

October 20, 2022

Mountain View Whisman School District

Update on Funding Options



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Section I

General Obligation Bonds

General Obligation Bonds Overview

A general obligation (“GO”) bond is a common method of debt financing used by California school districts to generate capital project funds

- ◆ Lowest borrowing cost of any debt financing technique available to school districts
- ◆ Repayment (principal and interest) is made from taxes levied on assessed value (“AV”) of properties within school district boundaries
- ◆ Repayment of bonds does not encroach on district general fund
- ◆ Requires approval of district’s registered voters
 - Bond authorization amount
 - Project list
 - Estimated tax rate



Proposition 39 General Obligation Bond Parameters

Voter Approval Threshold	◆ 55%
Annual Tax Rate Limits per \$100,000 of AV	◆ <i>\$30 for elementary and high school districts</i> ◆ \$60 for unified school districts ◆ \$25 for community college districts
Board Approval Threshold	◆ Two-thirds of total members
Election Dates	◆ Statewide primary, general, special, or regularly scheduled local elections
Use of Bond Proceeds	◆ Construction, reconstruction, rehabilitation or replacement of school facilities ◆ Furnishings and equipment ◆ Acquisition or lease of real property
Accountability Measures	◆ Citizens' Oversight Committee ◆ Annual audits



Bond Program Considerations

GO bond programs are generally structured based on:

- ◆ **Funding needs**
 - District projects
 - Scope
 - Cost
 - Timing
- ◆ **Financing constraints**
 - District AV
 - Interest rates
 - Tax rates
 - Legal parameters

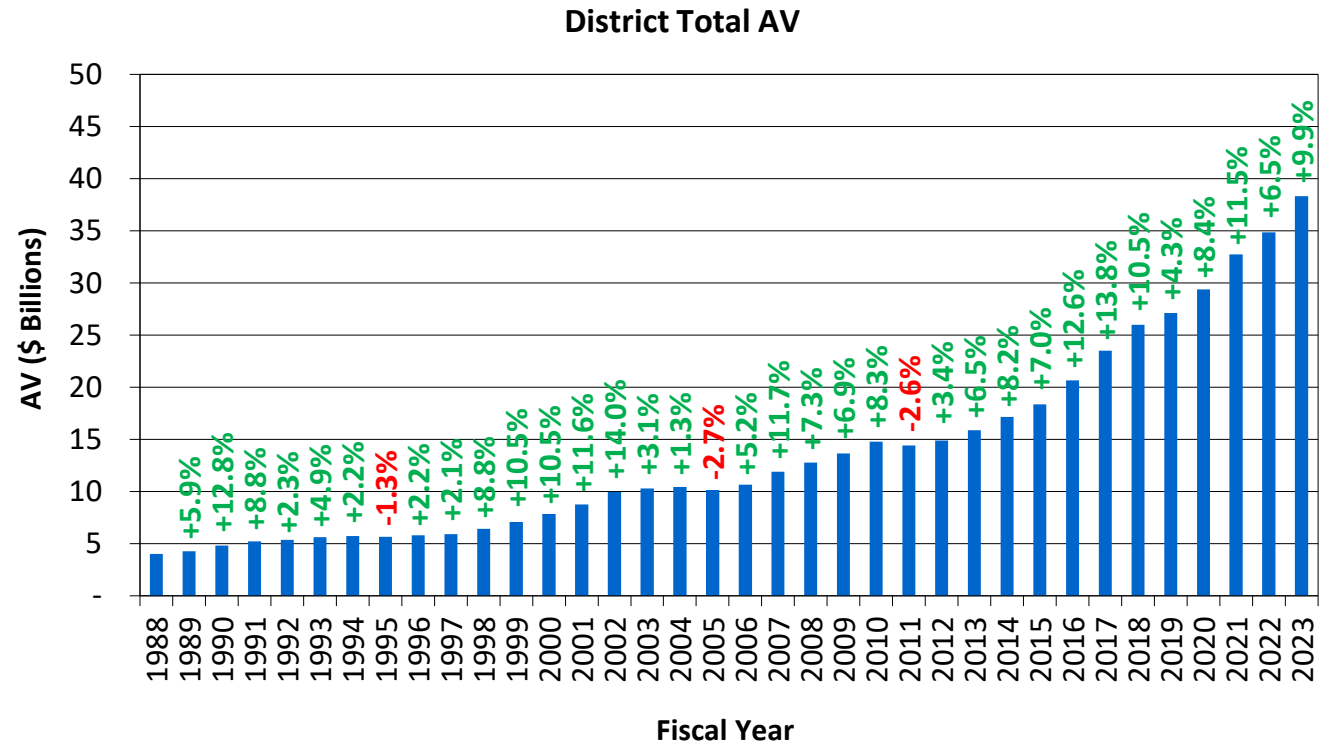
School districts commonly seek multiple bond authorizations to meet their ongoing project needs



