Hartnell Community College District

Measure T General Obligation Bonds

April 22, 2020

Measure T Overview

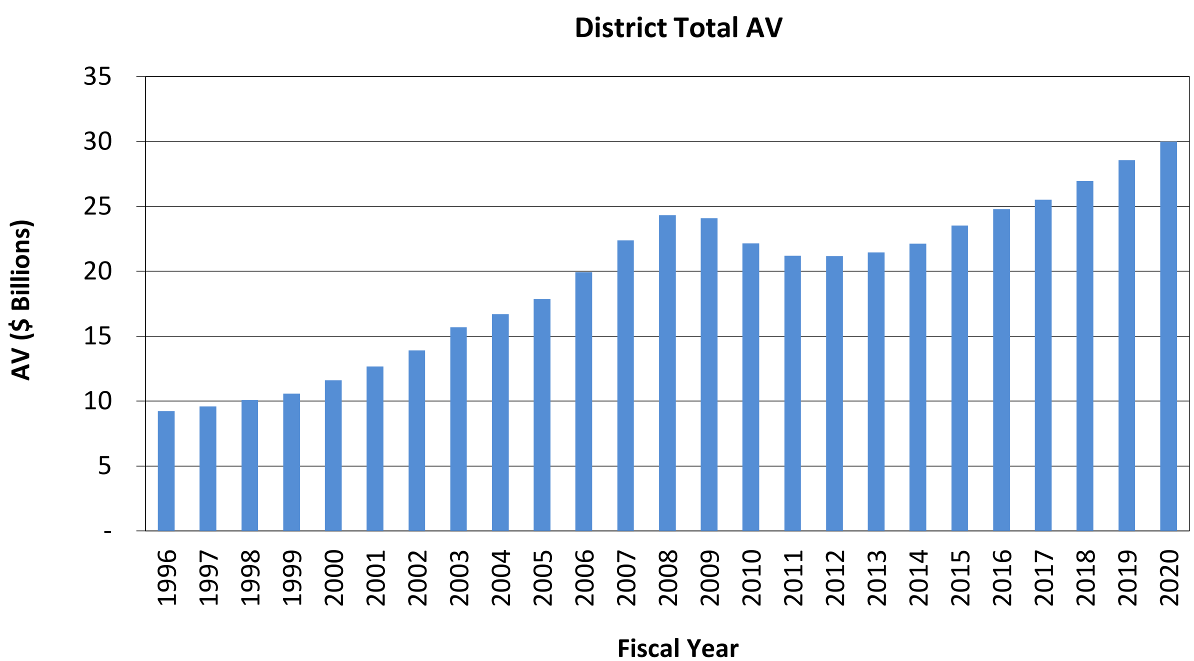
Measure T was approved by District voters in November 2016 for $167 million with 68.7% support

- Series A bonds were issued for $70 million in September 2017
- $97 million in authorization remains unissued
- Voter-estimated tax rate of $19.85 per $100,000 of assessed value (“AV”)
  - Proposition 39 legal tax rate limit of $25 per $100,000 of AV

AV History

District AV has increased 41.8% over eight consecutive years

- Annualized growth rates:
  - 1-year: 5.02%
  - 5-year: 4.99%
  - 10-year: 3.07%
  - 15-year: 3.52%
  - 20-year: 4.87%



FY	Total AV [1]	Annual % Change
1996	$ 9,216,665,478	
1997	9,601,584,239	4.18 %
1998	10,082,583,339	5.01
1999	10,561,614,729	4.75
2000	11,595,580,483	9.79
2001	12,658,968,881	9.17
2002	13,913,458,344	9.91
2003	15,680,423,551	12.70
2004	16,692,389,281	6.45
2005	17,850,991,122	6.94
2006	19,941,566,701	11.71
2007	22,394,154,634	12.30
2008	24,338,030,786	8.68
2009	24,087,625,393	-1.03
2010	22,161,439,963	-8.00
2011	21,199,638,857	-4.34
2012	21,161,813,298	-0.18
2013	21,465,020,487	1.43
2014	22,130,612,796	3.10
2015	23,513,621,127	6.25
2016	24,790,074,998	5.43
2017	25,513,291,473	2.92
2018	26,966,586,538	5.70
2019	28,564,710,620	5.93
2020	29,999,153,753	5.02

