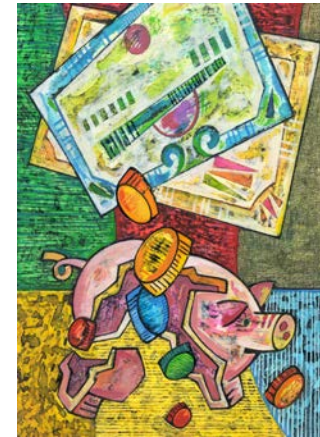


Buttonwillow Recreation and Park District

Fiscal Stewardship: Update on Measure F and Further Opportunities



Presented by Matt Kolker
December 15, 2020

Agenda

- ◆ Debt Portfolio
- ◆ Brief Review of General Obligation Bonds
- ◆ Status of 2008 Bond Measure ("F")
- ◆ Bond Opportunities - Refinance Measure F Bonds
- ◆ For Reference



Debt Portfolio

General Obligation Bonds - Election of 2008, Measure F - \$4,870,000

Series	Date of Issue	Type	Issuance - New Money	Issuance - Refinancing	Total Issuance	Net Debt Service	Debt Service to Principal at Issuance	Principal	Debt Service	Outstanding Principal as of Dec 1, 2020	Final Maturity	Able to Call?	Next Call Date	Callable Principal	Weighted Average		
								Paid & to be Paid as of Dec 1, 2020	Paid & to be Paid as of Dec 1, 2020						Callable Coupon	Next Call Premium	
2008	Aug 2008	CIBs	\$4,870,000	\$0	\$4,870,000	\$9,627,983	1.98 : 1	\$695,000	\$2,755,046	\$0	Aug 1, 2017	n/a	n/a	\$0	n/a	n/a	(1), (2)
2017 Rfq	Nov 2017	CIBs	\$0	\$4,426,041	\$4,426,041	\$6,218,252	1.40 : 1	\$4,426,041	\$6,218,252	\$3,899,483	Aug 1, 2038	Yes	Feb 1, 2021	\$3,899,483	3.45%	0.00%	(2), (3)
			<u>\$4,870,000</u>	<u>\$4,426,041</u>				<u>\$5,121,041</u>	<u>\$8,973,298</u>	<u>\$3,899,483</u>							

Debt Service to Principal Ratios

Debt service of new money issuances to new money principal: 1.98 : 1

Total debt service after refinancings to new money principal: 1.84 : 1

- (1) Series 2008 net debt service reflects application of \$73,699 deposited to Interest & Sinking Fund;
 (2) Series 2008 refinanced by 2017 Refunding, saving taxpayers \$654,685;
 (3) 2017 Refunding callable on interest payment dates, premium decreases to 0% effective August 1, 2020.

Managing Liabilities Requires Attention



General Obligation (G.O.) Bonds

- ◆ "Full Faith and Credit Bond" - Unlimited taxing authority
- ◆ "Ad Valorem" taxation
- ◆ County is responsible for ongoing administration
- ◆ No political discretion

Brief Summary of Measure F

- ◆ 2/3 voter approval bond measure
- ◆ Approved by 75.7% of voters in June 2008
- ◆ \$4,870,000 of general obligation bonds authorized
- ◆ Pre-Election estimated maximum tax rate - \$0.00804 per \$100 (\$8.04 per \$100,000) of AV
- ◆ Refinancing in 2017 saved taxpayers \$655,000

District's Stewardship Has Saved Taxpayers Nearly \$1 Million

(as presented to the Board on November 20, 2017)

Conclusion

- ◆ Savings to taxpayers from refi is \$655k (\$40k more than estimated)
 - ▶ Borrowing amount was \$9k less than estimated
 - ▶ Interest rate was 0.05% below estimated rate

- ◆ Fiscal stewardship of Measure F Bonds saves taxpayers:

Pre-election Estimated Debt Services:	\$10,046,050
Savings from Initial Sale:	- \$344,368
Savings from Refinancing:	<u>- \$654,685</u>
Current Paid and to be Paid Debt Service:	\$9,046,997
Total Savings:	\$999,053

 - Debt service on \$4,870,000 bonds is now nearly \$1 million under budget (approximately 10% reduction)

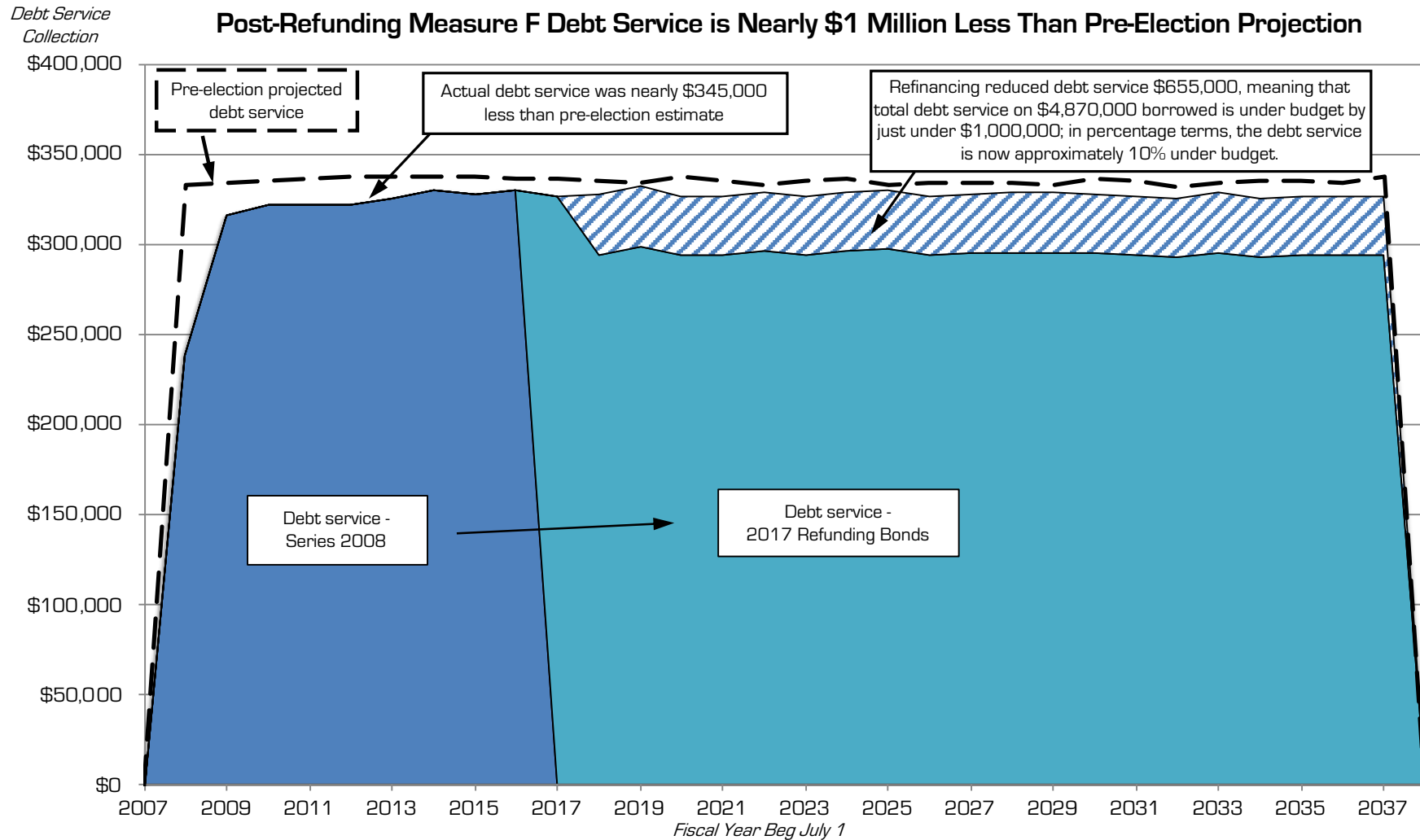
Analyzing Tax Levies

- ◆ Bond tax rate \approx debt service \div assessed value
- ◆ Each property in the District pays its pro rata share, based on its individual assessed value (not market value)



Existing Bonds Debt Service

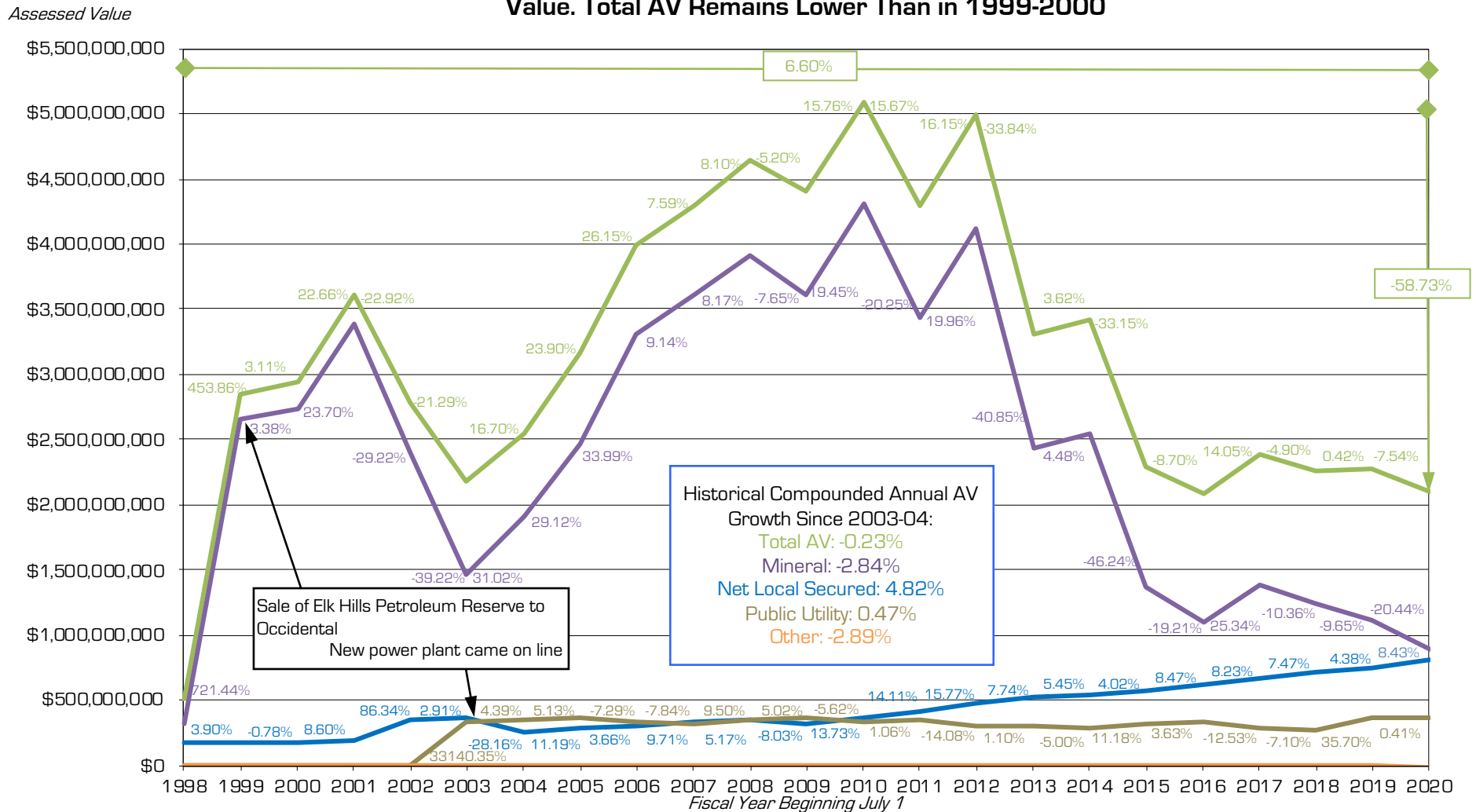
(Pre-election plan was to have relatively level debt service)



Actual debt service from Official Statement. 2017 debt service from sale results. Values rounded. \$655,000 in savings equated to a present value savings of \$460,000.

