

SAN MATEO UNION HIGH SCHOOL DISTRICT POTENTIAL GENERAL OBLIGATION BOND DISCUSSION

October 10, 2019



AGENDA

- Background information
- District educational facilities
- Educational facilities needs
- Safety and Security Educational Needs
- Academic Needs
- Technology Needs
- Sustainability Needs
- Project list cost estimates
- Potential bond financing options
- Summary
- Questions and Discussion

BACKGROUND

The District successfully managed three capital facilities General Obligation Bond programs over the past two decades

Citizens' Oversight Committee (COC)

The San Mateo Union High School District Citizens' Oversight Committee stated it has been pleased to find the District to be fiscally accountable and responsible in safeguarding its assets. The Committee has expressed its gratitude to the District for its perseverance in acquiring the property on Hinckley Road for a state-of-the-art, innovative continuation high school/alternative high school, Peninsula High School. The COC supports a future bond and applauds the Board of Trustees' interest in protecting all students and staff by eliminating or mitigating the asbestos building panels (transite) and implementing state-of-the-art safety and security systems at all campuses.

Cindy Montgomery, Chair

Citizen Oversight Committee

BACKGROUND

PERFORMANCE BOND AUDITORS

David Becker, a partner with James Marta and Company, has performed the financial and performance audits for the District's Measure M and O General Obligation Bond funds since the 2015/16 fiscal year. For the years he has completed the Measure M and O General Obligation Bond audits, he has issued unmodified opinions on the financial statements and have not identified any non-compliance with the bond measures.

He has also issued letters to the Citizen's Oversight Committee and Board of Directors indicating that he was able to conduct the audits as planned, management was cooperative and provided him with all documentation and information requested, he had no disagreements with management, and he did not identify any significant matters, findings or issues.

He felt the District has done an **outstanding job** in managing these general obligation bond funds over the years.

David Becker, Partner, CPA
James Marta and Company LLP

BACKGROUND

ACCOUNTABILITY

- Applied for and was awarded OPSC hardship grant for the arsenic remediation at Burlingame High School included installing artificial turf on the practice field.
- Maximized funding by applying for eight State Career Technology Grants and was awarded eight grants for \$13 million.
 - AHS-Multimedia Center
 - AHS-Engineering Center
 - AHS-Health, Science, Biotechnology Research and Development
 - BHS-Cabinet, Woods and Media Building
 - CHS-Satellite Humanities Building
 - HHS-Robotics Arts Center
 - MHS-Media Arts Center
 - SMHS-New Biotechnology Building

BACKGROUND

FINANCIAL STEWARDSHIP

- Refinanced many of our outstanding General Obligation bonds to save our local taxpayers approximately \$44 million.
- Took full advantage of subsidized bond programs under the American Recovery & Reinvestment Act (ARRA)
 - Build America Bonds (BABs)
 - Qualified School Construction Bonds (QSCBs)

EDUCATIONAL FACILITIES

Comprehensive High Schools

- 191 acres
- 1,464,793 square feet of building space
- 52 Stand alone buildings
- 23 Sports fields
- 48 Tennis Courts
- 6 Swimming pools
- 16.5 Outdoor basketball courts
- 5 Outdoor volleyball courts

Other Facilities

- 47 acres
- 271,117 square feet of building space

EDUCATIONAL FACILITY NEEDS

Significant research has found that school facilities impact teaching and learning in profound ways. Great facilities play an important role in improving outcomes for both teachers and students. While improving facilities comes at a financial cost, the benefits of such investments surpass the fiscal costs. We would like to improve the District's educational facilities in four areas:

- Safety and Security
- Student Academic Improvement
- Update Technology Infrastructure
- Sustainability

EDUCATIONAL FACILITY NEEDS-SAFETY AND SECURITY

- Social and safety issues have arisen in last five years (Sandy Hook). The District needs to address this to ensure student safety. This will provide a safe and secure learning environment for all students.
- We need to remove and or mitigate toxic materials

