



Campbell Union School District

Review of General Obligation Bond Program and Plan to Issue Series 2019 Bonds

Presentation to Board of Trustees

October 3, 2019

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Thank You!

- We appreciate the opportunity to present to the Board this evening.
 - In the past 12 months, California school districts issued over 220 series of bonds totaling more than \$7 billion in par value.
 - Financial advisors and other consultants play a significant role in developing and implanting California school district bond programs.
 - School boards should be aware of certain core elements of their bond programs, their ongoing responsibilities, and about emerging areas of concern.
 - We are running an innovative and responsible program here and want to communicate that transparently.



District Bond Program

- The District's bond program has been very successful by any number of measures.
 - You've been investing in your facilities on an ongoing and consistent basis for nearly twenty years.
 - You've secured funding for future improvements before exhausting existing resources so that the program has run without interruption over that period.
 - You have clearly communicated to taxpayers the cost of the program and have managed tax rates to that target more successfully than any other school district in the State.
 - Your program has earned the respect and trust of your community as indicated by high passage rates for your bond measures.



Moving Forward

- There are some elements of the bond program that we'd like to improve.
 - The program continues to move relatively quickly and tax rate targets have been relatively low – we want to better match the pace of the program to the allocated resources.
 - We'd like to shorten the terms of bond issues and reduce repayment ratios.
 - We'd like to operate with more of a cushion to targets to create more flexibility in the program.



Ongoing & Consistent Investment

- Ongoing and Consistent Investment. We believe that there are significant benefits to investing in school facilities on an ongoing and consistent basis.
 - District facilities are valued at more than \$600 million.
 - Maintaining such facilities to a state of good repair is the best way to build flexibility into the District's program.
 - What we want to do is to build a program that is sustainable.



History of Bond Expenditures

- The District has been spending bond money to make facility improvements on an ongoing and consistent basis for more than fifteen years.^[1]
 - Three successful authorizations totaling nearly \$300 million.
 - Significant expenditure of funds in each and every year since fiscal year 2002-03 and averaging nearly \$12 million per year.
 - Such expenditures have produced dramatic improvements to District facilities over that time.

[1] Excludes 1994 Measure D bond authorization which did not link to current program.



History of Bond Elections

- The District has held four bond elections since such authority was restored in November 1989.

Election Date	Measure	Authorization Amount		% Support
Nov-94	Measure D	\$	42,000,000	73.20%
Mar-02	Measure H		74,900,000	66.90%
Jun-10	Measure G		150,000,000	73.90%
Nov-16	Measure CC		72,000,000	67.91%
Total		\$	338,900,000	



History of Bond Issuance

■ The District has new money bonds on 14 occasions under these authorizations.

Dated Date	Series	Amount Counting Toward 1994 Authorization	Amount Counting Toward 2002 Authorization	Amount Counting Toward 2010 Authorization	Amount Counting Toward 2016 Authorization
8/3/1994	General Obligation Bonds, Election of 1994, Series A ^(e)	\$27,164,904	-	-	-
9/18/1996	General Obligation Bonds, Election of 1994, Series B ^(f)	9,997,058	-	-	-
6/1/1997	General Obligation Bonds, Election of 1994, Series C (CABs) ^(f)	4,838,039	-	-	-
6/1/2002	General Obligation Bonds, Election of 2002, Series A ^(g) ^(h) ⁽ⁱ⁾	-	\$25,000,000	-	-
6/3/2004	General Obligation Bonds, Election of 2002, Series B ^(g)	-	17,100,000	-	-
4/19/2005	General Obligation Bonds, Election of 2002, Series C ^(h) ⁽ⁱ⁾	-	10,500,000	-	-
4/12/2006	General Obligation Bonds, Election of 2002, Series D ^(k)	-	7,720,000	-	-
2/15/2007	General Obligation Bonds, Election of 2002, Series E ^(k)	-	14,580,000	-	-
9/16/2010	General Obligation Bonds, Election of 2010, Series A	-	-	\$24,999,924	-
8/1/2011	Taxable GO Bonds, Election of 2010, Series B (QSCB)	-	-	22,500,000	-
8/1/2011	General Obligation Bonds, Election of 2010, Series C (CABs)	-	-	2,499,400	-
4/9/2014	General Obligation Bonds, Election of 2010, Series D	-	-	16,000,000	-
5/5/2015	General Obligation Bonds, Election of 2010, Series E	-	-	15,000,000	-
2/14/2017	2017 General Obligation Bonds (Election of 2010 & 2017)	-	-	8,000,000	20,000,000
7/3/2018	2018 General Obligation Bonds (Election of 2010 & 2017)	-	-	6,000,000	18,000,000
Total		\$42,000,000	\$74,900,000	\$94,999,324	\$38,000,000



