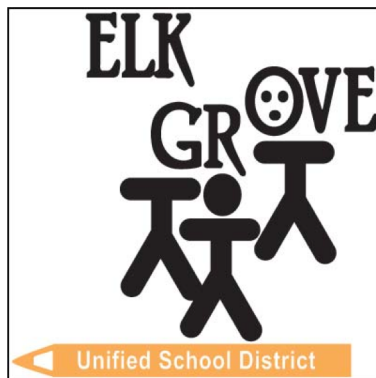
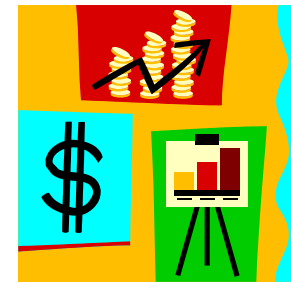


# Elk Grove Unified School District

## Implementing Measure M: Issuing Series 2019 Bonds



Presented by Lori Raineri and Matt Kolker  
December 11, 2018

# Our Agenda for Tonight

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- ◆ Measure M
- ◆ Updated Bond Financial Plan
- ◆ Bond Sale Details
- ◆ Next Steps
- ◆ For Reference
  - ▶ Debt Portfolio
  - ▶ Assessed Value
  - ▶ Legal
  - ▶ Disclosure
  - ▶ Detailed Costs of Issuance
  - ▶ Good Faith Estimates



# Measure M Approved by Voters Nov 8, 2016

## VOTES PERCENT

### Measure M

Vote for not more than 1

(WITH 285 OF 285 PRECINCTS COUNTED)

Yes . . . . .	78,517	70.18
No. . . . .	33,368	29.82
Over Votes . . . . .	25	
Under Votes . . . . .	10,920	



Note: Sacramento county election results  
<https://eresults.sacounty.net/>

## ELK GROVE UNIFIED SCHOOL DISTRICT MEASURE M

**M** “To repair and modernize classrooms, fix deteriorating roofs, plumbing, and HVAC systems, improve student safety and campus security, construct and upgrade additional classrooms, labs, career technical education facilities and instructional technology to support student achievement in math, science, arts and skilled trades and keep up with growth and relieve overcrowding shall the Elk Grove Unified School District issue \$476,000,000 in bonds to be spent only on specified projects, with independent citizen oversight and no money for administrator salaries?”

# Measure M Plan Adjusted Prior to 2017 Sale

(from March 21, 2017 presentation)

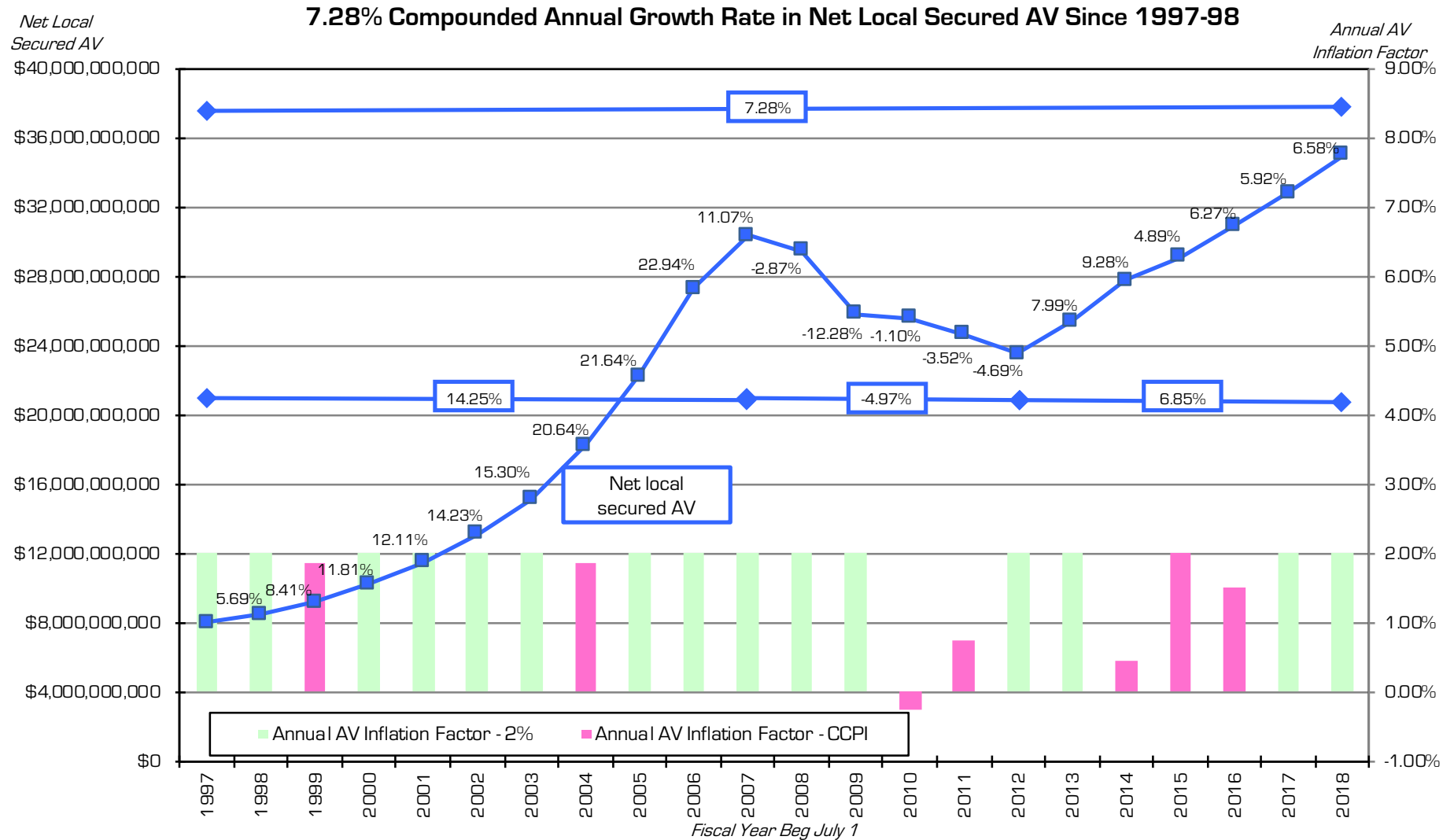
## Simple Summary of Measure M

- ◆ Expenditures are limited to the types of projects listed in the measure.
- ◆ \$476 million of general obligation bonds (G.O. bonds) are to be issued.
- ◆ Expenditures are to have independent citizen oversight.
  
