

BOARD COMMUNICATION

To: Tahoe Truckee Unified School District Board of Education

From: Todd Rivera, *Assistant Superintendent/Chief Business Officer*
Keygent LLC, *District Financial Advisor*

Date: July 3, 2024

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/CLO 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 Bonds ("GO")				
Issuance	Issuance Date	Maturity Date	Issuance Amount	Principal Outstanding June 1, 2024
Election of 1999 GO Bonds, Series A (SFID No. 1)	10/28/1999	8/1/2024	\$ 25,118,617	\$ 505,500
Election of 1999 GO Bonds, Series A (SFID No. 2)	10/28/1999	8/1/2024	18,723,994	373,946
Election of 1999 GO Bonds, Series B (SFID No. 1)	8/19/2004	8/1/2025	9,881,340	821,340
Election of 1999 GO Bonds, Series B (SFID No. 2)	8/19/2004	8/1/2026	5,275,084	1,680,084
2012 GO Refunding Bonds (SFID No. 2)	2/14/2012	8/1/2029	11,605,000	5,175,000
2013 GO Refunding Bonds, Series A (SFID No. 1)	1/29/2013	8/1/2024	3,615,000	110,000
2013 GO Refunding Bonds, Series B (SFID No. 2)	1/29/2013	8/1/2030	13,450,000	6,270,000
Election of 2014 GO Bonds, Series A (SFID No. 1)	3/31/2015	8/1/2047	20,000,000	2,840,000
Election of 2014 GO Bonds, Series A (SFID No. 2)	3/31/2015	8/1/2046	19,500,000	13,010,000
Election of 2014 GO Bonds, Series B (SFID No. 1)	12/20/2016	8/1/2039	54,000,000	50,665,000
Election of 2014 GO Bonds, Series B (SFID No. 2)	12/20/2016	8/1/2041	30,000,000	28,695,000
Election of 2014 GO Bonds, Series C (SFID No. 1)	11/8/2017	8/1/2034	40,000,000	31,180,000
Election of 2014 GO Bonds, Series C (SFID No. 2)	11/8/2017	8/1/2036	12,500,000	9,845,000
Total			\$ 263,669,035	\$ 151,170,870

Certificates of Participation ("COP")				
Issuance	Issuance Date	Maturity Date	Issuance Amount	Principal Outstanding June 1, 2024
COP (2019 School Financing Project)	9/25/2019	6/1/2049	\$ 40,000,000	\$ 22,975,000

Actual & Projected Tax Rates

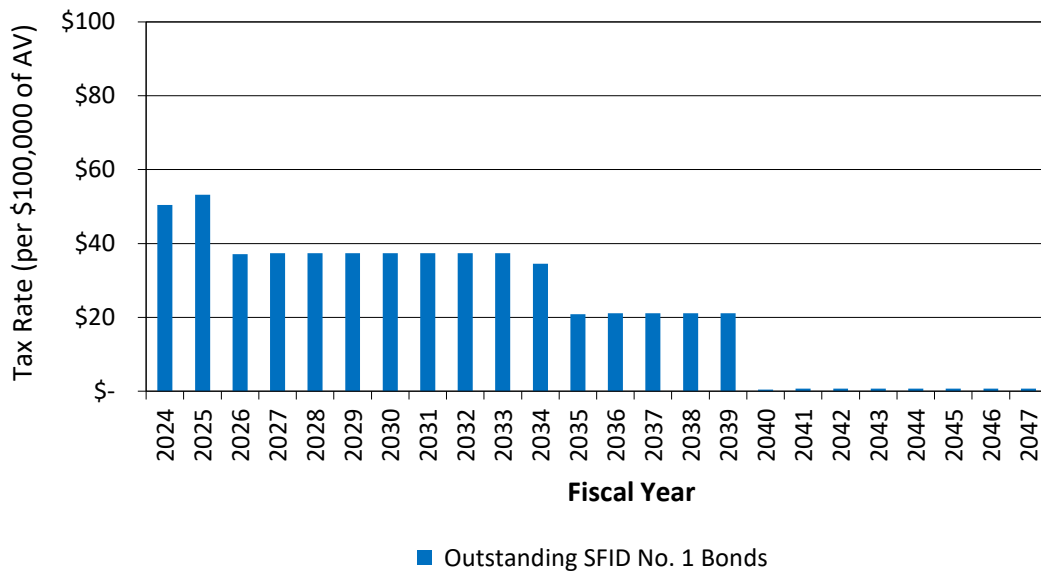
The District’s tax rates were as follows for the 2023-24 fiscal year (per \$100,000 of assessed valuation):

