

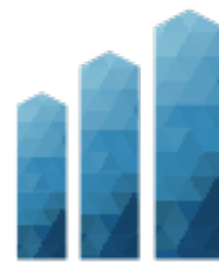
Santa Clara Unified School District



Casa Del Maestro Debt Refinancing and Restructuring Results



Santa Clara
Unified School District



Government
Financial
Strategies

Presented by Lori Raineri
November 12, 2015

Agenda

- ◆ Outstanding COP Debt Portfolio
- ◆ Sale of Refunding Certificates of Participation and Results
- ◆ Updated Projection of Long Term Financial Picture
- ◆ Appendix
 - ▶ July 23, 2015 Presentation
 - Proposed Debt Refinancing and Restructuring



Outstanding COP Debt Portfolio

Casa Del Maestro - Certificates of Participation

Series	Type	Issuance - New Money	Issuance - Refinancing	Total Issuance	Total Gross Debt Service	Debt Service to Principal at Issuance	Principal Paid & to be Paid as of Nov 1, 2015	Debt Service Paid & to be Paid as of Nov 1, 2015	Outstanding Principal as of Nov 1, 2015	Able to Call?	Next Call Date	Callable Principal	Weighted Average Callable Coupon	Next Call Premium	
2001	CIC	\$7,575,000	\$0	\$7,575,000	\$19,770,461	2.61 : 1	\$0	\$4,663,070	\$0	n/a	n/a	\$0	n/a	n/a	(1)
2006	CIC	\$5,405,000	\$0	\$5,405,000	\$12,319,165	2.28 : 1	\$0	\$1,806,440	\$0	n/a	n/a	\$0	n/a	n/a	(2),(3)
2013 Rfg	CIC	\$0	\$8,025,000	\$8,025,000	\$13,918,917	1.73 : 1	\$8,025,000	\$13,918,917	\$8,025,000	Yes	Jul 1, 2022	\$8,025,000	4.00%	0%	(1)
2015 Rfg	CIC	\$0	\$5,810,000	\$5,810,000	\$8,774,014	1.51 : 1	\$14,584,016	\$8,774,014	\$5,810,000	Yes	Sep 1, 2025	\$4,745,000	3.34%	0%	(3)
		<u>\$12,980,000</u>	<u>\$13,835,000</u>				<u>\$22,609,016</u>	<u>\$29,162,441</u>	<u>\$13,835,000</u>						

Debt Service to Principal Ratios

Debt service of new money issuances to new money principal: 2.47 : 1

Total debt service after refinancings to new money principal: 2.25 : 1

- (1) 2001 COP refinanced by 2013 Refunding Certificates, which resulted in a gross savings of \$1,188,474. The reserve for the 2001 COP was originally \$757,500; however, the trustee mistakenly returned \$350,343.75 of the reserve leaving reserve balance of \$407,156.25. Including the reserve plus anticipated interest earnings on the reserve account leads to a total net savings of approximately \$1,620,000.
- (2) 2006 COP net debt service reflects application of \$365,019 deposited to capitalized interest account;
- (3) 2006 COP refinanced by 2015 Refunding Certificates, which resulted in a gross savings of \$1,738,710.

Quick Facts About COPs Sold in October

SANTA CLARA UNIFIED SCHOOL DISTRICT

(Santa Clara County, California)

2015 Refunding Certificates of Participation

(Santa Clara Teacher Housing Foundation)

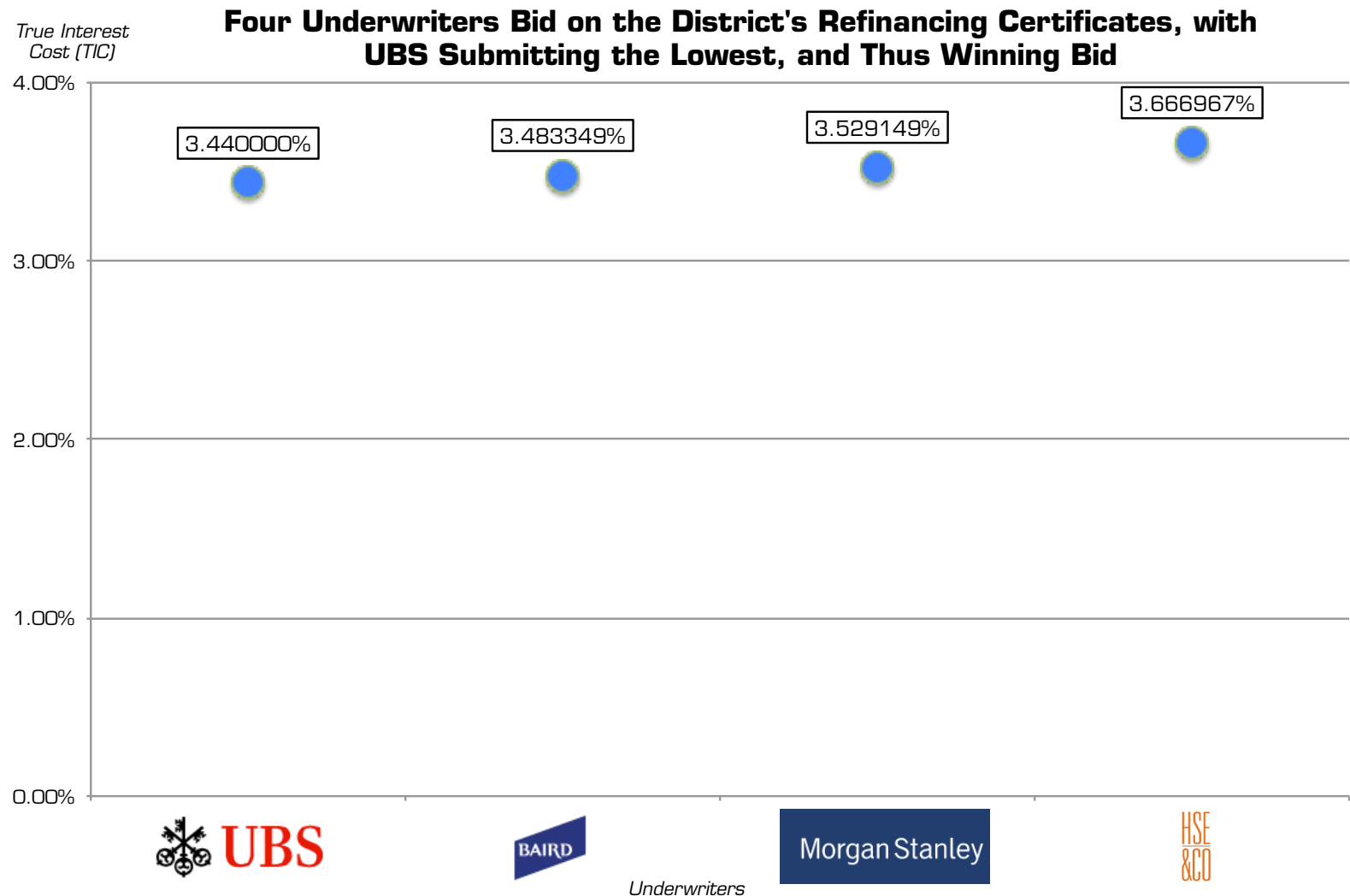
Sale Date of Tuesday, October 10, 2015, 10:05 a.m. Pacific Time

Government Financial Strategies inc., Sacramento, Financial Advisor

Lowest True Interest Cost (TIC%) Award Basis

Final Par Amount:	\$5,810,000
Dated Date:	November 12, 2015
Delivery Date:	November 12, 2015
First Interest Payment Date	March 1, 2016
Serial Bond Due Dates:	September 1, 2016 - 2036
First Call Date:	September 1, 2025 at par
Insurance Provider:	Assured Guaranty Municipal Corp.
Insured S&P Rating:	"AA"
Underlying S&P Rating:	"AA-"

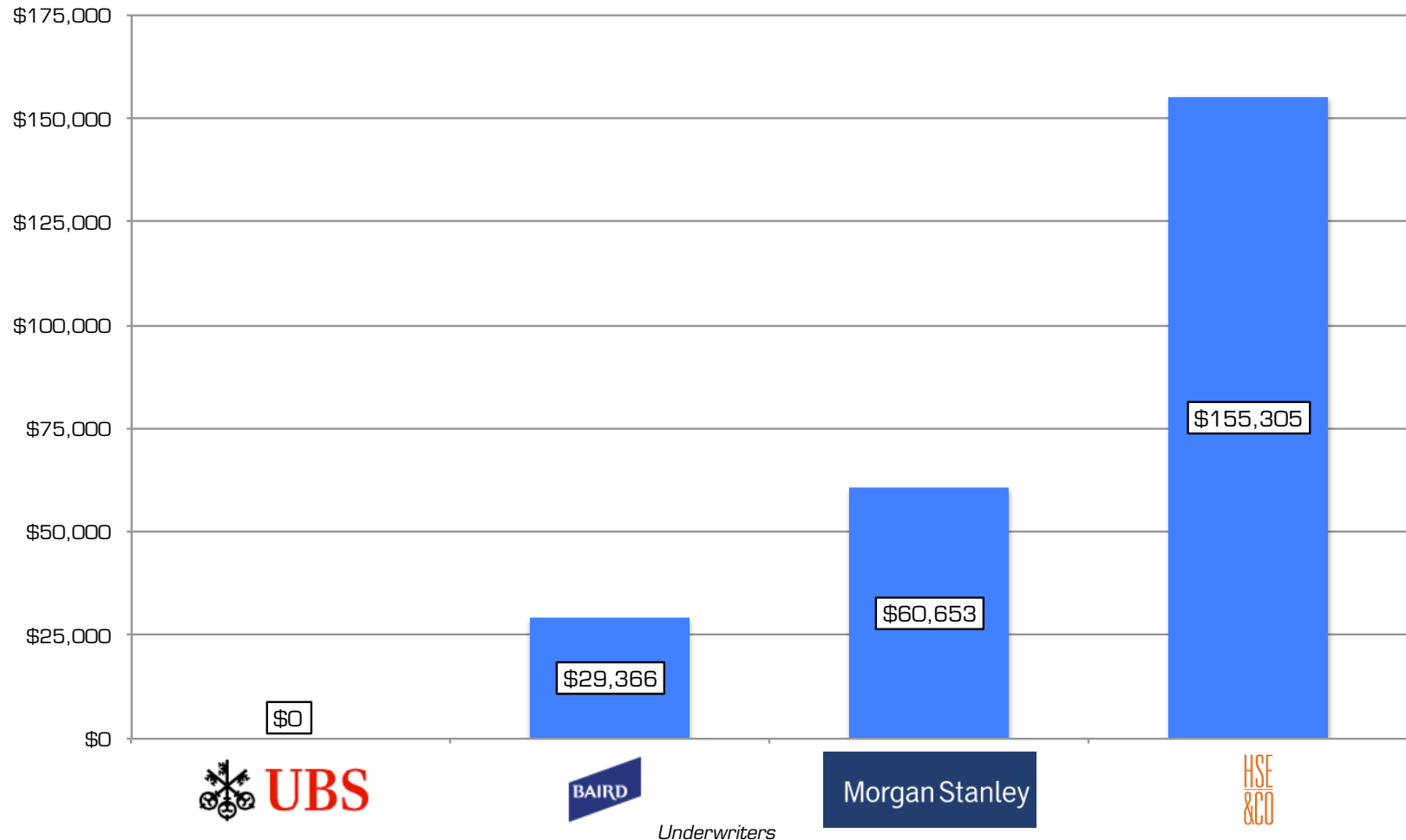
Competition → Lower Borrowing Rates...



