Fiscal Stewardship: Bond Sale Results
Agenda

- Competitive Bidding for the District’s Bonds
- Results for the District and District’s Taxpayers
- For Reference
  - Competitive Bidding History
  - Detailed Costs of Issuance
  - January 14, 2021 Board Report
The District has been an avid user of Government Finance Officers Association (GFOA) best practices, several of them were utilized in this year’s issuance of bonds, including:

- Use of Independent Financial Advisor
- Competitive Process to Select Underwriter
- Managed the Cost of Debt Issuance
- Refinanced Bonds for Savings
- Use of a Debt Management Policy
Bids for 2021 Refunding bonds accepted until Wednesday, February 24 at 8:35 am
  ► Par amount: $26,825,000

Internet notification and bidding:
  ► How do potential bidders know we’re offering bonds?
    ● AVIA - printer.
    ● PARITY - bidding platform.
    ● The Bond Buyer - industry newspaper.
  ► No limitations on who can bid.
  ► Bidding allowed within flexible parameters.

✔ More competition ➔ better results for the District
8 Underwriters Bid from Across the U.S.

- New York, New York
- New York, New York
- New York, New York
- New York, New York
- Charlotte, North Carolina
- Los Angeles, California
- Dallas, Texas
- Chicago, Illinois

Note: location represents bidder’s location.
Bid Results – Refunding Bonds

Bids on 2021 Refunding Bonds Incredibly Low and Tight

Approx PV from Winning Bid

True Interest Cost (TIC%)

Morgan Stanley

Wells Fargo

Bank of America

UBS

J.P. Morgan

Citigroup

Hilltop Securities

Notes: data from bids received. Subsequent to the bidding, the winning bid was restructured, changing the True Interest Cost (TIC) to 0.222533%.
Nearly $3.6 Million in Savings for Taxpayers
(Approximately $330,000 more than estimated)

Refinancing the 2012 Refunding Measure J Bonds Saved Taxpayers $3.58 Million, $330,000 More Than Conveyed to the Board

Projected Tax Levies ≤ Pre-Election Est.

Measure J Tax Levies Now Projected Slightly Lower than Previously Shown to the Board Based on Bond Sale Results

- Maximum: Pre-Election $57.90, Current $56.70
- Average: Pre-Election $57.65, Current $26.74
- Minimum: Pre-Election $50.60, Current $0.30
- Term: Pre-Election 29 years, Current 31 years

Collection uses Santa Clara County collection methodology, consisting of a reserve equal to the following payment due during the first half of the following Fiscal Year, less previously collected reserve. Levies based on an assumed 2% annual increase in net local secured AV, while all other types of AV are assumed to remain unchanged, and based on assumed unitary revenue of 1.5% of debt service & reserve (1.9% historical average since 2006-07), other revenue of 0.2% of debt service & reserve (0.2% historical average since 2006-07), 8% additional reserve account receipts (9.9% historical average since 2006-07), and 0.02% paying agent fees (0.014% historical average of debt service & reserve since 2006-07). Net local secured AV is assumed to grow 2% annually, while all other AV types are assumed to remain unchanged.
Present Value Savings Exceeded Estimate

Present Value Savings Exceeded Recommendation to Refinance and Improved on the Projected Savings Conveyed to the Board


5% PV savings threshold ($1,259,750)*

*According to the GFOA’s best practice Analyzing and Issuing Refunding Bonds (available at gfoa.org) “[a] common threshold is that the savings (net of all issuance costs and any cash contribution to the refunding), as a percentage of the refunding bonds, should be at least 3-5%. Savings shown are expressed as a percentage of the refunded bonds because this is less subject to estimation and volatility. However, both standards are considered in the underlying analyses.”

$2,026,138
PV Savings
8.0%

$1,700,000
Projected PV Savings
6.7%

3% PV savings threshold
$755,850*

5% PV savings threshold
$759,650*

Measure J (2004)
2012 Rfg
Actual

Measure J (2004)
2015 Rfg
Projected
Negative arbitrage to PV Savings Exceeded Recommended Threshold

With a Ratio of 61.5:1, Measure J, 2012 Refunding Exceeded Our Recommended Threshold of 3:1 to Initiate Refinancing, and the Pre-Sale Estimate of 23.1:1

Negative arbitrage is the interest cost stemming from the differential between borrowing funds at one interest rate and investing the funds at a lesser rate.

