



SMMUSD Financial Oversight Committee

Date: Tuesday, December 7, 2021

Time: 6:00 pm to 8:00 pm

Via Zoom by phone at: 669-900-6833 or online at:

<https://zoom.us/j/87194305360?pwd=bWl2Umh6akdwdEV5b3Z6VFJ2NHl6UT09>

Meeting ID: 871 9430 5360 / Passcode: Oversight1 - Per Assembly Bill 361 Issued By Governor Gavin Newsom and SMMUSD Board of Education Resolution No. 21-11

AGENDA

Assembly Bill 361 (9/2021) added section 54953(e) to the Government Code, authorizing a local agency to use teleconferencing without complying with the teleconferencing requirements imposed by the Ralph M. Brown Act during a declared state of emergency under specific scenarios. The law remains in effect until January 1, 2024. Due to the state of emergency proclaimed by Governor Newsom in response to the COVID-19 pandemic and its highly contagious variants, and as authorized by per AB 361 and SMMUSD Board of Education Resolution No. 21-11, the December 7, 2021 FOC meeting will be held virtually. Members of the public can observe the FOC meeting and give public comment virtually by submitting a Google survey “sign up”.

The intent is not to limit public participation, but rather to protect public health by following the Governor’s Stay at Home executive order and the LA County’s Safer at Home order. Persons wishing to address the Committee regarding an item that is scheduled for this meeting must submit a Google survey “sign up” prior to discussion of that item. Persons wishing to address the Committee regarding an item that is not scheduled on this meeting’s agenda may speak during the Public Comments section by submitting the Google survey “sign up” at the beginning of the meeting.

Instructions for public comments

1. Submit a Google survey “sign up” at <https://forms.gle/KHFk8zsmDaPnP5wj6>. This survey will take the place of the “speaker chits” available at meetings.
2. Speakers will fill in their name and select if they wish to address the committee regarding a specific agenda item or during General Public Comments.
3. Speakers are asked to attend the FOC meeting virtually through the call-in number at the top of the agenda.
4. When it is time for the speakers to address the committee, their name will be called.
5. As with all meetings, once discussion begins on an agenda item, any speakers who sign up after that time will be given one minute to speak.

STANDARDS OF BEHAVIOR THAT PROMOTE CIVILITY AT ALL PUBLIC MEETINGS:

Treat everyone with respect and courtesy.	Keep an open mind and, if merited, allow yourself to be persuaded to change your opinion.
Listen to others respectfully.	Acknowledge dissension as a civic right and as a tool to use to reach the best decisions.
Agree to disagree, and don’t make it personal; discuss the issue, not the person.	Accept responsibility and maintain self-control.

Instrucciones para comentarios del público

1. Una encuesta de Google "registrarse" <https://forms.gle/VnzEy8qbCC1oWvtV8>. Esta encuesta ocupará el lugar de las “fichas” disponibles en las reuniones.
2. Los miembros del público las completarán con su nombre y seleccionarán si desean dirigirse a la junta con respecto a un punto específico de la orden del día o durante los comentarios públicos generales.

3. Se pide a las personas que deseen hacer comentarios que asistan a la reunión de la junta virtualmente a través del enlace que contiene la invitación de llamada de conferencia en la parte superior de la agenda.
4. Cuando llegue el momento de que el público se dirija a la junta directiva, se mencionará su nombre.
5. Al igual que las demás reuniones, una vez que comience el debate sobre un punto de la orden del día, los oradores que se inscriban después de ese momento, tendrán un minuto para hablar.

NORMAS DE CONDUCTA QUE PROMUEVEN LA CIVILIDAD EN TODAS LAS REUNIONES PÚBLICAS:

Tratar a todas las personas con respeto y cortesía.	Mantener la mente abierta, y si la ocasión lo amerita, permitir ser persuadido a cambiar de opinión.
Escuchar a los demás de manera respetuosa.	Reconocer el disenso como un derecho cívico y como una herramienta para tomar las mejores decisiones.
Aceptar las diferencias y no tomarlas de forma personal; debatir el asunto, no la persona.	Aceptar la responsabilidad y mantener el autocontrol.

- I. Call to Order (5 min)**
- II. Approval of Agenda (5 min)**
- III. Approval of FOC Meeting Minutes (5 min)** October 28, 2021
- IV. Discussion/Action Items**
 - A. 1st Interim Budget Report (30 min)
 - Presentation: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=191121&MID=9314>
 - Attachment: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=191122&MID=9314>
 - Multi Year Projection (MYP): <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=191123&MID=9314>
 - Fiscal Stabilization Plan: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=191124&MID=9314>
 - Standard Account Code Structure (SACS) Report: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=191125&MID=9314>
 - Adopted Budget Review Letter From LACOE: First Interim Budget: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=191126&MID=9314>
 - B. Update on FOC Recommendations on the District’s Debt Policy (15 min)
- V. Ad hoc Subcommittee Report (30 min)**
 - A. Budget Recommendations: *Mr. Jacobson, Mr. Covington, Mr. Beekman, Mr. Rotgin*
 - B. Tax Revenue and Assessed Valuation: *Mr. Farivar, Mr. Kremer, Mr. Crawford, Mr. Beekman*
 - C. Bond Oversight: *Mr. Kremer, Mr. Crawford, Ms. Mevasse, Mr. Rotgin*
 - D. Measure R Reporting and Process Review: *Mr. Crawford, Mr. Landres, Ms. Maniar*
 - E. Financial Communication and Reporting Subcommittee: *Mr. Landres, Ms. Maniar, Ms. Mevasse, Mr. Jacobson*
 - F. Nomination: *Mr. Covington, Mr. Kremer, Ms. Maniar, Mr. Farivar*

VI. Receive and File (*Limited Discussion*)

- A. CERBT Account Update Summary – 9/30/21
<https://www.smmusd.org/cms/lib/CA50000164/Centricity/Domain/300/FinReports/CERBTAccountUpdateSummary093021.pdf>
- B. Exhibit A – Costs of Issuance by Vendor
<https://drive.google.com/file/d/1x2bxgcyhG-tK1Fke7Wx06bSwBQvB1U-h/view?usp=sharing>
- C. 2021 Refunding General Obligation Bonds Escrow Efficiency Calculations
https://drive.google.com/file/d/1J-iNqQSNVf7AMunw99ep3Ql8LVX_49jM/view?usp=sharing
- D. Draft Audit Report – 20/21
https://drive.google.com/file/d/1v9N_OMSsJBUQmRaIYkIDllk3VpJlp9rM/view?usp=sharing
- E. Draft Measure R Audit Report – 20/21
https://drive.google.com/file/d/1325JpCBsTz2YSsNKEWrGRUtqcDXuNyU_/view?usp=sharing

VII. Public Comments

- A. Public Comments is the time when members of the audience may address the Committee on items not scheduled on the meeting’s agenda. All speakers are limited to three (3) minutes. When there are a large number of speakers, the Chair may reduce the allotted time to two (2) minutes per speaker. The Brown Act (Government Code) states that Committee members may not engage in discussion of issues raised during “XIII. Public Comments” except to ask clarifying questions, make a brief announcement; make a brief report on his or her own activities, or to refer the matter to staff. This Public Comment section is limited to 20 minutes. If the number of persons wishing to address the Committee exceeds the time limit, additional time will be allowed at the discretion of the Chair.

VIII. Committee Comments

IX. Next Meeting:

- Thursday, January 6, 2022
- Thursday, February 24, 2022
- Tuesday, March 23, 2022
- Tuesday, May 24, 2022
- Thursday, June 16, 2022
- TBD (July 2022) * Please note: This is a Joint Meeting / Study Session with the Board of Education – *SMMUSD Office Board Room, 1651 16th Street.*

X. Adjournment

Future Meetings will be held monthly in the Board Room at the District’s Administrative Offices, 1651 16th Street, Santa Monica, California, unless otherwise noted.