Historical Assessed Value

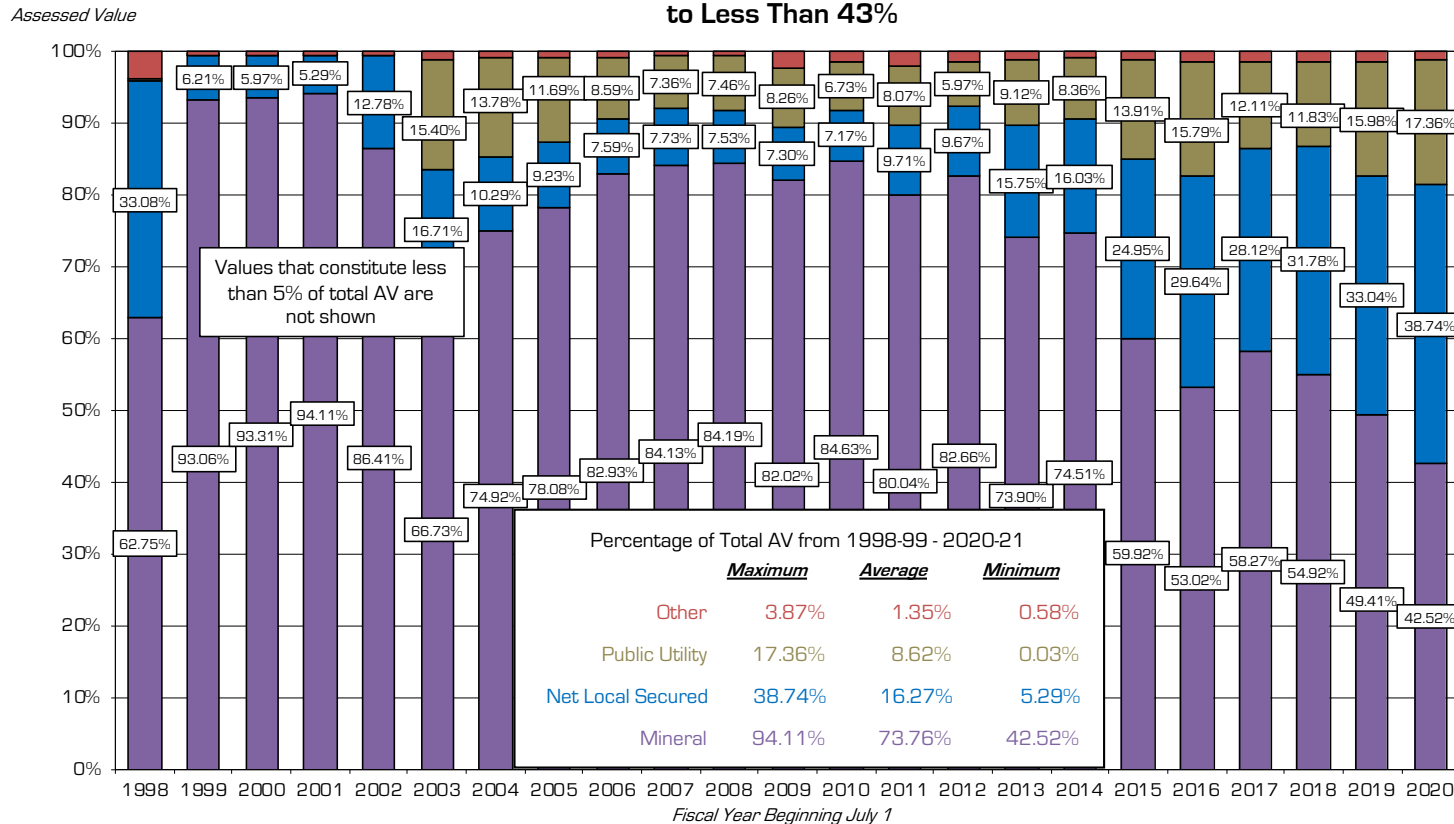
Dramatic Fluctuations in Assessed Value, Primarily Driven by Largest AV Component, Mineral (Oil) Value. Total AV Remains Lower Than in 1999-2000



Historic assessed value (AV) provided by the Kern County Auditor-Controller's Office. The District's total AV is comprised of net local secured, mineral (oil), public utility, & other (homeowners' exemption & unsecured). Changes shown are annual changes. As AV growth distorted by one time increases (sale of Elk Hills Petroleum Reserve to Occidental for 1999-00 and new power plant for 2003-04, AV growth rates are calculated from 2003-04.

Composition of AV Has Fluctuated NLS Increasing; Mineral Decreasing

Mineral Value has Decreased from More Than 94% of Total AV to Less Than 43%



Historic assessed value (AV) provided by the Kern County Auditor-Controller's Office. The District's total AV is comprised of net local secured, mineral (oil), public utility, & other (homeowners' exemption & unsecured).

✓ This is resulting in NLS becoming a more significant portion of the tax base

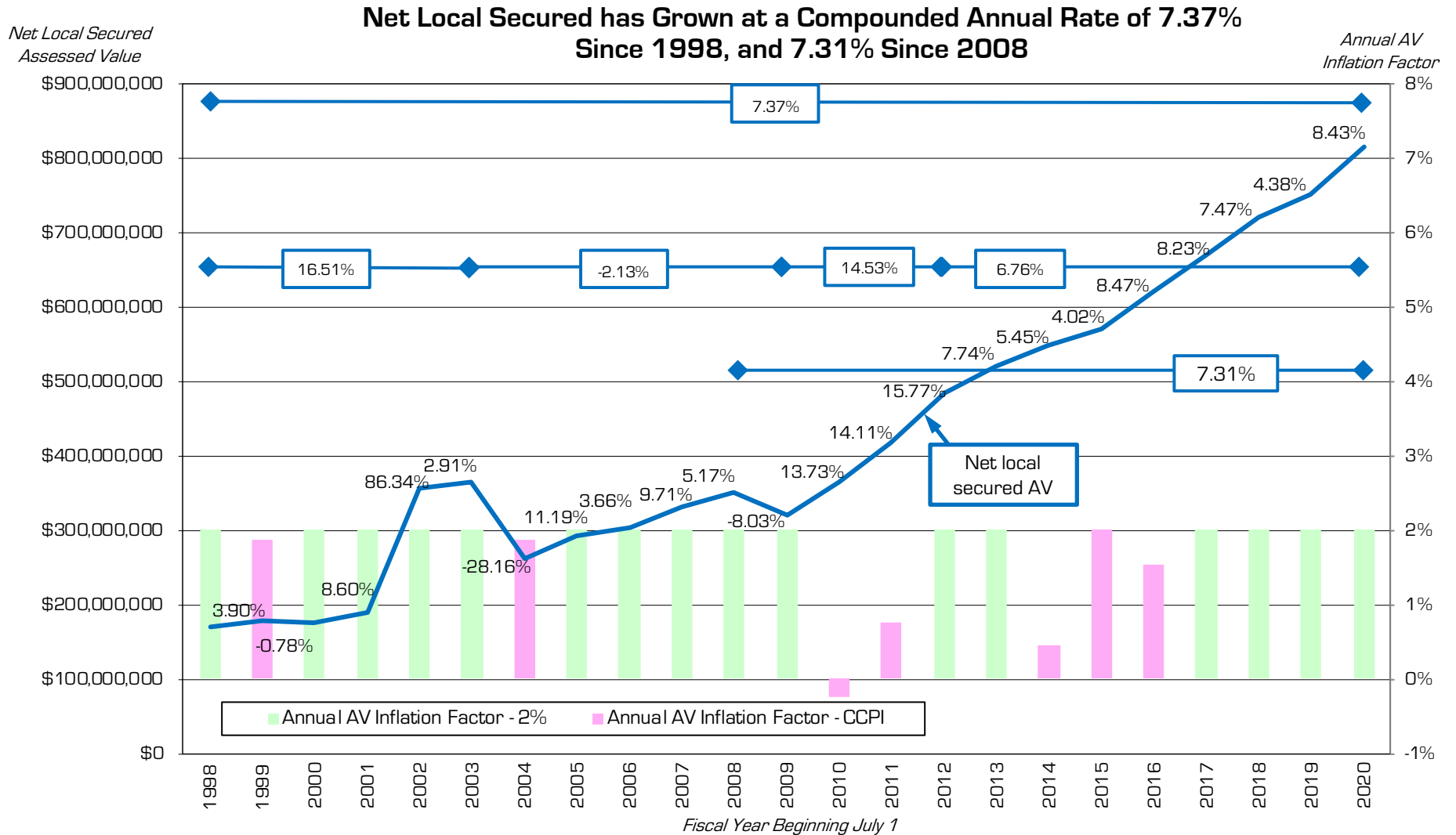
Common Reasons for Assessed Value Changes

- ◆ Usually, the real property tax bases changes for four reasons: a district's *real* property tax base can change for four reasons¹:
 - ▶ Properties are sold (and reassessed at the sale price).
 - ▶ Properties are improved (and reassessed with the value of the improvement).
 - ▶ A year passes (each property's assessed value increases by the lesser of 2% or the change in the California Consumer Price Index).
 - ▶ Market value of one or more properties declines below assessed value - assessed value can be adjusted downward to the market value. If market value subsequently increases, assessed value can "catch up" to pre-decline AV plus allowable adjustments (e.g. 2% annual increase).
- ◆ Other types of property (including mineral/oil and agricultural) have unique rules that are not necessarily tied to the prior year's roll value

¹ Pursuant to Proposition 13 (and embodied in Article 13A of the California Constitution)

