



# Milpitas Unified School District

## 2020 GO Refunding Bonds

April 28, 2020

# Bond Program Overview

- The District voters have authorized three (3) bond measures for a total of \$443.7 million.
- All bonds authorized under the 1996 and 2012 measures have been issued.

## Measure Overview

Measure	Election Date	Authorization Amount	Authorized but Unissued	Tax Rate
Election of 1996 (Measure B)	6/4/1996	\$64,700,000	-	\$87
Election of 2012 (Measure E)	6/5/2012	\$95,000,000	-	\$50
Election of 2018 (Measure AA)	11/6/2018	\$284,000,000	\$209,000,000	\$60
<b>Total</b>		<b>\$443,700,000</b>	<b>\$209,000,000</b>	

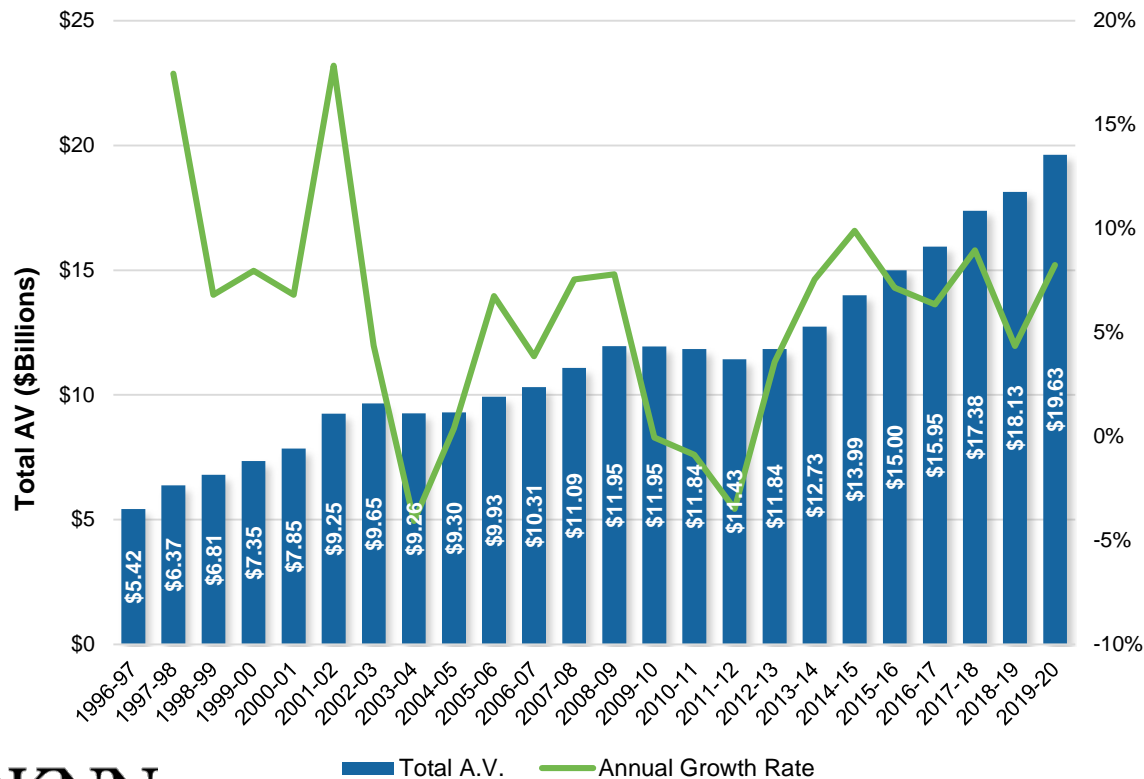
## District Outstanding Debt Summary

	Dated Date	Par Amount	Final Maturity	Outstanding Par	Call Feature
<b>Election of 1996</b>					
2010 Refunding Bonds	2/18/2010	\$11,670,000	9/1/2020	\$1,350,000	Non-Callable
2014 Refunding Bonds	8/7/2014	\$24,785,000	8/1/2024	\$16,120,000	Non-Callable
<b>Total Election 1996 Outstanding</b>				<b>\$17,470,000</b>	
<b>Election of 2012</b>					
Series A	8/21/2012	\$55,000,000	8/1/2037	\$44,500,000	8/1/2022
Series B	8/7/2014	\$40,000,000	8/1/2037	\$29,445,000	8/1/2024
<b>Total Election 2012 Outstanding</b>				<b>\$73,945,000</b>	
<b>Election of 2018</b>					
Series A	5/8/2019	\$75,000,000	8/1/2044	\$75,000,000	8/1/2029
<b>Total Election 2018 Outstanding</b>				<b>\$75,000,000</b>	
<b>Total Bond Outstanding</b>				<b>\$166,415,000</b>	