SAFETY AND SECURITY IMPROVEMENT PROJECTS-DISTRICTWIDE

- Surveillance Camera Systems
- State-of-the-Art Locking Systems, Instant Lockdown
- Install State-of-the-Art Alarm Systems (Fire, Smoke, Carbon Monoxide Detection Systems)
- Visitor Registration System
- Classroom Communication Systems
- LED light posts installed along school path of travel

EDUCATIONAL FACILITY NEEDS-SAFETY AND SECURITY

SAFETY AND SECURITY IMPROVEMENT PROJECTS CONTINUED

- HHS, MHS, AHS-Removal or Remediation Asbestos composed building panels (Transite)
- AHS, CHS, MHS-Pave fire loop

EDUCATIONAL FACILITY NEEDS-SUSTAINABILITY

Replace deteriorating water lines, heating and air conditioning systems are nearing the end of their lifespan. Replacing these units will improve energy efficiency and the District's reduce the carbon footprint and reduce operational expense. This allows precious resources to be diverted directly into educational programs

SPECIFIC SUSTAINABILITY IMPROVEMENT PROJECTS

- SMHS replace Roof
- SMHS replace HVAC units (no new ductwork)
- AHS install state-of art ventilation systems in classrooms (variable blade dampers to control outside air)
- HHS replace domestic water line in tunnel
- AHS, BHS, SMHS-replace end-of-life central plant boilers with energy efficient staged boilers systems

EDUCATIONAL FACILITY NEEDS-SUSTAINABILITY

SUSTAINABILITY IMPROVEMENT PROJECTS CONTINUED

- AHS, HHS, CHS, MHS-Re-plaster swimming pools
- CHS Athletic Complex
- MHS Athletic Complex
- SMHS replace chillers with energy efficient staged models
- BHS replace stadium light fixtures with Musco LED light fixtures
- SMHS, AHS Artificial Turf Play Field
- Install sophisticated ventilation systems in gyms (variable frequency drives)
- BHS replace AC units with energy efficient units in building C

EDUCATIONAL FACILITY NEEDS-ACADEMIC IMPROVEMENTS

Classrooms need to be updated to align with exemplary teaching standards that provide our teachers with state-of-the-art facilities to build brilliant minds.

STUDENT ACADEMIC IMPROVEMENT PROJECTS

The District has a need for modernized math, engineering, science and laboratories classrooms.

- CHS, MHS-Stem Academies
- MHS-Wellness Center
- MHS-Maker Space
- Student Unions Activity Centers-Districtwide
- Upgrade classrooms (technology, finishes, lighting)-Districtwide
- BHS-Science Classroom and Laboratory
- BHS-Gym Complex (gyms, locker rooms, classrooms, specialized spaces)

STUDENT ACADEMIC IMPROVEMENT PROJECTS

- HHS-Repurpose specialized classroom to regular classroom
- BHS-New Band Classroom
- HHS-Install fence to create outdoor teaching spaces
- SMHS-Gym (gym, locker rooms, classrooms, specialized spaces)
- HHS-Redesign connections between wings
- CHS-Renovate teacher training room and building layout
- AHS-Student Multipurpose/Cafeteria Room
- Musco LED lights for Swimming Pools compliant with USA Water Polo for six schools
- State mandated Gender Neutral Restrooms-Districtwide
- Convert computer lab to classrooms-Districtwide
- Reconfigure existing Libraries to encompass project based work, interactive technologies, collaboration spaces, independent studying spaces-Districtwide.