Remaining Authorization

- At this point, the District has \$89 million in bonds authorized and remaining to be issued.

Election Date	Measure	Authorization Amount	Issued Authorization	Unissued Authorization
Jun-10	Measure G	150,000,000	94,999,324	55,000,676
Nov-16	Measure CC	72,000,000	38,000,000	34,000,000
Total		\$222,000,000	\$132,999,324	\$89,000,676



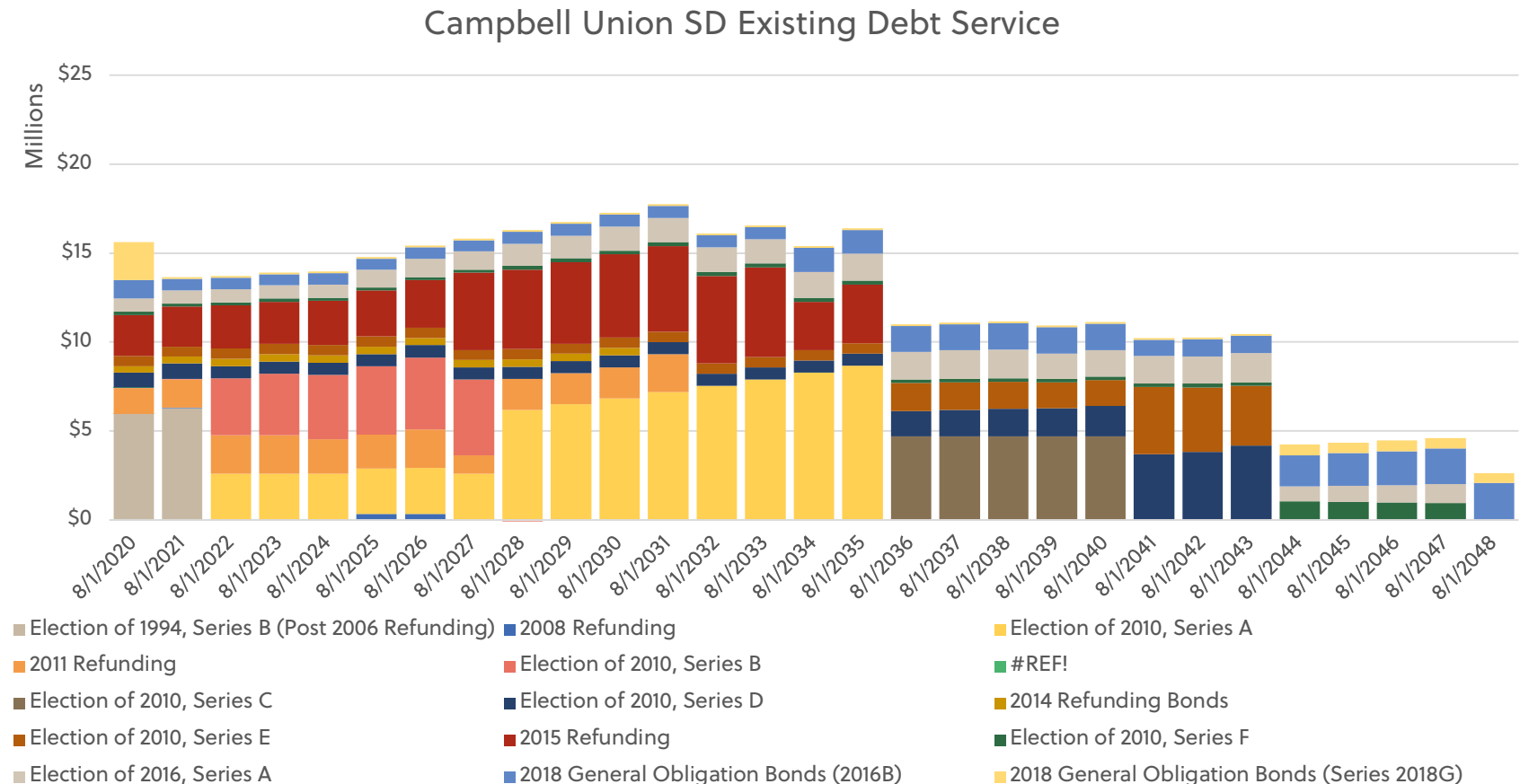
Tax Rate Targets

- The District has been managing its bond program based on a number of tax rate targets.
 - Under 2000 Proposition 39, the tax rate necessary to repay bonds issued under each bond measure cannot exceed \$30 per \$100,000 of assessed value.
 - For the past 11 years, the District has been targeting a specific rate for the combined bond program (\$55.20 per \$100,000 of assessed value before 2016 Measure CC and \$67.20 per \$100,000 of assessed value after).
 - Each year, the District asks the County to levy at the target rate and the District has used “excess collections” to accelerate bond repayment on subsequent financings.
 - Combined bond tax rates for the District are in the middle third for elementary school districts in the County.



Existing Debt Service

- ◆ The District has existing obligations that extend through 2048.