In compliance with the Americans with Disabilities Act, for those requiring special assistance to access the meeting room, to access written documents being discussed at the meeting, or to otherwise participate at the meetings, please contact the Office of Assistant Superintendent, Business and Fiscal Services at 310-450-8338 for assistance. Notification at least 48 hours before the meeting will enable the District to make reasonable arrangements to ensure accessibility to the meeting and to provide required accommodations, auxiliary aids or services.

Marked for Discussion: 12.3.21

Santa Monica-Malibu USD | BP 3470 Business and Noninstructional Operations

Debt Issuance and Management

Purpose of Policy. The Board of Education is committed to long-term capital and financial planning and recognizes that the issuance of debt is a key source for funding the improvement and maintenance of school facilities and managing cash flow. Any debt issued by the district shall be consistent with law and this policy. This policy provides written guidelines for the issuance of indebtedness by the Santa Monica-Malibu Unified School District in satisfaction of the requirements of S.B. 1029, codified as part of Government Code Section 8855.

Administration of Policy by District Officials. The District's Assistant Superintendent of Business & Fiscal Services is the designated administrator of this policy. Proposed debt issuances and related considerations presented to the Board for authorization shall be in compliance with this policy. Signing authority for all final debt documentation and certifications is vested in the District Superintendent, the Assistant Superintendent of Business & Fiscal Services, the President of the Board, and any other officer identified by the District Board with authority to execute said documentation.

Annual Review of Policy. The Assistant Superintendent of Business & Fiscal Services will review this Policy by June 30 of each year for the purpose of identifying necessary amendments, if any, due to changes in law, new guidelines or recommendations of other relevant authorities with respect to debt management policies, or in order to make clarifying or other desired changes. If necessary amendments are identified, then the Assistant Superintendent of Business & Fiscal Services will submit an updated Policy to the Board for consideration.

Goals

This Policy provides a framework for debt management and capital planning by the District. This Policy has been developed to meet the following goals:

1. Identifying the purposes for which the debt proceeds may be used.
2. Identifying the types of debt that may be issued.
3. Describing the relationship of the debt to, and integration with, the District's capital improvement program or budget.
4. Establishing debt policy goals related to the District's planning goals and objectives.
5. Implementing internal control procedures to ensure that the proceeds of the proposed debt issuance will be directed to the intended use upon completion of the issuance.

6. Maintaining full, complete and timely financial disclosure and reporting.

7. Ensuring compliance with applicable State and Federal laws.

Formatted: Font: (Default) Times New Roman, 9 pt, Bold, Italic

Formatted: Tab stops: 2", Left + Not at 3.25" + 6.5"

Formatted: Underline

Formatted: Font: 11 pt, Not Bold, Underline

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt

Formatted: Font: 11 pt, Not Bold, Underline

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt

Formatted: Font: Bold

Formatted: No bullets or numbering

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold

Marked for Discussion: 12.3.21

Purposes for Which Debt Proceeds May be Used

The laws of the State of California (the "State") authorize the District to incur debt to make lease payments, contract debt, borrow money, and issue bonds for school improvement projects. The District is authorized to contract debt to acquire, construct, reconstruct, rehabilitate, replace, improve, extend, enlarge, and equip such projects; to refund existing debt; or to provide for cash flow needs.

Section 18 of Article XVI of the State Constitution contains the "debt limitation" formula applicable to the District.

There are a number of State laws that govern the issuance of general obligation bonds ("GO Bonds") by school districts. Sections 1(b)(2) (Proposition 46) and 1(b)(3) of Article XIII A (Proposition 39) of the State Constitution allow the District to issue GO Bonds. The statutory authority for issuing GO Bonds is contained in Education Code Section 15000 et seq. Additional provisions applicable only to Proposition 39 GO Bonds are contained in Education Code Section 15264 et seq. An alternative procedure for issuing GO Bonds is also available in Government Code Section 53506 et seq.

The statutory authority for issuing Tax and Revenue Anticipation Notes ("TRANs") is contained in Government Code Section 53850 et seq. Authority for lease financings is found in Education Code Section 17455 et seq. and additional authority is contained in Education Code Sections 17400 et seq., 17430 et seq. and 17450 et seq. The District may also issue Mello-Roos bonds pursuant to Government Code Section 53311 et seq.

The District may deem it necessary to [issue TRANs to finance cash flow requirements under certain conditions such as when there is a projected negative cash position in anticipation of revenues to come from State or other local sources](#). Such cash flow borrowing must be payable from taxes, income, revenue, cash receipts and other moneys attributable to the fiscal year in which the debt is issued.

General operating costs include, but are not limited to, those items normally funded in the District's annual operating budget.

The District's Superintendent, or designee, will review potential financing methods to determine which method is most prudent for the District. Potential financing sources include, but are not limited to tax and revenue anticipation notes, temporary borrowing from the Los Angeles County Treasurer and Tax Collector, and internal temporary interfund borrowing.

[The District's Financial Oversight Committee \(FOC\) is an advisory committee to the Board. In connection with each financing and prior to Board action of said proposed financing, the FOC shall convene a meeting at which District staff presents the proposed financing and related preliminary structuring details to the members of the FOC and the members of the FOC have an opportunity to comment on said financing. Said comments shall be communicated to the Board by District staff prior to Board action on the proposed financing. Decision-making power with respect to District financings, debt and related considerations are vested in the District Board.](#)

Types of Debt That May be Issued

1. Short-Term Debt: The District may issue fixed-rate and/or variable rate short-term debt, which may include TRANs, when such instruments allow the District to meet its cash flow requirements. The District may also issue bond anticipation notes ("BANs") to provide interim financing for bond projects that will ultimately be paid from GO Bonds.

Formatted: Font: (Default) Times New Roman, 9 pt, Bold, Italic

Formatted: Tab stops: 2", Left + Not at 3.25" + 6.5"

Formatted: Keep with next, Keep lines together

Formatted: Not Highlight

Formatted: Font: Bold

Formatted: Underline

Marked for Discussion: 12.3.21

2. Long-Term Debt: Debt issues may be used to finance essential capital facilities, projects and certain equipment where it is appropriate to spread the cost of the projects over more than one budget year. Long-term debt should not be used to fund District operations.

Long term debt in the form of GO Bonds may be issued under Article XIII A of the State Constitution, either under Proposition 46, which requires approval by at least a two-thirds (66.67%) majority of voters, or Proposition 39, which requires approval by at least 55% of voters, subject to certain accountability requirements and additional restrictions.

GO Bond measures can be approved by voters on a District-wide basis, or, alternatively, GO Bond measures may be presented to voters within a School Facilities Improvement District (SFID) which has been formed by the District in accordance with State law for the purpose of financing facilities, improvements and equipment within the boundaries of the SFID. The District has formed two SFIDs: SFID No. 1 (Santa Monica Schools) and SFID No. 2 (Malibu Schools).

GO Bonds issued pursuant to a Proposition 39 voter authorization may only be issued in compliance with the tax rate projection requirements (\$60/\$100K assessed value) and bonding capacity limitations (2.50%) set forth in the Education Code. The District Board may determine to seek a waiver of bonding capacity in accordance with procedures set forth State law.

The District may also enter into long-term leases and/or participate in the sale of certificates of participation or lease revenue bonds for public facilities, property, and equipment. These obligations do not constitute indebtedness under the state constitutional debt limitation and, therefore, do not require voter approval

3. Lease/Equipment Financing: Lease-purchase obligations or appropriation leases are a routine and appropriate means of financing capital equipment and certain capital facilities. The term of lease financings may be short-term or long-term but in either case shall not exceed the combined useful life of the projects financed with the proceeds thereof. Leases may be executed as privately placed leases and as leases executed in connection with certificate of participation or lease revenue bond financings. However, because lease obligations may impact on general fund budget flexibility, the District shall have a goal of limiting aggregate annual payments on each long-term lease to 3.0% of unrestricted general fund revenues. This goal shall not serve as a maximum or cap and the District may take into account considerations at the time of structuring each lease such as available and projected unrestricted reserves, projected revenues from all lawful sources, and the District's other outstanding general fund debt undertakings when finalizing the related debt service schedule. In addition, the feasibility of funding capital equipment with pay-as-you-go financing will be considered. The District will monitor the option of refinancing and prepaying outstanding general fund leases with the proceeds of voter-approved GO Bonds provided such refinancing is within the scope of the voter-approved bond measure and all other legal and contractual requirements can be satisfied.