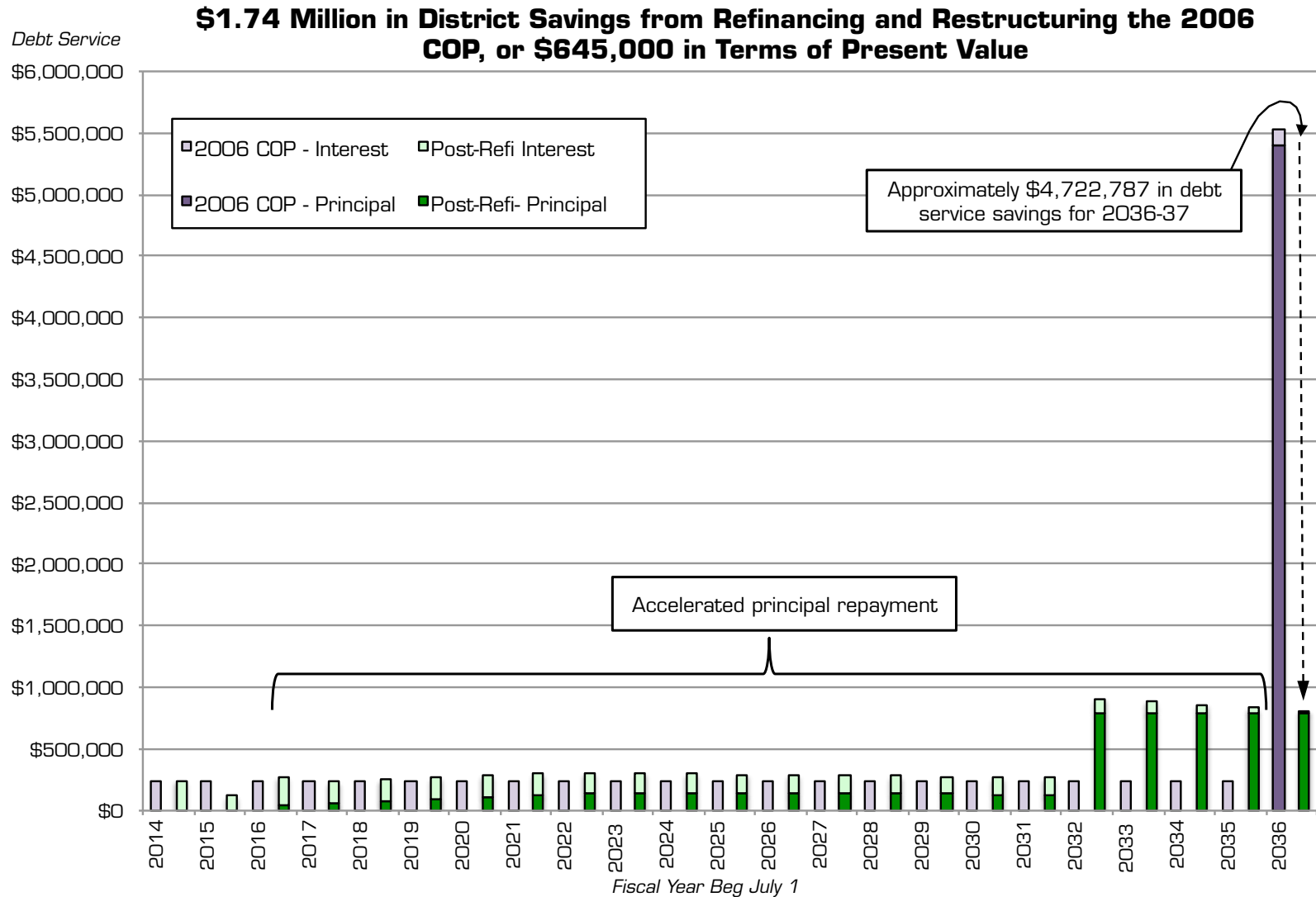
...& Consequently Lower Borrowing Costs

*PV Difference to
Winning Bid*

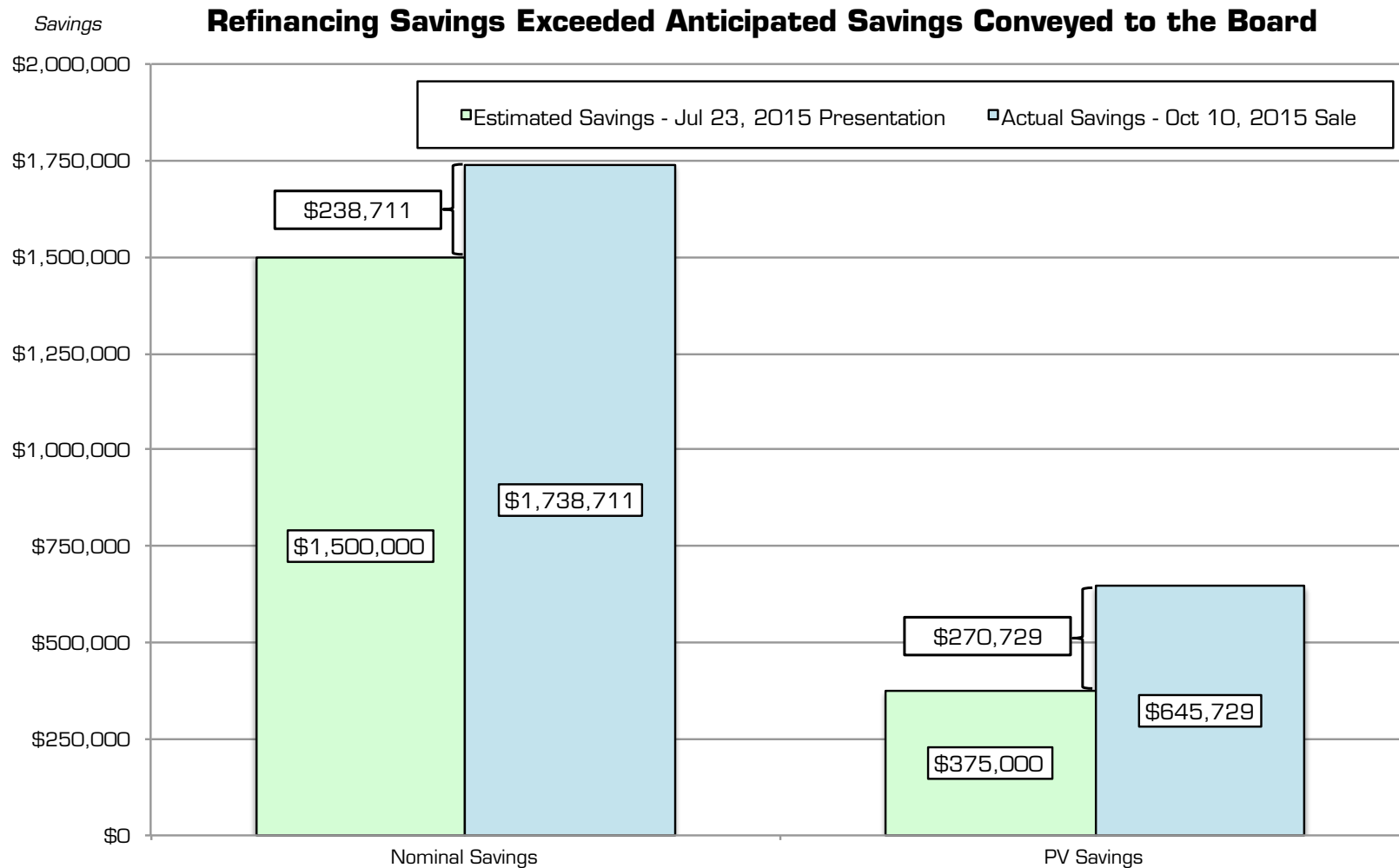
The Difference Between the First and Last Place Bids was \$155,305



\$1.74 Million in Savings

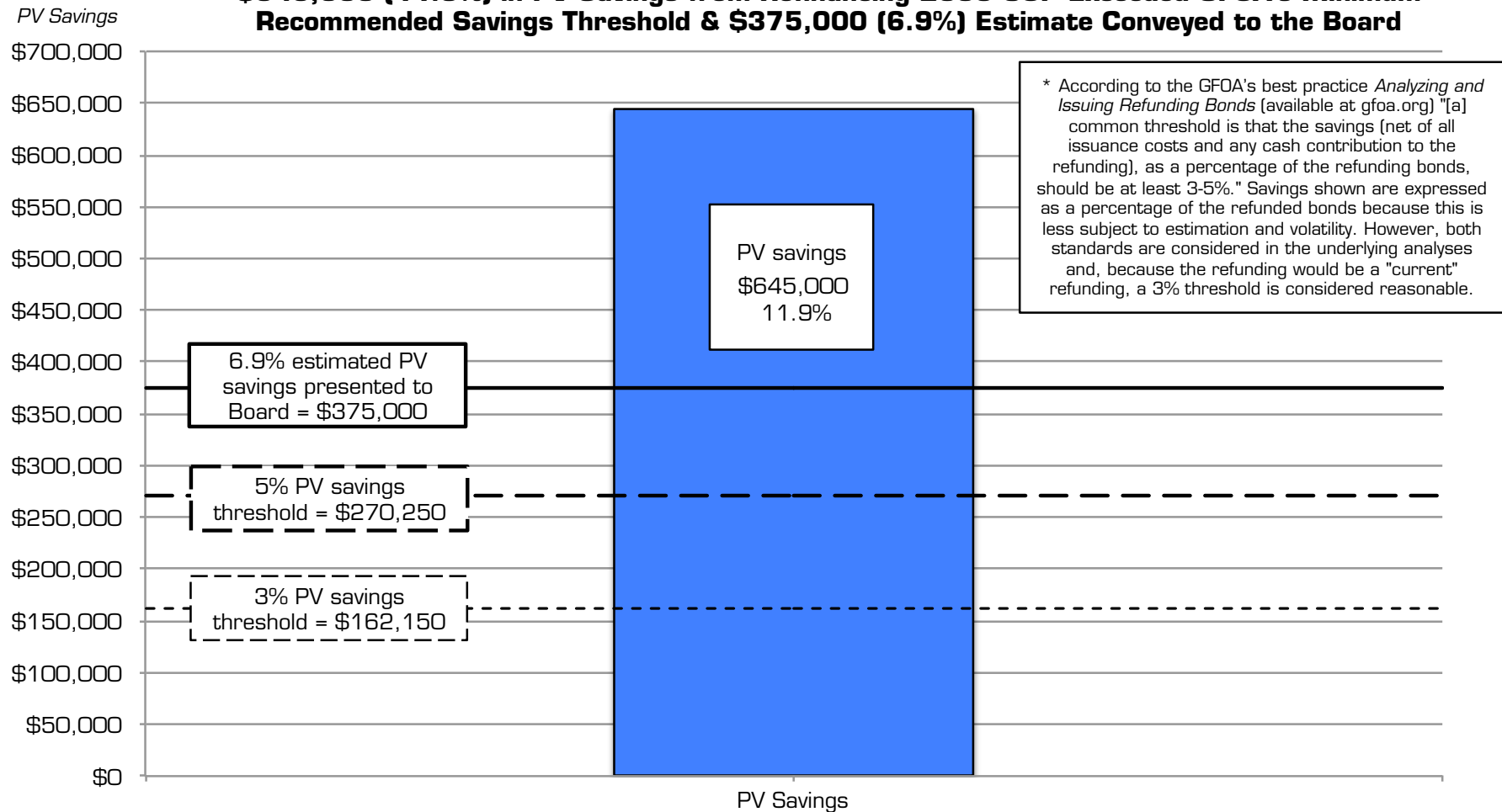


Results Significantly > Projection



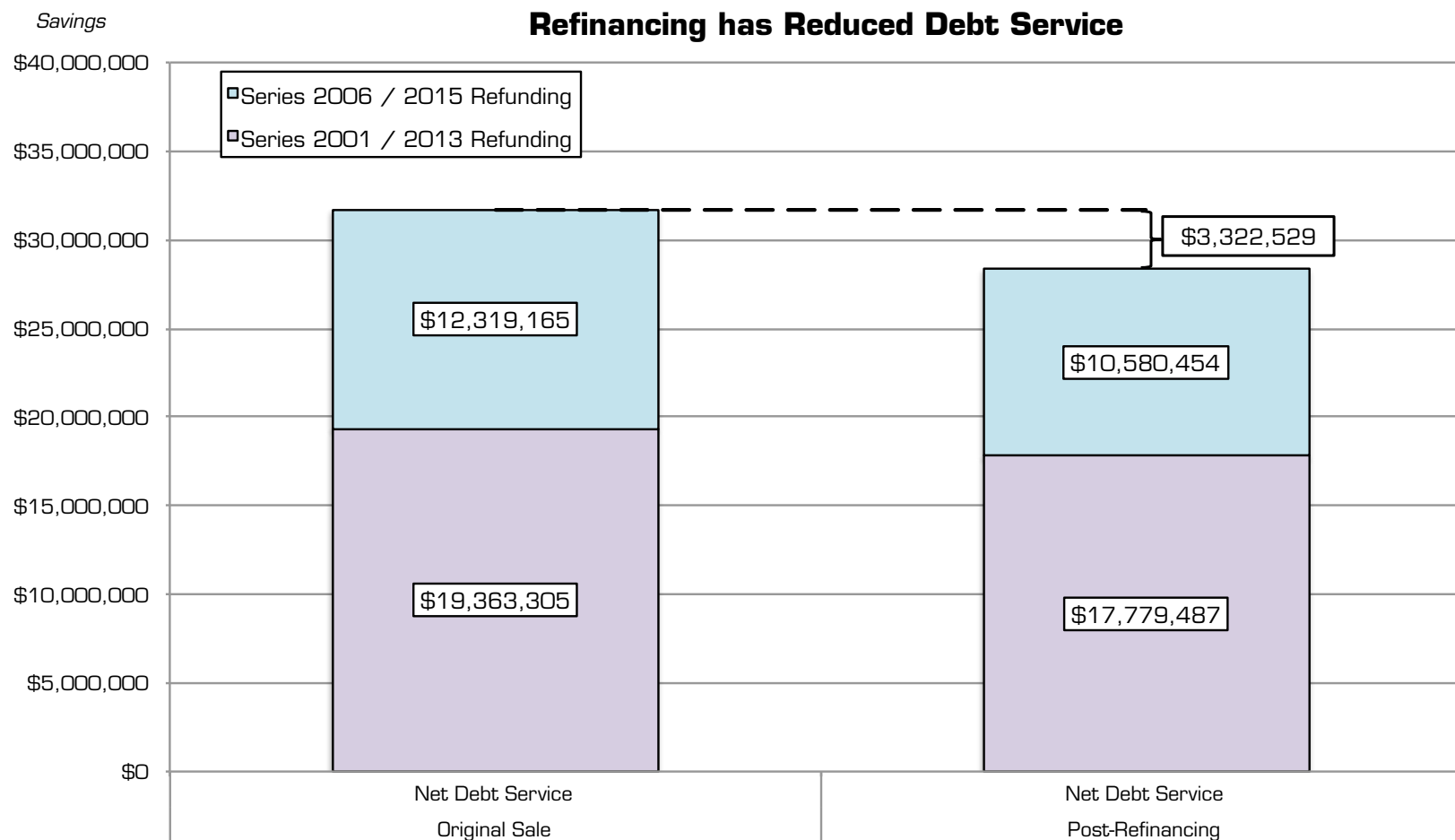
Savings Exceeded GFOA Thresholds

\$645,000 (11.9%) in PV Savings from Refinancing 2006 COP Exceeded GFOA's Minimum Recommended Savings Threshold & \$375,000 (6.9%) Estimate Conveyed to the Board



