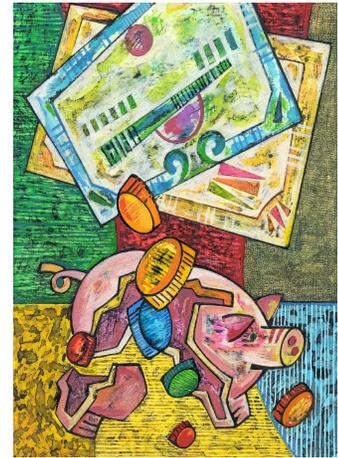


Davis Joint Unified School District

Implementing Measure M: Report on Series 2019 Bond Sale Results



Government
Financial
Strategies

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March 21, 2019

Results

✓ More proceeds for projects



✓ Lower debt service



✓ Less taxes



Contents

- ◆ Bond Sale Process and Results
- ◆ Review of District's Use of GFOA Best Practices
- ◆ For Reference
 - ▶ Detailed Costs of Issuance



Standard & Poor's Rated the Bonds

(revising it's rating on the District's General Obligation Bonds from AA-(Stable) to AA-(Negative))

Summary:

Davis Joint Unified School District, California; Appropriations; General Obligation

Credit Profile

S\$50.3 mil GO bnds (Election of 2018) ser 2019 due 08/01/2048		
Long Term Rating	AA-/Negative	New
Davis Jt Unif Sch Dist APPROP (BAM)		
Unenhanced Rating	A+(SPUR)/Negative	Outlook Revised
Davis Jt Unif Sch Dist GO		
Unenhanced Rating	AA-(SPUR)/Negative	Outlook Revised

Rationale

S&P Global Ratings revised its outlook to negative from stable and affirmed its 'AA-' long-term rating and underlying rating (SPUR) on Davis Joint Unified School District, Calif.'s general obligation (GO) bonds and its 'A+' SPUR on the district's existing certificates of participation (COPs). At the same time, S&P Global Ratings assigned is 'AA-' long-term rating to the district's \$50.3 million series 2019 (election of 2018) GO bonds.

The revised outlook reflects our view of the district's significant draw down on its reserves in fiscal 2018, with the anticipation the district will end fiscal 2019 with another deficit. While the deficit was planned in part for curriculum adoption and retro-active salary adjustments, the district management indicated an operating deficit still persisted. While the district has identified expenditure cuts and methods to eliminate the operational deficit, its reserves could still dip below levels we consider good. Further, should an economic downturn or additional unforeseen expenditure occur within the next two years, the district's financial profile could deteriorate further.

Long-Term Issue Credit Ratings*	
Category	Definition
AAA	An obligation rated 'AAA' has the highest rating assigned by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is extremely strong.
AA	An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong.
A	An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong.
BBB	An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.

*Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

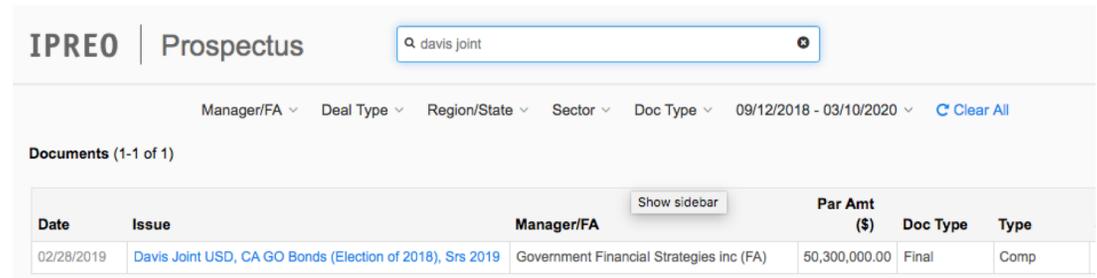
Source:

https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352

- ✓ Given the District's "AA-" rating from Standard and Poor's was given a negative outlook, the District chose to pre-qualify for bond insurance (highest credit rating of "AA"), at the cost of the winning bidder.

