



Delano Union School District

Kern County

Key Steps to Implement a New General Obligation Bond Program

June 13, 2024

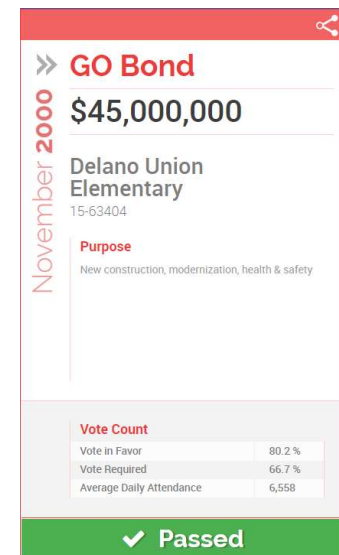
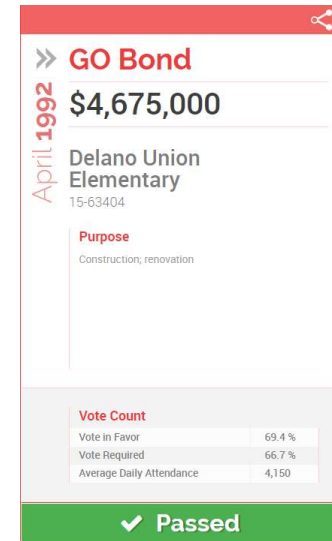
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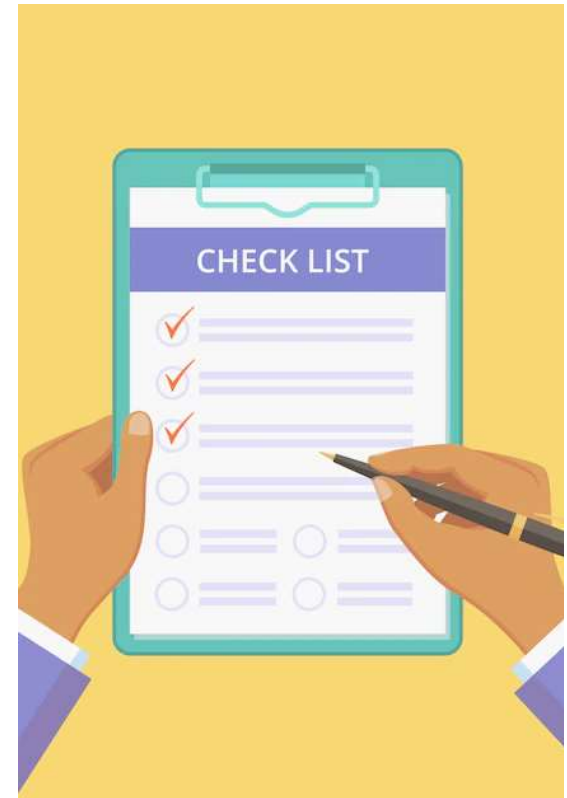
Background

- In 1992, 69.4% of District voters authorized \$4.7 million in general obligation (GO) bonds for facilities improvements
- In 2000, 80.2% of District voters approved Measure “B”, which authorized \$45 million in GO bonds for facilities improvements
- To date, the District has issued all \$49.7 million of available GO bonds from the 1992 and 2000 Election authorizations; there is no remaining GO bond authorization
- Based on the low interest rate environment in early 2022, the District successfully refinanced some outstanding bonds in a transaction similar to a homeowner refinancing a mortgage
- The District currently has many facilities needs, and available funds are insufficient to meet the needs
- The recent robust growth in assessed value, combined with an anticipated decline in the tax rate as existing bonds are paid down presents an opportunity for the District to implement a new bond program that is anticipated to have a minimal or no increase in tax rates for school bonds



Key Steps to Establish a New Bond Program

- ✓ Prepare a Facilities Improvement Plan (complete)
- ✓ Conduct voter survey to determine attitudes to projects and a new Bond Election (complete)
- ✓ Conduct public information community outreach (in progress)
- ✓ Board considers resolution calling an election
- ✓ Independent campaign committee is created to engage a consultant and execute campaign strategy (no District resources may be used)
- ✓ County conducts the election via mail ballots and polling places
- ✓ Upon a successful election, bonds are issued



Resolution Calling a Bond Election

RESOLUTION NO. _____

- The Resolution establishes various parameters, including:

- ✓ Bond amount
- ✓ Ballot language
- ✓ Projects to be funded



**RESOLUTION OF THE BOARD OF TRUSTEES OF THE
DELANO UNION ELEMENTARY SCHOOL DISTRICT ORDERING AN
ELECTION TO AUTHORIZE THE ISSUANCE OF GENERAL
OBLIGATION BONDS, ESTABLISHING SPECIFICATIONS OF THE
ELECTION ORDER, AND REQUESTING CONSOLIDATION WITH
OTHER ELECTIONS OCCURRING ON NOVEMBER 5, 2024**

WHEREAS, the Delano Union Elementary School District (the "District") in Kern County (the "County"), State of California (the "State"), is committed to providing quality education to its students; and

