

September 12, 2019

# San Mateo Union High School District

## Bond Refinancing

### Keygent LLC

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# Refinancing Candidates

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Under current market interest rates, the District may be able to refinance one series of previously issued bonds (the “Prior Bonds”):

- ◆ 2014 General Obligation Refunding Bonds
  - Original issuance amount: \$50,190,000
  - Currently outstanding: \$48,230,000

Per IRS regulations, the Refunding Bonds are required to be issued as taxable bonds

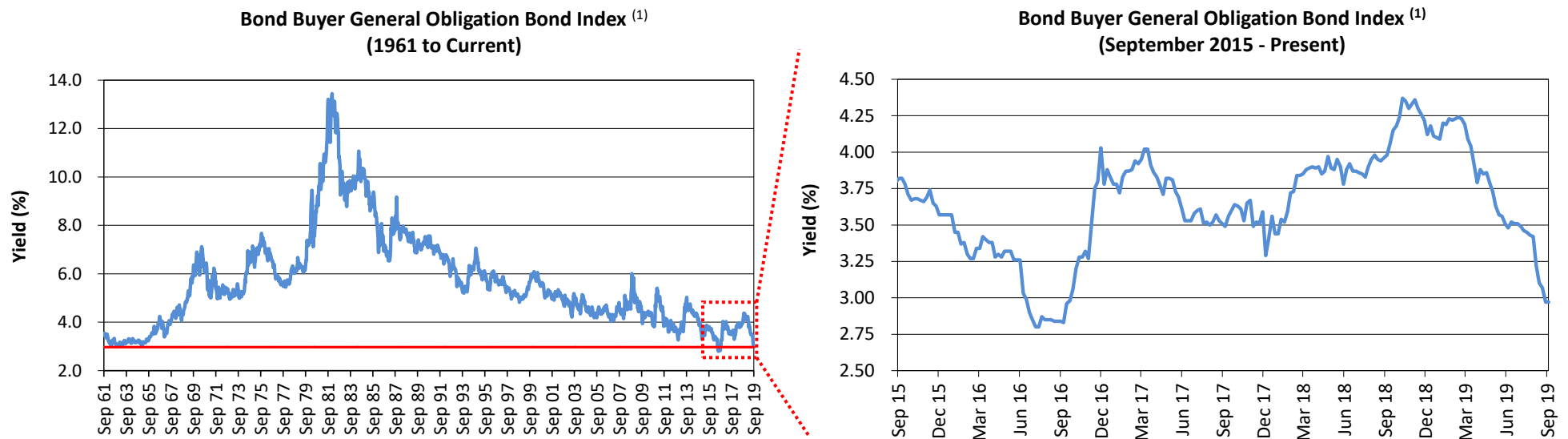
- ◆ Taxable bonds carry a higher interest rate than tax-exempt bonds, however, the potential savings are still significant



# Municipal Bond Interest Rates

Municipal bond interest rates are near historic lows resulting from:

- ◆ Slowdown in European economies
- ◆ Geopolitical uncertainties surrounding Brexit, Iran and Hong Kong
- ◆ Trade war with China
- ◆ Fed and other central bank rate cuts/stimulus measures