A Closer Look at Net Local Secured AV

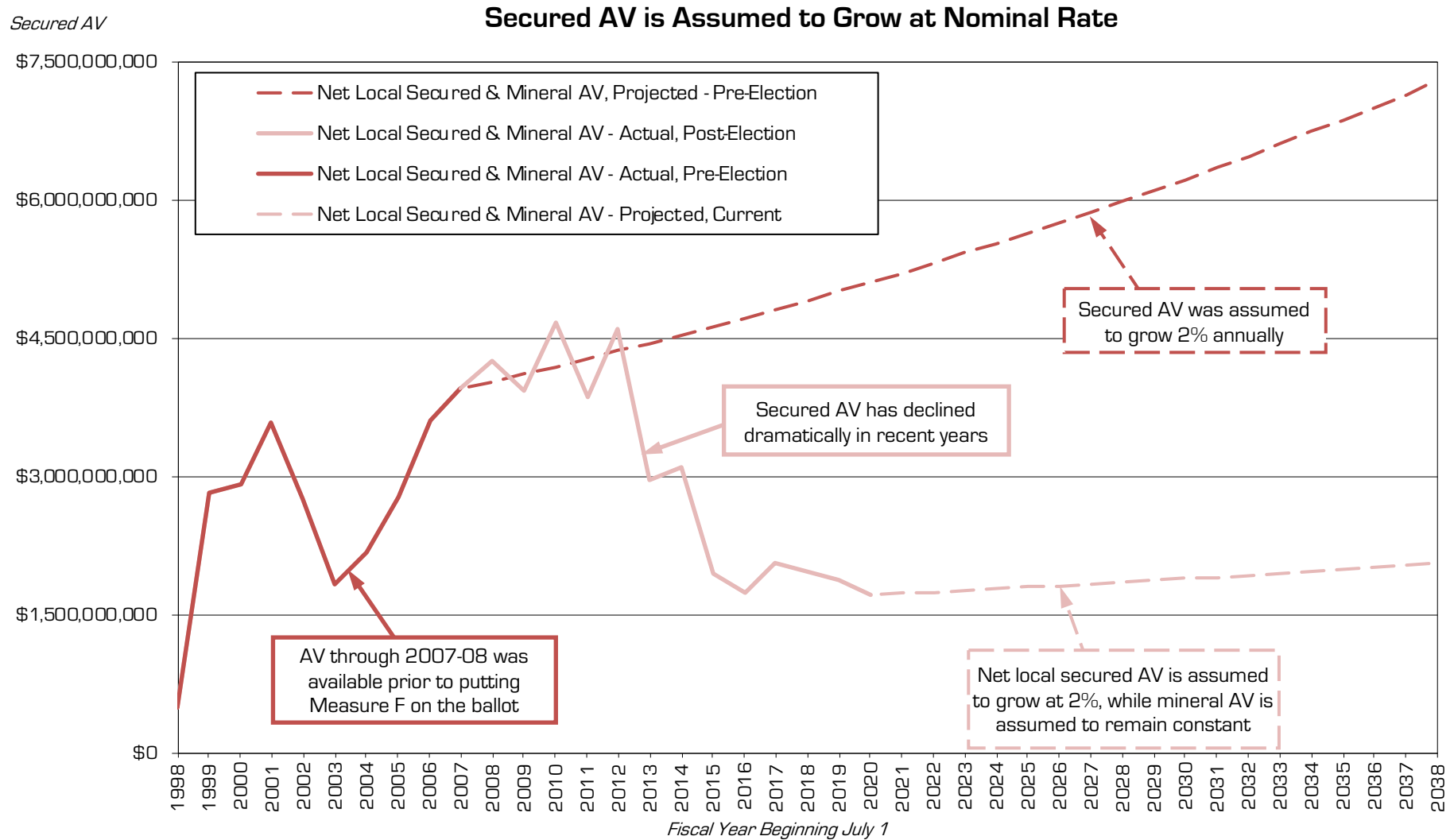
(In recent years, approximately ¾ of net local secured AV is agricultural)



Historic assessed value (AV) provided by the Kern County Auditor-Controller's Office. The District's total AV is comprised of net local secured, mineral, public utility, homeowners exemption, and unsecured. Date ranges show compounded annual growth rates, while other changes shown are annual. Historically, net local secured has comprised between 5% - 38% of total AV. Annual California AV inflation factor provided by California State Board of Equalization, and is the lesser of the annual change in the CA CPI or 2%.

Currently Assumed Future Assessed Value

(Since the full amount of Measure F Bond Authorization has been utilized, assumptions regarding future assessed value are primarily used to illustrate potential future tax levies; based on the unique composition of assessed value and the volatility, it is very unlikely that the assumptions used will be correct.)

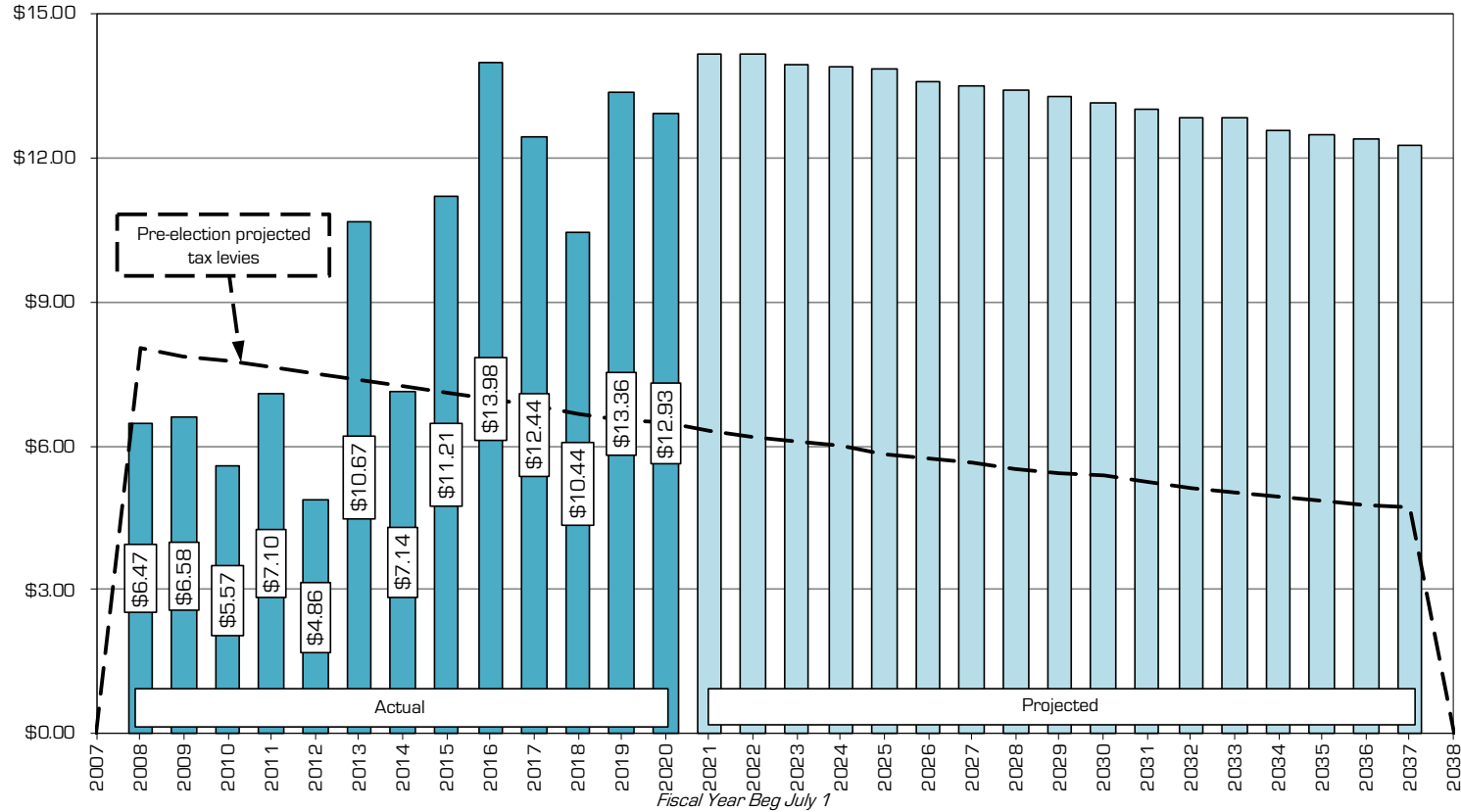


Historic assessed value (AV) provided by the Kern County Auditor-Controller's Office. The District's total AV is comprised of net local secured, mineral (oil), public utility, & other (homeowners' exemption & unsecured). Historically, secured AV has comprised between 96% - 99% of total AV.

Tax Levies Projected to Decline but Are Still > Pre-Election Projections

Tax Levies per \$100,000 of AV

Decline in AV, Particularly Mineral, Led to Tax Levies Exceeding Pre-Election Projections



Notes: Actual debt service from *Official Statements*. Actual levies from Kern County Auditor-Controller's Department. Net local secured is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

✓ As a reminder, tax levies are approximately* equal to debt service ÷ assessed value

* The County applies additional funds (such as interest on the reserve) when calculating actual tax rates

Debt Portfolio - Revisited

General Obligation Bonds - Election of 2008, Measure F - \$4,870,000

Series	Date of Issue	Type	Issuance - New Money	Issuance - Refinancing	Total Issuance	Net Debt Service	Debt Service to Principal at Issuance	Principal	Debt Service	Outstanding Principal as of Dec 1, 2020	Final Maturity	Able to Call?	Next Call Date	Callable Principal	Weighted Average		
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Debt Service to Principal Ratios