Competitive Bid Process

- ◆ Bids for Measure M bonds accepted until Thursday, February 28 at 9:05 am
 - ▶ Par amount: \$50,300,000



The screenshot shows the IPREO Prospectus search interface. The search bar contains 'davis joint'. Below the search bar, there are filters for Manager/FA, Deal Type, Region/State, Sector, Doc Type, and a date range of 09/12/2018 - 03/10/2020. A 'Clear All' button is visible. The results section shows one document:

Date	Issue	Manager/FA	Par Amt (\$)	Doc Type	Type
02/28/2019	Davis Joint USD, CA GO Bonds (Election of 2018), Srs 2019	Government Financial Strategies Inc (FA)	50,300,000.00	Final	Comp

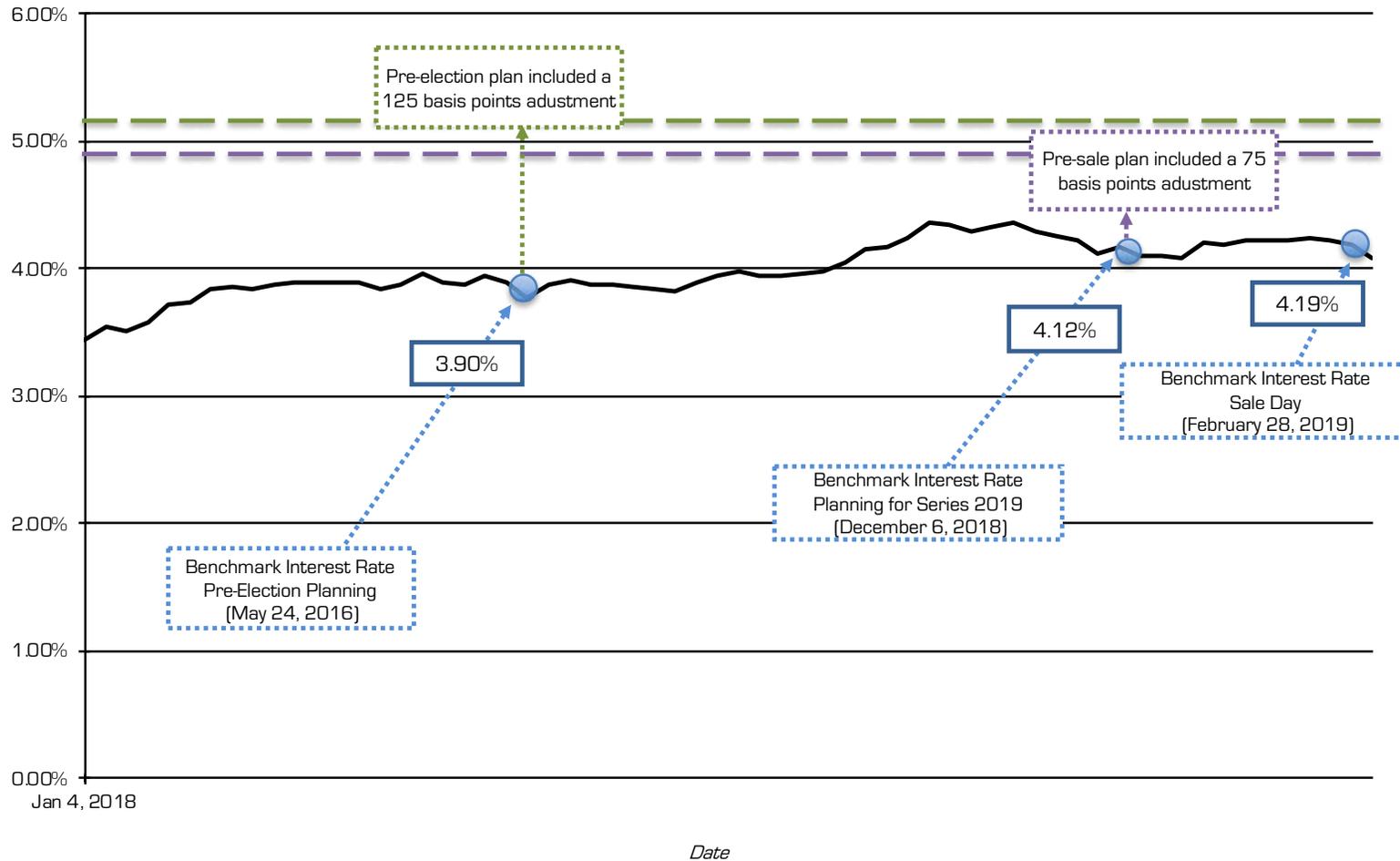
- ◆ Internet bidding platform:
 - ▶ Used to notify potential bidders and to accept bids.
 - ▶ Also posted in *The Bond Buyer* industry newspaper.
 - ▶ Any bank or underwriter was allowed to bid.
 - ▶ Bidding allowed within flexible parameters.