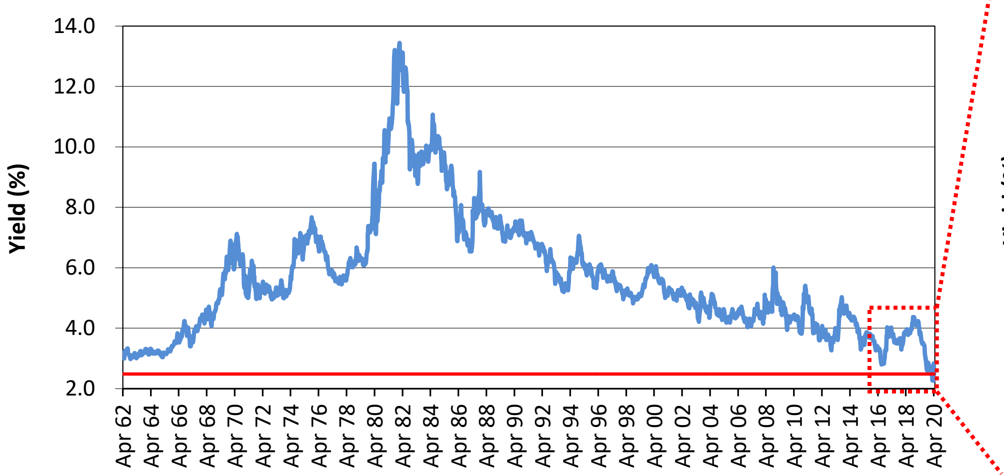
(1) Source: California Municipal Statistics, Inc. and Monterey County. Data from 1996 to 2020.

Historical Municipal Bond Interest Rates

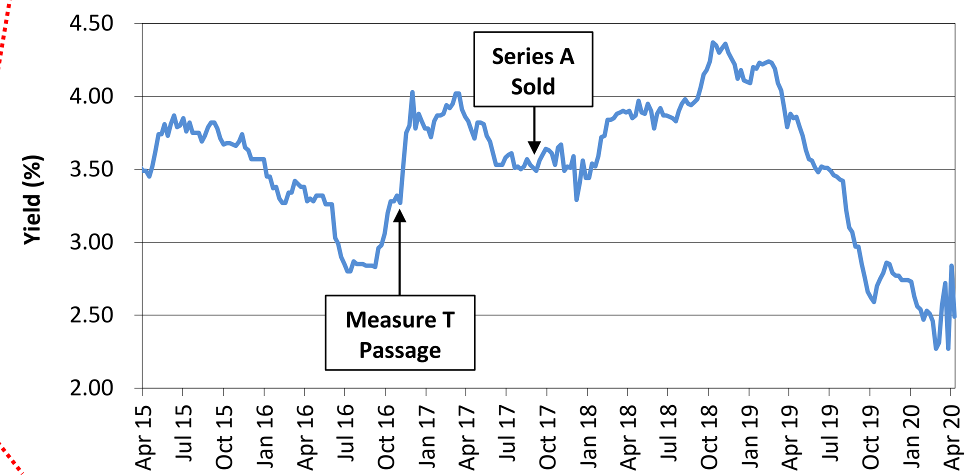
Municipal bond interest rates are near historic lows and have trended downward since Fall 2018 due to:

- Slowdown in European economies
- Trade developments with China
- Geopolitical uncertainties surrounding Iran, Brexit, Hong Kong & U.S. elections
- Central bank rate cuts/stimulus measures
- Health concerns over COVID-19

Bond Buyer General Obligation Bond Index (1)
(1962 to Current)



Bond Buyer General Obligation Bond Index (1)
(2015 to Current)



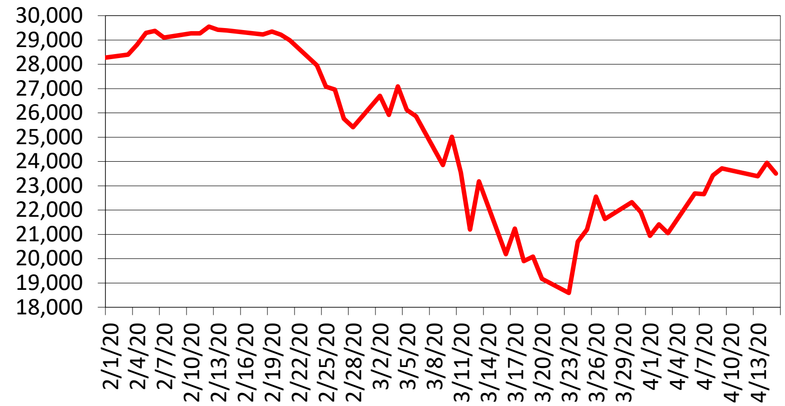
(1) Index reflects average yield to maturity of 20 general obligation bonds with 20-year maturities rated ‘Aa2’ by Moody’s Investors Service and ‘AA’ by Standard and Poor’s. Source: The Bond Buyer & Bloomberg.

