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Municipal Market Update and Overview of Measure AA, Series 2020 Bonds



Adam Bauer

Chief Executive Officer & President

Fieldman, Rolapp & Associates, Inc.

949.660.7303 tel

949.295.5735 cell

abauer@fieldman.com

Jason Chung

Vice President

Fieldman, Rolapp & Associates, Inc.

949.660.7314 tel

949.486.9501 cell

jchung@fieldman.com

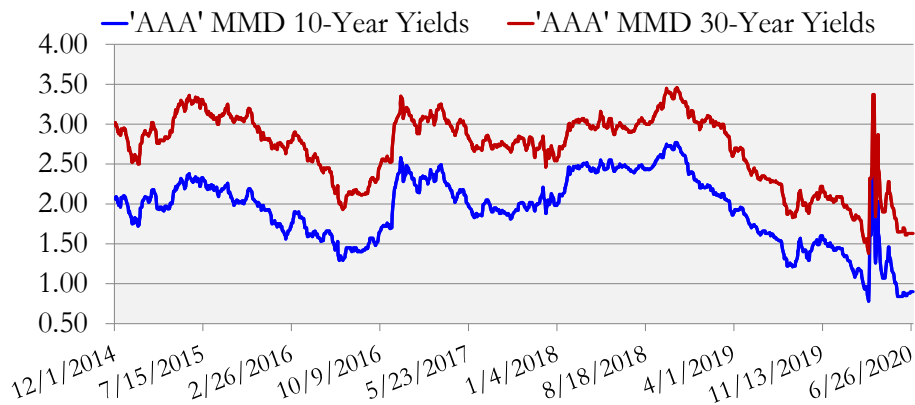
July 13, 2020



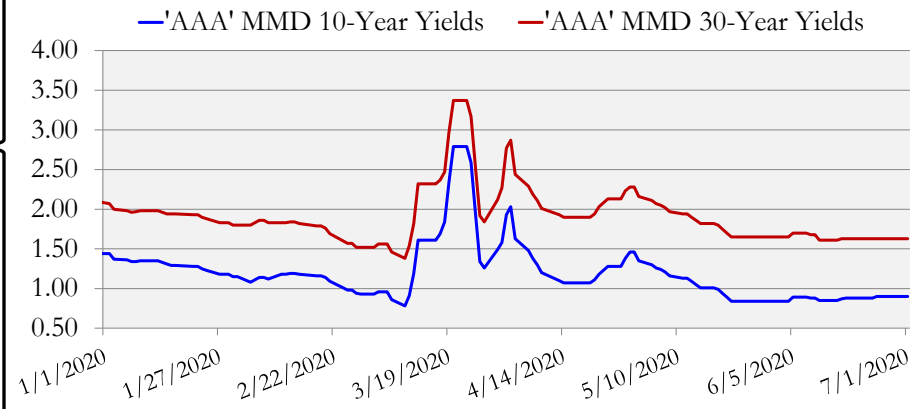
Summary of Market Conditions

- ❖ While municipal interest rates are still considered very low there was extreme volatility from the middle of March to early April 2020. Like other financial markets, municipal interest rates initially went up very quickly as the Stay at Home orders spread due to the health risk that COVID-19 posed
- ❖ Long-term interest rate movements have been much more gradual and rates are extremely low from a historical standpoint

**Historic Change in 'AAA' MMD Yields
(December 1, 2014 through July 1, 2020)**



**Historic Change in 'AAA' MMD Yields
(January 1, 2020 through July 1, 2020)**



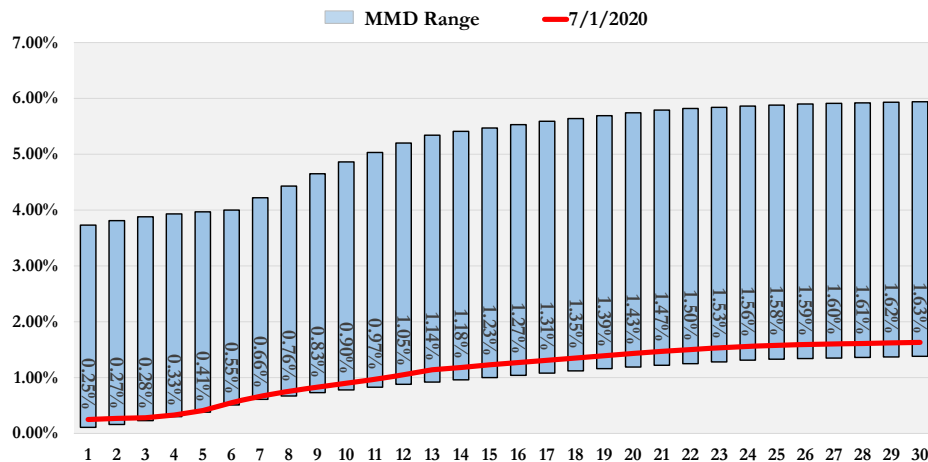


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Summary of Market Conditions

