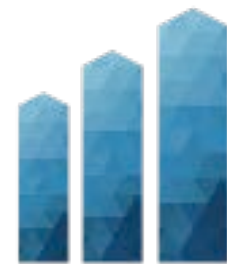


# Santa Clara Unified School District

## Casa del Maestro: Update and Refi Opportunity



**Santa Clara**  
Unified School District



Government  
Financial  
Strategies

Prepared by Lori Raineri and Matt Kolker  
April 12, 2021

# Agenda

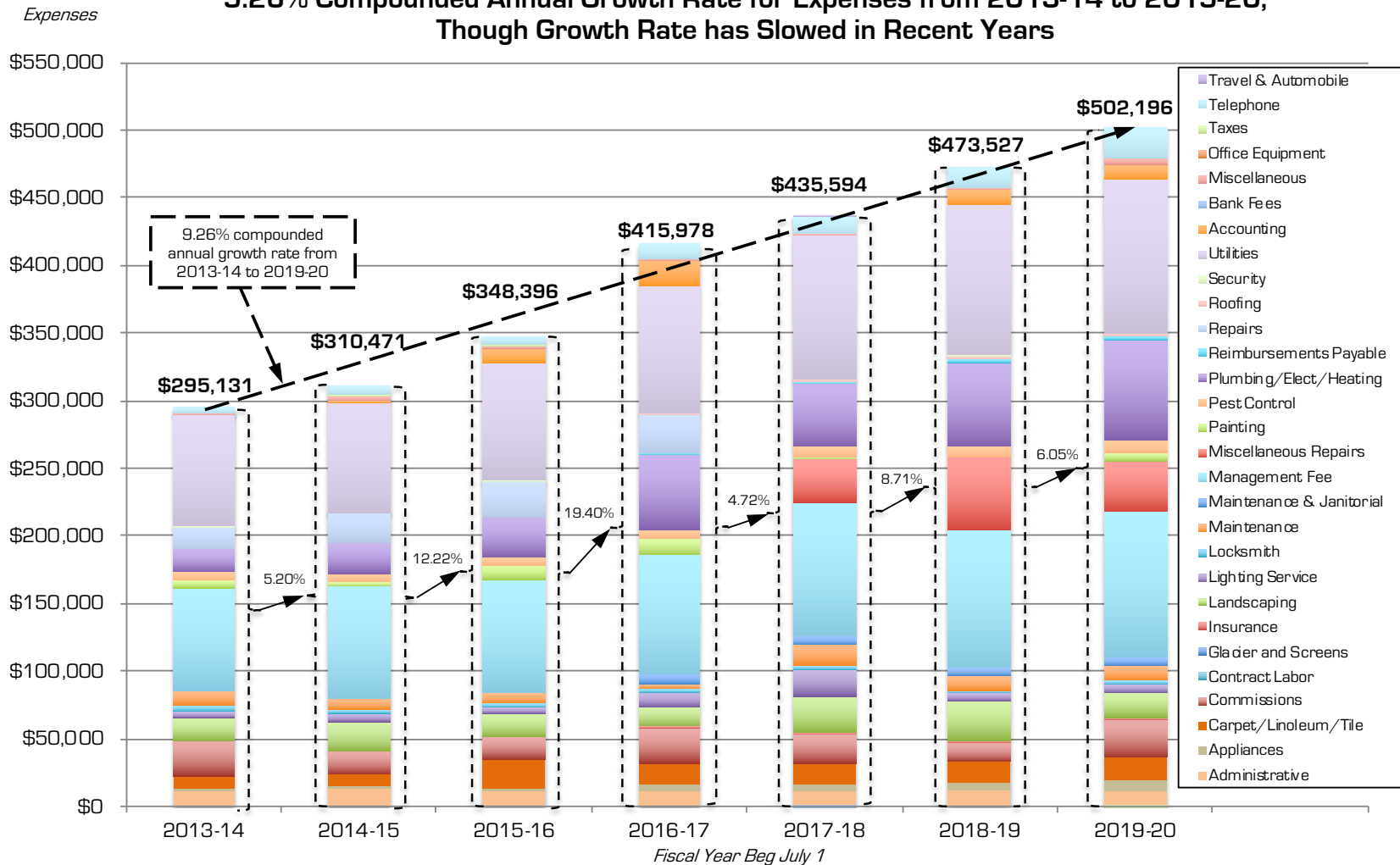
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- ◆ Cash Flow Update
- ◆ Refinancing Considerations
- ◆ Next Steps



# Expenses Have Nearly Doubled in Past 6 Years

**9.26% Compounded Annual Growth Rate for Expenses from 2013-14 to 2019-20, Though Growth Rate has Slowed in Recent Years**