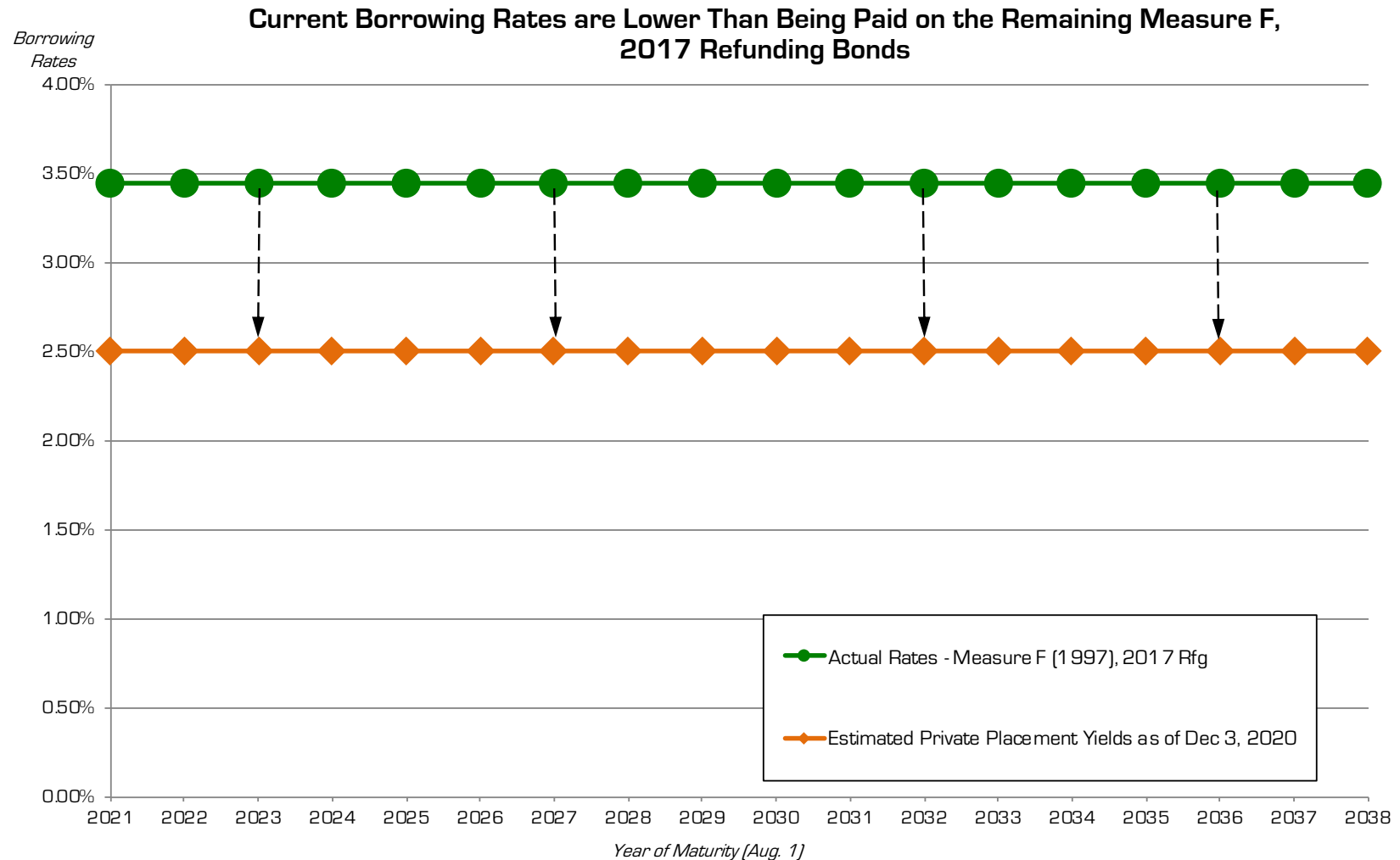
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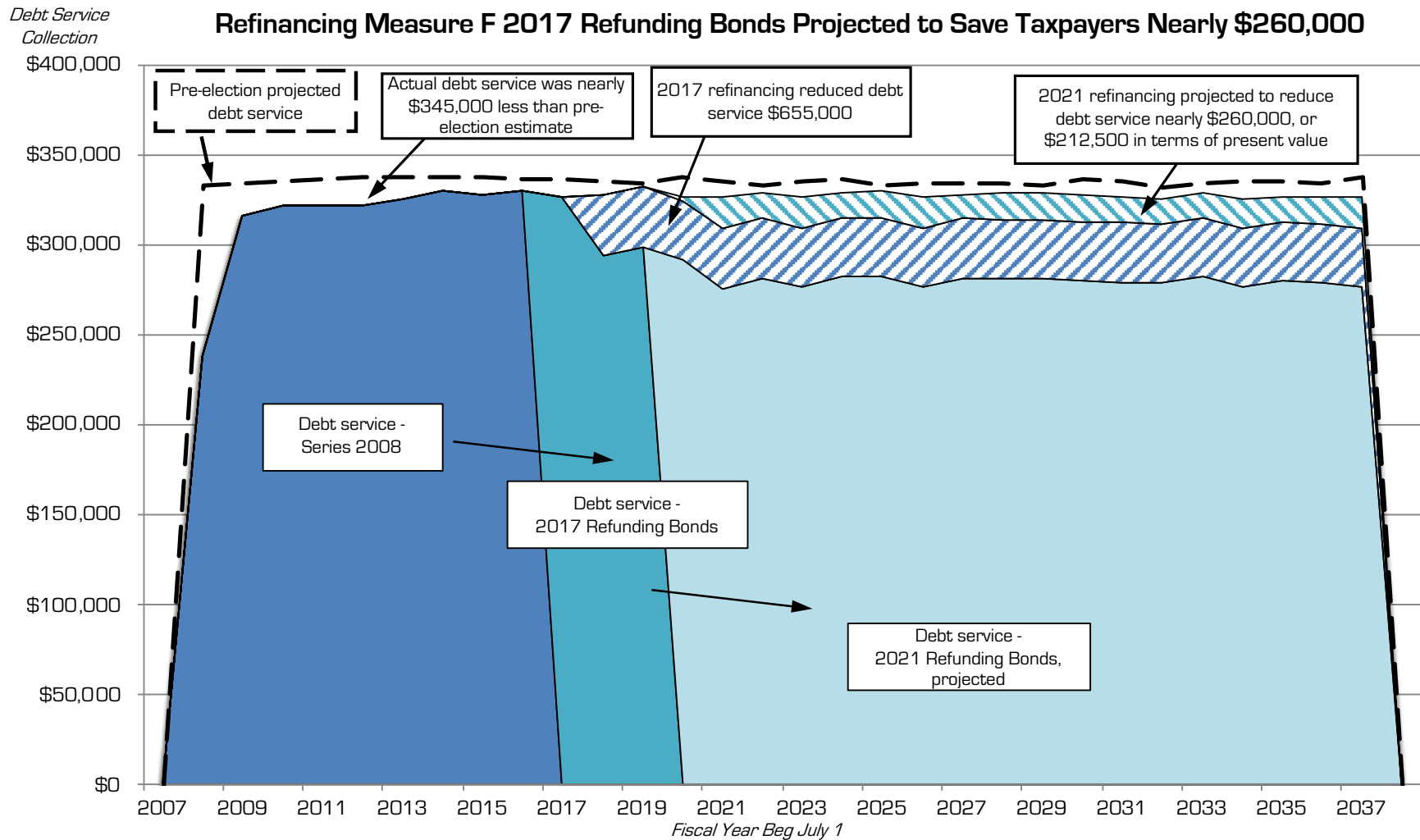
Lower Interest Rates → Savings Opportunity

(Private placement assumed – therefore, a single interest rate for the refunding bonds)



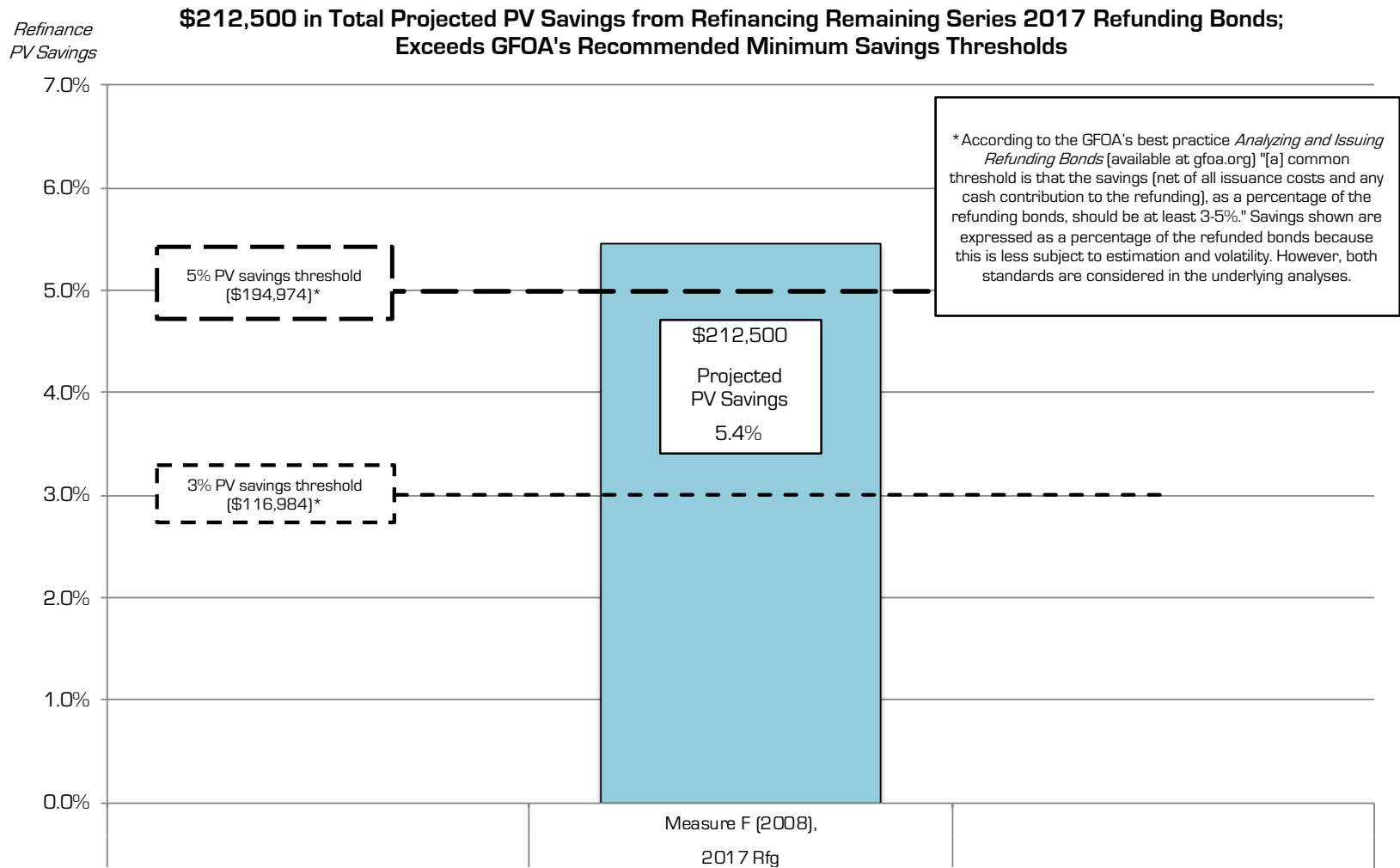
Existing rates are the actual "coupon rates" per the *Official Statement*. Refinancing rates are estimated "A" rated private placement rates as of Dec 3, 2020.

Estimated \$260,000 Total Taxpayer Savings



Actual debt service from Official Statement. 2017 debt service from sale results. 2021 debt service is projected, based on estimated "A" private placement borrowing rates as of Dec 3, 2020. Values rounded.

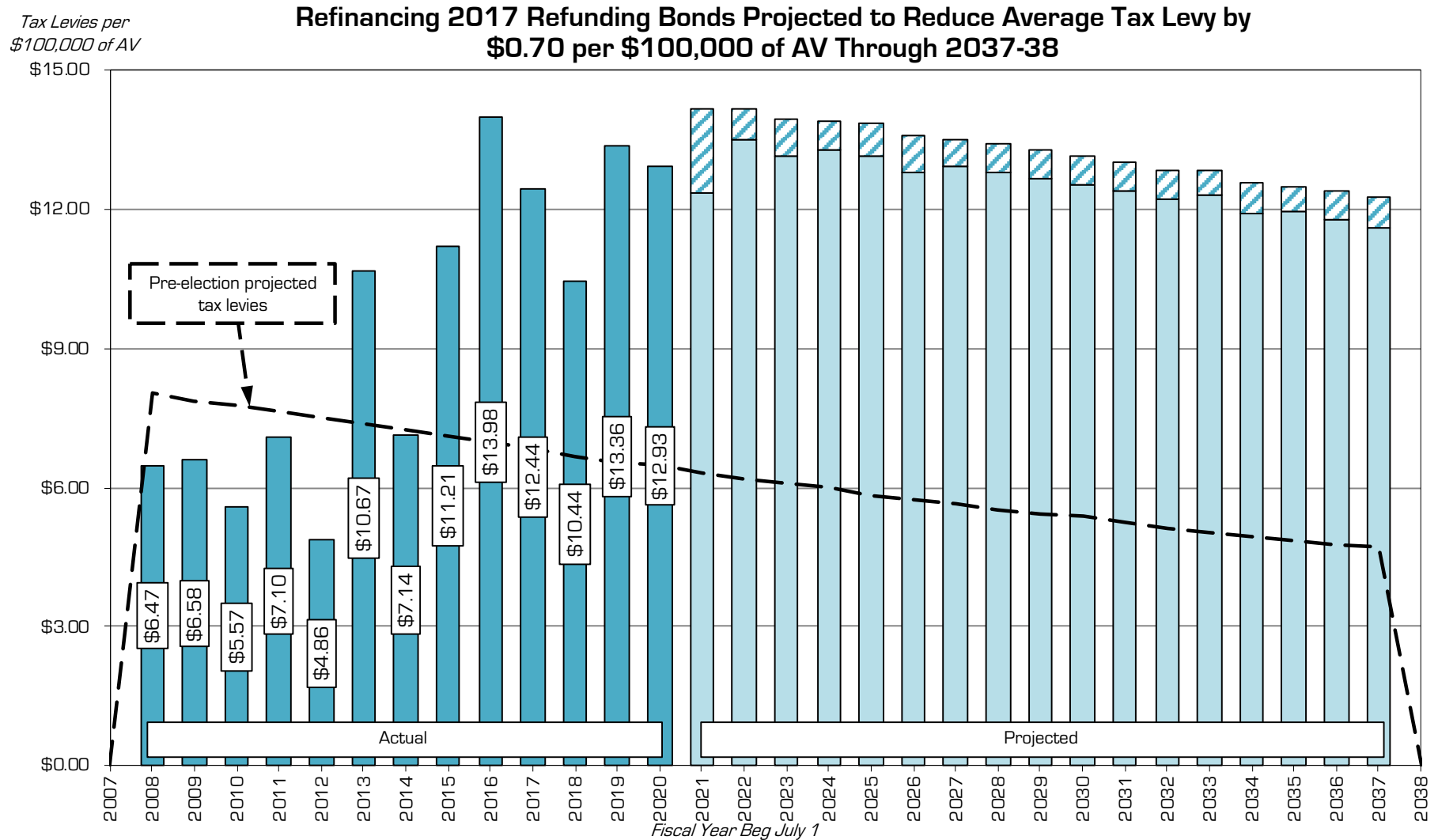
Present Value Savings Exceeds Thresholds



Projected savings based on "A" rated private placement as of Dec 3, 2020. Savings are net of issuance costs (\$100,000). Values rounded.