STUDENT ACADEMIC IMPROVEMENT PROJECTS

- BHS-HVAC improvements in A wing-parity
- SMHS-HVAC improvements in music building-parity
- AHS-Stadium Field Bleachers
- AHS-Modernize CTE Classroom-Culinary Arts
- SMHS-Modernize CTE Classroom-Culinary Arts
- BHS-Modernize entrance to Stadium Field
- SMHS-Pool modifications for athletic programs
- SMHS-Air conditioning gym

EDUCATIONAL FACILITY NEEDS-TECHNOLOGY

State-of-the-Art technology is essential to keep pace with innovation. Increasing student access and upgraded technology is necessary to align with current educational needs and safety standards.

- Upgrade future ready bandwidth (fiber optic to classrooms)
- Install USB fast chargers
- Upgrade wireless network

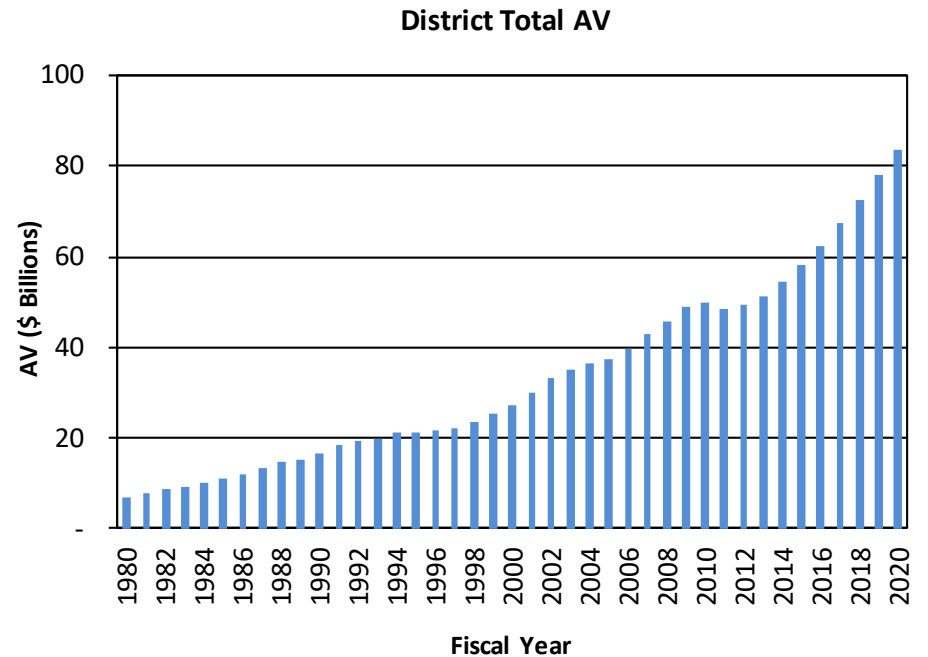
PROJECT COST ESTIMATES

- If all the facility projects were submitted to and approved by the Board of Trustees and commenced in 2020, the cost is estimated at \$553 million.
- If all the facility projects were submitted to and approved by the Board of Trustees and commenced in 2030, the cost is estimated at \$900 million (5% increase for construction escalation and building code changes).

DISTRICT ASSESSED VALUE HISTORY

District assessed valuation ("AV") grew 7.19% in 2019-20

FY	Total AV ⁽¹⁾	Annual % Change	FY	Total AV ⁽¹⁾	Annual % Change
1980	\$ 6,950,968,328		2001	\$ 30,130,957,543	10.60 %
1981	7,818,402,728	12.48 %	2002	33,322,949,789	10.59
1982	8,586,492,051	9.82	2003	35,142,000,759	5.46
1983	9,324,020,866	8.59	2004	36,367,513,474	3.49
1984	10,192,734,846	9.32	2005	37,355,797,451	2.72
1985	11,064,403,917	8.55	2006	39,547,029,670	5.87
1986	12,159,618,415	9.90	2007	42,737,328,174	8.07
1987	13,450,160,799	10.61	2008	45,772,758,969	7.10
1988	14,740,133,042	9.59	2009	49,015,421,714	7.08
1989	15,367,811,733	4.26	2010	49,956,726,563	1.92
1990	16,589,301,057	7.95	2011	48,512,764,540	-2.89
1991	18,286,872,036	10.23	2012	49,218,238,225	1.45
1992	19,291,435,551	5.49	2013	51,174,704,668	3.98
1993	20,017,834,414	3.77	2014	54,542,396,754	6.58
1994	21,106,563,117	5.44	2015	58,033,722,397	6.40
1995	21,255,593,208	0.71	2016	62,542,136,644	7.77
1996	21,795,038,662	2.54	2017	67,281,396,107	7.58
1997	22,287,173,755	2.26	2018	72,683,797,998	8.03
1998	23,317,372,221	4.62	2019	77,920,001,667	7.20
1999	25,161,192,574	7.91	2020	83,526,113,064	7.19
2000	27,242,138,798	8.27			