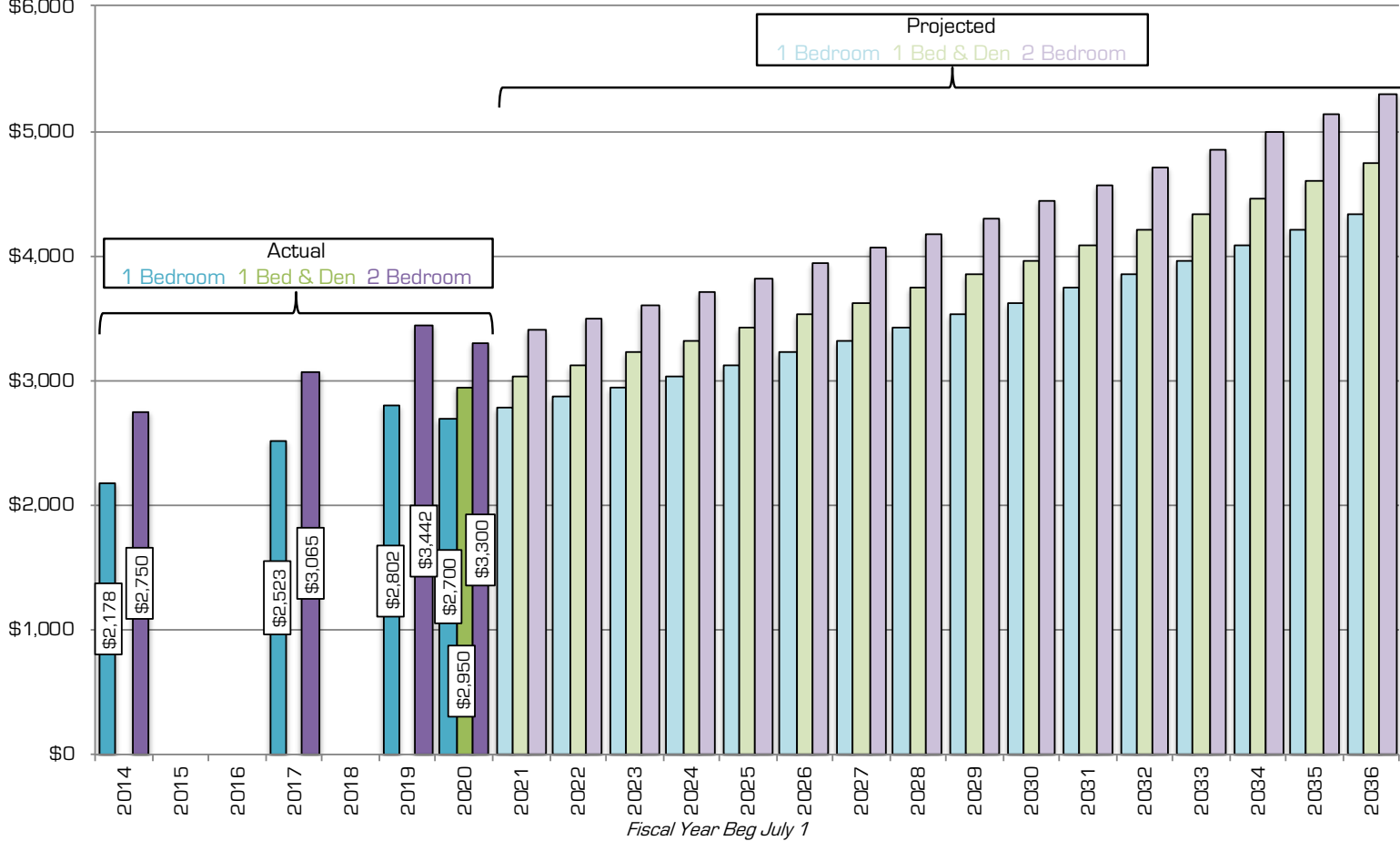


Actual expenses for 2013-14 to 2015-16 from Santa Clara Teacher Housing Foundation, Financial Statements and Independent Auditors Reports and Cash Flow reports for 2016-17 to 2019-20 provided by District.

