed bond insurance to be conservative.

Projected Tax Levies < Pre-Election Estimates

Tax Levy per
\$100,000 of AV

Tax Levies are Projected Below the Pre-Election Desired \$38, & Maximum Allowable \$60 per \$100,000 of Assessed Value Projection for a 55% Voter Approval Bond Measure with a Shorter Term



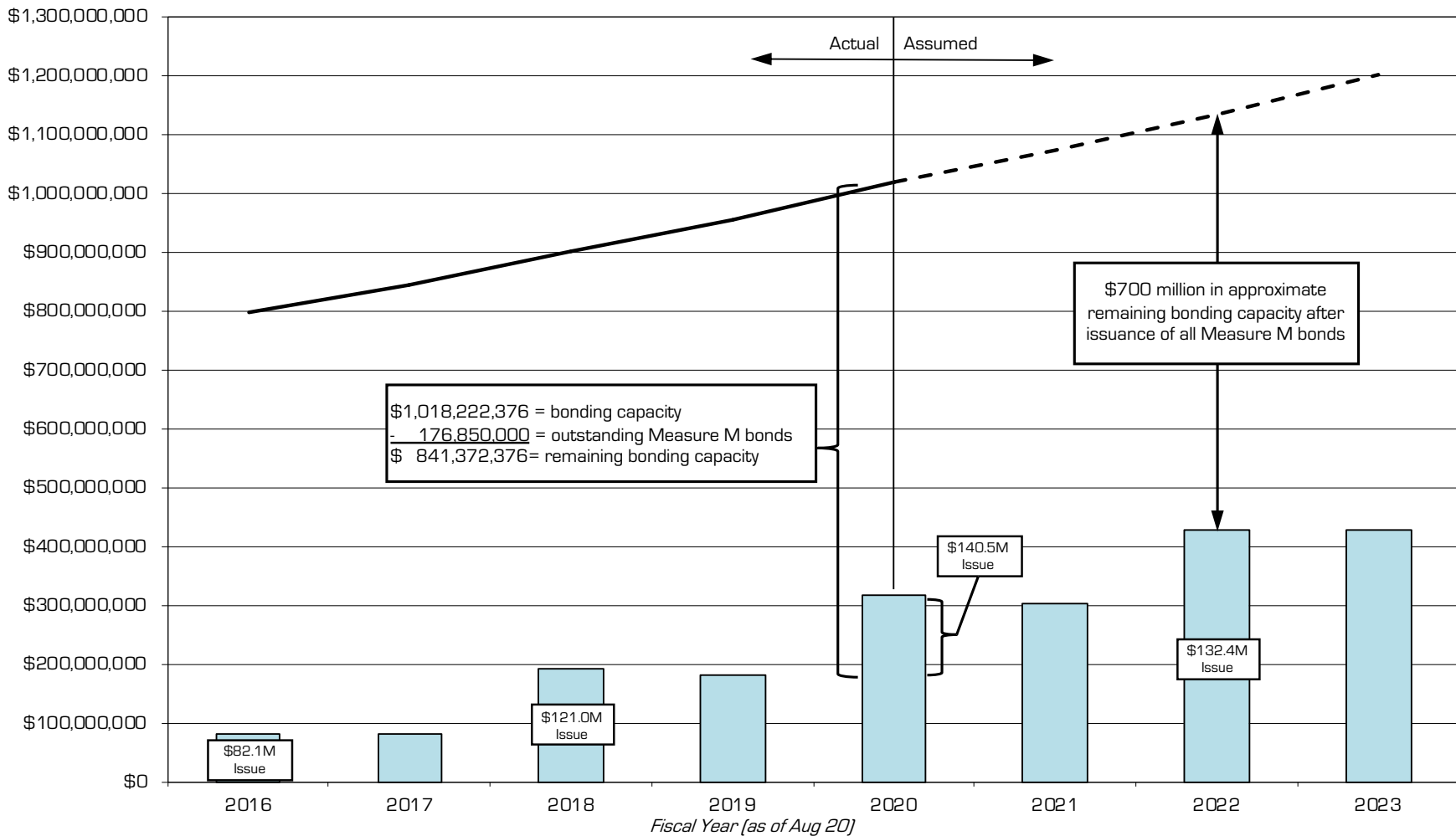
- ◆ Shorter estimated term means taxes collected for fewer years (currently estimated to be 3 years less)
- ◆ Potential to shorten term further with refinancings

Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged. Actual tax levies from Kern County Auditor-Controller's Department.

Sufficient Bonding Capacity to Implement Measure M

Bonding Capacity/
Outstanding Bonds

Ample Bonding Capacity to Issue Remaining Measure M Authorization Through 2022-23



Unified district's bonding capacity is 2.5% of total AV. Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged.

Bond Sale Methods

◆ Competitive Process - auction



◆ Negotiated Process - sale to pre-selected underwriter or lender/investor



- ✓ *The Government Finance Officers Association (GFOA) recommends that "bond issuers sell their debt using the method of sale that is most likely to achieve the lowest cost of borrowing while taking into account both short-range and long-range implications for taxpayers and ratepayers."*

GFOA Competitive Criteria

◆ Criteria that favors a Competitive Process:

- ✓ Rating of the bonds is at least in the single-A category.
 - Existing bonds are rated AAA by Fitch & Aa2 by Moody's.
- ✓ Bonds are general obligation bonds or full faith and credit obligations of the issuer or are secured by a strong, known and long-standing revenue stream.
 - The bonds are general obligation bonds.
- ✓ Bond structure does not include innovative or new features that require extensive explanation to the bond market.
 - The bonds do not include features requiring explanation.
- ✓ Issuer is well known and frequently in the market*
 - The District is well known and frequently in the market.
- ✓ *We meet 4 out of the 4 competitive process criteria.*

*Note: We define "frequently" to mean the proposed financing is at least the third debt issuance publically offered to the bond market in the last five years.