- ◆ Also:
  - ▶ Pre-Election estimated maximum tax rate of 3.8¢ per \$100 (\$38.00 per \$100,000) of Assessed Value.
  - ▶ Intention to issue bonds every 2 years from 2017 to 2025 (for a total of 5 series).

## Adjustments to Bond Plan

- ◆ Assessed value growth greater than planned this past year
  - ▶ Growth of 6.27% compared to 4.46% planned
- ◆ Higher assumed interest rates
- ◆ Risk Management Strategy:
  - ▶ Because we assume that we'll face rising interest rates as a matter of risk management . . .
    - It's better to issue the first series with a longer term, and then if interest rates allow, shorten the terms of the later bond series, to reduce overall interest costs.
    - Therefore, we're currently proposing that the first series be issued with a 29 year term, and subsequent series be issued with 29 year terms or less.
    - This maximizes the potential of achieving the full issuance of \$476 million in bonds, within the \$38 target tax rate (well below the statutory projected tax rate limit of \$60).

# AV has Shown Strong Growth Recently

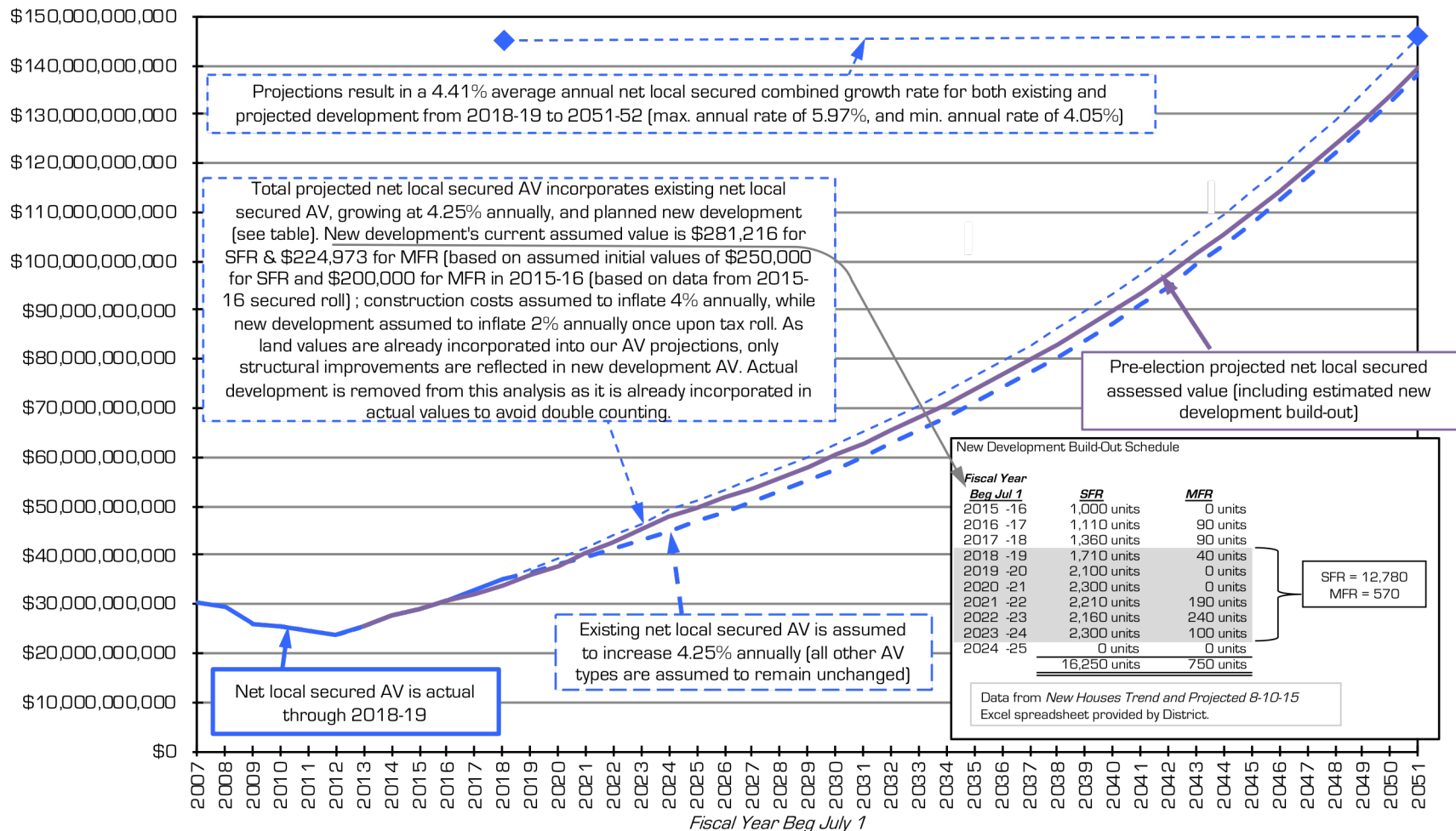


Historic data provided by Sacramento Co. The District's total AV is comprised of net local secured, utility, homeowners exemption, and unsecured values. Since 1997-98, net local secured has annually comprised 94% - 97% of the District's total AV, and was comprised of 105,936 parcels in 2015-16. As individually the other components are relatively small and tend to be subject to less predictable volatility, the AV focuses on net local secured. Date ranges show compounded annual growth rates, while other changes show year-over-year changes. Annual California AV inflation factor provided by the California State Board of Equalization, & is the lesser of the annual change in the CA CCPI or 2%.