Growth Statistics			
Annualized Growth Rates:		Lowest Rolling Averages:	
1-year:	7.19 %	3-year:	0.14 %
5-year:	7.55	5-year:	2.16
10-year:	5.27	10-year:	3.83
15-year:	5.51	15-year:	4.80
20-year:	5.76	20-year:	4.79
25-year:	5.63	25-year:	5.04
30-year:	5.54	30-year:	5.46
35-year:	5.95	35-year:	5.95
40-year:	6.41		

(1) Source: California Municipal Statistics, Inc.

2019-20 SAN MATEO COUNTY K-12 BOND TAX RATES

District	Elementary & High School District Tax Rates ⁽¹⁾	Aggregate K-12 Tax Rates ⁽¹⁾
Cabrillo Unified	-	\$115.10
La Honda-Pescadero Unified	-	\$53.30
South San Francisco Unified	-	\$38.10
Jefferson Union High	\$81.10	
Bayshore Elementary	\$41.90	\$123.00
Brisbane Elementary	\$19.00	\$100.10
Jefferson Elementary	\$66.70	\$147.80
Pacifica Elementary	\$50.50	\$131.60
<i>San Mateo Union High</i>	<i>\$38.50</i>	
Burlingame Elementary	\$63.30	\$101.80
Hillsborough Elementary	\$29.20	\$67.70
Millbrae Elementary	\$32.30	\$70.80
San Bruno Elementary	\$49.70	\$88.20
San Mateo-Foster City Elementary	\$43.70	\$82.20
Sequoia Union High	\$34.00	
Belmont-Redwood Shores	\$67.50	\$101.50
Las Lomitas Elementary	\$85.40	\$119.40
Menlo Park Elementary	\$36.50	\$70.50
Portola Valley Elementary	\$50.90	\$84.90
Ravenswood Elementary	\$52.20	\$86.20
Redwood City Elementary	\$39.60	\$73.60
San Carlos Elementary	\$60.40	\$94.40
Woodside Elementary	\$43.10	\$77.10

(1) Tax rate per \$100,000 of AV.

\$250 MILLION BOND SCENARIO

Summary: Request voters to authorize a new tax of \$10.56 per \$100,000 of AV to generate \$250 million

- Assumptions:
 - March 2020 election date
 - Interest rates: 5.00% - 6.50% ⁽¹⁾
 - 100% CIBs (no CABs)
 - Annual AV growth rates:
 - 2020-21: 3.00%
 - Thereafter: 4.50%