Current Economic Climate

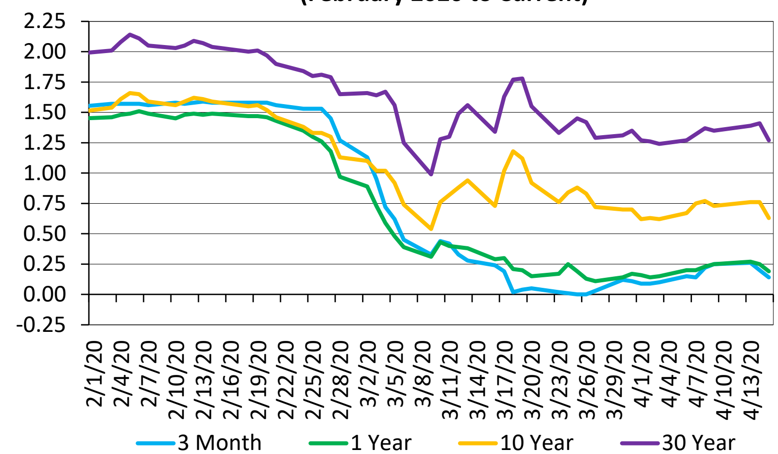
Global markets are currently in a period of extreme uncertainty and volatility:

- Impact of COVID-19 pandemic
  - Global, national, state, and local emergencies
  - Government lockdowns and closure of borders, schools and businesses
  - Widespread economic slowdown/unemployment
- On March 15, the Fed surprised markets by dropping rates 1.0% to 0%-0.25%
  - This followed the March 3 surprise where rates were cut 0.5% to 1%-1.25%
- Central banks announced additional stimulus measures to combat the economic crisis
- On March 23, the Fed announced "unlimited quantitative easing" to backstop credit markets
- On March 27, the $2 trillion emergency stimulus package was signed into law
- On April 9, the Fed announced $2.3 trillion in loans to support the economy

Dow Jones Industrial Average (1)
(February 2020 to Current)



U.S. Treasury Rates (2)
(February 2020 to Current)



(1) Source: Yahoo Finance.
(2) Source: United States Treasury.

Considerations Going Forward

More uncertainty and volatility going forward given the unpredictability of COVID-19's impact and response from governments and investors

- Implementation of more stringent/additional/longer shutdowns?
- Development of a vaccine or effective treatment?
- Additional economic stimulus/relief measures?

UCLA Anderson economic forecast (1)

- Prior to COVID-19, continued moderate growth in 2020 was forecast
- Public health emergency has evolved into an economic emergency and recession
  - GDP contraction will drive unemployment rate to ~13% in Q4 and total job loss to ~17 million
  - Recovery to an employment level equivalent to the end of 2019 will not occur until late 2022
  - Assumptions based on abatement of pandemic and safer-at-home orders this summer
    - If the pandemic is much worse than assumed, the forecast will be too optimistic whereas if the pandemic abates quicker, then the forecast will be too pessimistic
- Recession expected to be more severe in California than for nation overall
  - Larger proportion of economic activity in tourism and trans-Pacific transportation
  - State's unemployment rate predicted at ~16% with 2.2 million jobs lost
  - Sharp contraction in income and taxable sales will cause increased stress for state and local government

(1) Source: Summarized from UCLA Anderson Forecast, March 12, 2020 and revisions on March 16, 2020 and April 10, 2020.

Current Municipal Bond Market

In the current economic climate, a flight to quality/liquidity has taken place where Treasury rates have declined (Exhibit 1) while municipal bond rates have increased (Exhibit 2) as investors withdraw billions from municipal bond funds (Exhibit 3)

Exhibit 1
(US 10-Year Treasury Yield)

Exhibit 2
(Bloomberg Barclays Municipal Bond Index)

Exhibit 3
(Municipal Bond Fund Weekly In/Outflows)

Exhibit 4
(Recent CA K-14 Bond Financings)