# With Expected New Development, AV Projected to Grow 4.41% Annually

Net Local Secured  
Assessed Value

## New Development Leads to Increased District Assessed Value

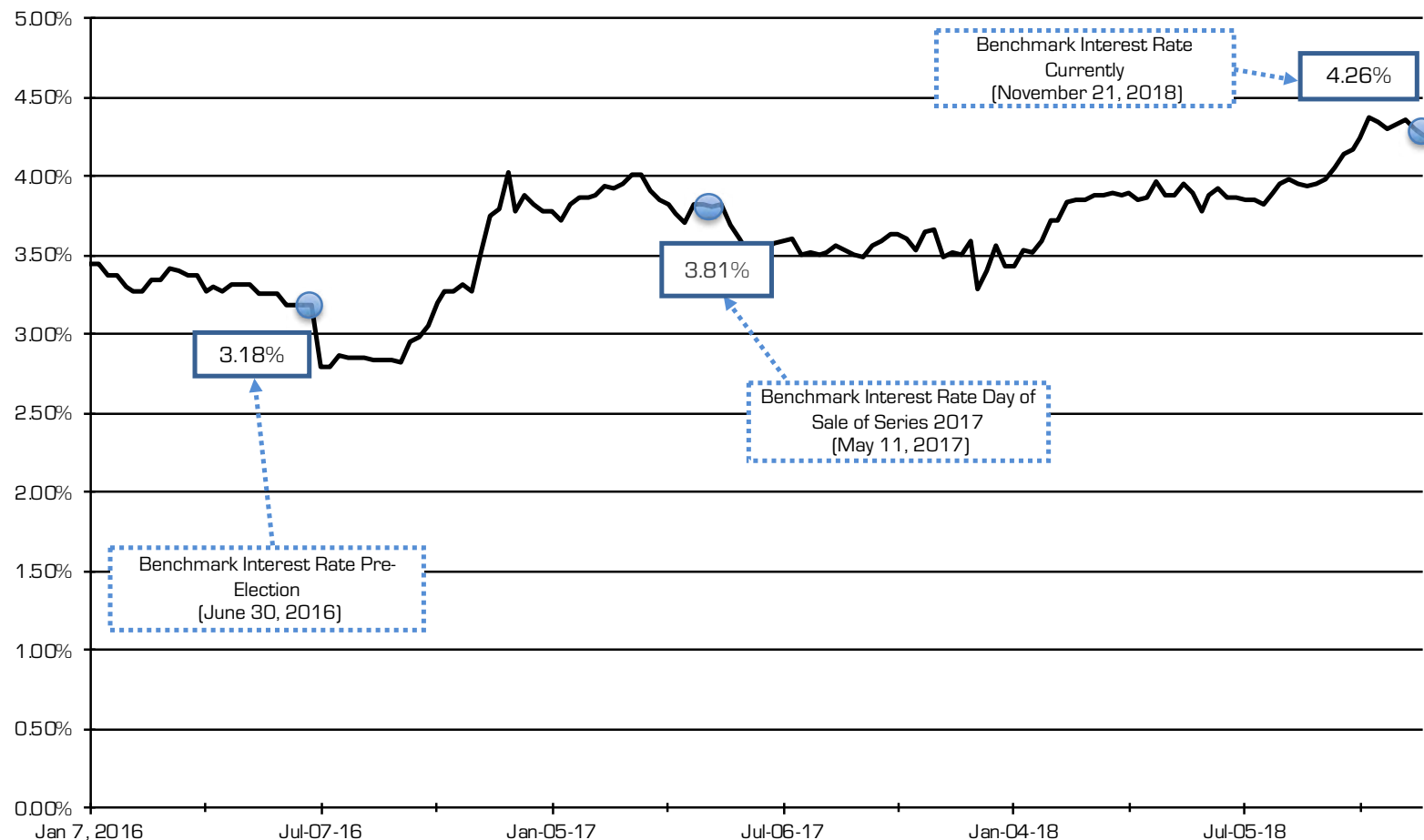


Historic data provided by Sacramento County. The District's total AV is comprised of net local secured, utility, homeowners exemption, and unsecured values. Since 1997-98, net local secured has annually comprised 94% - 97% of the District's total AV. As individually the other components are relatively small and tend to be subject to less predictable volatility, the AV focuses on net local secured. Annual California AV inflation factor provided by the California State Board of Equalization, and is the lesser of the annual change in the CA CCPI or 2%.

# Interest Rates are Volatile

Interest Rate

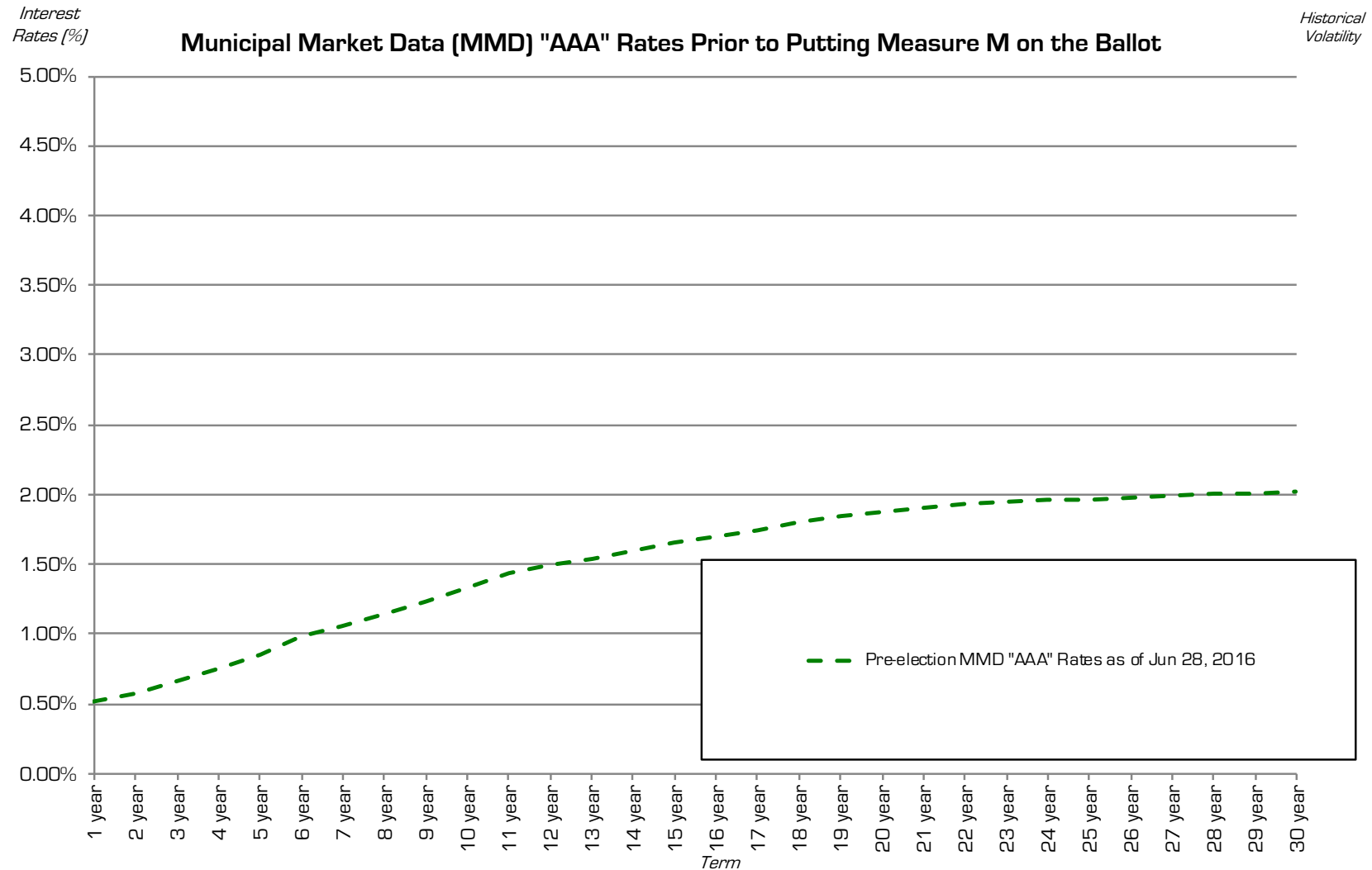
The Benchmark Municipal Bond Interest Rate Has Fluctuated Since Measure M was Put on the Ballot, and is Currently 108bp Higher



Date

Notes: The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years and is compiled every Thursday. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Rating Service AA.