We recommend a PV savings to negative arbitrage ratio of at least 3:1 to initiate a refinancing 1 - 2 years prior to the call date for a "stand-alone" refinancing.

PV Savings to Negative Arbitrage

$2,030,000 PV Savings

$33,000 Negative Arbitrage

Actual

Negative arbitrage based on required escrow payments to issue refunding bonds on March 16, 2021, pay interest on July 1, 2021, January 1, 2022 and July 1, 2022, as well as repay principal on July 1, 2022 for refunded bonds. Values rounded.
Measure BB – Targeted to Meet Expenditure Needs

Full $720 Million in Issuances, over Two Series, for Measure BB Projected after Issuance of First Series

<table>
<thead>
<tr>
<th>Fiscal Year Beg July 1</th>
<th>Issuances</th>
<th>Net Debt Service</th>
<th>Debt Service : Principal</th>
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<td>2017</td>
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<td>$360,000,000</td>
<td>1.65 : 1</td>
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<td>2018</td>
<td>$360,000,000</td>
<td>$360,000,000</td>
<td>1.23 : 1</td>
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<tr>
<td>2019</td>
<td>$360,000,000</td>
<td>$360,000,000</td>
<td>1.44 : 1</td>
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<tr>
<td>2020</td>
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<td>2023</td>
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<td>2024</td>
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<td>2025</td>
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<td>2026</td>
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<td>2027</td>
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<td>2028</td>
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<td>1.60 : 1</td>
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<tr>
<td>2031</td>
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<td>1.44 : 1</td>
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<td>2032</td>
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<td>2044</td>
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<td>1.60 : 1</td>
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<td>2046</td>
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<td>1.23 : 1</td>
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<tr>
<td>2047</td>
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<td>1.44 : 1</td>
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<td>2048</td>
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<td>2049</td>
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<td>$360,000,000</td>
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Bond Proceeds Analysis Using Conservative Assumptions - Measure BB

<table>
<thead>
<tr>
<th></th>
<th>Series 2019</th>
<th>Series 2022</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Issuance Amount</td>
<td>$360,000,000</td>
<td>$360,000,000</td>
<td>$720,000,000</td>
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<tr>
<td>Projected Original Issue Premium</td>
<td>$9,902,957</td>
<td>$0</td>
<td>$9,902,957</td>
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<tr>
<td>Underwriter’s Discount</td>
<td>$(1,506,700)</td>
<td>$(3,600,000)</td>
<td>$(5,106,700)</td>
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<tr>
<td>Bond Insurance</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Other Costs</td>
<td>$(153,000)</td>
<td>$(380,000)</td>
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<td>Interest &amp; Sinking Fund</td>
<td>$(8,996,257)</td>
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<td>$(8,996,257)</td>
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<td>Cash for Projects</td>
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<td>$715,867,000</td>
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<table>
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<th>Series 2019</th>
<th>Series 2022</th>
<th>Total</th>
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<tbody>
<tr>
<td>Gross Debt Service</td>
<td>$602,282,499</td>
<td>$443,169,262</td>
<td>$1,045,451,761</td>
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<td>Net Debt Service</td>
<td>$593,886,242</td>
<td>$443,169,262</td>
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<table>
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<th>Series 2019</th>
<th>Series 2022</th>
<th>Total</th>
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<tr>
<td>Ratio - Debt Service : Principal</td>
<td>1.85 : 1</td>
<td>1.23 : 1</td>
<td>1.44 : 1</td>
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<td>Conservative Assumptions</td>
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<tr>
<td>Underwriter’s Discount - CIBs</td>
<td>1.00%</td>
<td></td>
<td></td>
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<tr>
<td>Bond Insurance - CIBs</td>
<td>0.00%</td>
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<td></td>
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<tr>
<td>Other Costs</td>
<td>$380,000</td>
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Approximately $2.5 million less than pre-refi estimate