4. Use of General Obligation Bonds: A significant portion of the District's capital projects are expected to be funded by GO Bond proceeds. Projects financed by the GO Bonds will be determined by the constraints of applicable law and the project list approved by voters. The District will structure each GO Bond issuance and related tax rate projection with the goal of projecting tax rates for bonds issued pursuant to a single bond measure to not exceed the highest tax rate identified to voters in the tax rate statement provided as part of the ballot materials. However, there may be circumstances where the District determines at the time of GO Bond issuance that the projected tax rate will be in compliance with State law but that it may exceed the tax rate estimate presented to voters at the time of the bond election. In such case District staff shall identify to the Board prior to Board authorization of the bond issue the

Formatted: Font: (Default) Times New Roman, 9 pt, Bold, Italic

Formatted: Tab stops: 2", Left + Not at 3.25" + 6.5"

Formatted: Underline

Formatted: Font: Not Bold

Formatted: No bullets or numbering

Formatted: Underline

Formatted: Font: Not Italic

Formatted: Font: 11 pt, Not Bold, Not Highlight

Formatted: Font: 11 pt, Not Highlight

Formatted: Font: 11 pt, Not Bold, Not Highlight

Formatted: Font: 11 pt

Formatted: Underline

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Marked for Discussion: 12.3.21

circumstances resulting in the higher tax rate projection, and the rationale for issuing the Bonds at said time and with said related tax rate projections.

Formatted: Font: (Default) Times New Roman, 9 pt, Bold, Italic
Formatted: Tab stops: 2", Left + Not at 3.25" + 6.5"

Relationship of Debt to and Integration with District's Capital Improvement Program or Budget

Formatted: Font: Bold

In evaluating financing options for capital projects, both short and long-term debt amortization will be evaluated when considering a debt issuance, along with the potential impact of debt service, and additional costs associated with new projects on the operating budget of the District. The cost of debt issued for major capital repairs or replacements may be judged against the potential cost of delaying such repairs or replacements.

District staff have responsibility for the planning and management of the District's capital improvement program subject to review and approval by the Board of Education. Staff will, as appropriate, supplement and revise any applicable Facilities Master Plan in keeping with the District's current needs for the acquisition, development and/or improvement of District's real estate and facilities. Such plans may include a summary of the estimated cost of each project, schedules for the projects, the expected quarterly cash requirements, and annual appropriations, in order for the projects to be completed.

Refunding and Restructuring

Formatted: Font: Bold

The District shall consider the following when making a decision regarding refunding or restructuring existing debt.

- 1. District's Best Interest. Whenever deemed to be in the best interest of the District, the District shall consider refunding or restructuring outstanding debt if it will be financially advantageous or beneficial for debt repayment and/or structuring flexibility.
- 2. Net Present Value Analysis. The District shall review a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposed refunding.
- 3. Maximize Expected Net Savings. Another consideration in deciding which debt to refinance and the timing of the refinancing shall be to maximize the District's expected net savings over the life of the debt.
- 4. Comply with Existing Legal Requirements. The refunding of any existing debt shall comply with all applicable State and Federal laws governing such issuance.

Periodic reviews of outstanding debt will be undertaken to identify opportunities to refinance and/or restructure outstanding debt. Economic refundings undertaken to reduce overall debt service requirements for cost savings will be considered when there is a net economic benefit of the refunding. Non-economic refundings undertaken for restructuring purposes may be considered to achieve objectives such as changing covenants, repayment or optional redemption provisions, and other identifiable benefits.

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold

A "current refunding" occurs when tax-exempt refunding bonds are issued 90 or fewer days before the optional redemption date of the refunded bonds. An "advance refunding" occurs when tax-exempt refunding bonds are issued 91 or more days in advance of the refunding bonds' optional redemption date. In 2017, the IRS code was modified to preclude the issuance of tax-exempt bonds to advance refund existing bonds when there was previously a one-time exception. There is no limit on the number of times that bonds may be current refunded (which may be subject to a future change in federal tax law following the date of adoption or amendment of this Policy). The District may undertake current or advance

Marked for Discussion: 12.3.21

refinancings provided such refinancings are in compliance with all applicable legal requirements at the time of issuance.

The District shall review a net present value (NPV) savings analysis of any proposed refunding of each maturity of the debt to be refinanced to make a determination regarding the cost-effectiveness of the proposed refunding. The District will proceed with an economic refunding of a maturity only when both of the requirements below are met. Refundings which do not meet these two requirements, but have the potential to achieve other financing objectives, will be considered on a case-by-case basis.

1) The projected NPV savings, expressed as a percentage of the par amount of refunded debt, are no less than three percent (3%) for a tax-exempt current refunding and five percent (5%) for a taxable or tax-exempt advance refunding. The higher NPV savings threshold for an advance refunding takes into consideration the often one-time only nature of an advance refunding as well as the longer refunding escrow period wherein the escrow investment rate is usually less than the interest cost of the refunded debt, thereby creating negative arbitrage (cost of carry).

2) The refunding must be minimally efficient, with the projected NPV savings exceeding the amount of any negative arbitrage in the refunding escrow.

In cases where a proposed refunding does not meet the criteria in 1) or 2) above, the District should conduct a sensitivity analysis to evaluate the likelihood of a future refunding providing similar savings to taxpayers. A determination of how high future interest rates can increase from current interest rates where the projected savings to taxpayers is identical in both analyses should be evaluated to determine the worthiness of proceeding with refunding certain maturities that do not meet objective 1). Future interest rates should be compared to a number of historical interest rate averages in this exercise.

Policy Goals Related to District's Planning Goals and Objectives

In following this Policy, the District shall pursue the following goals:

1. The District shall strive to fund capital improvements from voter-approved GO Bond issues to preserve the availability of its General Fund for District operating purposes and other purposes that cannot be funded by such bond issues.
2. To the extent applicable, the District shall endeavor to attain the best possible credit rating for each debt issue in order to reduce interest costs, within the context of preserving financial flexibility and meeting capital funding requirements.
3. The District shall take all practical precautions and proactive measures to avoid any financial decision that will negatively impact current credit ratings on existing or future debt issues.
4. The District shall, with respect to GO Bonds, remain mindful of its statutory debt limit in relation to assessed value growth within the school district and the tax burden needed to meet long-term capital requirements.
5. The District shall consider factors such as market conditions, District cash flow, and other legal considerations whether imposed by State or federal law including the anticipated spend-down of debt proceeds, among other factors, and District cash flows when timing the issuance of debt.

Formatted: Font: (Default) Times New Roman, 9 pt, Bold, Italic

Formatted: Tab stops: 2", Left + Not at 3.25" + 6.5"

Formatted: Font: 11 pt

Formatted: Font: 11 pt, Not Italic

Formatted: Font: 11 pt, Not Bold, Not Italic

Formatted: No bullets or numbering

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Italic

Formatted: Font: 11 pt, Not Bold, Not Italic

Formatted: Font: 11 pt, Not Italic

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold, Not Italic

Formatted: Font: 11 pt, Not Bold

Formatted: Indent: Left: 0.31", Right: 0.81", Space Before: 0 pt, After: 0 pt

Formatted: Not Highlight

Formatted: Font: 11 pt, Not Bold

Formatted: Not Highlight

Formatted: Font: 11 pt, Not Bold

Formatted: Not Highlight

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold, Not Italic

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold

Formatted: Not Highlight

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt

Formatted: Font: 11 pt, Not Bold, Not Italic, No underline

Formatted: No underline

Formatted ... [1]

Formatted: No underline

Formatted ... [2]

Formatted: No underline

Formatted ... [3]

Formatted: Font: 11 pt

Formatted: Font: Bold

Marked for Discussion: 12.3.21

6. The District shall determine the amortization (maturity) schedule which will fit best within the overall debt structure of the District at the time the new debt is issued.

