Jefferson School District
2022 GO Refunding Bonds
& 2010 Election, 2022 Series D

January 2022

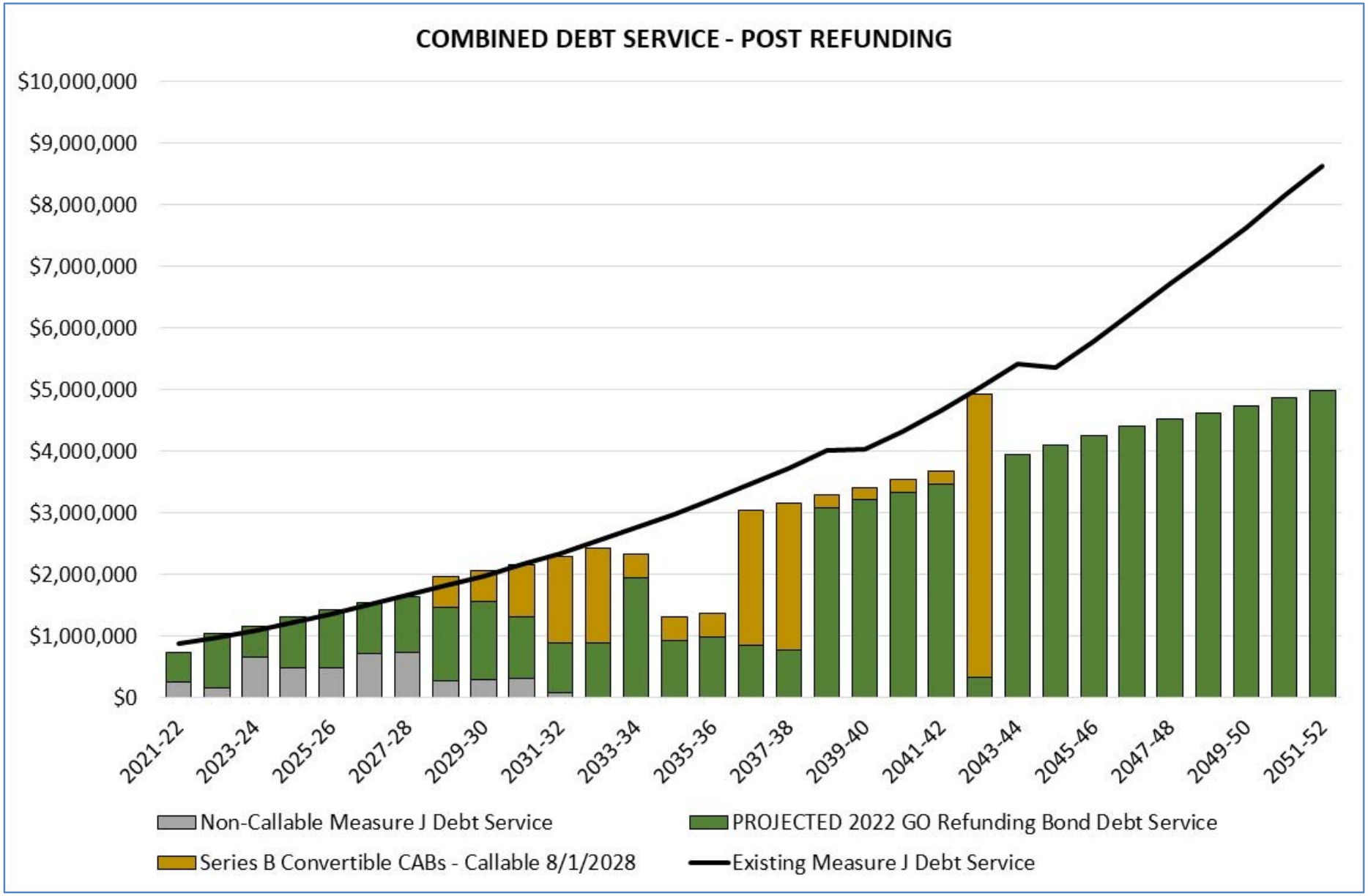
EASTSHORE CONSULTING

FINANCIAL ADVISORY & FACILITIES PLANNING •FISCAL CONSULTING •ELECTION STRATEGIES & PUBLIC RELATIONS

Background

- In November of 2010, more than 67% of Jefferson School District voters approved Measure “J”, authorizing a total of $35.4 million in bonds to fund a variety of facilities improvements
- The District has issued $33.2 million of the Measure “J” GO Bonds through three discrete series issued in 2011, 2013 and 2014
- The District can refinance up to $30.38 million of outstanding Measure “J” GO Bonds
  - $5.585 million of the Series A GO Bonds, reflecting all redeemable maturities, can be refinanced on a current basis using tax-exempt refunding bonds
