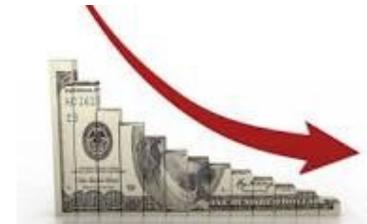


Los Gatos Union School District

Fiscal Stewardship: Update on General Obligation Bonds and Refinancing Opportunity



Presented by Matt Kolker
March 10, 2022

Agenda

- ◆ Brief Introduction
- ◆ Market Update
- ◆ Assessed Value Update
- ◆ Refinancing Opportunity
- ◆ For Reference



Role of Financial Advisor



- ◆ Fiduciary duty to the District
- ◆ Provide independent financial analysis and advice
- ◆ Represent the District to the bond market
- ◆ Activities regulated by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a result of the Dodd-Frank Act of 2010

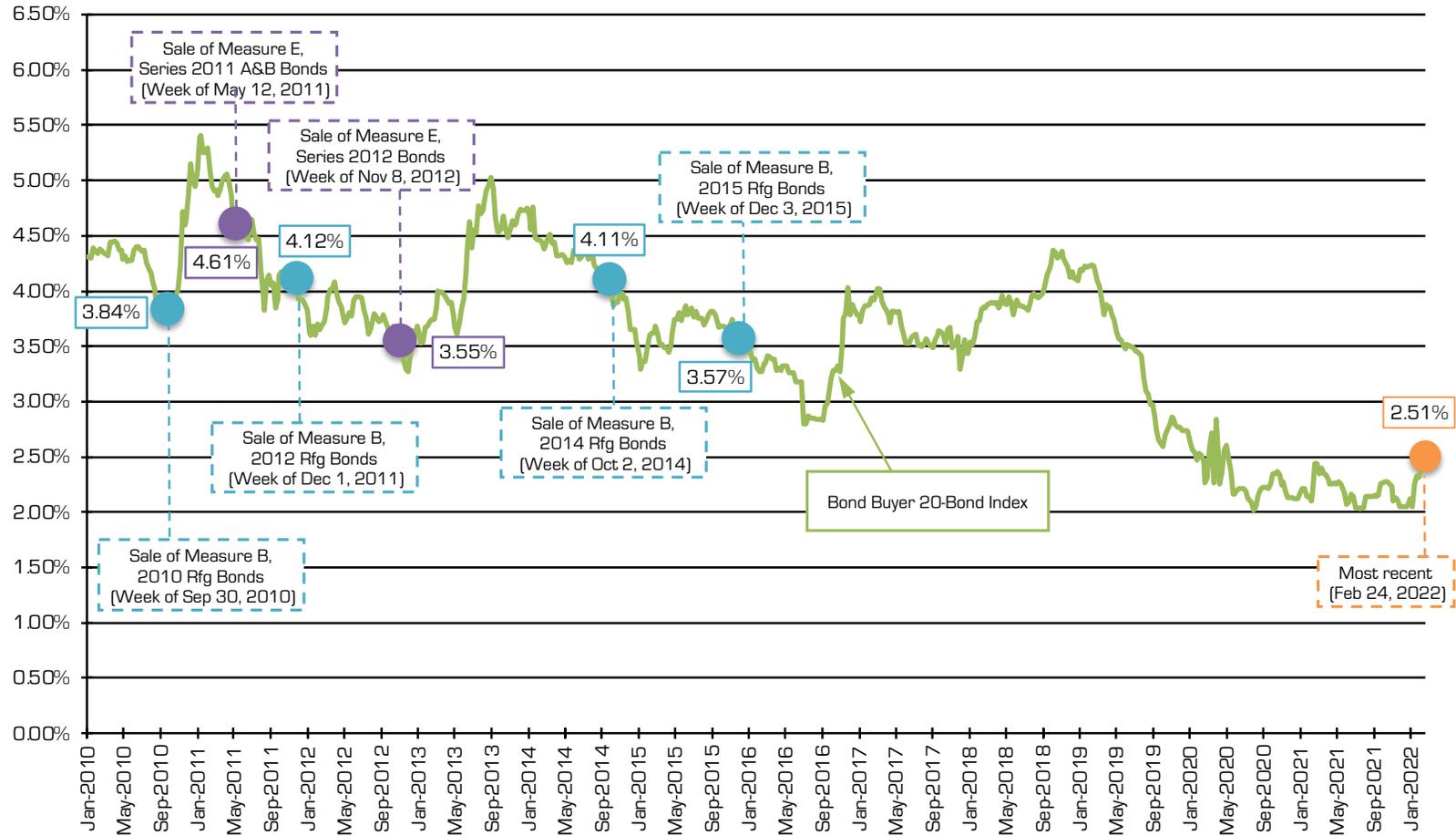
Our History with Los Gatos USD

- ◆ Provided financial advisory services in early '90s, and have served as the District's financial advisor since 2009
- ◆ Assisted the District with planning for Measure E
- ◆ Advised on prior financings:
 - ▶ 2010 Refunding Bonds (Measure B)
 - ▶ 2011 Bonds (Measure E)
 - ▶ 2012 Refunding Bonds (Measure B) and 2012 Bonds (Measure E)
 - ▶ 2014 Refunding Bonds (Measure B)
 - ▶ 2015 Refunding Bonds (Measure B)
- ◆ Other services:
 - ▶ 2012 and 2017 Developer Fee Justification Studies
 - ▶ Review of Redevelopment Revenues (2009)
 - ▶ Preparation of reports to the bond market on any significant events that may occur pursuant to disclosure requirements
 - ▶ Review of Santa Clara County tax rate calculations

Market Update

The Benchmark Municipal Bond Interest Rate has Fluctuated and is Lower Than When Any of the District's Outstanding Bonds were Sold

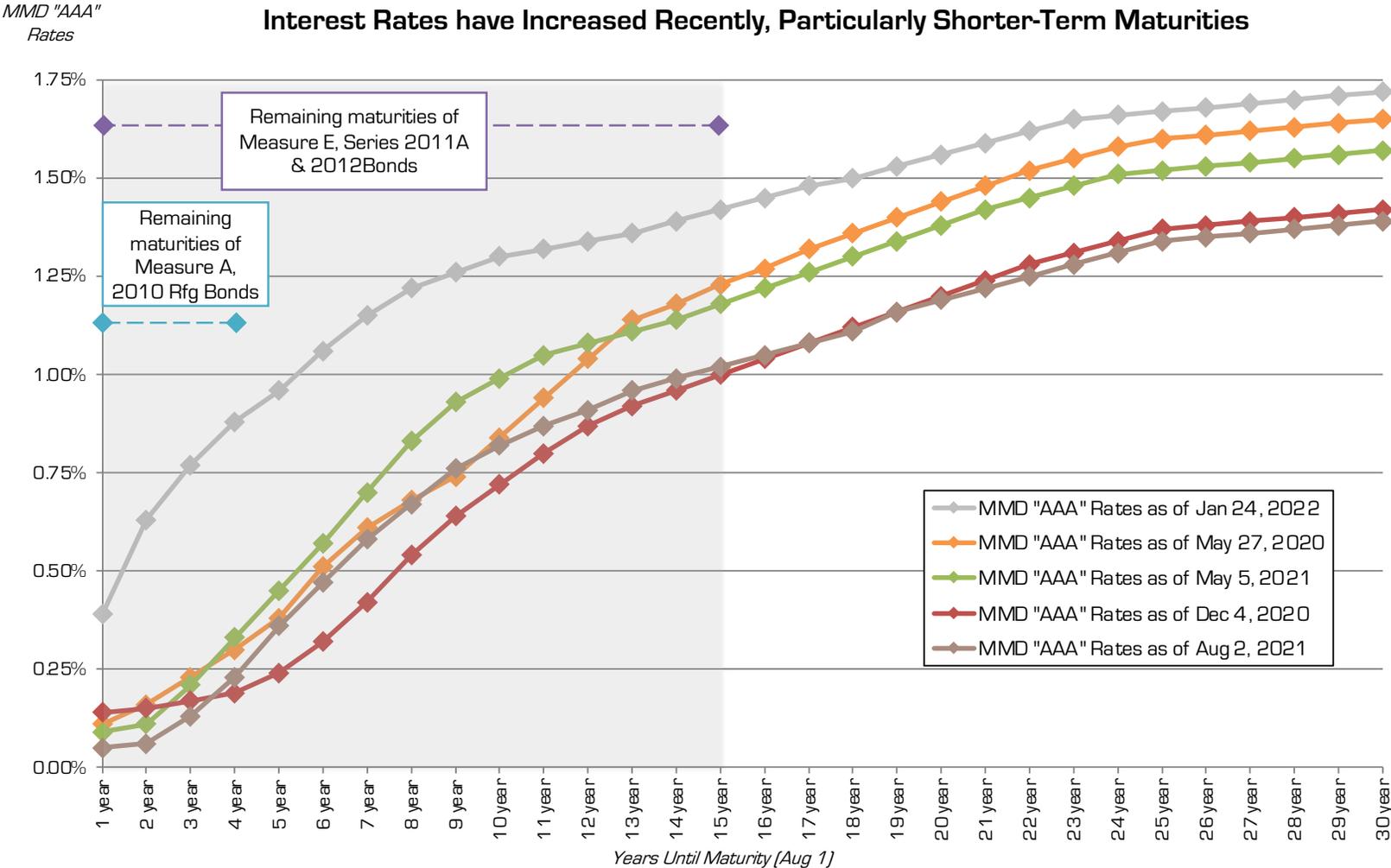
Interest Rate



Date

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.

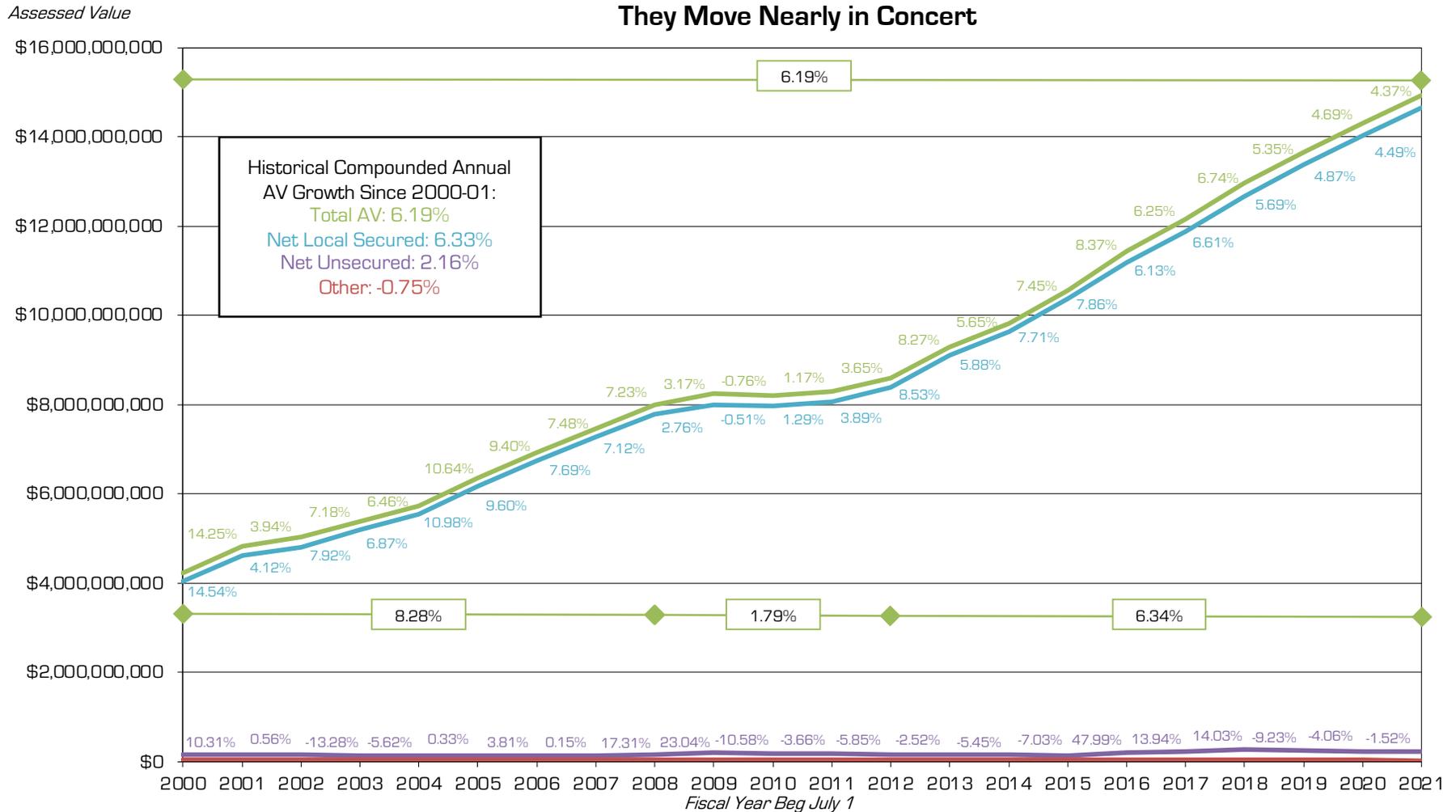
Market Update – Benchmark Rates Rising



Rates shown are MMD 'AAA' on dates specified, without adjustment. 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.

Historical Assessed Value Growth

As Net Local Secured is Such a Large Component of Total AV,
They Move Nearly in Concert



Historical assessed value (AV) provided by the Santa Clara County Auditor-Controller's Office. The District's total AV is comprised of net local secured, net unsecured, and other (utility & homeowners' exemption). Changes shown are annual changes, while ranges are compounded annual rates.