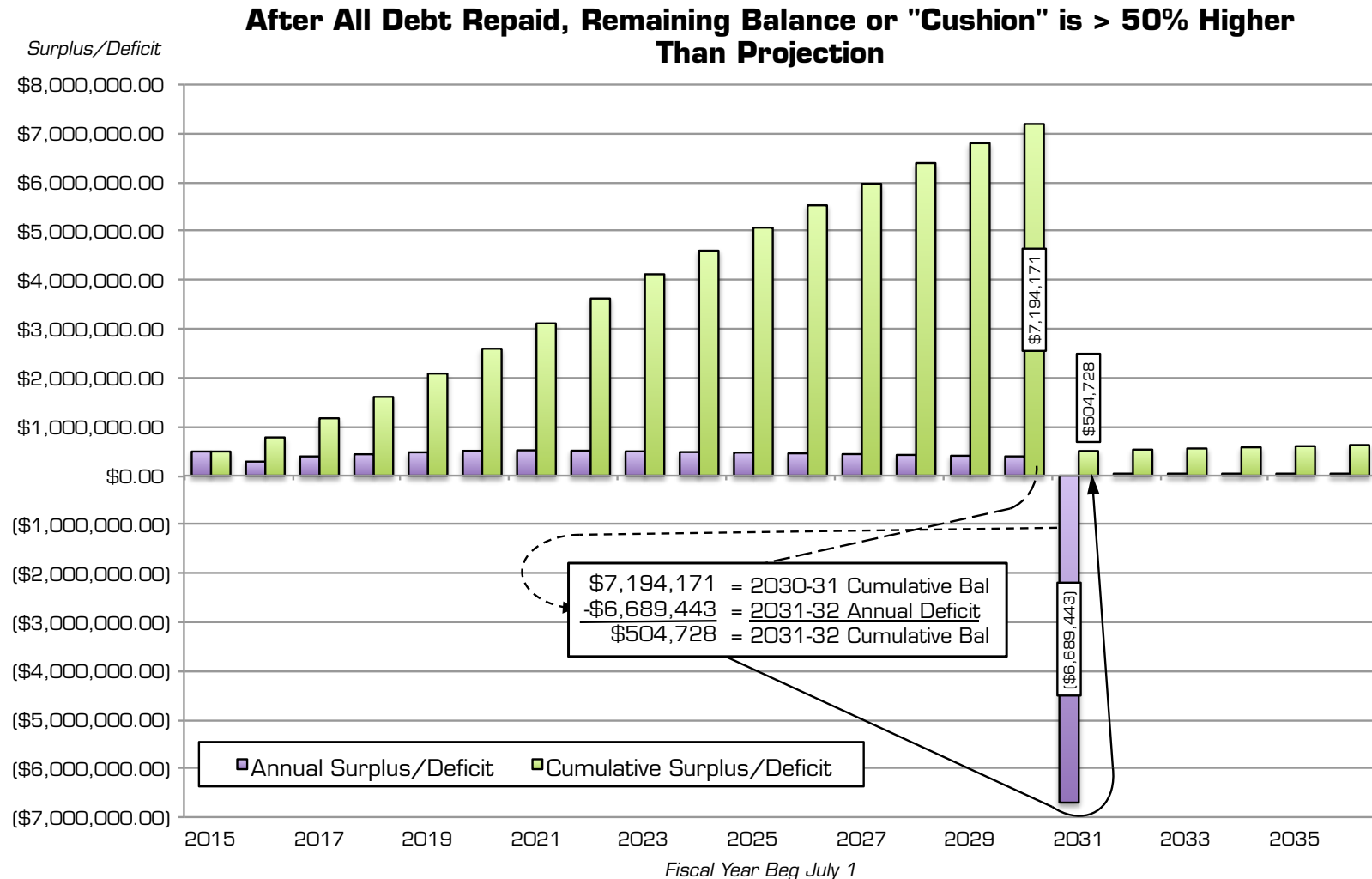
Projected savings presented to Board on July 23, 2015 were based on "AAA" MMD rates as of May 1, 2015, adjusted for District's assumed "AA-" rating (+50bp for years 1-10, and +80bp for years 11+). Values rounded.

Refinancing Has Saved > \$3.32 Million



Net debt service reflects application of debt service reserves and capitalized interest, but does not include projected interest earnings on those accounts.

We Have Improved Our Financial Picture



Initial data provided via email by Property Manager - rental rates: January 14, 2015, & market rates: January 28, 2015. Reflects incremental monthly rent revenue increase to 80% of market rates implemented effective July 1, 2015.

Next Steps

- ◆ Manage rent structure
- ◆ Continuing disclosure
- ◆ Monitor for refinancing opportunities
- ◆ Periodic update of long term financial projection

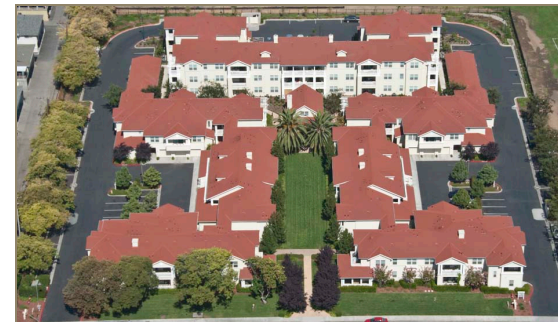


Appendix

- ◆ Appendix
 - ▶ July 23 Presentation

Santa Clara Unified School District

Casa Del Maestro: Proposed Debt Refinancing and Restructuring



Santa Clara
Unified School District



**Government
Financial
Strategies**

Presented by Lori Raineri
July 23, 2015

Agenda

- ◆ Outstanding Debt for Casa Del Maestro
- ◆ New Rent Structure Adopted Effective July 1
- ◆ New Revenue Projection
- ◆ Savings and Security from Refinancing and Restructuring Certificates of Participation
- ◆ Next Steps



Debt Portfolio for Casa Del Maestro

Casa Del Maestro - Certificates of Participation

<u>Series</u>	<u>Type</u>	<u>Issuance - New Money</u>	<u>Issuance - Refinancing</u>	<u>Total Issuance</u>	<u>Total Gross Debt Service</u>	<u>Debt Service to Principal at Issuance</u>	<u>Principal Paid & to be Paid as of Apr 1, 2015</u>	<u>Debt Service Paid & to be Paid as of Apr 1, 2015</u>	<u>Outstanding Principal as of Apr 1, 2015</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>	
2001	CIC	\$7,575,000	\$0	\$7,575,000	\$19,770,461	2.61 : 1	\$0	\$4,663,070	\$0	n/a	n/a	\$0	n/a	n/a	(1)
2006	CIC	\$5,405,000	\$0	\$5,405,000	\$12,684,184	2.35 : 1	\$5,405,000	\$12,684,184	\$5,405,000	Yes	Sep 1, 2015	\$5,405,000	4.50%	1%	
2013 Rag	CIC	\$0	\$8,025,000	\$8,025,000	\$13,918,917	1.73 : 1	\$8,025,000	\$13,918,917	\$8,025,000	Yes	Jul 1, 2022	\$8,025,000	4.00%	0%	(1)
		<u>\$12,980,000</u>	<u>\$8,025,000</u>				<u>\$13,430,000</u>	<u>\$31,266,171</u>	<u>\$13,430,000</u>						

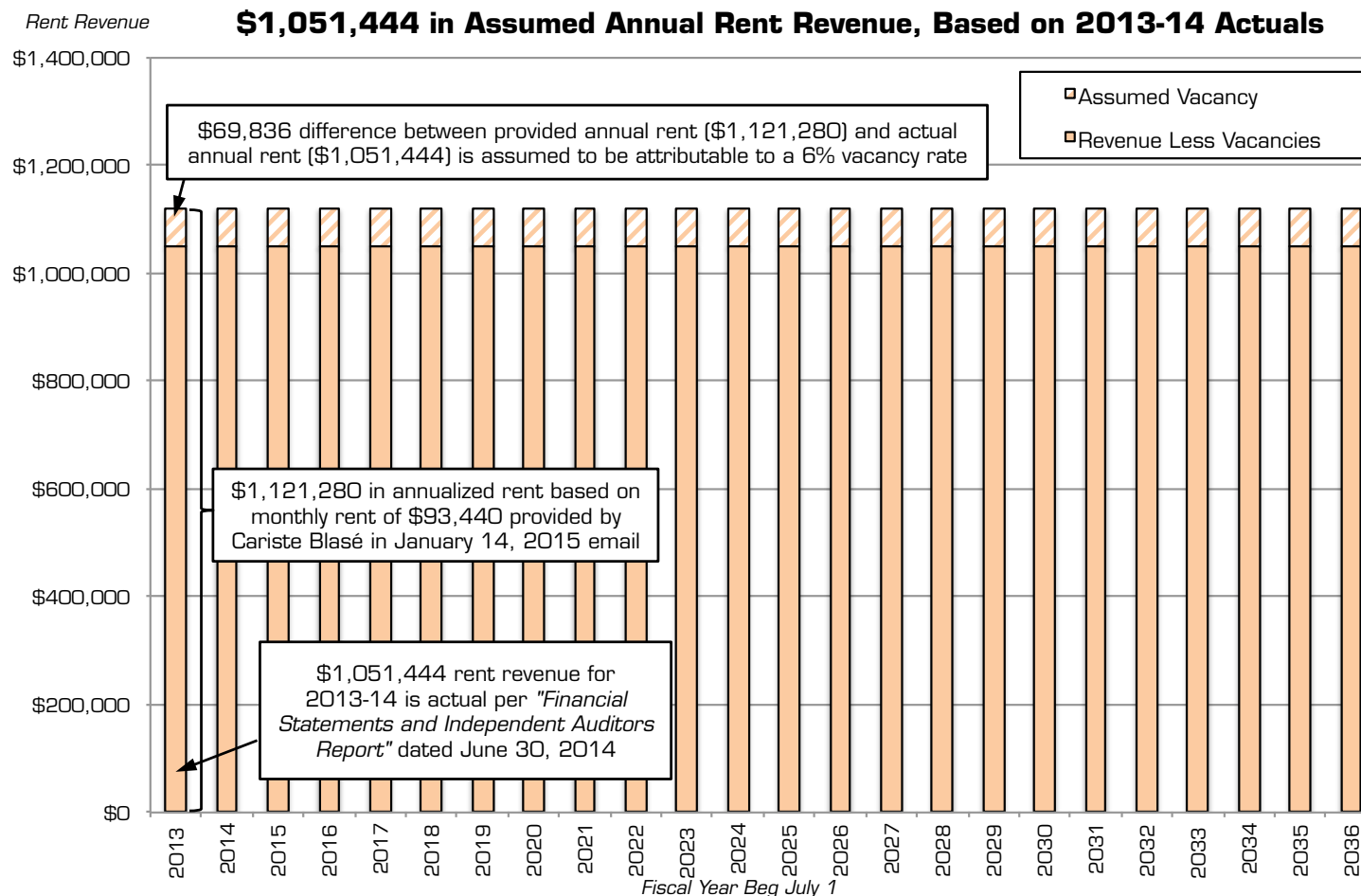
Debt Service to Principal Ratios

Debt service of new money issuances to new money principal: 2.50 : 1

Total debt service after refinancings to new money principal: 2.41 : 1

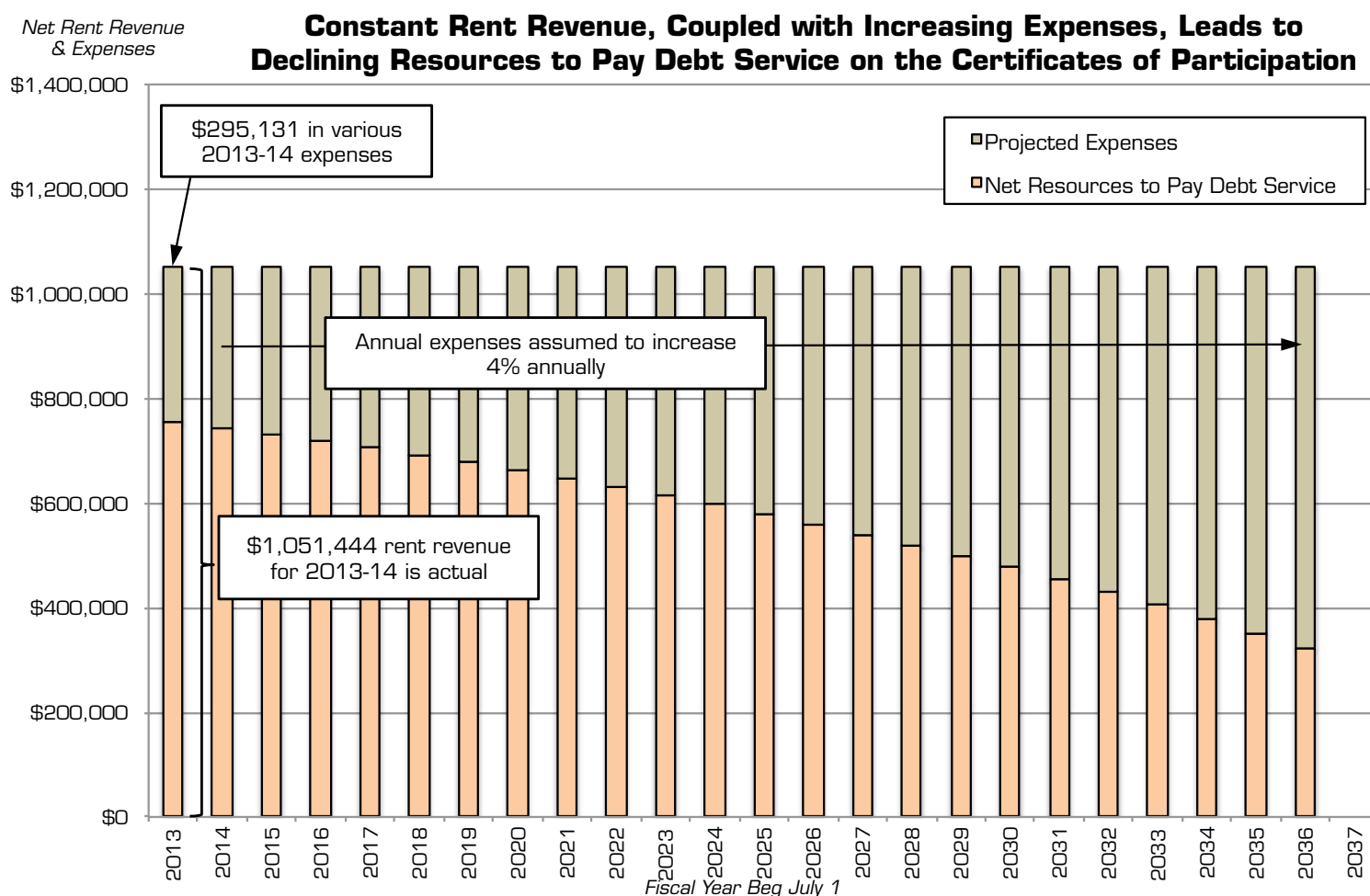
(1) 2001 COP refinanced by Series 2013 Refunding Certificates, which resulted in a gross savings of \$1,188,474. The reserve for the 2001 COP was originally \$757,500; however, the trustee mistakenly returned \$350,343.75 of the reserve leaving reserve balance of \$407,156.25. Including the reserve plus anticipated interest earnings on the reserve account leads to a total net savings of approximately \$1,620,000.

Casa Del Maestro Grosses > \$1 M./Yr.



Rent revenue continues beyond the chart's end date, but for purposes of this analysis, we are only showing rent through COP maturities.

