

*Cabrillo Unified
School District*



Cabrillo Unified School District General Obligation Bond Program

by

Isom Advisors,
a Division of Urban Futures, Inc.

April 16, 2020

District Bond Program

Existing Authorization

Voters have approved three bond measures

Cabrillo Unified School District

Election Date	Total Amount Authorized	Remaining Authorization
June 4, 1996 (Measure K)	\$35,000,000	\$0
June 5, 2012 (Measure S)	\$81,000,000	\$23,000,000
June 5, 2018 (Measure M)	\$99,000,000	\$64,000,000

Bond Program Model

Main Inputs

Cabrillo Unified School District

- ❖ The main inputs into a bond program model include:
 - Assessed valuation growth
 - Interest rate environment
 - Bond structure

District Assessed Value History

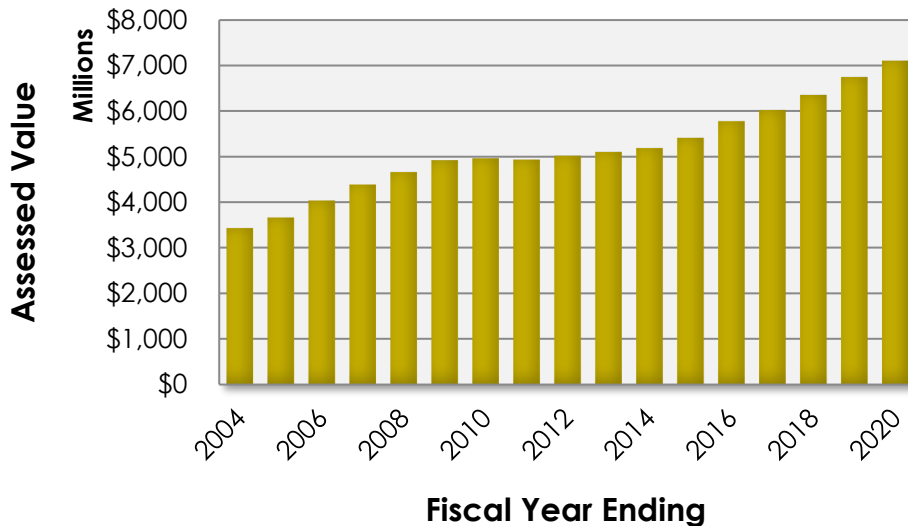
Cabrillo USD Historical Assessed Values

Cabrillo Unified School District

- ❖ The District has a history of very strong assessed valuation ("AV") growth.
- ❖ The District's 2019-20 AV was approximately \$7.1 billion; annual average AV growth rate since 2004 is 4.7%.

Fiscal Year Ending	Assessed Valuation Growth Rate
2005	6.8%
2006	10.1%
2007	8.8%
2008	6.2%
2009	5.6%
2010	0.8%
2011	-0.5%
2012	1.7%
2013	1.6%
2014	1.8%
2015	4.3%
2016	6.7%
2017	4.2%
2018	5.5%
2019	6.2%
2020	5.4%
Average	4.7%

Historical Assessed Valuations



- ❖ District's gross bonding capacity is \$177.7 million (2.5% x assessed value); currently, the District has net capacity of \$88,652,978.