Proj. Tax Levy Savings = \$0.70/\$100K of AV

(With assumed 2% annual growth in net local secured AV and 0% growth in all other AV. Projected tax levy savings are inversely proportional to AV growth assumptions.)



Notes: Actual debt service from *Official Statements*. Actual levies from Kern County Auditor-Controller's Department. Net local secured is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged. 2021 debt service is projected, based on estimated "A" private placement borrowing rates as of Dec 3, 2020. Values rounded.

Est. \$4 Million of Refunding Bonds

2021 Refunding GO Bonds - Estimated Sources & Uses	
Sources	2021 GO Rfg
<u>GO Proceeds</u>	
Par Amount:	\$4,000,000.00
Total Sources	\$4,000,000.00
Uses	
<u>Refunding Escrow Deposits</u>	
Cash Deposit	\$3,899,483.00
<u>Delivery Date Expenses</u>	
Costs of Issuance:	\$100,000.00
<u>Other Uses of Funds</u>	
Rounding (Additional Proceeds)	\$517.00
Total Uses:	\$4,000,000.00

- ◆ A detailed list of the estimated costs of issuance is provided in the for reference section

Bond Sale Considerations

◆ Issuance Method

▶ Publicly Issued vs. Private Placement

- ✓ *The original Series 2009 Bonds were issued as a public offering, while the Series 2017 Refunding Bonds were issued as a private placement*



◆ Sale Method

▶ Competitive Bid Process vs. Negotiated Process

- ✓ *Both the original Series 2009 Bonds and the Series 2017 Refunding Bonds were sold through a competitive process*



Issuance Method Considerations: Publicly Issued vs. Private Placement

◆ Financial Considerations

- ▶ Taking into account principal to be refinanced, remaining term, issuance costs (different for each method), and interest rates (different for each method), which method generates the higher projected present value savings?
 - ✓ *Our financial analysis shows that private placement projected to generate higher present value savings*

◆ Non-Financial Considerations

- ▶ Ongoing administration
 - ▶ Liability risks
 - ✓ *Private placement requires less ongoing administration and, we believe, less overall public liability risk*
- ✓ *Private placement recommended*

Bond Sale Methods

◆ Competitive Process - auction



◆ Negotiated Process - sale to pre-selected underwriter or lender/investor



- ✓ *The Government Finance Officers Association (GFOA) recommends that “bond issuers sell their debt using the method of sale that is most likely to achieve the lowest cost of borrowing while taking into account both short-range and long-range implications for taxpayers and ratepayers.”*

GFOA Competitive Criteria



- ◆ Criteria that favors a Competitive Process:
 - ✓ Rating of the bonds is at least in the single-A category.
 - The District's current bond rating is "A"
 - ✓ Bonds are general obligation bonds or full faith and credit obligations of the issuer or are secured by a strong, known and long-standing revenue stream.
 - The bonds are general obligation bonds.
 - ✓ Bond structure does not include innovative or new features that require extensive explanation to the bond market.
 - The bonds do not include features requiring extensive explanation.
 - ✗ Issuer is well known and frequently in the market.
 - The District is not well known or frequently in the market.*

- ✓ *We meet 3 out of the 4 competitive process criteria.*

*Note: We define "frequently" to mean the proposed financing is at least the third debt issuance publicly offered to the bond market in the last five years.

GFOA Negotiated Criteria



◆ Criteria that favors a Negotiated Process:

- X Rating of the bonds is lower than the single-A category.
 - The District's current bond rating is "A"
- X Bond insurance or other credit enhancement is unavailable or not cost-effective.
 - Bond insurance is expected to be available and cost-effective.
- X Structure of bonds has features better suited to negotiation.
 - The bonds do not include such features.
- X Issuer desires to target underwriting participation to include disadvantaged business enterprises or local firms.
 - All underwriters will have the opportunity to participate.
- X Other factors that the issuer, in consultation with its financial advisor, believes favor the use of a negotiated sale process.
 - There are no other factors favoring a negotiated sale.

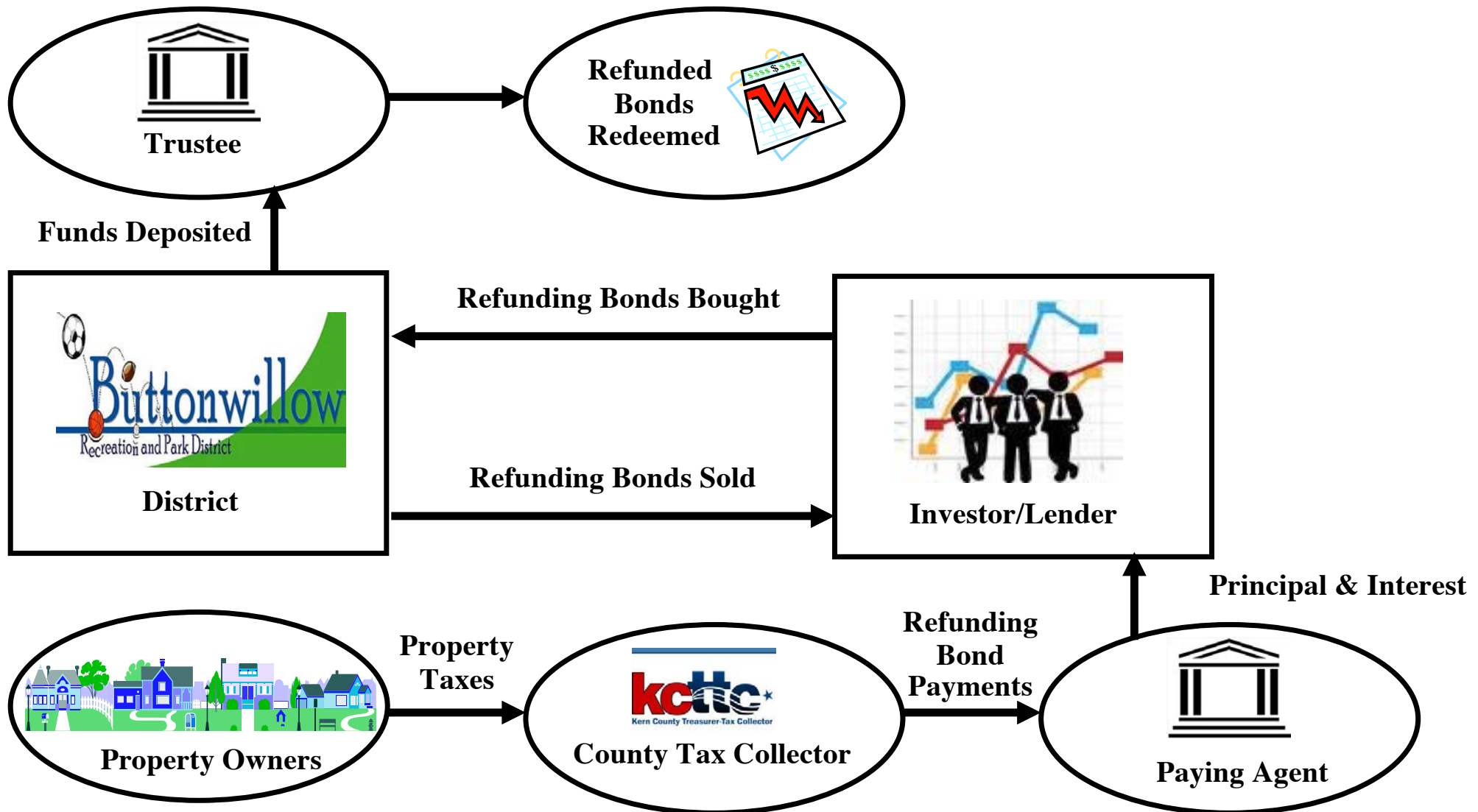
✓ *We meet 0 out of the 5 negotiated process criteria.*

Primary Legal Documents*

- ◆ *Board Resolution*: authorizes bonds and signing of documents within parameters (minimum savings %, bond amount, etc.).
- ◆ *Form of Paying Agent Agreement*: defines the responsibilities of the paying agent, which include maintaining the list of bondholders, receiving debt service payments from the County and forwarding such payments to the bondholder(s) on the payment dates, and maintaining an escrow fund for redemption of the refunded Bonds.
- ◆ *Form of Escrow Agreement*: a bank holds portion of proceeds in escrow to pay interest on refunded bonds until call date and then repay refunded bonds on that date.
- ◆ *Form of Bond Purchase Agreement*: the investor purchases the bonds from the District

* Actual document names and/or purposes will depend on bond counsel.