Expenses are Expected to Increase

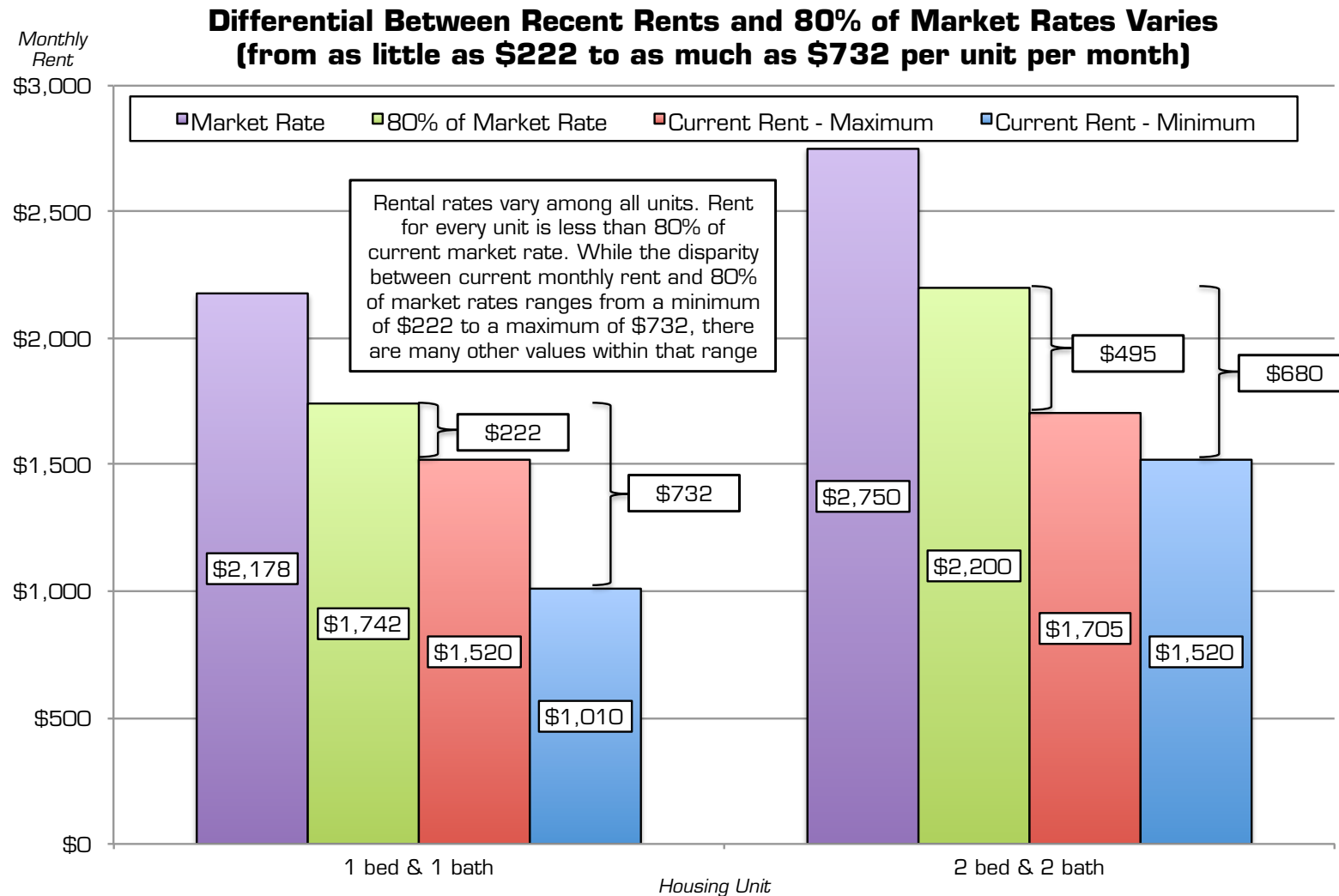


2013-14 expenses (\$295,131) and rent revenue (\$1,051,444) per "Financial Statements and Independent Auditors Report" dated June 30, 2014. Rent revenue continues beyond the chart's end date, but for purposes of this analysis, we are only showing rent through COP maturities.

New Rent Structure

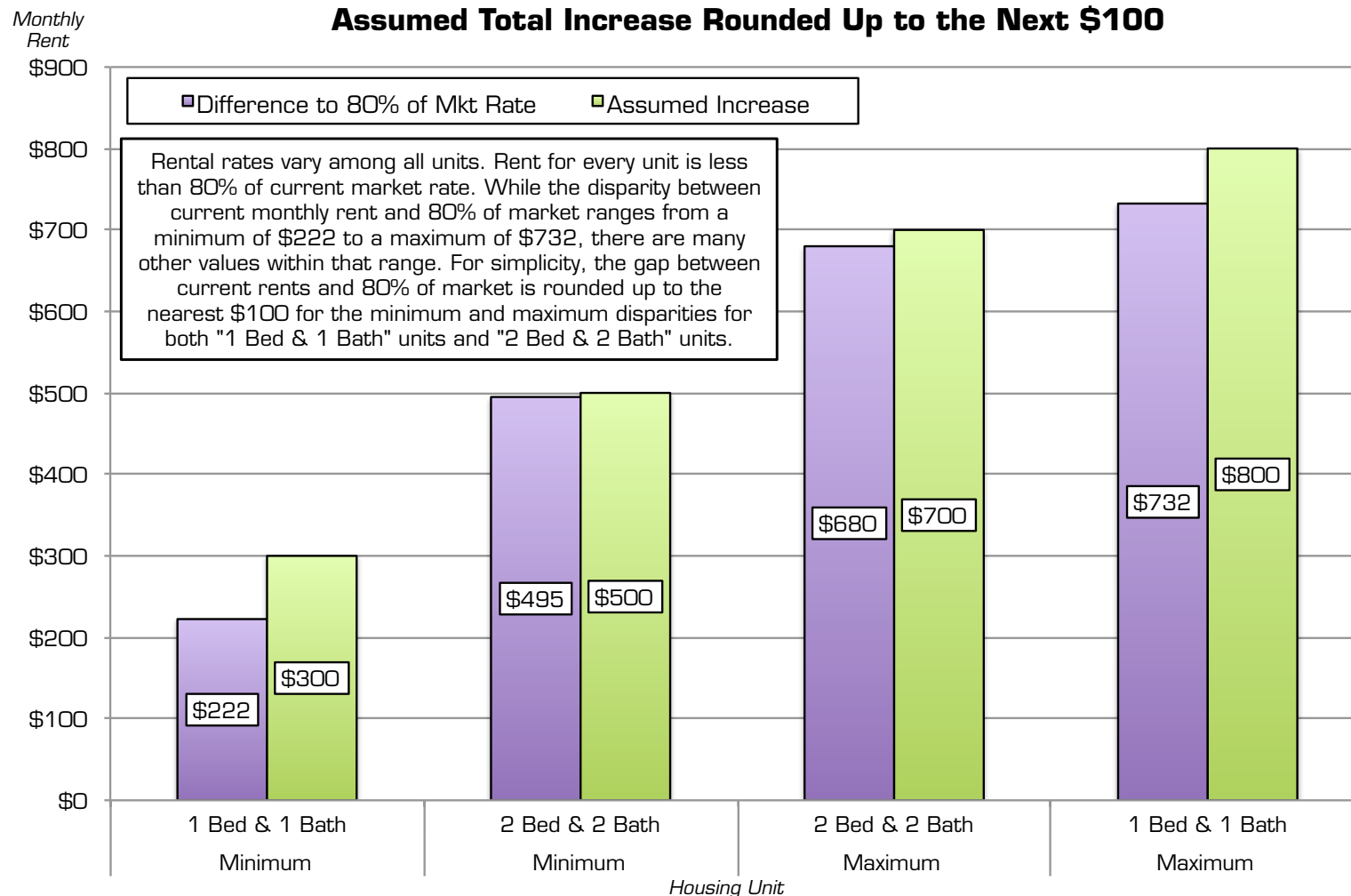
- ◆ Historical expectation: rents would be 80% of current market
- ◆ Current rents vary among units
 - ▶ Rent for every unit is less than 80% of current market rate
 - Monthly differentials ranged from \$222 to \$732
- ◆ Teacher Housing Foundation adopted a new rent structure on May 21, to take effect July 1, 2015.
 - ▶ Target Rents: 80% of *today's* market rental rates
 - Future target rents will be further discussed following implementation of new rent structure, e.g. as market rental rates change, "80% of market" changes.
 - ▶ Rent Equalization
 - Each year, on July 1, raise rents for each unit by \$100 per month for the year

Picture of Recent Rent Distribution



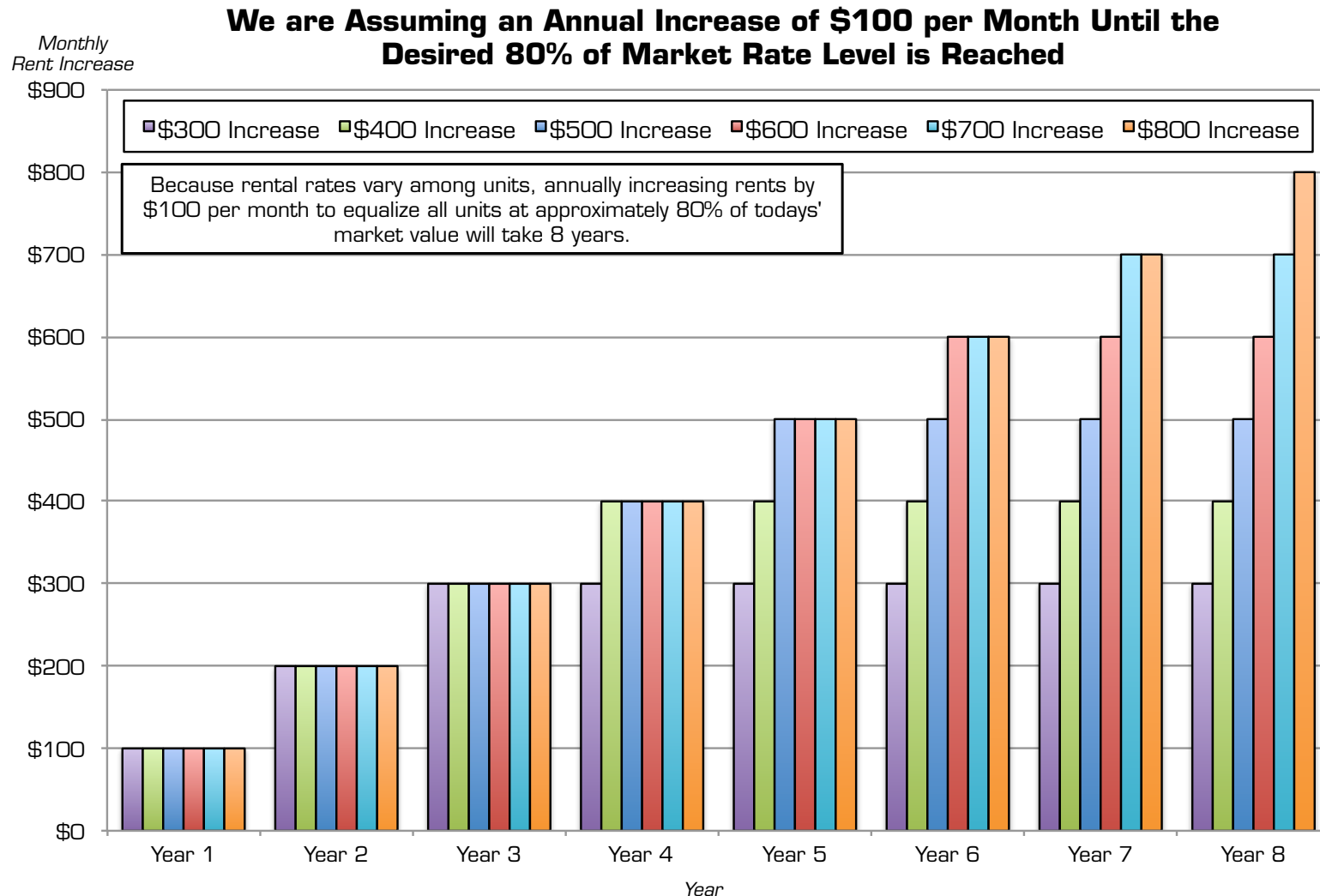
Data provided via email by the Property Manager - rental rates: January 14, 2015, & market rates: January 28, 2015.

Move to Target Rent in \$100 Increments



Data provided via email by the Property Manager - rental rates: January 14, 2015, & market rates: January 28, 2015.