# Moderate Assumption for Projected Market Rates

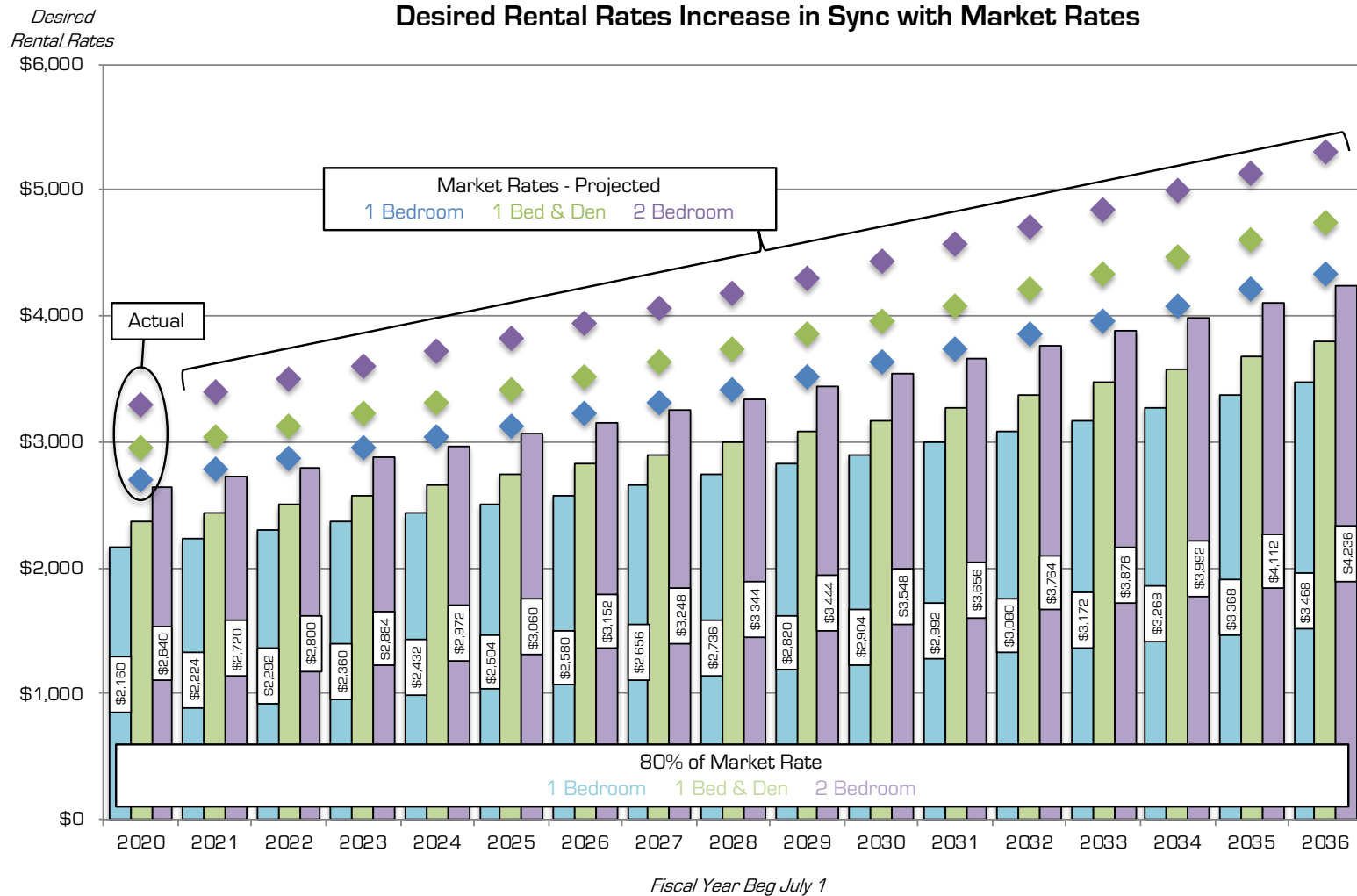
Assumed Market Rental Rate

Based on Recent Activity, Market Rates are Assumed to Increase 3% Annually



2014-15 market rate data provided via emails by the Property Manager on January 28, 2015, 2017-18 data provided by Mark Allgire, 2019-20 data provided via email by the Property Manager on Oct 1, 2019, 2020-21 data from Eric Dill's Action item dated June 24, 2020 regarding Adoption of Monthly Rent and Target Rent Scenario. 1 Bedroom units with a den have been excluded from 1 Bedroom category. Values rounded.

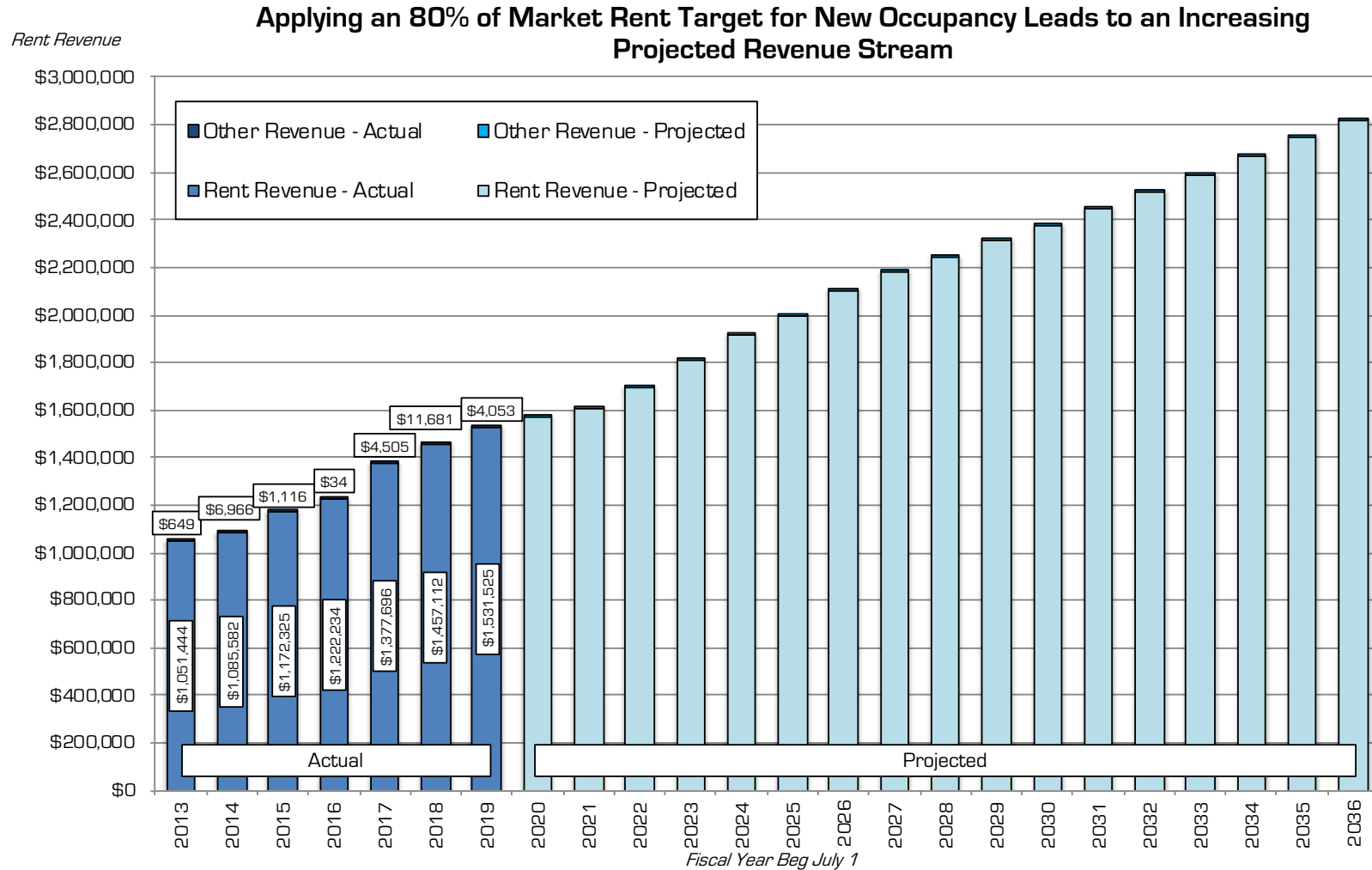
# Maintain 80% Market Rate Target



2020-21 data from Eric Dill's Action Item dated June 24, 2020 regarding Adoption of Monthly Rent and Target Rent Scenario. Previously, we did not have market data for 1 Bedroom with Den units; consequently, they were included in 1 Bedroom category. Market rates assumed to increase 3% annually; desired rents set at 80% of market rent. Values rounded.