# History of Assessed Values

## Compounded Annual Growth Rate

3 – Year	7.17%
5 – Year	7.00%
10 – Year	5.09%
15 – Year	5.11%
20 - Year	5.04%



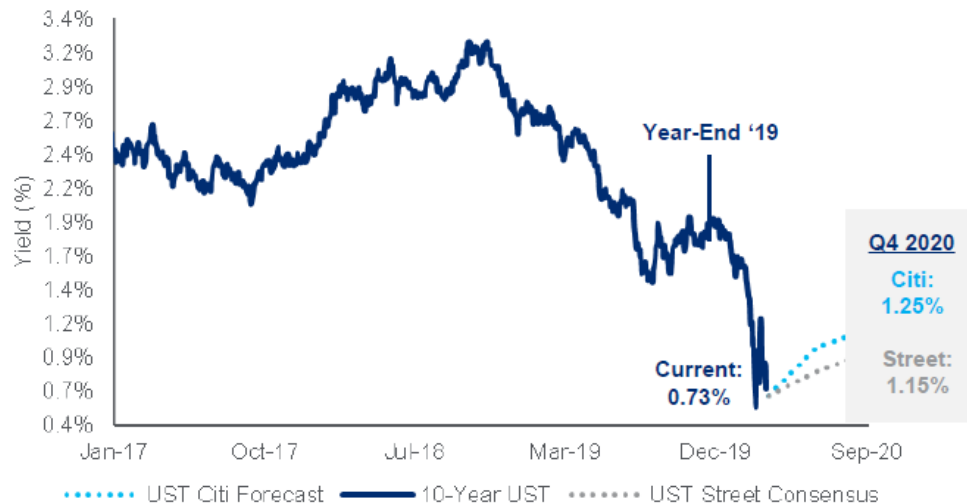
Fiscal Year	Total Assessed Value	% Change
1996-97	\$5,424,949,898	~
1997-98	\$6,371,551,869	17.4%
1998-99	\$6,805,532,317	6.8%
1999-00	\$7,348,397,096	8.0%
2000-01	\$7,849,729,787	6.8%
2001-02	\$9,249,634,933	17.8%
2002-03	\$9,653,284,898	4.4%
2003-04	\$9,260,879,856	-4.1%
2004-05	\$9,297,792,695	0.4%
2005-06	\$9,925,366,481	6.7%
2006-07	\$10,308,278,021	3.9%
2007-08	\$11,087,757,315	7.6%
2008-09	\$11,951,970,066	7.8%
2009-10	\$11,945,562,466	-0.1%
2010-11	\$11,840,567,911	-0.9%
2011-12	\$11,429,179,299	-3.5%
2012-13	\$11,839,360,034	3.6%
2013-14	\$12,734,339,884	7.6%
2014-15	\$13,994,572,477	9.9%
2015-16	\$14,995,747,553	7.2%
2016-17	\$15,948,518,813	6.4%
2017-18	\$17,377,797,598	9.0%
2018-19	\$18,134,458,920	4.4%
2019-20	\$19,629,478,026	8.2%