- SFID No. 1: 0.050469% or \$50.47
- SFID No. 2: 0.048701% or \$48.70

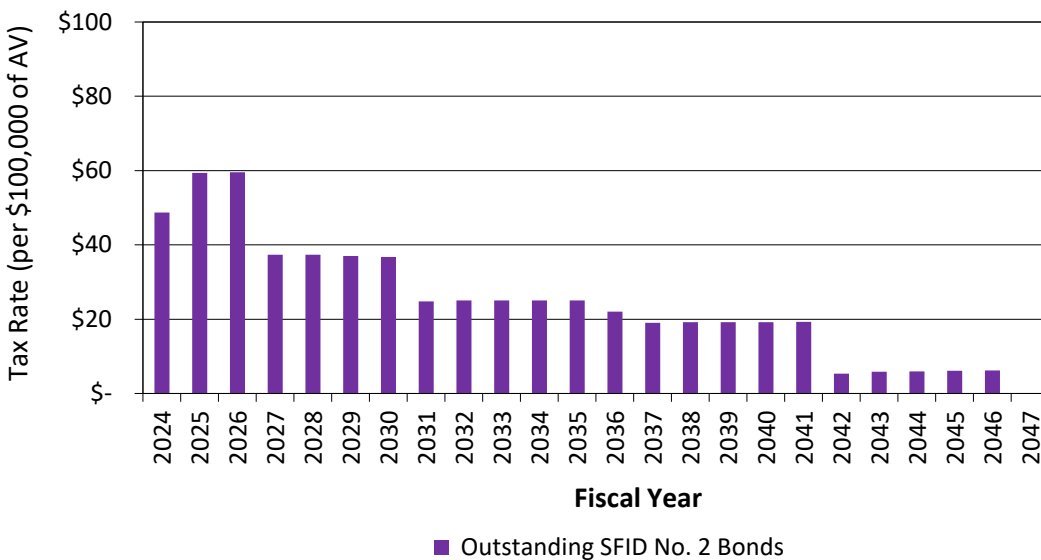
The District’s projected tax rates are shown below. They are based on the following assumptions:

- Annual assessed value growth of 3.25%
- 4% unsecured tax delinquency
- No supplemental tax collections (which typically lower the annual tax rate)

SFID No. 1 Projected Tax Rates



SFID No. 2 Projected Tax Rates



Bonding Capacity

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

- Current assessed value multiplied by 2.50% statutory debt limit factor
- Less: outstanding GO bonds

Estimated District Bonding Capacity ⁽¹⁾

2023-24 District Assessed Value	\$ 31,675,500,670
Statutory Debt Limit Factor	x 2.50%
Bonding Capacity	<u>791,887,517</u>
Oustanding SFID No. 1 Bonds	(86,121,840)
Oustanding SFID No. 2 Bonds	(65,049,030)
Available Bonding Capacity	\$ 640,716,647

⁽¹⁾ Subject to confirmation by the County Auditor-Controller.