Debt service based on 2020-21 AV, with 2% assumed annual growth in net local secured, while all other AV types are assumed to remain unchanged. Moody’s “AAA” rates as of January 21, 2021, adjusted +40bp for assumed “AA+” rating, plus timing adjustment for potential rate increasing prior to bond issuance of +125bp (2022). Net debt service assumes unitary revenue of 1.5% of debt service & reserve (1.9% average since 2006-07), additional revenue of 0.2% of debt service & reserve (0.2% average since 2006-07), additional reserve receipts of 8% of reserve (9.9% average since 2006.07), & paying agent fees of 0.02% of debt service & reserve (0.014% since 2006-07).
Measure J Refi Improved Opportunity to Consider Structure of Measure BB

(...to include 2021-22 tax base information and market conditions closer to when final Measure BB bonds will be issued)

Current Measure BB Tax Levy Projections Indicate the District Will Be Able to Issue the Second and Final Series of Measure BB Bonds While Keeping Tax Rates at or under the $48.80 estimate Provided to Voters

Debt service for remaining $360 million issuance in 2022 is assumed. Collection uses Santa Clara County collection methodology, consisting of a reserve equal to the following payment due during the first half of the following Fiscal Year: less previously collected reserve. Levies based on an assumed 2% annual increase in net local secured AV, while all other types of AV are assumed to remain unchanged, and based on assumed unitary revenue of 1.5% of debt service & reserve (1.9% historical average since 2006-07), other revenue of 0.2% of debt service & reserve (0.2% historical average since 2006-07), 8% additional reserve account receipts (9.9% historical average since 2006-07), and 0.02% paying agent fees (0.014% historical average of debt service & reserve since 2006-07). Net local secured AV is assumed to grow 2% annually, while all other AV types are assumed to remain unchanged.
Total Taxpayer Savings Just from Refinancing Now Approaching $70 Million

$67.42 Million in Taxpayer Savings Since 2009 from Refinancing Existing GO Bond Debt

Savings from Official Statements and sale documents. Values rounded.

Refinancing Bonds

Total $67,420,640
Taxpayers Paying Much Less Than Projected

$862 Million Less in Taxpayer Payments Resulting from Cost Mitigation Strategies & Active Bond Stewardship

Pre-Election [Estimate]  After Initial Sale  Current [Post-Refis]

Net Debt Service

$4,000,000,000

$0

$3,388,025,554

$3,388,025,554

$1,448,643,639

$816,738,574

$164,788,174

$621,229,433

$336,625,735

$1,037,055,504

$629,297,433

$251,347,085

$139,841,836

$534,603,642

$234,008,537

Improvement from initial sale: $795,880,053

Refinancing savings: $67,420,640
Less Sequestration: $876,206
= Net Reduction $66,544,434

...While Receiving More for Projects

$18.69 Million in Total Additional Proceeds Thus Far from $6.46 Million in Extra Measure BB (2018) Funds & $12.23 Million from B, J, H ('10), & H ('14)

Values do not reflect interest earnings in Building Fund.
And Less Taxes
(Only historical data shown; tax levy data becomes available every July/August)

Actual Tax Levies Much Lower Than Maximum Projected Pre-Election Projections

Tax levies actual through 2020-21 obtained from Santa Clara County Auditor-Controller's Department. 2017-18 average single family residential assessed value is $509,588. 2017-18 median single family residential assessed value is $479,413.
For Reference

- Competitive Bidding History
- Detailed Costs of Issuance
- January 14, 2021 Board Report
Competitive Bid Results

Of the District’s 24 Competitive GO Bonds and COP Issuances Since 1997, There have been 14 Different Winning Underwriters
Since 1997, 38 Underwriters have Bid on the District’s GO Bonds and COPs, with 14 Different Underwriters Submitting Winning Bids

8 underwriters have submitted winning & last place bids. Bank of America, Citigroup, Hutchinson, Shockey, Morgan Stanley, & UBS submitted the last place bids once each, while J.P. Morgan, & Robert W. Baird, submitted the last place bids twice and Wells Fargo 6 times
Frequent Bidders are not Always Winners

Even Our Winning Bidders Lose More Frequently Than They Win

There have been 24 GO Bond and COP sales since 1997

Of the 14 underwriters that submitted winning bids, nine of the underwriters have only won once and five have won multiple times.
## Detailed Costs of Issuance