Rent Equalization Will Take 8 Years



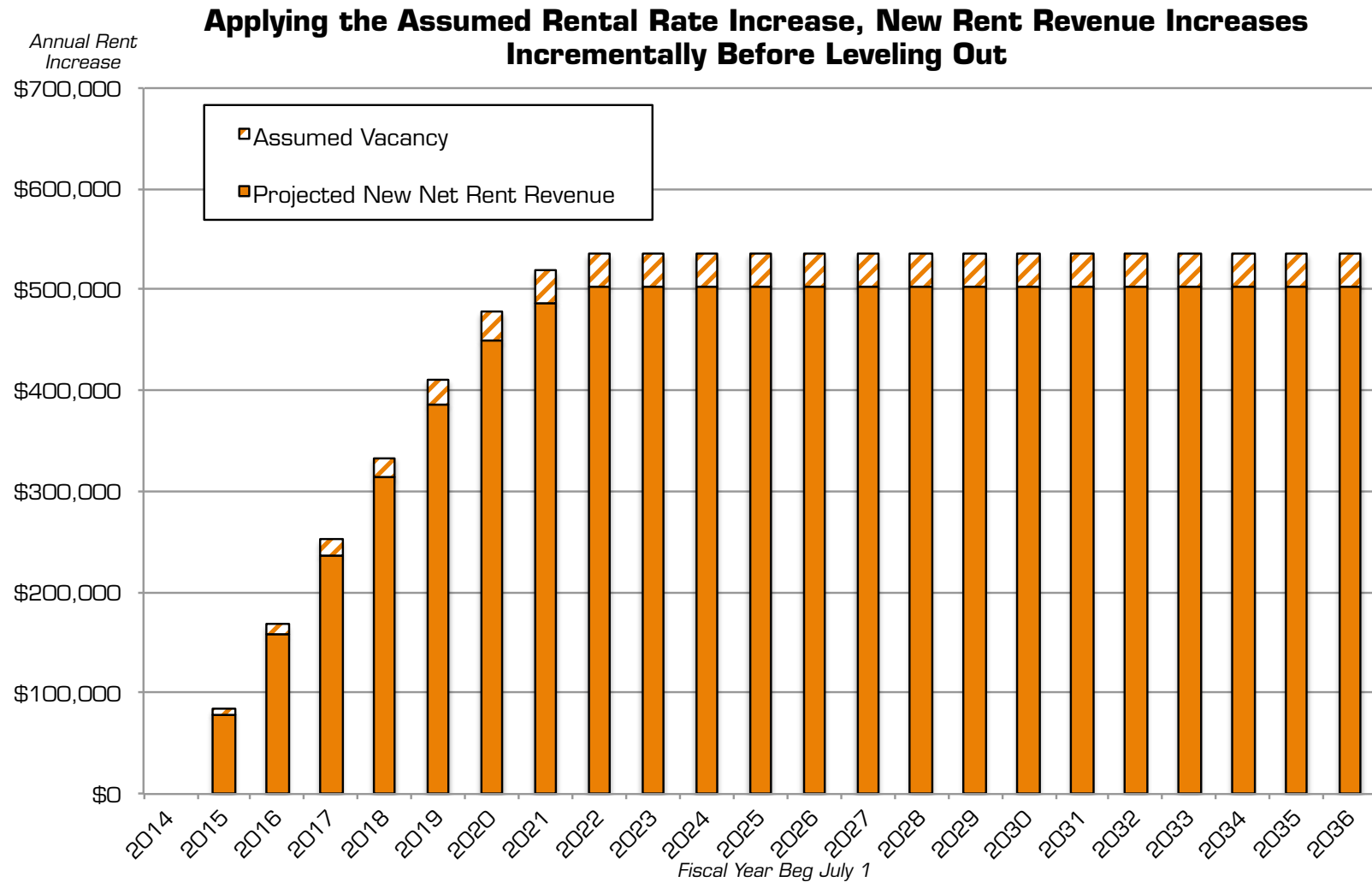
Data provided via email by Cariste Blasé - rental rates: January 14, 2015, & market rates: January 28, 2015.

Benefits of New Rent Structure

- ◆ Consistency with original plan
- ◆ Equity among program participants
- ◆ Reasonable benefit
- ◆ Debt retirement
- ◆ Resources for capital maintenance
- ◆ Gradual implementation

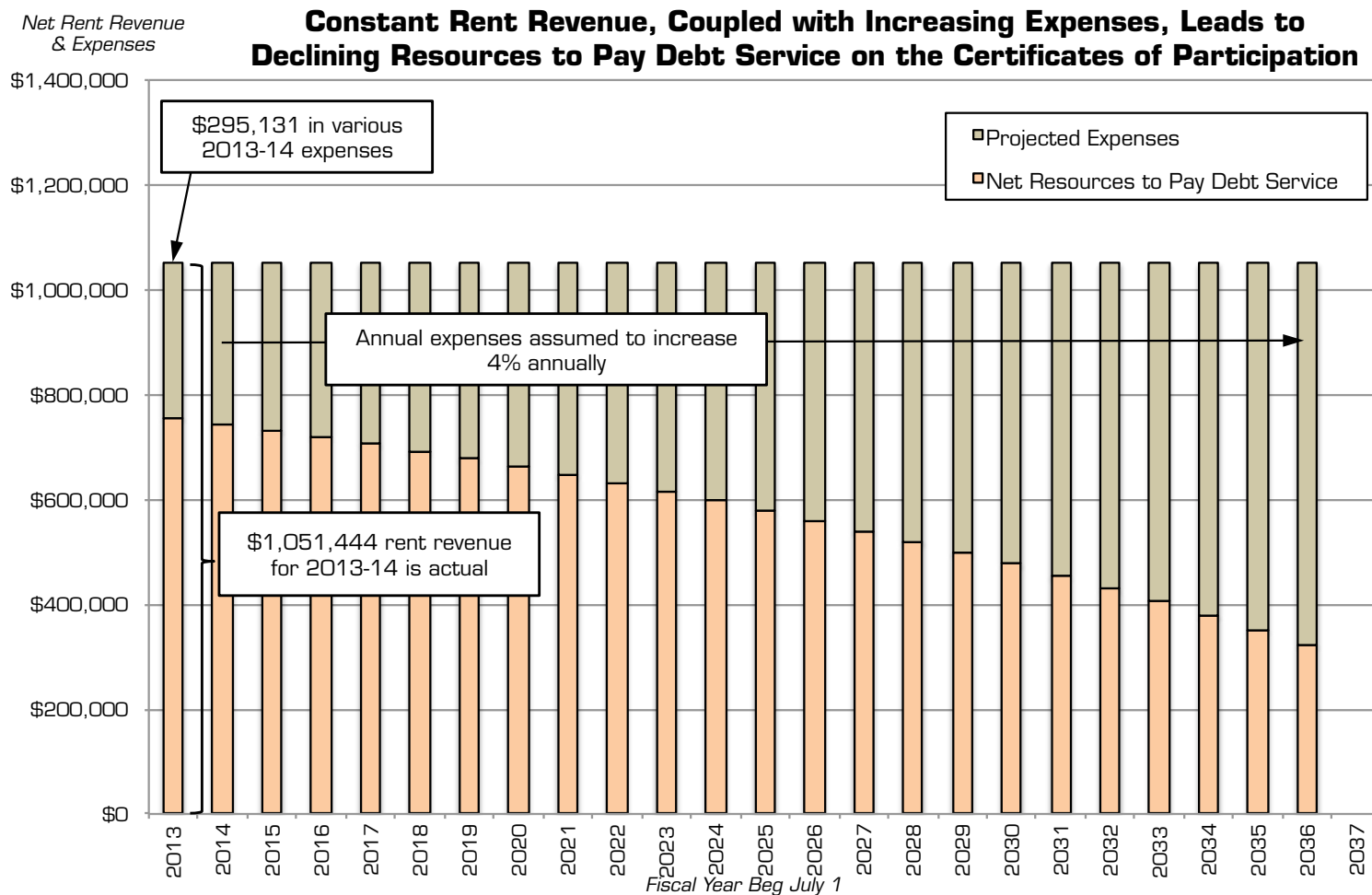


Projected Gradual Increase in Revenue



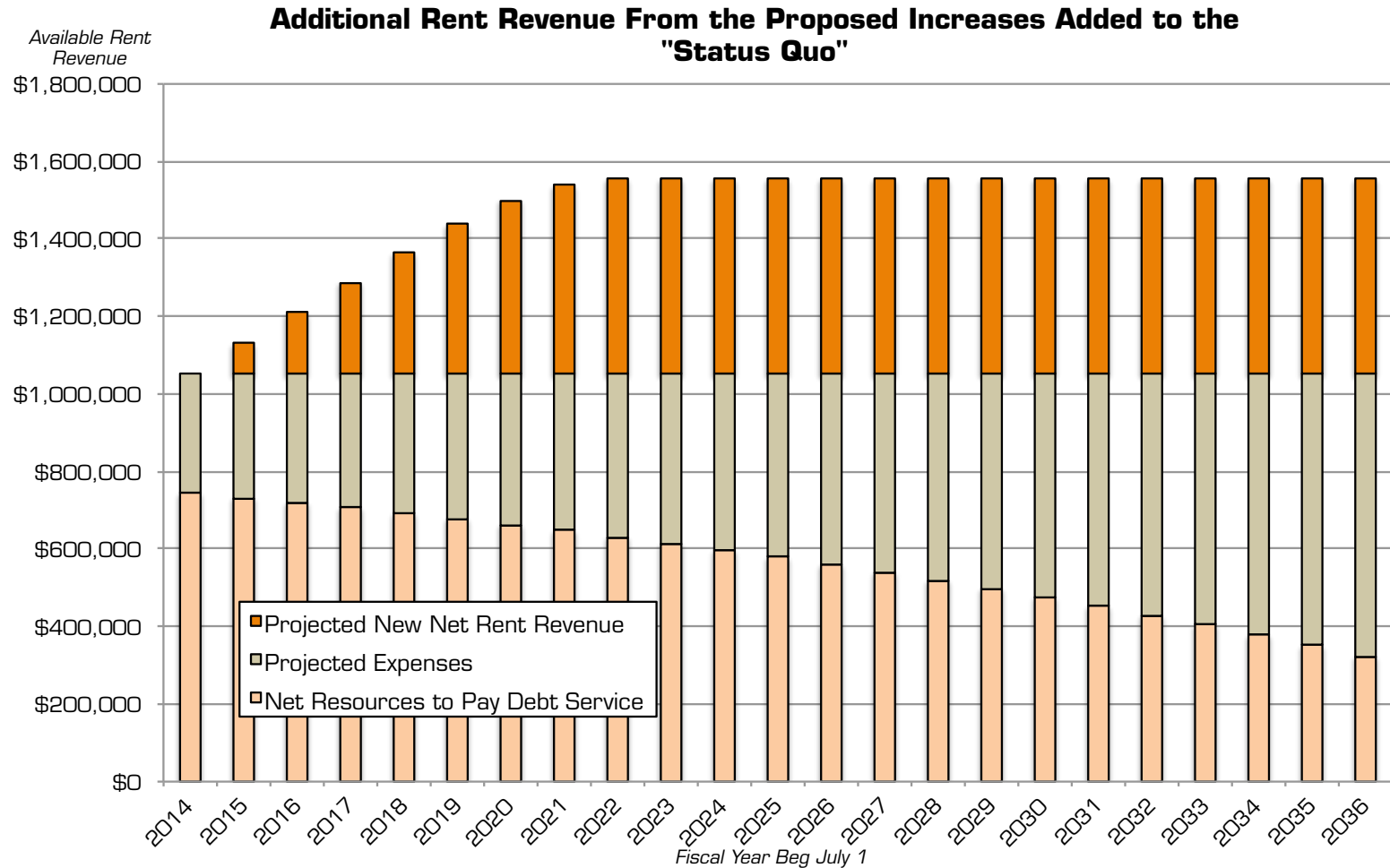
Based on existing data provided via email by Cariste Blasé - rental rates: January 14, 2015, & market rates: January 28, 2015. Rent revenue continues beyond the chart's end date, but for purposes of this analysis, we are only showing rent through COP maturities.

Again, Picture w/out New Rent Structure



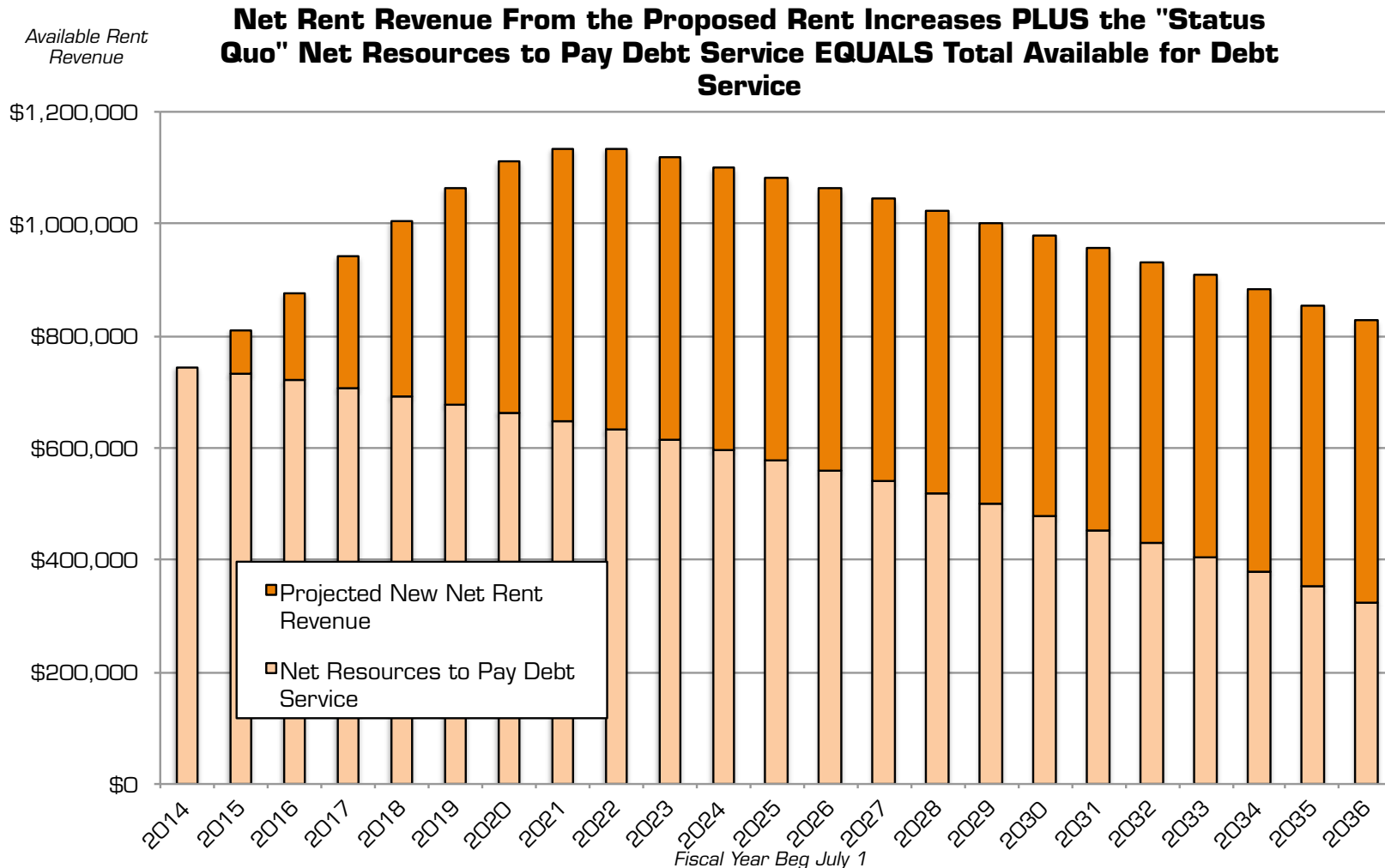
2013-14 expenses (\$295,131) and rent revenue (\$1,051,444) per "Financial Statements and Independent Auditors Report" dated June 30, 2014. Rent revenue continues beyond the chart's end date, but for purposes of this analysis, we are only showing rent through COP maturities.