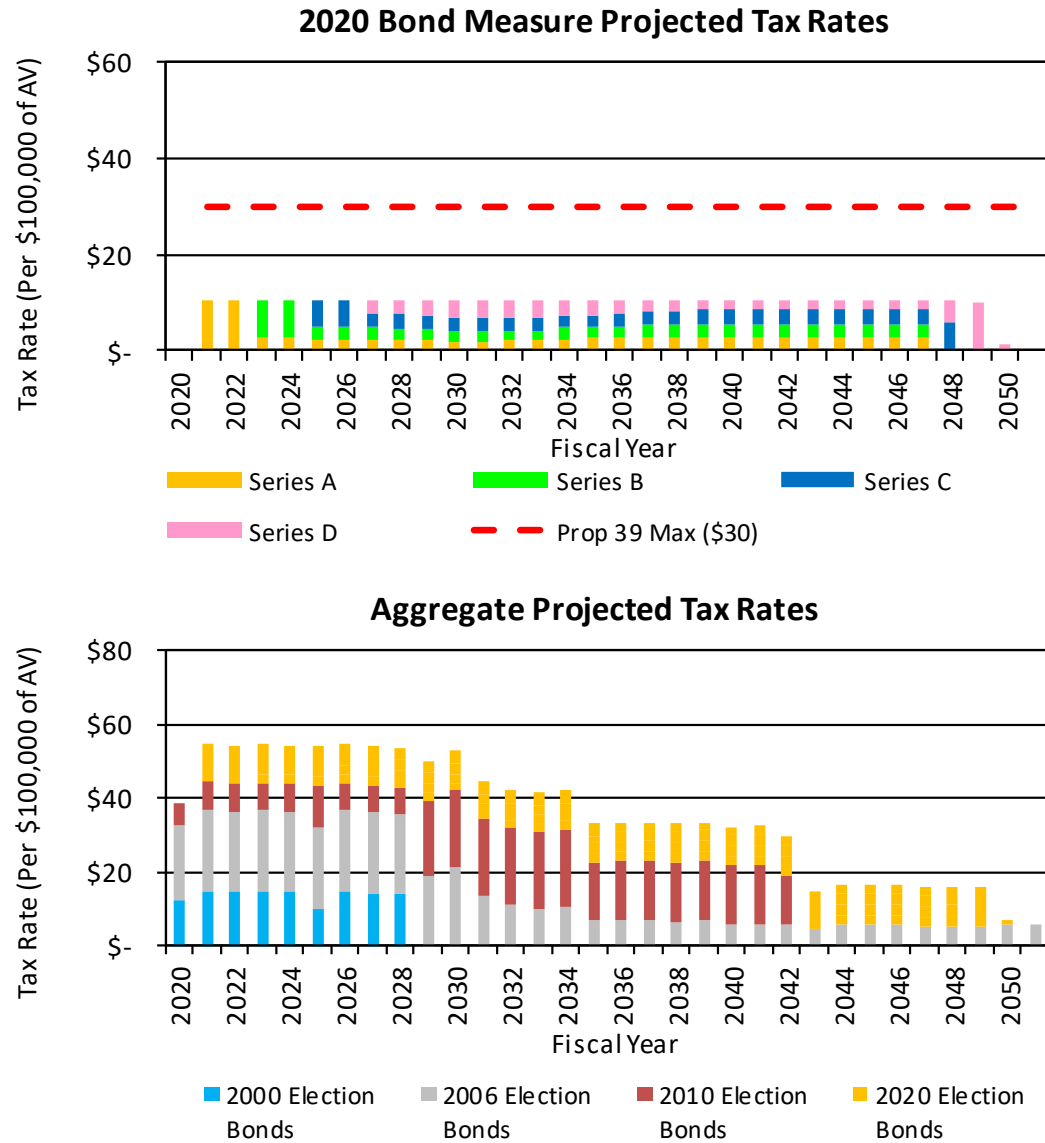
Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Principal	Estimated Net Debt Service	Net Repayment Ratio
Series A	September 2020	\$ 62,500,000	\$ 118,928,000	1.90 to 1
Series B	September 2022	62,500,000	124,796,625	2.00 to 1
Series C	September 2024	62,500,000	135,449,500	2.17 to 1
Series D	September 2026	62,500,000	148,403,657	2.37 to 1
Total		\$ 250,000,000	\$ 527,577,782	2.11 to 1

(1) Assumes higher than current market interest rates as of October 4, 2019. Interest rates are subject to market fluctuations until bonds are sold.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District's project needs.