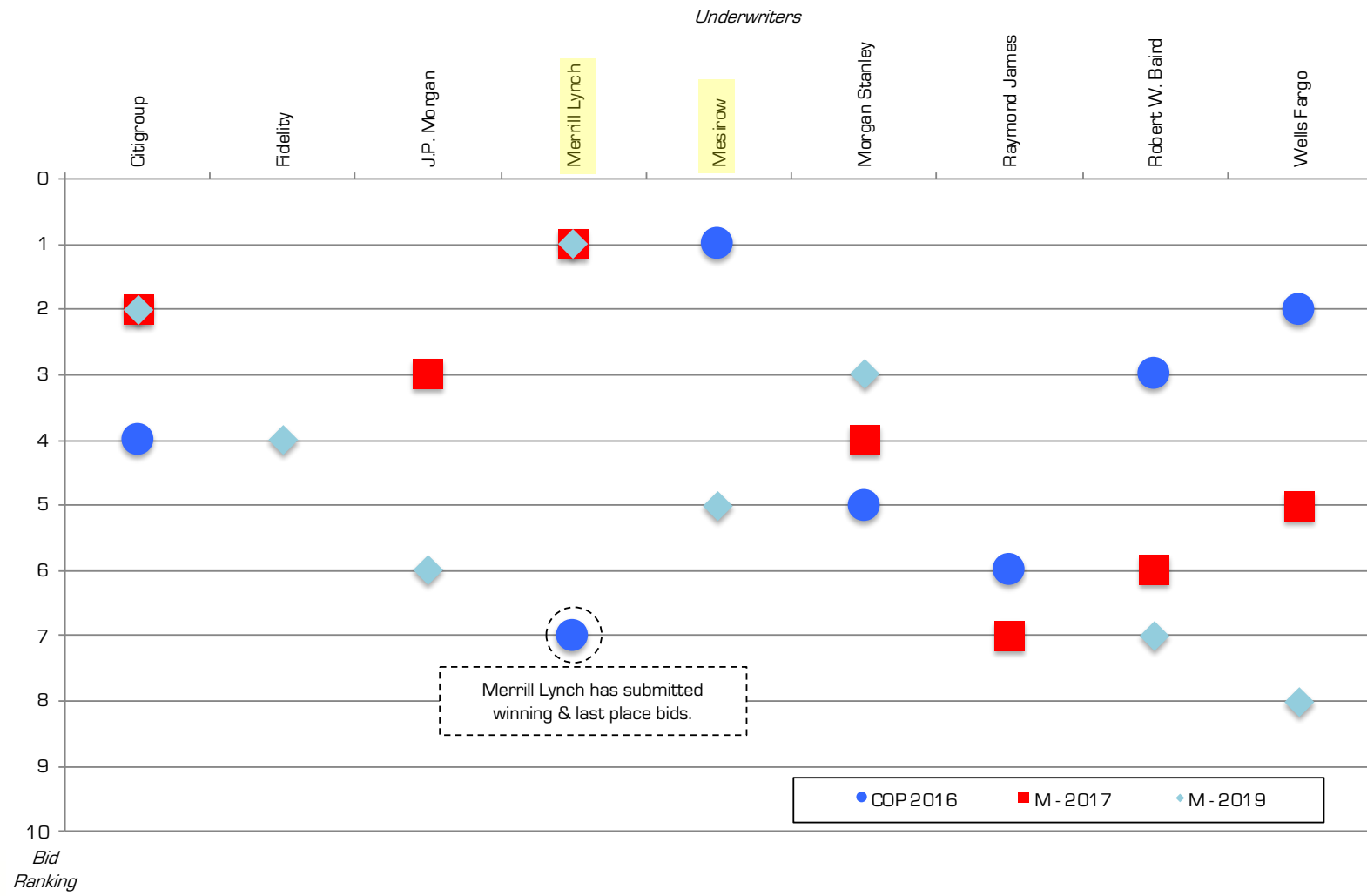
GFOA Negotiated Criteria

◆ Criteria that favors a Negotiated Process:

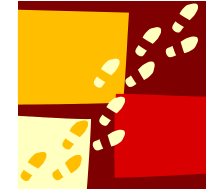
- X Rating of the bonds is lower than the single-A category.
 - Existing bonds are rated AAA by Fitch & Aa2 by Moody's.
 - X Bond insurance or other credit enhancement is unavailable or not cost-effective.
 - Bond insurance is available and cost-effective.
 - X Structure of bonds has features better suited to negotiation.
 - The bonds do not include such features.
 - X Issuer desires to target underwriting participation to include disadvantaged business enterprises or local firms.
 - All underwriters will have the opportunity to participate.
 - X Other factors that the issuer, in consultation with its financial advisor, believes favor the use of a negotiated sale process.
 - There are no other factors favoring a negotiated sale.
- ✓ *We meet 0 out of the 5 negotiated process criteria.*

Competitive Bidding → Positive Outcomes

Since 2016, 9 Underwriters have Bid on the District's GO Bonds and Certificates of Participation, with Both Merrill Lynch and Mesirow Submitting Winning Bids



Next Steps



- ◆ Today's Board meeting
 - ▶ Information presentation
- ◆ March 23, 2021 Board meeting
 - ▶ Board considers adoption of resolution authorizing issuance of bonds
- ◆ April 1, 2021
 - ▶ Sale of bonds conducted at the offices of Government Financial Strategies
- ◆ April 20, 2021 Board meeting
 - ▶ Closing: Proceeds deposited with County
 - ▶ Presentation of results of bond sale

Any Questions?