WHEREAS, the District's facilities are in need of construction and modernization, including for repairs, upgrades and safety improvements in order to provide the education that students deserve in a safe and modern environment; and

WHEREAS, a local funding source is needed to enable the District to provide school facilities for its present and future students; and

WHEREAS, in the judgment of the Board of Trustees of the District (the "Board"), it is advisable to call an election, submitting to voters in the District the question of whether bonds of the District shall be issued and sold for the purpose of financing the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities in the District; and

WHEREAS, the District is authorized, upon a two-thirds vote of the Board, to pursue the authorization and issuance of bonds by a 55% vote of the electorate on the question of whether bonds of the District shall be issued and sold for specified purposes, under Article XIII A Section 1 paragraph (b) of the California Constitution ("Article XIII A") and under Education Code Section 15264 *et seq.* (the "Act"); and

WHEREAS, under the Act, the election may be ordered at a primary or general election, a regularly scheduled local election at which all of the electors of the District are entitled to vote, or a statewide special election; and

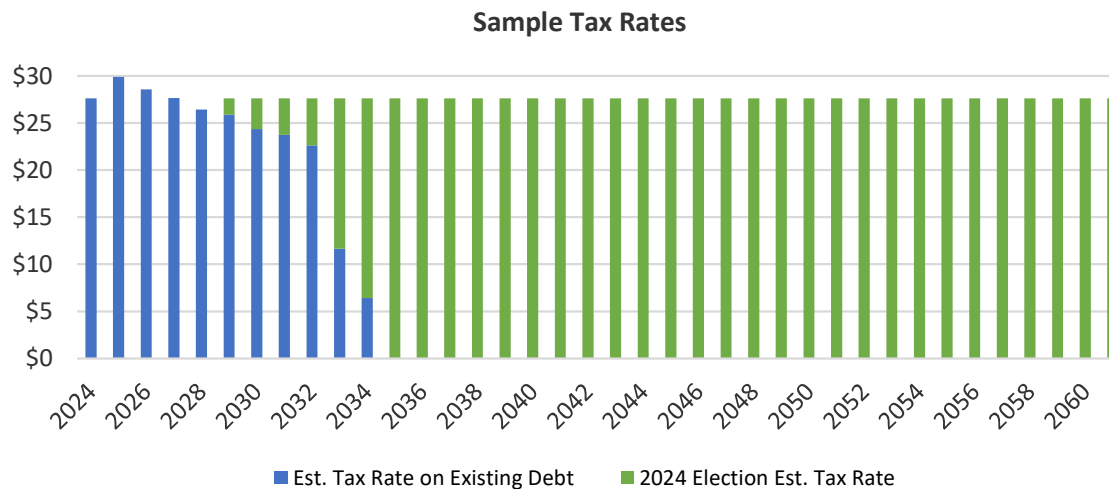
WHEREAS, under Section 10403 *et seq.* of the Elections Code, it is appropriate for the Board to request consolidation of the election with any and all other elections to be held on Tuesday, November 5, 2024, the date of the statewide general election, and to request the County Registrar of Voters (the "County Registrar") to perform certain election services for the District; and

WHEREAS, in connection with the calling of a bond election and in accordance with Education Code Section 15100 subparagraph (c), the Board has obtained reasonable and informed projections of assessed property valuations that take into consideration projections of assessed property valuations made by the County assessor; and

WHEREAS, United States Income Tax Regulations section 1.150-2 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such

Revised Bond Program

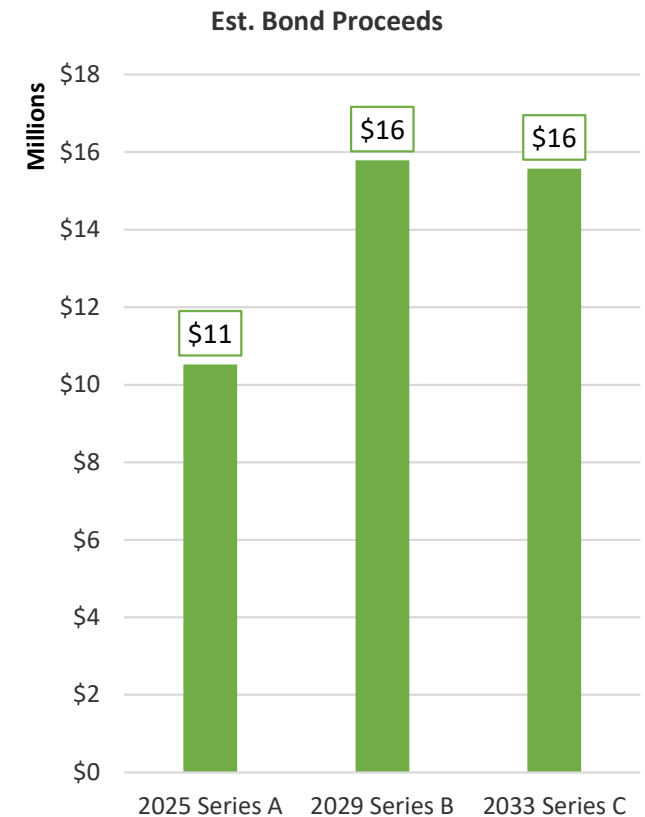
- The 2019 Facilities Assessment and Implementation Plan included a new bond election program that raised the District's bond tax rates to generate approximately \$66.1 million in bond proceeds to meet the identified facilities needs
- Upon review of the original program in early this year, the District continued to recognize the need for facilities funds, but indicated an unwillingness to raise tax rates on the community due to prevailing rates of inflation and economic uncertainty
- An alternate bond program that matured new bonds only as prior bonds are paid down, with the intent to maintain a stable overall bond tax rate projection was presented to the District; this approach generates approximately \$41.8 million in proceeds