### SANTA CLARA UNIFIED SCHOOL DISTRICT
(Santa Clara County, California)
2021 General Obligation Refunding Bonds

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
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<td>• Parker Covert LLP, Bond Counsel</td>
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<td>Bond Counsel Services:</td>
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<td>Expenses:</td>
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<td>• Government Financial Strategies inc., Municipal Advisor</td>
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<td>Professional Services:</td>
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<td>• Other Issuance Expenses (break out listed below)</td>
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<td>U.S. Bank National Association, Paying Agent</td>
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<td>Acceptance Fees:</td>
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<td>First Year’s Annual Administration Fee:</td>
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<td>COI Fund Administration Fee:</td>
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<td>Good Faith Deposit Fee:</td>
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<tr>
<td>• Contingency</td>
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**TOTAL COSTS OF ISSUANCE**  $125,209.40
Santa Clara Unified School District

Measure BB Update and Refinancing Measure J

Prepared by Lori Raineri and Matt Kolker
January 14, 2021
Executive Summary

- Based on current expenditure expectations for Measure BB, decision to delay issuing the next series of Measure BB bonds until later in FY 2021-22
- “Schiel Strategy” is to maintain relatively level total projected tax levies, using additional tax revenue to pay debt service faster; potentially shortening the term of bonds

✓ **Goal is to provide the overall lowest cost to taxpayers!**
Contents

- Market Update
- Implementing Measure BB
- Refinancing Opportunity
- For Reference
  - Updated Bonding Capacity
  - Bond Sale Details
  - Competitive Bidding History
  - Estimated Detailed Costs of Issuance
  - Good Faith Estimates
  - September 10, 2020 Board Report
Current Economic Conditions

- Interest rates are down

- Assessed value is up
Interest Rates Have Been In Line With, Or Below, The Benchmark Interest Rate

Assumed market condition for second series (Measure BB) bonds prior to putting Measure BB on the ballot; based on benchmark interest rate plus timing adjustment of 150 basis points (1.50%) based on historical volatility.

Notes: True interest cost from sale results, and shown as weighted average for all series of bonds issued on same date. The Bond Buyer 20-Bond Index consists of 20 general obligation bonds that mature in 20 years and is compiled every Thursday. The average rating of the bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Rating Service AA.
Assessed Value is Volatile

Despite Robust Growth Overall, Growth Rate Declines During Economic Downturns

Historical assessed value (AV) provided by the Santa Clara County Auditor-Controller's Office. The District’s total AV is comprised of net local secured, utility, homeowners exemption, & unsecured. Changes shown are annual changes, while ranges are compounded annual growth rates. Annual California AV inflation factor provided by California State Board of Equalization, and is the lesser of the annual change in the CA CPI or 2%.
Different Growth Rates for Different AV

Growth in District’s Assessed Value has Mainly been Driven by Net Local Secured AV

Historical Compounded Annual AV Growth Since 1984-85:
- Total AV: 6.81%
- Net Local Secured: 7.14%
- Unsecured: 5.99%
- Other: 0.57%

Historical assessed value (AV) provided by the Santa Clara County Auditor-Controller’s Office. The District’s total AV is comprised of net local secured, unsecured, & other (comprised of utility & homeowner’s exemption).

Additional information on assessed value available in September 10, 2020 Board Report
Remaining $360M Authorization Delayed Until 2022 Based on Project Needs

Full $720 Million in Issuances, over Two Series, for Measure BB Projected after Issuance of First Series

Bond Proceeds Analysis Using Conservative Assumptions - Measure BB

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<td>($5,106,700)</td>
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<td>$715,667,000</td>
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<td>Gross Debt Service</td>
<td>$602,282,499</td>
<td>$454,358,585</td>
<td>$1,056,641,084</td>
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Ratio - Debt Service : Principal
- Series 2019: 1.67 : 1
- Series 2022: 1.26 : 1
- Total: 1.47 : 1

Conservative Assumptions
- Underwriter's Discount - CIBs: 1.00%
- Other Costs: $380,000

Values rounded
* Actual

- Improved conditions allow for estimated final maturity of Series 2022 Bonds to be July 1, 2040
- The Series 2019 Bonds are first callable on July 1, 2026; as we get closer, opportunities to shorten the term will be considered
**Projected Levies < Pre-Election Estimates**

Tax Levies are Projected to Average $37.58 per $100,000 of AV, Less Than $48.80 Maximum Projected Tax Levy Conveyed to Voters, and Well Below Maximum $60 for 55% Voter Approval Bond Measure