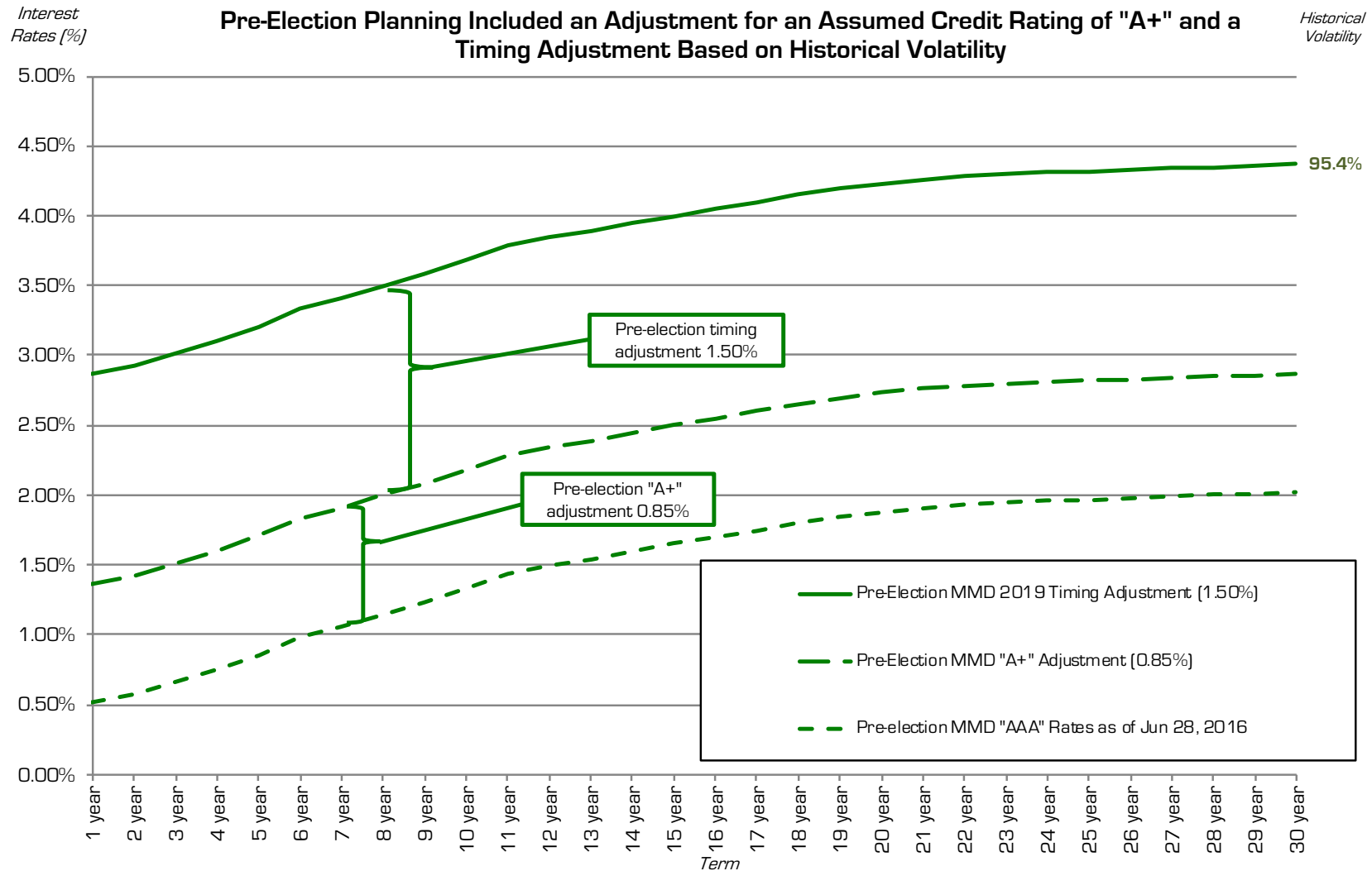
# Base Rates Use for Pre-Election Plan



MMD 'AAA' Yield Curve produced daily by Thomson Reuters to represent yields by maturity of the highest-grade AAA rated state general obligation bonds, as determined by the MMD analyst team.

