

BOARD COMMUNICATION

To: Tahoe Truckee Unified School District Board of Education

From: Todd Rivera, *Executive Director of Business Services*
Keygent LLC, *District Financial Advisor*

Date: June 1, 2022

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				
Issuance	Issuance Date	Maturity Date	Issuance Amount	Principal Outstanding June 1, 2022
Election of 1999 GO Bonds, Series A (SFID No. 1)	10/28/1999	8/1/2024	\$ 25,118,617	\$ 1,569,981
Election of 1999 GO Bonds, Series A (SFID No. 2)	10/28/1999	8/1/2024	18,723,994	1,159,914
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	6,665,000
2013 Refunding GO Bonds, Series A (SFID No. 1)	1/29/2013	8/1/2024	3,615,000	425,000
2013 Refunding GO Bonds, Series B (SFID No. 2)	1/29/2013	8/1/2030	13,450,000	7,695,000
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	52,635,000
Election of 2014 GO Bonds, Series B (SFID No. 2)	12/20/2016	8/1/2041	30,000,000	29,510,000
Election of 2014 GO Bonds, Series C (SFID No. 1)	11/8/2017	8/1/2034	40,000,000	34,405,000
Election of 2014 GO Bonds, Series C (SFID No. 2)	11/8/2017	8/1/2036	12,500,000	10,635,000
Total			\$ 263,669,035	\$ 163,051,319

Certificates of Participation				
Issuance	Issuance Date	Maturity Date	Issuance Amount	Principal Outstanding June 1, 2022
COP (2019 School Financing Project)	9/25/2019	6/1/2049	\$ 40,000,000	\$ 37,520,000

Actual & Projected Tax Rates

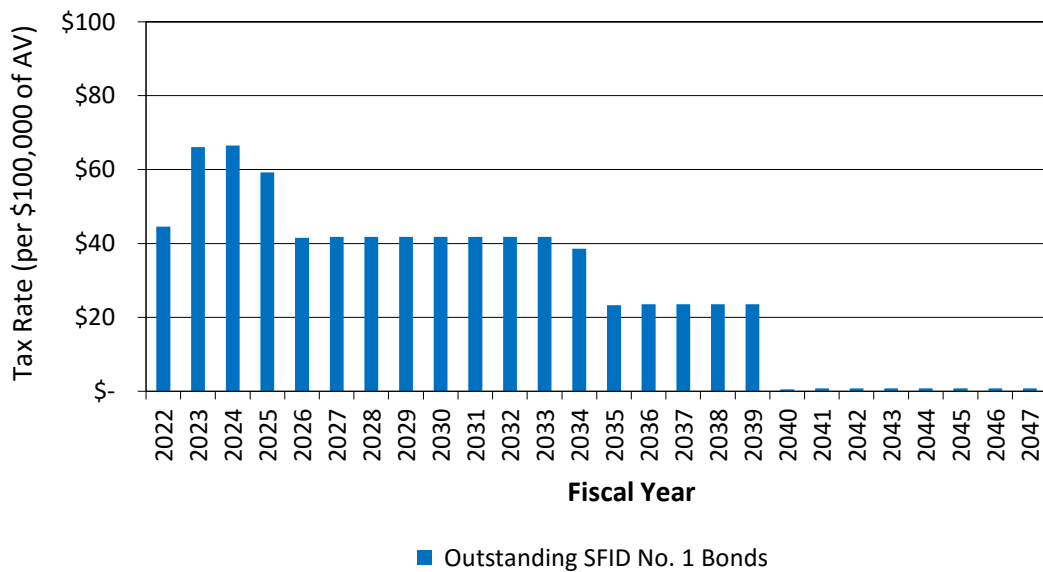
The District’s tax rates were as follows for the 2021-22 fiscal year (per \$100,000 of assessed valuation):

- SFID No. 1: 0.044542% or \$44.542
- SFID No. 2: 0.048753% or \$48.753

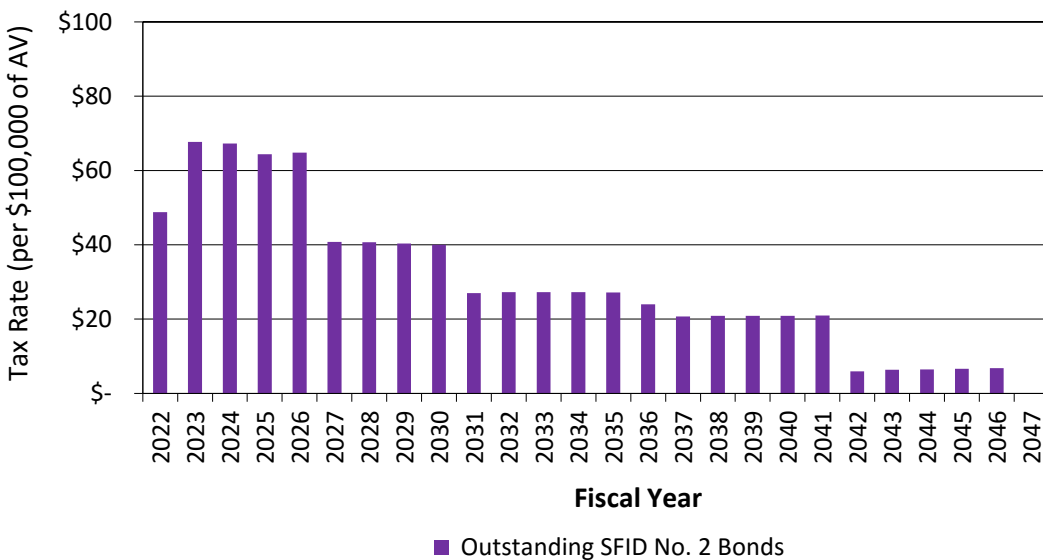
The District’s projected tax rates are shown below. They are based on the following assumptions:

- 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 general obligation bonds that can be issued at any given time. The District is also limited by the amount of bond authorization approved by voters. Bonding capacity is based on:

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

Estimated District Bonding Capacity⁽¹⁾

2021-22 District Assessed Value	\$ 26,894,154,716
Statutory Debt Limit Factor	x 2.50%
Bonding Capacity	<u>672,353,868</u>
Oustanding SFID No. 1 Bonds	(92,696,321)
Oustanding SFID No. 2 Bonds	(70,354,998)
Available Bonding Capacity	\$ 509,302,549

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

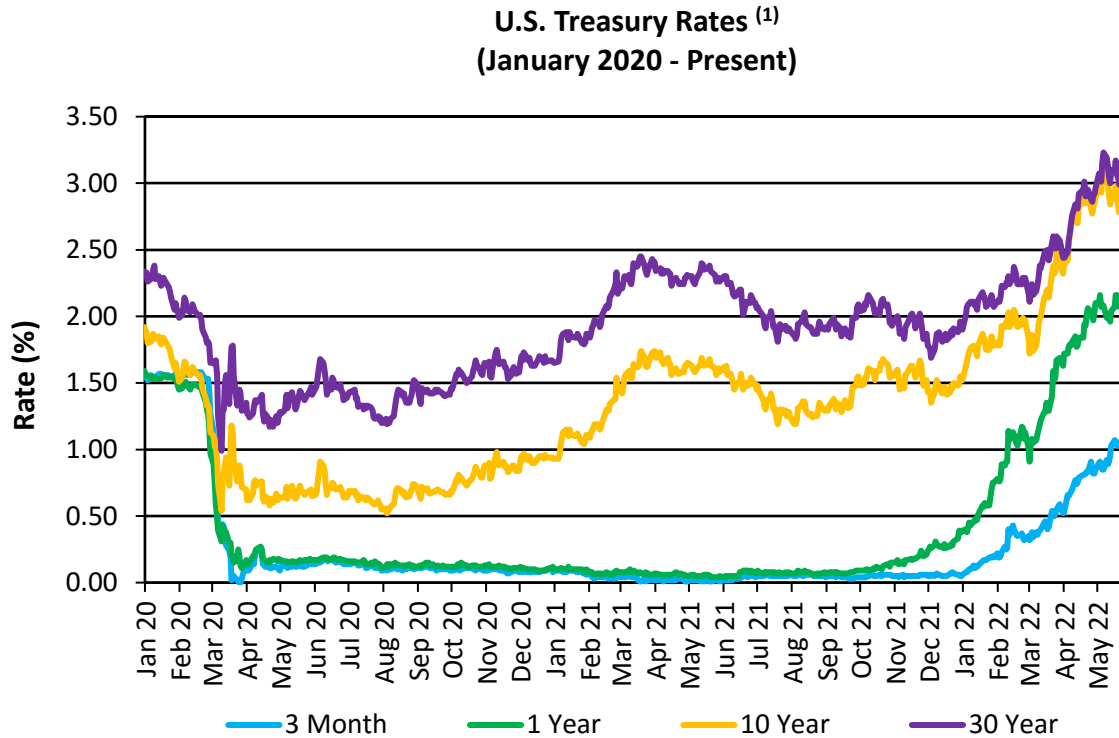
District Credit Ratings

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 16, 2021) and 'AA' from Standard & Poor's (as of May 24, 2022). The District's COP current rating is 'AA-' from Standard & Poor's (as of May 24, 2022). 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. Interest rates have risen in recent months as a result of rising inflation, the ongoing Russian-Ukraine war, and Fed rate increases (both taken and anticipated).



⁽¹⁾ 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

Potential State-Wide Bond Measures for School Facilities

Two new State-wide bonds (Assembly Bill 75 and Senate Bill 22) are pending in the legislature. Both bonds would provide funds for California school district facilities. Assembly Bill 75 would provide \$12 billion in funding, while Senate Bill 22 would provide \$15.5 billion in funding. Senate Bill 22 would also increase the statutory bonding capacity for K-14 districts.

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