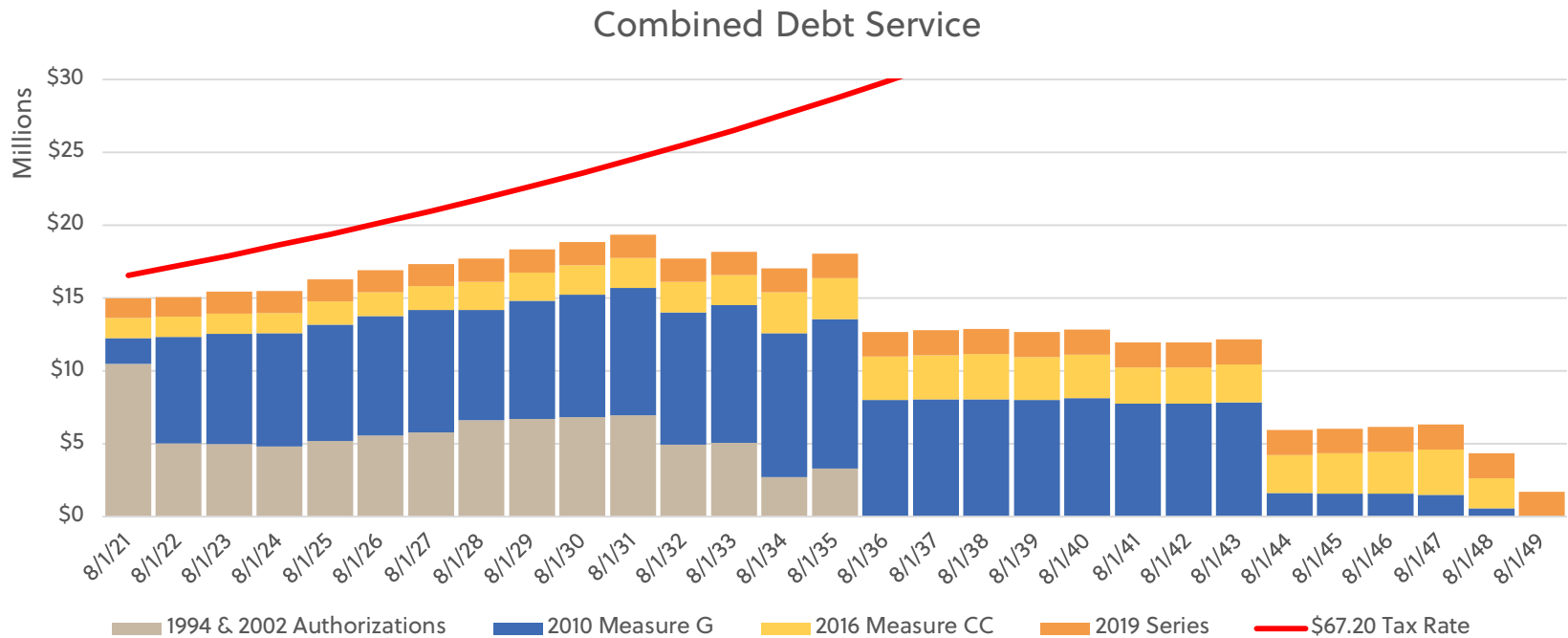
Proposed Issuance

- Tonight, we are recommending that the District authorize the sale of \$30 million in new money general obligation bonds.
- The proposed size of the bond issue and the share allocable to each authorization reflects a number of considerations.
 - We want to be able to fund project needs over at least a tax year period.
 - We want to issue bonds without causing tax rates (under reasonable projections) to exceed targeted levels.
 - We want to issue bonds using a repayment structure that accommodates future issuance of bonds.
 - We want to eventually reach a point of sustainability where bonds can be issued on an ongoing basis without increasing tax rates of outstanding debt as a percentage of the tax base.



Proposed Issue Structure

- The issue will be structured to maintain overall tax rates at below the current target of \$67.20 per \$100,000 of assessed value assuming reasonable tax base growth.





Schedule

- The current schedule calls for the approval of the authorizing resolution on October 24th, for pricing on November 6th, and for the receipt of funds on November 20th.

Date	Activity
Friday, September 13	Distribution of term sheet, schedule, and distribution list.
Friday, September 20	Distribution of draft legal financing documents for review and comment.
Friday, September 20	Deliver presentation to District for Thursday, October 3th, Board meeting.
Thursday, October 03	District Board meeting to present financing plan.
Friday, October 04	Comments due on draft legal financing documents.
Friday, October 11	Deliver material to District for Thursday, October 24th, Board meeting.
Friday, October 18	Credit rating meetings.
Thursday, October 24	District Board meeting to approve financing resolution.
Friday, October 25	Receive & review ratings.
Friday, October 25	Post preliminary official statement.
Week of Monday, October 28th	Contact with potential investors and underwriters.