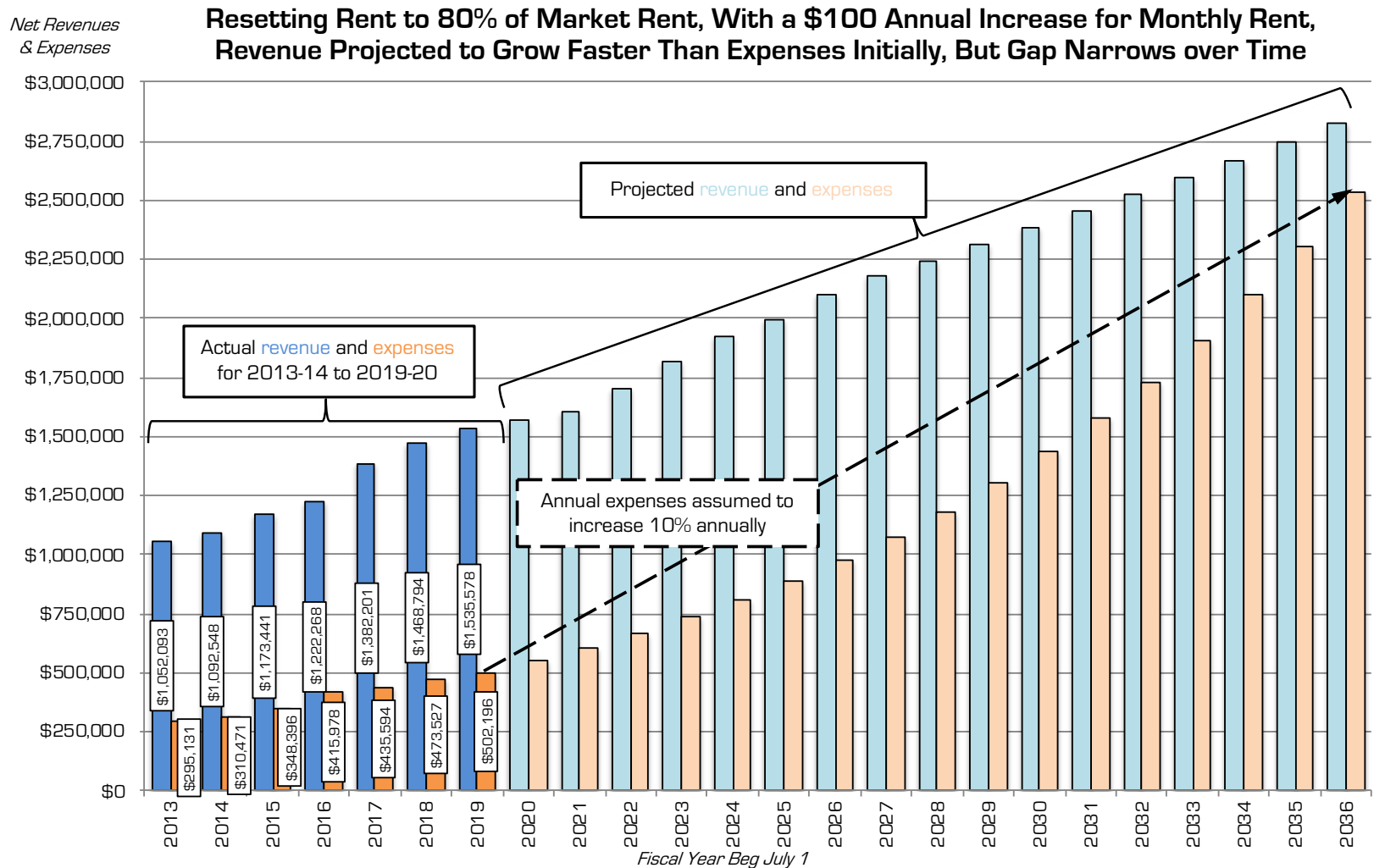
# Rent Revenue Projected to Increase

(for conservatism, current vacant units assumed to remain vacant)



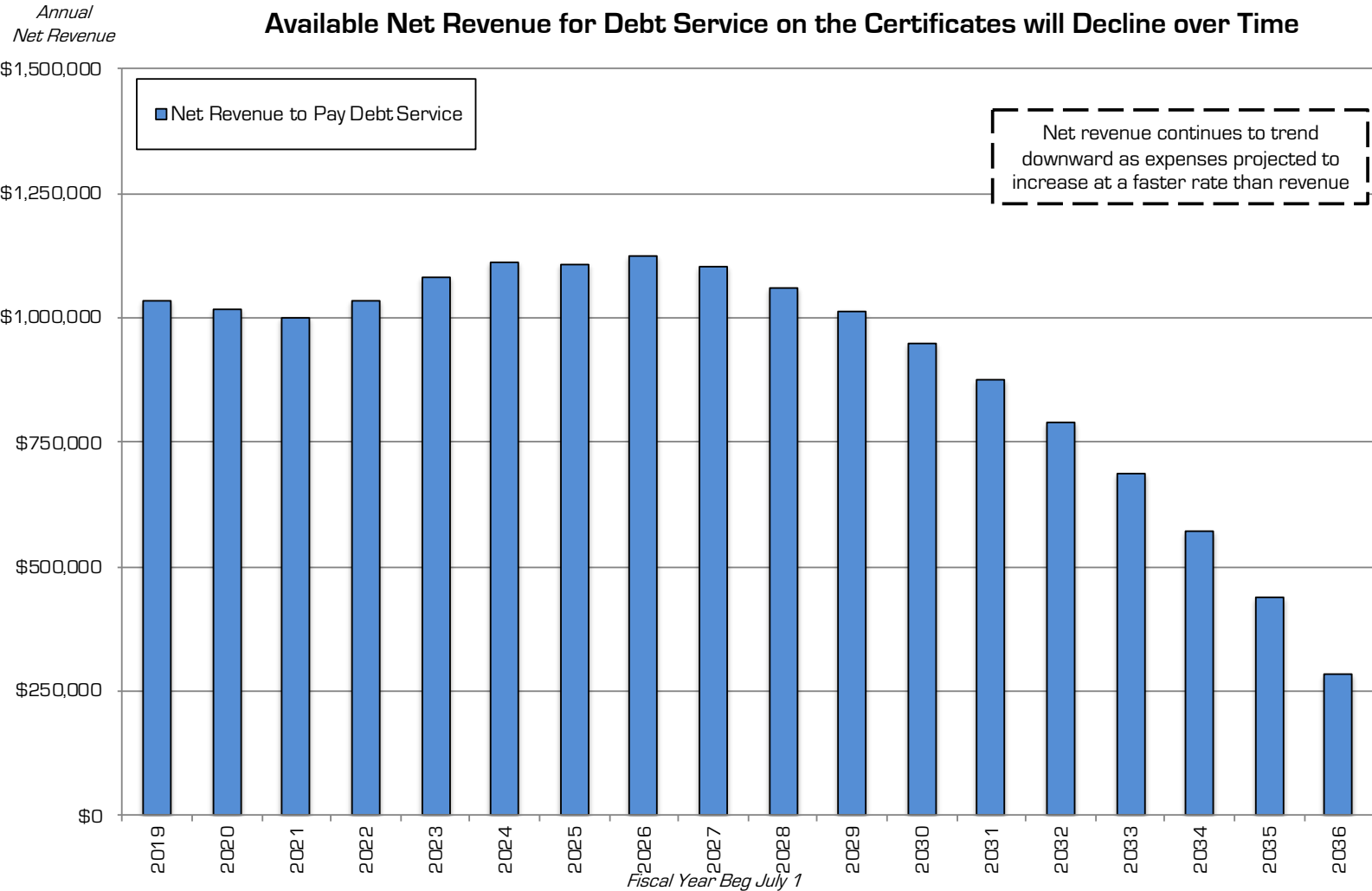
Revenue continues beyond chart's end date - for purposes of this analysis, we are only showing rent through COP maturities. Actual "Rent Revenue" and "Other Revenue" for 2013-14 to 2015-16 from Santa Clara Teacher Housing Foundation, Financial Statements and Independent Auditors Reports and Cash Flow reports for 2016-17 to 2019-20 provided by District. 2020-21 Rent Revenue is projected, based upon set rental rates and updated with information from property manager on March 24, 2021. New occupancy results in resetting of rent to 80% of market rent with an annual \$100 monthly increase thereafter. Market rent is assumed to increase 3% annually. Other Revenue assumed to be constant based on 2019-20 actual. Vacant units are excluded from revenue projection.