AV History ⁽¹⁾

Mountain View Whisman SD grew 9.9% in 2022-23

- ◆ 2022-23 total AV of \$38,321,384,625
 - The former Mountain View SD accounts for 59.5% of total AV
 - The former Whisman SD accounts for 40.5% of total AV
- ◆ Annualized growth rates:
 - 1-year: 9.9%
 - 5-year: 8.1%
 - 10-year: 9.2%
 - 20-year: 6.8%
 - 30-year: 6.6%



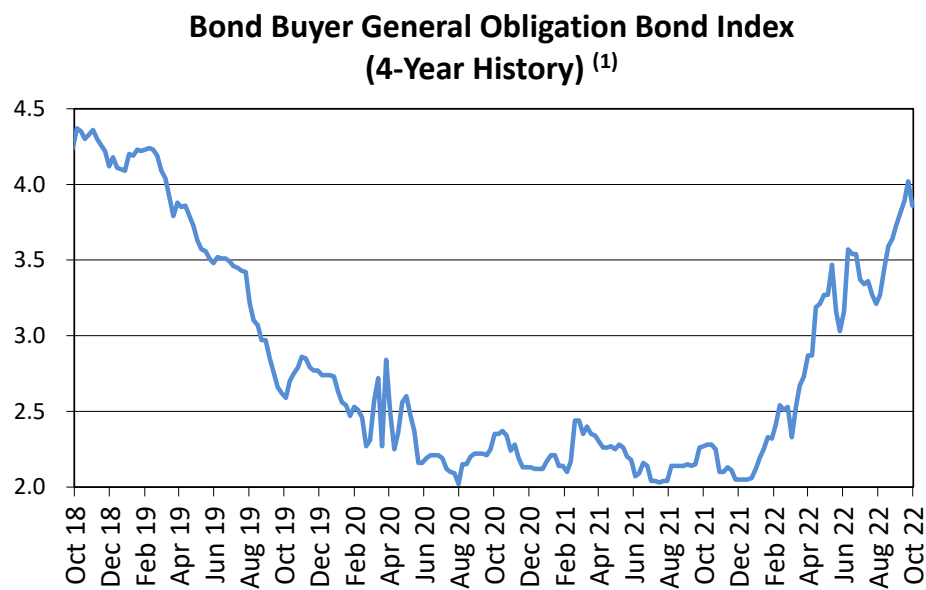
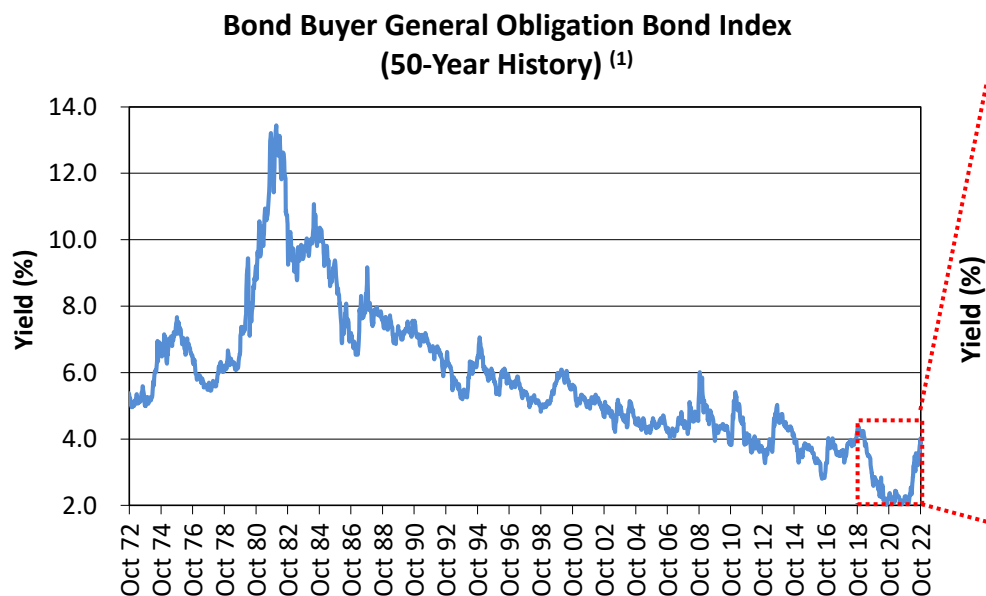
(1) Source: California Municipal Statistics, Inc. and Santa Clara County.