Wednesday, November 06	Sale date. Establish interest rates.
Monday, November 11	Distribution of draft closing documents for review and comment.
Wednesday, November 13	Post final official statement.
Wednesday, November 20	Closing. District receives funds.
Thursday, December 12	District board meeting to review financing results.



Authorizing Resolution

- The authorizing resolution will accomplish four specific objectives.
 - Authorize the sale of bonds subject to certain conditions.
 - Describe the major structural elements for the bonds (security, payment dates, not to exceed interest rates, not to exceed maturity).
 - Acknowledge certain ongoing responsibilities of the District with respect to the bonds.
 - Authorized District staff to take any and all steps required to complete the transaction.



Credit Ratings

- The District's bonds are currently rated "Aa1" by Moody's, "AA" by Standard & Poor's, and "AAA" by Fitch.
 - We recommend that the District apply for ratings from Moody's and Fitch.
 - The recommendation reflects our desire to improve the marketability of the bonds and being "good" market participants while reducing costs where appropriate.

INVESTMENT GRADE RATINGS		
MOODY'S	S&P	FITCH
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-



Competitive Sale

- The District has traditionally issued its bonds through competitive sale.
 - Bonds may be sold by competitive or negotiated sale.
 - In a competitive sale, the bond transaction is put together, bid parameters are established, a sale date is chosen, and the bonds are awarded to the underwriter submitting the best responsive bid on that date.
 - While more than 80% of California school district bond issues are sold by negotiated sale, it is widely agreed that it is bond issues of high credit quality and straightforward structures that most benefit from the competitive sale process.
 - A recent Wall Street Journal article put a spotlight on negotiated bond sales and issues that can arise.