# Assumptions Based on Recent Trends Result in Expenses Growing Faster than Rev...



Rent revenue continues beyond chart's end date - for purposes of this analysis, we are only showing rent through COP maturities. Actual "Rent Revenue" and "Other Revenue" for 2013-14 to 2015-16 from *Santa Clara Teacher Housing Foundation, Financial Statements and Independent Auditors Reports* and Cash Flow reports for 2016-17 to 2019-20 provided by District. 2020-21 Rent Revenue is projected, based upon set rental rates and updated with information from property manager on March 24, 2021. New occupancy results in resetting of rent to 80% of market rent (which is assumed to increase 3% annually) with a \$100 annual increase to monthly rent. Other Revenue assumes constant revenue based on 2019-20 actual. Vacant units are excluded from revenue projection. Expenses assumed to increase 10% annually.

# ...Thus, Net Revenue Will Decline Over Time

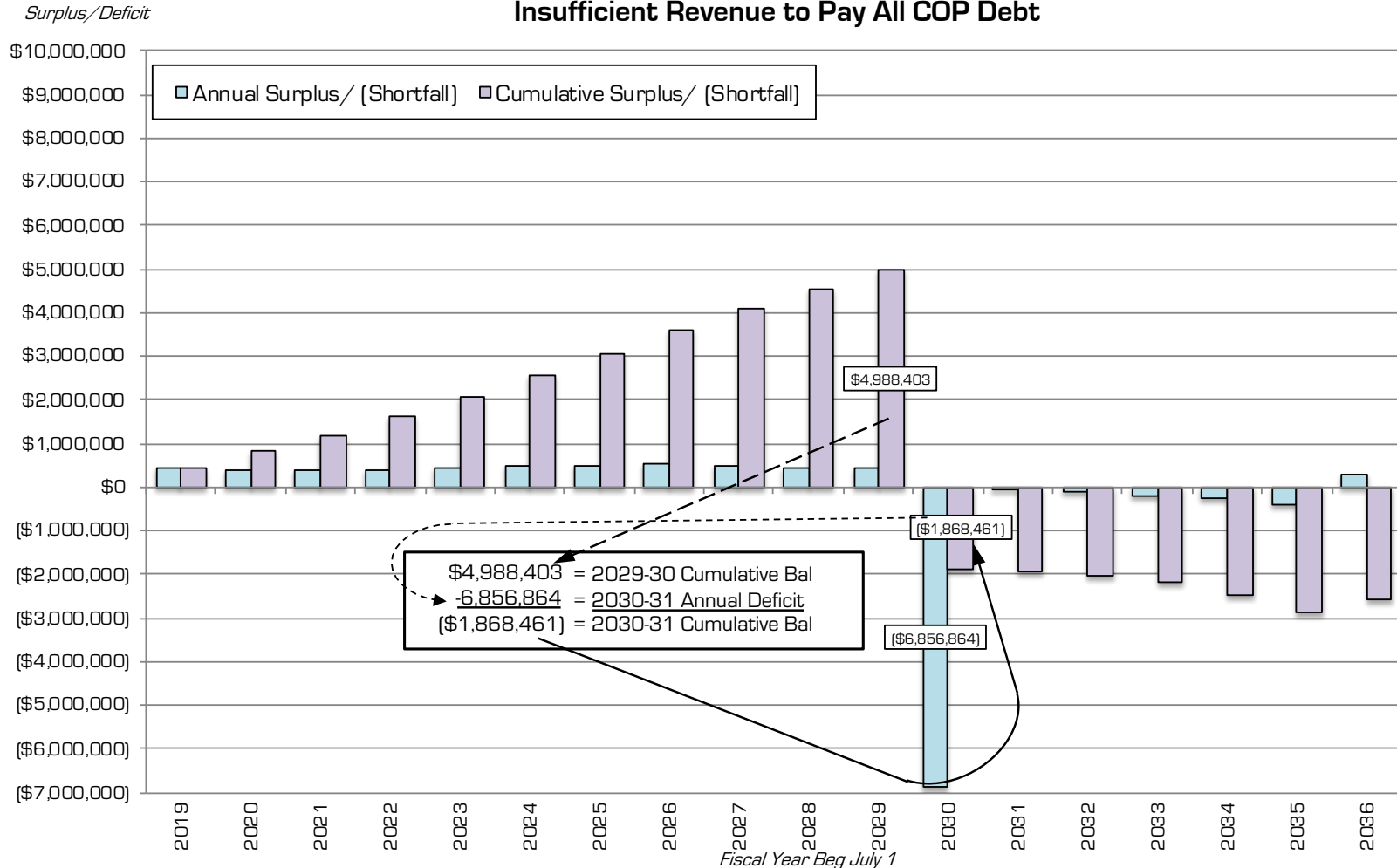


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# Projected Future Net Revenue Insufficient to Pay Debt Service; Current Fund Balance Offsets This