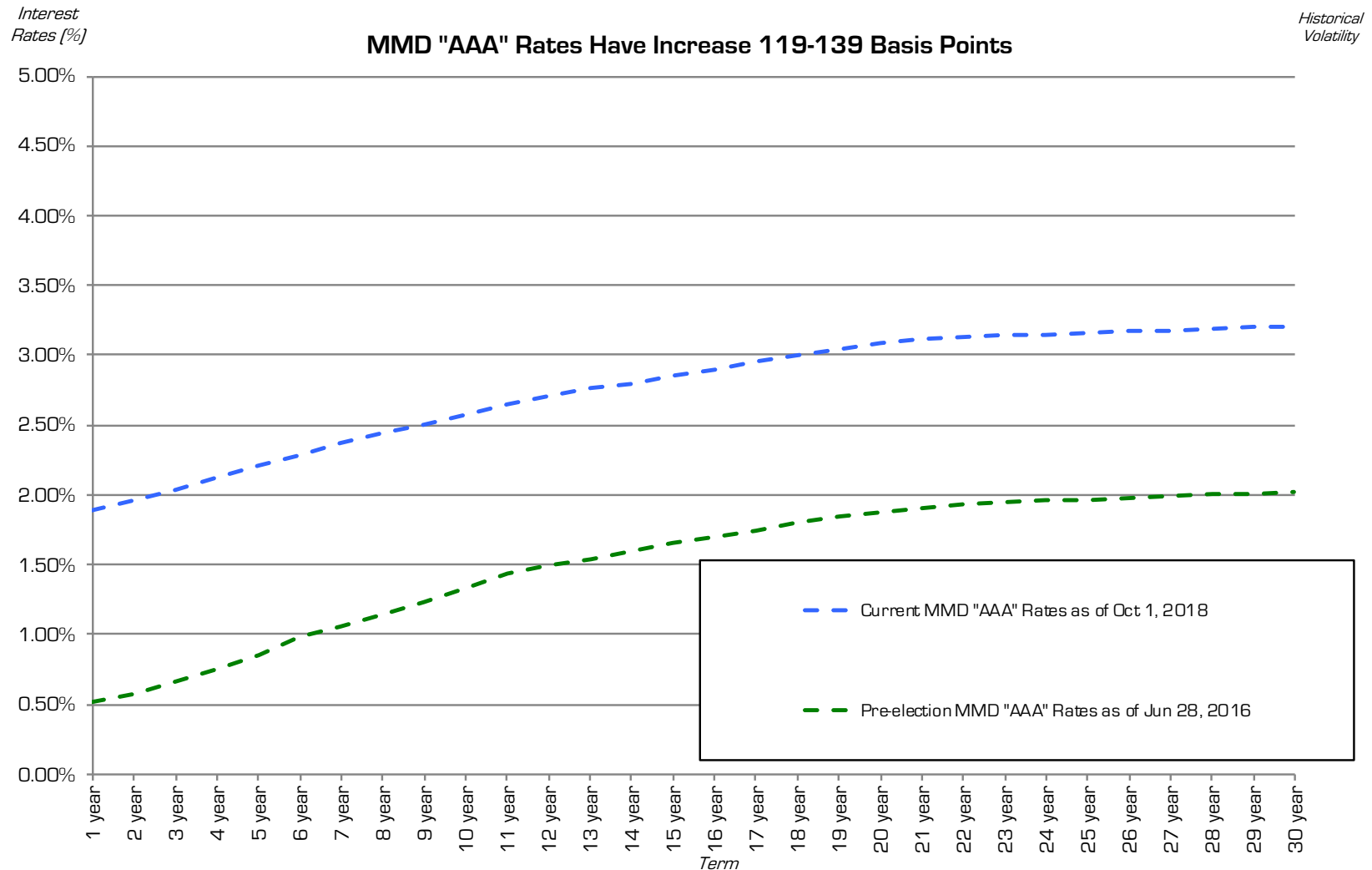


# ...Adjusted for Credit Rating and Timing



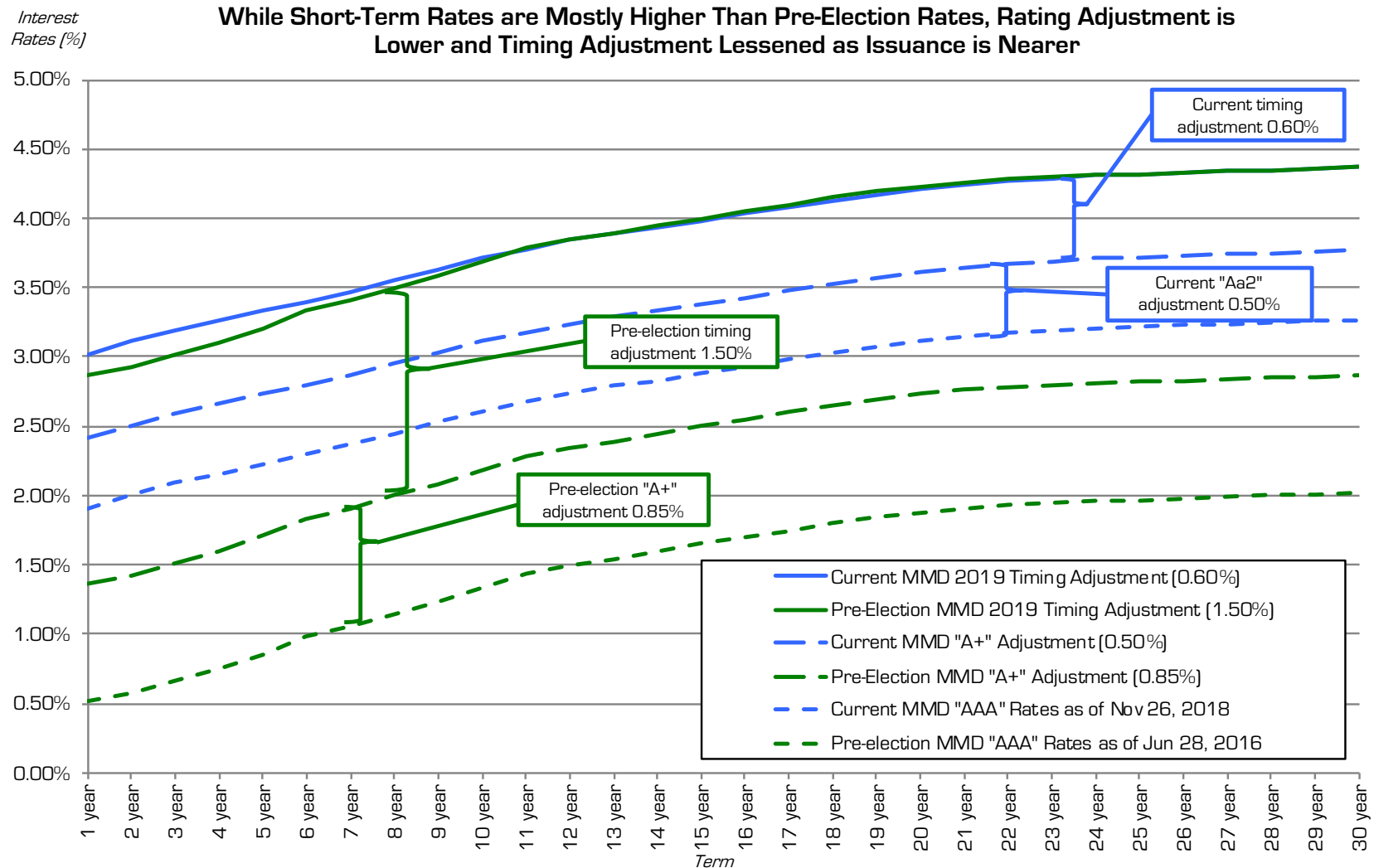
MMD 'AAA' Yield Curve produced daily by Thomson Reuters to represent yields by maturity of the highest-grade AAA rated state general obligation bonds, as determined by the MMD analyst team.