- **Maximum:** $48.60
- **Average:** $37.58
- **Minimum:** $5.60

Debt service for remaining $360 million issuance in 2022 is assumed. Collection uses Santa Clara County collection methodology, consisting of a reserve equal to the following payment due during the first half of the following Fiscal Year, less previously collected reserve. Levies based on an assumed 2% annual increase in net local secured AV, while all other types of AV are assumed to remain unchanged, and based on assumed unitary revenue of 1.5% of debt service & reserve (1.9% historical average since 2006-07), other revenue of 0.2% of debt service & reserve (0.25% historical average since 2006-07), 8% additional reserve account receipts (9.9% historical average since 2006-07), and 0.02% paying agent fees (0.014% historical average of debt service & reserve since 2006-07). Net local secured AV is assumed to grow 2% annually, while all other AV types are assumed to remain unchanged.

✓ **Delaying the issuance of the next issuance of Measure BB Bonds until 2022 leads to a “gap” in tax levies for 2021-22**
Holistic View Provides Overall Benefit to Taxpayers

Combined Tax Levies Peaked at Just Under $120 per $100,000 of AV

The projected drop in total projected tax levies can be used to help pay off other bonds faster.

Tax levies actual through 2020-21 and projected thereafter; based on assumed debt service - AV through 2020-21 is actual, with net local secured AV assumed to grow 2% annually, while all other AV types are assumed to remain unchanged.
Call Date Approaching for Measure J
(Full Debt Portfolio available in September 10, 2020 Board Report)

<table>
<thead>
<tr>
<th>Series</th>
<th>Close Date</th>
<th>Bond Type</th>
<th>Issuance - New Money</th>
<th>Issuance - Refinancing</th>
<th>Total Issuance</th>
<th>Original Total Debt Service</th>
<th>Debt Service to Principal at Issuance</th>
<th>Principal Paid &amp; to be Repaid as of Dec 1, 2020</th>
<th>Debt Service Paid &amp; to be Paid as of Dec 1, 2020</th>
<th>Outstanding Principal as of Dec 1, 2020</th>
<th>Final Maturity</th>
<th>Able to Call?</th>
<th>Next Call Date</th>
<th>Callable Principal</th>
<th>Callable Coupon</th>
<th>Weighted Average Callable Principal</th>
<th>Next Call Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Aug-05</td>
<td>DIBs</td>
<td>$78,860,000</td>
<td>$0</td>
<td>$78,860,000</td>
<td>$118,829,913</td>
<td>1.51 : 1</td>
<td>$31,515,000</td>
<td>$48,695,300</td>
<td>$0</td>
<td>Jul 1, 2013</td>
<td>n/a</td>
<td>n/a</td>
<td>$0</td>
<td>n/a</td>
<td>n/a</td>
<td>(8), (12)</td>
</tr>
<tr>
<td>2008</td>
<td>Aug-08</td>
<td>DIBs</td>
<td>$120,000,000</td>
<td>$0</td>
<td>$120,000,000</td>
<td>$215,036,829</td>
<td>1.79 : 1</td>
<td>$22,445,000</td>
<td>$55,082,716</td>
<td>$0</td>
<td>Jul 1, 2016</td>
<td>n/a</td>
<td>n/a</td>
<td>$0</td>
<td>n/a</td>
<td>n/a</td>
<td>(9), (13)</td>
</tr>
<tr>
<td>2011</td>
<td>Jul-11</td>
<td>DIBs</td>
<td>$91,140,000</td>
<td>$0</td>
<td>$91,140,000</td>
<td>$175,362,625</td>
<td>1.73 : 1</td>
<td>$15,615,000</td>
<td>$38,697,175</td>
<td>$0</td>
<td>Jul 1, 2019</td>
<td>n/a</td>
<td>n/a</td>
<td>$0</td>
<td>n/a</td>
<td>n/a</td>
<td>(10), (14)</td>
</tr>
<tr>
<td>2011</td>
<td>B</td>
<td>DIBs</td>
<td>$25,000,000</td>
<td>$0</td>
<td>$25,000,000</td>
<td>$25,374,375</td>
<td>1.73 : 1</td>
<td>$25,000,000</td>
<td>$26,250,581</td>
<td>$22,500,000</td>
<td>Jul 1, 2027</td>
<td>No</td>
<td>n/a</td>
<td>$0</td>
<td>n/a</td>
<td>n/a</td>
<td>(11)</td>
</tr>
<tr>
<td>2012</td>
<td>Aug 12</td>
<td>DIBs</td>
<td>$0</td>
<td>$45,520,000</td>
<td>$45,520,000</td>
<td>$63,271,148</td>
<td>1.39 : 1</td>
<td>$45,520,000</td>
<td>$63,271,148</td>
<td>$30,205,000</td>
<td>Jul 1, 2030</td>
<td>Yes</td>
<td>Jul 1, 2022</td>
<td>$25,195,000</td>
<td>3.26%</td>
<td>0%</td>
<td>(12)</td>
</tr>
<tr>
<td>2015</td>
<td>Jun-15</td>
<td>DIBs</td>
<td>$0</td>
<td>$98,380,000</td>
<td>$98,380,000</td>
<td>$145,053,970</td>
<td>1.51 : 1</td>
<td>$98,380,000</td>
<td>$145,053,970</td>
<td>$83,555,000</td>
<td>Jul 1, 2033</td>
<td>Yes</td>
<td>Jul 1, 2024</td>
<td>$68,015,000</td>
<td>3.99%</td>
<td>0%</td>
<td>(13)</td>
</tr>
<tr>
<td>2017</td>
<td>Nov-17</td>
<td>DIBs</td>
<td>$0</td>
<td>$80,810,000</td>
<td>$80,810,000</td>
<td>$121,534,308</td>
<td>1.50 : 1</td>
<td>$80,810,000</td>
<td>$121,534,308</td>
<td>$77,870,000</td>
<td>Jul 1, 2036</td>
<td>Yes</td>
<td>Jul 1, 2026</td>
<td>$74,060,000</td>
<td>3.33%</td>
<td>0%</td>
<td>(14)</td>
</tr>
</tbody>
</table>