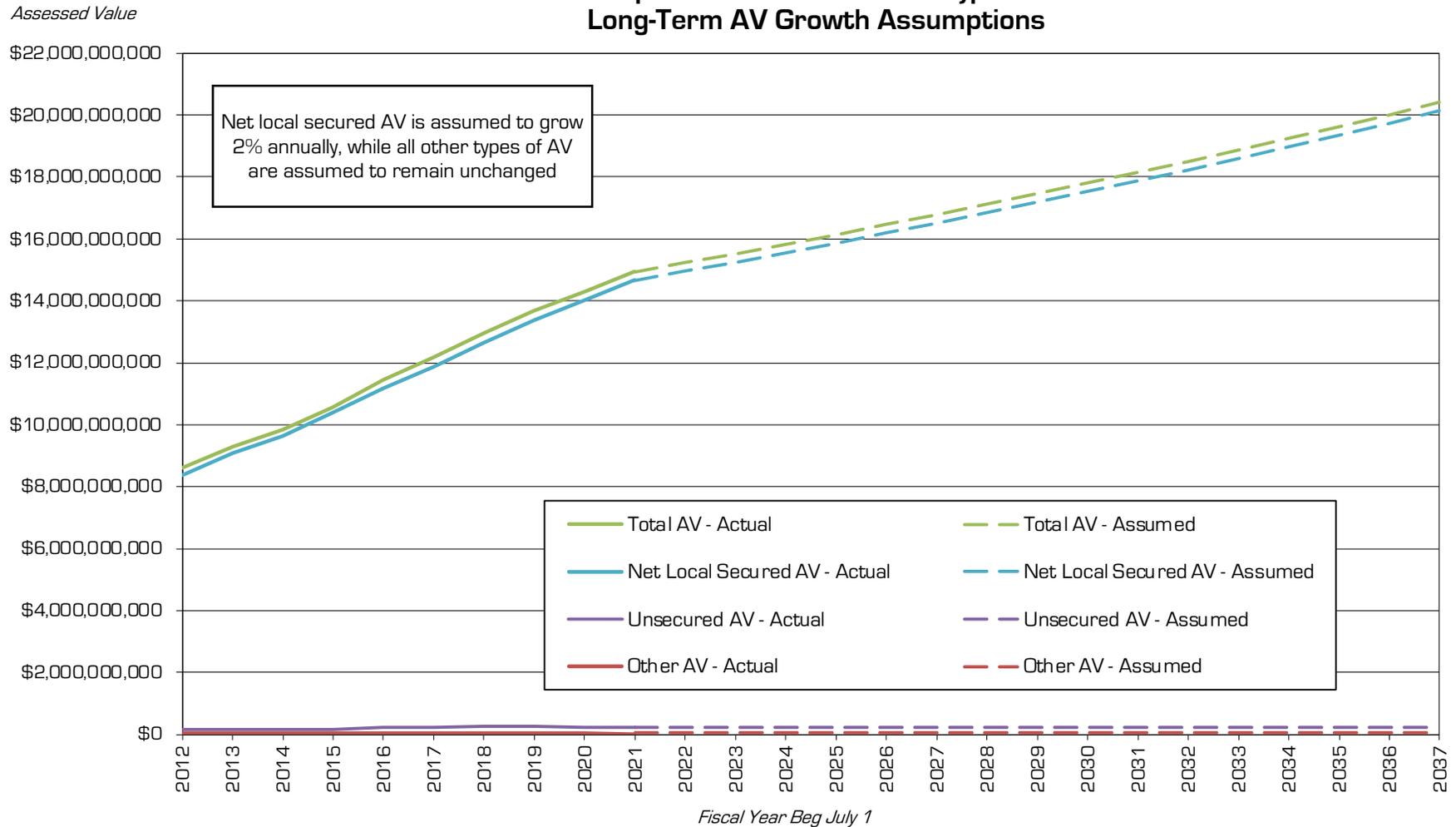
Reasons Assessed Value Can Change

(for most properties)

- ◆ Pursuant to Proposition 13 (and embodied in Article 13A of the California Constitution), a school district's 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 increases).

Assumed Future Assessed Value

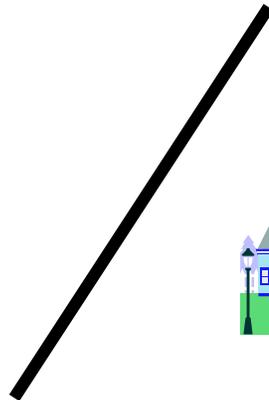
Different AV Assumptions Based on the AV Types Lead to Moderate Long-Term AV Growth Assumptions



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

Bond Tax Levies

- ◆ 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)



Debt Portfolio – Measure B

(additional information in For Reference section)

General Obligation Bonds, June 2001 Election - Measure B, \$91,000,000

Series	Close Date	Bond Type	Issuance - New Money	Issuance - Refinancing	Total Issuance	Total Net Debt Service	Debt Service to Principal at Issuance	Principal Paid & to be Repaid as of Feb. 1, 2022	Debt Service Paid & to be Paid as of Feb. 1, 2022	Outstanding Principal as of Feb. 1, 2022	Final Maturity	Able to Call?	Next Call Date	Callable Principal	Weighted Average Callable Coupon	Next Call Premium	
A	Nov-01	CIBs	\$35,000,000	\$0	\$35,000,000	\$61,986,131	1.77 : 1	\$5,200,000	\$18,635,131	\$0	n/a	n/a	n/a	\$0	n/a	n/a	(1), (4)
B	Dec-03	CIBs	\$25,000,000	\$0	\$25,000,000	\$49,189,004	1.97 : 1	\$4,850,000	\$14,205,092	\$0	Aug 1, 2018	No	n/a	\$0	n/a	n/a	(5)
C	Nov-05	CIBs	\$18,000,000	\$0	\$18,000,000	\$36,888,476	2.05 : 1	\$1,350,000	\$8,583,345	\$0	Aug 1, 2015	n/a	n/a	\$0	n/a	n/a	(2), (6)
D	May-07	CIBs	\$13,000,000	\$0	\$13,000,000	\$24,876,706	1.91 : 1	\$2,180,000	\$6,697,356	\$0	Aug 1, 2017	No	n/a	\$0	n/a	n/a	(3), (7)
2010 Rfg	Oct-10	CIBs	\$0	\$28,190,000	\$28,190,000	\$38,579,910	1.37 : 1	\$28,190,000	\$38,579,910	\$9,760,000	Aug 1, 2026	Yes	Any	\$9,760,000	4.45%	0%	(4)
2012 Rfg	Dec-11	CIBs	\$0	\$22,220,000	\$22,220,000	\$31,724,340	1.43 : 1	\$22,220,000	\$31,724,340	\$17,885,000	Aug 1, 2030	No	n/a	\$0	n/a	n/a	(5)
2014 Rfg	Oct-14	CIBs	\$0	\$17,210,000	\$17,210,000	\$24,354,869	1.42 : 1	\$17,210,000	\$24,354,869	\$14,800,000	Aug 1, 2032	Yes	Aug 1, 2024	\$14,265,000	3.05%	0%	(6)
2015 Rfg	Dec-15	CIBs	\$0	\$11,390,000	\$11,390,000	\$16,158,846	1.42 : 1	\$11,390,000	\$16,158,846	\$9,835,000	Aug 1, 2032	Yes	Aug 1, 2024	\$9,290,000	3.12%	0%	(7)

\$91,000,000

\$79,010,000 **\$170,010,000** **\$283,758,283**

\$92,590,000 **\$158,938,889** **\$52,280,000**

Debt Service to Principal Ratios

Debt service of new money issuances to new money principal: 1.90 : 1

Total debt service after refinancings to new money principal: 1.75 : 1

Debt Portfolio – Measure E

(additional information in For Reference section)

General Obligation Bonds, June 2010 Election - Measure E, \$30,900,000

Series	Bond Type	Issuance - New Money	Issuance - Refinancing	Total Issuance	Total Net Debt Service	Debt Service to Principal at Issuance	Principal Paid & to be Paid as of Feb 1, 2022	Debt Service Paid & to be Paid as of Feb 1, 2022	Outstanding Principal as of Feb 1, 2022	Final Maturity	Able to Call?	Next Call Date	Callable Principal	Weighted Average Callable Coupon	Next Call Premium
2011 A	May-11 CIBs	\$11,360,000	\$0	\$11,360,000	\$16,721,375	1.47 : 1	\$11,360,000	\$16,721,375	\$5,760,000	Aug 1, 2035	Yes	Any	\$5,760,000	4.47%	0%
2011 B	May-11 CIBs	\$4,340,000	\$0	\$4,340,000	\$4,342,979	1.00 : 1	\$4,340,000	\$4,467,077	\$2,570,000	Aug 1, 2025	No	n/a	\$0	n/a	n/a
2012	Nov-12 CIBs	\$15,200,000	\$0	\$15,200,000	\$19,408,270	1.28 : 1	\$15,200,000	\$19,408,270	\$6,940,000	Aug 1, 2037	Yes	Aug 1, 2022	\$6,595,000	2.98%	0%
		\$30,900,000	\$0	\$30,900,000	\$40,472,623		\$30,900,000	\$40,596,722	\$15,270,000						

Debt Service to Principal Ratios

Debt service of new money issuances to new money principal: 1.31 : 1

- (1) Series A (Measure B) net debt service reflects application of \$165,947 deposited to debt service fund;
- (2) Series C (Measure B) net debt service reflects application of \$29,872 deposited to debt service fund;
- (3) Series D (Measure B) net debt service reflects application of \$70,639 deposited to debt service fund;
- (4) Series A (Measure B) refinanced by Series 2010 Refunding Bonds, saving taxpayers \$4,771,090;
- (5) Series B (Measure B) refinanced by Series 2011 Refunding Bonds, saving taxpayers \$3,259,573, only bonds maturing on or after August 1, 2019 were callable;
- (6) Series C (Measure B) refinanced by Series 2014 Refunding Bonds, saving taxpayers \$3,950,262, only bonds maturing on or after August 1, 2016 were callable;
- (7) Series D (Measure B) refinanced by Series 2015 Refunding Bonds, saving taxpayers \$2,020,054, only bonds maturing on or after August 1, 2018 were callable;
- (8) Series A (Measure E) net debt service reflects application of \$36,872 deposited to debt service fund;
- (9) Series B (Measure E) issued as qualified school construction bonds (QSCBs) in which a portion of the interest is subsidized by the federal government. As a result of sequestration, the subsidy has been reduced, increasing the net debt service by \$124,099;
- (10) Series 2012 (Measure E) net debt service reflects application of \$664,237 deposited to debt service fund.

Debt Portfolio – Opportunities to Improve

◆ Next Call Date

- ▶ Determines whether refunding now is "current" or "advance"
 - As of 2017, Bonds cannot be advance refunded on a tax-exempt basis
 - Time to call affects negative arbitrage in escrow

◆ Callable Principal

- ▶ Determines magnitude of dollar savings

◆ Callable Coupon

- ▶ Determines how much interest rate savings might be available compared to current market

◆ Next Call Premium

- ▶ Determines additional fixed costs which reduce refinancing savings

General Obligation Bonds, June 2001 Election - Measure B

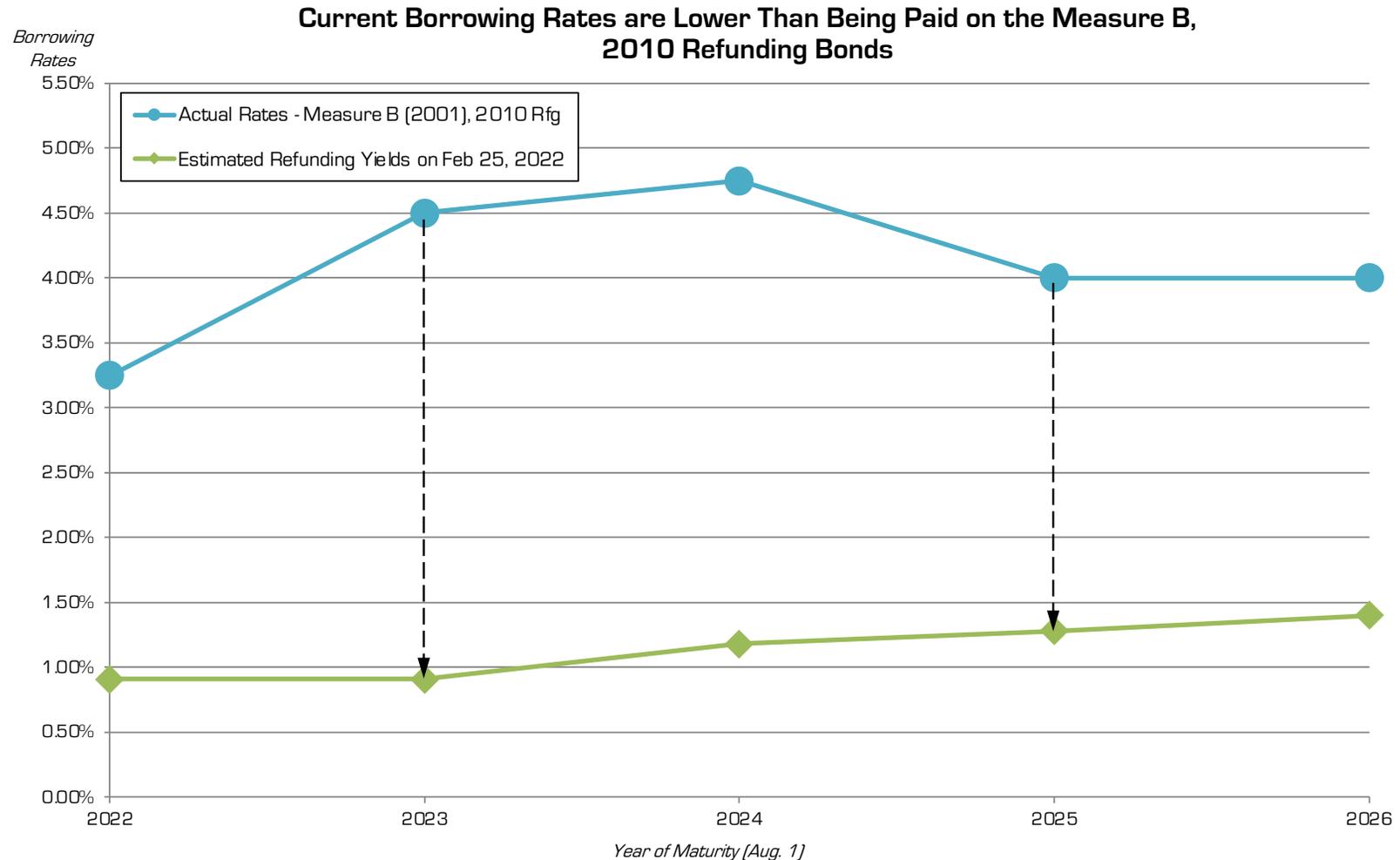
<i>Series</i>	<i>Next Call Date</i>	<i>Callable Principal</i>	<i>Weighted Average</i>	
			<i>Callable Coupon</i>	<i>Next Call Premium</i>
A	n/a	\$0	n/a	n/a
B	n/a	\$0	n/a	n/a
C	n/a	\$0	n/a	n/a
D	n/a	\$0	n/a	n/a
2010 Rfg	Any	\$9,760,000	4.45%	0%
2012 Rfg	n/a	\$0	n/a	n/a
2014 Rfg	Aug 1, 2024	\$14,265,000	3.05%	0%
2015 Rfg	Aug 1, 2024	\$9,290,000	3.12%	0%