✓ *More competition → better results for the District*

Market is Volatile

Interest Rate

The Benchmark Municipal Bond Interest Rate has Increased Since Measure M was Put on the Ballot



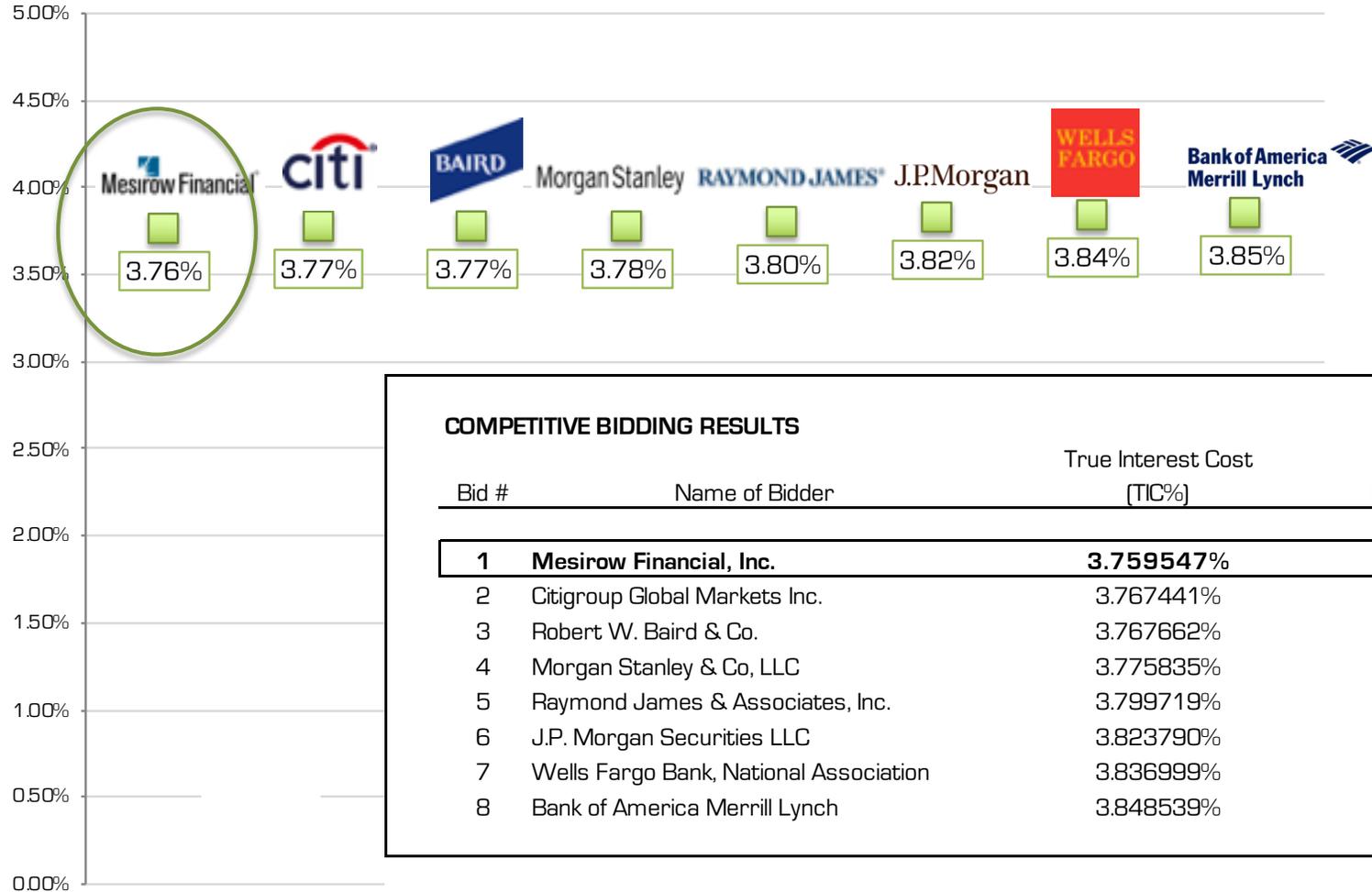
Notes: The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years and is compiled every Thursday. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Rating Service AA.

✓ Increase in market rates was within planned budget.

