

Antioch Unified School District

Resolution Authorizing Sale of Series E Bonds



Backstrom McCarley Berry & Co., LLC

**Presentation to the Board of Education
Wednesday, January 22, 2020**

Ongoing Bond Program

The District has been investing money in school facilities on a relatively consistent basis for more than ten years.

- Two bond measures approved – 2008 Measure C and 2014 Measure B.
- Six series of new money bonds issued.
- More than \$140 million of expenditures from various capital funds [1].

Note: Capital funds include the Building Fund, the County Schools Facilities Fund, the Special Reserve Fund for Capital Outlay, and the Capital Projects Fund for Blended Component Units.

Bond Authorizations Achieved

The largest portion of funding for such improvements has come from two voter approved bond measures, both of which were held in SFID #1.

Election Date	Measure	Original Amount	Percent Support	Amount Issued	Remaining to Be Issued
June 3, 2008	2008 Measure C	\$61,600,000	62.5%	\$50,850,000	\$10,750,000
November 6, 2012	2010 Measure B	\$56,500,000	62.9%	\$56,500,000	\$0

A Brief History of 2008 Measure C

2008 Measure C has a somewhat complicated history.

- The Board voted to put 2008 Measure C on the ballot in February 2008, and 2008 Measure C was approved by a vote of 62.5% in favor in June.
- In July 2008, the County announced that assessed values in the District had decreased by 8.3%, the first time that the tax base had decreased; the next year the District-wide tax base decreased by another 21.5%; by tax year 2012-13, the tax rate base was 35.9% off its highs; decreases in SFID #1 were only slightly less severe.
- From the very beginning, we have been adjusting the program: slowing the pace of projects, deferring bond repayment, taking advantage of federal subsidy programs, and re-considering tax rate targets.
- After issuing \$20.8 million in Series C Bonds in July 2010 (most of which were issued under an ARRA related federal subsidy program), the District decided to suspend the issuance of new money bonds under 2008 Measure C.
- In 2012, the District placed two bond measures on the ballot, the second of which, 2012 Measure B, was successful.