Based on 4% annual AV growth and assumes ongoing Unitary Tax contribution to bond debt service

Revised Program Overview and Considerations

- The revised program assumes an annual assessed value growth rate of 4%, and an ongoing annual unitary tax contribution of \$1.42 million based on the FY 2023-24 allocation
- Actual bond tax rates are determined by the County, and will vary based on factors including assessed value, unitary revenues, and timing of bond sales
- This program structure will utilize capitalized interest, and the initial two bond series will primarily consist of capital appreciation bonds as permitted by law
- This structure is needed due to the limited availability of tax revenues in the initial years due to the intent to maintain a stable tax rate, and carries a higher interest cost than if the District were to raise tax rates immediately to accelerate bond repayments
- The term of each bond series is estimated to be between 25 years and 30 years, and the bond interest rates are estimated to be 4.7% to 5.2%; actual rates may vary based on market conditions



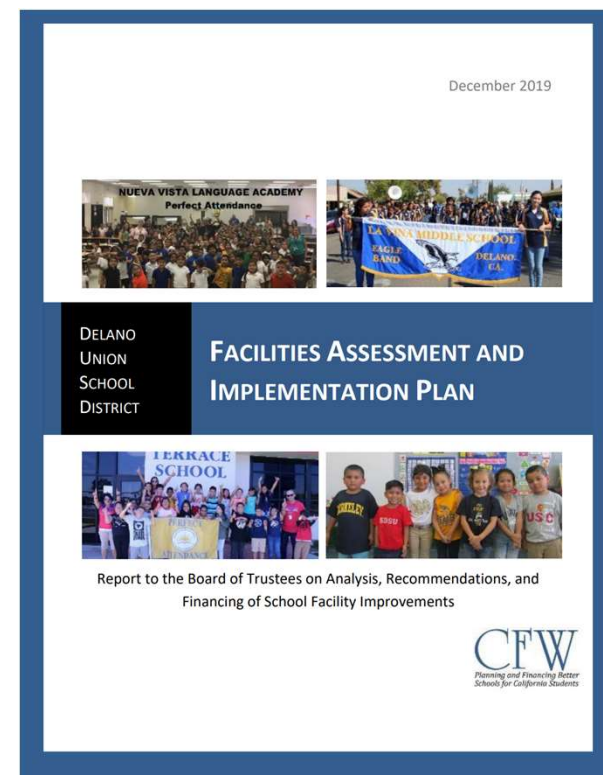
Proposed Ballot Language

- The proposed question to appears on voter's ballots is:

To improve neighborhood elementary and middle schools; upgrade classrooms, libraries, music and arts rooms to support student learning; update fire safety, school safety/security; enhance instructional technology; repair/replace heating and cooling systems and leaky roofs; shall Delano Union Elementary School District's measure to issue \$41,800,000 in bonds at legal rates be adopted, raising approximately \$3,300,000 annually while bonds are outstanding, at rates averaging \$25 per \$100,000 assessed value, with citizens' oversight, annual audits, all funds used locally?

Proposed Project List

- ✓ Make health, safety and security improvements
- ✓ Construct, modernize, renovate, replace and/or expand classrooms, including for preschoolers, transitional kindergarteners and kindergarteners, including providing updated furnishings and equipment
- ✓ Construct, modernize, renovate, replace and/or expand multi-purpose rooms, libraries, media centers, labs, music and arts rooms, restrooms and other school facilities
- ✓ Repair and replace plumbing, electrical, water and heating, ventilation and cooling systems
- ✓ Provide clean and safe classrooms, and a quality learning environment for current and future students
- ✓ Construct or acquire fixtures and equipment to improve energy efficiency and lower operating costs, including solar installations
- ✓ Construct, repair, replace outdoor areas, including playgrounds, shade structures, lighting and landscaping improvements, paved surfaces and parking lots
- ✓ Construct a family resource center health clinic
- ✓ Make accessibility upgrades
- ✓ Use funds as a match for State funds the District may be eligible to receive



Possible Next Steps

- Board considers resolution calling bond election
- Campaign Committee conducts voter outreach efforts (no District resources may be used)
- County conducts Election
- Upon successful election, bonds are sold, and funds are available



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