$315,000,000 $222,710,000 $317,285,000 $498,585,199 $214,230,000

Debt Service to Principal Ratios:
- Debt service of new money issuances to new money principal: 1.70 : 1
- Total debt service after refinancing to new money principal: 1.58 : 1

✓ Other callable bonds, including the Measure J 2015 Refunding and Measure J 2017 Refunding Bonds, were also considered but did not meet thresholds to proceed at this time

✓ Portfolio will continue to be monitored; to the extent possible, bond sales (new money and/or refinancings) will be combined to save on costs of issuance
Revised Strategy Improves Refinancing Opportunity

Combined Tax Levies Projected Peaked at Just Under $120 per $100,000 of AV

- Targeting a projected total tax levy to be ≤ the total tax levy in 2020-21 provides additional tax revenue for the refinancing of Measure J Bonds
  - Leading to lower overall cost to taxpayers
  - Depending on assessed value growth, this could lead to tax levies in 2021-22 being higher than in 2020-21

✓ With each financing (including the next sale of Measure BB bonds), we can adjust the debt service structure to meet District goals
Measure J Projected Tax Levies are Sufficiently Low That We Can Accelerate Some Principal Repayment to Produce a More-Attractive Refinancing

Allocating what would have been tax levies for Measure B to the refinancing of Measure J Refunding Bonds results in a higher projected tax levy for 2021-22
Taxpayer Savings Estimated > $3.2 Million

Refinancing the 2012 Refunding Measure J Bonds is Projected to Save Taxpayers $3.25 Million

✓ Utilizing the “gap” in projected 2021-22 tax levies and applying to Measure J for the refinancing of Series 2012 Refunding Bonds, allows pushing principal up and shortening the term, resulting in a “spike” in 2021-22

Debt service from Official Statements, & reflects deposits to Interest & Sinking Fund: Series 2005 ($377,163), Series 2008 ($747,303), & Series 2011A ($2,634,925). Final maturity of 2021 Refunding bonds is estimated to be July 2023, and would not contain the option to call the bonds early.
Revised Strategy and Favorable Conditions Allow for Spike in 2021-22 to Shorten Term

✓ The “spike” caused by shortening the term is above the pre-election estimated debt service; however, assessed value has grown much faster than assumed when Measure J was put on the ballot, allowing for the projected tax levy to remain below pre-election estimates.
$1.71 Mil. in PV Savings Exceeds Threshold

Based on Current Market Conditions, the 2012 Refunding Meets Our Recommended Minimum Savings Threshold to Initiate an Advance Refunding

We recommend at least 6% in projected savings to initiate a refunding 1 - 2 years prior to the call date for a "stand-alone" refinancing.