# Base Rates Have Increased



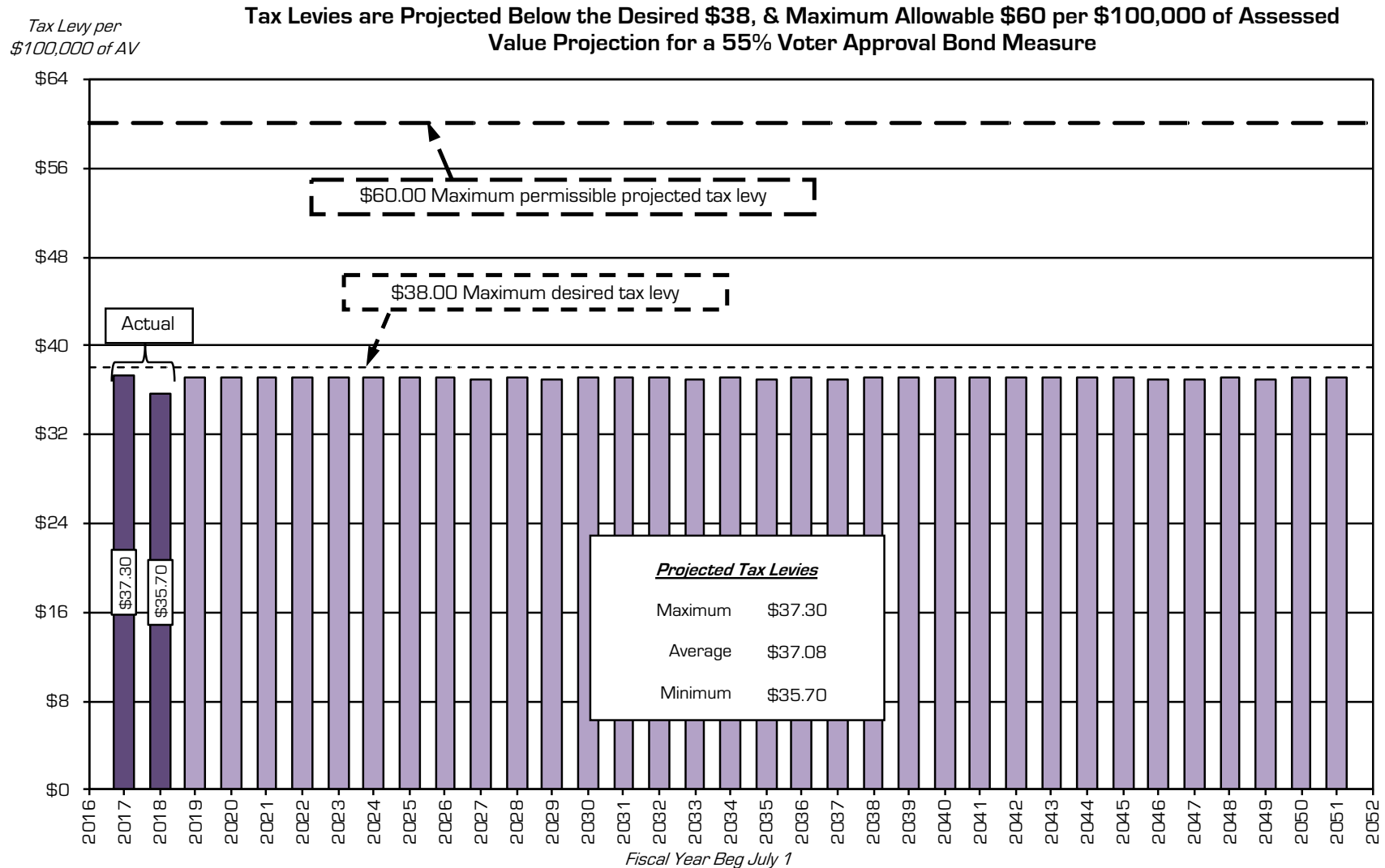
MMD 'AAA' Yield Curve produced daily by Thomson Reuters to represent yields by maturity of the highest-grade AAA rated state general obligation bonds, as determined by the MMD analyst team.

# Conservative Pre-election Interest Estimates Close to Current Estimates



MMD 'AAA' Yield Curve produced daily by Thomson Reuters to represent yields by maturity of the highest-grade AAA rated state general obligation bonds, as determined by the MMD analyst team.

# Projected Tax Levies < Pre-Election Estimates



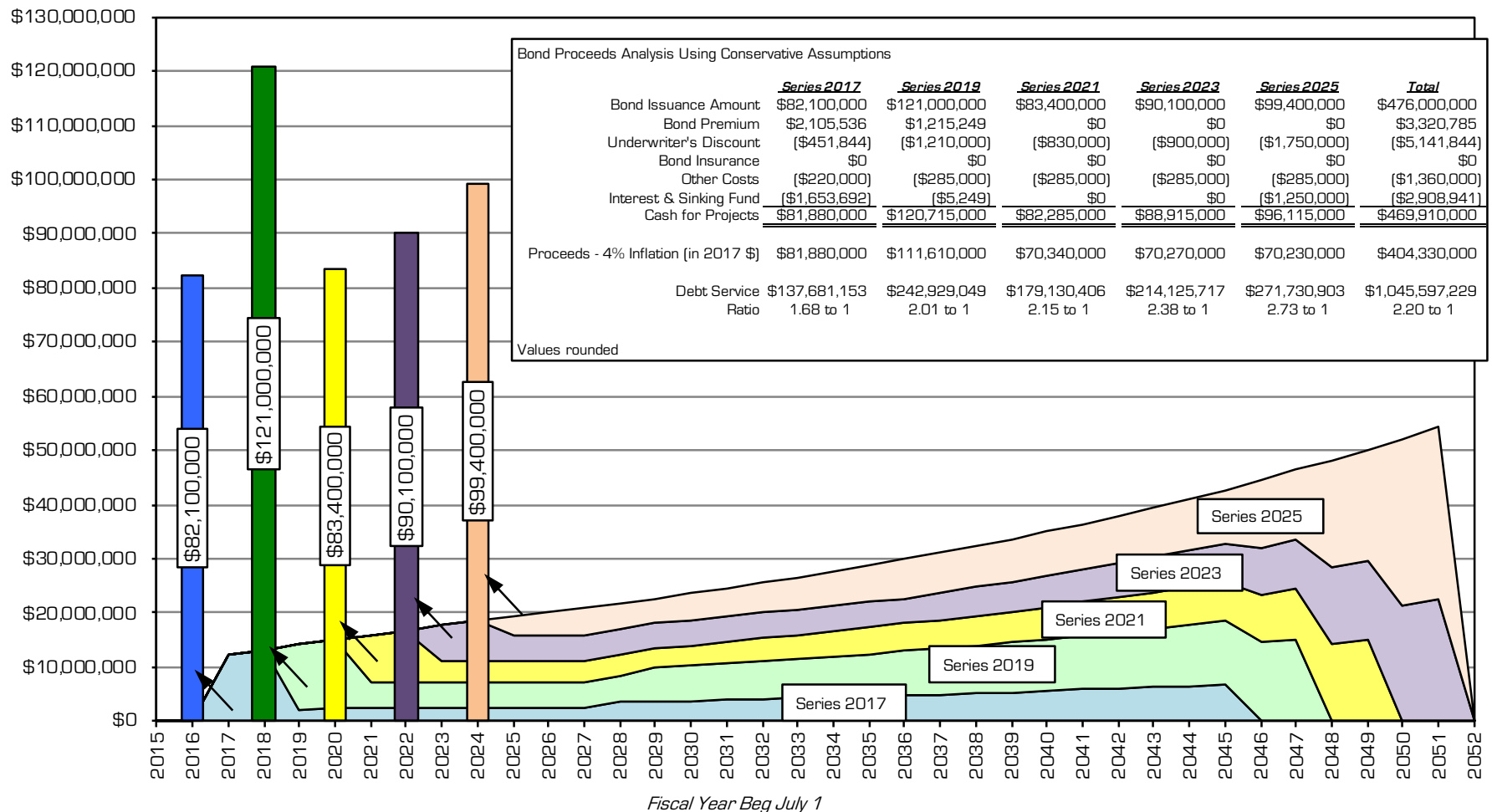
Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged. Actual tax levies from Kern County Auditor-Controller's Department.