  - $18.459 in original principal amount of the Series B and C Bonds can be refinanced to produce taxpayer savings under current market conditions
- Approximately $7 million in Series C Bonds, consisting mostly of convertible CABs, does not make economic sense to refinance at this time due to later redemption dates
- The District can also efficiently access the remaining $2.189 million in authorized but unissued Measure “J” GO Bonds
- After providing information to comply with AB 182 in December, the District can now act to authorize the refinancing of prior bonds and issue the remaining Measure “J” balance

General Obligation Bond Refunding



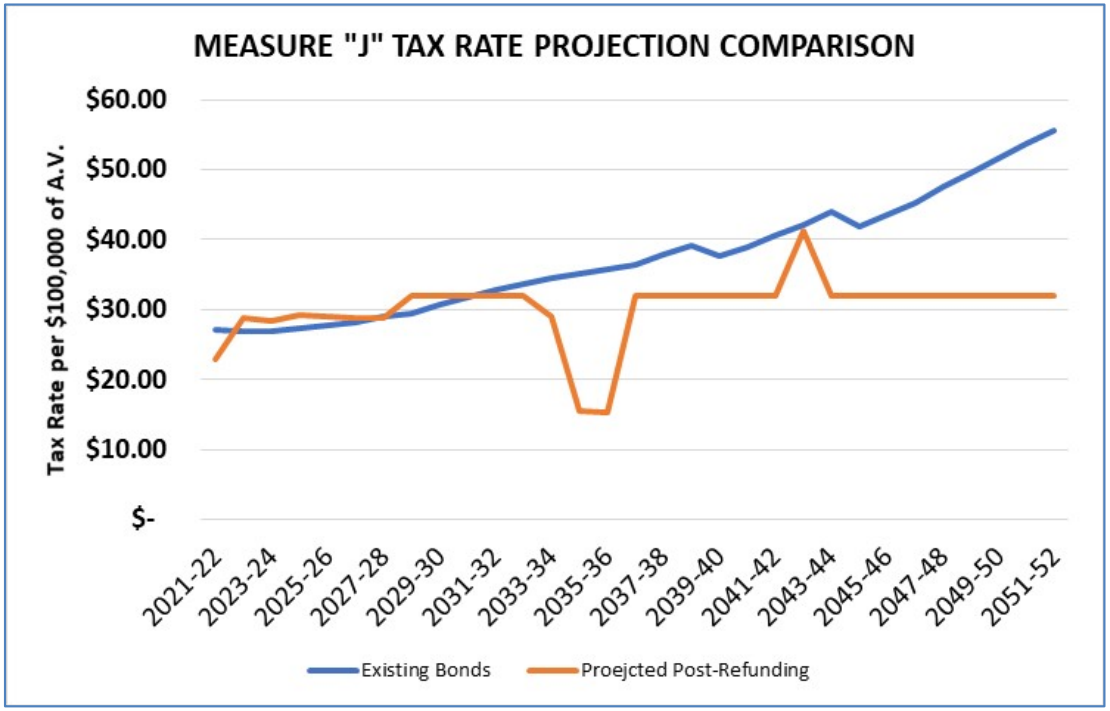
Based on current projections, overall debt service for Measure "J" can be reduced by $28 million through refinancing of prior GO Bonds.