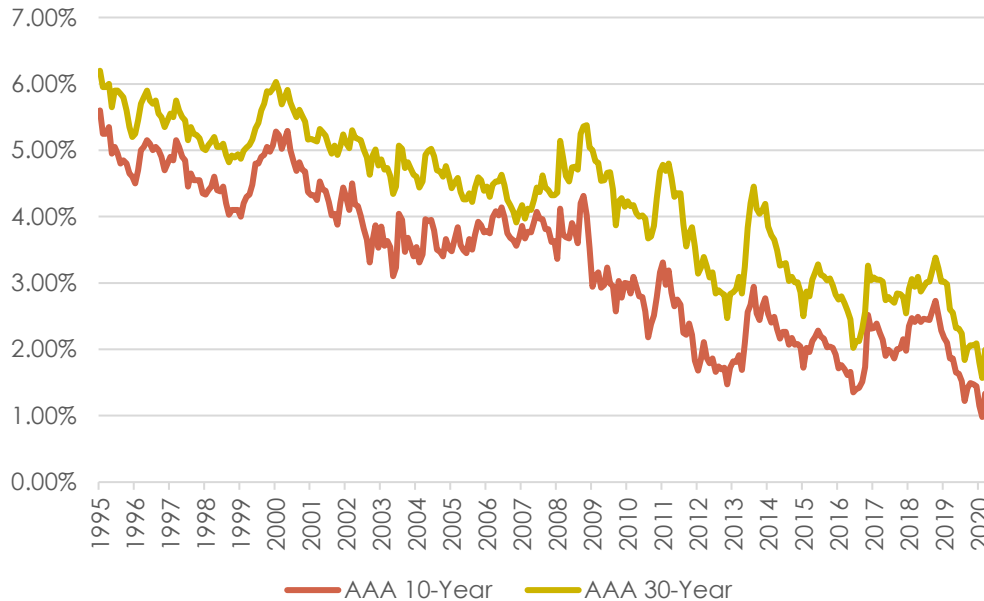
Market Environment

Comparison of Historical Interest Rates

Cabrillo Unified School District

- ❖ Municipal Market Data (MMD) rates are the municipal industry benchmark. While interest rates remain low by historical standards, we have seen record volatility over the last month.

History of Municipal Market Data (MMD) Rates



Recent MMD Shifts

Date	10-year	30-year
3/2/2020	0.93%	1.52%
3/9/2020	0.78%	1.38%
3/16/2020	1.61%	2.32%
3/23/2020	2.79%	3.37%
3/31/2020	1.33%	1.99%

The Thomson Municipal Market Data (MMD) AAA curve is a proprietary yield curve that provides an approximation of the borrowing rate of "AAA" rated state general obligation bonds and serves as a benchmark yield in the municipal bond market.

Source: Thomson Reuters – The Municipal Market Monitor (tm3)