PROJECTED TAX RATES - \$250 MILLION ⁽¹⁾



(1) Assumes AV growth of 3.00% for 2020-21 and 4.50% annually thereafter.

\$350 MILLION BOND SCENARIO

Summary: Request voters to authorize a new tax of \$14.79 per \$100,000 of AV to generate \$350 million

- Assumptions:
 - March 2020 election date
 - Interest rates: 5.00% - 6.50% ⁽¹⁾
 - 100% CIBs (no CABs)
 - Annual AV growth rates:
 - 2020-21: 3.00%
 - Thereafter: 4.50%

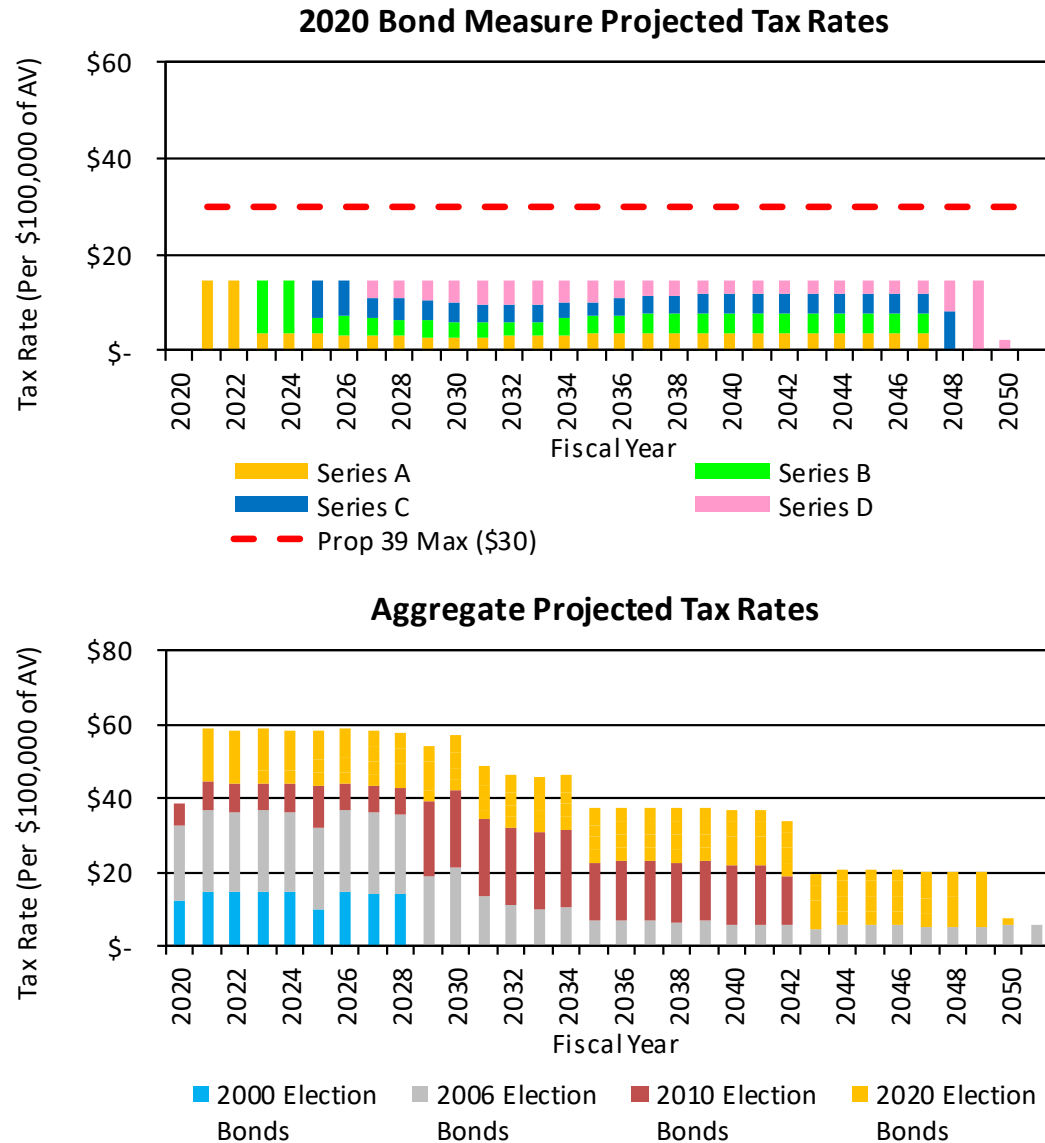
Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Principal	Estimated Net Debt Service	Net Repayment Ratio
Series A	September 2020	\$ 87,500,000	\$ 166,508,500	1.90 to 1
Series B	September 2022	87,500,000	174,738,675	2.00 to 1
Series C	September 2024	87,500,000	189,620,400	2.17 to 1
Series D	September 2026	87,500,000	207,755,393	2.37 to 1
Total		\$ 350,000,000	\$ 738,622,968	2.11 to 1