# Current Market Condition

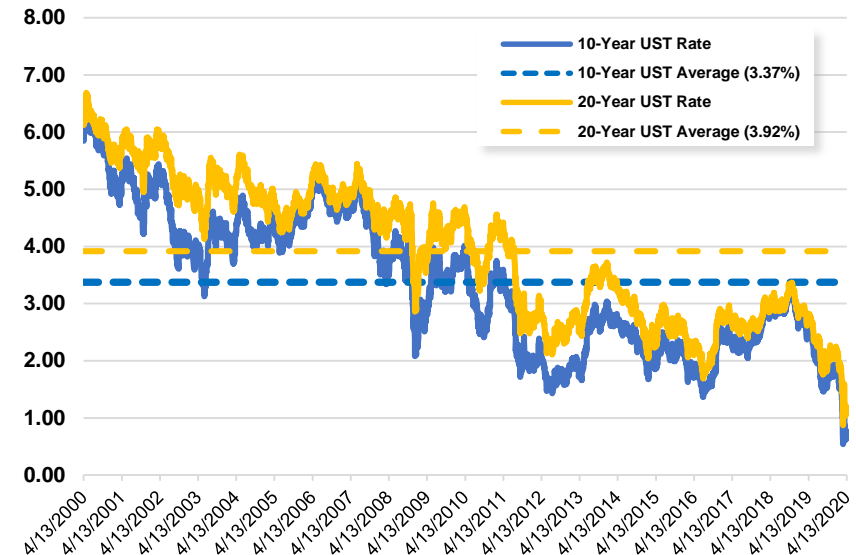
- Over the last year and a half, there has been volatility in the financial markets due to the US – China trade dispute and weakness in the global economy which have caused rates to decline considerably.
- Furthermore, uncertainty surrounding the impact of COVID-19 on the global economy has caused investors to increase demand for US Treasuries and Municipal Bonds.
- On March 3, the Federal Reserve cut the federal funds rate by one-half percentage point in response to the effect of the COVID-19 on the economy. This was the first emergency rate cut since 2008. The yield curve has fallen significantly after the Federal Reserve interest rate cut due to a flight-to-quality trade.

## Citigroup 10-Year Treasury Yield Forecast

Citi is forecasting higher rates at year-end, similar to the Street consensus



## Historical 10-Year Treasury Yield



# Refunding Opportunity

- The Election of 2012, Series A bonds are callable 8/1/2022.
- KNN Public Finance, the District's Municipal Advisor, received a taxable advance refunding proposal from Citi (an Underwriter), regarding the outstanding Series A bonds.
- Below is a comparison of a taxable advance refunding versus a current refunding. The District could generate substantially more savings by waiting for a current refunding in 2022 assuming rates remain relatively stable. However, should interest rates rise between now and the call date, the impact could result in less savings.
- If rates increase by more than approximately 106 basis points (1.06%) before 2022, then the District will achieve more savings by doing an advance taxable refunding today rather than waiting for a current refunding.

## Refunding Comparison

Refunding Type	Advance Refunding (2012 Series A)	Current Refunding (2012 Series A)
Tax Status	Taxable	Tax-Exempt
Delivery Date	5/29/2020	5/31/2022
Refunding Par Amount	\$41,640,000	\$33,965,000
Par Amount Refunded	\$37,180,000	\$37,180,000
Final Maturity	8/1/2037	8/1/2037
Nominal Savings	\$3,134,181	\$7,343,593
Present Value Savings	<b>\$2,377,592 (6.39%)</b>	<b>\$5,496,108 (14.78%)</b>
Escrow Efficiency	52.53%	97.63%
PV Target Date	5/29/2020	5/29/2020
Discount Factor	3.00%	3.00%