Targeting 80% of Market Rent with An Annual \$100 Monthly Increase Produces Insufficient Revenue to Pay All COP Debt



Rent revenue continues beyond chart's end date - for purposes of this analysis, we are only showing rent through COP maturities. Actual 2019-20 revenue and expenses from Cash Flow reports provided by District. 2020-21 Rent Revenue is projected, based upon set rental rates and updated with information from property manager on March 24, 2021. New occupancy results in resetting of rent to 80% of market rent (which is assumed to increase 3% annually) with a \$100 annual increase to monthly rent. Other Revenue assumes constant revenue based on 2019-20 actual. Vacant units are excluded from revenue projection. Expenses assumed to increase 10% annually. Debt service from *Official Statements*. Debt service shown includes payments through September of following fiscal year to maintain positive cash flow.

# Debt Portfolio

## Casa Del Maestro - Certificates of Participation

Series	Type	Issuance - New Money	Issuance - Refinancing	Total Issuance	Total Gross Debt Service	Debt Service to Principal at Issuance	Principal Paid & to be Paid as of Apr. 1, 2021	Debt Service Paid & to be Paid as of Apr. 1, 2021	Outstanding Principal as of Apr. 1, 2021	Able to Call?	Next Call Date	Callable Principal	Weighted Average Callable Coupon	Next Call Premium	
2001	CIC	\$7,575,000	\$0	\$7,575,000	\$19,770,461	2.61 : 1	\$0	\$4,663,070	\$0	n/a	n/a	\$0	n/a	n/a	(1)
2006	CIC	\$5,405,000	\$0	\$5,405,000	\$12,319,165	2.28 : 1	\$0	\$1,806,440	\$0	n/a	n/a	\$0	n/a	n/a	(2),(3)
2013 Rfg	CIC	\$0	\$8,025,000	\$8,025,000	\$13,918,917	1.73 : 1	\$8,025,000	\$13,918,917	\$8,025,000	Yes	Jul 1, 2022	\$8,025,000	4.00%	0%	(1)
2015 Rfg	CIC	\$0	\$5,810,000	\$5,810,000	\$8,774,014	1.51 : 1	\$14,584,016	\$8,774,014	\$5,430,000	Yes	Sep 1, 2025	\$4,745,000	3.35%	0%	(3)
		<u>\$12,980,000</u>	<u>\$13,835,000</u>				<u>\$22,609,016</u>	<u>\$29,162,441</u>	<u>\$13,455,000</u>						

### Debt Service to Principal Ratios

Debt service of new money issuances to new money principal: 2.47 : 1

Total debt service after refinancings to new money principal: 2.25 : 1

- (1) 2001 COP refinanced by 2013 Refunding Certificates, which resulted in a gross savings of \$1,188,474. The reserve for the 2001 COP was originally \$757,500; however, the trustee mistakenly returned \$350,343.75 of the reserve leaving reserve balance of \$407,156.25. Including the reserve plus anticipated interest earnings on the reserve account leads to a total net savings of approximately \$1,620,000.
- (2) 2006 COP net debt service reflects application of \$365,019 deposited to capitalized interest account;
- (3) 2006 COP refinanced by 2015 Refunding Certificates, which resulted in a gross savings of \$1,738,710.

# Debt Portfolio

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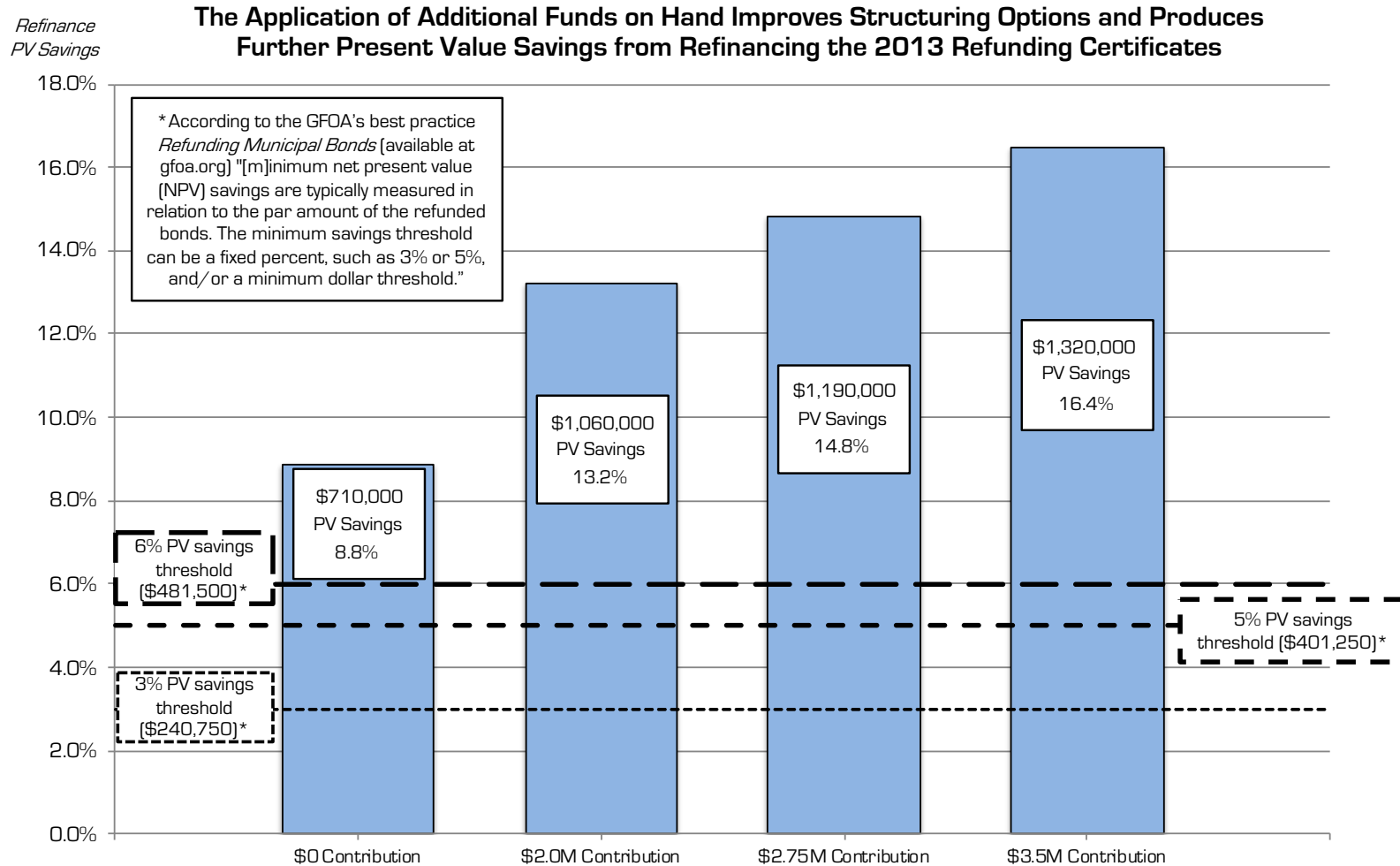
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- (2) 2006 COP net debt service reflects application of \$365,019 deposited to capitalized interest account;
- (3) 2006 COP refinanced by 2015 Refunding Certificates, which resulted in a gross savings of \$1,738,710.