Series E Bonds

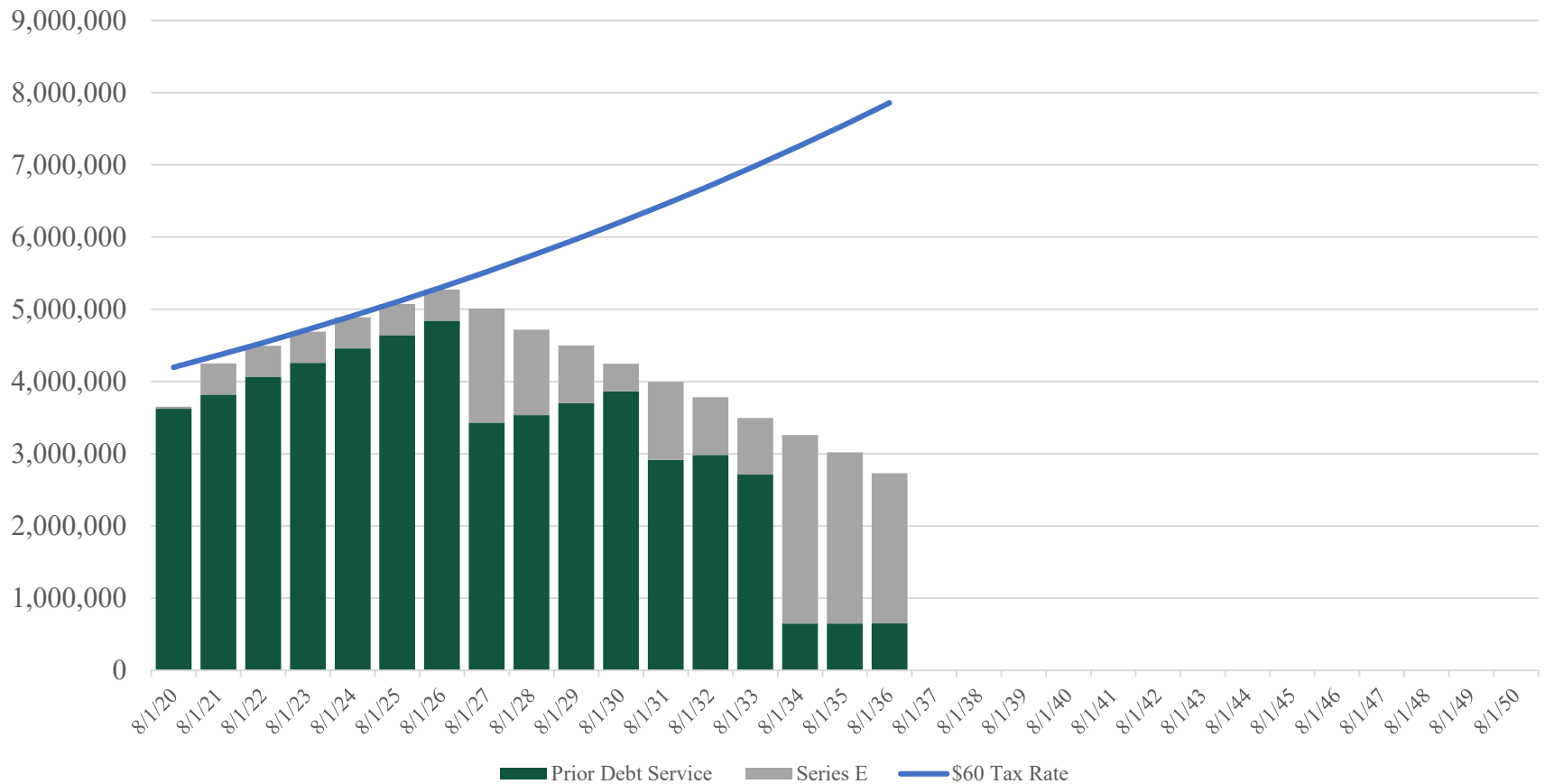
For a variety of reasons, we are now in position to issue the final series of bonds under the 2008 Measure C authorization.

- After the Series C Bonds were issued, \$20,750,000 of the original authorization remained to be issued.
- In February 2017, the District issued another \$10,000,000 of 2008 Measure C Bonds in conjunction with a refunding issue (the refunding issue was structured to increase savings and build capacity in the earlier years).
- A combination of strong tax base growth (4.9% in 2019-20 and an average of 7.5% over the past seven years) and very low interest rates (the ten-year treasury rate has been below 2.00% since last summer), has made it possible to issue the remaining authorization within 2000 Proposition 39 tax rate limits at this time.
- The 2000 Proposition 39 certification will assume that the tax base will grow by an average of 4.0% in the years ahead.

Projected Debt Service

The Series E Bonds will be structured to wrap around existing obligations.

Annual DS – Existing Bonds and Proposed Bonds



Costs of Issuance

State law requires that estimated upfront costs of issuance be disclosed prior to the approval of any series of school bonds to be sold.

Role	Firm	Original Est [1], [2]
Financial Advisor	Backstrom, McCarley, Berry	\$60,000
Bond Counsel	Quint & Thimmig	40,000
Disclosure Counsel	Quint & Thimmig	20,000
Rating Agency	Moody's Investors Service	20,000
Rating Agency	S&P Global Ratings	20,000
Paying Agent	BNY Mellon	3,000
Printing	TBD	5,000
Miscellaneous [3]	Various	7,000
Total Costs		\$175,000

[1] Many of the individual costs summarized here are discretionary and are only incurred to the extent that they reduce borrowing costs in a like or more amount.

[2] Estimated. Final costs will be established with the goal of achieving costs at or below median for comparable transactions.

[3] To be used to fund expenses and contingencies, among others. Any remaining amounts will be transferred to the debt service fund with appropriate sign-off.

