BOARD COMMUNICATION

To: Bonita Unified School District Governing Board

From: Susan Cross Hume, *CPA, CIA, CGMA, Assistant Superintendent, Business Services*
Keygent LLC, *District Financial Advisor*

Date: June 12, 2019

RE: Annual Report per Board Debt Issuance & Management Policy 3470

The purpose of this Board communication is to provide the annual report required under Board Policy 3470 (Debt Issuance And Management). The policy states the following:

> *"The Superintendent or designee shall annually report to the Board regarding debts issued by the District, including information on actual and projected tax rates, an analysis of bonding capacity, ratings on the District's bonds, market update and refunding opportunities, new development for California bond financings, and the District's compliance with post-issuance requirements."*

Debts Issued by the District

The District has the following debt outstanding:

General Obligation ("GO") Bonds

Issuance	Issuance Date	Maturity Date	Issuance Amount	Principal Outstanding May 1, 2019
Election of 2004 GO Bonds, Series A	7/22/2004	8/1/2028	$ 29,999,790	$ 224,790
2012 GO Refunding Bonds	3/21/2012	8/1/2028	22,530,000	18,270,000
2014 GO Refunding Bonds	10/2/2014	8/1/2031	25,255,000	24,090,000
Election of 2008 GO Bonds, Series A	9/23/2009	8/1/2021	5,400,000	965,000
Election of 2008 GO Bonds, Series A-1 (1) (2)	9/23/2009	8/1/2019	24,600,000	-
Election of 2008 GO Bonds, Series B-1	5/26/2011	8/1/2025	9,455,000	9,455,000
Election of 2008 GO Bonds, Series C	3/27/2014	8/1/2038	27,300,000	27,300,000
2016 GO Refunding Bonds	3/1/2016	8/1/2037	19,315,000	19,150,000
2016 GO Refunding Bonds, Series B (2)	8/11/2016	8/1/2034	24,060,000	24,060,000
Total			$ 187,914,790	$ 123,514,790

(1) Maturity date reflects the redemption date resulting from the 2016 General Obligation Refunding Bonds, Series B.
(2) Pursuant to Section 53560 of the Government Code of the State of California, the District's 2016 General Obligation Refunding Bonds, Series B constitute special obligations and are not included in any computation of general obligation indebtedness of the District until the August 1, 2019 crossover date (while the Election of 2008 GO Bonds, Series A-1 are still included in the computation of general obligation indebtedness of the District until the August 1, 2019 crossover date). The above table accounts for the refunding bonds as if they were outstanding and the refunded bonds as if they were redeemed.

Certificates of Participation ("COP")/Leases

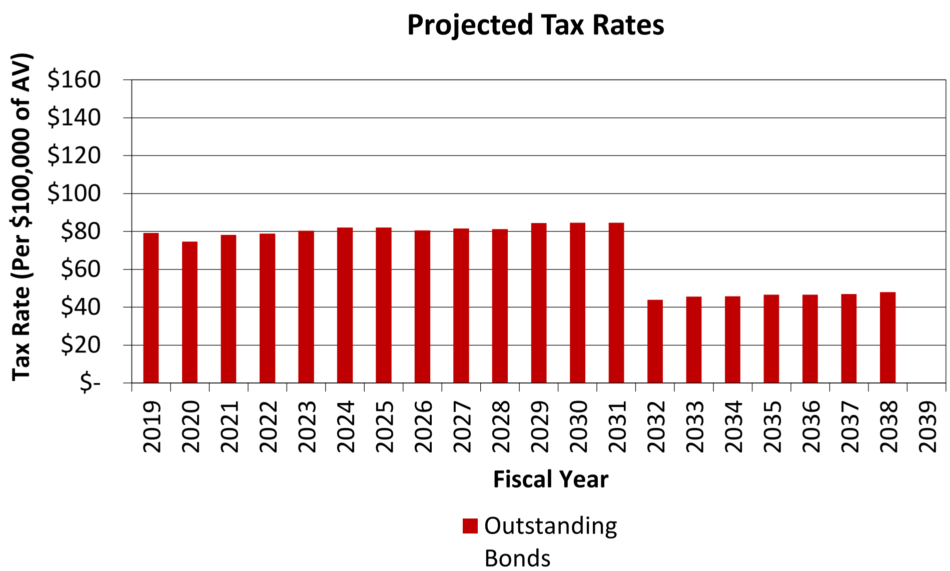
Issuance	Issuance Date	Maturity Date	Issuance Amount	Principal Outstanding May 1, 2019
COP (1993 Refunding Project)	6/14/1993	5/1/2020	$ 9,558,832	$ 166,830
2016 Lease/Purchase Agreement (New Clean Renewable Energy Bonds)	3/18/2016	4/1/2033	13,307,000	12,168,000

Actual & Projected Tax Rates

The District's bond tax rate the 2018-19 fiscal year was 0.079148% or $79.15 per $100,000 of assessed valuation.

The District's projected tax rates are shown below. They are based on the following assumptions:

- Annual assessed value growth rate of 3.0%
- 2% secured tax delinquency per Los Angeles County Auditor-Controller
- No supplemental tax collections (which typically lower the annual tax rate)



Bonding Capacity

Bonding capacity is a statutory limit on the amount of general obligation bonds that can be issued at any given time. Bonding capacity is based on:

- Current AV multiplied by 2.50% statutory debt limit factor
- Less: outstanding general obligation bonds

Estimated Current Bonding Capacity

2018-19 Total Assessed Value	$ 9,983,916,029
Statutory Debt Limit Factor	x 2.50%
Bonding Capacity	249,597,901
Outstanding General Obligation Bonds	(123,830,000) [1]
Available Bonding Capacity	$ 125,767,901

[1] Pursuant to Section 53560 of the Government Code of the State of California, the District's 2016 General Obligation Refunding Bonds, Series B are not calculated as outstanding for bonding capacity purposes while the refunded Election of 2008 GO Bonds, Series A-1 are.