## Sensitivity Analysis

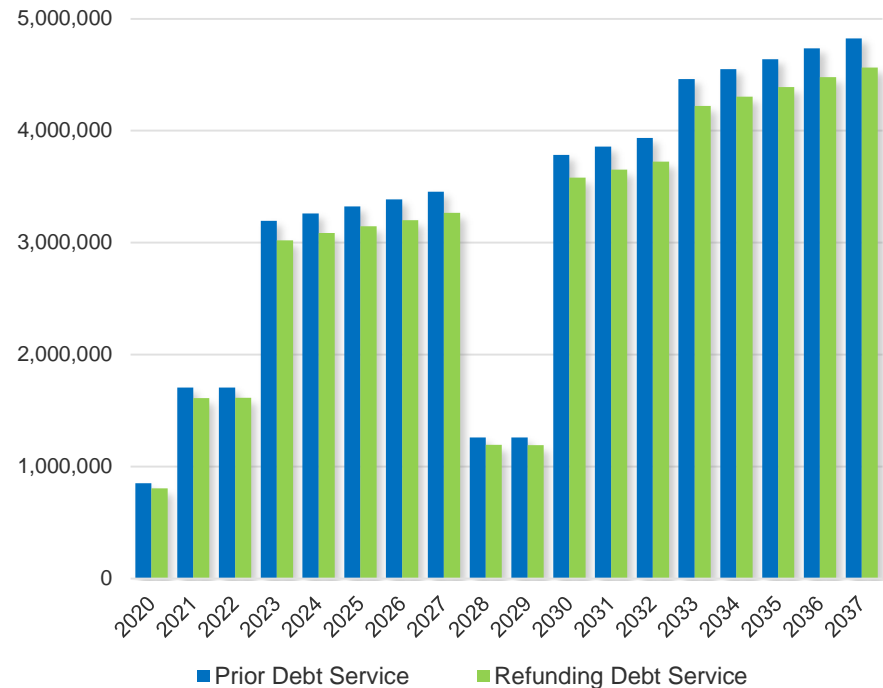
Interest Rate Change	Series A Current Refunding	
	Total Net Present Value Savings	PV Savings as % of Refunded Bonds
<b>Current Rates</b>	<b>\$5,496,108</b>	<b>14.78%</b>
0.25%	\$4,771,500	12.83%
0.50%	\$4,044,326	10.88%
0.75%	\$3,305,459	8.89%
1.00%	\$2,564,009	6.90%
1.06%	\$2,387,183	6.42%

# Refunding Analysis\*

## Savings Summary

2020 GO Refunding Bonds*	
Bond Par Amount	\$41,640,000
Refunded Par Amount	\$37,180,000
True Interest Cost	2.912%
Final Maturity	8/1/2037
Nominal Savings (\$)	\$3,134,181
Present Value Savings (\$)	\$2,377,592
Present Value Savings (%)	6.39%
Negative Arbitrage	\$2,148,740

## Savings Results



# Next Steps/Timeline

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- KNN will work with District staff to continue to evaluate the refunding candidate based on present value savings and market conditions.
- Should the Board decide to move forward with the refunding, KNN recommends proceeding with a negotiated sale for this financing to provide an opportunity to engage investors in advance of the sale and ensure flexibility regarding market timing.

Date	Activity
May 2020	District Board approve financing documents
May 2020	POS posted electronically and distributed to investors
TBD	Bond Pricing
TBD	Closing

# MSRB Rule G-42: Disclosure of Conflicts of Interest and Legal or Disciplinary Events

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Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of KNN Public Finance, LLC (“KNN Public Finance”) and its associated persons.

## **Conflicts of Interest**

KNN Public Finance represents that in connection with the issuance of municipal securities, KNN Public Finance may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, KNN Public Finance hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding KNN Public Finance's ability to provide unbiased advice to enter into such transaction. This conflict of interest will not impair KNN Public Finance's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

If KNN Public Finance becomes aware of any additional potential or actual conflict of interest after this disclosure, KNN Public Finance will disclose the detailed information in writing to the Issuer in a timely manner.

## **Legal or Disciplinary Events**

KNN Public Finance, LLC, has never been subject to any legal, disciplinary or regulatory actions nor was it ever subject to any legal, disciplinary or regulatory actions previously, when it was a division of Zions First National Bank or Zions Public Finance, Inc.

A regulatory action disclosure has been made on Form MA-I for one of KNN Public Finance municipal advisory personnel relating to a 1998 U.S. Securities and Exchange Commission (“SEC”) order that was filed while the municipal advisor was employed with a prior firm, (not KNN Public Finance). The details of which are available in Item 9; C(1), C(2), C(4), C(5) and the corresponding regulatory action DRP section on Form MA and Item 6C; (1), (2), (4), (5) and the corresponding regulatory action DRP section on Form MA-I. Issuers may electronically access KNN Public Finance's most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: [www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

The SEC permits certain items of information required on Form MA and Form MA-I to be provided by reference to such required information already filed on a regulatory system (e.g., FINRA CRD). The above noted regulatory action has been referenced on both Form MA and MA-I due to the information already filed on FINRA's CRD system and is publicly accessible through BrokerCheck at <http://brokercheck.finra.org>. For purposes of accessing such BrokerCheck information, the Municipal Advisor's CRD number is 4457537.