Good Faith Estimates

State law also requires that good faith estimates of certain bond related statistics are provided at the time that a bond sale is authorized.

Proceeds Available for Projects [1]	\$10,750,000
Costs Associated with the Financing [2], [3]	
Upfront Costs	\$175,000
Underwriting Costs	64,500
Bond Insurance Premium	40,625
Total Costs	\$280,125
True Interest Cost Percentage	4.50%
Total Repayment Amount	\$16,250,000

[1] Assumes costs are paid through an underwriter funded costs of issuance account established at closing.

[2] Estimated.

[3] Many of the individual costs summarized here are discretionary and are only incurred to the extent that they reduce borrowing costs in a like or more amount.

Resolution

The resolution before the Board tonight accomplishes four specific objectives.

- Authorizes the sale of bonds subject to certain conditions (not to exceed interest rates and underwriting costs, for example).
- Defines various features of the bonds to be sold (including security features and optional redemption provisions).
- Approves certain documents as to form (including the bond purchase agreement and the continuing disclosure certificate).
- Acknowledges certain ongoing responsibilities of the District under state law, federal tax law, and other securities law.

Moving Forward

With approval of tonight’s resolution, the District will continue to move along a path that will provide funding by Thursday, March 12th, 2020.

Date	Activity
Wednesday, January 22, 2020	District board meeting to authorize bond sale.
Week of Monday, January 27, 2020	Meeting with rating agency or agencies.
Tuesday, February 11, 2020	County board meeting to acknowledge financing.
Tuesday, February 11, 2020	Receive rating or ratings.
Wednesday, February 12, 2020	District board meeting to approve POS.
Thursday, February 13, 2020	Preliminary Official Statement posted.
Tuesday, February 25, 2020	Pricing date. Interest rates established.
Thursday, March 12, 2020	Closing date. District receives funds.
Friday, March 13, 2020	Planning meeting to discuss ongoing responsibilities.

Projects To Be Funded

Borrowed funds will be available to complete identified projects within SFID #1.

- Needs are being reviewed and prioritized, and cost estimates are being developed.
- A list of proposed projects will be brought to the Board for approval.
- Under federal tax law, the District must “reasonably expect” to expend proceeds generated from the sale of tax-exempt bonds within three years of the date of borrowing.
- It is anticipated that work will begin as soon as this summer.

Resolution Approving POS

You will notice that the schedule calls for a second resolution approving the form of Preliminary Official Statement to be approved by the Board on Wednesday, February 12, 2020.

- The Preliminary Official Statement is the primary disclosure document for the financing; the POS is prepared by disclosure counsel.
- Under federal securities law, the District is obligated under federal securities law to certify that the POS does not misstate any material facts, omit any material facts, or present any material facts in a way as to make them misleading.
- In recent years, it has been a more common practice for us to separate the authorizing resolution from the resolution approving the Preliminary Official Statement.
- The schedule calls for the POS to be approved by the Board on February 12th and posted the next day.

Objectives of The Financing

We'd propose that we measure the success of this financing against five specific objectives.

- Generate the full targeted amount within the 2000 Proposition 39 limitations based on reasonable assumptions.
- Provide a repayment structure that achieves low taxpayer costs while being fair to both current and future taxpayers.
- Negotiate low interest rates for each maturity of bonds sold as measured on a spread basis versus comparable transactions with similar coupons.
- Negotiate upfront and other costs of issuance that are median or below relative to similar and comparably sized transactions.
- Provide a process and results that stands up to critical review (whether contemporaneous or in the future).

Congratulations!

And, finally, congratulations on securing the endorsement of the East Bay Times for 2020 Measure T.

- The East Bay Times takes a critical perspective; they don't endorse all school tax measures.
- They've been openly critical of school bond programs generally and certain school bond programs specifically in the past.
- The entire financing team worked hard to build a transparent and responsible program and to communicate its features to the Times.
- It is important that the District continue to focus on best practices as it implements this and future programs.

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