Measure “J” Overview

- As is common for General Obligation bond programs in areas with rapid new housing development, Measure “J” bonds were issued using a “back-loaded” structure with higher repayment requirements in later years
- Existing debt service, or repayment requirements, grows by an average of 8% annually through maturity in 2052
- Eastshore has obtained information from Tracy Hills and Ellis at Central Station to evaluate projected development impacts
- Using a conservative projection of added value resulting from new development indicates over $5.5 billion in additional taxable property value resulting from new housing
- This additional property tax value is anticipated to increase assessed values by more than 8% in the near term, allowing for a more rapid repayment of Measure “J” GO Bonds, reducing interest expense
- By paying principal sooner, the proposed 2022 GO Refunding Bonds are projected to reduce total repayment requirements by approximately $28 million
- This additional projected growth in the near term will allow for a significant reduction in repayment requirements in the future, increasing the chances that tax rates return to voter estimated levels
- A future refinancing of portions of Measure “J” with later redemption provisions should further enhance taxpayer savings and smooth out any remaining repayment spikes

Refunding Tax Rate Impacts

- Using the revised tax base growth projections inclusive of new development to establish projected tax base growth, it is estimated that the refunding will provide aggregate savings of $225 per $100,000 of taxable value through 2052
- For the typical homeowner with an average taxable value of $503,000, this will save an estimated $1,130 in taxes supporting Measure “J” GO Bonds
- While rates are projected to increase by up to $2.41 per $100,000 of assessed value (A.V.) in the near term, substantial reductions are projected in future years
- The dip in rates from 2034 through 2036 will allow for the efficient issuance of remaining Measure “J” authorization and smooth out the tax rates experienced by homeowners
- Further optimization of the refunding structure may reduce the need to increase rates slightly in the near term



Refunding Summary

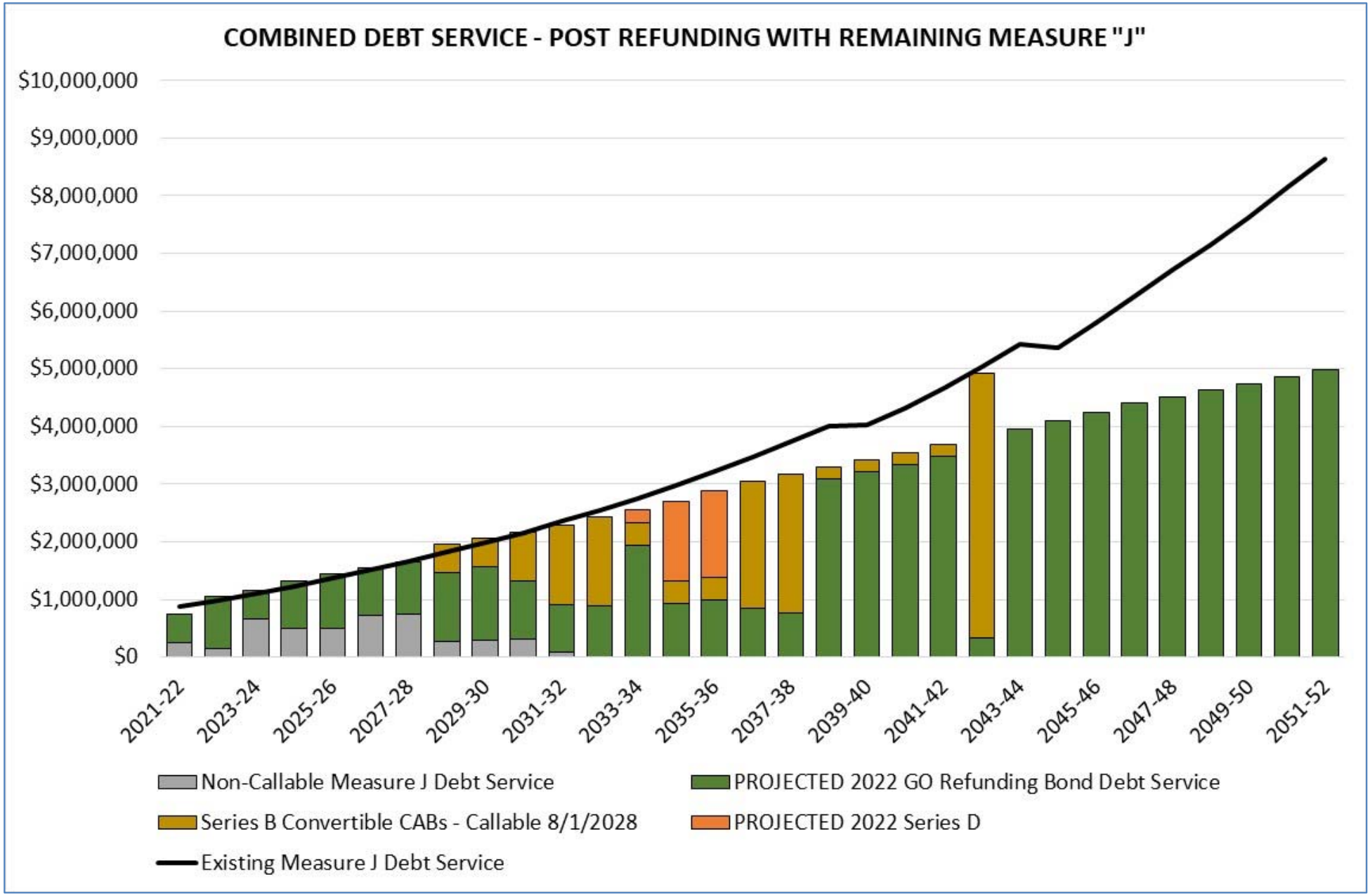
- Refunding of the existing Measure “J” Bonds callable through 2024 will produce a Net Present Value Savings of $12 million, which is 36% of the refunded bond amount, well above the industry standard of 3% savings
- The True Interest Cost for the refunding is projected to be roughly 3.47% for a projected 30-year final maturity
- Refunding of the Series A on a current basis using tax-exempt bonds is projected to produce gross savings of $2.05 million
- Refunding of Series B and C on an advance basis using taxable bonds is produce gross savings of $26 million
- Because the Series B and C Bonds being refunded are predominately comprised of CABs which compound interest, savings for the refinancing of those components is significantly larger than Series A
- The projected repayment ratio for the combined refunding is projected to be right at 2.0 to 1, meaning interest expense of roughly $1 for each dollar borrowed