7. The District shall match the term of the issue to the useful lives of assets funded by that issue whenever practicable and economical, while considering repair and replacement costs of those assets to be incurred in future.

8. The District shall, when issuing debt, assess financial alternatives to include new and innovative financing approaches, including whenever feasible, categorical grants, revolving loans or other State/federal aid, so as to minimize the encroachment on the District's General Fund.

9. The District will examine and consider taxable or other financing structures authorized by federal tax law which may be or become available as alternatives to the issuance of traditional tax-exempt obligations, such as tax credit or tax subsidy obligations. Factors to examine and consider shall be whether the financing can achieve the same project objectives as other methods, whether the alternative results in lower financing costs than other financing methods and whether the alternative is expected to provide other benefits which are in the best financial interests of the District and its taxpayers. The analysis shall consider any additional risks and/or compliance costs of the alternative financing structure, including in the case of federal subsidy bonds, the partial reduction or full loss of the federal tax subsidy.

10. The District shall, when planning for the sizing and timing of debt issuance, consider its ability to expend the funds obtained in a timely, efficient and economical manner and in accordance with "spend-down" requirements of federal tax law for tax-exempt obligations, as applicable.

Internal Control Procedures for Issuance of Debt to Ensure Intended Use of Proceeds

1. Maturity of Debt: The duration of a debt issue shall be consistent, to the extent possible, with the economic or useful life of the improvement or asset that the issue is financing. In addition, the average life of tax-exempt financing shall not exceed 120% of the average life of the assets being financed. The District shall also consider the overall impact of the current and future debt burden of the financing when determining the duration of the debt issue.

2. Debt Structure:

A. GO Bonds:

i. New Money Bond Issuances: For tax-exempt new money bond issuances, the District shall size the bond issuance consistent with the "spend-down" requirements of the Internal Revenue Code and within any limits approved by the District's voters. If there will be unspent bond proceeds of another issue on hand at the time of the issuance of a new proposed issue, the District shall examine the spend down expectations and legal requirements applicable to the prior issue to ensure continued compliance prior to issuance of the proposed issue. To the extent possible, the District will also consider credit issues, market factors (e.g. bank qualification) and tax law when sizing the District's bond issuance.

ii. Refunding Bond Issuances: The sizing of refunding bonds will be determined by the amount of money that will be required to cover the principal of, accrued interest (if any) on, and redemption premium for the bonds to be defeased on the call date and to cover appropriate financing costs.

iii. Maximum Maturity: All bonds issued by the District shall mature within the limits set forth in applicable provisions of the Education Code or the Government Code. The final maturity of tax-exempt

Formatted: Font: (Default) Times New Roman, 9 pt, Bold, Italic

Formatted: Tab stops: 2", Left + Not at 3.25" + 6.5"

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold

Formatted: No bullets or numbering

Formatted: Font: 11 pt, Not Bold, Not Highlight

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold, Not Highlight

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt, Not Bold, Not Highlight

Formatted: Font: 11 pt, Not Bold

Formatted: Font: 11 pt

Formatted: Font: Not Bold

Formatted: Font: Bold

Formatted: Underline

Formatted: Font: Italic

Formatted: Font: Italic

Formatted: Font: Italic

Marked for Discussion: 12.3.21

bonds will also be limited to the average useful life of the assets financed or as otherwise required by tax law.

iv. Taxable Bonds: Taxable bonds shall be considered for funding projects which do not satisfy the "spend-down" requirements of the Internal Revenue Code, for refunding GO Bonds when the issuance of tax-exempt refunding GO Bonds is not a viable option in the near term, and for other purposes when the requirements for tax-exemption cannot be met, including when a taxable financing alternative is enacted pursuant to federal law.

B. Lease-Purchase Obligations:

The final maturity of equipment or real property lease obligations will be limited to the useful life of the assets to be financed. Unless required for structuring or other purposes, the District will avoid the use of capitalized interest on new money lease financings to avoid increasing the principal amount of the debt and the related interest expense. New money lease financings in which the project financed serves as the leased asset may require capitalized interest until the District has use and possession of the leased asset. However, when feasible the District may undertake an asset transfer financing in which the leased property is other than the facility under construction in an effort to reduce or eliminate the need for capitalized interest.

3. Debt Service Structure: The District shall design the financing schedule and repayment of debt so as to take best advantage of market conditions, provide flexibility, and, as practical, to recapture or maximize its debt capacity for future use.

4. Selection of Method of Sale: There are three primary methods of sale: negotiated, competitive, and private placement. All three methods of sale should be evaluated by the Assistant Superintendent of Business & Fiscal Services or other appropriate District official for all debt issuances, with the recommended and selected method of sale presented to the Board in the authorizing resolution. In selecting a method of sale to present to the District Board, factors to be considered among others include the method likely to achieve the lowest financing cost to the District, conditions in the financial markets, the complexity of the financing structure, the ability to modify the structure at pricing, the ability to educate potential investors about the District, the debt offering and security, financing timeline considerations, and the goals to be achieved by the financing, shall be evaluated. When a negotiated sale is authorized, the final pricing proposal shall be examined with the assistance of the District's municipal advisor to ensure that interest costs are in accordance with comparable market interest rates and that all parameters identified in the Board resolution have been achieved. When a competitive bidding process is undertaken, submitted bids shall be examined with the assistance of the District's municipal advisor and award shall be based on the best conforming that complies with the terms of the official notice of sale governing the bidding process, which typically provides award shall be made based on the lowest offered True Interest Cost ("TIC"). A private placement sale is appropriate when the financing can or must be structured for a single or limited number of purchasers or where the terms of the private placement are expected to be more beneficial to the District than either a negotiated or competitive sale.

5. Engagement of Financing Team Members: The District requires assistance in its debt undertakings and with respect to certain financial matters by a financing team composed of firms with specialized expertise in the issuance of debt and debt undertakings. The District Board shall confirm the firms which shall serve as municipal advisor, bond and disclosure counsel, and underwriter and approve related contracts or engagement letters relating thereto. The recommendation for the engagement of such firms shall be made by District staff either following a Request for Proposals (RFP) or Request for Qualifications (RFQ) process, or on a sole source basis if an RFP or RFQ process would not be in the District's interests or

Formatted: Font: (Default) Times New Roman, 9 pt, Bold, Italic

Formatted: Tab stops: 2", Left + Not at 3.25" + 6.5"

Formatted: Font: Italic

Formatted: Space Before: 0 pt, After: 0 pt, No bullets or numbering

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Formatted: Underline

Formatted: Font: Not Bold

Formatted: Font: (Default) Times New Roman

Formatted: No bullets or numbering

Marked for Discussion: 12.3.21

based on other factors and considerations. The term of the contracts for financing team members will be for an initial term of up to five years, which term may be extended or renewed for additional terms by the District Board with approval of a renewal contract, amendment or extension.

All financing team members will be required to provide full and complete disclosure, under penalty of perjury, relative to any and all agreements with other financing team members and outside parties (if any). The extent of the disclosure may vary depending on the nature of the transaction. Any financing team members involved in preparing proposed District debt issuances or who have outside agreements with members so involved may not provide independent analyses of said debt issuances. All financing team members shall abide by the Board's code of ethics, which shall be provided by the District to each of said professionals prior to engagement.

6. Disclosure Requirements: The District shall prepare or cause to be prepared appropriate disclosures as required by Securities and Exchange Commission Rule 15c2-12 and to ensure compliance with applicable laws, regulations and agreements. The Assistant Superintendent of Business & Fiscal Services shall be responsible for the District's disclosure compliance functions, in conjunction with the third party dissemination agent engaged by the District to assist in the complete and timely filings, and in consultation with the District's disclosure counsel, as needed.

7. IRS Compliance: The Assistant Superintendent of Business & Fiscal Services will establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements as required by federal tax regulations. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebate earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the District's outstanding tax-exempt obligations. The Assistant Superintendent of Business & Fiscal Services may retain a firm to prepare arbitrage rebate calculations and communicate with the IRS.