Legal Structure - Refunding GO Bonds - Private Placement



Next Steps

- ◆ Today's Board meeting
 - ▶ Information only
 - ▶ Board provides direction
- ◆ January 18, 2021 Board meeting
 - ▶ Board considers adoption of resolution authorizing refinancing
- ◆ February 1, 2021
 - ▶ Closing of refunding bonds; proceeds deposited to Pacific Western Bank
 - ▶ Series 2017 Refunding Bonds prepaid
- ◆ February 15, 2021 Board meeting
 - ▶ Refinancing results presented to the Board



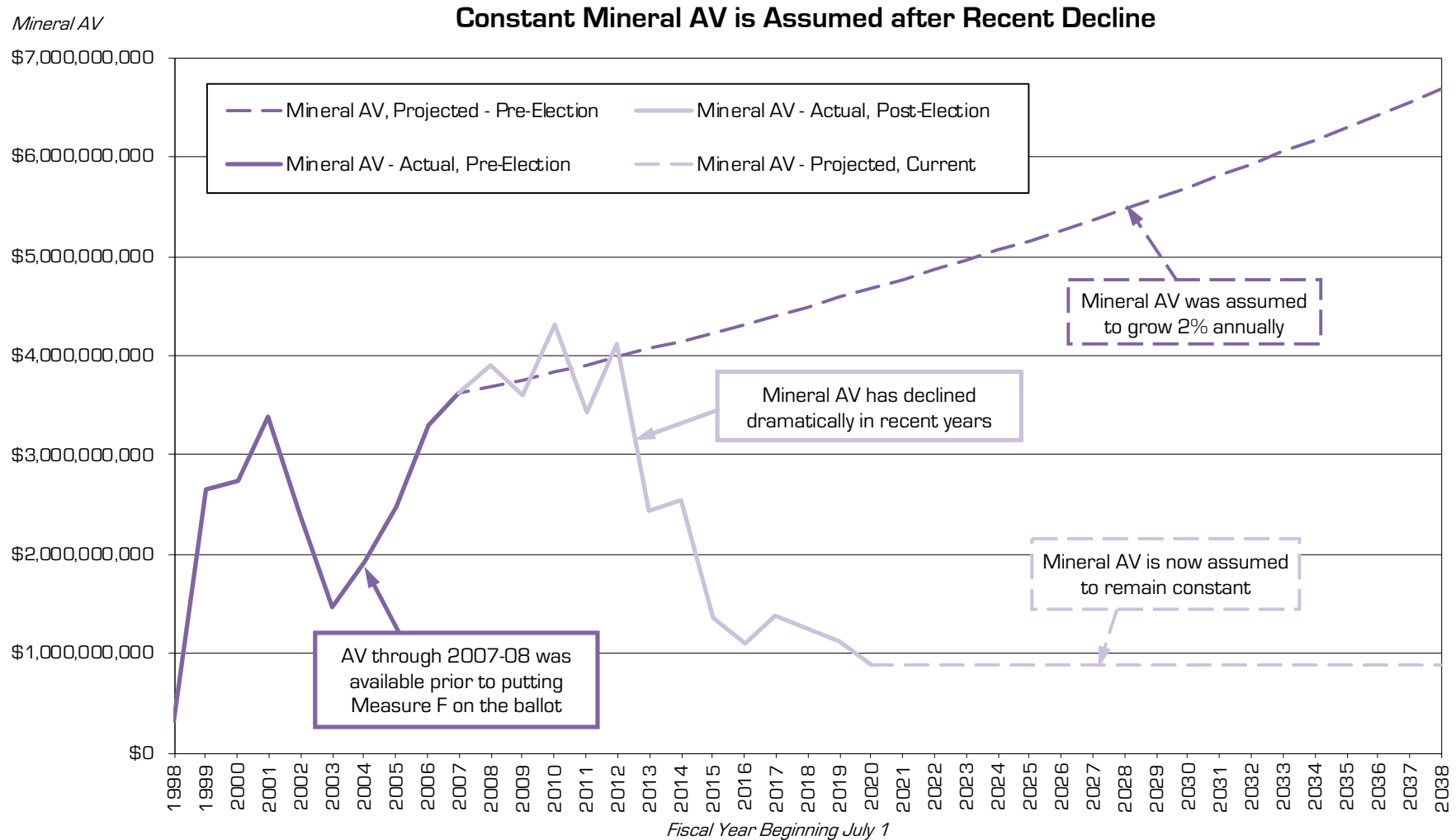
Any Questions?



For Reference

- ◆ Additional Assessed Valuation Analysis
 - ▶ Assessed Valuation Assumptions - Historical Tests
- ◆ Bonding Capacity
- ◆ Detailed Estimated Costs of Issuance
- ◆ Good Faith Estimates

Volatility in Mineral AV: Updated Projections to Assume Constant



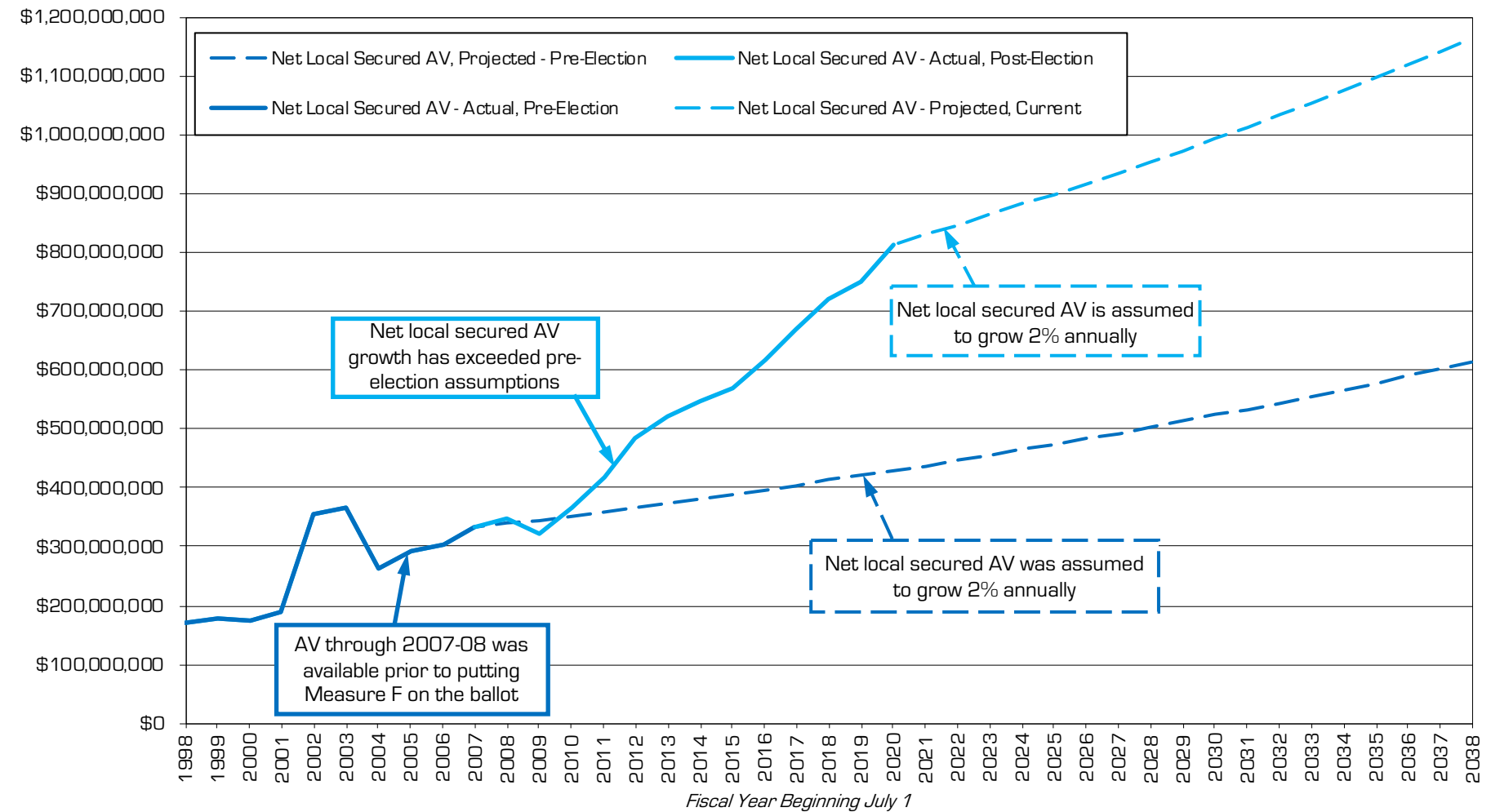
Historic assessed value (AV) provided by the Kern County Auditor-Controller's Office. The District's total AV is comprised of net local secured, mineral (oil), public utility, & other (homeowners' exemption & unsecured). Historically, mineral AV has comprised between 43% - 94% of total AV.

Projected Net Local Secured AV

(Excluding mineral AV)

Net Local Secured AV

Constant Moderate Net Local Secured AV Growth is Assumed

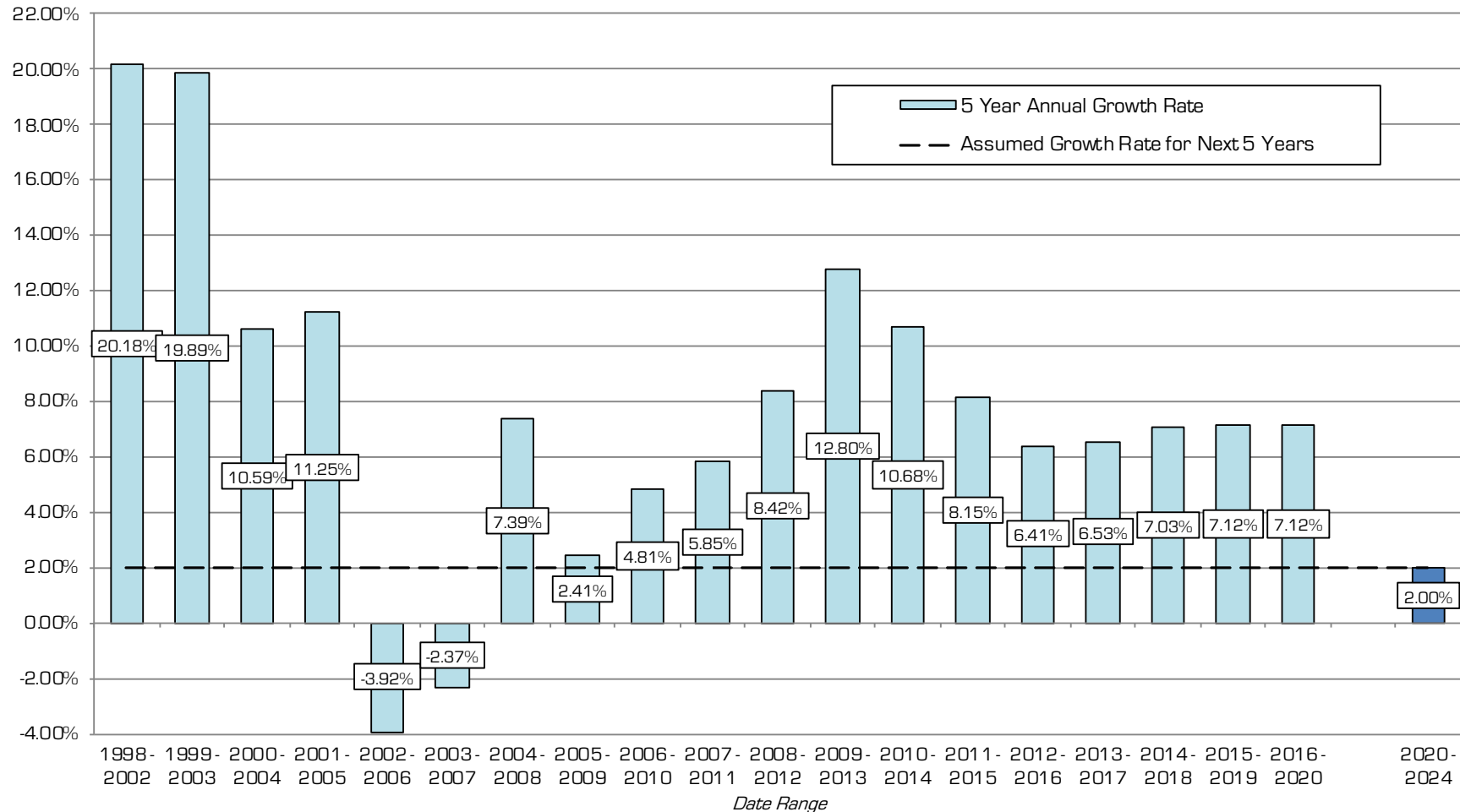


Historic assessed value (AV) provided by the Kern County Auditor-Controller's Office. The District's total AV is comprised of net local secured, mineral (oil), public utility, & other (homeowners' exemption & unsecured). Historically, net local secured has comprised between 5% - 39% of total AV.