(1) Assumes higher than current market interest rates as of October 4, 2019. Interest rates are subject to market fluctuations until bonds are sold.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District's project needs.

PROJECTED TAX RATES - \$350 MILLION ⁽¹⁾



(1) Assumes AV growth of 3.00% for 2020-21 and 4.50% annually thereafter.

\$385 MILLION BOND SCENARIO

Summary: Request voters to authorize a new tax of \$16.27 per \$100,000 of AV to generate \$385 million

- Assumptions:
 - March 2020 election date
 - Interest rates: 5.00% - 6.50% ⁽¹⁾
 - 100% CIBs (no CABs)
 - Annual AV growth rates:
 - 2020-21: 3.00%
 - Thereafter: 4.50%

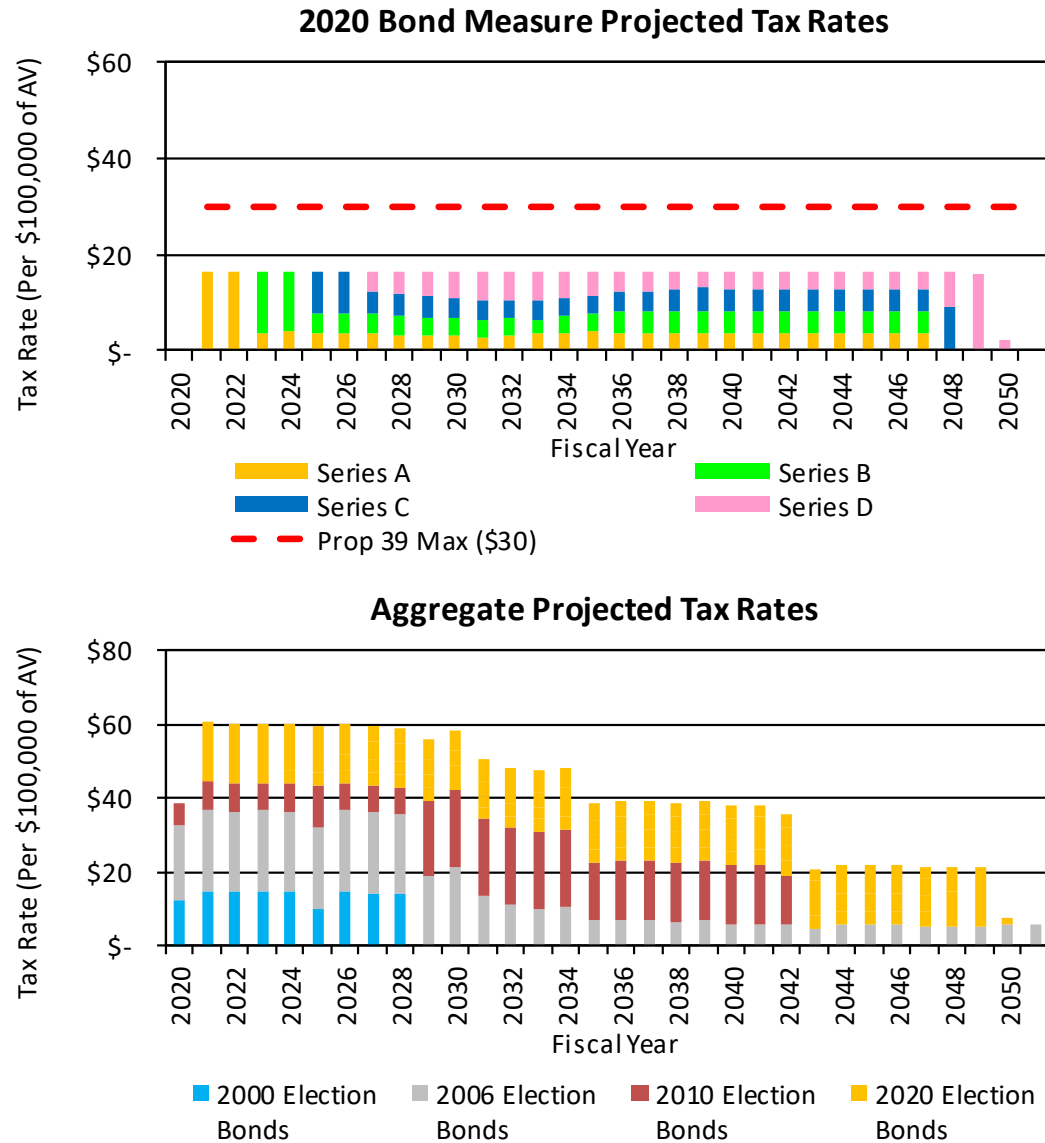
Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Principal	Estimated Net	Net Repayment
			Debt Service	Ratio
Series A	September 2020	\$ 96,250,000	\$ 183,176,500	1.90 to 1
Series B	September 2022	96,250,000	192,205,350	2.00 to 1
Series C	September 2024	96,250,000	208,592,200	2.17 to 1
Series D	September 2026	96,250,000	228,499,704	2.37 to 1
Total		\$ 385,000,000	\$ 812,473,754	2.11 to 1

(1) Assumes higher than current market interest rates as of October 4, 2019. Interest rates are subject to market fluctuations until bonds are sold.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District's project needs.