Bid Results

True Interest Cost (TIC) %

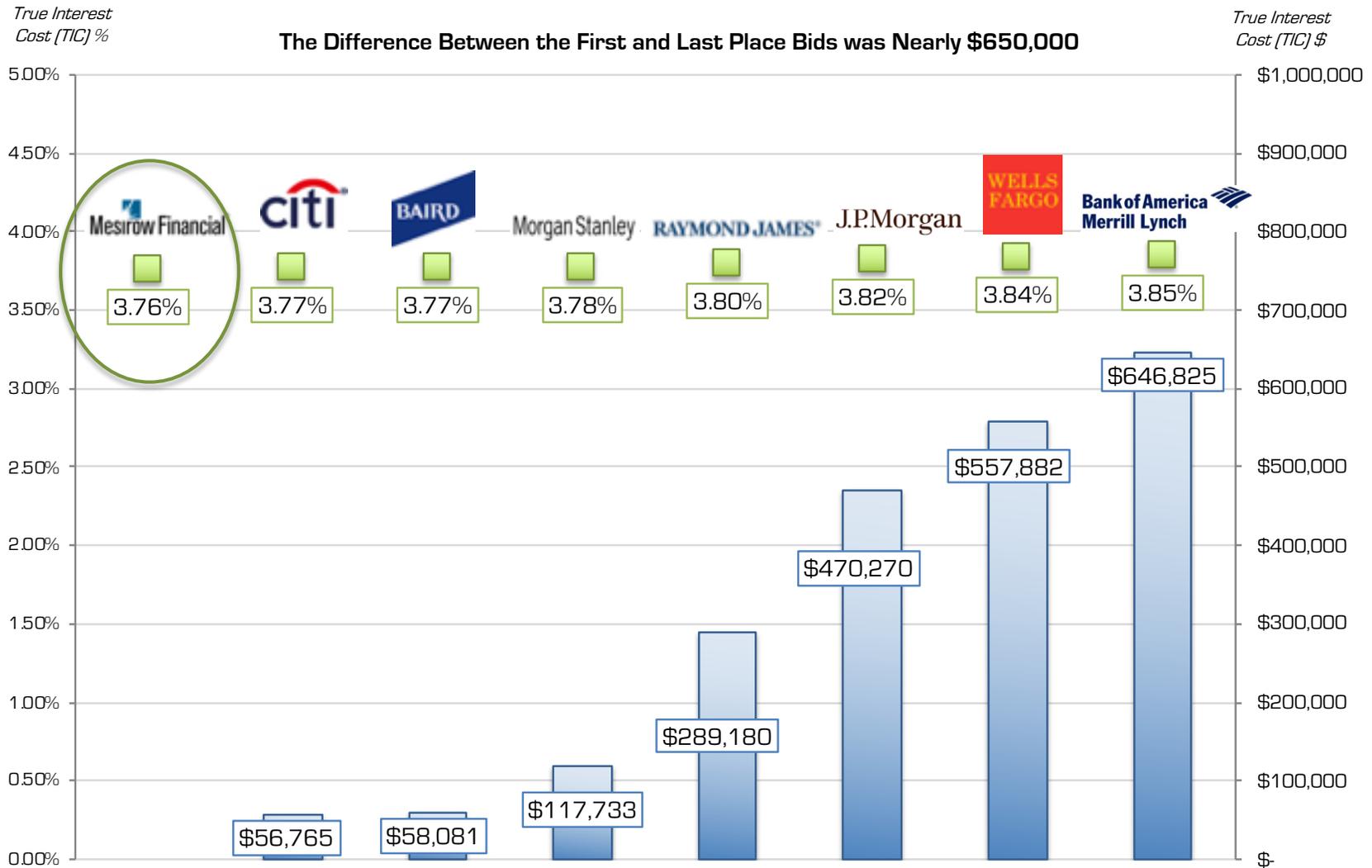
The District Received 8 Bids for the GO Bonds; Mesirow Financial Submitted the Lowest Bid and Was Selected as the Winning Underwriter