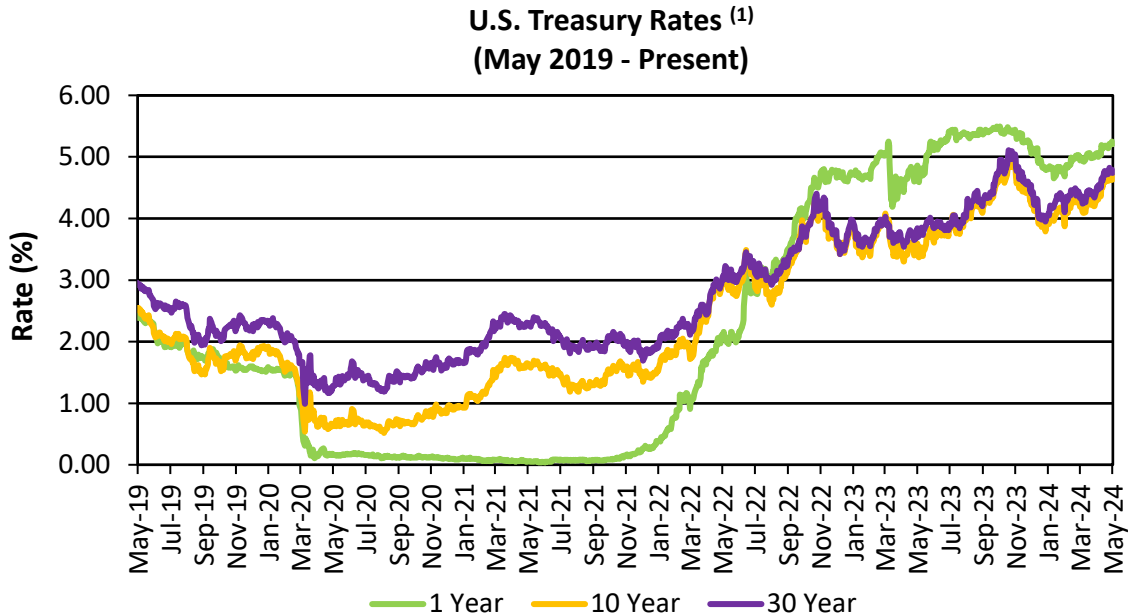
District Credit Ratings

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 GO bonds current ratings are 'Aa1' from Moody's (as of April 24, 2024) and 'AA' from Standard & Poor's (as of December 27, 2023). The District's COP current rating is 'AA-' from Standard & Poor's (as of April 27, 2023). The District does not have a Fitch 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

As shown below, U.S. Treasury rates have experienced significant increases since 2022. Interest rates have risen from pandemic lows as a result of Federal Reserve interest rate increases to combat inflation. While the Fed initially indicated that there would be multiple rate cuts in 2024, the timing and number of cuts has become uncertain as inflation remains above target levels.



⁽¹⁾ Source: U.S. Department of the Treasury.

Refunding Opportunities

The District's 2013 GO Refunding Bonds, Series B (SFID No. 2) and Election of 2014 GO Bonds, Series A (SFID No. 1) can potentially be refinanced and yield savings for District taxpayers. However, the District's estimated present value savings is currently below the industry benchmark of 3% present value savings. The refinancing opportunity will continue to be monitored.

New Developments for California Bond Financings

March Election Results

Voters approved 10 of 11 requested parcel taxes on the March 2024 ballot, far outpacing the typical 65% passage rate for parcel taxes. However, only 24 of 40 districts passed their general obligation bond measures. The 60% bond passage rate fell short of the historical 73% primary election approval rate.

Filing Agent Changes for Subsidy-Backed Financings

On February 23, 2023, the Internal Revenue Services published a new regulation outlining requirements for filing subsidy request forms ("8038-CP Forms") related to financings such as Qualified School Construction Bonds, Build America Bonds, and Qualified Zone Academy Bonds. As a result of the change, Bank of New York has resigned from the filing service for districts across the State as of April 2024. Many issuers have received the resignation notices from Bank of New York. Please contact Keygent if your District has received a resignation notice, as Keygent can assist in the hiring of a new firm to handle the required subsidy filings and avoid any delays in receipt of subsidy funds.

State-Wide Bond Measures

Two different State-wide bond proposals (Assembly Bill 247 and Senate Bill 28) are pending in the legislature. Both bonds would provide funds for California education facilities. Assembly Bill 247 would provide \$14 billion in funding for K-14 districts, while Senate Bill 28 would provide ~\$15 billion in funding for K-14 and California's public university system. Senate Bill 28 would also increase the statutory bonding capacity for K-14 districts. A new Public Policy Institute of California survey found that around half of likely voters would vote 'yes' on a State bond measure to pay for school facilities. The Governor's office has not yet announced any decisions on a potential bond measure for November 2024.

Parcel Tax Approvals by Majority Vote

Two years ago, a panel on the San Francisco-based California Court of Appeal unanimously ruled that a parcel tax initiated by citizens (not put on the ballot by the Board of Trustees) requires only a simple majority of 50% plus one vote for passage. The state Supreme Court declined to hear the case, so the appeals court ruling has stood as the guiding decision. However, there are now two different initiatives planned for the November 2024 ballot that will determine whether the ruling will hold. Districts and citizens groups should keep plans for simple majority parcel taxes on hold until guidance is provided in November.

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
- Ensure 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