With New Rent Structure



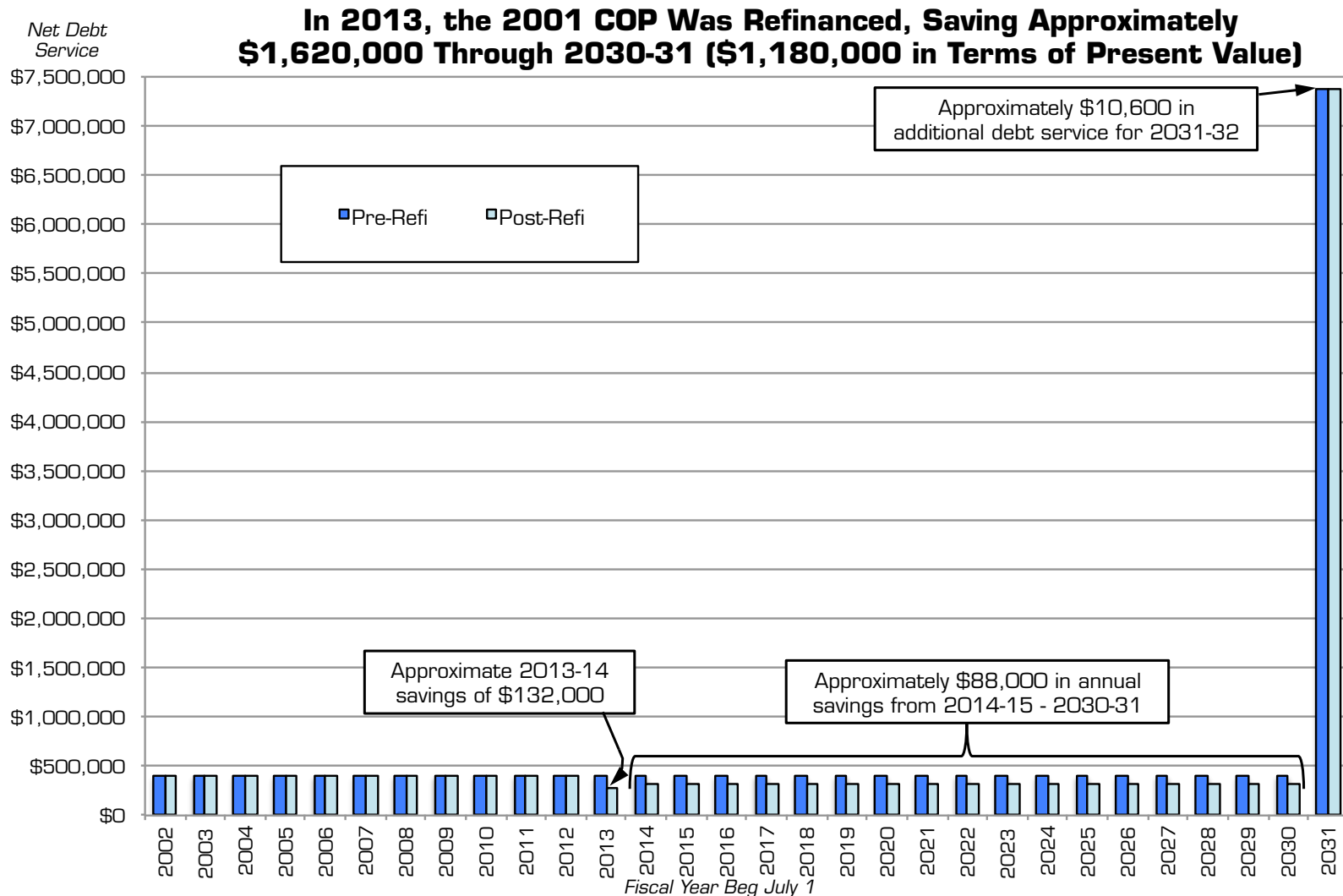
Based on existing data provided via email by Cariste Blasé - rental rates: January 14, 2015, & market rates: January 28, 2015. Rent revenue continues beyond the chart's end date, but for purposes of this analysis, we are only showing rent through COP maturities.

More Revenue to Address Debt



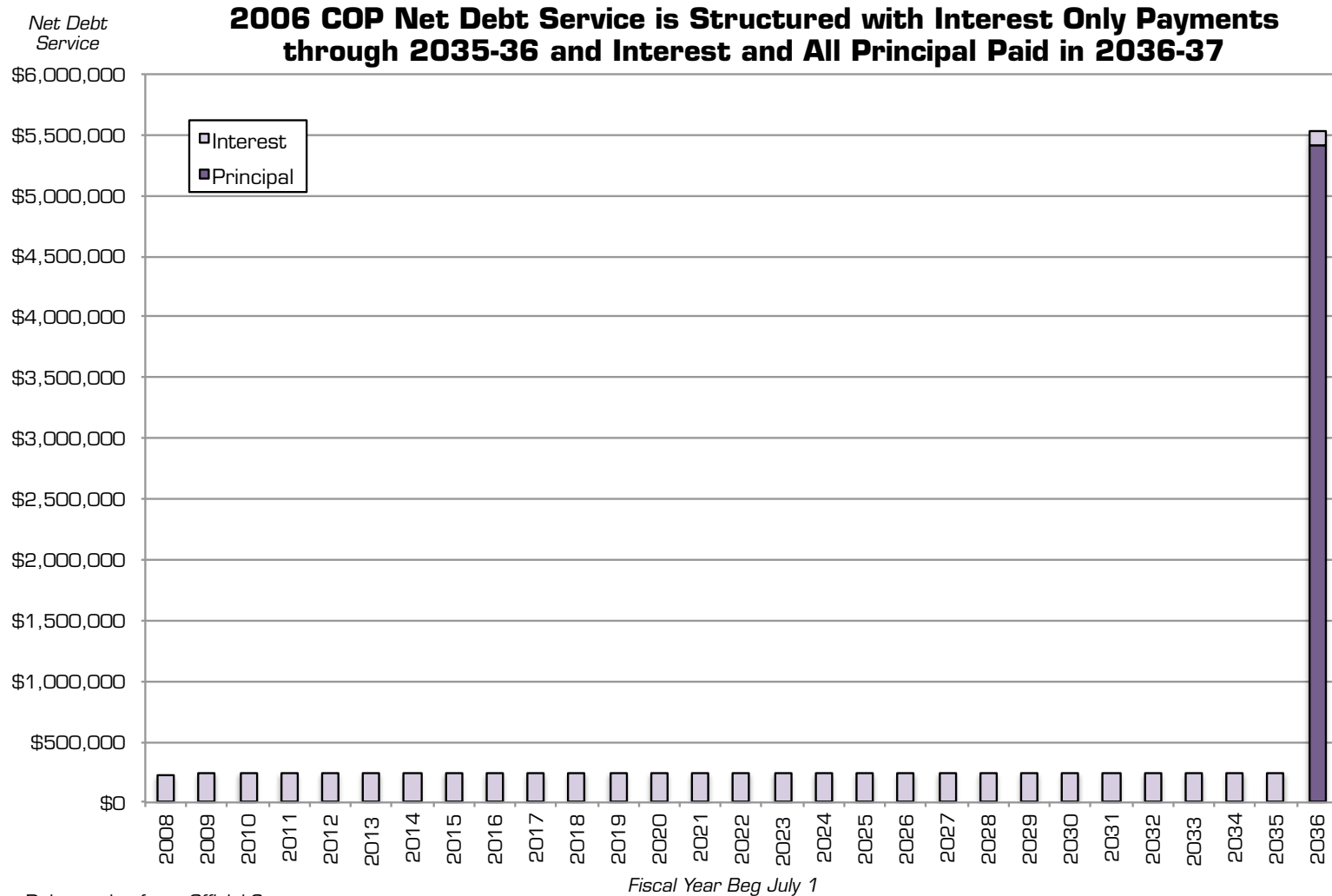
Based on existing data provided via email by Cariste Blasé - rental rates: January 14, 2015, & market rates: January 28, 2015. Rent revenue continues beyond the chart's end date, but for purposes of this analysis, we are only showing rent through COP maturities.

Existing Debt Structure Was Designed to Minimize Payments to Achieve Low Rents

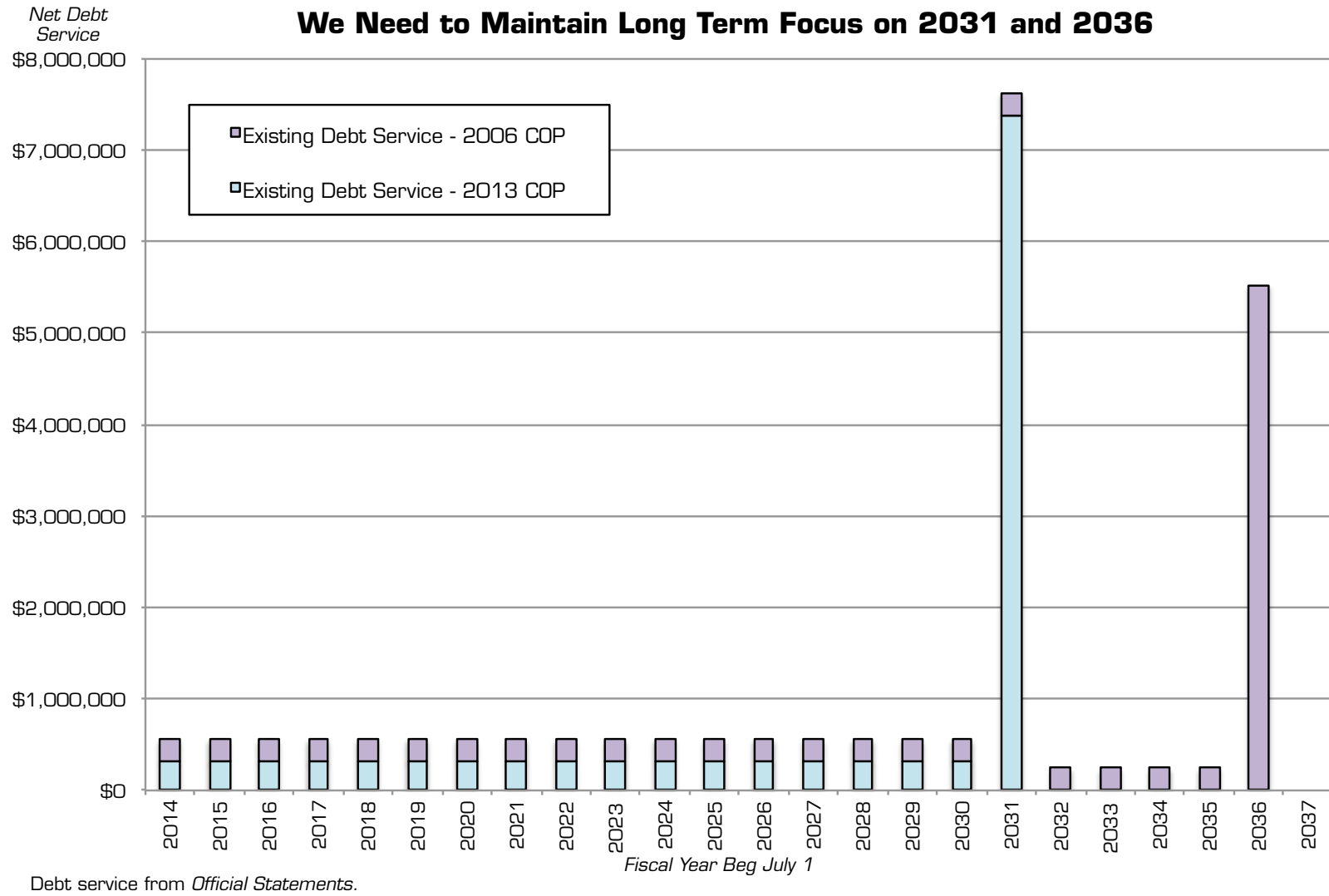


Debt service from Official Statements.