- ◆ 2013 Rfg COPs are structured with a single maturity on July 1, 2031
  - ▶ Having proportional savings would allow some principal to be paid in earlier years
    - Restructuring, based on cash flow projections, would allow for more principal to be paid earlier, improving the efficiency
  - ▶ Using some/all funds on hand (saved up net revenue) would further improve the savings; though would reduce amount of funds available for potential cash flow shortfalls
  - ▶ With current tax rules, an advance refunding (more than 90 days prior to the call date of July 1, 2022) would be taxable (slightly higher rates)

# Refi Exceeds Recommend PV Savings

(The contribution of funds on hand is not included in the calculation of PV savings)

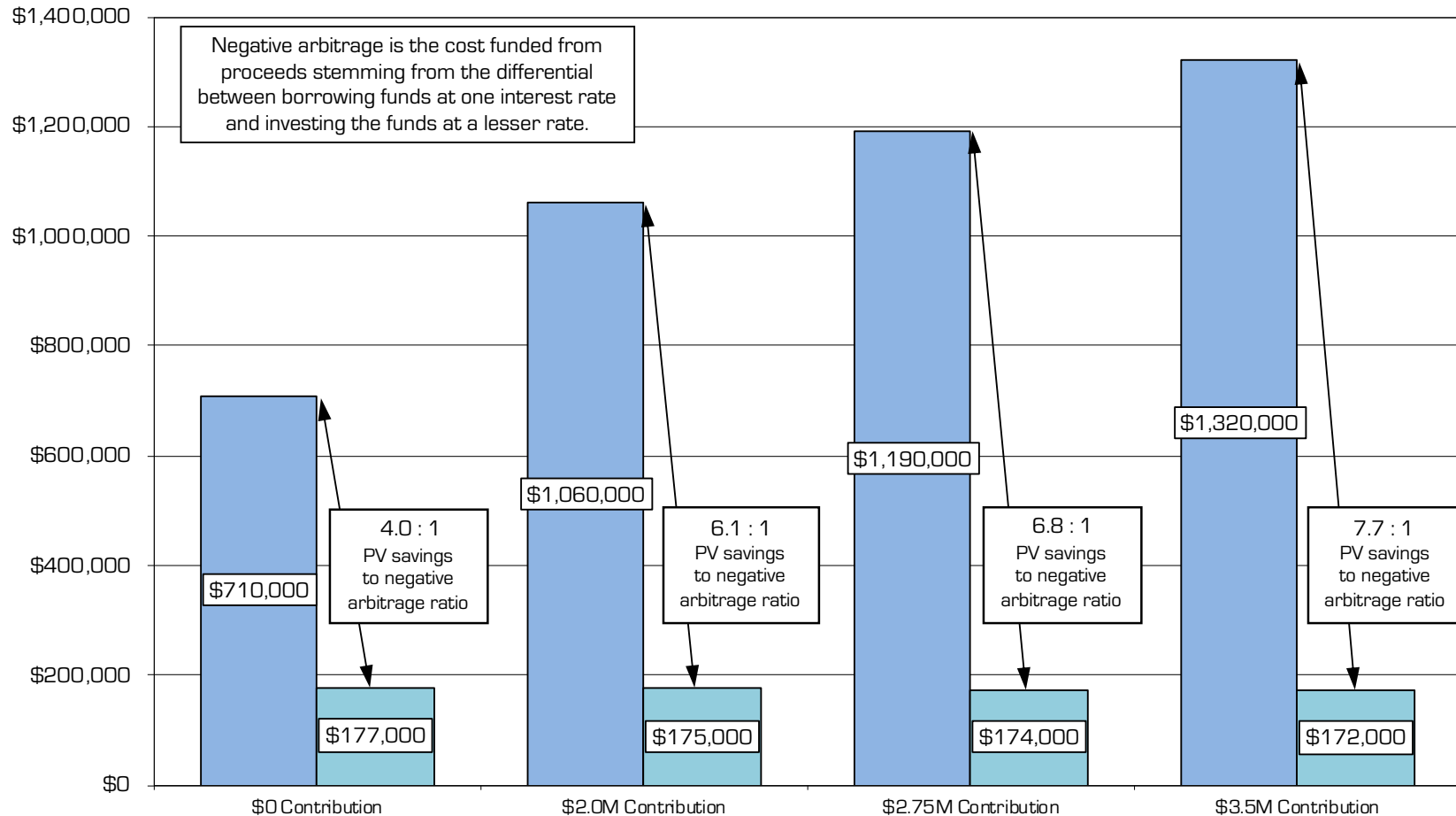


Savings from projected refinancing results, based on refinancing borrowing rates from US Treasury yields as of March 18, 2021 and estimated spread based on recent taxable certificates of participation and taxable general obligation bonds issuances. Savings are net of issuance costs (\$145,000), underwriter's discount of 1.5% of issuance amount, bond insurance of 0.19% of debt service, a surety bond of 2.2% of projected reserve requirement, and negative arbitrage ranging from (\$172,000 - \$177,000). Values rounded.