8. Rating Agency Relations: The District shall maintain effective relations with the rating agencies. The Assistant Superintendent of Business & Fiscal Services shall meet with, make presentations to, or otherwise communicate with the rating agencies on a consistent and as appropriate basis to keep the agencies informed about the District's capital plans, debt issuance program, and other appropriate financial information.

Use of Proceeds

The District shall be vigilant in using bond proceeds in accordance with the stated purposes at the time such debt was incurred. In furtherance of the policy, and in connection with the issuance of all GO Bonds:

1. As required by Government Code Section 53410, the District shall only use GO Bond proceeds for the purposes approved by the District's voters; and
2. District staff shall have the responsibility, no less often than annually, to provide to the District's Board of Education a written report which shall contain at least the following information:
 - (i) The amount of the debt proceeds received and expended during the applicable reporting period; and
 - (ii) The status of the acquisition, construction or financing of the school facility projects, as identified in any applicable bond measure, with the proceeds of the debt.

Formatted: Font: (Default) Times New Roman, 9 pt, Bold, Italic

Formatted: Tab stops: 2", Left + Not at 3.25" + 6.5"

Formatted: Not Highlight

Formatted: Font: 11 pt

Formatted: Font: Bold

Marked for Discussion: 12.3.21

Formatted: Font: (Default) Times New Roman, 9 pt,
Bold, Italic

Formatted: Tab stops: 2", Left + Not at 3.25" + 6.5"

(iii) These reports may be combined with other periodic reports which include the same information, including but not limited to, periodic reports made to the California Debt and Investment Advisory Commission, or continuing disclosure reports or other reports made in connection with the debt. These requirements shall apply only until the earliest of the following: (i) all the debt is redeemed or defeased, but if the debt is refunded, such provisions shall apply until all such refunding bonds are redeemed or defeased, or (ii) all proceeds of the debt, or any investment earnings thereon, are fully expended.

3. The District shall post on the District website the Annual Report of the District's Independent Bond Oversight Committee which has been given the responsibility to review the expenditure of GO Bond proceeds to assure the community that all GO Bond funds have been used for the construction, renovation, repair, furnishing and equipping of school facilities, and not used for teacher or administrator salaries or other operating expenses.

4. The District shall hire an independent auditor to perform an annual independent financial and performance audit of the expenditure of GO Bond proceeds, and to post such audits on the District website.

Legal Reference:

EDUCATION CODE

5300-5441 Conduct of elections

15100-15262 Bonds for school districts and community college districts

15264-15276 Strict accountability in local school construction bonds

15278-15288 Citizen's oversight committees

15300-15425 School Facilities Improvement Districts

17150 Public disclosure of non-voter-approved debt

17400-17429 Leasing of district property

17450-17453.1 Leasing of equipment

17456 Sale or lease of district property

17596 Duration of contracts

42130-42134 Financial reports and certifications

ELECTIONS CODE

1000 Established election dates

GOVERNMENT CODE

Marked for Discussion: 12.3.21

Formatted: Font: (Default) Times New Roman, 9 pt,
Bold, Italic

Formatted: Tab stops: 2", Left + Not at 3.25" + 6.5"

8855 California Debt and Investment Advisory Commission

53311-53368.3 Mello-Roos Community Facilities Act

53410-53411 Bond reporting

53506-53509.5 General obligation bonds

53550-53569 Refunding bonds of local agencies

53580-53595.55 Bonds

53850-53858 Tax and revenue anticipation notes

53859-53859.08 Grant anticipation notes

CALIFORNIA CONSTITUTION

Article 13A, Section 1 Tax limitation

Article 16, Section 18 Debt limit

UNITED STATES CODE, TITLE 15

78o-4 Registration of municipal securities dealers

UNITED STATES CODE, TITLE 26

54E Qualified Zone Academy Bonds

CODE OF FEDERAL REGULATIONS, TITLE 17

240.10b-5 Prohibition against fraud or deceit

240.15c2-12 Municipal securities disclosure

CODE OF FEDERAL REGULATIONS, TITLE 26

1.6001-1 Records

Management Resources:

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION PUBLICATIONS

California Debt Issuance Primer

GOVERNMENT FINANCE OFFICERS ASSOCIATION PUBLICATIONS

Marked for Discussion: 12.3.21

Formatted: Font: (Default) Times New Roman, 9 pt,
Bold, Italic

Formatted: Tab stops: 2", Left + Not at 3.25" + 6.5"

An Elected Official's Guide to Debt Issuance, 2nd Ed., 2016

Understanding Your Continuing Disclosure Responsibilities, Best Practice, September 2015

Investment of Bond Proceeds, Best Practice, September 2014

Selecting and Managing Municipal Advisors, Best Practice, February 2014

Debt Management Policy, Best Practice, October 2012

Analyzing and Issuing Refunding Bonds, Best Practice, February 2011

INTERNAL REVENUE SERVICE PUBLICATIONS

Tax Exempt Bond FAQs Regarding Record Retention Requirements

Tax-Exempt Governmental Bonds, Publication 4079, rev. 2016

U.S. GOVERNMENT ACCOUNTABILITY OFFICE PUBLICATIONS

Internal Control System Checklist

WEB SITES

California Debt and Investment Advisory Commission: <http://www.treasurer.ca.gov/cdiac>

Government Finance Officers Association: <http://www.gfoa.org>

Internal Revenue Service: <http://www.irs.gov>

Municipal Security Rulemaking Board, Electronic Municipal Market Access (EMMA): <http://www.emma.msrb.org>

U.S. Government Accountability Office: <http://www.gao.gov>

U.S. Securities and Exchange Commission: <http://www.sec.gov>

Policy SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

adopted: May 4, 2017 Santa Monica, California

Page 5: [1] Formatted Jones Hall 12/3/2021 9:35:00 AM

Font: 11 pt, Not Bold, Not Italic, No underline

Page 5: [2] Formatted Jones Hall 12/3/2021 9:35:00 AM

Font: 11 pt, Not Bold, Not Italic, No underline

Page 5: [3] Formatted Jones Hall 12/3/2021 9:35:00 AM

Font: 11 pt, Not Bold, Not Italic, No underline

SMMUSD FOC -- Bond Oversight Subcommittee

Bond Refunding “101”