General Obligation Bonds, June 2010 Election - Measure E

<i>Series</i>	<i>Next Call Date</i>	<i>Callable Principal</i>	<i>Weighted Average</i>	
			<i>Callable Coupon</i>	<i>Next Call Premium</i>
2011 A	Any	\$5,760,000	4.47%	0%
2011 B	n/a	\$0	n/a	n/a
2012	Aug 1, 2022	\$6,595,000	2.98%	0%

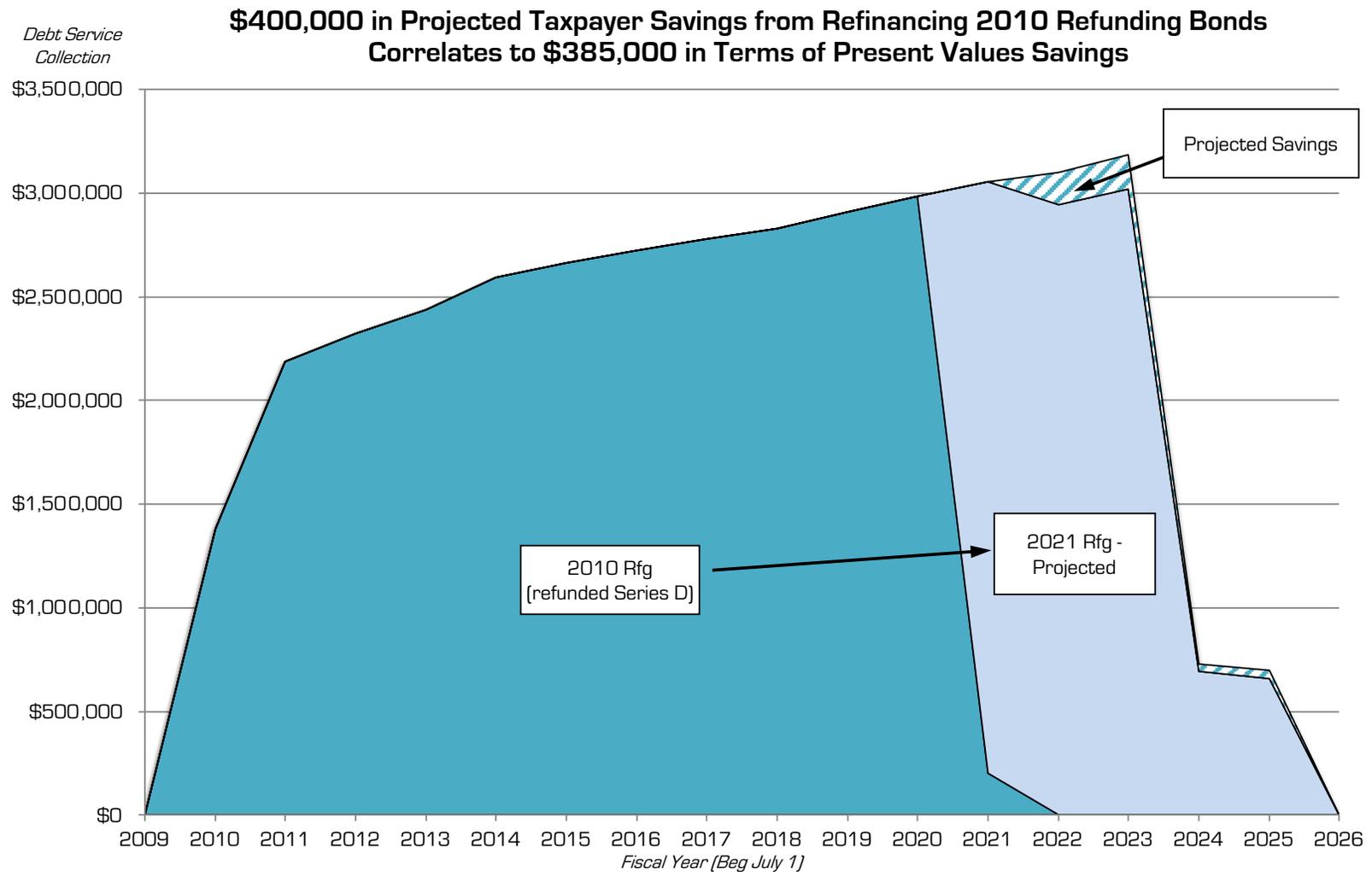
Measure B

Est. Current Market Rates < Actual Rates



Existing rates are the actual "coupon rates" per the *Official Statement*. Refinancing rates based on MMD 'AAA' rates as of Feb 25, 2022, adjusted +10bp for District's assumed "AAA" rating. 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.

Measure B – \$400k Estimated Savings

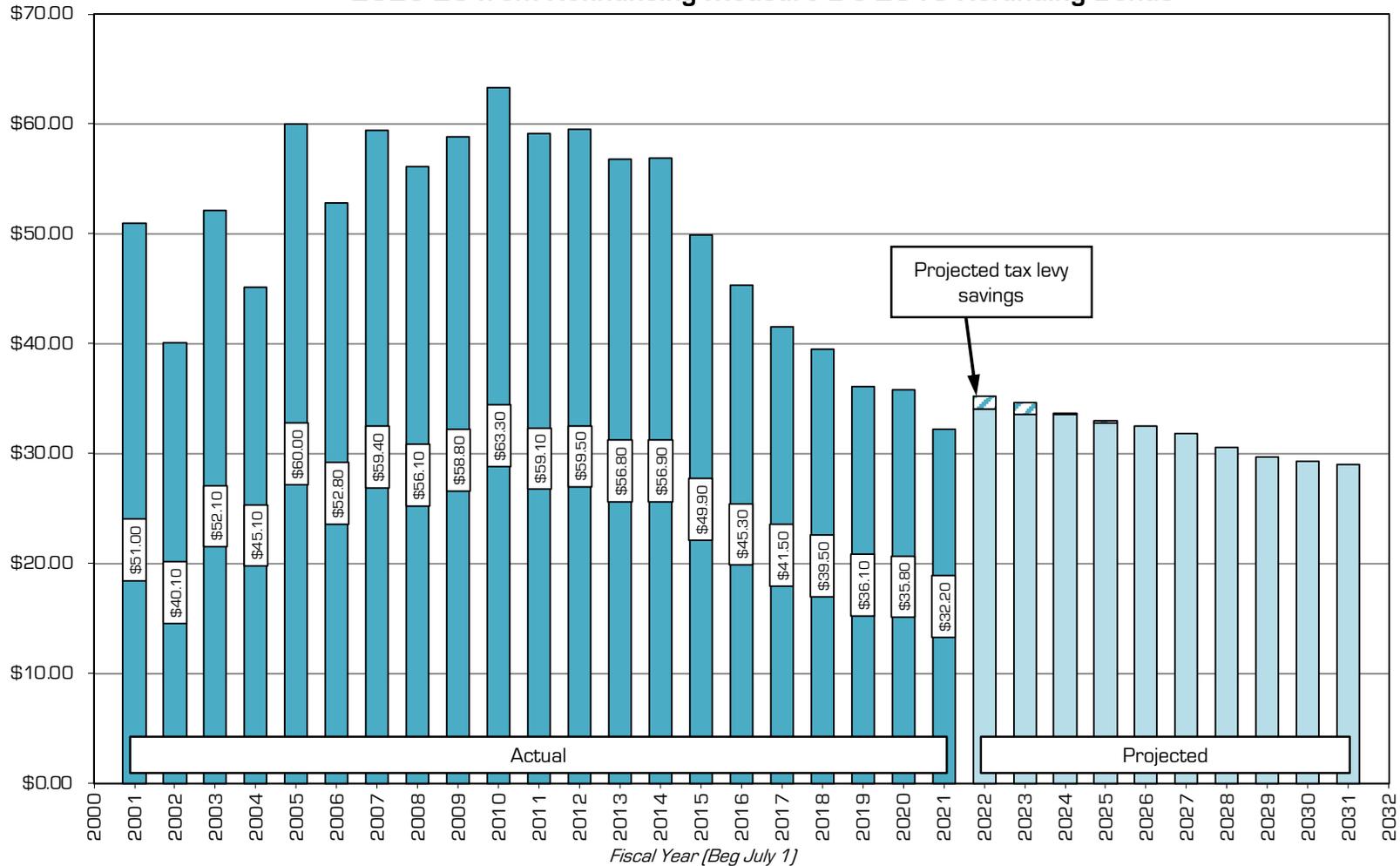


Actual debt service from *Official Statements*. Debt service shown reflects County's collection methodology consisting of current Fiscal Year debt service plus a reserve equal to the payment due during the first half of the following Fiscal Year, less previously collected reserve. Refinancing debt service based on MMD 'AAA' rates as of Feb 25, 2022, adjusted for District's assumed "AAA" rating (+10bp for years 1 - 8 and +30bp for years 9+). 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.

Measure B – Estimated Tax Levy Savings

Projected Tax Levies
per \$100,000 of AV

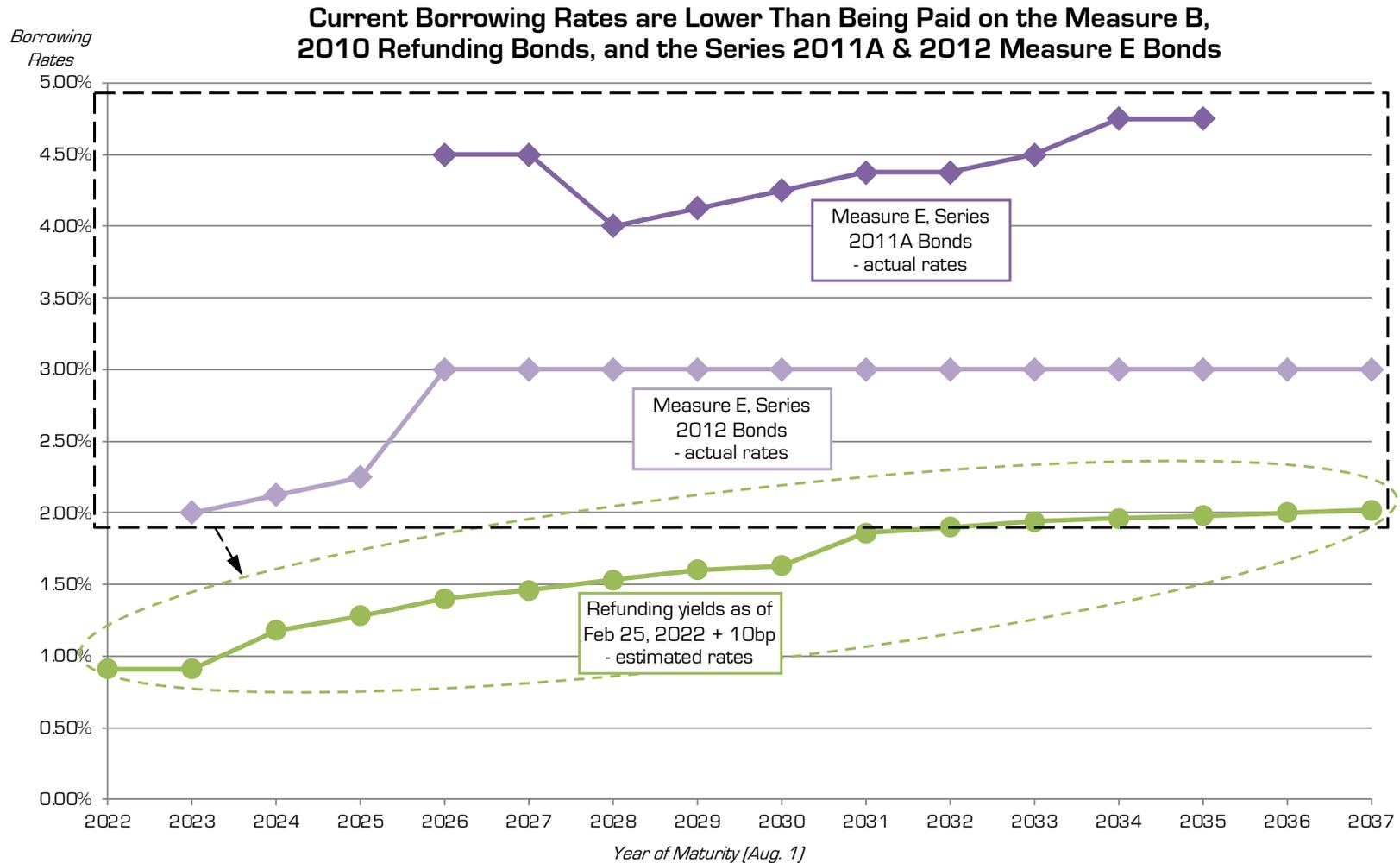
\$0.60 in Average Projected Tax Levy Savings per \$100,000 of AV from 2022-23 to 2025-26 from Refinancing Measure B's 2010 Refunding Bonds



Actual tax levies provided by the County of Santa Clara's Finance Agency. Projected levies based upon assumed annual net local secured AV growth of 2%, while all other AV types are assumed to remain unchanged. Values rounded. While historical growth has been significantly higher than that 2%, the District opted to use 2% to be conservative in its assumptions.