Remaining Measure “J” Bonds

Measure “J” Remaining Balance

- The District still has $2.1 million in authorized but unissued GO Bonds under Measure “J” which could provide additional funding for voter-approved projects
- Utilizing the projected additional tax capacity created by refinancing prior bonds (and saving taxpayers an estimated $28 million), the District can efficiently access the remaining Measure “J” balance with projected repayments totaling $3.15 million
- Given current low interest rates as compared to prior Measure “J” issuances, it appears to be more efficient to issue the remaining bonds as capital appreciation bonds
- Under current market conditions, utilizing three CAB maturities to access remaining Measure “J” authorization can be achieved with a repayment ratio of roughly 1.45 to 1 – lower than all prior GO Bond issuances of the District
- Utilizing CABs will also minimize near-term tax rate impacts as additional development occurs, spreading repayment over a larger base
- Information was provided to the Board in December 2021 to fulfill certain AB 182 requirements related to the issuance of CABs and we have since updated those estimates

PROJECTED MESASURE J —POST REFINANCING WITH NEW MONEY



AB 182 Information

- In addition to placing limitations on the allowable uses of CABs by school districts, AB 182 also adds required disclosures to be presented at an informational meeting immediately preceding action on a resolution to authorize issuance of CABs
- Such disclosures apply only to the issuance of bonds for new funding and do not apply to the refinancing of existing bonds, even if such refinancing is conducted utilizing CABs
- To ensure that the Board fully understands the potential impacts of utilizing CABs, AB 182 requires disclosure of:
  - The CABs term (or duration until maturity): **up to 25 years**
  - The CAB repayment ratio: **1.5 to 1 (or less)**
  - Assessed Value growth assumption: **13.33% to 6.41% per year** **(based on new development analysis)**
  - Total projected CABs cost: **$3,115,000** **assuming full $2.189 million issuance**
  - Comparison of the cost of CABs to CIBs: **See following slide**
  - Reason for the use of CABs: **With development occurring in the future, current tax rate capacities are limited and cannot accommodate current interest payments at this time**
  - A copy of the UW G-17 engagement letter: **included in the agenda item supporting documents**

AB 182 —COMPARISON OF COSTS
CURRENT INTEREST BOND TO CAPITAL APPRECIATION BOND

	SAMPLE 10-YEAR CURRENT INTEREST BOND			
August 1,	Principal	Coupon*	Interest	Debt Service
2022	$ 200,000	3.00%	$ 44,671	$ 244,671
2023	165,000	3.00%	77,750	242,750
2024	170,000	4.00%	72,800	242,800
2025	180,000	4.00%	66,000	246,000
2026	185,000	4.00%	58,800	243,800
2027	195,000	4.00%	51,400	246,400
2028	200,000	4.00%	43,600	243,600
2029	210,000	4.00%	35,600	245,600
2030	220,000	4.00%	27,200	247,200
2031	225,000	4.00%	18,400	243,400
2032	235,000	4.00%	9,400	244,400
	$ 2,185,000		$ 505,621	$ 2,690,621
Total Principal Amount				$ 2,185,000
Repayment Ratio				1.23 to 1