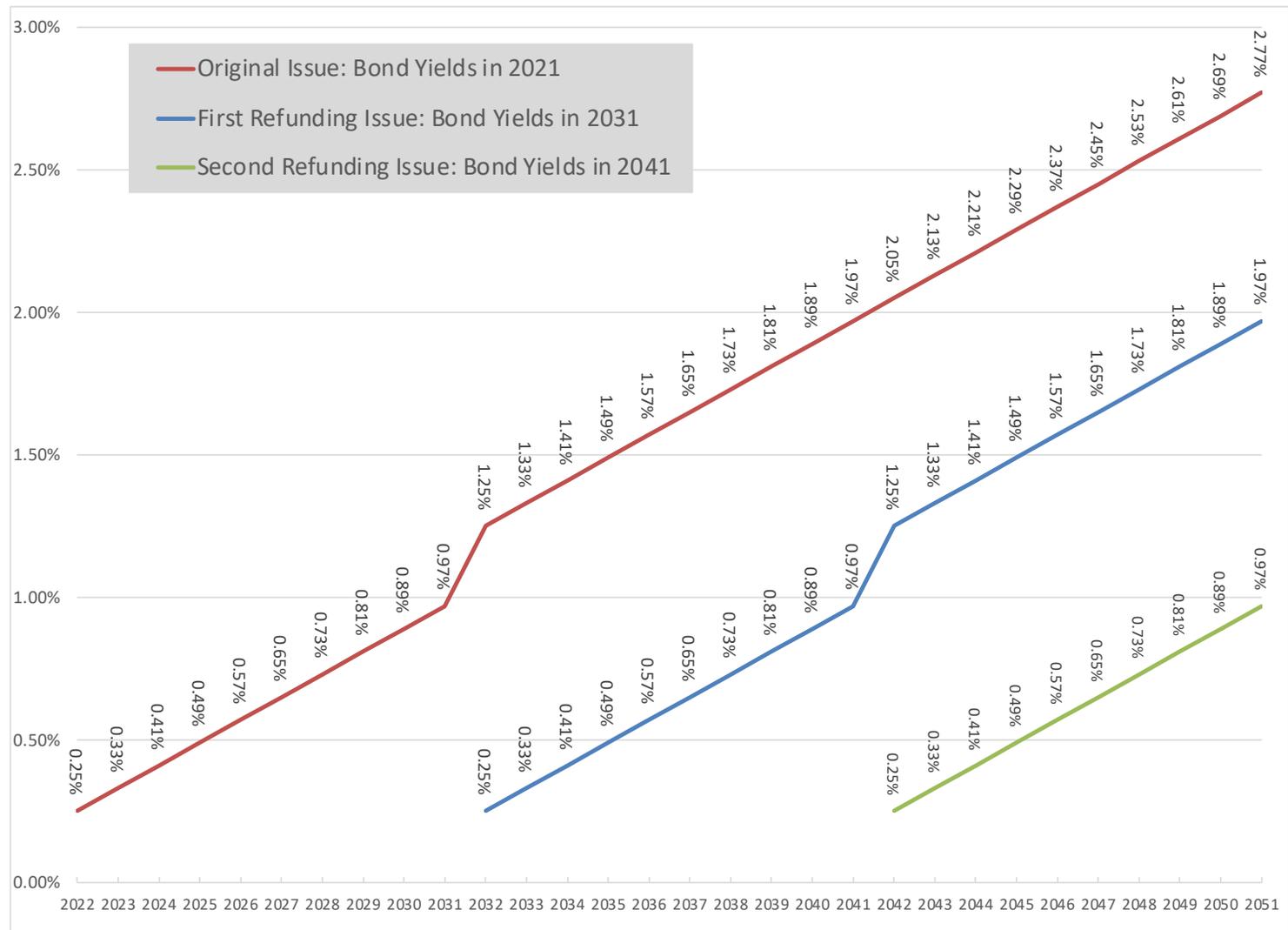
Prepared November 15, 2021

Optional Redemption (Call) Provision on Bonds

- A long-term, fixed-rate bond issue has principal maturing annually over years 1-30. Each maturity is priced and issued with a specific coupon rate and yield based on issue structure, credit ratings and market conditions
- An optional redemption provision (“call option”) gives the bond issuer the right to prepay or retire certain bonds prior to their stated maturities
- Long-term tax exempt, municipal bonds are typically issued with a 10-year call option and no call premium (call price of 100)
 - Maturities 1-10 are non-callable and maturities 11-30 are callable on any date beginning 10 years from the issuance date
- The current value of a bond issuer’s call option are based on multiple factors: the call date, the call price, the coupon rate, market expectations of future interest rate levels and volatility, the escrow investment rate and refunding issuance costs
 - 5.0% coupon bonds have more option value than 4.0% coupon bonds, etc.
 - Bonds with a call date eight years from now will have more option value than bonds with a call date seven years hence, etc.

With Ascending Yields, the Passage of Time Creates Refunding Opportunities

- Tax-exempt bonds with a 30-year final term and a 10-year call date are often refunded once or twice before year 30, depending on market conditions
- With the standard ascending yield curve, today's 30-year bond could be refunded in 2031 with the then 20-year yield, and again in 2041 with the then 10-year yield, all things being equal
 - See chart at right
 - In 2031, refunding the 2.77% yield with the 1.97% yield would be an 0.80% reduction
 - In 2041, refunding the 1.97% yield with the 0.97% yield would be a 1.00% reduction



IRS Bond Refunding Terminology

- Because tax-exempt bonds cost the US Treasury revenue by reducing the taxable income of taxpayers, the IRS has established rules for the issuance of tax-exempt bonds
- Among other items, the IRS rules limit: the expenditure of tax-exempt bond proceeds for certain purposes, the interest earned on tax-exempt proceeds, and the frequency with which tax-exempt bonds may be issued to refund existing tax-exempt bonds
- An “advance refunding” occurs when tax-exempt refunding bonds are issued 91 or more days before the call date of the tax-exempt, refunded bonds
 - In 2018 the IRS code was modified to preclude the issuance of tax-exempt bonds to advance refund existing tax-exempt bonds. There was a one-time advance refunding exception from 1986-2017. Muni market advocates continue to lobby for reinstatement of this provision as part of the Build Back Better legislation
 - There is no IRS limitation on the issuance of federally taxable bonds to refund tax-exempt bonds
- A “current refunding” occurs when tax-exempt refunding bonds are issued 90 or fewer days before the call date of the tax-exempt, refunded bonds
 - There is no limit on the number of times tax-exempt bonds may be issued for current refundings

Economic Considerations & Proposed Refunding Requirements

- When a call option is “in-the-money”, the issuer can achieve interest savings by issuing new lower-cost bonds to “re-fund” early redemption of the existing bonds on the call date
 - *Is it better to exercise an in-the-money call option now and capture known refunding savings or wait for potentially greater savings in the future?*
 - Given IRS rules, this decision is often framed as “issue taxable advance refunding bonds now or wait to issue tax-exempt current refunding bonds within 90 days of the call date?”
- Tax-exempt bond issuers typically employ a net present value (NPV) financial analysis to assess the cost-effectiveness of proceeding with a bond refunding at the present time relative to waiting to refund the bonds on a future date
- Issuers often will proceed with an economic refunding when the following two requirements are met:
 - 1) The projected NPV refunding savings, expressed as a percentage of the principal amount of refunded bonds, are no less than 3.0% for a tax-exempt current refunding and 5.0% for a taxable or tax-exempt advance refunding. The higher threshold for an advance refunding takes into consideration its one-time only nature as well as the longer refunding escrow period wherein the escrow investment rate is usually less than the interest cost of the refunded debt, thereby creating a cost of carry.
 - 2) The refunding must be minimally efficient with the projected NPV savings exceeding the amount of any negative arbitrage in the refunding escrow

2021 GO Refunding Bonds Transaction – Taxable Advance Refunding

- It is a best practice to evaluate projected refunding savings and apply refunding requirements at the bond maturity level rather than at the series level or even at the issue level
- The 2021 GO Refunding Bonds refunded 33 maturities from 5 series for a total of \$108.54 million
- How many refunded maturities would have met the two proposed requirements?
 - Only 17 of 33 maturities, totaling to \$71.79 million