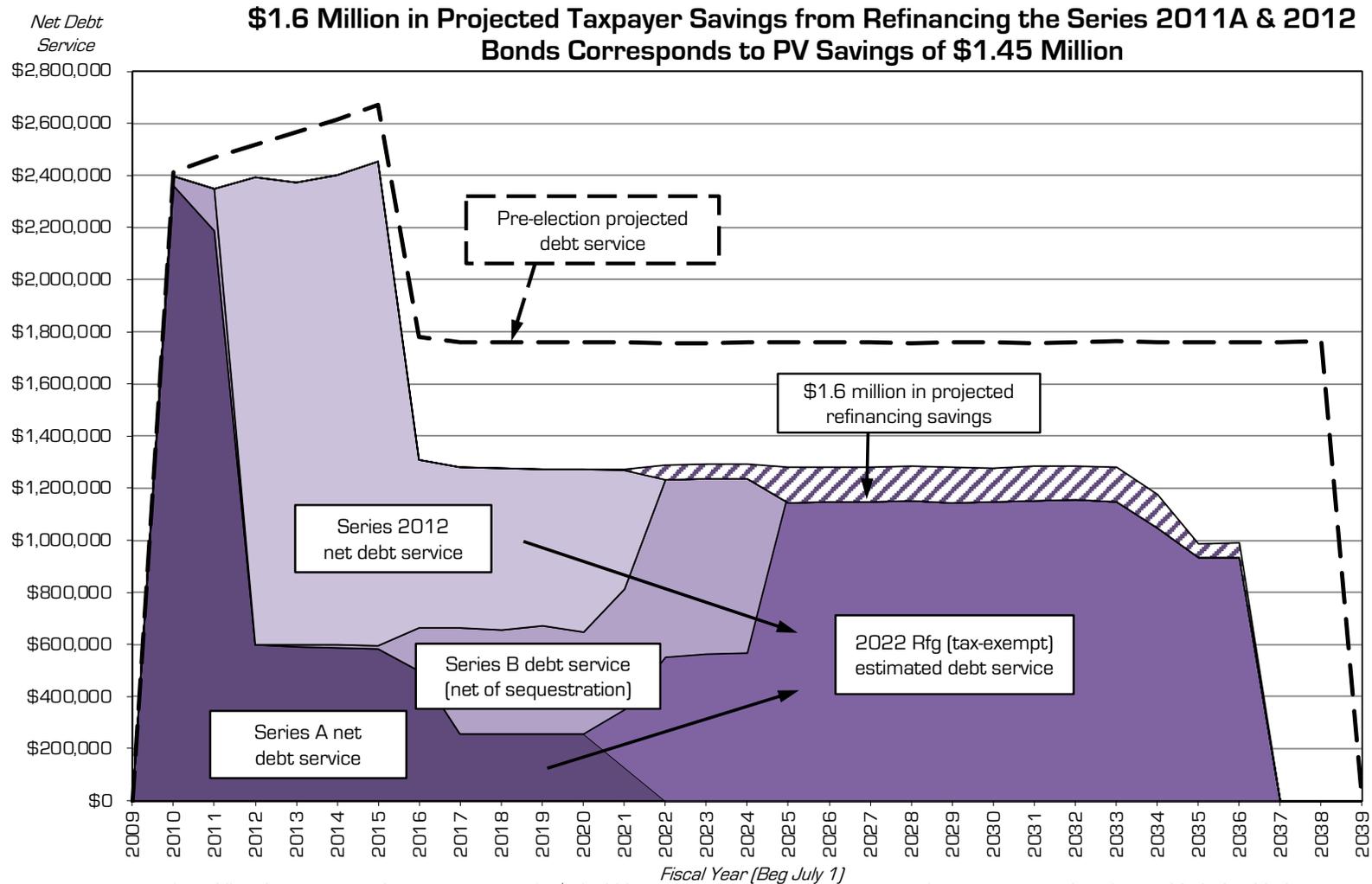
Measure E

Est. Current Market Rates < Actual Rates



Existing rates are the actual "coupon rates" per the *Official Statement*. Refinancing rates based on MMD 'AAA' rates as of Feb 25, 2022 + 10bp, adjusted for District's assumed "AAA" rating (+10bp for years 1 - 8 and +30bp for years 9+). 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.

Measure E – \$1.6 Mil. Estimated Savings

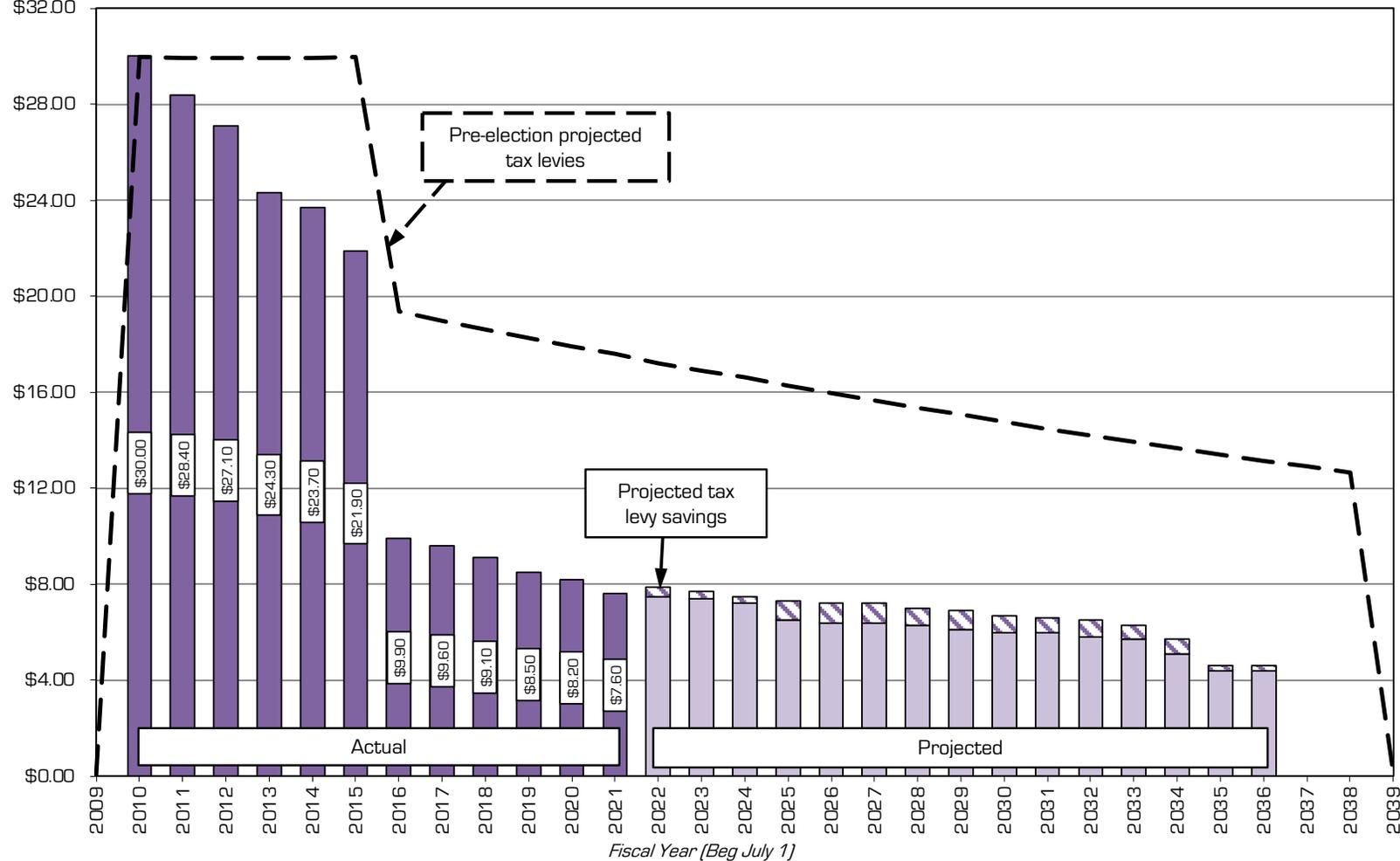


Fiscal Year (Beg July 1)
 Actual debt service from *Official Statements*, with Series A adjustments for \$124,099 reduction in subsidy payments stemming from sequestration (8.7% for Mar 2013 - Sep 2013 payments, 7.2% for Oct 2013 - Sep 2014 payments, 7.3% for Oct 2014 - Sep 2015 payments, 6.8% for Oct 2015 - Sep 2016, 6.9% for Oct 2016 - Sep 2017, 6.6% for Oct 2017 - Sep 2018, 6.2% for Oct 2018 - Sep 2019, 5.9% for Oct 2019 - Sep 2020, & 5.7% since Oct 2020). Subsidy assumed to be received the following fiscal year. Refinancing debt service based on MMD "AAA" rates as of Feb 25, 2022+10bp for years 1 - 8 and +30bp for years 9+ for District's assumed "AAA" rating. Values rounded.

Measure E – Estimated Tax Levy Savings

Projected Tax Levies
per \$100,000 of AV
\$32.00

\$0.57 Projected Average Annual Taxpayer Savings per \$100,000 of AV from 2022-23 to 2036-37 for Refinancing the Series 2011 A & 2012 Measure E Bonds

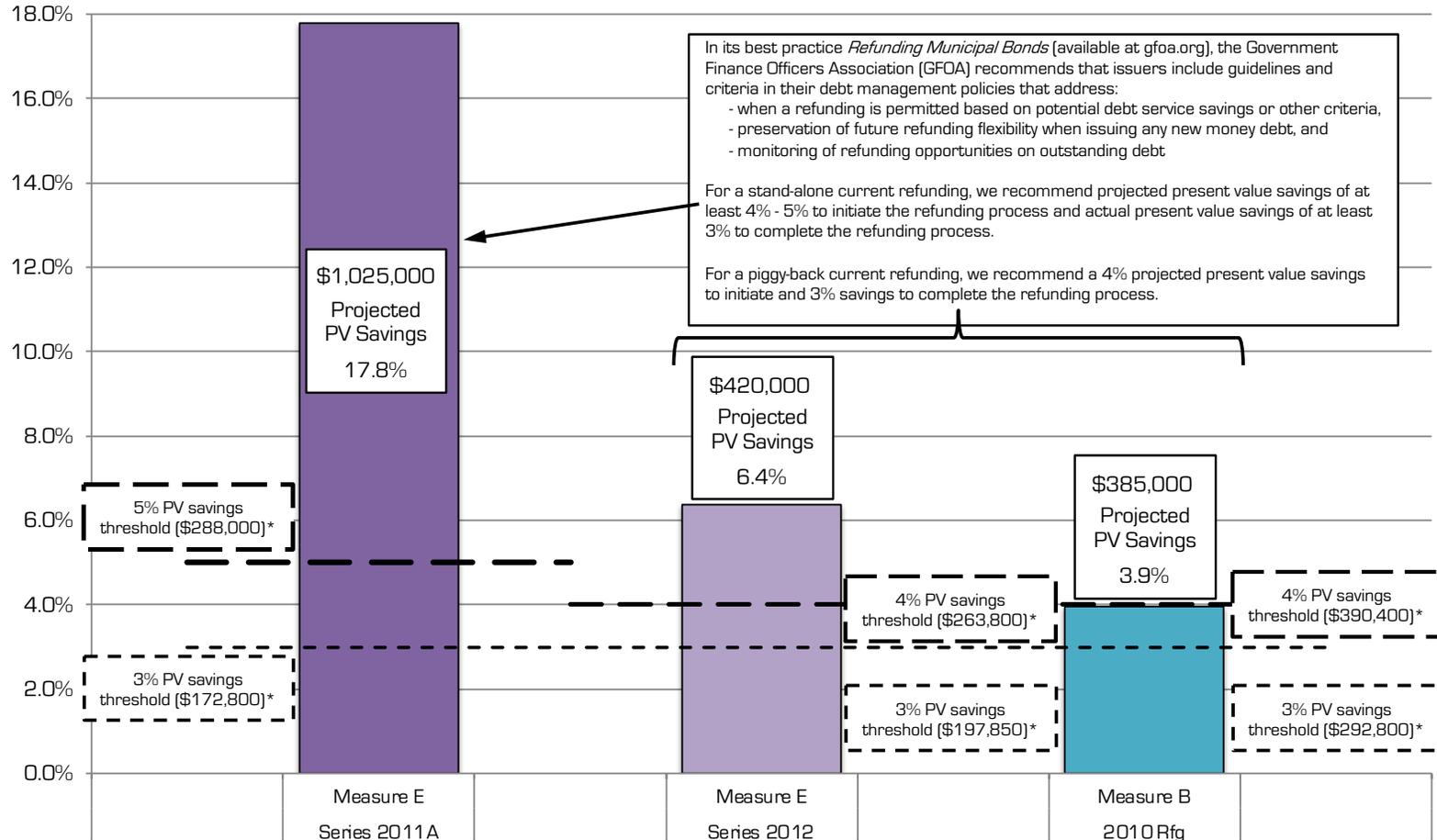


Actual tax levies provided by the County of Santa Clara's Finance Agency. Projected levies based upon assumed annual net local secured AV growth of 2%, while all other AV types are assumed to remain unchanged. Figures reflect the impact of sequestration and the resulting decrease in federal subsidy, currently a 5.7% reduction.

NPV Savings "In Today's Dollars"

\$1.83 Million Total Projected PV Savings from Refinancing Measure B, Series 2011A & Measure E, Series 2011A & 2012 Bonds - All Exceed Recommended Minimum Savings Thresholds to Complete

Refinance
PV Savings



Projected savings based on MMD "AAA" rates as of Feb 25, 2022 +10bp for years 1 - 8 and +30bp for years 9+ for District's assumed "AAA" rating. Savings are net of issuance costs (\$160,000). Values rounded.

Estimated Sources and Uses of Funds

(Detailed estimated costs of issuance in the For Reference section)

2022 General Obligation Refunding Bonds - Sources and Uses

	<i><u>2022 GO RFG Bonds (2010)</u></i>	<i><u>2022 GO RFG Bonds (2011A)</u></i>	<i><u>2022 GO RFG Bonds (2012)</u></i>	<i><u>Total</u></i>
Sources				
Bond. Proceeds	\$9,555,000.00	\$5,480,000.00	\$6,190,000.00	\$21,225,000.00
Premium	\$423,178.05	\$555,994.90	\$570,974.60	\$1,550,147.55
Total	<u>\$9,978,178.05</u>	<u>\$6,035,994.90</u>	<u>\$6,760,974.60</u>	<u>\$22,775,147.55</u>
Total Sources	<u>\$9,978,178.05</u>	<u>\$6,035,994.90</u>	<u>\$6,760,974.60</u>	<u>\$22,775,147.55</u>
Uses				
Refunding Escrow Deposits				
Cash Deposit	\$9,875,284.79	\$5,832,285.42	\$0.84	\$15,707,571.05
SLGS Purchases	\$0.00	\$0.00	\$6,688,550.00	\$6,688,550.00
Total	<u>\$9,875,284.79</u>	<u>\$5,832,285.42</u>	<u>\$6,688,550.84</u>	<u>\$22,396,121.05</u>
Delivery Date Expenses				
Cost of Issuance	\$6,500.00	\$147,000.00	\$6,500.00	\$160,000.00
Underwriter's Discount	\$95,550.00	\$54,800.00	\$61,900.00	\$212,250.00
Total	<u>\$102,050.00</u>	<u>\$201,800.00</u>	<u>\$68,400.00</u>	<u>\$372,250.00</u>
Other Uses of Funds				
Rounding (Additional Funds)	\$843.26	\$1,909.48	\$4,023.76	\$6,776.50
Total Uses	<u>\$9,978,178.05</u>	<u>\$6,035,994.90</u>	<u>\$6,760,974.60</u>	<u>\$22,775,147.55</u>

Bond Sale Methods

Competitive Process Recommended*

- ◆ Competitive Process - auction



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



- ✓ *The Government Finance Officers Association (GFOA) recommends that “bond issuers should 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.”*

* *Evaluation of bond sale methods in the For Reference section*

Let's Look at Who Buys Bonds

- ◆ Investors have traditionally been those who seek tax exemption and security:
 - ▶ individuals
 - ▶ banks
 - ▶ corporations
- ◆ Investments are made through:
 - ▶ direct purchase
 - ▶ investment in mutual funds
- ◆ Investment banks are the conduit between issuers and investors.
 - ▶ Also called brokers or underwriters . . .
 - ▶ such as Morgan Stanley, Janney Montgomery, J.P. Morgan, and dozens of others.