Same Strategy with Financing Phase 2



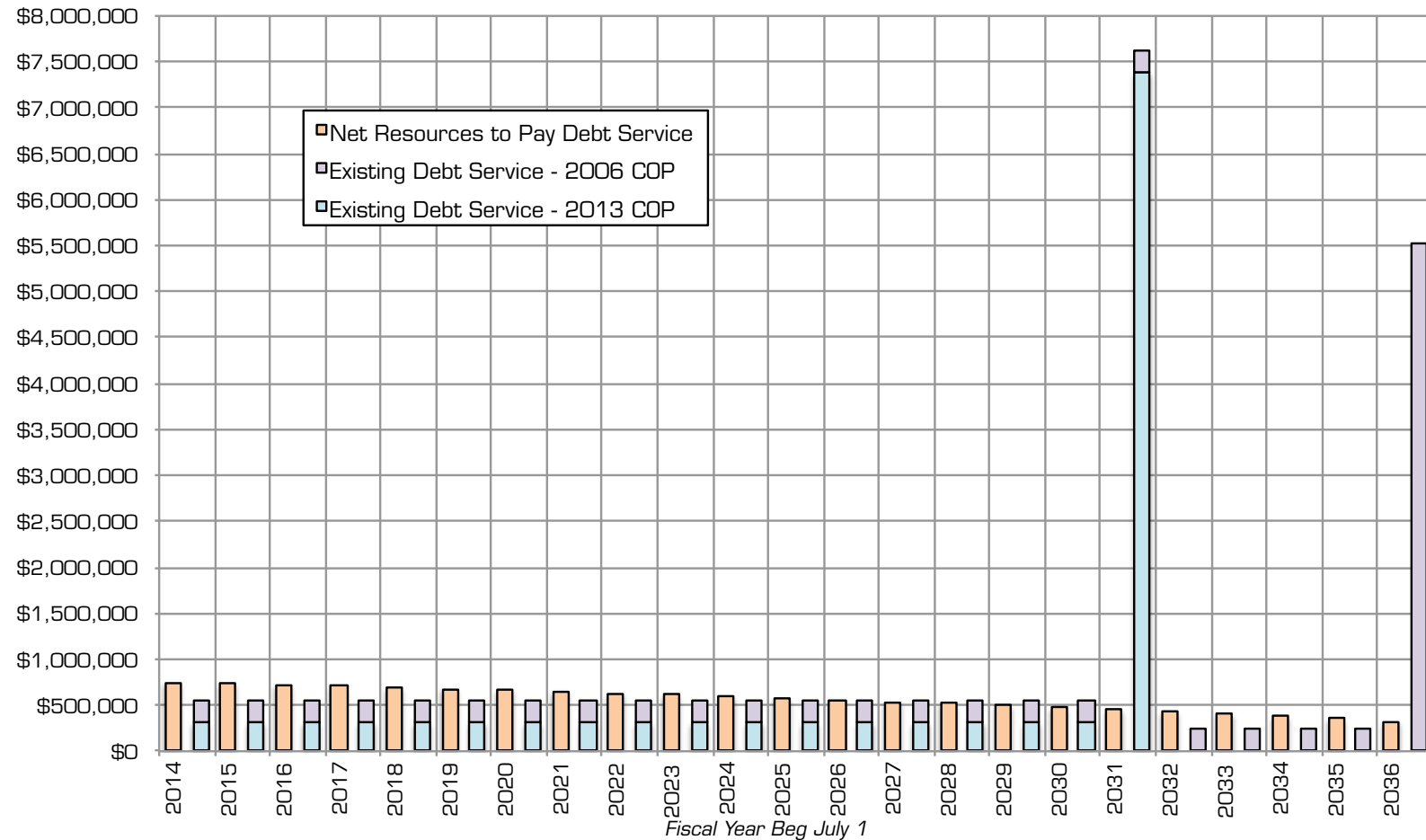
Need to Address Deferred Principal



"Status Quo" Rents Would Be Insufficient

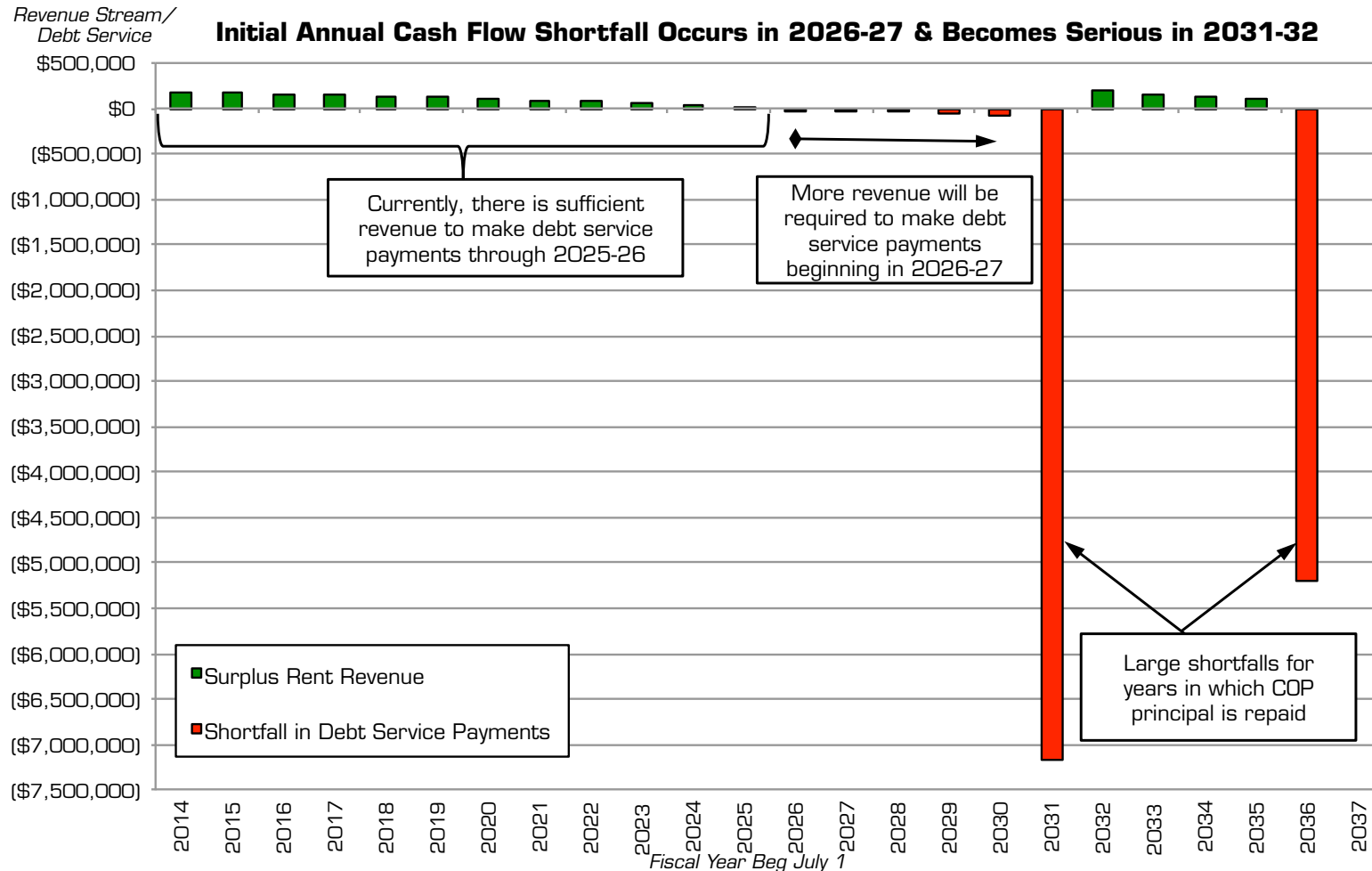
Revenue Stream/
Debt Service

Without Increasing Rent, Insufficient Revenue to Address Debt



Debt service from *Official Statements*. Currently available revenue stream derived from actual 2013-14 rent revenue (\$1,051,444) less expenses (\$295,131) subject to a 4% annual inflation rate, from Financial Statements and Independent Auditors Report, dated June 30, 2014. Rent revenue continues beyond the chart's end date, but for purposes of this analysis, we are only showing rent through COP maturities.

Thus, New Rent Structure is Essential



Debt service from *Official Statements*. Currently available revenue stream derived from actual 2013-14 rent revenue (\$1,051,444) less expenses (\$295,131) subject to a 4% annual inflation rate, from Financial Statements and Independent Auditors Report, dated June 30, 2014. Rent revenue continues beyond the chart's end date, but for purposes of this analysis, we are only showing rent through COP maturities.

Restructure Revenue → Restructure Debt

- ◆ With the new revenue projection, we can restructure debt.
 - ▶ Because revenues can now be expected to increase faster than operating expenses, capital expenses, namely debt service, can be reduced faster.
 - ▶ Less debt → more flexibility.
- ◆ Bond market has moved favorably ↓.

THE WALL STREET JOURNAL.

ECONOMY | CENTRAL BANKS

Janet Yellen Prefers Raising Fed Rates Prudently and Gradually

U.S. central bank chief says moving too soon could threaten recovery but waiting too long also has risks



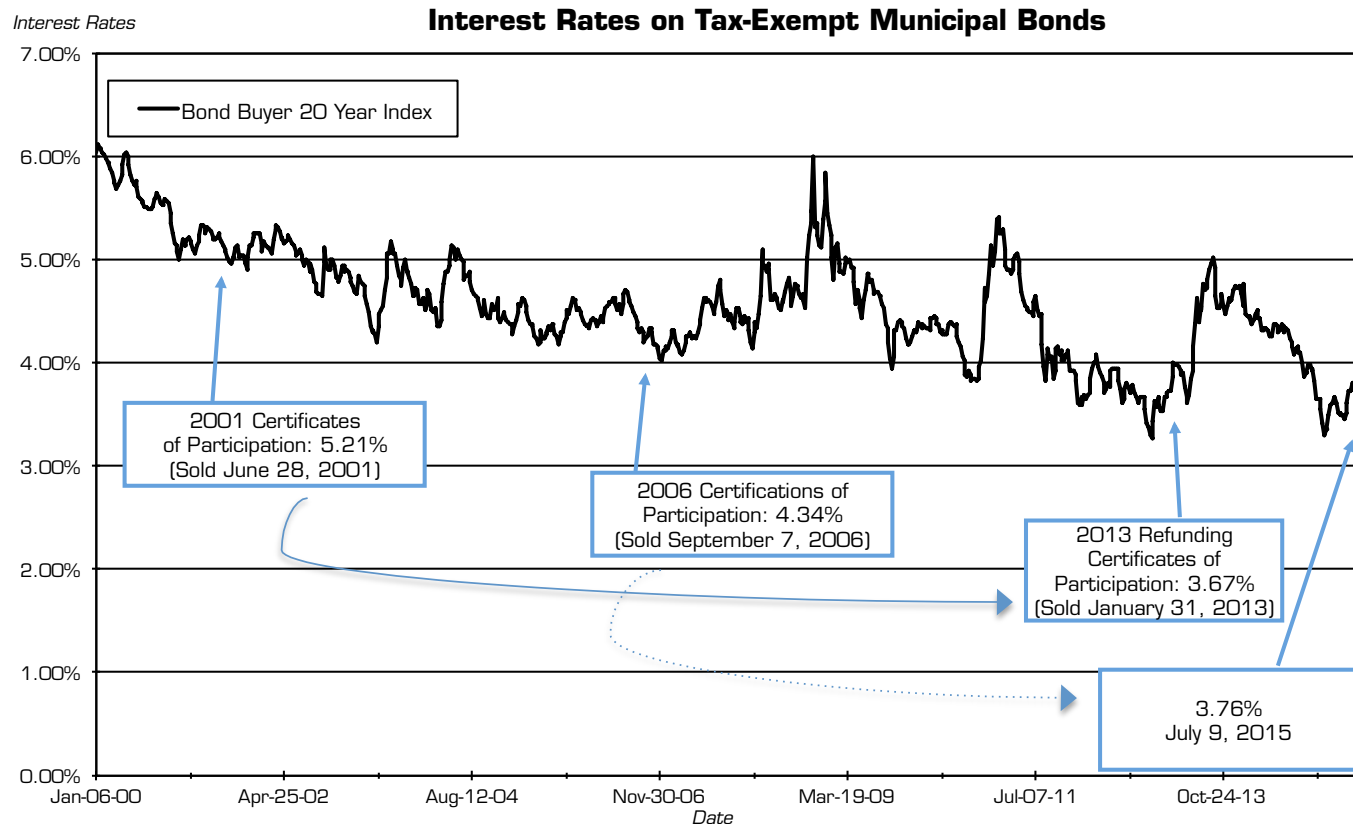
Federal Reserve Chairwoman Janet Yellen testifies before the Senate Banking Committee in Washington on Thursday. PHOTO: SUSAN WALSH/ASSOCIATED PRESS

By DAVID HARRISON And BEN LEUBSDORF

Updated July 16, 2015 5:43 p.m. ET

Federal Reserve Chairwoman Janet Yellen on Thursday said the U.S. labor market had moved demonstrably closer to a more normal state, a reason why the central bank is likely to raise short-term interest rates later this year.