# Negative Arbitrage not a Hindrance

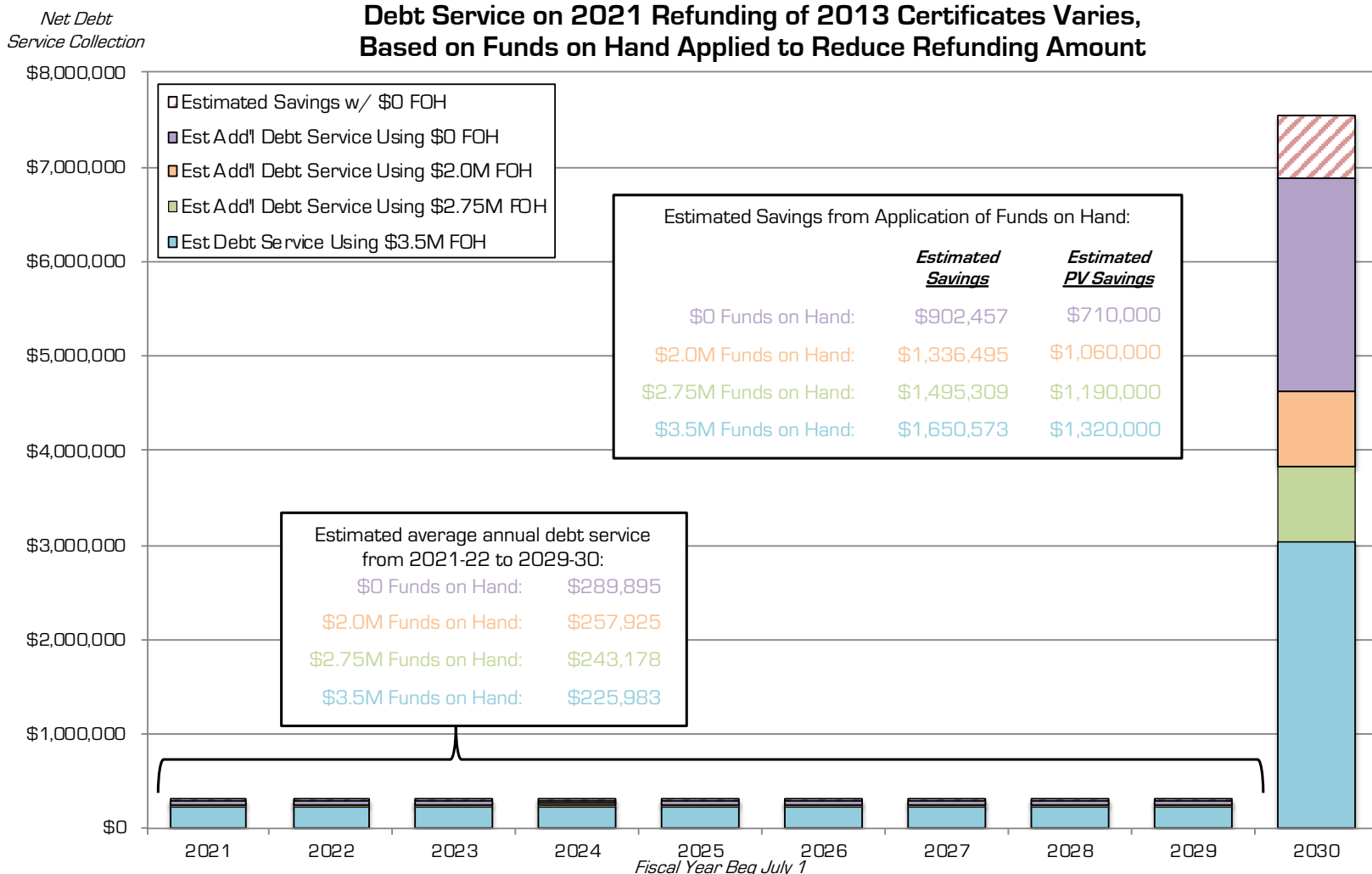
*PV Savings/  
Negative Arbitrage*

**All Scenarios Produce Projected PV Savings to Negative Arbitrage Ratio in Excess of 3:1, Our Minimum Recommended Savings, with Larger Contribution Increasing Ratio Further**



Negative arbitrage based on required escrow payments to issue refunding bonds on July 15, 2021 and pay interest on January 1, 2022 and pay principal and interest due on July 1, 2022 call date for 2013 Refunding Certificates, based on refinancing borrowing rates from US Treasury yields as of March 18, 2021 and estimated spread based on recent taxable certificates of participation and taxable general obligation bonds issuances. Values rounded.

# Applying Funds on Hand Provides Lower Debt Service Payments



2013 COP debt service from *Official Statement*. Debt service shown includes payments through September of following fiscal year to maintain positive cash flow. 2021 Rfg COP debt service based on refinancing borrowing rates from US Treasury yields as of March 18, 2021 and estimated spread based on recent taxable certificates of participation and taxable general obligation bonds issuances. Values rounded.

# Next Steps

- ◆ Today:
  - ▶ Update on cash flow and refinancing opportunity
  - ▶ Provide direction on refinancing
    - Move forward now, or wait?
    - Restructure?
- ◆ If moving forward now:
  - ▶ May 13, 2021 School Board Meeting: information presentation
  - ▶ June 10, 2021 School Board Meeting: consideration of resolution and legal documents
  - ▶ Around June 10, 2021 THF Board Meeting: consideration of resolution and legal documents
  - ▶ Early July 2021: sale of COPs
  - ▶ Mid July 2021: closing
  - ▶ August 2021: results presentation provided to School Board and THF Board
  - ▶ July 1, 2022: 2013 Refunding COPs redeemed

# Any Questions?

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