Regarding Local People Buying Bonds . . .

- ◆ A school bond is an *inappropriate* investment for most people.
 - ▶ Tax-exempt bonds are appropriate for people in very specific financial circumstances (usually wealthy).
 - The bonds are sold in \$5,000 increments.
- ◆ Should someone ask about purchasing a bond:
 - ▶ Remember, offering investment securities is a regulated activity, so let's leave that to the bond brokers.
 - ▶ However, we suggest asking an interested person if they already invest in a tax-exempt bonds.
 - If it sounds as if the person may be a prospective investor, the best course of action is to obtain their name and phone number, and we'll provide it to the (winning) underwriter.

Next Steps

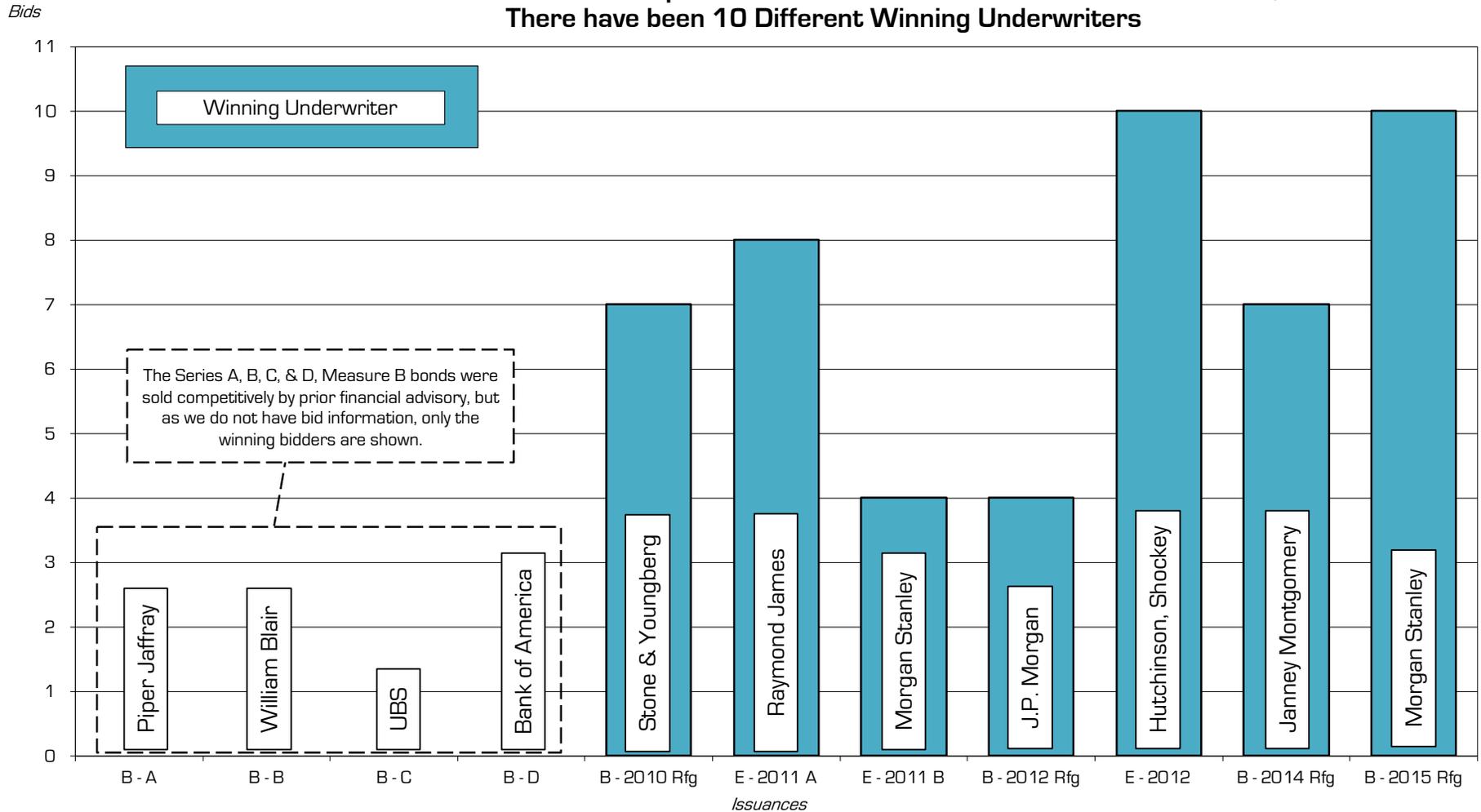
- ◆ Today
 - ▶ Information presentation
 - ▶ Board considers adoption of resolution authorizing refinancing
- ◆ Tuesday, April 12
 - ▶ Sale of Refunding Bonds
- ◆ Tuesday, May 3
 - ▶ Refunding Bonds closing - proceeds deposited with trustee
- ◆ Friday, May 13
 - ▶ 2010 Refunding Bonds and Series 2011A Bonds redeemed
- ◆ Thursday, May 19 Board Meeting
 - ▶ Results presented to Board
- ◆ Monday, August 1
 - ▶ Series 2012 Bonds redeemed

For Reference

- ◆ District's History with Competitive Sale Method
- ◆ Additional Assessed Valuation Information
- ◆ Additional Information on Measures B and E
- ◆ GFOA Sale Method Criteria
- ◆ Legal Information
- ◆ Bonding Capacity
- ◆ Detailed Estimated Costs of Issuance

Competitive Bid Results

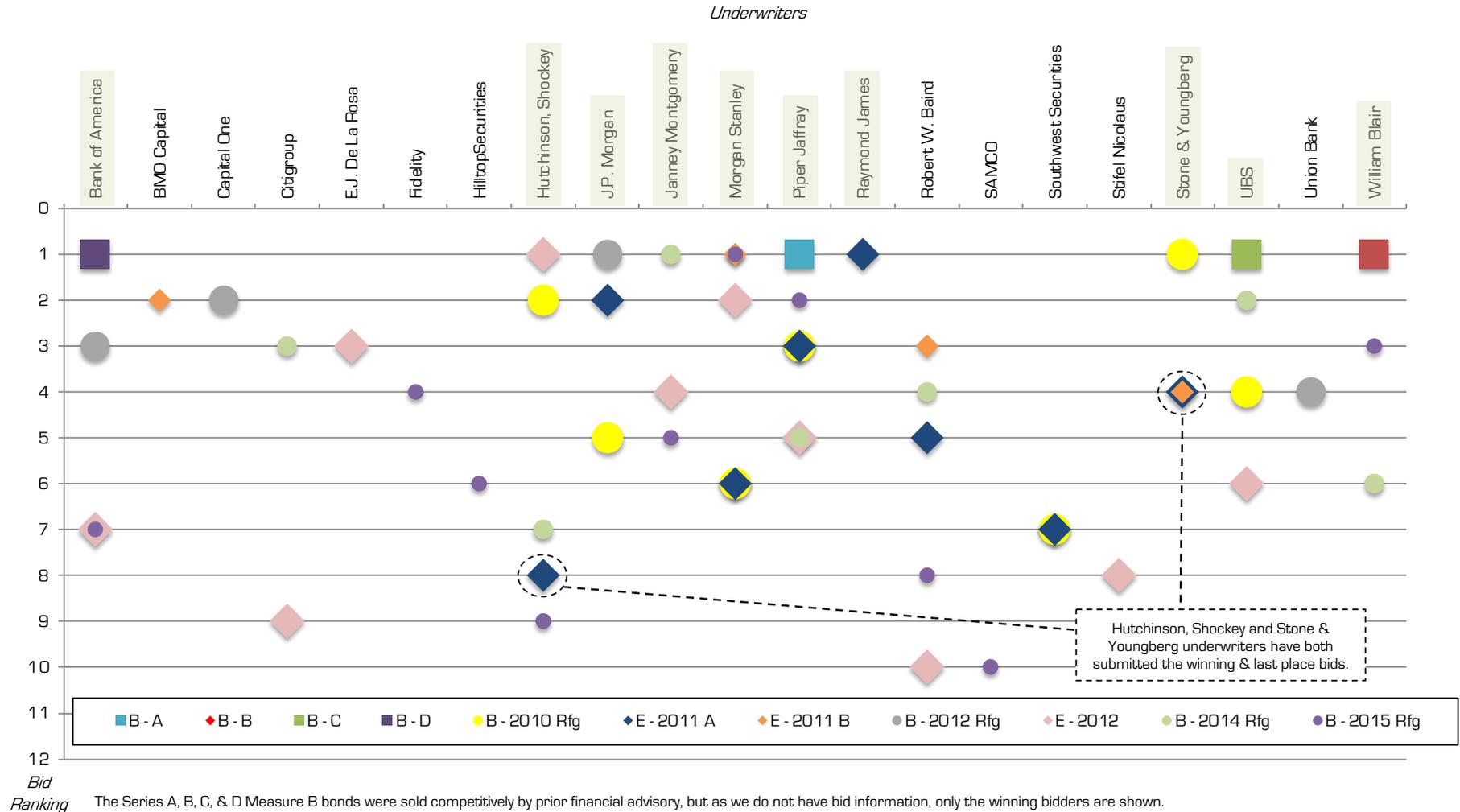
Of the District's 11 Competitive GO Bonds and COP Issuances Since 2001,
There have been 10 Different Winning Underwriters



Data from *Official Statements* and bid results.

Competitive Bidding → Positive Outcomes

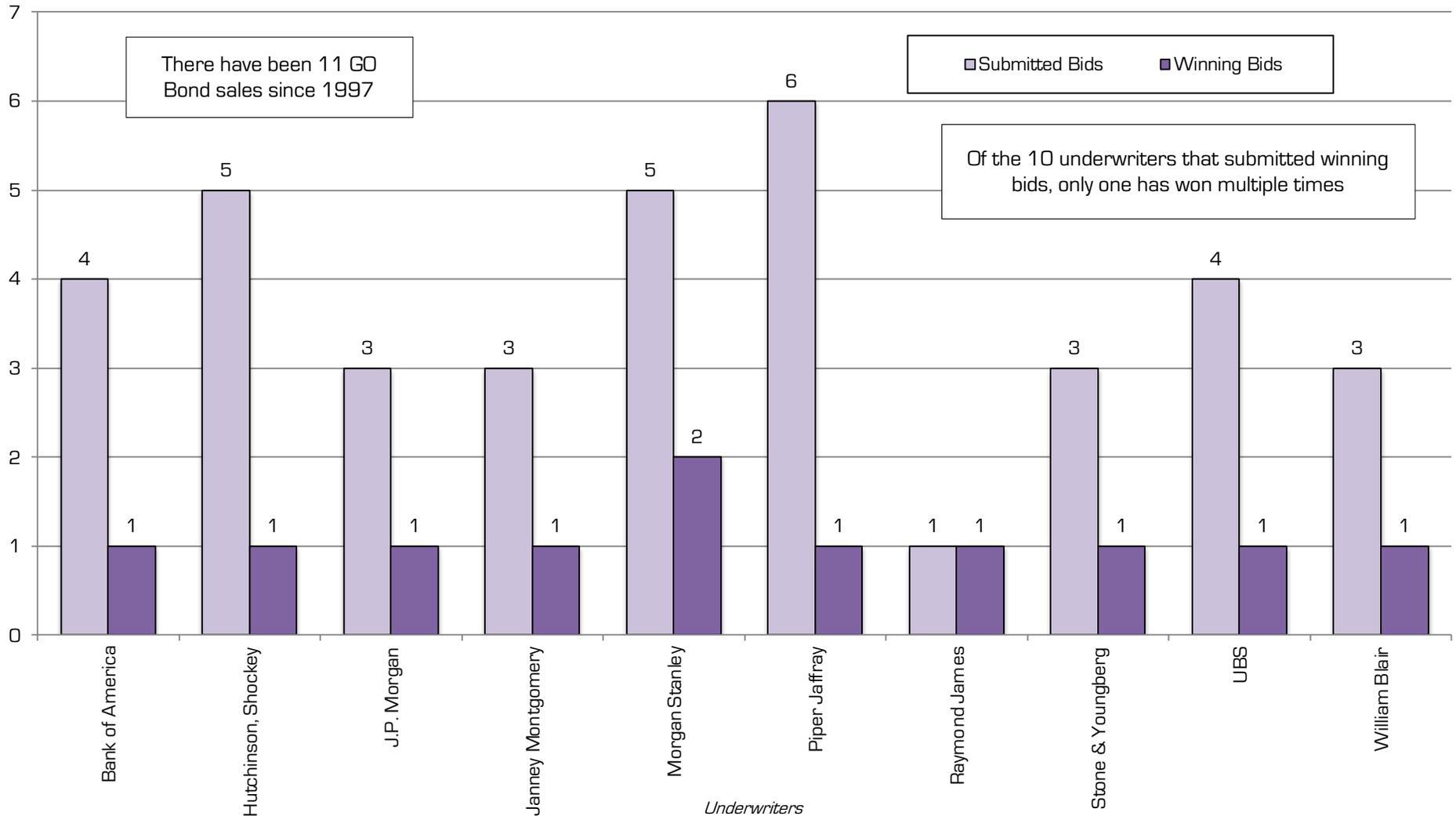
Since 2011, 21 Underwriters have Bid on the District's GO Bonds, with 10 Different Underwriters Submitting Winning Bids