Date 03/01/2020 - MM/DD/YYYY

	Date	Issuer Description	State	Amt (MM)	Status	Type	Industry	Moody's	S&P	Security Type
			CA			NEGT				G.O. Unlimited
11	03/02/2020	CHAFFEY CCD-REF-TXBL	CA	59.955	FINAL	NEGT	Community College ...	Aa2		G.O. Unlimited ...
12	03/02/2020	OXNARD UN HSD -REF-TXBL	CA	55.450	REPRICED	NEGT	School District	Aa2		G.O. Unlimited ...
13	03/09/2020	CALIFORNIA ST	CA	1019.085	FINAL	NEGT	General Obligation	Aa2	AA-	G.O. Unlimited ...
14	03/09/2020	CALIFORNIA ST-REF	CA	1076.565	FINAL	NEGT	General Obligation	Aa2	AA-	G.O. Unlimited ...
15	03/09/2020	ESCONDIDO UNION SD-C	CA	17.070	FINAL	NEGT	School District	APPLIED		G.O. Unlimited ...
16	03/09/2020	SAN DIEGO UNIF SD-SR-2	CA	92.510	FINAL	NEGT	School District	Aa2		G.O. Unlimited ...
17	03/16/2020	ALTA LOMA SD-C	CA	17.000	FINAL	NEGT	School District	Aa2		G.O. Unlimited ...
18	03/16/2020	HEALDSBURG UNIF SD -C	CA	17.000	FINAL	NEGT	School District		AA+	G.O. Unlimited ...
19	03/16/2020	SALINAS UN HSD -REF-B	CA	83.000	FINAL	NEGT	School District	Aa2	A+	G.O. Unlimited ...
20	03/30/2020	ALEXANDER VLY UN SD-B	CA	2.880	FINAL	NEGT	School District		AAA	G.O. Unlimited ...
21	04/06/2020	GROSSMONT UNION HIGH SD	CA	45.450	FINAL	NEGT	School District	Aa2		G.O. Unlimited ...
22	04/06/2020	SHORELINE UNIF SD-B	CA	12.000	FINAL	NEGT	School District		AA+	G.O. Unlimited ...
23	04/06/2020	SHORELINE UNIF SD-REF	CA	2.205	FINAL	NEGT	School District		AA+	G.O. Unlimited ...
24	04/06/2020	VACAVILLE UNIF SCH DIST-D	CA	71.000	FINAL	NEGT	School District	Aa2		G.O. Unlimited ...
25	04/13/2020	CALIFORNIA ST	CA	625.000	THUR	NEGT	General Obligation	APPLIED	AA-	G.O. Unlimited ...
26	04/13/2020	CALIFORNIA ST -REF	CA	375.000	THUR	NEGT	General Obligation	APPLIED	AA-	G.O. Unlimited ...
27	04/13/2020	CLOVERDALE USD -TXBL -REF	CA	13.000	DAY/DAY	NEGT	School District	APPLIED		G.O. Unlimited ...
28	04/13/2020	HILLSBOROUGH CITY SD	CA	55.000	DAY/DAY	NEGT	School District		AAA	G.O. Unlimited ...
29	04/13/2020	HILLSBOROUGH CITY-CABS	CA		DAY/DAY	NEGT	School District		AAA	G.O. Unlimited ...
30	04/13/2020	LA CANADA UNIF SCH DIST	CA	7.755	FINAL	NEGT	School District	Aa1		G.O. Unlimited ...
31	04/13/2020	LA CANADA UNIF SCH DIST-B	CA	30.000	FINAL	NEGT	School District	Aa1		G.O. Unlimited ...
32	04/13/2020	SAN DIEGUITO UN HSD -REF	CA	145.000	DAY/DAY	NEGT	School District	APPLIED	AA	G.O. Unlimited ...
33	04/13/2020	SAN JOAQUIN DELTA CCD	CA	95.290	DAY/DAY	NEGT	Community College ...	APPLIED		G.O. Unlimited ...
34	04/13/2020	W CONTRA COSTA UNIF SD	CA	255.000	DAY/DAY	NEGT	School District	APPLIED	AA-	G.O. Unlimited ...

- Highly-rated/secure financings are experiencing greater success in getting sold to investors (Exhibit 4)

Source: Graphs from Bloomberg.