For Reference

- ◆ Debt Portfolio
- ◆ Assessed Value
- ◆ Legal
- ◆ Disclosure
- ◆ Detailed Costs of Issuance
- ◆ Good Faith Estimates

Debt Portfolio

General Obligation Bonds, Election of November 2016, Measure M, \$476,000,000,

<u>Series</u>	<u>Close Date</u>	<u>Issue Type</u>	<u>Issuance - New Money</u>	<u>Total Issuance</u>	<u>Total Net Debt Service</u>	<u>Debt Service to Principal at Issuance</u>	<u>Principal Paid & to be Paid as of Feb 1, 2021</u>	<u>Debt Service Paid & to be Paid as of Feb 1, 2021</u>	<u>Outstanding Principal as of Feb 1, 2021</u>	<u>Final Maturity</u>	<u>Able to Call?</u>	<u>Next Call Date</u>	<u>Callable Principal</u>	<u>Weighted Average Callable Coupon</u>	<u>Next Call Premium</u>	
2017	May-17	CIBs	\$82,100,000	\$82,100,000	\$136,027,460	1.66 : 1	\$82,100,000	\$136,027,460	\$61,550,000	Aug 1, 2046	Yes	Aug 1, 2026	\$61,550,000	3.80%	0%	(1)
2019	Feb-19	CIBs	\$121,000,000	\$121,000,000	\$215,162,500	1.78 : 1	\$121,000,000	\$215,162,500	\$115,300,000	Aug 1, 2048	Yes	Aug 1, 2026	\$107,200,000	3.72%	0%	(2)
							<u>\$203,100,000</u>	<u>\$351,189,960</u>	<u>\$176,850,000</u>							

Debt Service to Principal Ratios

Debt service of new money issuances to new money principal: 1.73 : 1

Certificates of Participation & Lease Purchases

<u>Series</u>	<u>Close Date</u>	<u>Issue Type</u>	<u>Issuance - New Money</u>	<u>Total Issuance</u>	<u>Total Net Debt Service</u>	<u>Debt Service to Principal at Issuance</u>	<u>Principal Paid & to be Paid as of Feb 1, 2021</u>	<u>Debt Service Paid & to be Paid as of Feb 1, 2021</u>	<u>Outstanding Principal as of Feb 1, 2021</u>	<u>Final Maturity</u>	<u>Able to Call?</u>	<u>Next Call Date</u>	<u>Callable Principal</u>	<u>Weighted Average Callable Coupon</u>	<u>Next Call Premium</u>	
2016	Apr-16	CIBs	\$109,910,000	\$109,910,000	\$171,042,907	1.56 : 1	\$109,910,000	\$171,042,907	\$98,425,000	Feb 1, 2040	Yes	Feb 1, 2026	\$89,570,000	3.12%	0%	
2019	Feb-19	LP	\$12,612,000	\$12,612,000	\$18,038,073	1.43 : 1	\$12,612,000	\$18,038,073	\$11,770,000	Feb 1, 2040	Yes	Feb 1, 2024	\$10,402,000	3.49%	0%	
							<u>\$122,522,000</u>	<u>\$189,080,980</u>	<u>\$110,195,000</u>							

Debt Service to Principal Ratios

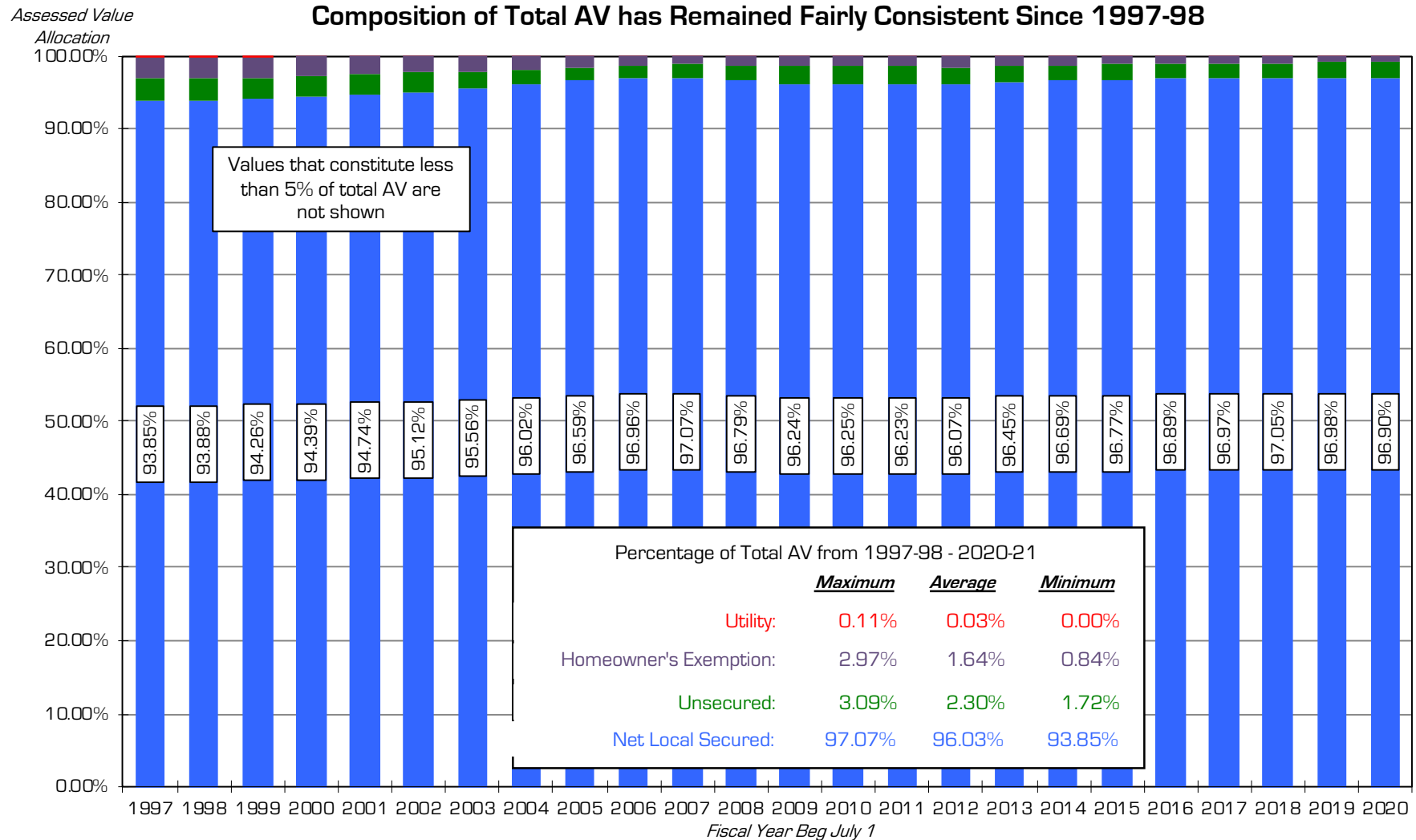
Debt service of new money issuances to new money principal: 1.54 : 1

- (1) Series 2017 net debt service reflects application of \$1,653,695 deposited to Interest & Sinking Fund to pay debt service;
 (2) Series 2019 net debt service reflects application of \$700,041 deposited to Interest & Sinking Fund to pay debt service.