Frequent Bidders are not Always Winners

Bids

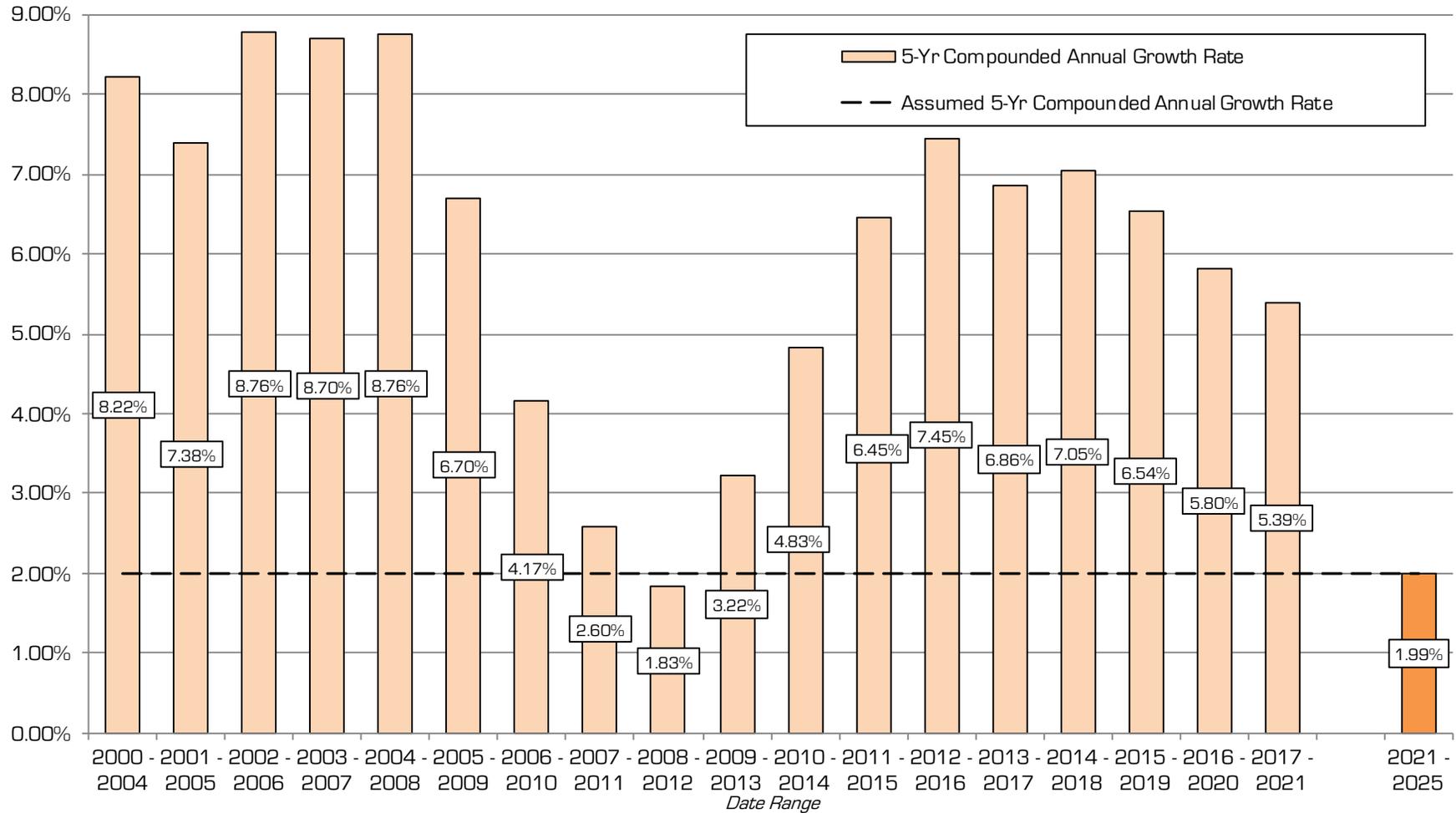
Even Our Winning Bidders Lose More Frequently Than They Win



Historical AV Analysis - 5 Year Periods

Compounded Annual Growth Rate - Secured AV

AV Assumptions Used Result in 1.99% Annual Growth Rate over 5 Years

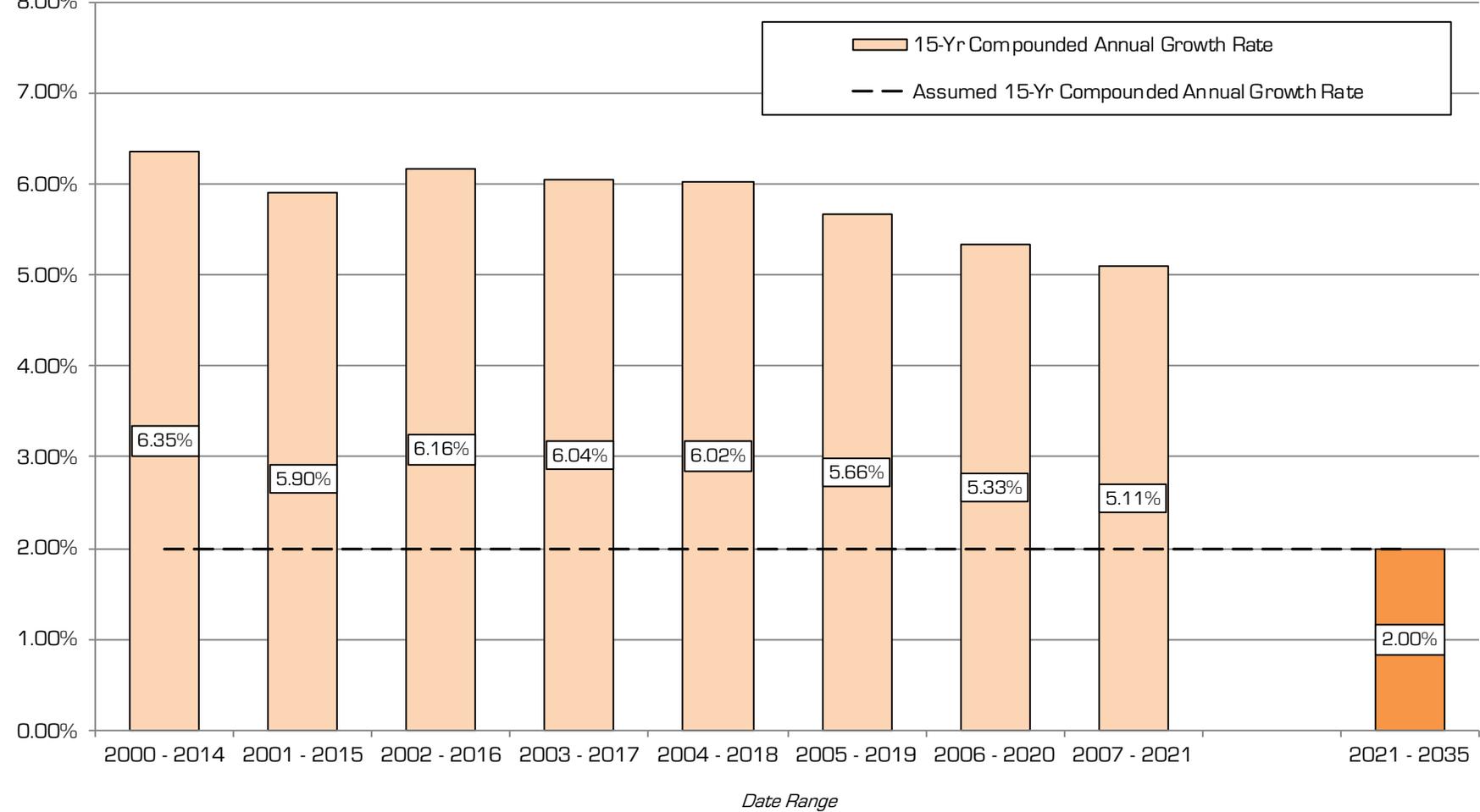


Historical data from Santa Clara County Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

Historical AV Analysis - 10 Year Periods

Compounded Annual
Growth Rate - Net
Local Secured AV
8.00%

AV Assumptions Used Result in 2.00% Annual Growth Rate over 15 Years

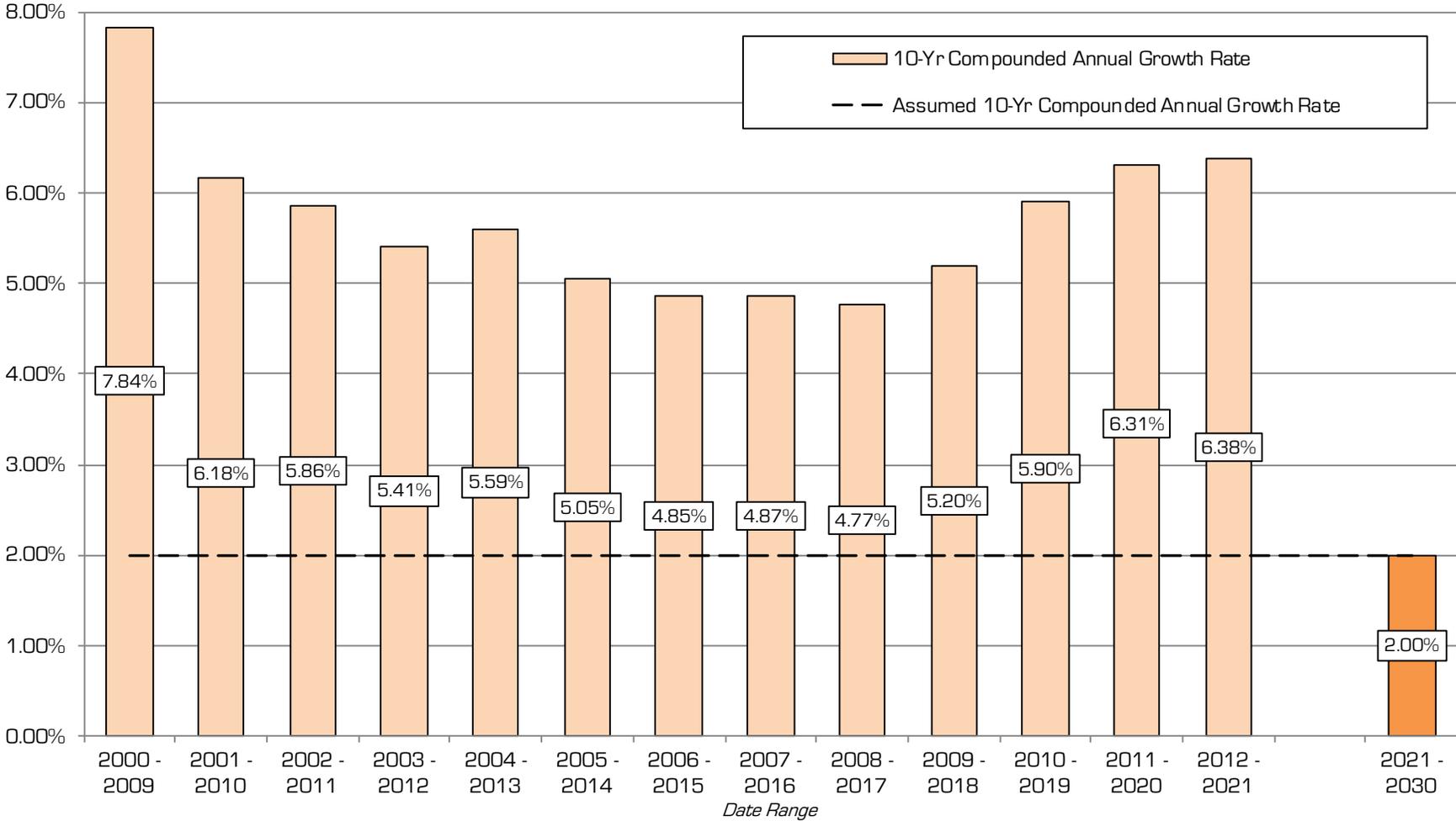


Historical data from Santa Clara County Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

Historical AV Analysis - 15 Year Periods

Compounded Annual Growth Rate - Secured AV

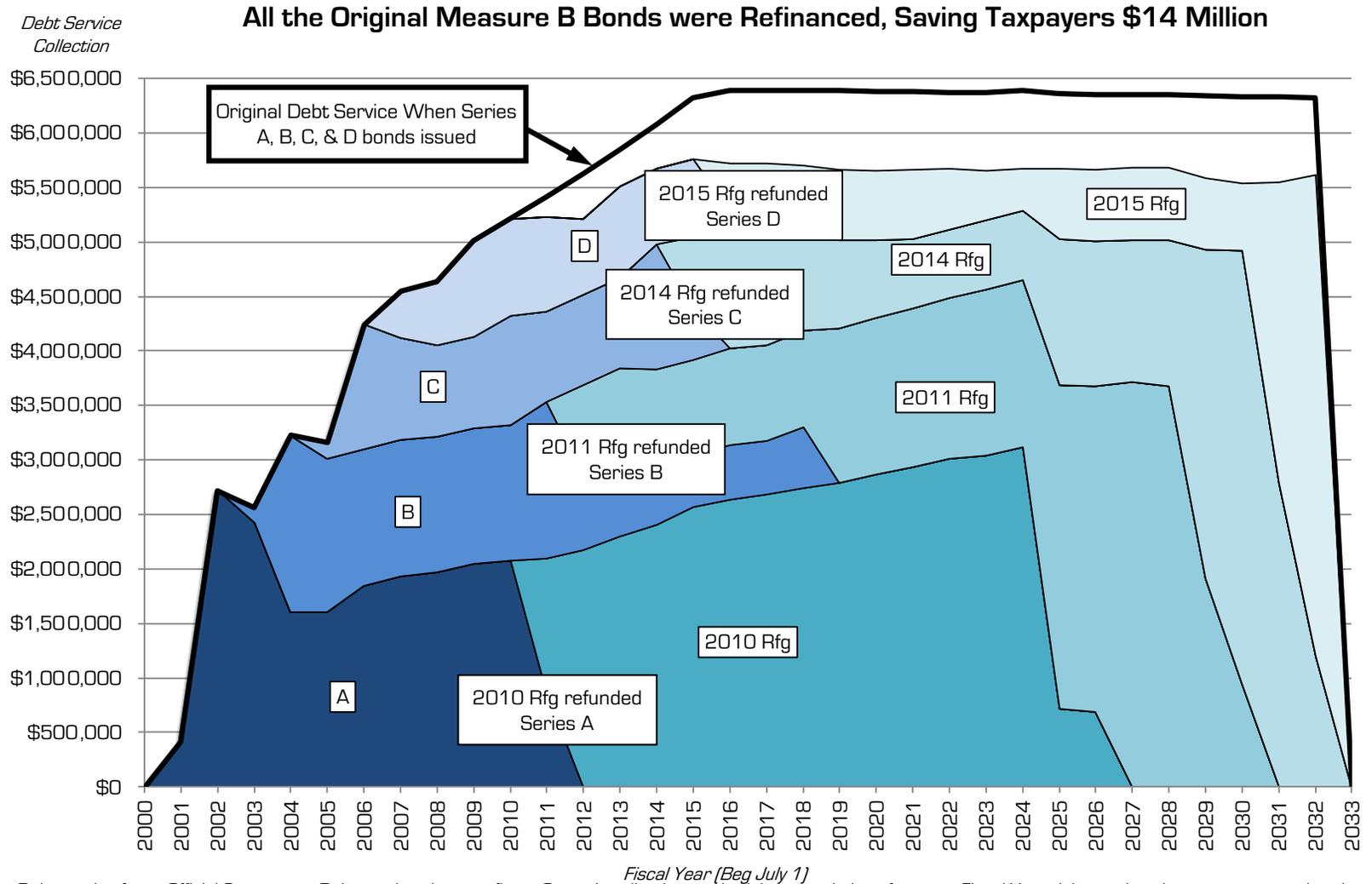
AV Assumptions Used Result in 1.99% Annual Growth Rate over 10 Years