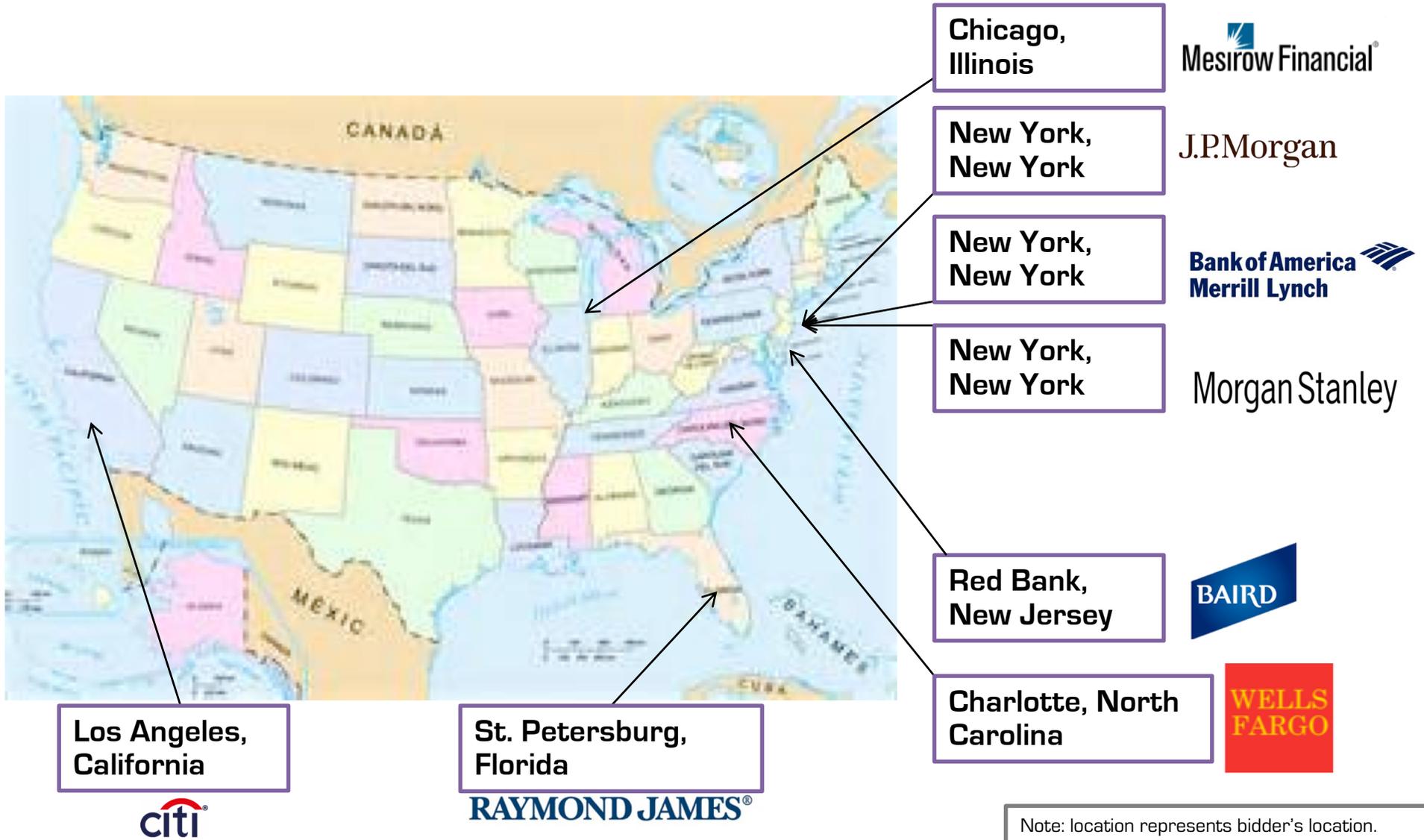
COMPETITIVE BIDDING RESULTS			
Bid #	Name of Bidder	True Interest Cost (TIC%)	Approximate Difference in Present Value From Winning Bid
1	Mesirow Financial, Inc.	3.759547%	n/a
2	Citigroup Global Markets Inc.	3.767441%	\$56,765
3	Robert W. Baird & Co.	3.767662%	\$58,081
4	Morgan Stanley & Co, LLC	3.775835%	\$117,733
5	Raymond James & Associates, Inc.	3.799719%	\$289,180
6	J.P. Morgan Securities LLC	3.823790%	\$470,270
7	Wells Fargo Bank, National Association	3.836999%	\$557,882
8	Bank of America Merrill Lynch	3.848539%	\$646,825

* Note: subsequent to the bidding, the winning bid was restructured, changing the TIC to 3.759307%.