Interest Rates (1)

Following a period of record low interest rates early in the pandemic, interest rates have risen due to:

- ◆ Supply chain/labor constraints
- ◆ Inflation (e.g. oil prices)
- ◆ War in Ukraine
- ◆ Fed/other central bank actions in increasing interest rates (both taken and expected)



(1) Index reflects average yield to maturity of 20 general obligation bonds with 20-year maturities rated 'Aa2' by Moody's Investors Service and 'AA' by Standard and Poor's. Source: The Bond Buyer & Bloomberg.



Illustrative Election Scenario

Summary: A new tax for \$30 per \$100,000 of AV (Proposition 39 maximum tax rate) could generate \$311 million in proceeds

◆ **Assumptions:**

- Interest rates: 5.0% - 6.0%
- AV growth rates:
 - 2023-24 2.0%
 - 2024-25: 3.0%
 - Annually thereafter: 4.0%
- Current interest bonds only; no capital appreciation bonds

◆ **Note: Changing any of the assumptions will impact the total proceeds**

- Higher AV growth, lower interest rates, or more issuances will increase proceeds
- Lower AV growth, higher interest rates, fewer issuances, or a lower tax rate will decrease proceeds

Illustrative Issuance Schedule ⁽¹⁾

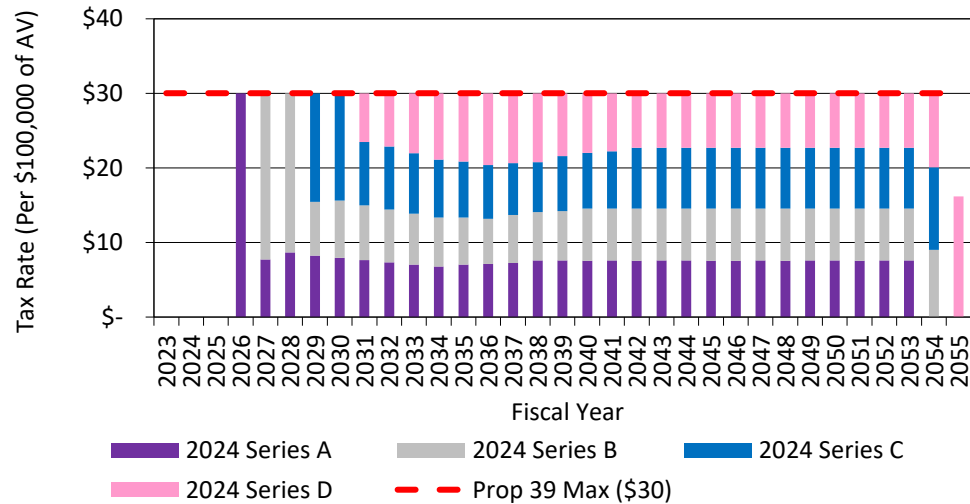
Issue	Issue Date	Proceeds	Net Repayment Ratio
Series A	September 2024	\$ 77,750,000	2.13 to 1
Series B	September 2026	77,750,000	2.11 to 1
Series C	September 2028	77,750,000	2.22 to 1
Series D	September 2030	77,750,000	2.26 to 1
Total		\$ 311,000,000	2.18 to 1