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

Measure B

Current Debt Service



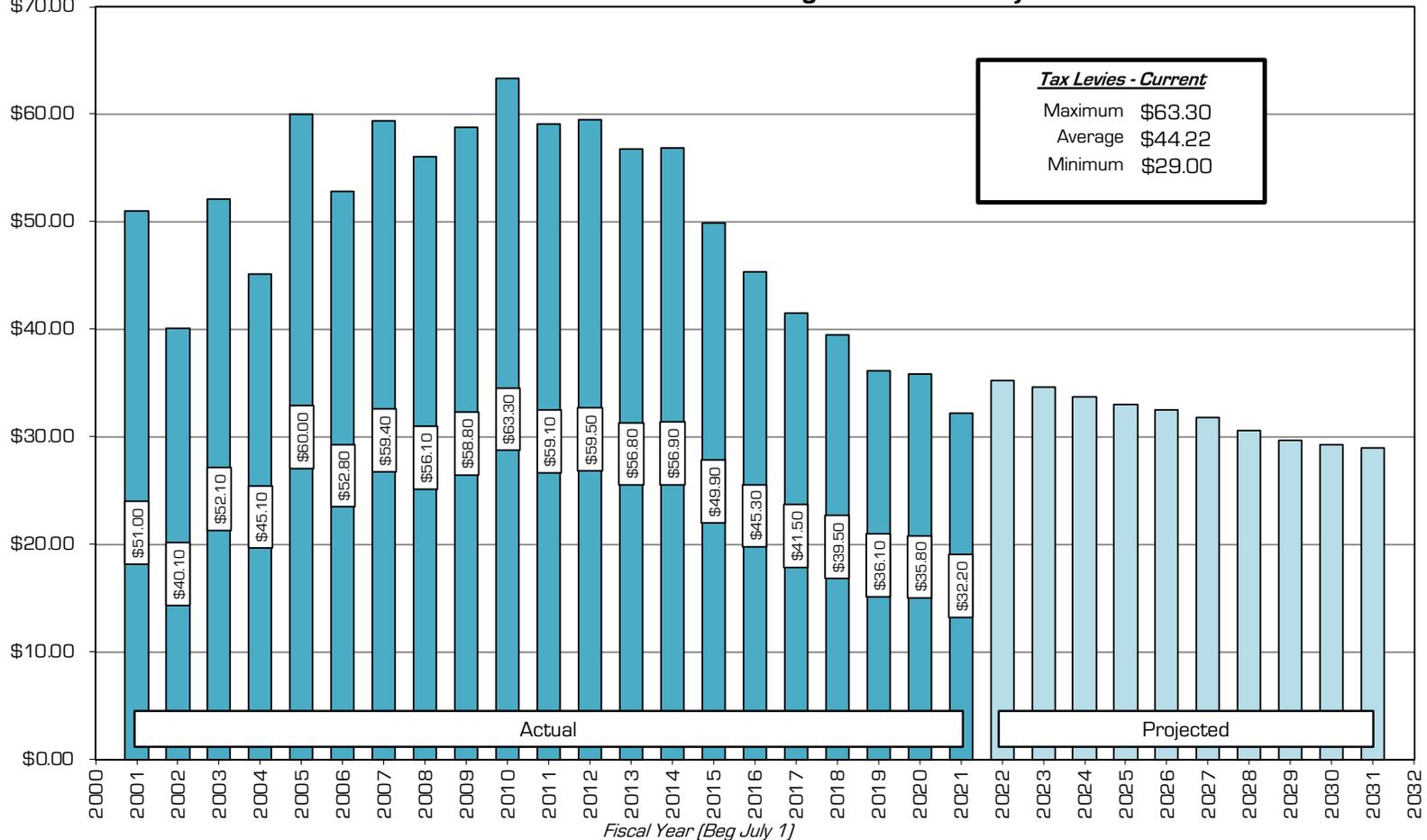
Debt service from *Official Statements*. Debt service shown reflects County's collection methodology consisting of current Fiscal Year debt service plus a reserve equal to the payment due during the first half of the following Fiscal Year, less previously collected reserve.

Measure B

Projected Tax Levies ≤ \$35

Projected Tax Levies
per \$100,000 of AV
\$70.00

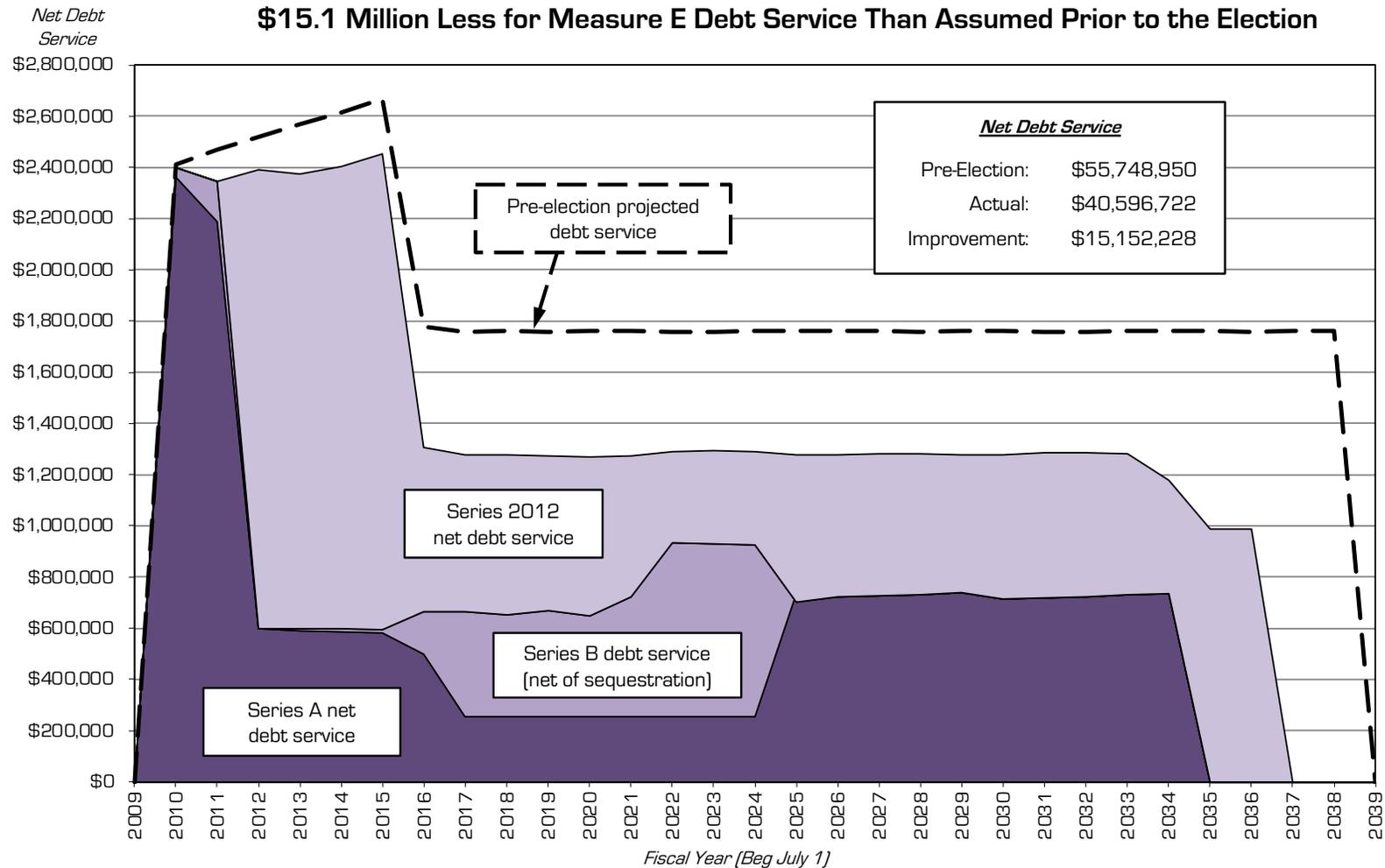
Measure B Tax Levies Conservatively Projected to Remain
in Narrow Band through Final Maturity



Actual levies provided by Santa Clara Co. Finance Agency. Future tax levies are based on County's collection methodology which consists of current Fiscal Year debt service plus a reserve equal to the payment due during the first half of the following Fiscal Year, less previously collected reserve. Levies based on an assumed 2% annual increase in net local secured AV, while all other types of AV are assumed to remain unchanged, and based on assumed unitary revenue of 2.0% of debt service & reserve (3.0% historical average since 2010-11), other revenue of 0.1% of debt service & reserve (0.1% historical average since 2010-11), 5% additional reserve account receipts 6.5% historical average since 2010-11), and paying agent fees equal to 2021-22 fee which range from \$4,500 to \$6,000 annually. Tax levies are per \$100,000 of assessed value. Values rounded.

Measure E

Current Debt Service



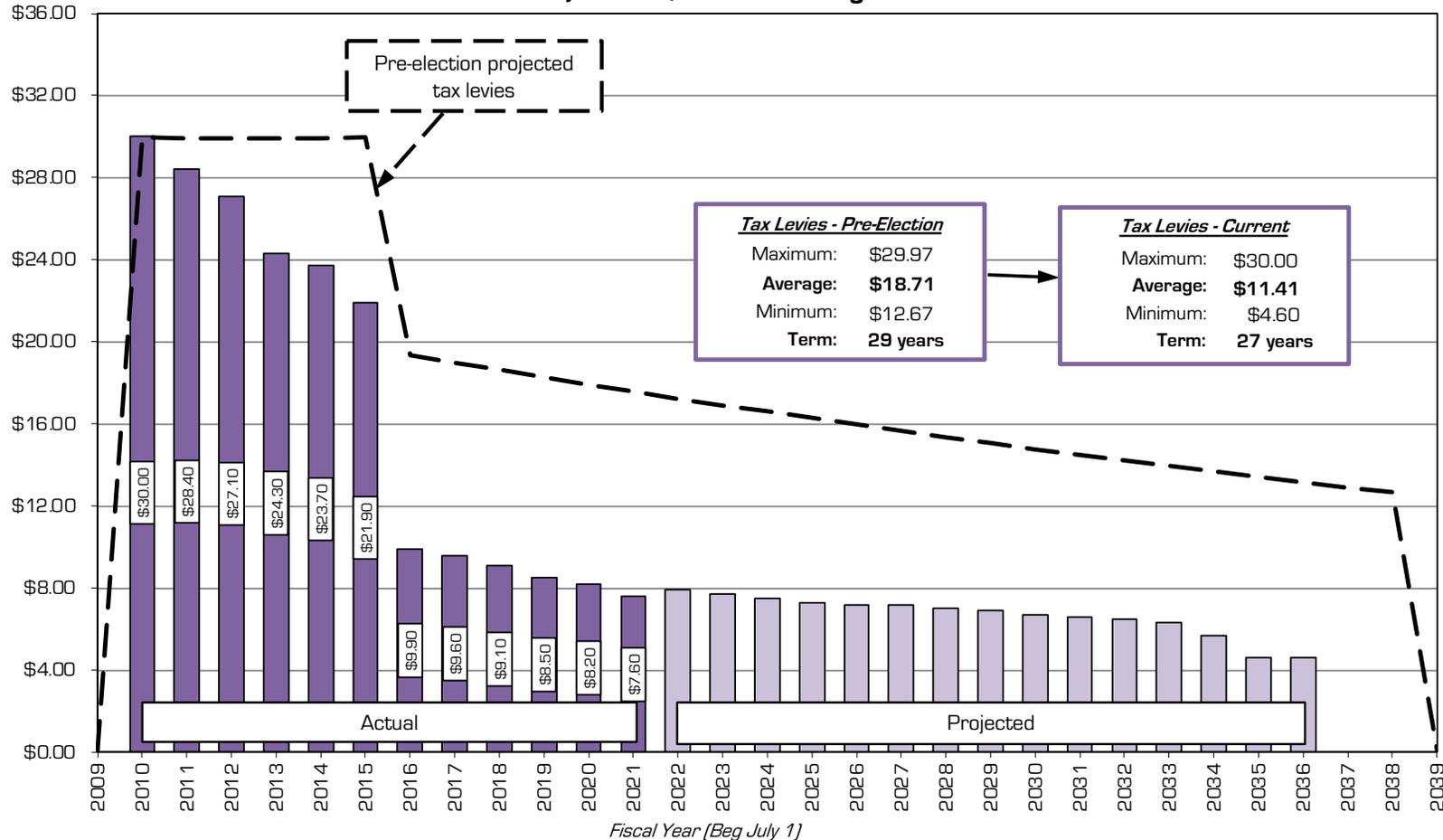
Actual debt service from *Official Statements* and shown with County's collection methodology consisting of current Fiscal Year debt service plus a reserve equal to the payment due during the first half of the following Fiscal Year, less previously collected reserve. Series A reflects adjustments for \$124,099 reduction in subsidy payments stemming from sequestration (8.7% for Mar 2013 - Sep 2013 payments, 7.2% for Oct 2013 - Sep 2014 payments, 7.3% for Oct 2014 - Sep 2015 payments, 6.8% for Oct 2015 - Sep 2016, 6.9% for Oct 2016 - Sep 2017, 6.6% for Oct 2017 - Sep 2018, 6.2% for Oct 2018 - Sep 2019, 5.9% for Oct 2019 - Sep 2020, & 5.7% since Oct 2020). Subsidy assumed to be received the following fiscal year. Values rounded.