PROJECTED TAX RATES - \$385 MILLION ⁽¹⁾



(1) Assumes AV growth of 3.00% for 2020-21 and 4.50% annually thereafter.

TAX RATE SENSITIVITY

A higher tax rate would generate more proceeds to the District

Tax Rate Sensitivity

Tax Rate Target for 2020 Bonds ⁽¹⁾	Bond Size
\$10.56	\$ 250,000,000
\$12.68	\$ 300,000,000
\$14.79	\$ 350,000,000
\$16.27	\$ 385,000,000
\$16.90	\$ 400,000,000
\$21.13	\$ 500,000,000
\$30.00	\$ 710,059,172

(1) Per \$100,000 of AV.

SUMMARY

- The District has assembled a highly qualified Capital Facility Bond team to assist with the bond election, financing and the execution of the construction projects.
- The Community has trusted us to improve our educational facilities to enhance and improve the educational program and we have.
- The District demonstrated exemplary financial accountability and management of its capital facilities programs.
- The District has been financially responsible to the community by refinancing bonds and saving the taxpayers \$44 million
- The Capital Facilities project list have been executed
- The District maximized its resources and expanded the scope of educational projects by applying for Federal and State grants
- Staff is recommending the Board of Trustees approve placing a bond on the March ballot for the maximum issuance amount.

CONCLUSION

Questions and Answers