District Credit Ratings

The three major credit rating agencies are Moody's, Standard & Poor's, and Fitch. Districts are rated on (1) local economy/tax base (30% of rating), (2) district finances (30%), (3) district debt/pension obligations (20%) and (4) district management (20%). Based on that information, districts are assigned a rating in accordance with the respective rating scale. *The District's current ratings are 'AA-' from Standard & Poor's (as of July 7, 2016) and 'AA-' from Fitch (as of January 18, 2017).* The District does not have a Moody's rating.

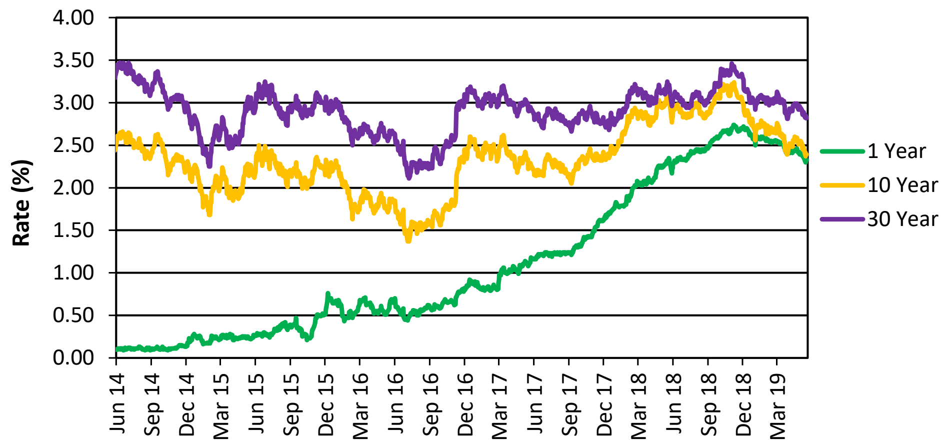
	Moody's	Standard & Poor's	Fitch	Rating Description
Investment grade	Aaa	AAA	AAA	Prime
	Aa1	AA+	AA+	High grade
	Aa2	AA	AA	
	Aa3	AA-	AA-	
	A1	A+	A+	Upper medium grade
	A2	A	A	
	A3	A-	A-	
	Baa1	BBB+	BBB+	Lower medium grade
	Baa2	BBB	BBB	
	Baa3	BBB-	BBB-	
Non-investment grade	Ba1	BB+	BB+	Speculative
	Ba2	BB	BB	
	Ba3	BB-	BB-	
	B1	B+	B+	Highly speculative
	B2	B	B	
	B3	B-	B-	
	Caa1 & below	CCC+ & below	CCC & below	Extremely speculative/ Default

Market Update

Long-term municipal bond interest rates have experienced significant volatility, but still remain near historic lows. Rates have recently experienced a decline as a result of economic uncertainty on a national and global level. Short-term interest rates, however, have spiked as a result of Federal Reserve policies. The charts below demonstrate these two points.

Bond Buyer General Obligation Bond Index [1]
(50-Year History)

Treasury Rates (June 2014 - Present) [(2)]



(1) Index reflects average yield to maturity of 20 general obligation bonds with 20-year maturities rated 'Aa2' by Moody's Investors Service and 'AA' by Standard and Poor's. Source: The Bond Buyer & Bloomberg.

(2) Source: U.S. Department of the Treasury.

Refunding Opportunities

The District does not currently have any bond refinancing opportunities which produce debt service savings.

New Developments for California Bond Financings

Tax Cuts and Jobs Act

The tax bill from November 2017 continues to impact issuers of California municipal bonds. Most notably, the removal of tax-exempt advanced refundings has had major implications on debt issuances:

- Bonds that otherwise may have been economical to refinance in prior years are now ineligible to be refinanced until their redemption dates (or "call" dates)
    - Fewer refinancings are being completed as a result
    - Some districts are issuing refinancings on a taxable basis, which comes at a higher cost (and therefore lower savings to taxpayers)
- Most bonds include a call date at some point in the future
    - Historically, a 10-year par call was the market standard
    - As a result of the tax bill, many districts are issuing bonds with 6-, 7-, 8-, and 9-year call provisions in order to allow future refinancings at an earlier date
- Advanced refundings historically comprised ~20-25% of the supply of municipal bonds
    - Municipal bond supply has therefore been lower than prior years

New Legislation/Requirements

The Municipal Securities Rulemaking Board ("MSRB") recently announced amendments to Rule 15c2-12 as it relates to continuing disclosure. The amendments went into effect on February 27, 2019 and include two new material events for new bonds which require filings on emma.msrb.org within 10 business days of occurrence. These two new requirements are as follows:

- Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

District's Compliance with Post-Issuance Requirements

The District has monitored its compliance with post-issuance requirements, including:

- Assign responsible personnel of the District to monitor and ensure compliance with the restrictions contained in each issuance's tax certificate
- Provide adequate training to responsible District personnel to monitor compliance
- Establish adequate record retention and calendaring mechanisms internally to ensure that the District will be able to establish post issuance compliance
- Maintain records detailing the investment and expenditures of financing proceeds
- Seek expert advice regarding compliance with the arbitrage rebate and yield restriction provisions
- Carefully monitor and calendar the dates by which financing proceeds should be expended to comply with yield restriction and rebate exceptions and the dates rebate must be paid, if applicable
- Monitor use and retain contracts related to the use of the projects financed by the issuances throughout the term of the financings
- Regularly consult with bond counsel and other District advisors regarding any issues that arise regarding post issuance compliance