Measure E

Projected Tax Levies ≤ \$8

Projected Tax Levies
per \$100,000 of AV

Measure E Tax Levies are Currently Projected to Average \$7.30 Less Than Pre-Election Projections, While Lasting Two Years Fewer



Actual levies provided by Santa Clara Co. Finance Agency. Future tax levies are based on County's collection methodology which consists of current Fiscal Year debt service plus a reserve equal to the payment due during the first half of the following Fiscal Year, less previously collected reserve. Values reflect the impact of sequestration and the resulting decrease in federal subsidy, currently a 5.7% reduction. Levies based on an assumed 2% annual increase in net local secured AV, while all other types of AV are assumed to remain unchanged, and based on assumed unitary revenue of 2.0% of debt service & reserve (3.0% historical average since 2010-11), other revenue of 0.1% of debt service & reserve (0.1% historical average since 2010-11), 5% additional reserve account receipts (6.5% historical average since 2010-11), and paying agent fees equal to 2021-22 fee which range from \$4,500 to \$6,000 annually. Tax levies are per \$100,000 of assessed value. Values rounded.

GFOA Competitive Criteria



◆ Criteria that favors a Competitive Process:

- ✓ Rating of the bonds is at least in the single-A category.
 - Current GO bond credit ratings are "AAA" (Standard & Poor'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 not well known and frequently in the market.
- ✓ *We meet 3 out of the 4 competitive process criteria.*

*We define "frequently" as meaning the proposed financing would be at least the third publicly offered issuance within the last five years.

GFOA Negotiated Criteria



◆ Criteria that favors a Negotiated Process:

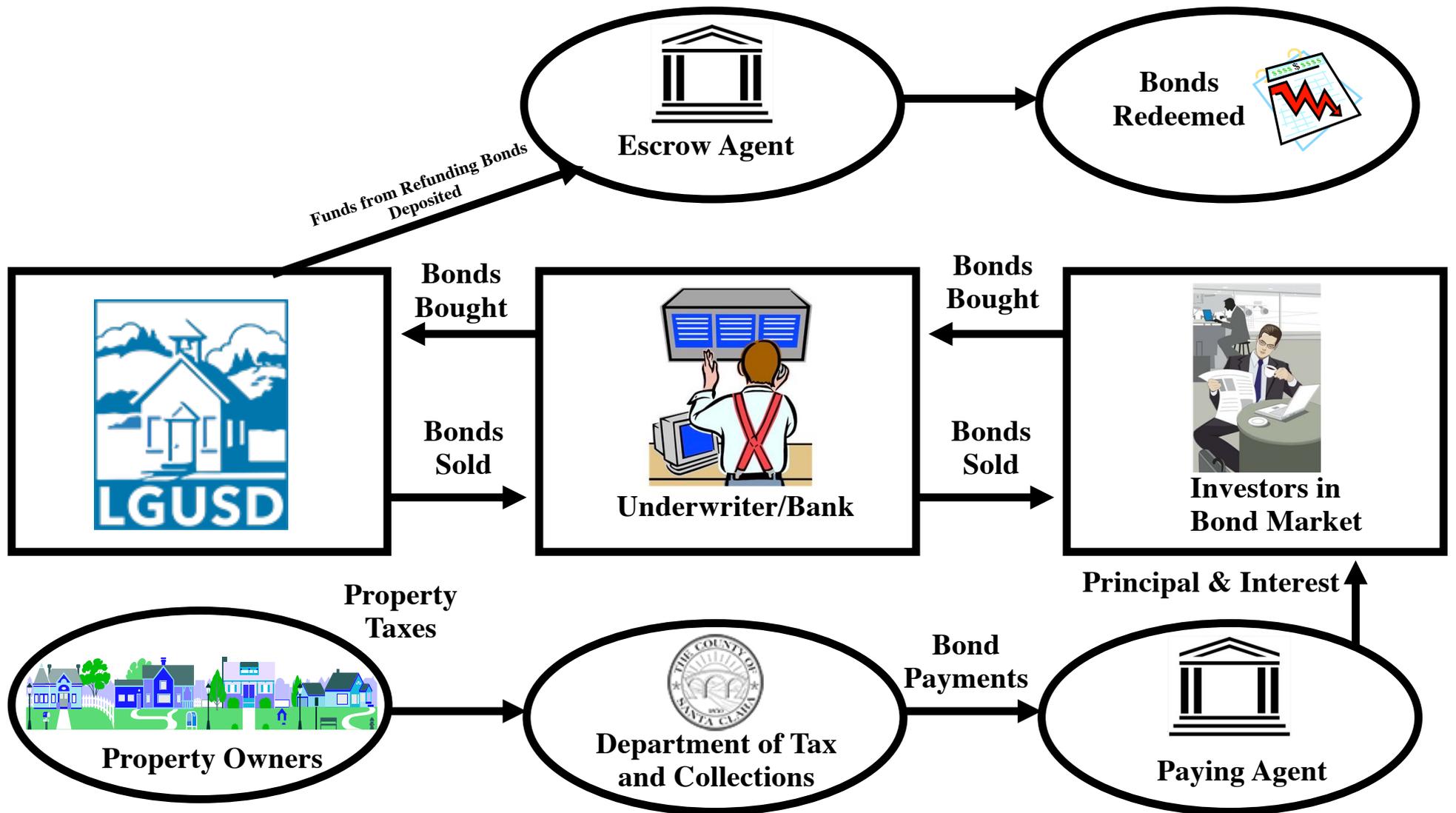
- X Rating of the bonds is lower than the single-A category.
 - Current and assumed GO bond credit ratings are "AAA" (Standard & Poor's).
- X Bond insurance or other credit enhancement is unavailable or not cost-effective.
 - Bond insurance is available and cost-effective.
- X Structure of bonds has 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.*

Primary Legal Documents

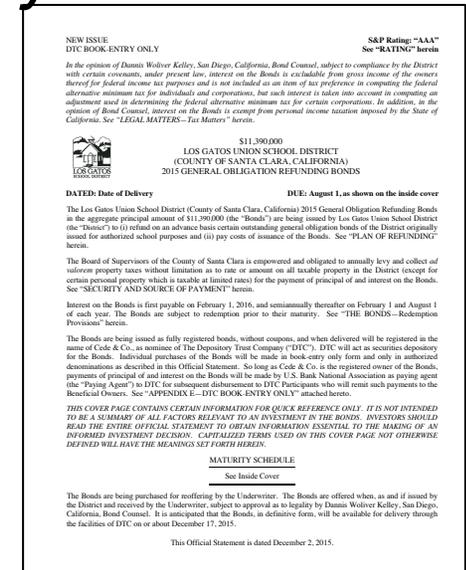
- ◆ Board Resolution: authorizes bonds and signing of documents within parameters (bond amount, interest rate, etc.)
- ◆ Paying Agent Agreement: a bank is assigned responsibility for forwarding principal and interest payments to investors
- ◆ Bond Purchase Agreement: the underwriter purchases the bonds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

Legal Structure – General Obligation Bonds



Disclosure to Investors

- ◆ The Official Statement is the primary disclosure document.
- ◆ The Board will be asked to review the *Preliminary Official Statement*.
- ◆ Purposes of Disclosure:
 - ▶ Honest and Fair Dealing
 - Disclose all “material” facts)
 - ▶ Marketing
 - Present and future



Cover page of Official Statement from District's last bond issue in 2020

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

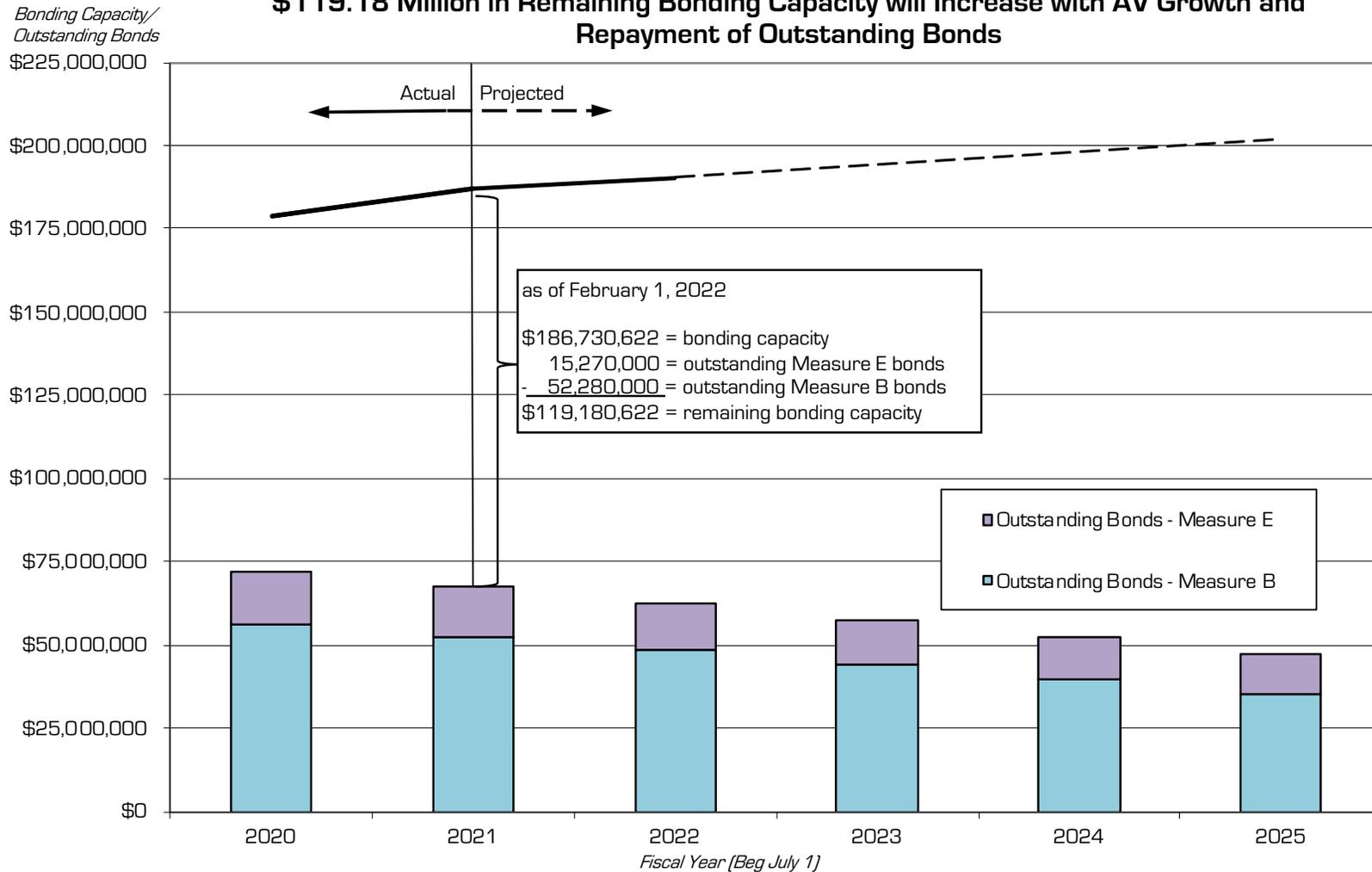
- ◆ Securities and Exchange Commission report (January, 1996) on the disclosure of Orange County in connection with the sale of municipal securities prior to its bankruptcy:

“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.”



Bonding Capacity

\$119.18 Million in Remaining Bonding Capacity will Increase with AV Growth and Repayment of Outstanding Bonds



Notes: Bonding capacity is 1.25% of Total AV for a union school district (per Education Code 15106); bonding capacity is actual through 2021-22. Assessed value data provided by Santa Clara Co Finance Agency, and is shown as of Aug 20 each year when assessed value is "equalized" (per Revenue and Taxation Code 2052). Future bonding capacity assumes 2% annual growth in net local secured AV, while all other types of AV are assumed to remain unchanged. Debt service from Official Statements.

Detailed Estimated Costs of Issuance

LOS GATOS UNION SCHOOL DISTRICT
(Santa Clara County, California)
2022 General Obligation Refunding Bonds

Estimated Costs of Issuance

Description	Refunding of 2010 GO Refunding Bonds	Refunding of GO Series 2011A Bonds	Refunding of GO Series 2012 Bonds	Combined Total
• Dannis Woliver Kelley, Bond Counsel Bond Counsel Services:	\$0.00	\$37,500.00	\$0.00	\$37,500.00
• Government Financial Strategies inc., Municipal Advisor Professional Services:	\$0.00	\$79,400.00	\$0.00	\$79,400.00
• Standard & Poor's Ratings Services, Rating Agency Professional Services:	\$3,250.00	\$17,250.00	\$3,250.00	\$23,750.00
• Other Issuance Expenses (break out listed below)				
U.S. Bank, National Association, Paying Agent				
Acceptance Fees:	\$0.00	\$500.00	\$0.00	\$500.00
First year's Annual Administration Fee:	\$0.00	\$1,000.00	\$0.00	\$1,000.00
Good Faith Fund Administration Fee:	\$0.00	\$500.00	\$0.00	\$500.00
COI Fund Administration Fee:	\$0.00	\$500.00	\$0.00	\$500.00
Anticipated Direct Out-of-pocket Expenses:	\$0.00	\$500.00	\$0.00	\$500.00
U.S. Bank, National Association, Escrow Agent				
Acceptance Fees:	\$0.00	\$0.00	\$0.00	\$0.00
Escrow Agent Fee:	\$0.00	\$300.00	\$0.00	\$300.00
BNY Mellon, Escrow Agent				
Acceptance Fees:	\$0.00	\$0.00	\$0.00	\$0.00
Escrow Agent Fee:	\$0.00	\$0.00	\$600.00	\$600.00
AVIA Printing, Printer	\$0.00	\$1,800.00	\$0.00	\$1,800.00
Causey Demgen & Moore, Verification Agent	\$125.00	\$1,750.00	\$125.00	\$2,000.00
California Municipal Statistics, Research	\$0.00	\$900.00	\$0.00	\$900.00
• Contingency	\$3,125.00	\$5,100.00	\$2,525.00	\$10,750.00
TOTAL COSTS OF ISSUANCE	\$6,500.00	\$147,000.00	\$6,500.00	\$160,000.00