- ❖ **Municipal Market Data (MMD):** 'AAA' rated yield curve published daily by Thomson Reuters. All tax-exempt municipal bonds price based on a spread to MMD.

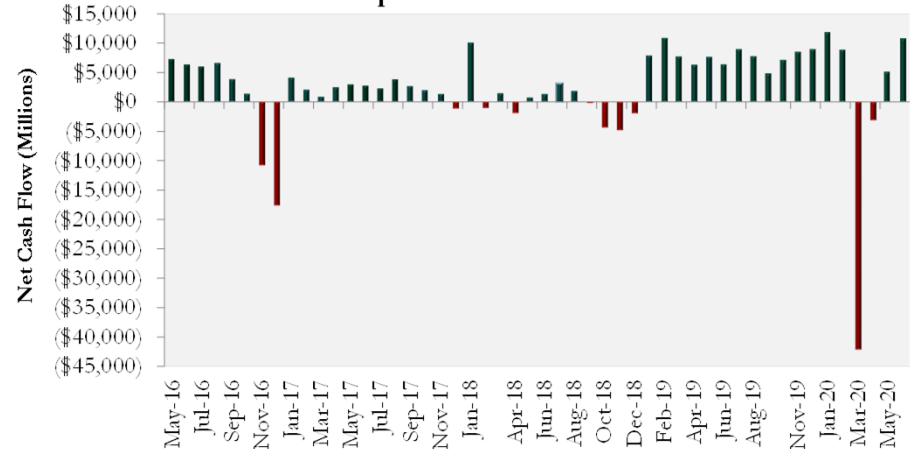
Historical MMD Yield Curve Range: 2005 to Present Day



- ❖ The MMD yield curve throughout all maturities as of July 1st is at or near historic lows over the past fifteen years

- ❖ The month of March ended the historical streak of 60 consecutive weeks of municipal inflows
- ❖ For the week ended June 26th, municipal inflows were \$1.5 billion

Monthly Flow of Funds
Municipal Bond Mutual Funds



Source: Thomson Reuters



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District Credit Ratings

- ❖ The District has a 'Aa3' rating from Moody's Investors Service
- ❖ Credit Strengths:
 - Solid local economy and growing tax base
 - Consistent fiscal position
 - Ongoing residential development that will help boost enrollment
- ❖ Credit Challenges:
 - Small enrollment declines
 - Modest deficit spending from 2017-2019
 - Weaker reserves/lower financial profile could result in a downgrade

Credit Rating of Fallbrook Union High School District

Moody's	Credit Worthiness
Aaa	An obligor has EXTREMELY STRONG capacity to meet its financial commitments.
Aa1	An obligor has VERY STRONG capacity to meet its financial commitments. It differs from the highest rated obligors only in small degree.
Aa2	
Aa3	
A1	An obligor has STRONG capacity to meet its financial commitments but it somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
A2	
A3	
Baa1	An obligor has ADEQUATE capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
Baa2	
Baa3	