NLS: Historical AV Tests – 5 Year Periods

Compounded Annual Growth Rate - Net Local Secured AV

Net Local Secured AV Growth Assumption for Next 5 Years Below Most of Previous 5 Year Periods

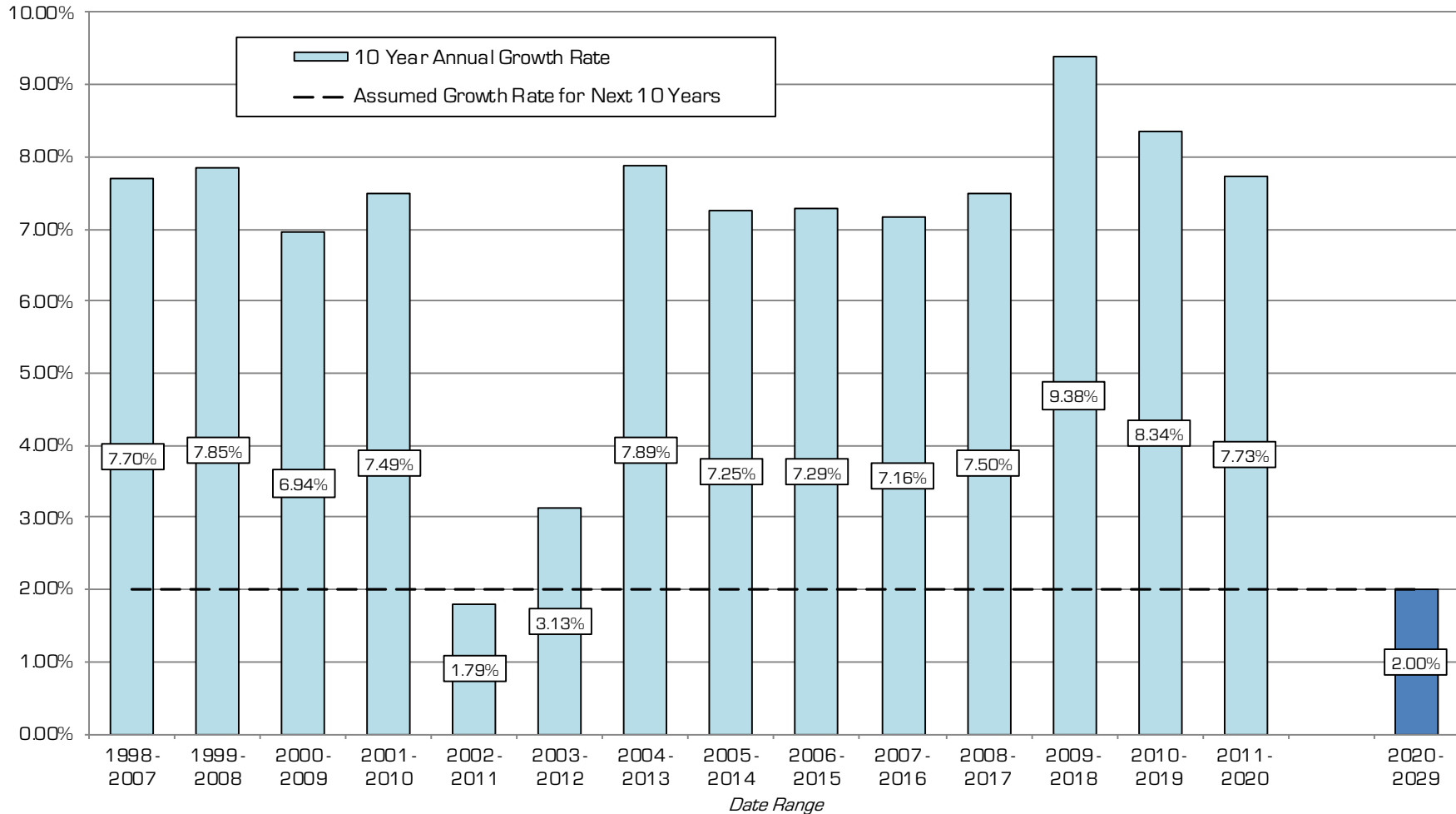


Historical data from Kern County Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

NLS: Historical AV Tests – 10 Year Periods

Compounded Annual
Growth Rate - Net
Local Secured AV

**Net Local Secured AV Growth Assumption for Next 10 Years
Below Most of Previous 10 Year Periods**

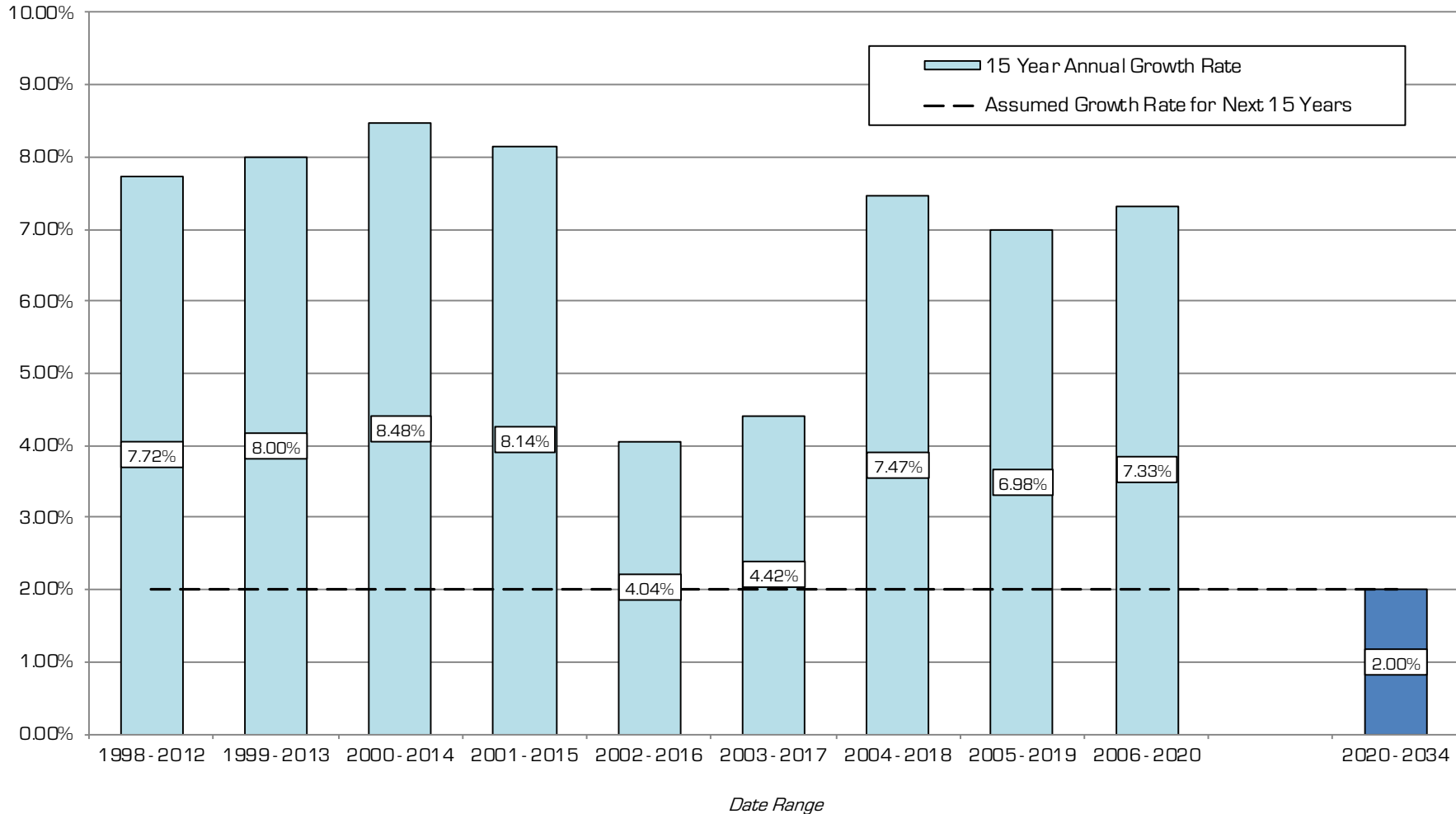


Historical data from Kern County Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

NLS: Historical AV Tests – 15 Year Periods

Compounded Annual
Growth Rate - Net
Local Secured AV

**Net Local Secured AV Growth Assumption for Next 15 Years
Below Previous 15 Year Periods**

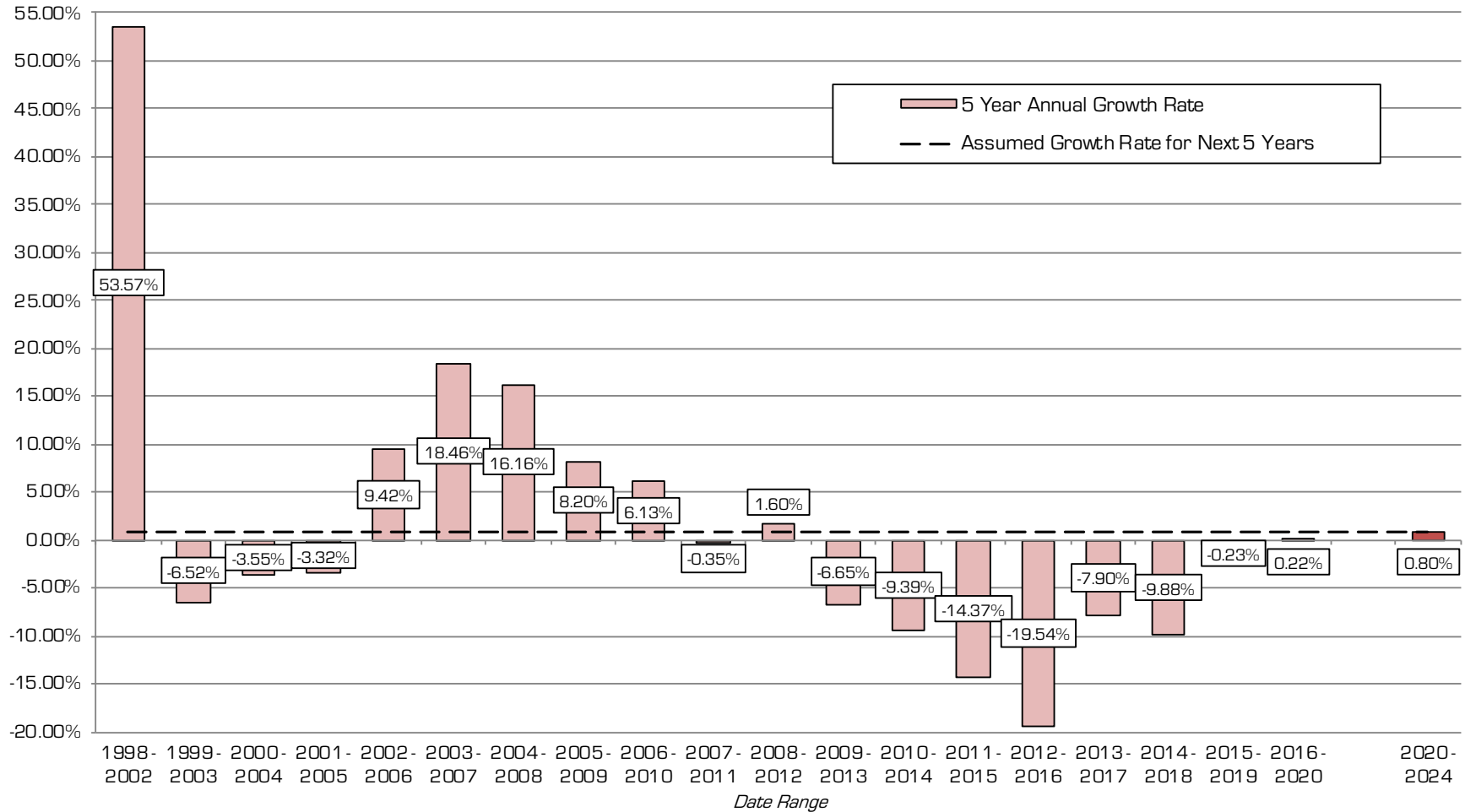


Historical data from Kern County Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