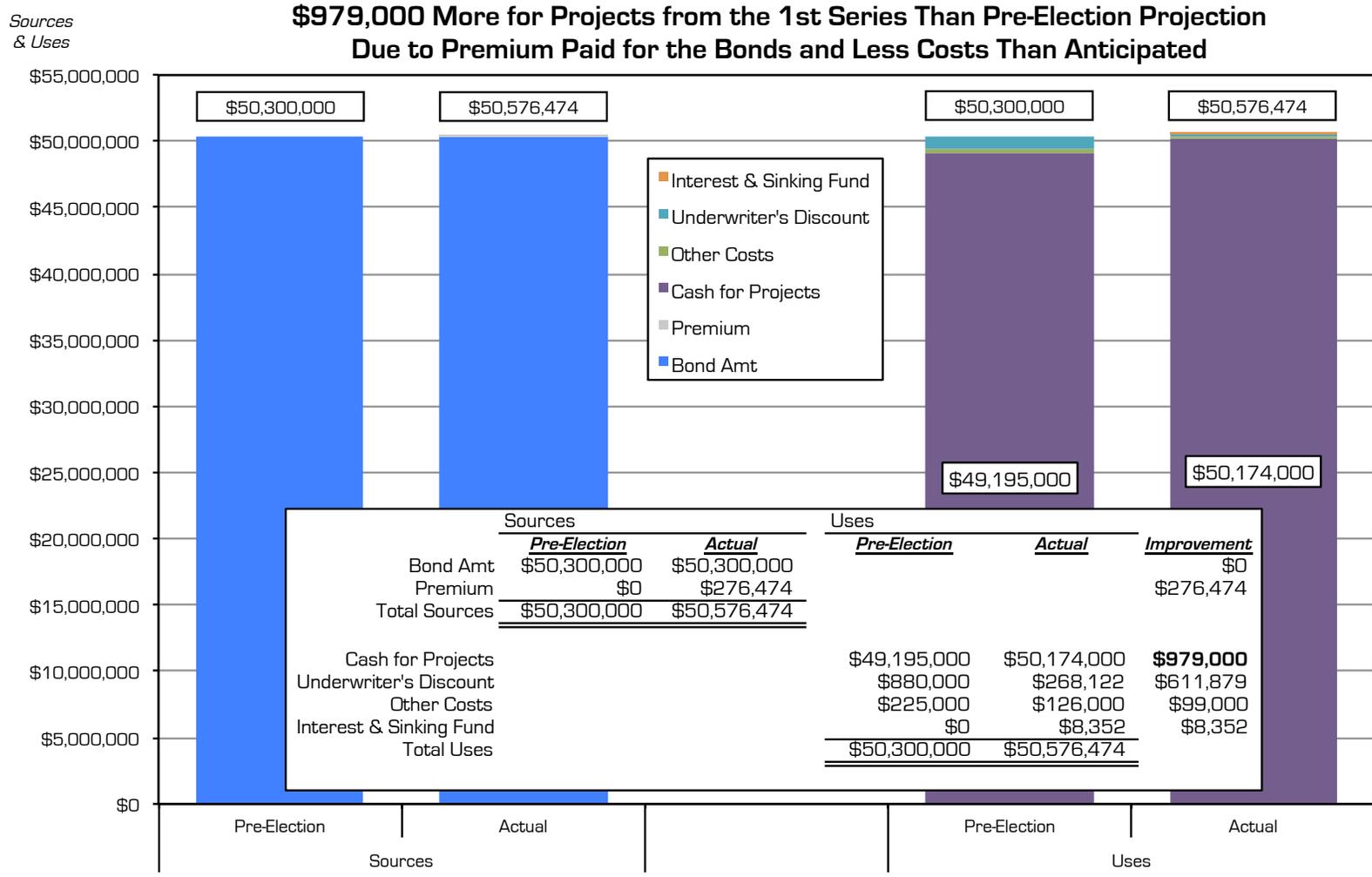
Dollar Difference in Bids



Bidding Came From Across US



Series 2019 Sale Results Better Than Projected

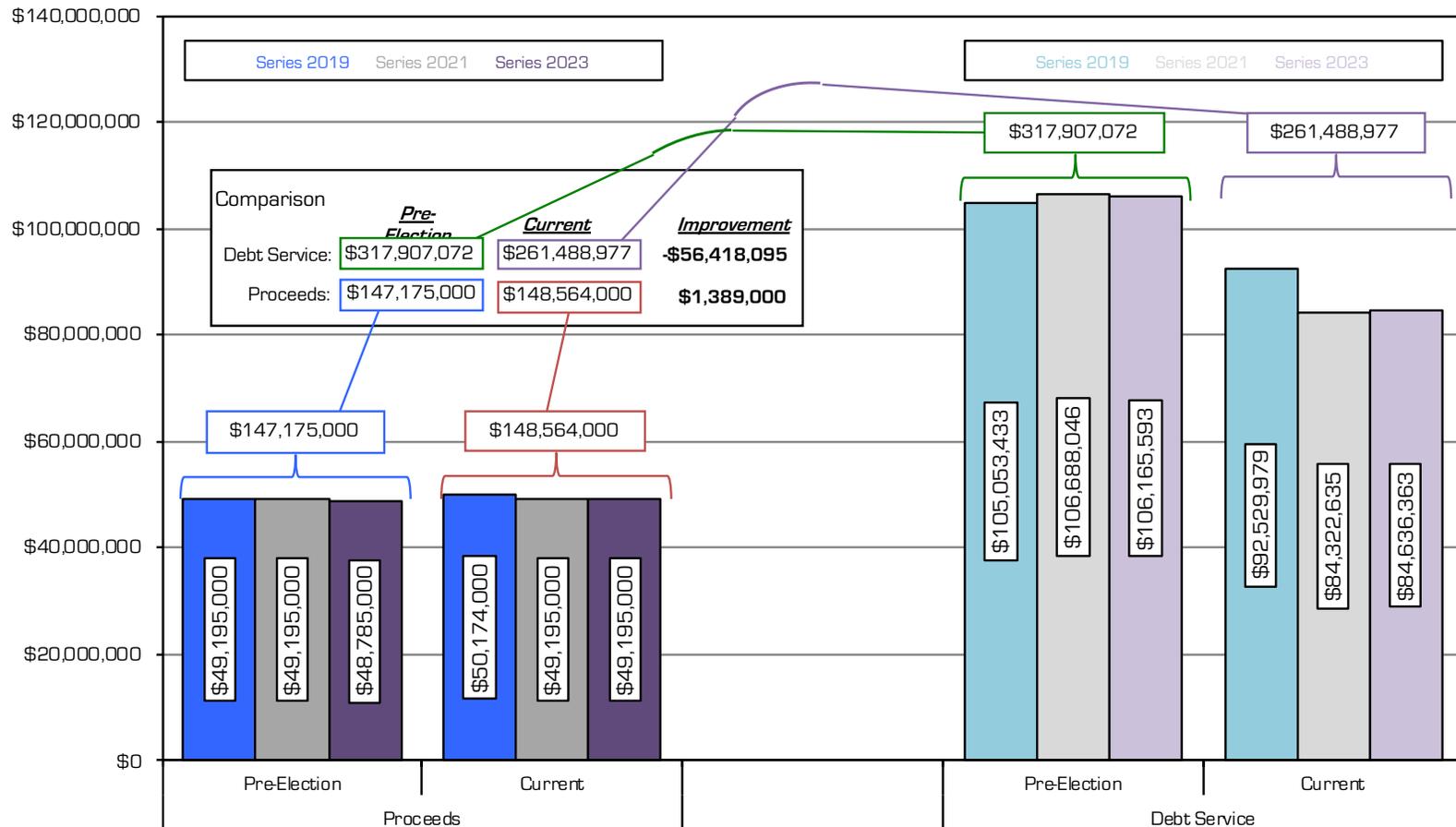


Series 2019 actual is preliminary.

Success of 2019 Bond Sale -> Better Overall Measure M Plan

GO Bonds To Be Issued

After the Sale of the First Series, We are Currently Projecting \$1.39 Million More in Proceeds, While Costing \$56.4 Million Less Than Pre-Election Projections