Maturity	Series	Maturity Date	Principal Amount (\$)	Coupon (%)	Call Date	Call Price	Refunding Yield (%)	NPV Savings Discounted at Arbitrage Yield (\$)	NPV Savings (% of Principal Amount)	Negative Arbitrage in Escrow (\$)	NPV Savings of at least 5.0%?	NPV Savings > Negative Arbitrage?
1	2006 GO Ser D	7/1/2024	1,430,000	5.000	7/1/2023	100.000	0.396	54,081	3.78	43,096	NO	YES
2	2006 GO Ser D	7/1/2025	1,600,000	3.500	7/1/2023	100.000	0.669	69,648	4.35	47,388	NO	YES
Series Totals:>>			3,030,000					123,729	4.08	90,484		
3	2012 GO Ser B	7/1/2026	870,000	5.000	7/1/2025	100.000	0.849	16,450	1.89	44,497	NO	NO
4	2012 GO Ser B	7/1/2027	1,035,000	5.000	7/1/2025	100.000	1.047	46,111	4.46	52,936	NO	NO
5	2012 GO Ser B	7/1/2028	1,210,000	5.000	7/1/2025	100.000	1.197	84,668	7.00	61,886	YES	YES
6	2012 GO Ser B	7/1/2029	1,400,000	5.000	7/1/2025	100.000	1.404	120,966	8.64	71,604	YES	YES
Series Totals:>>			4,515,000					268,195	5.94	230,923		
7	2012 GO Ser D	8/1/2026	3,165,000	4.000	8/1/2025	100.000	0.849	39,342	1.24	159,256	NO	NO
8	2012 GO Ser D	8/1/2027	3,410,000	4.000	8/1/2025	100.000	1.047	103,022	3.02	171,584	NO	NO
9	2012 GO Ser D	8/1/2028	3,415,000	4.000	8/1/2025	100.000	1.197	160,035	4.69	171,836	NO	NO
10	2012 GO Ser D	8/1/2029	3,660,000	4.000	8/1/2025	100.000	1.404	202,423	5.53	184,164	YES	YES
11	2012 GO Ser D	8/1/2030	3,905,000	4.000	8/1/2025	100.000	1.524	263,619	6.75	196,492	YES	YES
12	2012 GO Ser D	8/1/2031	4,165,000	4.000	8/1/2025	100.000	1.624	328,554	7.89	209,574	YES	YES
13	2012 GO Ser D	8/1/2032	4,240,000	4.000	8/1/2025	100.000	1.794	339,518	8.01	213,348	YES	YES
14	2012 GO Ser D	8/1/2033	4,505,000	4.000	8/1/2025	100.000	1.914	378,273	8.40	226,682	YES	YES
15	2012 GO Ser D	8/1/2034	4,785,000	4.000	8/1/2025	100.000	2.044	401,061	8.38	240,771	YES	YES
16	2012 GO Ser D	8/1/2035	5,075,000	4.000	8/1/2025	100.000	2.144	433,370	8.54	255,363	YES	YES
17	2012 GO Ser D	8/1/2036	5,380,000	3.250	8/1/2023	100.000	2.244	376,339	7.00	161,904	YES	YES
18	2012 GO Ser D	8/1/2037	5,655,000	3.250	8/1/2023	100.000	2.344	356,860	6.31	170,180	YES	YES
19	2012 GO Ser D	8/1/2038	6,310,000	3.250	8/1/2023	100.000	2.424	364,127	5.77	189,892	YES	YES
Series Totals:>>			57,670,000					3,746,543	6.50	2,551,046		
20	2013 GO Refi	8/1/2024	2,515,000	5.000	8/1/2023	100.000	0.396	92,516	3.68	77,288	NO	YES
21	2013 GO Refi	8/1/2027	3,455,000	3.000	8/1/2023	100.000	1.047	190,735	5.52	103,659	YES	YES
22	2013 GO Refi	8/1/2028	3,745,000	3.125	8/1/2023	100.000	1.197	260,421	6.95	112,531	YES	YES
Series Totals:>>			9,715,000					543,672	5.60	293,478		
23	2015 GO Refi	8/1/2026	3,155,000	5.000	8/1/2025	100.000	0.849	62,850	1.99	161,914	NO	NO
24	2015 GO Refi	8/1/2027	3,400,000	3.000	8/1/2025	100.000	1.047	31,698	0.93	166,539	NO	NO
25	2015 GO Refi	8/1/2028	3,595,000	3.500	8/1/2025	100.000	1.197	109,504	3.05	178,192	NO	NO
26	2015 GO Refi	8/1/2029	3,815,000	3.500	8/1/2025	100.000	1.404	129,822	3.40	189,096	NO	NO
27	2015 GO Refi	8/1/2030	4,040,000	3.500	8/1/2025	100.000	1.524	167,864	4.16	200,249	NO	NO
28	2015 GO Refi	8/1/2031	4,270,000	4.000	8/1/2025	100.000	1.624	319,438	7.48	214,145	YES	YES
29	2015 GO Refi	8/1/2032	500,000	3.250	8/1/2025	100.000	1.794	14,497	2.90	24,637	NO	NO
30	2015 GO Refi	8/1/2032	4,030,000	4.000	8/1/2025	100.000	1.794	304,045	7.54	202,108	YES	YES
31	2015 GO Refi	8/1/2033	460,000	3.250	8/1/2025	100.000	1.914	12,474	2.71	22,666	NO	NO
32	2015 GO Refi	8/1/2033	6,000,000	4.000	8/1/2025	100.000	1.914	473,674	7.89	300,906	YES	YES
33	2015 GO Refi	8/1/2034	345,000	3.500	8/1/2025	100.000	2.044	13,435	3.89	17,100	NO	NO
Series Totals:>>			33,610,000					1,639,300	4.88	1,677,554		
Issue Totals:>>			108,540,000					6,321,439	5.82	4,843,485		

2021 GO Refunding Bonds Transaction – Maturities Meeting Both Requirements

- If the transaction were limited to the bond maturities that met both requirements, the overall refunding efficiency would have increased
- NPV savings would have improved from 5.8% of refunded principal to over 7% of refunded principal

Maturity	Series	Maturity Date	Principal Amount (\$)	Coupon (%)	Call Date	Call Price	Refunding Yield (%)	NPV Savings Discounted at Arbitrage Yield (\$)	NPV Savings (% of Principal Amount)	Negative Arbitrage in Escrow (\$)	NPV Savings of at least 5.0%?	NPV Savings > Negative Arbitrage?
5	2012 GO Ser B	7/1/2028	1,210,000	5.000	7/1/2025	100.000	1.197	84,668	7.00	61,886	YES	YES
6	2012 GO Ser B	7/1/2029	1,400,000	5.000	7/1/2025	100.000	1.404	120,966	8.64	71,604	YES	YES
	Series Totals:>>		2,610,000					205,635	7.88	133,490		
10	2012 GO Ser D	8/1/2029	3,660,000	4.000	8/1/2025	100.000	1.404	202,423	5.53	184,164	YES	YES
11	2012 GO Ser D	8/1/2030	3,905,000	4.000	8/1/2025	100.000	1.524	263,619	6.75	196,492	YES	YES
12	2012 GO Ser D	8/1/2031	4,165,000	4.000	8/1/2025	100.000	1.624	328,554	7.89	209,574	YES	YES
13	2012 GO Ser D	8/1/2032	4,240,000	4.000	8/1/2025	100.000	1.794	339,518	8.01	213,348	YES	YES
14	2012 GO Ser D	8/1/2033	4,505,000	4.000	8/1/2025	100.000	1.914	378,273	8.40	226,682	YES	YES
15	2012 GO Ser D	8/1/2034	4,785,000	4.000	8/1/2025	100.000	2.044	401,061	8.38	240,771	YES	YES
16	2012 GO Ser D	8/1/2035	5,075,000	4.000	8/1/2025	100.000	2.144	433,370	8.54	255,363	YES	YES
17	2012 GO Ser D	8/1/2036	5,380,000	3.250	8/1/2023	100.000	2.244	376,339	7.00	161,904	YES	YES
18	2012 GO Ser D	8/1/2037	5,655,000	3.250	8/1/2023	100.000	2.344	356,860	6.31	170,180	YES	YES
19	2012 GO Ser D	8/1/2038	6,310,000	3.250	8/1/2023	100.000	2.424	364,127	5.77	189,892	YES	YES
	Series Totals:>>		47,680,000					3,444,144	7.22	2,048,370		
21	2013 GO Refi	8/1/2027	3,455,000	3.000	8/1/2023	100.000	1.047	190,735	5.52	103,659	YES	YES
22	2013 GO Refi	8/1/2028	3,745,000	3.125	8/1/2023	100.000	1.197	260,421	6.95	112,531	YES	YES
	Series Totals:>>		7,200,000					451,156	6.27	216,190		
28	2015 GO Refi	8/1/2031	4,270,000	4.000	8/1/2025	100.000	1.624	319,438	7.48	214,145	YES	YES
30	2015 GO Refi	8/1/2032	4,030,000	4.000	8/1/2025	100.000	1.794	304,045	7.54	202,108	YES	YES
32	2015 GO Refi	8/1/2033	6,000,000	4.000	8/1/2025	100.000	1.914	473,674	7.89	300,906	YES	YES
	Series Totals:>>		14,300,000					1,097,157	7.67	717,159		
	Issue Totals:>>		71,790,000					5,198,092	7.24	3,115,210		