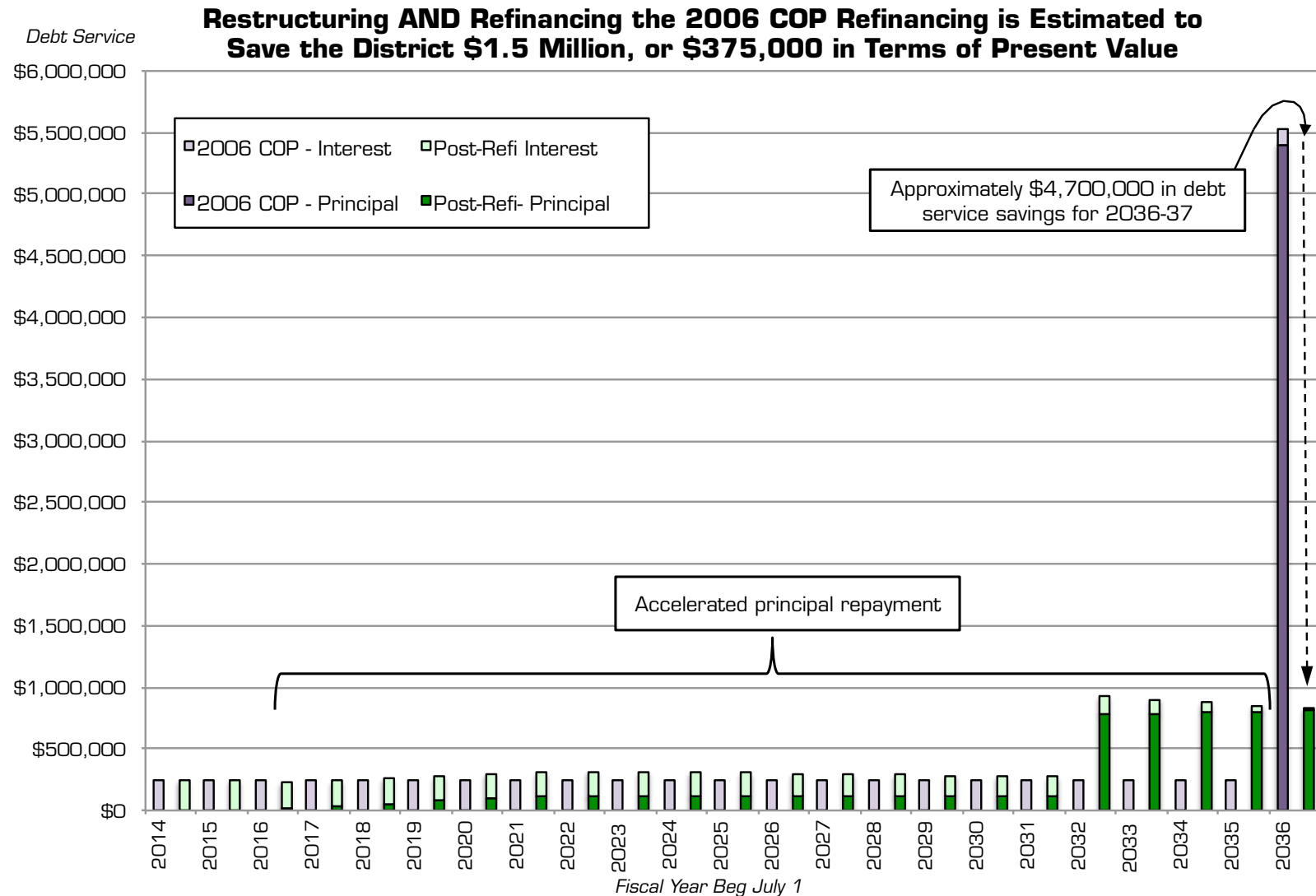
Interest Rates are Lower than in 2006



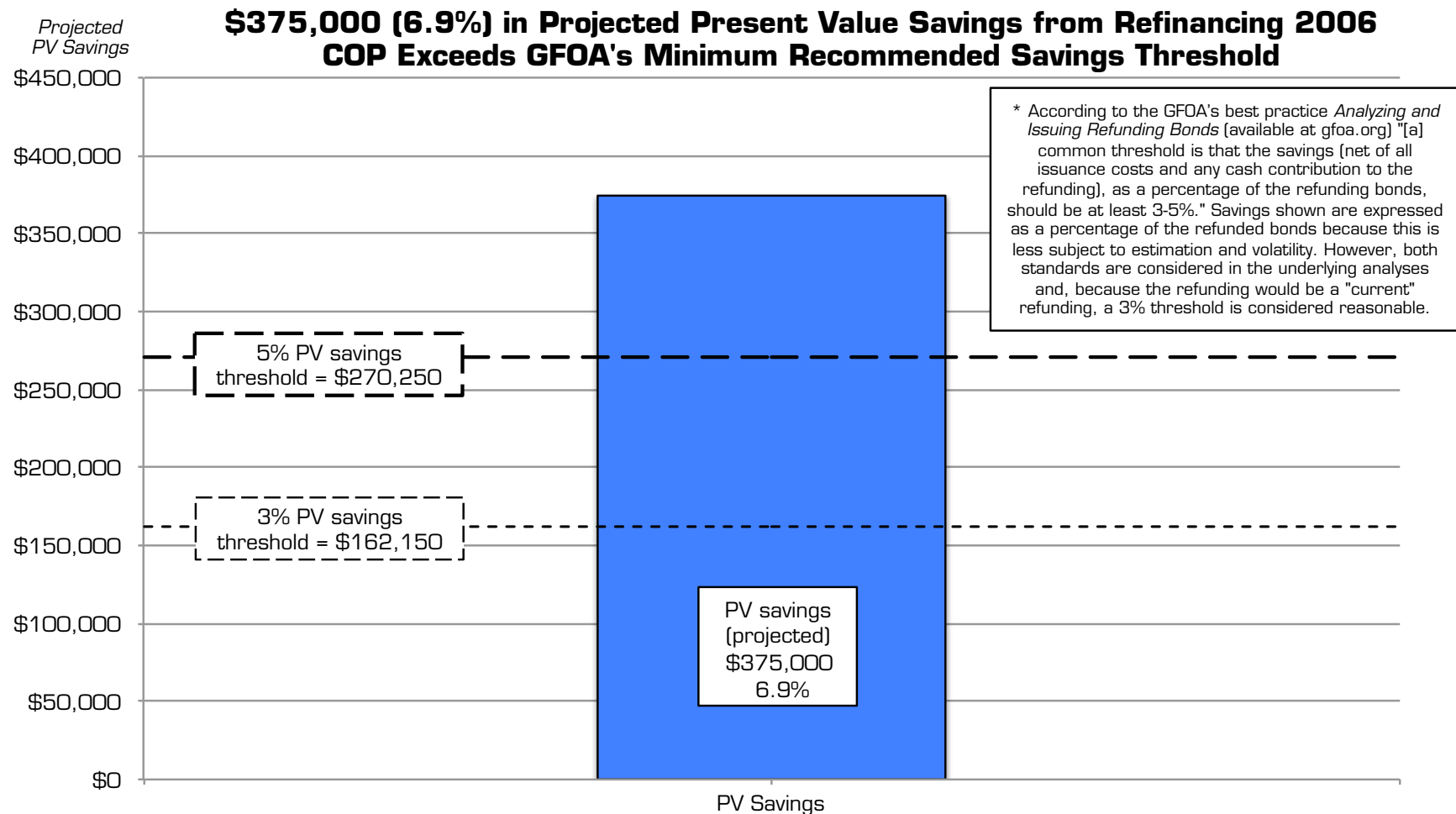
Notes: The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years and is compiled every Thursday. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Rating Service AA.

- ✓ With lower interest rates ↓, we can repay principal faster ←
 - ▶ Refinance and restructure 2006 certificates

2015 COPs Can Accelerate Repayment

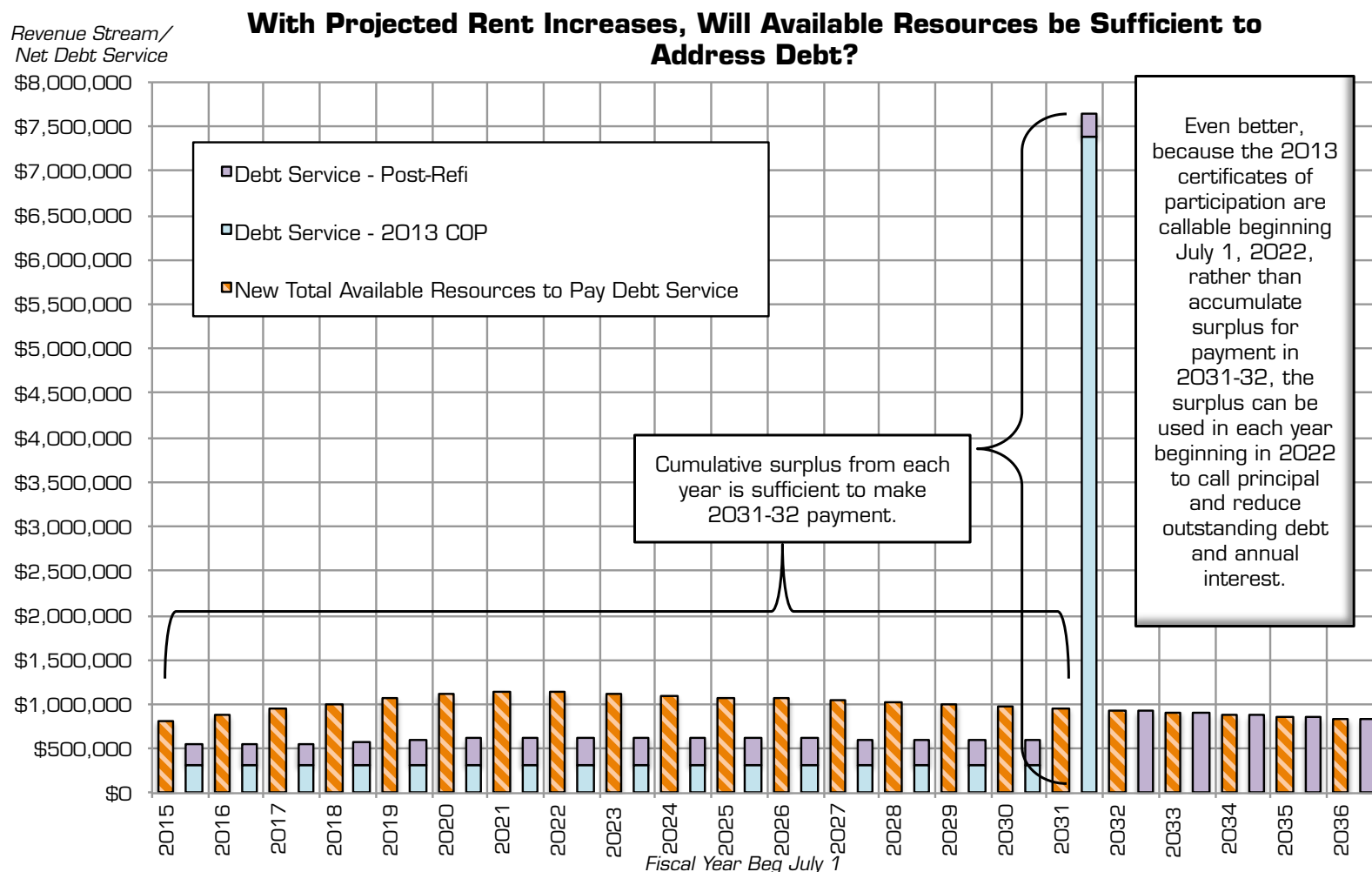


Proj. Savings > Best Practice Standard



Projected savings based on "AAA" MMD rates as of May 1, 2015, adjusted for District's assumed "AA-" rating (+50bp for years 1-10, and +80bp for years 11+). Savings are net of negative arbitrage (\$18,300). Values rounded.

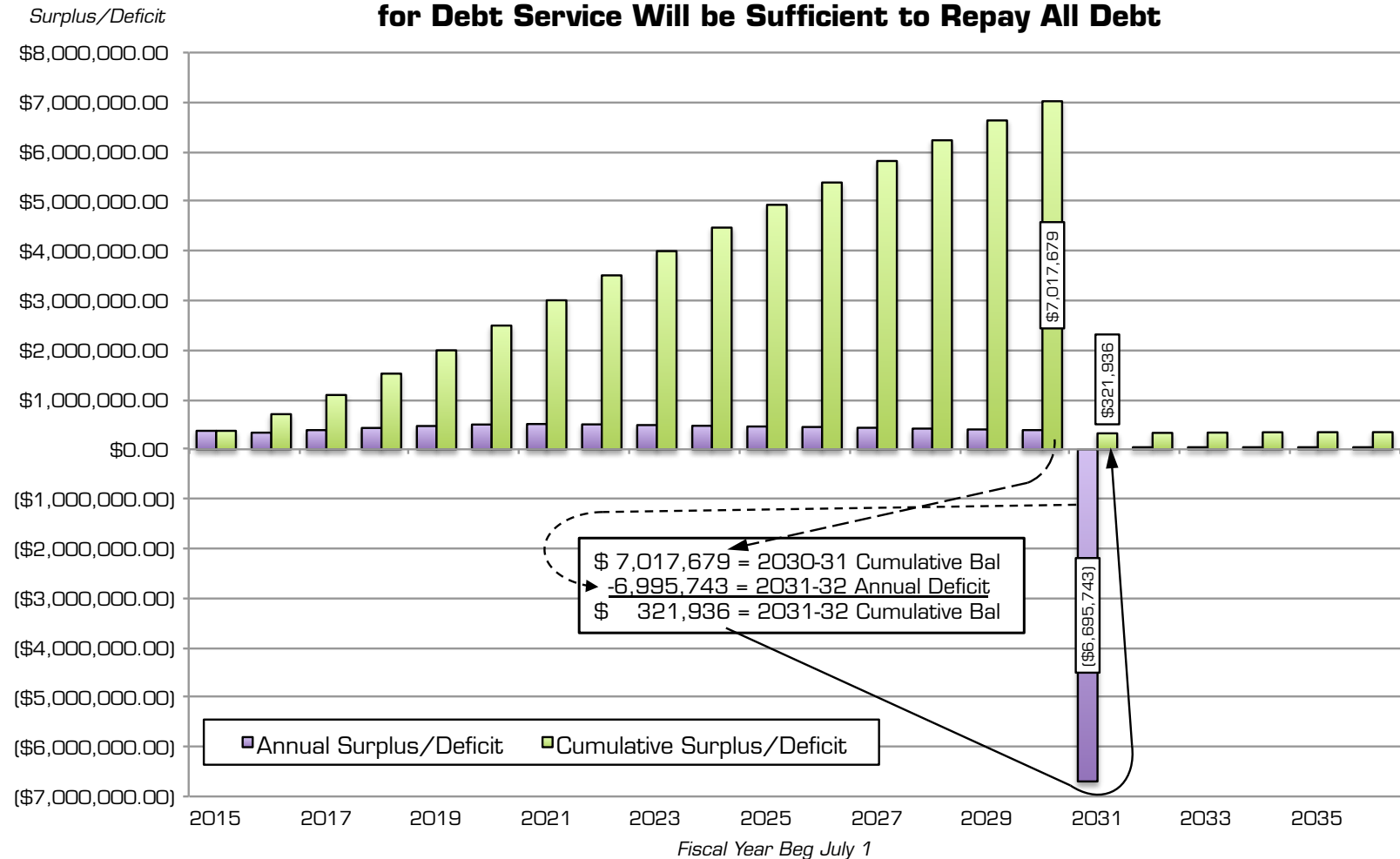
Plan for Early Call of 2013 COPs



Debt service from *Official Statements*. Currently available revenue stream derived from actual 2013-14 rent revenue (\$1,051,444) less expenses (\$295,131) subject to a 4% annual inflation rate, from Financial Statements and Independent Auditors Report, dated June 30, 2014 and assumed incremental annual rent increases to reach 80% of market rental rates. Rent revenue continues beyond the chart's end date, but for purposes of this analysis, we are only showing rent through COP maturities. Net debt service reflects assumed interest earnings on reserve account, and application of reserve on final maturity.

Reserve Deposits Will Be Essential

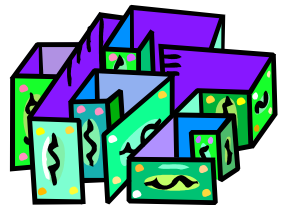
Graphical Representation of Proof of Accumulating Available Resources for Debt Service Will be Sufficient to Repay All Debt



Initial data provided via email by Cariste Blasé - rental rates: January 14, 2015, & market rates: January 28, 2015. Assumes incremental rent revenue increase to 80% of market rates. Assumes refinancing of 2006 COP.

Summary

- ◆ New Rent Structure Adopted
 - ▶ At a minimum:
 - Each July, each unit's monthly rent will increase \$100.
 - ▶ This minimal approach targets rents for all units to be at 80% of *today's* market rents after 8 years, though some units will require less years to reach the target.
- ◆ Refinance and restructure 2006 certificates of participation via issuance of 2015 refunding certificates.
- ◆ Reserve revenue not needed for current operations and debt service to effect early repayment of 2013 refunding certificates (which refinanced the 2001 certificates).
- ◆ All certificates of participation obligations projected to be repaid by 2036-37.



Next Steps

- ◆ Thursday, September 10
 - ▶ Board of Trustees consideration of action items allowing for refinancing and restructuring of 2006 Certificates of Participation
 - ▶ By September 11: Teacher Housing Foundation would also take action
- ◆ Thursday, September 24
 - ▶ Sale of 2015 Refunding Certificates of Participation
 - ▶ Closing: Thursday, October 15
- ◆ Thursday, November 12
 - ▶ Information report to Board of Trustees regarding certificates of participation sale results
 - ▶ Teacher Housing Foundation likely to meet to receive update prior to Board of Trustees meeting

Questions?



✓ Thank you!