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

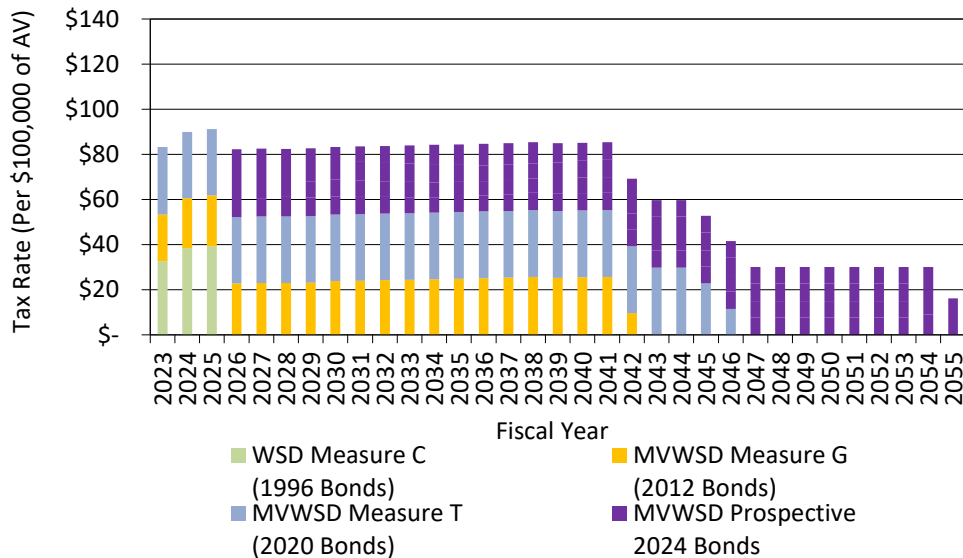


Projected Tax Rates

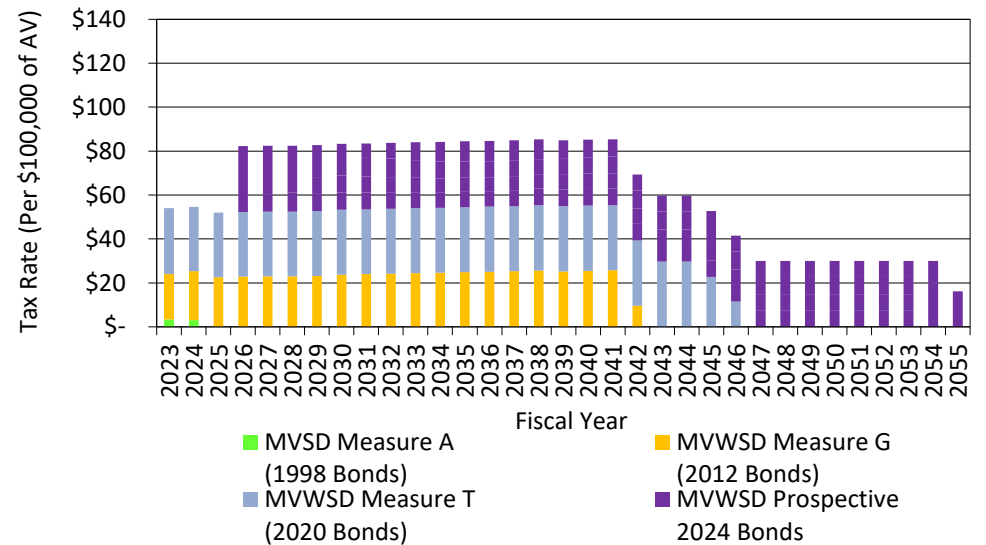
Projected Tax Rates - Prospective 2024 Election Bonds



Projected Tax Rates - Whisman SD Portion



Projected Tax Rates - Mountain View SD Portion



Note: Charts assume issuance of remaining \$174 million of Measure T in 2022 and 2024.



Statutory Bonding Capacity

Bonding capacity is a **statutory** limit on the amount of GO bonds that can be outstanding at any given time

- ◆ Based on:
 - Current AV multiplied by 1.25% statutory debt limit factor for non-unified school districts
 - Less: outstanding GO bonds
- ◆ Increases as AV grows and outstanding GO bonds are paid
- ◆ Does not limit the amount of bond authorization districts can request from voters
- ◆ Waivers are available from the State Board of Education if needed

Estimated Current Bonding Capacity ⁽¹⁾

2022-23 Total AV		\$ 38,321,384,625
Statutory Debt Limit Factor	x	1.25%
Bonding Capacity		<u>479,017,308</u>
Outstanding General Obligation Bonds		(267,202,383)
Available Bonding Capacity		\$ 211,814,925

(1) Subject to confirmation by the County Auditor-Controller.



2022-23 Santa Clara County K-12 Tax Rates

District	Elem. & High School District Tax Rates ⁽¹⁾	Aggregate K-12 Tax Rates ⁽¹⁾
Gilroy USD	-	\$126.20
Milpitas USD	-	\$86.50
Morgan Hill USD	-	\$40.00
Palo Alto USD	-	\$91.60
San Jose USD	-	\$56.00
Santa Clara USD	-	\$86.70
Campbell UHSD	\$40.10	
Campbell Union SD	\$67.20	\$107.30
Cambrian SD	\$68.90	\$109.00
Luther Burbank SD	\$166.80	\$206.90
Moreland SD	\$105.10	\$145.20
Union SD	\$105.00	\$145.10
Eastside UHSD	\$96.30	
Alum Rock Union ESD	\$84.10	\$180.40
Berryessa Union SD	\$77.20	\$173.50
Evergreen SD	\$92.80	\$189.10
Franklin-McKinley SD	\$74.60	\$170.90
Mount Pleasant ESD	\$49.10	\$145.40
Oak Grove SD	\$61.10	\$157.40
Orchard SD	\$43.30	\$139.60
Fremont UHSD	\$37.10	
Cupertino Union SD	\$36.80	\$73.90
Sunnyvale SD	\$32.30	\$69.40
Los Gatos-Saratoga UHSD	\$17.90	
Los Gatos Union SD	\$37.90	\$55.80
Saratoga Union SD	\$48.50	\$66.40
Lakeside Jt. SD	\$25.80	\$43.70
Loma Prieta Jt. Union ESD	\$46.60	\$64.50
Mountain View-Los Altos UHSD	\$35.50	
Los Altos SD	\$20.80	\$56.30
<i>Mountain View SD + MVWSD</i>	\$53.80	\$89.30
<i>Whisman SD + MVWSD</i>	\$83.30	\$118.80