Interest rates

- Interest rates have decreased significantly, particularly in the past four months.

12 Year History of Taxable US Treasury Rates												
Maturity	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2-yr	2.17	1.00	0.47	0.16	0.26	0.34	0.57	0.68	0.78	1.40	2.79	1.74
5-yr	3.04	2.45	1.44	0.84	0.68	1.49	1.81	1.45	1.22	1.84	2.95	1.66
10-yr	3.81	3.47	2.74	1.95	1.77	2.75	2.58	2.13	1.71	2.25	3.06	1.79
30-yr	4.38	4.22	3.90	3.22	2.96	3.80	3.28	2.94	2.46	2.82	3.21	2.23
12 Month History of Taxable US Treasury Rates												
Maturity	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
2-yr	2.91	2.79	2.65	2.62	2.49	2.47	2.38	2.20	1.74	1.82	1.55	1.74
5-yr	3.05	2.87	2.62	2.62	2.46	2.43	2.37	2.18	1.76	1.82	1.48	1.66
10-yr	3.19	3.06	2.76	2.79	2.64	2.61	2.56	2.39	2.02	2.06	1.61	1.79
30-yr	3.38	3.32	2.98	3.10	2.98	3.02	2.96	2.83	2.54	2.58	2.09	2.23
12 Business Day History of Taxable US Treasury Rates												
Maturity	9/4	9/5	9/6	9/9	9/10	9/11	9/12	9/13	9/16	9/17	9/18	9/19
2-yr	1.43	1.53	1.54	1.59	1.68	1.68	1.72	1.80	1.76	1.73	1.76	1.74
5-yr	1.32	1.43	1.43	1.50	1.59	1.59	1.64	1.75	1.70	1.66	1.68	1.66
10-yr	1.47	1.56	1.56	1.65	1.73	1.74	1.77	1.90	1.85	1.80	1.80	1.79
30-yr	1.97	2.05	2.03	2.13	2.22	2.22	2.26	2.37	2.32	2.27	2.24	2.23



SB 450

- New legislation effective January 1, 2018, requires that a number of specific bond metrics be disclosed to the issuer and the public prior to the issuance of the bonds.

Item	Good Faith Estimate
True Interest Cost Percentage	4.00%
Costs of Issuance	Approximately \$228,000
Underwriter Fee	\$4 per bond (\$120,000)
Proceeds Received	\$30.0 million
Total Debt Service	\$51 million



Costs of Issuance

- Our target is for each provider to be median or below for comparable transactions.

Campbell Union School District
General Obligation Bonds, Series 2019
Costs Related to Bond Issuance

Role	Consultant	Fee
Financial Advisor	PFM Financial Advisors LLC	\$80,000
Financial Advisor Reimbursables	PFM Financial Advisors LLC	\$2,500
Bond Counsel	Quint & Thimmig LLP	\$40,000
Bond Counsel Reimbursables	Quint & Thimmig LLP	\$2,500
Disclosure Counsel	Quint & Thimmig LLP	\$25,000
Disclosure Counsel Reimbursables	Quint & Thimmig LLP	\$2,500
<i>Special Revenue Opinion Counsel</i>	<i>Squire Patton Boggs LLP</i>	\$10,000
Rating Agency	Moody's Investor Service	\$25,000
<i>Rating Agency</i>	<i>Fitch Ratings</i>	\$22,000
Paying Agent	U.S. Bank	\$2,500
Bidding Platform	IPREO	\$1,500
Advertising Fee	Bond Buyer	\$1,500
Municipal Data	California Municipal Statistics	\$2,000
Printing	AVIA	\$1,500
Contingency	To Be Returned if Unused	\$9,500
Total		\$228,000

Questions???