Assessed Valuation

- ◆ Composition of Assessed Value
- ◆ Comparison of Historical AV to Assumptions in Current Bond Plan
 - ▶ 5 Year Periods
 - ▶ 10 Year Periods
 - ▶ 15 Year Periods
 - ▶ 20 Year Periods
- ◆ Reasons AV Can Change
- ◆ Calculation of Tax Rates

Composition of Assessed Value

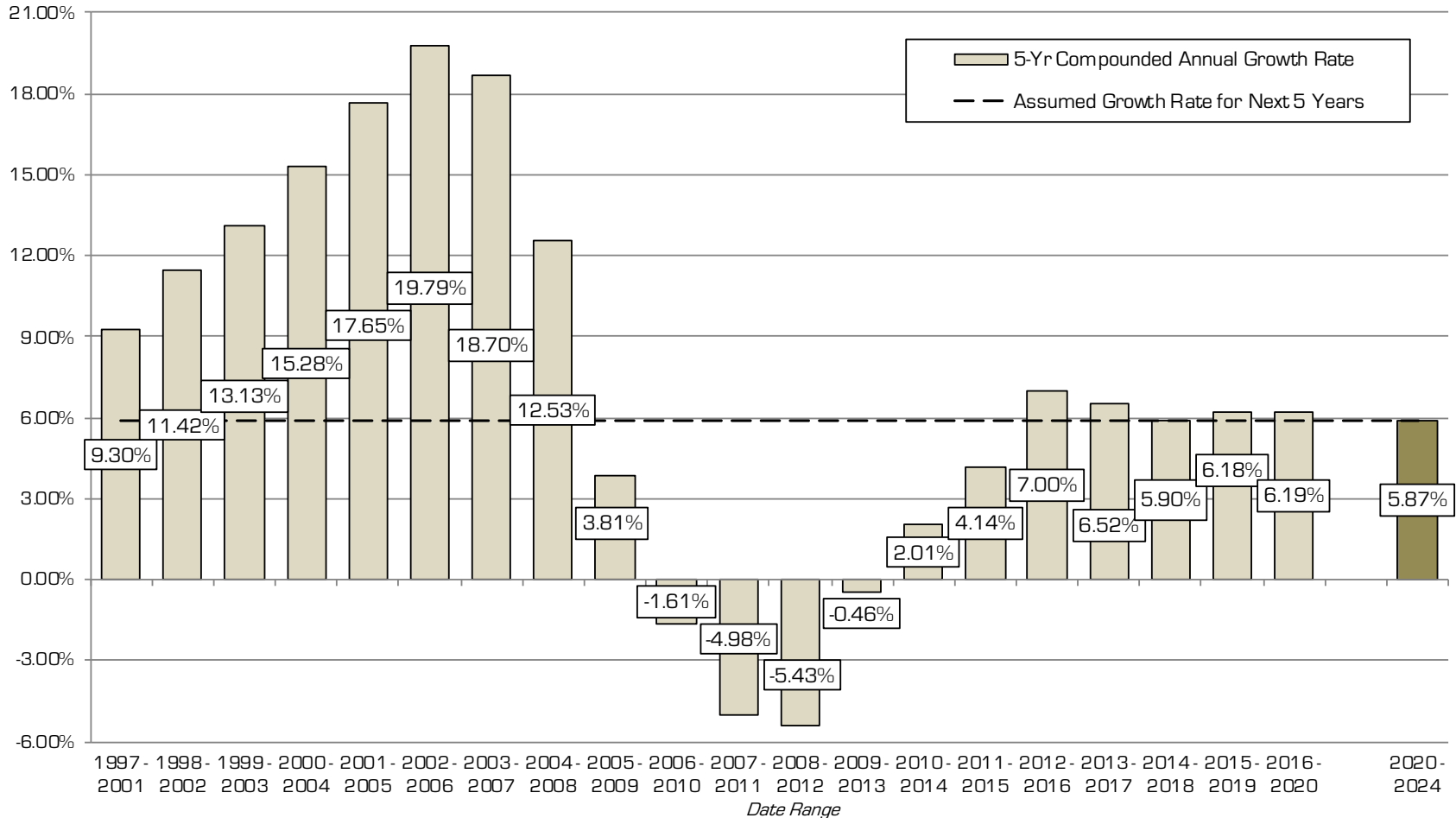


Historic data provided by Sacramento County. The District's total AV is comprised of net local secured, utility, homeowners exemption, and unsecured values. Since 1997-98, net local secured has annually comprised 94% - 97% of the District's total AV. As individually the other components are relatively small and tend to be subject to less predictable volatility, the AV focuses on net local secured.