	PROJECTED CAPITAL APPRECIATION BOND - SERIES D			
August 1,	Principal	Coupon*	Interest	Debt Service
2022	$ -		$ -	$ -
2023	-		-	-
2024	-		-	-
2025	-		-	-
2026	-		-	-
2027	-		-	-
2028	-		-	-
2029	-		-	-
2030	-		-	-
2031	-		-	-
2032	-		-	-
2033	-		-	-
2034	166,032	0.00%	58,968	225,000
2035	991,737	0.00%	398,263	1,390,000
2036	1,031,499	0.00%	468,501	1,500,000
	$ 2,189,268		$ 925,732	$ 3,115,000
Total Principal Amount				$ 2,189,268
Repayment Ratio				1.42 to 1

- With a projected 10-Year current interest bond issuance of similar principal amount assuming current market interest rates, the balance of Measure “J” could be accessed at a total cost of $2.69 million if adequate tax rate capacity were available
- Based on the projected 2022 Series D capital appreciation bond issuance raising the remaining balance of Measure J, it will cost $3.115 million in total debt service, approximately $425,000 more than if it were viable to issue current interest bonds

Issuance Process

As to Form Document Summary

- **Bond Purchase Agreements** – The agreements to memorialize the interest rates and terms of the bond which will be finalized and executed by staff after a pricing period to obtain investor commitments to purchase bonds (one for the refunding and one for the new money issuance)
- **Escrow Agreement** – The agreement instructing how refunding bond proceeds will be applied to retire prior bond issuance
- **Continuing Disclosure Certificate** – Included in the Preliminary Official Statement, this is the agreement to provide on-going information to bond owners through maturity of the bonds and is similar to existing agreements for outstanding bonds
- **Preliminary Official Statement** – The offering document for the proposed bonds which investors will review (subject to SEC Rule 15c2-12 requirements)

Issuance Process for Any Bonds

- Fundamental steps for any bond issuance include:
  - Obtaining legal authorization through Board action
  - Completing the credit review process
  - Preparation of legal documentation
  - Setting of interest rates through negotiations
  - Completion of legal documents, and receipt and transfer of proceeds required to redeem prior bonds
- Before the Board tonight for consideration are two resolutions, one providing the authority to refinance prior GO Bonds and the second authorizing the issuance of remaining Measure "J" bond authorization
- In addition to each resolution providing legal authority to proceed with refinancing and issuance of Measure "J bonds, they also approve the format of certain documents and agreements associated with the issuance process
- These additional document formats have been provided to the Board
- The District's Superintendent and CBO participated in conversations with S&P Global Ratings in December and, with the affirmation of the District's "AA-" rating on January 6th, the credit review process is substantially complete

Proposed Timeline

Proposed 2022 GO Bonds Timeline	
Date	**Activity**
10/27/2021	Circulate RFP for Underwriting Services
11/3/2021	Due Date for Underwriter RFP response
11/9/2021	Board approval of Underwriter selection
12/14/2021	Present information on GO Refunding and 2010 Election authorization issuance opportunity to Board, and provide AB 182 Disclosures
12/21/2021	Financial Advisor conducts conversations with County agencies to discuss refinancing of GO bonds and issuance of remaining 2010 Election authorization
12/21/2021	Rating Agency Conference Call - Time 10:00am
1/6/2022	Rating Due from Rating Agencies
1/11/2022	Board approves resolution authorizing GO Refunding Bond issuance and 'as to form' documents
1/11/2022	Board approves resolution authorizing issuance of remaining 2010 Election authorized GO Bonds and 'as to form' documents
1/18/2022	Post Preliminary Office Statement
2/1/2022	Conduct bond pricing - Assuming successful completion, District and Underwriter execute Bond Purchase Agreement, memorializing interest rates and terms of GO Bonds - Time TBD
2/15/2022	Close - Bond proceeds deposited into escrow and project fund

Questions?