(1) Source: Santa Clara County Auditor-Controller.



Upcoming Proposition 39 Election Opportunities

Proposition 39 bond elections can only be held on regularly scheduled election dates

- ◆ Generally speaking, this is the State Primary and General Elections in even years
 - March 2024
 - November 2024
- ◆ Notes:
 - Beginning in 2020, the State Primary moved from June to March in presidential election years
 - Foothill-De Anza CCD (which fully encompasses Mountain View Whisman SD) used to hold odd-year Board elections, which would have been a Proposition 39 opportunity
- ◆ Special State-wide elections may provide additional opportunities as well



Illustrative Election Steps

Action	Timing
Update District facility master plan/needs assessment to identify and prioritize potential bond projects	10 months prior
Bond team meeting, including District personnel, financial advisor, bond counsel, pollster, and strategist	10 months prior
Determine all available sources of capital improvement funds, including State funds, capital fund reserves, donations, developer fees, and bond proceeds	10 months prior
Begin community outreach to educate voters on District's needs	9 months prior
Identify issues within the community that could impact the bond election	8 months prior
Conduct voter opinion survey	6 months prior
Evaluate polling results; modify project list; adjust proposed bond size and timing of election	5 months prior
Identify community leaders to serve on campaign committee	4 months prior
Finalize bond projects list, election amount, estimated tax rates, and draft ballot language	4 months prior
Adopt resolution, including tax rate statement, calling for bond election	4 months prior
DELIVER RESOLUTION CALLING FOR ELECTION TO COUNTY REGISTRAR OF VOTERS	88 days prior
Prepare impartial analysis (bond counsel, county counsel) and pro-ballot argument (committee, campaign consultant) for voter pamphlet	3 months prior
Fund raising by bond committee	3 months prior
Conduct active "Yes on" campaign	1-3 months prior
ELECTION	Election Date
Certify election results	1 month after
Issuance of bonds	3 months after



Section II

Certificates of Participation

COPs Overview

Certificates of Participation (COPs) are a financing alternative to GO bonds

- ◆ COPs are lease financings that do not require voter approval
 - Proceeds are used to construct/acquire real or personal property
 - Cannot be used for operations/cash flow purposes
- ◆ Unlike bonds which are repaid from property taxes, COPs are repaid from the District's general fund or other sources (e.g. developer fees, if allowable)
 - The District utilizes a school site and enters into a lease with a non-profit corporation, e.g. California School Boards Association (CSBA)
 - Property title is transferred back to the District at the end of the lease
 - The District makes lease payments which are used to repay the financing
 - Flexible repayment options and financing terms
 - Given the repayment from District funds vs property taxes, rating agencies assign a lower credit rating to COPs vs bonds and interest costs are therefore higher than bonds
 - Early payoff can be made from State reimbursement funds, future general obligation bonds or other District funds
- ◆ Review/oversight from County offices
 - 30-day notice to COE/Auditor-Controller prior to Board approval
 - Assesses the District's ability to repay COPs
 - District must prove it has a reliable funding source to repay COPs



Illustrative Financing Steps

Date	Event
Week 1	Distribution of draft issuance resolution and forms of legal documents
Week 1	Notice of COP issuance sent to County Office of Education and Auditor-Controller (at least 30 days prior to District Board adoption)
Week 4	Adoption version of legal documents sent to District to be placed on Board Meeting agenda
Week 5	District Board meeting to adopt issuance resolution and forms of legal documents
Week 5	Non-Profit Board meeting to adopt resolution
Week 6	Credit rating update
Week 7	Receive rating
Week 7	Finalize offering document for prospective investors
Week 8	Pricing – Interest rates locked
Week 10	Closing – District receives proceeds