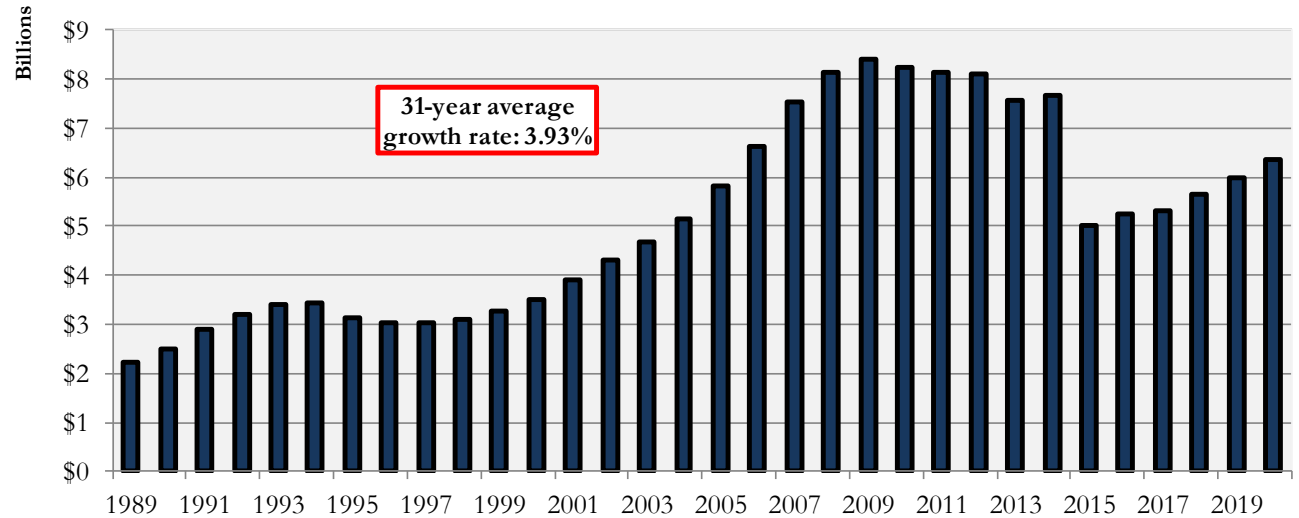


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Historical Assessed Valuation

FY Ending	Assessed Valuation	Growth from Prior Year
1989	2,223,627,470	-
1990	2,507,943,468	12.79%
1991	2,910,883,445	16.07%
1992	3,217,303,703	10.53%
1993	3,387,964,501	5.30%
1994	3,444,845,952	1.68%
1995	3,122,454,380	-9.36%
1996	3,047,720,353	-2.39%
1997	3,044,224,473	-0.11%
1998	3,091,597,530	1.56%
1999	3,253,726,089	5.24%
2000	3,509,567,876	7.86%
2001	3,898,788,573	11.09%
2002	4,296,935,702	10.21%
2003	4,664,497,138	8.55%
2004	5,147,297,372	10.35%
2005	5,820,872,741	13.09%
2006	6,617,463,219	13.69%
2007	7,531,301,797	13.81%
2008	8,141,461,270	8.10%
2009	8,403,158,070	3.21%
2010	8,238,189,174	-1.96%
2011	8,155,076,995	-1.01%
2012	8,101,140,303	-0.66%
2013	7,552,934,642	-6.77%
2014	7,659,170,847	1.41%
2015	5,029,021,357	-34.34%
2016	5,249,885,733	4.39%
2017	5,327,131,103	1.47%
2018	5,651,684,261	6.09%
2019	5,992,420,065	6.03%
2020	6,350,003,197	5.97%
25-yr Average		4.39%
30-yr Average		5.21%

Historical Change in Total Assessed Value



- In fiscal year 2014-15, Bonsall Unified SD was formed
 - Properties and Assessed Values in the former Bonsall Union School District were removed from Fallbrook Union High School District

Fiscal Year	Assessed Value	Factor	Bonding Capacity	Outstanding Principal as of 7-13-20	Remaining Capacity
2019-20	\$6,350,003,197	1.25%	\$79,375,040	\$9,000,000	\$70,375,040

Sources: California Municipal Statistics, Inc.