Historical AV Analysis - 5 Year Periods

Compounded Annual
Growth Rate - Total
Secured AV

Secured AV Assumptions Used Result in 5.87% Annual Growth Rate over Next 5 Years

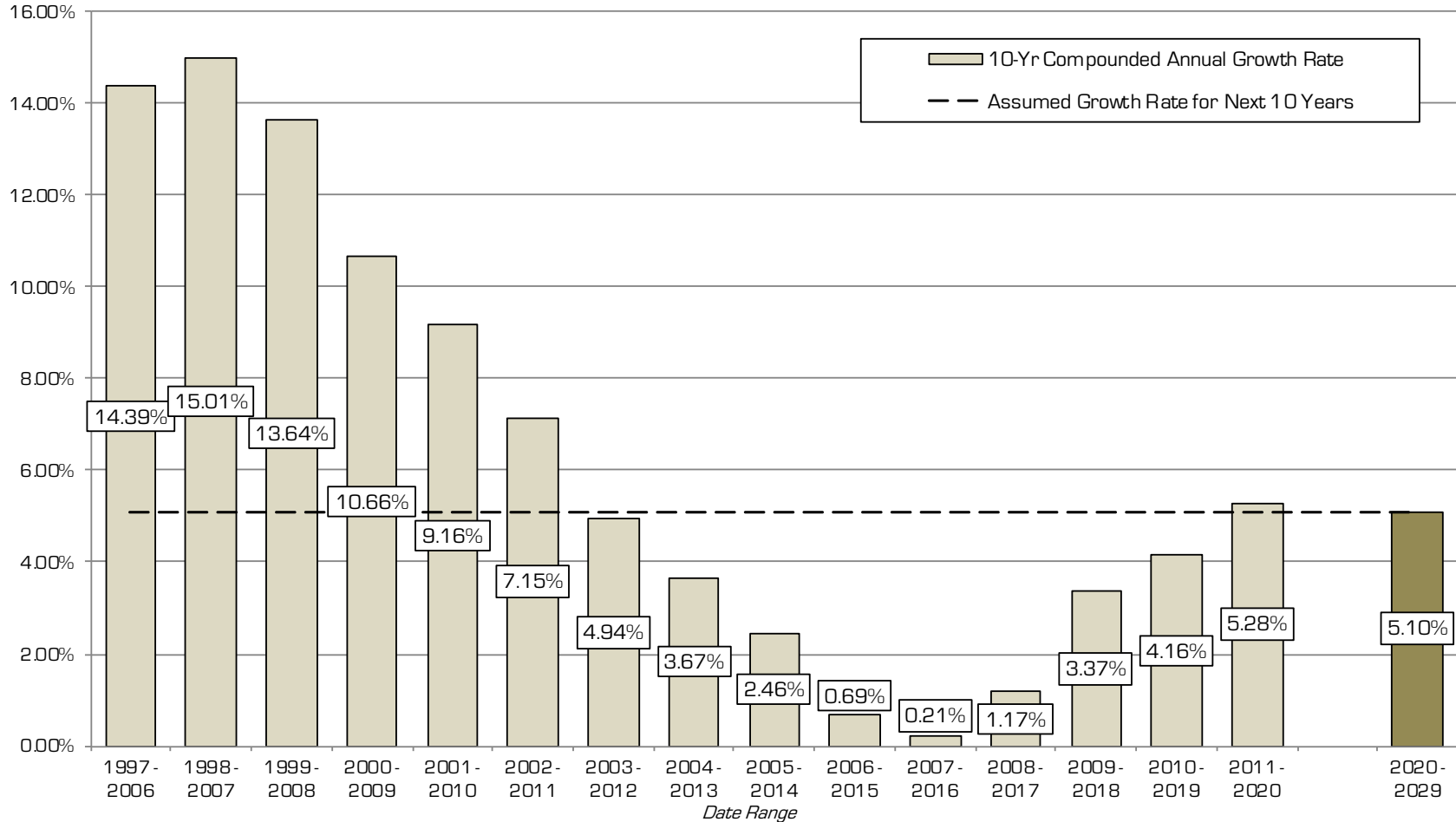


AV provided by Sacramento County Auditor-Controller's Department. The District's total AV is comprised of net local secured, utility, homeowners exemption, and unsecured values. Net local secured AV, which has annually comprised 94% - 97% of the District's total AV since 1997-98. Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged.

Historical AV Analysis - 10 Year Periods

Compounded Annual
Growth Rate - Total
Secured AV

Secured AV Assumptions Used Result in 5.10% Annual Growth Rate over Next 10 Years