# \$121M Issuance in 2019 Based on Project Needs

(Estimated CABs of \$23.4M for Series 2025, which is 4.9% of Total Bonds; No Other CABs Estimated)

Issuance/Net  
Debt Service

## \$476 Million Issuance over 5 Series Supported by Tax Revenue

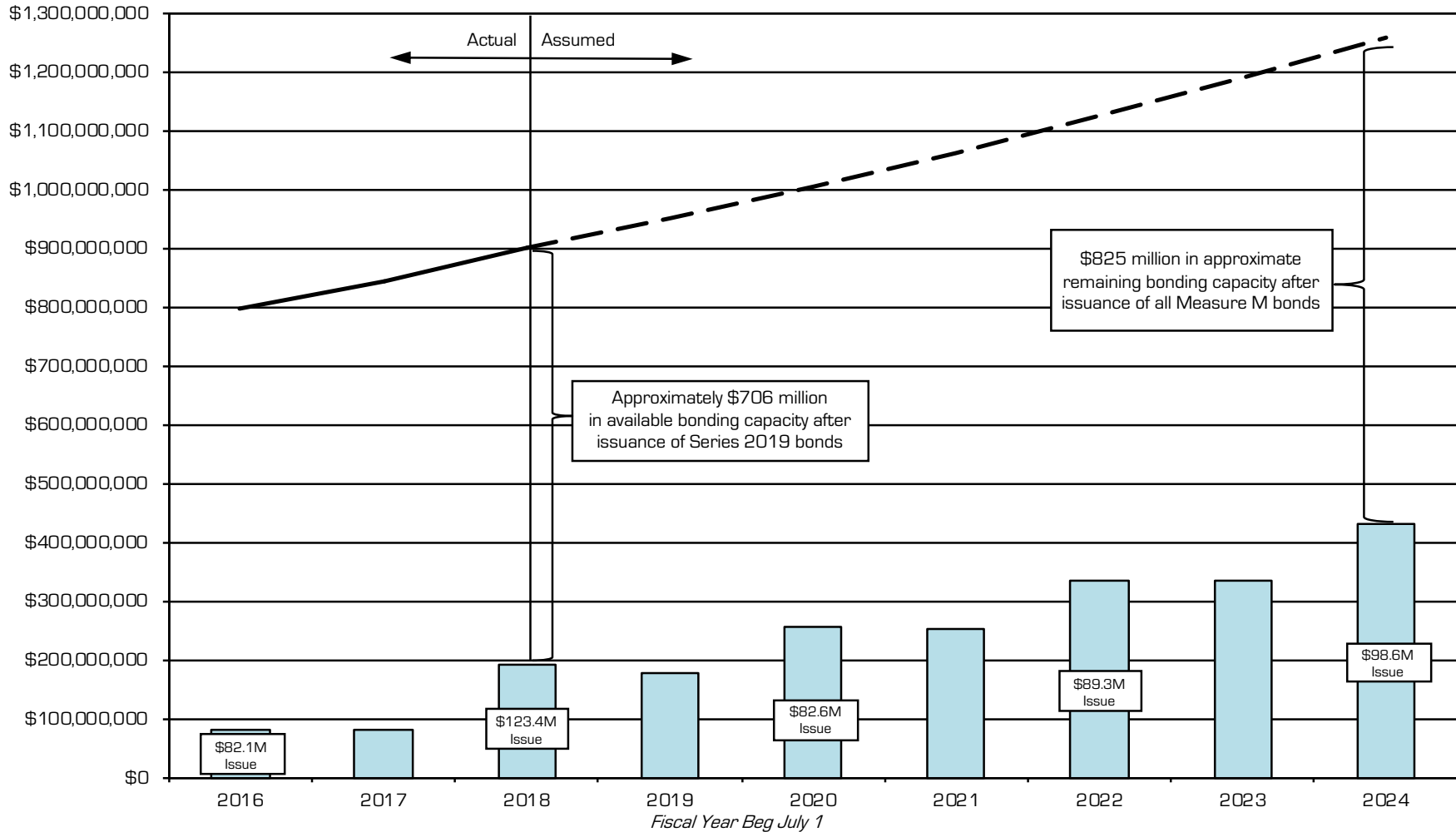


Net debt service assumes application of Counties prior year assumed delinquency revenue. Series 2017 debt service is actual. Projected debt service based on MMD "AAA" rates as of Oct 1, 2018, adjusted +50bp for current. Moody's "Aa2" rating, plus timing adjustments for potential rate increases prior to bond issuance of +100bp (2019), +150bp (2021), +175bp (2023), & +200bp (2025) and +180bp for callable capital appreciation bonds. Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged. Each series is named for the calendar year in which it is issued.

# Sufficient Bonding Capacity to Implement Measure M

Bonding Capacity/  
Outstanding Bonds

## Ample Bonding Capacity to Issue Remaining Measure M Authorization Through 2024-25



Unified district's bonding capacity is 2.5% of total AV. Existing net local secured AV is assumed to grow 4.25% annually, whereas projected new development will increase 4% annually prior to development and 2% annually thereafter, while all other AV types are assumed to remain unchanged.