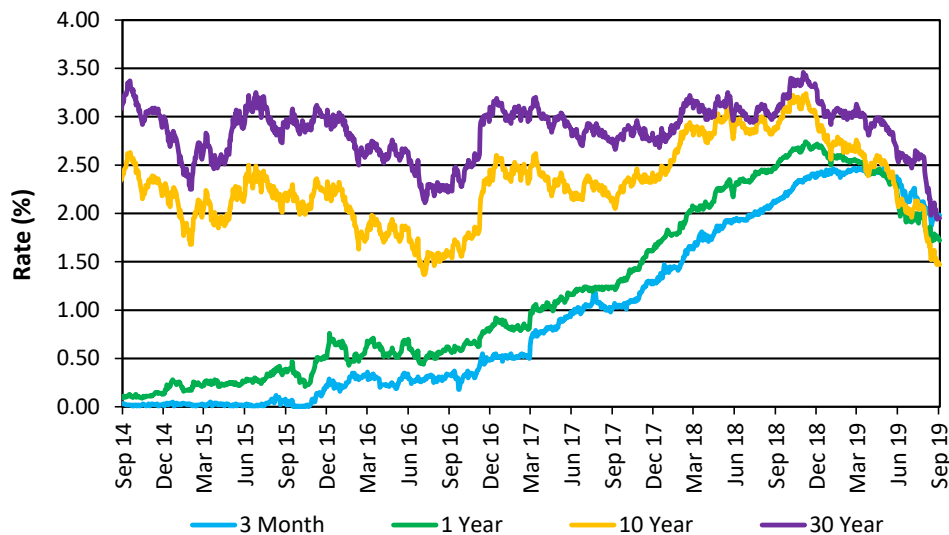
(1) Index reflects average yield to maturity of 20 general obligation bonds with 20-year maturities rated 'Aa2' by Moody's Investors Service and 'AA' by Standard and Poor's. Source: The Bond Buyer & Bloomberg.



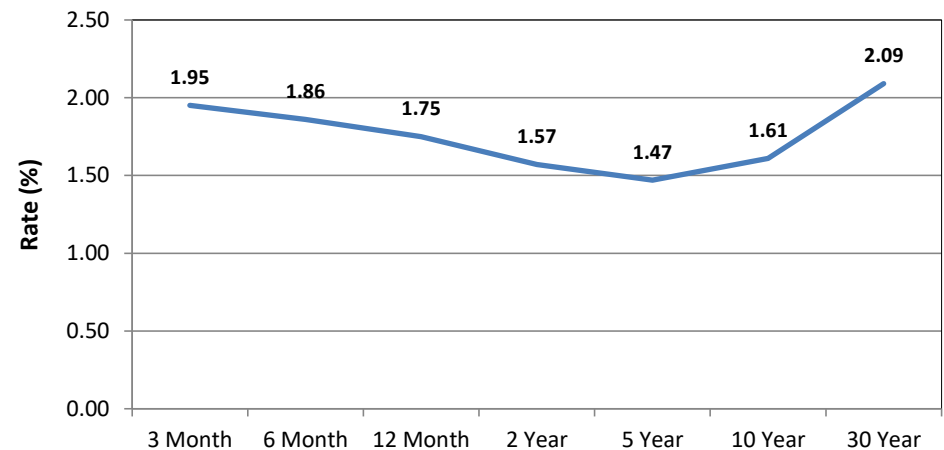
# U.S. Treasury Rates

Short-term and long-term U.S. Treasury rates have recently compressed and inverted in some years

U.S. Treasury Rates <sup>(1)</sup>  
(September 2014 - Present)



U.S. Treasury Yield Curve <sup>(1)</sup>



(1) Source: U.S. Department of the Treasury. Data as of September 9, 2019.



# Credit Ratings

The District has the highest possible credit rating from Moody's

- ◆ Last affirmed in July 2019 with 'Stable Outlook'

The rating criteria is generally:

- ◆ 30% local economy/tax base
- ◆ 30% district finances
- ◆ 20% district debt/pension
- ◆ 20% district management

	Moody's	Rating Description
Investment grade	Aaa	Prime
	Aa1	High grade
	Aa2	
	Aa3	
	A1	Upper medium grade
	A2	
	A3	
	Baa1	Lower medium grade
	Baa2	
	Baa3	
Non-investment grade	Ba1	Speculative
	Ba2	
	Ba3	
	B1	Highly speculative
	B2	
	B3	
	Caa1 & below	Extremely speculative/ Default



# General Obligation Bond Refinancing

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The District may realize savings for its taxpayers by refinancing a portion of the Prior Bonds