$1,710,000
Projected PV Savings
6.8%

5% PV savings threshold
($1,259,750)*

3% PV savings threshold
($755,850)*

Measure J [2004]
2012 Rfg
Callable July 2022

Projected savings based on US Treasury yield rates as of December 11, 2020 adjusted for assumed "AA+"/"Aaa" rating by adding +10bp [2021], +20bp [2022], & +30bp [2023]. Savings are net of issuance costs and negative arbitrage ($74,000). Values rounded.

*According to the GFOA's best practice Analyzing and Issuing Refunding Bonds (available at gfoa.org) "[a] common threshold is that the savings [net of all issuance costs and any cash contribution to the refunding], as a percentage of the refunding bonds, should be at least 3-5%." Savings shown are expressed as a percentage of the refunded bonds because this is less subject to estimation and volatility. However, both standards are considered in the underlying analyses.
PV Savings : Neg. Arbitrage Ratio Above Recommended Thresholds

Negative arbitrage is the interest cost stemming from the differential between borrowing funds at one interest rate and investing the funds at a lesser rate.

We recommend a PV savings to negative arbitrage ratio of at least 3:1 to initiate a refinancing 1 - 2 years prior to the call date for a "stand-alone" refinancing.

$1,710,000 PV Savings

$74,000 Negative Arbitrage

Projected negative arbitrage based on required escrow payments to issue refunding bonds on February 9, 2021, pay interest on July 1, 2021, January 1, 2022 and July 1, 2022, as well as repay principal on July 1, 2022, for refunding based on US Treasury yield rates as of December 11, 2020 adjusted for assumed "AA+/Aaa" rating by adding +10bp (2021), +20bp (2022), & +30bp (2023). Values rounded.
Next Steps

◆ Today’s Board meeting
  ▶ Information report

◆ February 11, 2021 Board meeting
  ▶ Board considers adoption of resolution authorizing issuance of bonds

◆ February 24, 2021
  ▶ Sale of bonds conducted at the offices of Government Financial Strategies

◆ March 11, 2021 Board meeting
  ▶ Board receives report on the results of the bond sale

◆ March 16, 2021
  ▶ Closing: Proceeds deposited with Paying Agent and Escrow Agent

◆ July 1, 2021
  ▶ Measure J Series 2012 Refunding Bonds called
For Reference

- Bonding Capacity
- Bond Sale Details
- Competitive Bidding History
- Estimated Detailed Costs of Issuance
- Good Faith Estimates
- September 10, 2020 Board Report
Sufficient Bonding Capacity

There is Enough Remaining Bonding Capacity to Issue the Remaining $360 Million of the Measure BB Authorization

Current bonding capacity: $1,833,466,727
Current outstanding bonds: $1,000,340,000
Remaining bonding capacity: $833,126,727

Unified district's bonding capacity is 2.5% of total AV. 2020-21 AV is actual and projected thereafter, based on net local secured AV assumed to grow 2% annually, while all other AV types are assumed to remain unchanged. Bonding capacity as of Aug 20 when AV becomes "equalized." Outstanding bonds from Official Statements. Values rounded.
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.
    • The District’s current bond rating is “AA+”
  ✓ 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 extensive 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.
GFOA Negotiated Criteria

◆ Criteria that favors a Negotiated Process:
  
  X Rating of the bonds is lower than the single-A category.
    ● The District’s current bond rating is “AA+”
  
  X Bond insurance or other credit enhancement is unavailable or not cost-effective.
    ● Bond insurance is expected to be 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.
Primary Legal Documents

- **Board Resolution:** authorizes bonds and signing of documents within parameters (bond amount, interest rate, etc.)
- **Form of Bond Purchase Agreement:** the underwriter purchases the bonds from the District and resells them to investors
- **Preliminary Official Statement:** discloses important information about the District and financing to investors
- **Form of Paying Agent Agreement:** a bank is assigned responsibility for forwarding principal and interest payments to investors
- **Form of Continuing Disclosure Certificate:** District provides updates to the bond market annually and if any significant events occur
Legal Structure – General Obligation Bonds