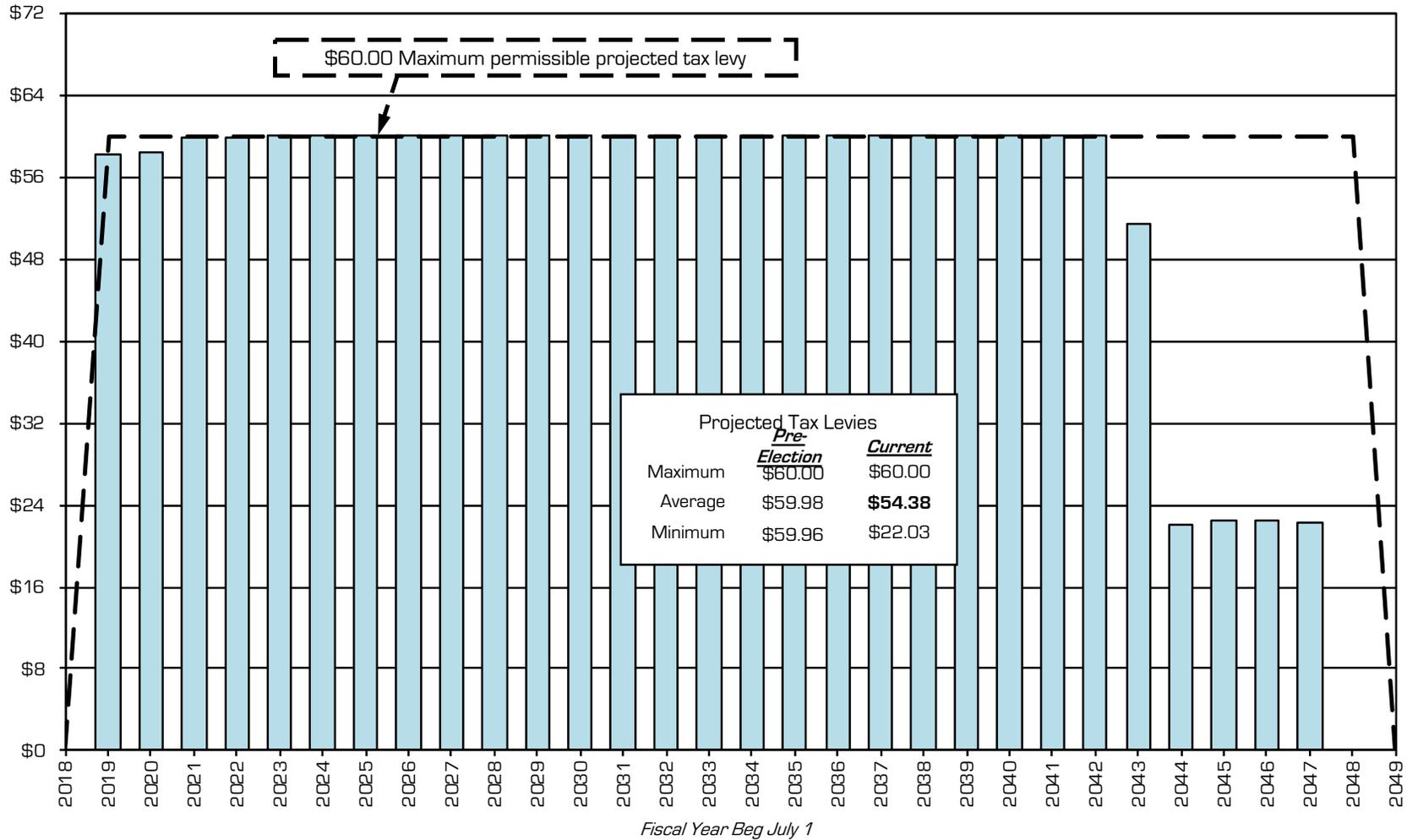
Series 2019 debt service is actual; Series 2021 & 2023 are projected, based on MMD "AAA" rates as of Feb 27, 2019, adjusted +60bp for assumed "AA-" rating, plus timing adjustments for potential rate increasing prior to bond issuance of +125bp (2019), +175bp (2021), and +180bp for callable capital appreciation bonds. Existing net local secured AV is assumed to grow 4% annually, while all other AV types are assumed to remain unchanged. Values rounded.

✓ The ratio of total debt service to original principal for Measure M is now estimated at 1.73:1

Tax Levies Projected ≤ Pre-Election Estimates and End 1 Year Earlier

Tax Levy per
\$100,000 of AV

Tax Levies are Projected to Adhere to the Maximum \$60 per \$100,000 of Assessed Value Projection for a
55% Voter Approval Bond Measure for 29 Years



Existing net local secured AV is assumed to grow 4% annually, while all other AV types are assumed to remain unchanged.

GFOA Best Practices Utilized



- ◆ Debt Management Policy 
- ◆ Selecting and Managing Municipal Advisors 
- ◆ Selecting Bond Counsel 
- ◆ Selecting and Managing the Method of Sale of Municipal Bonds 
- ◆ Using Credit Rating Agencies 
- ◆ Debt Issuance Transaction Costs 
- ◆ Understanding Your Continuing Disclosure Responsibilities 

For Reference

- ◆ Detailed Costs of Issuance

Detailed Costs of Issuance

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 (Yolo County and Solano County, California)
 General Obligation Bonds, Election of 2018, Series 2019

Costs of Issuance

Description	Total Costs
• Dannis Woliver Kelley, Bond Counsel Bond Counsel Services and Expenses:	\$31,500.00
• Government Financial Strategies inc., Financial Advisor Professional Services:	\$58,750.00
Expenses:	\$1,500.00
• S&P Global Ratings, Rating Agency Professional Services:	\$28,350.00
• Other Issuance Expenses (break out listed below) U.S. Bank National Association, Paying Agent Acceptance Fees:	\$250.00
First Year's Annual Administration Fee:	\$300.00
COI Fund Administration Fee:	\$300.00
Anticipated Direct Out-of-pocket Expenses:	\$0.00
Ipreno: Electronic Bidding	\$1,425.00
Amtec: Verification Report	\$250.00
California Municipal Statistics, Research:	\$1,475.00
• Contingency	\$1,900.00
TOTAL COSTS OF ISSUANCE	\$126,000.00