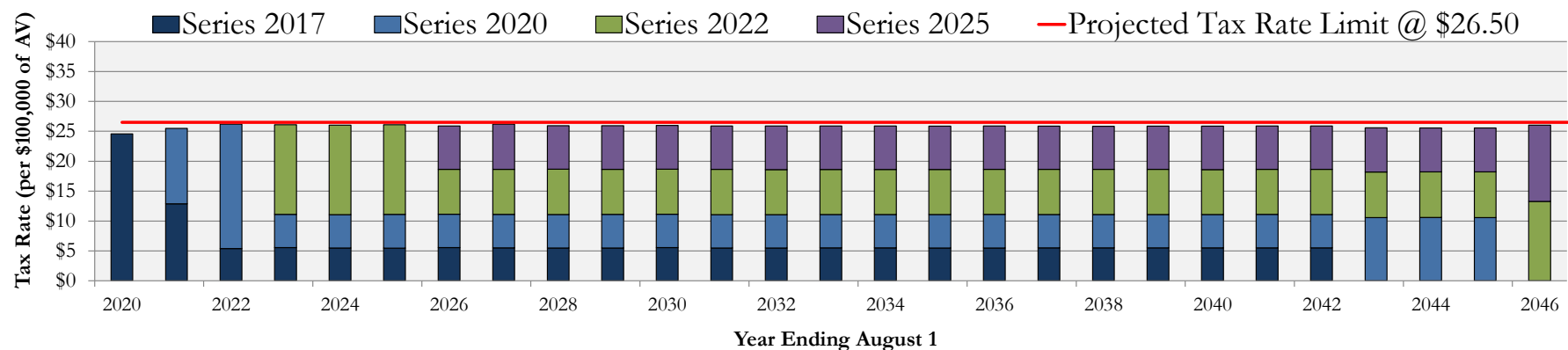


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2016 Bond Measure AA

- ❑ The District passed its Measure AA bond measure on November 8, 2016 by 64.73% of voters
- ❑ Measure AA was approved as a Proposition 39 election, authorizing not-to-exceed \$45 million in general obligation bonds
- ❑ Per Tax Rate Statement, Measure AA bonds restricted to projected tax rate of **\$26.50 per \$100,000 of Assessed Value**
- ❑ Series 2017 Bonds issued for \$9 million in November 2017
- ❑ Series 2020 Bonds expected to be issued in the amount of \$12 million*

Projected Tax Rates Under 2016 Bond Measure⁽¹⁾



⁽¹⁾ Projected 2.00% increase in A.V. for FY 20-21, 0% growth for FY 21-22, 2% growth in FY 22-23 and 4% growth every year thereafter.



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Overview of 2016 Election, 2020 Series B Bonds*

Sources & Uses

SOURCES		Total
Bond Proceeds		
Par Amount	\$	12,000,000.00
Net Premium		1,166,264.95
	\$	13,166,264.95
Total Sources	\$	13,166,264.95
USES		
Project Fund Deposits		
Building Fund	\$	11,756,000.00
Other Fund Deposits		
Debt Service Fund	\$	1,166,264.95
Delivery Date Expenses		
Cost of Issuance	\$	160,000.00
Underwriter's Discount		84,000.00
	\$	244,000.00
Total Uses	\$	13,166,264.95

Debt Service

Date	Principal	Interest	Debt Service Fund	Net Debt Service
8/1/2021	\$1,400,000	\$422,007	\$422,007	\$1,400,000
8/1/2022	1,250,000	411,500	411,500	1,250,000
8/1/2023	300,000	374,000	332,758	341,242
8/1/2024	20,000	362,000	-	382,000
8/1/2025	35,000	361,200	-	396,200
8/1/2026	55,000	359,800	-	414,800
8/1/2027	70,000	357,600	-	427,600
8/1/2028	90,000	354,800	-	444,800
8/1/2029	115,000	351,200	-	466,200
8/1/2030	135,000	346,600	-	481,600
8/1/2031	160,000	341,200	-	501,200
8/1/2032	190,000	334,800	-	524,800
8/1/2033	215,000	327,200	-	542,200
8/1/2034	245,000	318,600	-	563,600
8/1/2035	280,000	308,800	-	588,800
8/1/2036	315,000	297,600	-	612,600
8/1/2037	350,000	285,000	-	635,000
8/1/2038	390,000	271,000	-	661,000
8/1/2039	430,000	255,400	-	685,400
8/1/2040	475,000	238,200	-	713,200
8/1/2041	520,000	219,200	-	739,200
8/1/2042	575,000	198,400	-	773,400
8/1/2043	1,345,000	175,400	-	1,520,400
8/1/2044	1,460,000	121,600	-	1,581,600
8/1/2045	1,580,000	63,200	-	1,643,200
Total	\$12,000,000	\$7,456,307	\$1,166,265	\$18,290,042

* Preliminary, subject to change in market conditions.



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Next Steps*

Date	Activity
Monday, July 13, 2020	School Board meeting to consider bond issuance
Wednesday, July 22, 2020	Conference Call with Rating Agency
Wednesday, July 29, 2020	Credit Rating Received
Tuesday, August 4, 2020	County Board of Supervisors Meeting
Wednesday, August 12, 2020	Price Bonds
Wednesday, August 26, 2020	Closing

*Preliminary and subject to change.