Campbell Union School District

Series 2019 General Obligation Bonds

Review and Summary of Sale

Presentation to Board of Trustees

December 12, 2019

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Series 2019 Bonds

- On Thursday, November 20th, the District closed its most recent bond transaction.
  - $30 million in bonds sold: $24 million under 2016 Measure CC (Series C) and $6 million under 2010 Measure G (Series H).
  - Intended, together with monies on hand, to fund projects through at least the spring of 2021.
  - Structured to meet various tax rate targets – no more than $30.00 per $100,000 of assessed value for each bond measure and no more than $67.20 per $100,000 of assessed value for the program overall – and to accommodate future series within such tax rate constraints.

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Measures of Success

- The transaction was successful by any number of measures.
  - Retained “Aa1” rating from Moody’s Investors Service.
  - Front-loaded repayment structure used to spend down tax rate reserves and to lower borrowing costs.
  - Priced into a relatively low interest rate market, attracted a relatively high number of bidders, and achieved interest rates below targets.
  - Current model suggests we can continue to access funds to sustain target pace within target tax rates and prudent debt management targets.

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Credit Rating

- The Series 2019 Bonds were rated "Aa1" by Moody's Investors Service.
  - According to Moody's most recent report:
    - "Campbell Union School District's (Aa1) credit profile reflects its large and growing Silicon Valley based taxbase which we anticipate will continue to provide growth over the medium term. The district also benefits from an above average socioeconomic profile, a healthy general fund supported by additional reserves outside of the general fund which will help offset the impact of a declining enrollment. Debt and pension liabilities are also manageable.
  - Factors that could lead to an upgrade:
    - Substantial improvement in resident socio-economic indicators.
    - Sustained growth in overall tax base.
    - Significant growth in reserve and liquidity position.
    - Attainment of basic aid status.
  - Factors that could lead to a downgrade:
    - Material deterioration in the overall tax base.
    - Significant and sustained declines in reserves or liquidity.

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Observations with Regard to the District's Credit Rating

- The assignment of the "Aa1" rating to this series of bonds met our expectations and contributed to the successful sale.
  - Our strategy of applying only to a single rating agency (Moody's) had the intended effects (lower upfront costs without increasing rates).
  - Realistically, the "Aa1" rating is as high as we can expect while we continue to receive funding at or near LCFF levels.
  - We do have some thoughts with regard to steps we might take to solidify our rating status and will continue to discuss these with staff.

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Draw on Tax Rate Stabilization Funds

- Because of sizeable balances in the District's tax rate stabilization funds, the District was able to frontload repayment and lower costs to taxpayers.
  - Each year, the District works with the County to establish tax rates at the target levels (currently $67.20 per $100,000).
  - The purpose of such practice is to provide stability with regard to bond tax rates and is consistent with California law.
  - Any excess collections are deposited in a debt service fund held by the County and restricted to use for bond repayment.
  - Each time we issue bonds, we have the opportunity to manage excess reserves by accelerating payments to the current bond year, thereby reducing borrowing costs.
  - The bottom line: we want to have a large enough tax rate stabilization reserve so that we can continue to maintain tax rates but we also want to lower taxpayer costs and protect future capacity as well.

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Competitive Sale

- The bonds were awarded to Citigroup at a bid TIC of 2.942%.

Bidder	TIC	Total Net Budget (under original bid) [1]
Citigroup Global Markets Inc.	2.942253%	$19,294,533
UBS Financial Services Inc.	2.943160	19,287,233
Morgan Stanley & Co, LLC	2.949871	19,341,650
J.P. Morgan Securities LLC	2.953593	19,357,911
Wells Fargo Bank, NA	2.957999	19,399,479
Robert W. Baird & Co., Inc.	2.961028	19,375,828
HilltopSecurities	2.962597	19,424,032
Mesirow Financial, Inc.	2.967397	19,412,131

[1] Because bids are evaluated based on present value costs, total net interests do not always align with results.

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Competitive Sale Assessment

- We continue to think we get good value from the competitive sale process.
  - Bonds can be sold by competitive or negotiated sale.
  - In a competitive sale, the bond issue is put together and offered for sale to the lowest bidder.
  - Competitive sales tend to work well for highly rated issues selling bonds with vanilla structures in strong markets.
  - Among indicators that the District achieved a successful sale include: we received eight strong bids, the bids were tightly grouped, the bidding group included most (though not all) active market participants, and the underwriter spread was relatively low.

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Costs of Issuance

- Actual costs of issuance compared favorably to preliminary costs reviewed by the board in October.