Credit Ratings

The 3 major credit rating agencies are:

- Moody’s
- Standard & Poor’s (“S&P”)
- Fitch

The credit rating factors and weighting are as follows:

- Local economy (30%)
- District finances (30%)
- District management (20%)
- District debt/pension (20%)

The District’s current credit ratings are:

- Moody’s: Aa2
- S&P: AA
- Fitch: N/A

	Moody’s	S&P	Fitch	Rating Description
Investment grade	Aaa	AAA	AAA	Prime
	Aa1	AA+	AA+	
	Aa2	AA	AA	High grade
	Aa3	AA-	AA-	
	A1	A+	A+	
	A2	A	A	Upper medium grade
	A3	A-	A-	
	Baa1	BBB+	BBB+	
	Baa2	BBB	BBB	Lower medium grade
	Baa3	BBB-	BBB-	
Non-investment grade	Ba1	BB+	BB+	
	Ba2	BB	BB	Speculative
	Ba3	BB-	BB-	
	B1	B+	B+	
	B2	B	B	Highly speculative
	B3	B-	B-	
	Caa1 & below	CCC+ & below	CCC & below	Extremely speculative/ Default

Measure T Illustration

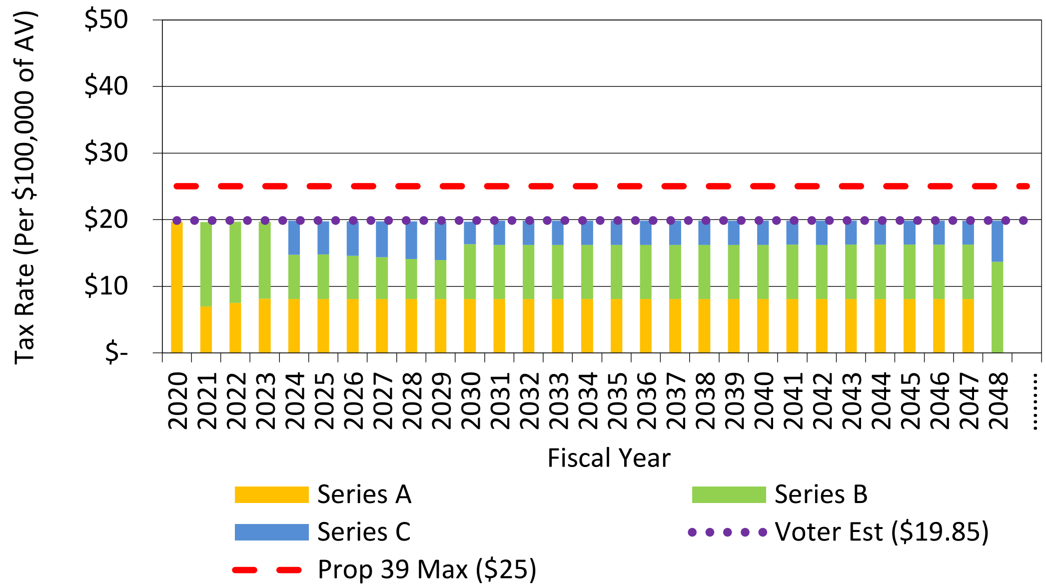
Future Measure T bonds can be issued under the voter-estimated tax rate of $19.85 per $100,000 of AV

- Assumptions:
  - Annual AV growth [2]:
    - 2020-21: 2.0%
    - 2021-22: 3.0%
    - Thereafter: 3.5%
  - Interest rates:
    - Series A: 3.5% [3]
    - Series B: ~3.0%-4.0% [4]
    - Series C: TBD
  - Use of current interest bonds only

Illustrative Issuance Schedule [1]

Issue	Issue Date	Proceeds
Series A	September 2017	$ 70,000,000
Series B	July 2020	70,000,000
Series C	Fall 2023	27,000,000
Total		$ 167,000,000

Illustrative Measure T Projected Tax Rates



(1) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District's project needs.
(2) Lower than historical assessed value growth rates.
(3) Represents the actual all-inclusive interest cost.
(4) Current interest rates have experienced significant volatility within the past month. Financing results are subject to market fluctuations until Bonds are sold.

HARTNELLCOLLEGE

Next Steps

Following are the next steps to complete the financing plan

1) Bring legal documents back to the Board of Trustees for consideration
2) Present District credit profile and receive ratings
3) Circulate offering document to prospective investors
4) Sell bonds/lock interest rates
5) Close financing/receive proceeds

While current economic conditions remain uncertain, the District can "gear up" its financing for a July 2020 issuance to be in a position to execute the sale

- Completion of steps 1 to 3 above provides the ability to monitor the markets to enter when conditions have settled
- Given the District's recent strong AV growth, there is tax rate capacity under the $19.85 tax rate estimate to absorb potentially higher interest rates

Questions?

Thank you for your time and we welcome any questions!