# Bond Sale Methods

- ◆ Competitive Process - auction



- ◆ Negotiated Process - sale to pre-selected underwriter or lender/investor



*The Government Finance Officers Association (GFOA) recommends that "bond issuers sell their debt using the method of sale that is most likely to achieve the lowest cost of borrowing while taking into account both short-range and long-range implications for taxpayers and ratepayers."*

# GFOA Competitive Criteria

## ◆ Criteria that favors a Competitive Process:

- ✓ Rating of the bonds is at least in the single-A category.
  - Existing bonds are rated AAA by Fitch & Aa2 by Moody's.
- ✓ Bonds are general obligation bonds or full faith and credit obligations of the issuer or are secured by a strong, known and long-standing revenue stream.
  - The bonds are general obligation bonds.
- ✓ Bond structure does not include innovative or new features that require extensive explanation to the bond market.
  - The bonds do not include features requiring explanation.
- ✓ Issuer is well known and frequently in the market
  - The District is well known and frequently in the market.
- ✓ *We meet 4 out of the 4 competitive process criteria.*

\*Note: We define "frequently" to mean the proposed financing is at least the third debt issuance publically offered to the bond market in the last five years.



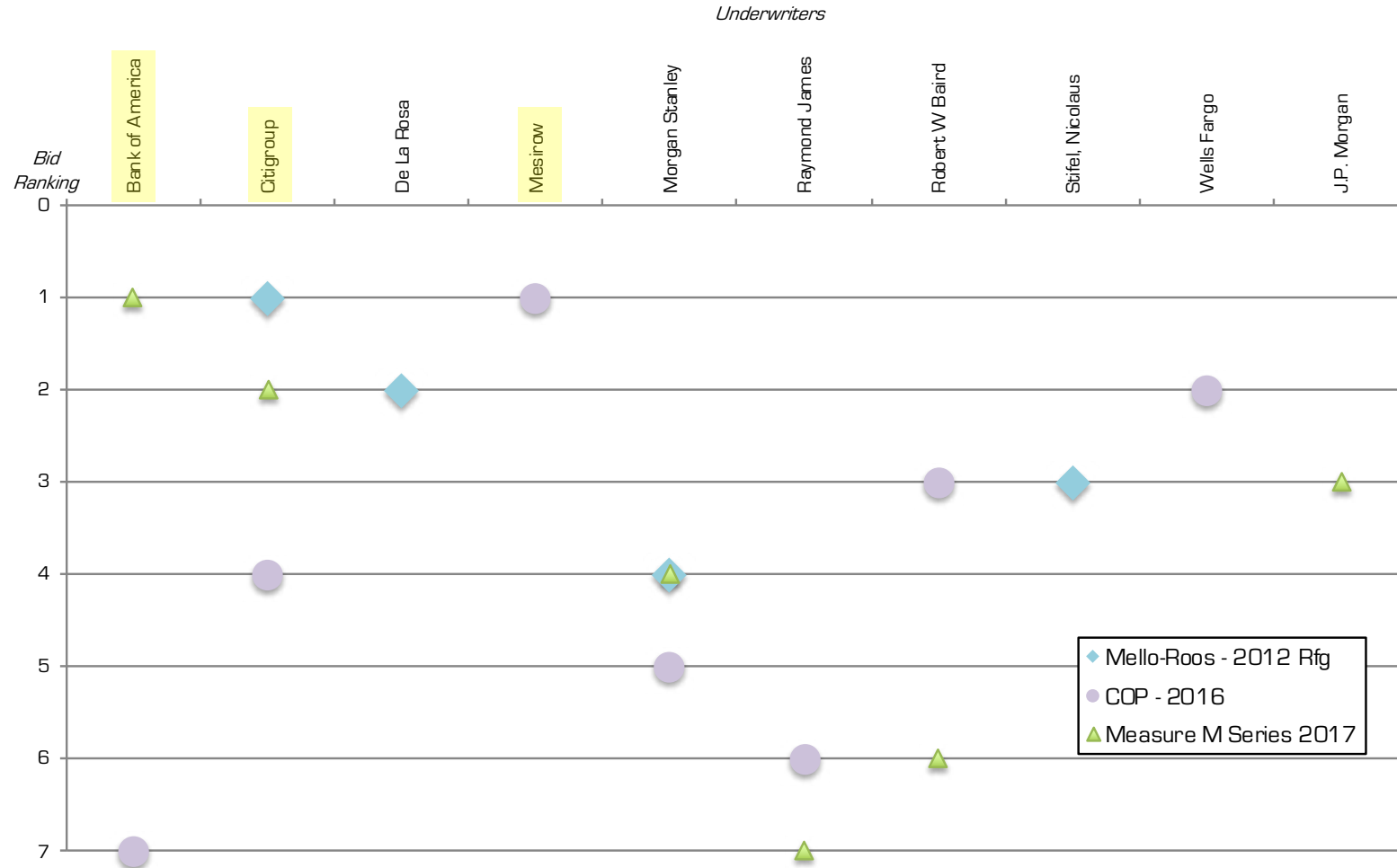
# GFOA Negotiated Criteria

## ◆ Criteria that favors a Negotiated Process:

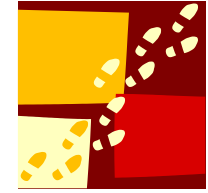
- X Rating of the bonds is lower than the single-A category.
    - Existing bonds are rated AAA by Fitch & Aa2 by Moody's.
  - X Bond insurance or other credit enhancement is unavailable or not cost-effective.
    - Bond insurance is available and cost-effective.
  - X Structure of bonds has features better suited to negotiation.
    - The bonds do not include such features.
  - X Issuer desires to target underwriting participation to include disadvantaged business enterprises or local firms.
    - All underwriters will have the opportunity to participate.
  - X Other factors that the issuer, in consultation with its financial advisor, believes favor the use of a negotiated sale process.
    - There are no other factors favoring a negotiated sale.
- ✓ *We meet 0 out of the 5 negotiated process criteria.*

# Competitive Bidding → Positive Outcomes

Since 2012, 10 Underwriters have Bid on the District's Mello-Roos Bonds, COPs, and General Obligation Bonds, with 3 Different Underwriters Submitting Winning Bids



# Next Steps



- ◆ Today's Board meeting
  - ▶ Informational presentation of proposed financing plan
- ◆ January 15, 2019 Board meeting
  - ▶ Board considers adoption of resolution authorizing issuance of bonds and approving the forms of the associated legal documents and POS
- ◆ February 5, 2019
  - ▶ Sale of bonds conducted at the offices of Government Financial Strategies
- ◆ February 19, 2019
  - ▶ Presentation of results of bond sale
- ◆ February 20, 2019
  - ▶ Closing: Proceeds deposited with County and Paying Agent

# Questions or Comments?

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