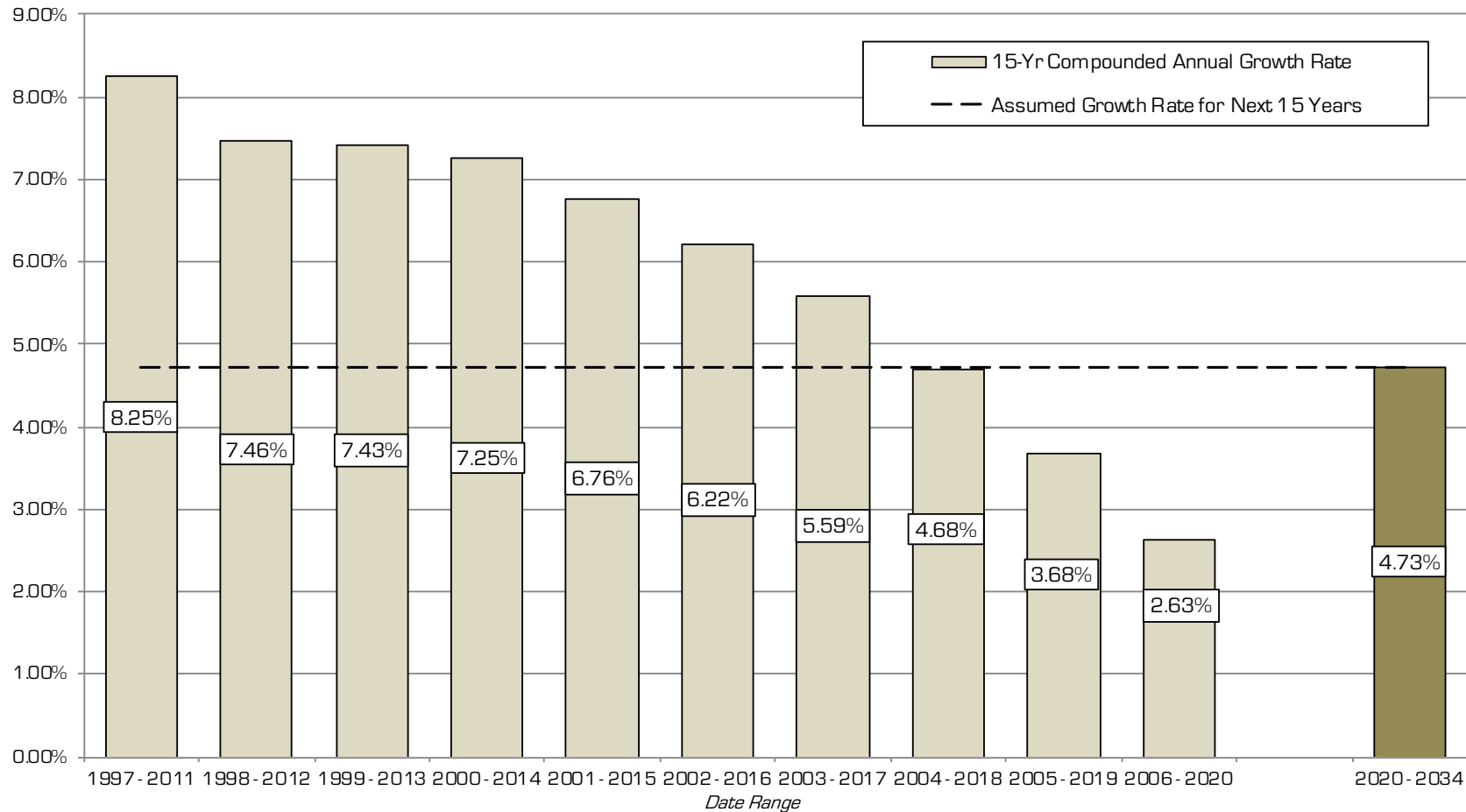


AV provided by Sacramento County Auditor-Controller's Department. The District's total AV is comprised of net local secured, utility, homeowners exemption, and unsecured values. Net local secured AV, which has annually comprised 94% - 97% of the District's total AV since 1997-98. Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged.

Historical AV Analysis - 15 Year Periods

Compounded Annual
Growth Rate - Total
Secured AV

Secured AV Assumptions Used Result in 4.73% Annual Growth Rate over Next 15 Years

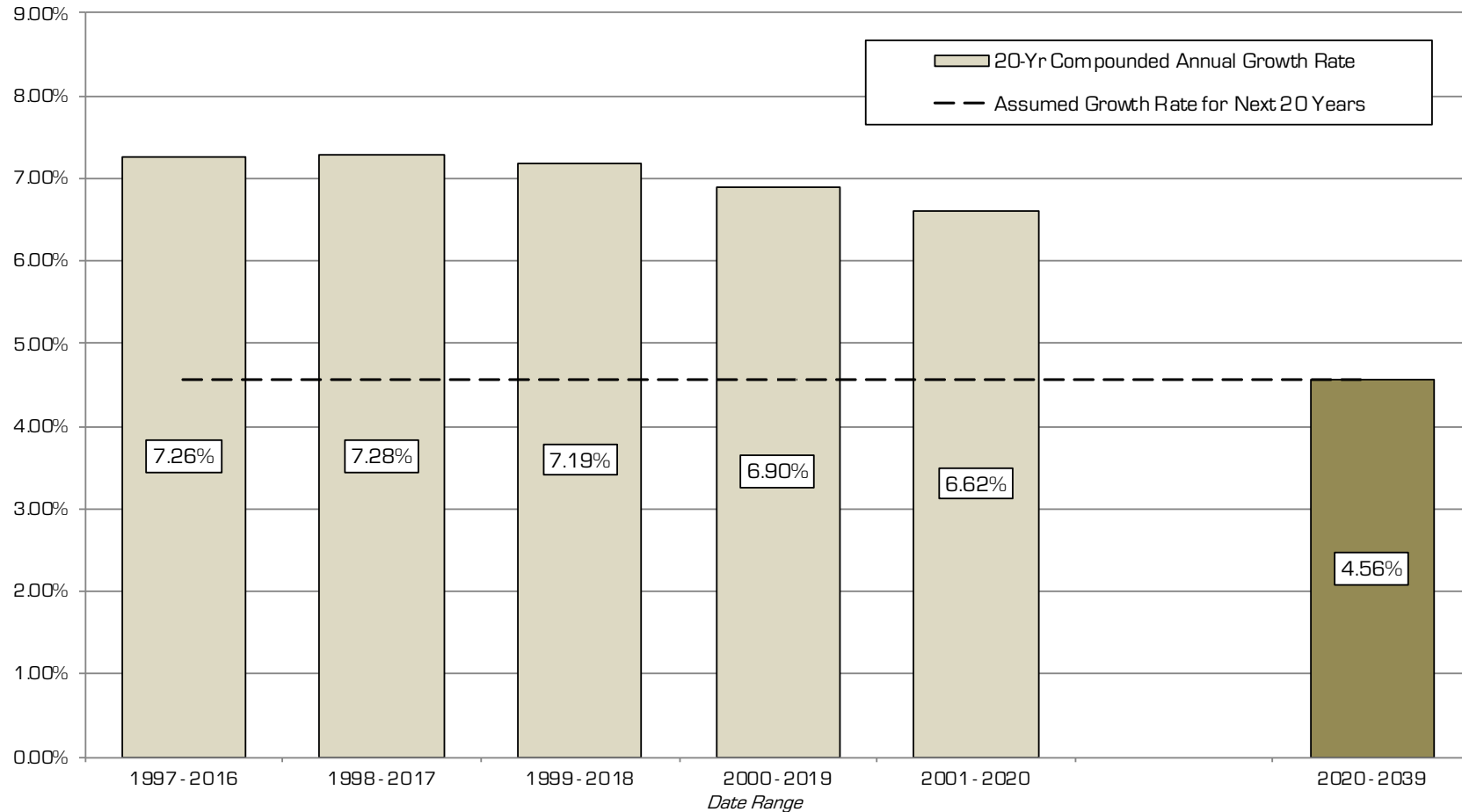


AV provided by Sacramento County Auditor-Controller's Department. The District's total AV is comprised of net local secured, utility, homeowners exemption, and unsecured values. Net local secured AV, which has annually comprised 94% - 97% of the District's total AV since 1997-98. Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged.

Historical AV Analysis - 20 Year Periods

Compounded Annual
Growth Rate - Total
Secured AV

Secured AV Assumptions Used Result in 4.56% Annual Growth Rate over Next 20 Years



AV provided by Sacramento County Auditor-Controller's Department. The District's total AV is comprised of net local secured, utility, homeowners exemption, and unsecured values. Net local secured AV, which has annually comprised 94% - 97% of the District's total AV since 1997-98. Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged.