Secured: Historical AV Tests – 5 Year Periods

Compounded Annual Growth Rate - Secured AV

Nominal Secured AV Growth Assumption for Next 5 Years is Greater Than Recent 5 Year Periods

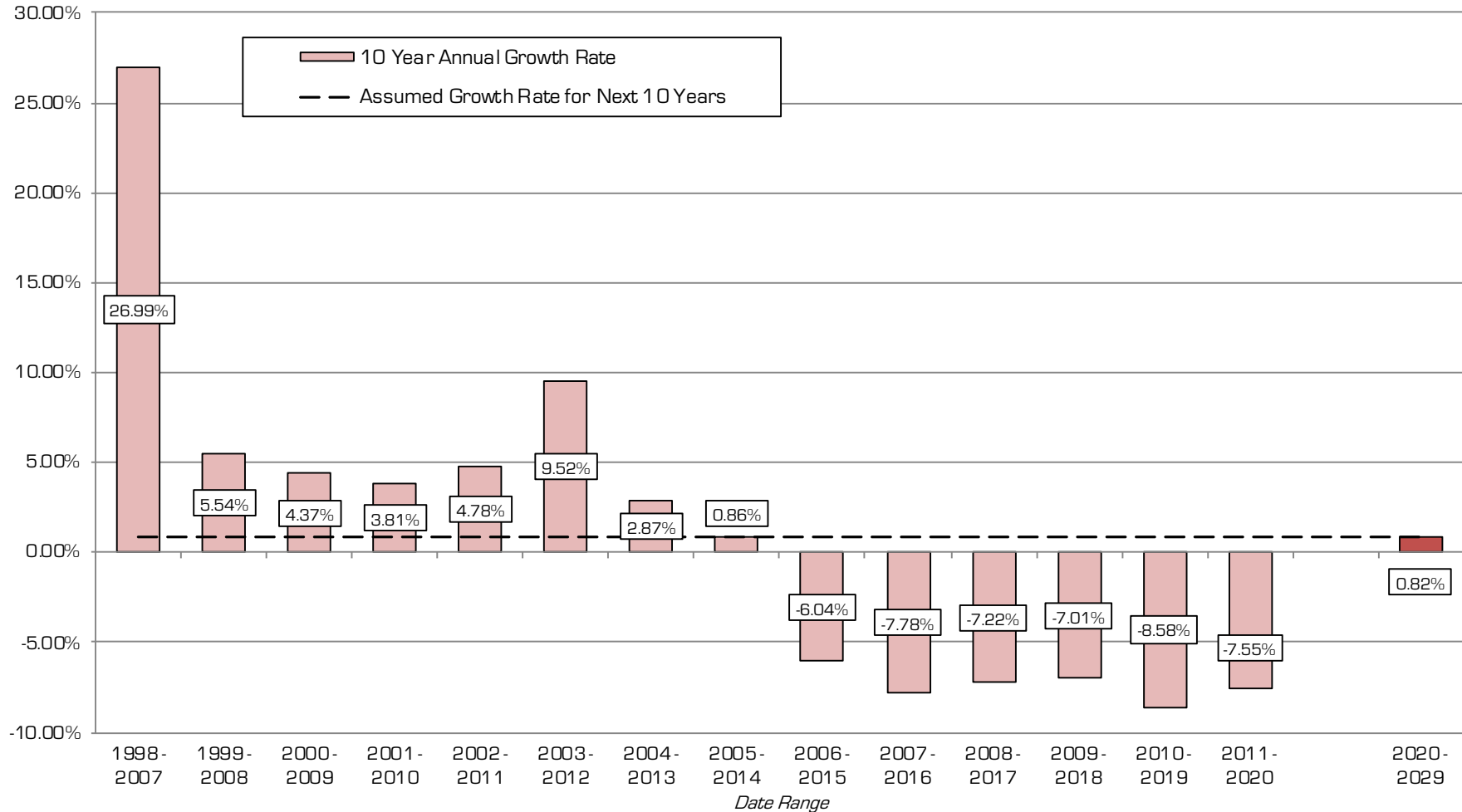


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Secured: Historical AV Tests – 10 Year Periods

Compounded Annual Growth Rate - Secured AV

Nominal Secured AV Growth Assumption for Next 10 Years is Greater Than Recent 10 Year Periods



Historical data from Kern County Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

Secured: Historical AV Tests – 15 Year Periods

Compounded Annual Growth Rate - Secured AV

Nominal Secured AV Growth Assumption for Next 15 Years is Greater Than Recent 15 Year Periods



Historical data from Kern County Auditor-Controller's office. Net local secured AV is assumed to increase 2% annually, while all other AV types are assumed to remain unchanged.

Issuing Bonds - Key Legal Constraint

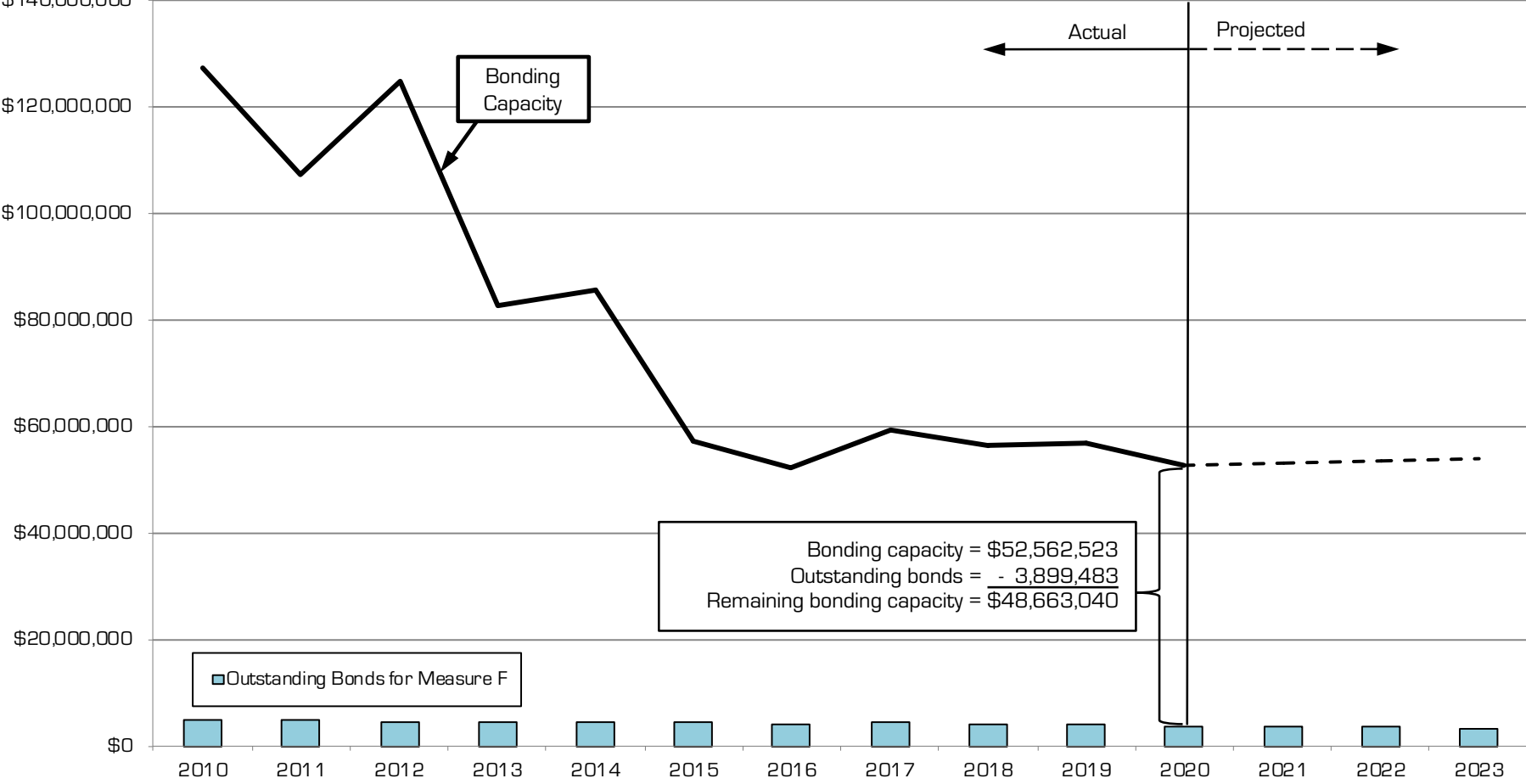
- ◆ Bonding Capacity: limit on amount of outstanding bonds (this is for all bond measures combined)
 - ▶ 2.50% of total assessed value for recreation and park districts
 - Public Resource Code 5790(c)



Bonding Capacity

\$48.66 Million in Remaining Bonding Capacity will Increase with Growth in AV and Repayment of Existing Bonds

Bonding Capacity/
Outstanding Bonds
\$140,000,000



Fiscal Year Beginning July 1 (Data as of Aug 20):

Note: The District's statutory legal bonding capacity limitation is 2.5% of District's total assessed value. Projected bonding capacity assumes 2% annual net local secured growth while all other AV types remain constant. Bonding capacity is as of August 20 when secured roll becomes "equalized."

Detailed Estimated Costs of Issuance

Buttonwillow Recreation and Park District
 (County of Kern, California)
 2021 General Obligation Refunding Bond

Estimated Costs of Issuance

Description	Total Costs
• Quint & Thimmig LLP, Bond Counsel Bond Counsel Fees and Expenses:	\$20,000.00
• Government Financial Strategies inc., Financial Advisor Professional Services:	\$30,550.00
Out-of-Pocket Expenses:	\$1,000.00
• Brandis Tallman, a Division of Oppenheimer & Co. Inc., Placement Agent Professional Services:	\$15,000.00
• _____, Lender's Counsel Professional Services:	\$15,000.00
• Other Issuance Expenses (break out listed below) Zions Bancorporation, National Association, Paying Agent Acceptance Fee/Expenses:	\$350.00
One Time Costs of Issuance Custodian Fee:	\$250.00
Annual Administration Fee:	\$350.00
California Municipal Statistics, Property Tax Data	\$1,500.00
California Debt & Investment Advisory Commission, CDIAC Fee	\$1,000.00
Other/Contingency	\$15,000.00
Total Costs of Issuance	\$100,000.00

Good Faith Estimates

Good Faith Estimates

Per Government Code 5852.1

	<i>Estimates</i>
True Interest Cost	2.50%
Finance Charge(1)	(\$100,000)
Amount of Proceeds(2)	\$3,899,483
Total Payment Amount(3)	\$4,966,375

(1) Finance charge is the sum of all charges and fees paid to third-parties for upfront costs.

(2) Amount of proceeds received is the bond amount less the finance charge and any reserves or capitalized interest funded.

(3) total payment amount is total debt service plus any finance charges not paid with proceeds.