Santa Clara Unified School District

Escrow Agent

Bonds Redeemed

Funds from Refunding Bonds Deposited

Bonds Bought

Bonds Sold

Underwriter/Bank

Bonds Bought

Bonds Sold

Investors in Bond Market

Principal & Interest

Bond Payments

Paying Agent

Department of Tax and Collections

Property Taxes

Property Owners

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Preliminary Official Statement - Overview of Disclosure

- Honest and Fair Dealing
  - Disclose all “material” facts
  - Heightened Securities and Exchange Commission scrutiny

- Marketing
  - Present and future
Tips for Reviewing the Disclosure

◆ In reviewing the Preliminary Official Statement:
  ▶ Format is based on the industry standard, for the convenience of the primary audience -- investors. Standard information is provided in standard fashion, which is often not in the best writing style.
  ▶ Providing too much information can obscure important points; however omitting information which might be material to an investment decision could be illegal and would be inappropriate.
  ▶ It is better to bring something to our attention, so that it can be considered and discussed, rather than assume that we’ve already thought of it.
Of the District’s 23 Competitive GO Bonds and COP Issuances Since 1997, There have been 13 Different Winning Underwriters
Since 1997, 38 Underwriters have Bid on the District’s GO Bonds and COPs, with 13 Different Underwriters Submitting Winning Bids
**Frequent Bidders are not Always Winners**

Even Our Winning Bidders Lose More Than They Win

There have been 23 GO Bond and COP sales since 1997

Of the 13 underwriters that submitted winning bids, eight of the underwriters have only won once and five have won multiple times.

<table>
<thead>
<tr>
<th>Underwriters</th>
<th>Submitted Bids</th>
<th>Winning Bids</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>BMO Capital</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Citigroup</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>J.P. Morgan</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>Prager, Sealy</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Prudential</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Robert W. Baird</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Salomon Smith Barney</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>UBS</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Wachovia Bank</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>
## Estimated Detailed Costs of Issuance

**SANTA CLARA UNIFIED SCHOOL DISTRICT**  
(Santa Clara County, California)  
2021 General Obligation Refunding Bonds

### Estimated Costs of Issuance

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
</tr>
</thead>
</table>
| Parker Covert LLP, Bond Counsel  
Bond Counsel Services: | $15,000.00 |
| Expenses: | $800.00 |
| Government Financial Strategies inc., Municipal Advisor  
Professional Services: | $63,450.00 |
| Expenses: | $1,500.00 |
| Moody's Investors Service, Rating Agency  
Professional Services: | $35,000.00 |
| • Other Issuance Expenses (break out listed below)  
U.S. Bank National Association, Paying Agent  
Acceptance Fees: | $750.00 |
| First Year’s Annual Administration Fee: | $750.00 |
| CCI Fund Administration Fee: | $500.00 |
| Good Faith Deposit Fee: | $250.00 |
| Anticipated Direct Out-of-pocket Expenses: | $0.00 |
| U.S. Bank National Association, Paying Agent  
Acceptance Fees: | $750.00 |
| Escrow Agent Fee: | $750.00 |
| Causey, Demgen & Moore: Escrow Verification Agent | $2,500.00 |
| ImageMaster: POS/OS Printer | $3,000.00 |
| California Municipal Statistics, Property Tax Base Data: | $1,500.00 |
| • Contingency | $23,500.00 |

**TOTAL COSTS OF ISSUANCE**  
$150,000.00
## Good Faith Estimates

(Per Government Code 5852.1)

<table>
<thead>
<tr>
<th>Estimates</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>True Interest Cost</td>
<td>1.07%</td>
</tr>
<tr>
<td>Finance Charge(^1)</td>
<td>($419,000)</td>
</tr>
<tr>
<td>Amount of Proceeds(^2)</td>
<td>$26,478,049</td>
</tr>
<tr>
<td>Total Payment Amount(^3)</td>
<td>$27,028,309</td>
</tr>
</tbody>
</table>

\(^1\) Finance charge is the sum of all charges and fees paid to third-parties for upfront costs.

\(^2\) Amount of proceeds received is the bond amount less the finance charge and any reserves or capitalized interest funded.

\(^3\) Total payment amount is total debt service plus any finance charges not paid with proceeds.