Reasons Assessed Value Can Change

- ◆ Pursuant to Proposition 13 (and embodied in Article 13A of the California Constitution), a school district's *real* property tax base can change for four reasons:
 - ▶ Properties are sold (and reassessed at the sale price).
 - ▶ Properties are improved (and reassessed with the value of the improvement).
 - ▶ A year passes (each property's assessed value increases by the lesser of 2% or the change in the California Consumer Price Index).
 - ▶ Market value of one or more properties declines below assessed value - assessed value can be adjusted downward to the market value. If market value subsequently increases, assessed value can "catch up" to pre-decline AV plus allowable adjustments (e.g. 2% annual increase).

Legal

- ◆ Legal Constraints
- ◆ Primary Legal Documents
- ◆ Legal Structure

Legal Constraints

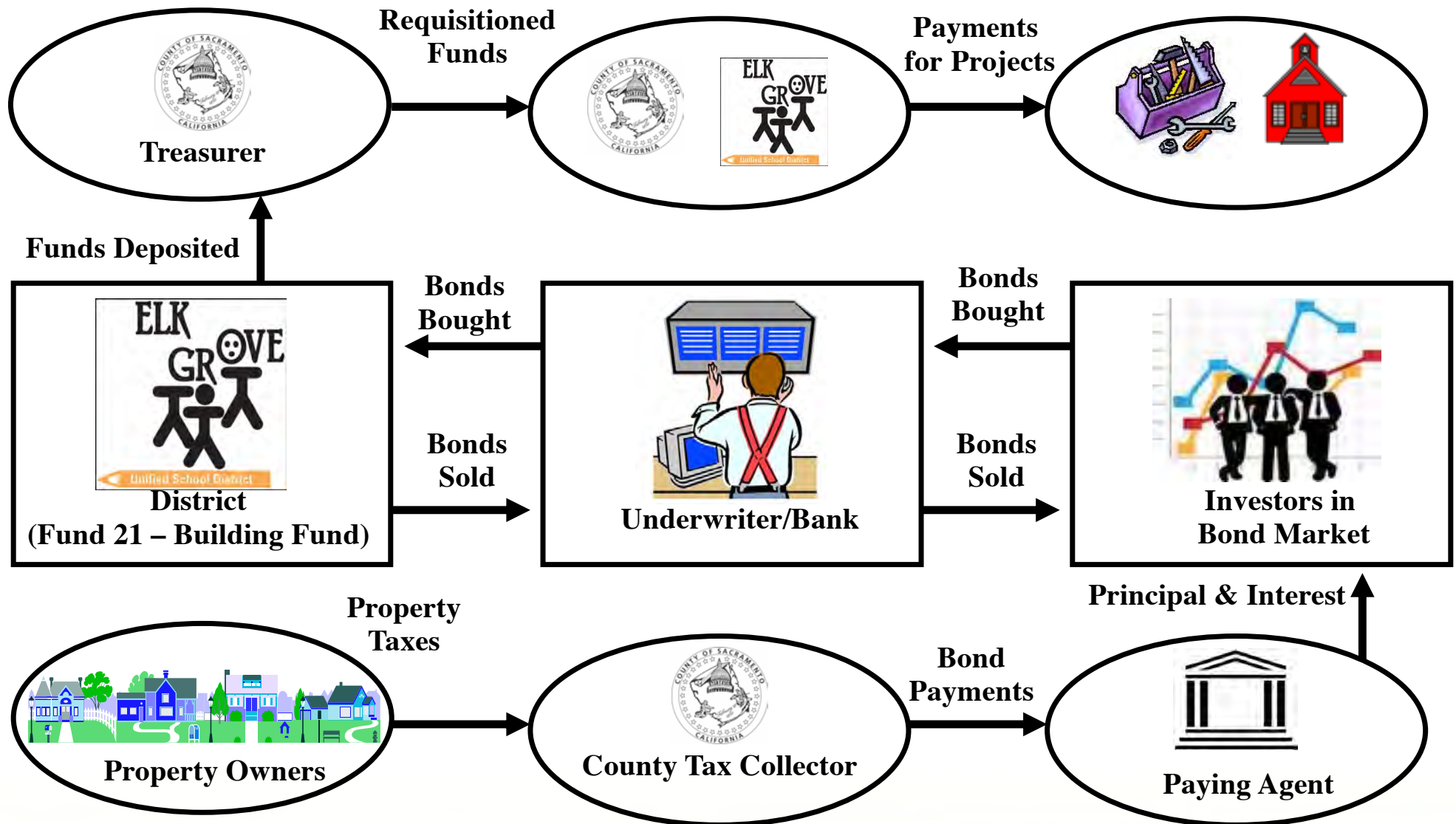


- ◆ Taxing Capacity: limit on maximum projected tax levies
(this is for 55% voter approval bond measures only, e.g. Meas. L)
 - ▶ \$30 per \$100,000 of assessed value for union districts
 - Education Code 15268
 - ▶ \$60 per \$100,000 of assessed value for unified districts
 - Education Code 15270(a) ✓
- ◆ Bonding Capacity: limit on amount of outstanding bonds
(this is for all bond measures combined)
 - ▶ 1.25% of total assessed value for union districts
 - Education Code 15268
 - ▶ 2.50% of total assessed value for unified districts
 - Education Code 15270(a) ✓

Primary Legal Documents

- ◆ *Board Resolution: authorizes bonds and signing of documents within parameters (bond amount, interest rate, etc.)*
- ◆ *Form of Bond Purchase Agreement: the underwriter purchases the bonds from the District and resells them to investors*
- ◆ *Preliminary Official Statement: discloses important information about the District and financing to investors*
- ◆ *Form of Paying Agent Agreement: a bank is assigned responsibility for forwarding principal and interest payments to investors*
- ◆ *Form of Continuing Disclosure Certificate: District provides updates to the bond market annually and if any significant events occur*

Legal Structure - General Obligation Bonds



Disclosure

- ◆ Disclosure to Investors
- ◆ Purpose of Disclosure
- ◆ Reviewing the Disclosure

Disclosure to Investors

- ◆ The Official Statement is the primary disclosure document.
- ◆ The Board will be asked to review the *Preliminary Official Statement*.