- ◆ The total estimated savings is approximately **\$2.1 million** over the life of the refinancing (after all costs are paid from proceeds)
  - Savings would be generated for the District's taxpayers by replacing the higher interest rate Prior Bonds with lower interest rate Refunding Bonds
  - The savings are subject to market fluctuations in interest rates until the Refunding Bonds are sold
- ◆ *All financing costs (with the exception of credit ratings) are contingent upon the successful issuance of the Refunding Bonds and are paid only from bond proceeds, not the General Fund*



# Refinancing Summary <sup>(1)</sup>

Under current interest rates, a refinancing of the Prior Bonds produces savings above the 3% present value industry benchmark

## Debt Service Comparison <sup>(1)</sup>

Date	Current Payments <sup>(2)</sup>	Estimated New Payments	Estimated Savings
9/1/2020	\$ 1,658,650	\$ 1,655,262	\$ 3,388
9/1/2021	1,658,650	1,484,216	174,434
9/1/2022	1,658,650	1,479,407	179,243
9/1/2023	1,658,650	1,484,326	174,324
9/1/2024	1,658,650	1,483,789	174,861
9/1/2025	1,658,650	1,482,772	175,878
9/1/2026	5,133,650	4,955,503	178,148
9/1/2027	5,379,900	5,201,453	178,448
9/1/2028	5,645,150	5,466,208	178,943
9/1/2029	5,922,400	5,743,433	178,968
9/1/2030	6,204,900	6,029,408	175,493
9/1/2031	6,506,150	6,330,488	175,663
9/1/2032	6,818,625	6,640,113	178,513
Total	\$ 51,562,675	\$ 49,436,374	\$ 2,126,301

## Estimated Refinancing Results <sup>(1)</sup>

Debt Service Savings:	\$ 2,126,301
Present Value Savings:	\$ 1,834,972
Present Value Savings %:	5.33%
Interest Rate of Prior Bonds:	4.78%
Interest Rate of Refunding Bonds:	2.44%
Call Date of Prior Bonds:	9/1/2024
Escrow Yield: <sup>(3)</sup>	1.44%
Refunding Bond Yield:	2.35%
Escrow Negative Arbitrage:	\$ (1,546,156)

(1) Reflects Keygent's opinion of current interest rates considering similar financings recently sold by California K-14 districts and the District's current ratings. Refinancing results are subject to market fluctuations until Refunding Bonds are sold. Includes all estimated financing costs.

(2) Assumes refinancing of all callable maturities except 9/1/2025 due to dissavings.

(3) Subject to bid and District determination. Assumes State and Local Government Series Securities as of August 19, 2019.



# Interest Rate Sensitivity

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The savings from the Refunding Bonds are extremely sensitive to changes in interest rates

- ◆ Every **increase** in interest rates by 0.1% **decreases** the savings by ~\$400,000
- ◆ Every **decrease** in interest rates by 0.1% **increases** the savings by ~\$400,000

Rates	Savings
<b>+0.1%</b>	\$ 1,723,726
<b>Current Rates</b>	\$ 2,126,301
<b>-0.1%</b>	\$ 2,525,444





# Next Steps

Legend		
<b>D</b>	=	<b>District</b> , San Mateo Union High School District
<b>FA</b>	=	<b>Financial Advisor</b> , Keygent LLC
<b>BC</b>	=	<b>Bond Counsel</b> , Stradling Yocca Carlson & Rauth
<b>UW</b>	=	<b>Underwriter</b> , Stifel, Nicolaus & Company, Incorporated

September 2019						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October 2019						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November 2019						
S	M	T	W	T	F	S
						1 2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Date	Event	Responsibility
Completed	Credit package sent to rating agency	FA
Completed	Distribution of draft issuance resolution, and forms of preliminary official statement (POS) and other legal documents	BC
September 19	District Board meeting to adopt issuance resolution and forms of POS and other legal documents	D
Week of September 23	Rating agency conference call	D, FA, BC, UW
October 4	Finalize POS and post electronically	BC, FA, UW
October 10	Price Bonds – Interest rates locked in	D, FA, UW
October 17	Print and mail final official statement	BC
November 7	Closing	All Parties