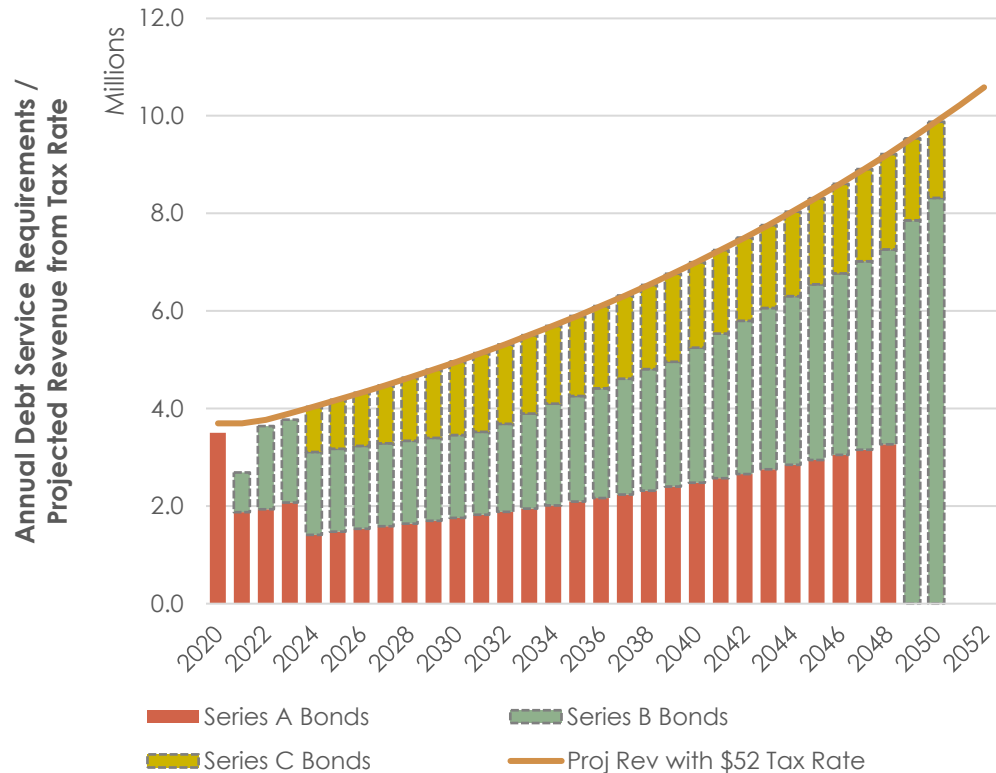
Measure M

Projected Plan of Finance

Cabrillo Unified School District

- ❖ The par amount of the Series 2020 bonds will be not-to-exceed \$40 million (slightly higher than the original financing plan).
- ❖ The higher par amount will better meet the District's project needs and fits within the financing plan.
- ❖ The Series 2020 bonds will be structured to layer on top of the Series A bonds and to leave capacity to issue the third and final series of bonds in two to three years.

Measure M Bond Program



Note: Tax rate is per \$100,000 in assessed value; Assumes annual AV growth of 0% in 2020-21, 2% in 2021-22 and 3.5% thereafter.

Competitive and Negotiated Pricings

There are two main ways to price municipal bonds

Cabrillo Unified School District

- ❖ There are generally two main ways to price municipal bonds: competitive and negotiated.

	Competitive	Negotiated
Underwriter Selection Timing	At the time of pricing based on true interest cost (TIC) only	Prior to pricing
Underwriter Role	At pricing only	Throughout the issuance process
Marketing of Bonds	Investors are sought after the pricing	Underwriter pre-markets the bonds prior to pricing
"Classic" Fit	Well-known, frequent issuer with vanilla easy-to-understand debt in a stable and solid market	Non-frequent issuer with a more complicated financial background in a volatile market

- A third option is a private placement where the school district directly places the bond with an investor – typically a bank.
- ❖ The bond resolution will allow for both competitive and negotiated pricing methods to be determined by District staff closer to pricing.

Legal Documents (1)

Bond resolutions under consideration

Cabrillo Unified School District

- ❖ **Resolution Authorizing the Sale of the Series B Bonds** – Board authorizes the issuance of Series B bonds and sets a number of parameters:
 - Not-to-exceed par amount: \$40 million
 - Bond structure: Current Interest Bonds
 - Maximum true interest cost: 6.0%

- ❖ **Resolution Requesting the Board of Supervisors to Establish Tax Rate for Bonds Expected To Be Sold** – Board requests that the County levy a tax for the anticipated Series B bonds.

Legal Documents (2)

The bond resolution will have a number of attachments

Cabrillo Unified School District

- ❖ **Attachments** – The resolution has a number of attachments that will be approved in form. In the bond resolution, the board delegates the responsibility to execute these documents to the Superintendent & CBO.
 - ❖ **Preliminary Official Statement (“POS”)** – Offering document which prospective purchasers of the bonds use to learn about the District and the bonds.
 - ❖ **Continuing Disclosure Certificate** – District covenants to file annual reports and material events notices to keep investor community up-to-date regarding District finances and tax base.
 - ❖ **Bond Purchase Agreement** – Agreement that gets executed at pricing between the District and underwriters establishing the terms of the bond sale.
 - ❖ **Paying Agent Agreement** – A paying agent distributes the required payments to bondholders. This agreement engages US Bank and specifies their responsibilities.

Good Faith Estimates

Required Disclosure of Bond Statistics

Cabrillo Unified School District

- ❖ Below are the good faith estimates associated with the Series B Bonds as required under SB 450.

	Series B Bonds
True Interest Cost	4.08%
Finance Charge of the Bonds	\$339,000
Amount of Proceeds	\$39,825,000
Total Repayment Amount	\$83,590,000

Bond Issuance Schedule

Series B Bonds can be issued in June

Cabrillo Unified School District

- ❖ The financing schedule may be adjusted based on a variety of factors, including the municipal market environment.

Financing Activity	Date
District Board Approval	April 16 th
Conference Call with Rating Agencies	Week of May 4 th
Receive Ratings	May 15 th
County Board of Supervisors Meeting	May 19 th
Post Preliminary Official Statement	May 27 th
Pricing	June 3 rd
Closing	June 17 th