The information contained in this Preliminary Official Statement has been prepared by the District to be final as of the date hereof; however, the information contained herein is subject to completion or amendment. These securities are being sold by the District as a preliminary offering and are not being sold as a final offering. The District is not making any representation or warranty, and no offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2021

NEW ISSUE
DTC BOOK-ENTRY ONLY

Fitch Rating: “ ”
Moody’s Rating: “ ”
See “RATINGS” herein

In the opinion of Lozano Smith, LLP, Bond Counsel to the District, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See “LEGAL MATTERS—Tax Matters” herein.


\$140,500,000*
ELK GROVE UNIFIED SCHOOL DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2021

DATED: Date of Delivery **DUE: August 1, as shown on the inside cover**

The Elk Grove Unified School District General Obligation Bonds, Election of 2016, Series 2021 (the “Bonds”) in the aggregate principal amount of \$140,500,000* are being issued by the Elk Grove Unified School District (the “District”) to (i) finance certain of the school facilities projects set forth in the ballot measure approved by the District’s voters at an election held on November 8, 2016, (ii) fund a deposit to the Interest and Sinking Fund (as defined herein) and (iii) pay certain costs of issuance of the Bonds. See “PLAN OF FINANCE” herein.

The Bonds are general obligation bonds of the District payable from *ad valorem* property taxes levied and collected by Sacramento County against taxable property located within the District’s boundaries. The Board of Supervisors of Sacramento County is empowered and obligated to annually levy and collect *ad valorem* property taxes without limitation as to rate or amount on all taxable property within the boundaries of the District (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See “SECURITY AND SOURCE OF PAYMENT” herein.

The Bonds are being issued as current interest bonds in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1 in the years and amounts set forth on the inside cover page hereof. Interest on the Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2022. The Bonds are subject to redemption prior to maturity. See “THE BONDS—Payment of Principal and Interest” and “—Redemption Provisions” herein.

The Bonds are being issued as fully registered bonds, without coupons, in book-entry form only. When delivered, the Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), acting as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only, and only in authorized denominations as described in this Official Statement. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by Zions Bancorporation, National Association (the “Paying Agent”) to DTC for subsequent disbursement to DTC participants who will remit such payments to the Beneficial Owners. See “APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM” attached hereto.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELEVANT TO AN INVESTMENT IN THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED WILL HAVE THEIR MEANINGS SET FORTH HEREIN.

MATURITY SCHEDULE
See Inside Cover Page

The Bonds are offered when, as, and if issued by the District and received by the Underwriter, subject to approval as to their legality by Lozano Smith, LLP, Sacramento, California, Bond Counsel, and subject to certain other conditions. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about March 4, 2021.

This Official Statement is dated _____, 2021.

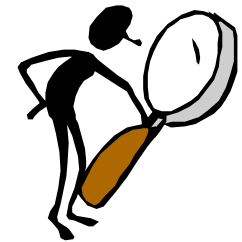
*Preliminary, subject to adjustment.

Preliminary Official Statement - Overview of Disclosure

◆ Honest and Fair Dealing

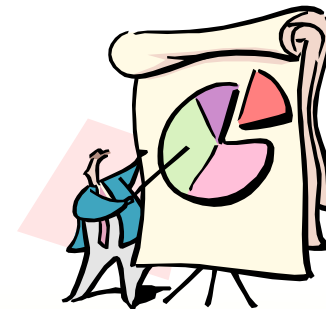
Disclose all “material” facts

Heightened Securities and Exchange
Commission scrutiny



◆ Marketing

Present and future



Tips for Reviewing the Disclosure

- ◆ In reviewing the Preliminary Official Statement:
 - ▶ Format is based on the industry standard, for the convenience of the primary audience -- investors. Standard information is provided in standard fashion, which is often not in the best writing style.
 - ▶ Providing too much information can obscure important points; however, omitting information which might be material to an investment decision would be disastrous.
 - ▶ It is better to bring something to our attention, so that it can be considered and discussed, rather than assume that we've already thought of it.

It is Important to Review the Disclosure

- ◆ Securities and Exchange Commission report (January, 1996) on the disclosure of Orange County in connection with the sale of municipal securities prior to its bankruptcy:

“In authorizing the issuance of securities and related disclosure documents, a public official may not authorize disclosure that the official knows to be false; nor may a public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading.”



Estimated Costs of Issuance

ELK GROVE UNIFIED SCHOOL DISTRICT
(Sacramento County, California)
General Obligation Bonds, Election of 2016, Series 2021

Estimated Costs of Issuance

Description	Total Costs
• Lozano Smith, Bond Counsel	
Bond Counsel Services and Expenses:	\$30,625.00
Special Revenues Opinion:	\$25,000.00
• Government Financial Strategies inc., Financial Advisor	
Professional Services:	\$58,750.00
Expenses:	\$1,500.00
• Moody's Investors Service, Rating Agency	
Professional Services:	\$73,500.00
• Fitch Ratings, Rating Agency	
Professional Services:	\$62,000.00
• Other Issuance Expenses (break out listed below)	
Zions Bancorporation, National Association, Paying Agent	
Acceptance Fees:	\$350.00
First Year's Annual Administration Fee:	\$350.00
COI Fund Administration Fee:	\$250.00
Anticipated Direct Out-of-pocket Expenses:	\$0.00
ImageMaster: POS/OS Printer	\$2,000.00
Amtec: Verification Report	\$250.00
California Municipal Statistics, Research:	\$1,500.00
• Contingency	\$28,925.00
TOTAL COSTS OF ISSUANCE	\$285,000.00

Good Faith Estimates (Per Government Code 5852.1)

Good Faith Estimates

Per Government Code 5852.1

	<i><u>Estimates</u></i>
True Interest Cost{1}	2.19%
Finance Charge{2}	\$1,695,000
Amount of Proceeds{3}	\$140,215,000
Total Payment Amount{4}	\$190,583,010

{1} True Interest cost includes a 0.50% adjustment for potential market volatility based on historical volatility in the Bond Buyer 20-Bond Index from 1/1/84 - 2/4/21.

{2} Finance charge is the sum of all charges and fees paid to third-parties for upfront costs.

{3} Amount of proceeds received is the bond amount less the finance charge and any reserves or capitalized interest funded.

{4} total payment amount is total debt service plus any finance charges not paid with proceeds.

✓ First call date for Series 2021 (Measure M) currently planned to be August 1, 2030