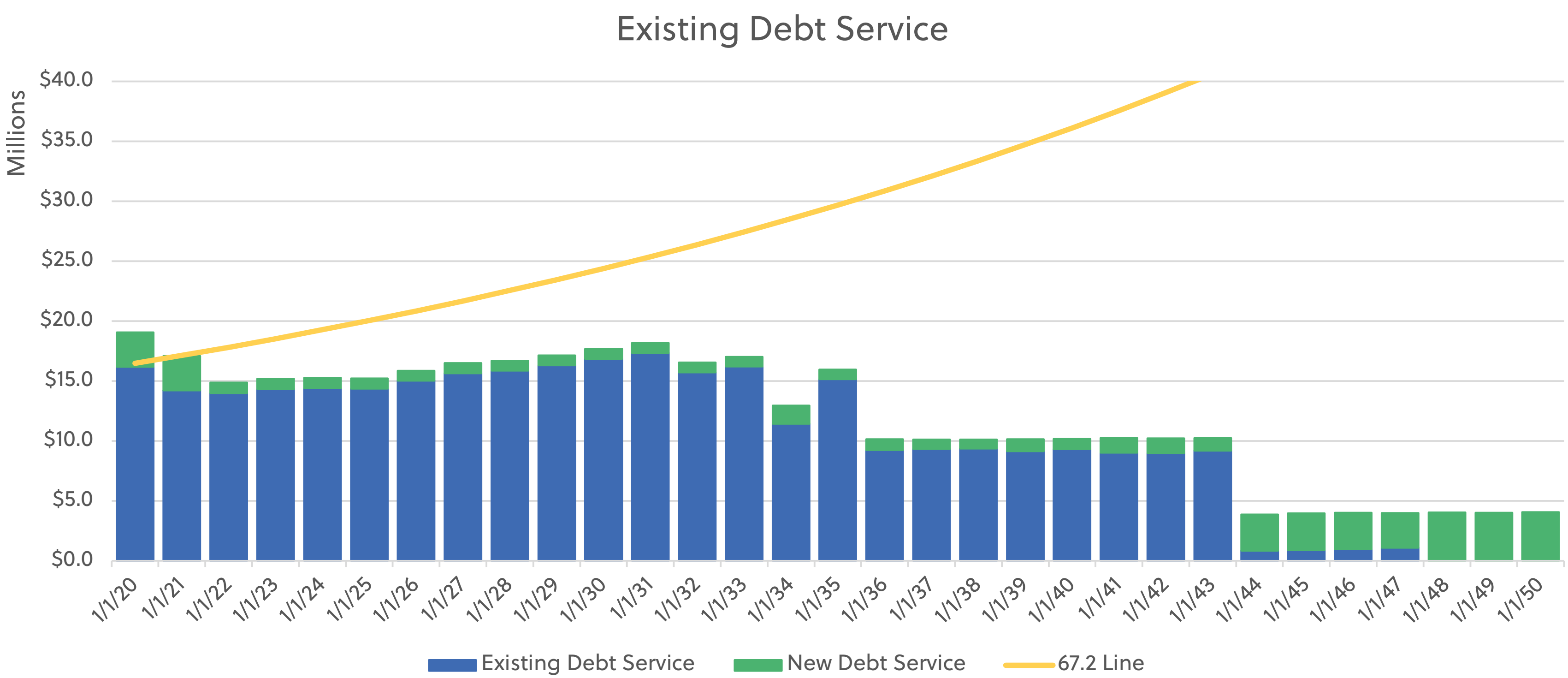
2019 General Obligation Bonds

Costs Related to Bond Issuance

Role	Consultant	Estimated Fee	Actual Fee
Financial Advisor	PFM Financial Advisors LLC	$80,000	$80,000
Financial Advisor Reimbursables	PFM Financial Advisors LLC	$2,500	$0
Bond Counsel	Quint & Thimmig LLP	$40,000	$40,000
Bond Counsel Reimbursables	Quint & Thimmig LLP	$2,500	$0
Disclosure Counsel	Quint & Thimmig LLP	$25,000	$25,000
Disclosure Counsel Reimb.	Quint & Thimmig LLP	$2,500	$0
Special Revenue Opinion Counsel	Squire Patton Boggs LLP	$10,000	$0
Rating Agency	Moody's Investor Service	$25,000	$29,000
Rating Agency	Fitch Ratings	$22,000	$0
Paying Agent	U.S. Bank	$2,500	$2,500
Bidding Platform	IPREO	$1,500	$1,500
Advertising Fee	Bond Buyer	$1,500	$1,473
Municipal Data	California Municipal Statistics	$2,000	$1,450
Printing	AVIA	$1,500	$1,150
Contingency	To Be Returned if Unused	$9,500	$0
Total		$228,000	$182,073

Debt Structure

- We continue to believe that the District's current tax rate target ($67.20 per $100,000 of assessed value) will be sufficient to allow the program to move forward at the targeted pace.



Future Issuances

- At this point, our assumption is that the District will continue to move forward at a pace to allow expenditures of $15 million per year.

Date	Measure H	Measure CC	Future Measure	Total
Previously Issued	$95 million	$38 million	$0 million	
11/20/19	$6 million	$24 million	$0 million	$30 million
2/1/21	$20 million	$10 million	$0 million	$30 million
2/1/23	$10 million	$0 million	$20 million	$30 million
2/1/25	$10 million	$0 million	$20 million	$30 million
2/1/27	$9 million	$0 million	$21 million	$30 million
2/1/29	$0 million	$0 million	$30 million	$30 million
	$150 million	$72 million	$91 million	

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Bond Program Objectives

- The District's current bond program is based on the following objectives.
  - Ongoing and consistent investment in facility improvements at a sustainable pace.
  - Annual tax impacts at targeted levels while using structures that reflect prudent debt management standards.
  - Regular bond elections that secure funding in advance of need and balances facilities needs, political realities, and debt factors in a way that is fair to current and future taxpayers.
  - A program that seeks to operate with transparency and according to best practices.

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Questions?

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