2021 GO Refunding Bonds Transaction – Maturities Not Meeting Both Requirements

- In total, advance refunding these maturities with taxable bonds was inefficient as the negative arbitrage clearly exceeded the NPV savings
- Maturities 1, 2 and 20 met one of the two requirements, including them would have been a judgement call
- The passage of time would have reduced the term of the refunding escrows, and therefore the negative arbitrage
- Waiting for a future tax-exempt advance or current refunding of these maturities may have been the better option

Maturity	Series	Maturity Date	Principal Amount (\$)	Coupon (%)	Call Date	Call Price	Refunding Yield (%)	NPV Savings Discounted at Arbitrage Yield (\$)	NPV Savings (% of Principal Amount)	Negative Arbitrage in Escrow (\$)	NPV Savings of at least 5.0%?	NPV Savings > Negative Arbitrage?
1	2006 GO Ser D	7/1/2024	1,430,000	5.000	7/1/2023	100.000	0.396	54,081	3.78	43,096	NO	YES
2	2006 GO Ser D	7/1/2025	1,600,000	3.500	7/1/2023	100.000	0.669	69,648	4.35	47,388	NO	YES
	Series Totals:>>		3,030,000					123,729	4.08	90,484		
3	2012 GO Ser B	7/1/2026	870,000	5.000	7/1/2025	100.000	0.849	16,450	1.89	44,497	NO	NO
4	2012 GO Ser B	7/1/2027	1,035,000	5.000	7/1/2025	100.000	1.047	46,111	4.46	52,936	NO	NO
	Series Totals:>>		1,905,000					62,560	3.28	97,433		
7	2012 GO Ser D	8/1/2026	3,165,000	4.000	8/1/2025	100.000	0.849	39,342	1.24	159,256	NO	NO
8	2012 GO Ser D	8/1/2027	3,410,000	4.000	8/1/2025	100.000	1.047	103,022	3.02	171,584	NO	NO
9	2012 GO Ser D	8/1/2028	3,415,000	4.000	8/1/2025	100.000	1.197	160,035	4.69	171,836	NO	NO
	Series Totals:>>		9,990,000					302,399	3.03	502,676		
20	2013 GO Refi	8/1/2024	2,515,000	5.000	8/1/2023	100.000	0.396	92,516	3.68	77,288	NO	YES
	Series Totals:>>		2,515,000					92,516	3.68	77,288		
23	2015 GO Refi	8/1/2026	3,155,000	5.000	8/1/2025	100.000	0.849	62,850	1.99	161,914	NO	NO
24	2015 GO Refi	8/1/2027	3,400,000	3.000	8/1/2025	100.000	1.047	31,698	0.93	166,539	NO	NO
25	2015 GO Refi	8/1/2028	3,595,000	3.500	8/1/2025	100.000	1.197	109,504	3.05	178,192	NO	NO
26	2015 GO Refi	8/1/2029	3,815,000	3.500	8/1/2025	100.000	1.404	129,822	3.40	189,096	NO	NO
27	2015 GO Refi	8/1/2030	4,040,000	3.500	8/1/2025	100.000	1.524	167,864	4.16	200,249	NO	NO
29	2015 GO Refi	8/1/2032	500,000	3.250	8/1/2025	100.000	1.794	14,497	2.90	24,637	NO	NO
31	2015 GO Refi	8/1/2033	460,000	3.250	8/1/2025	100.000	1.914	12,474	2.71	22,666	NO	NO
33	2015 GO Refi	8/1/2034	345,000	3.500	8/1/2025	100.000	2.044	13,435	3.89	17,100	NO	NO
	Series Totals:>>		19,310,000					542,143	2.81	960,394		
	Issue Totals:>>		36,750,000					1,123,347	3.06	1,728,275		



SMMUSD Financial Oversight Committee Meeting Minutes

Date: Thursday, October 28, 2021

Time: 6:00 pm to 8:00 pm

Location: Zoom

https://drive.google.com/file/d/1_eOV3WnP36b9SwVIHZ_xRoG1kl8MbxSp/view?usp=sharing

I. Call to Order

6:04 pm

<u>Committee Members:</u>	Matthew Crawford	Matthew Covington
	Alex Farivar	Seth Jacobson – <i>arrived @ 6:11 pm</i>
	Michael Kremer	Shawn Landres
	Payal Maniar	Renu Mevasse
	Michael Rotgin	Zoe Pollack, Malibu student rep

<u>Staff:</u>	Melody Canady	Gerardo Cruz
	David Chiang	Bonnie Kung

<u>Absent:</u>	JW Beekman	Jon Kean
	Craig Foster	Keith Coleman
	Denise Rosa, SAMOHI student rep	

<u>Public:</u>	Carlos Diaz, DFA – <i>departed @ 6:35 pm</i>
----------------	--

Staff provided an update regarding Assembly Bill (AB) 361. The FOC may continue to meet virtually as authorized by AB 361 and the resolutions adopted by the Board of Education. The monthly resolutions adopted by the Board of Education covers all the District Advisory Committees and the FOC.

II. Approval of Agenda

6:07 pm

A motion was made by Mr. Kremer and seconded by Mr. Crawford to approve the meeting agenda as amended to defer discussion of Agenda Item V.C. Review of FOC Recommendations on the District’s Debt Policy to a later date.

AYES: Eight (8) (Mr. Covington, Mr. Crawford, Mr. Farivar, Mr. Kremer, Mr. Landres, Ms. Maniar, Ms. Mevasse, Mr. Rotgin)

NOES: None (0)

ABSENT: Two (2) (Mr. Beekman, Mr. Jacobson)

ABSTAIN: None (0)

III. Approval of FOC Meeting Minutes

6:10 pm

A motion was made by Mr. Rotgin and seconded by Ms. Mevasse to approve the September 21, 2021 meeting minutes.

AYES: Eight (8) (Mr. Covington, Mr. Crawford, Mr. Farivar, Mr. Kremer, Mr. Landres, Ms. Maniar, Ms. Mevasse, Mr. Rotgin)

NOES: None (0)

ABSENT: Two (2) (Mr. Beekman, Mr. Jacobson)

ABSTAIN: None (0)

IV. Assistant Superintendent, Business and Fiscal Report: Melody Canady (30 min)

6:11 pm

A. GASB 75 Valuation

Mr. Diaz provided the committee a presentation of the GASB 75 supplemental schedules. As of June 30, 2021, the District's OPEB net liability is \$60.8M, compared to \$52.4M in June 30, 2020. Mr. Diaz explained that the biggest factor for the increase of the liability is the decrease in the municipal bond rates over the past 3 years.

Mr. Cruz clarified that it was an intentional decision for the District to not contribute to the trust due to the structural deficit prior to the COVID-19 funds. He informed the committee that for the 2021-22 fiscal year, the District will likely contribute from Fund 71 per the guidance of the auditors. Mr. Cruz also clarified that the payments outside the trust were the 1.25% payroll deductions from every district employee.

Mr. Diaz explained that the assumptions used are reevaluated at each valuation, using census information to determine any adjustments.

DFA will request the data needed from staff to start the final report.

The presentation and its documents may be found at the following links:

- Presentation: https://drive.google.com/file/d/110_wXx5pKKIYhNM40dnJMP7G96_4K11/view?usp=sharing
- Documents: <https://drive.google.com/file/d/1XqaOIFYxFrIr69M0wy9XENM6W00aMEh2/view?usp=sharing>

V. Discussion/Action Items

6:35 pm

A. Conflict of Interest Pledge

The conflict of interest pledge is an annual document that must be signed by all members. The pledge will be circulated for member signatures and will be electronically provided to all members after all members have signed the pledge.

6:35 pm

B. Update Refunding Bonds

Ms. Canady provided a brief update on the 2021 Refunding General Obligation Bonds.

The committee asked for clarification regarding the District's decision to proceed with taxable refunding rather than waiting for the approval of tax-exempt advanced refunding. Ms. Canady stated that the staff made the decision to move forward based on the rates at the time. Mr. Kremer inquired if a comparison of taxable vs tax-exempt refunding options was provided to

the District before the sale. Ms. Canady responded that said analysis was provided to her before the bond sale.

The committee requested the following information:

- Financing cost broken out by vendor
- Negative arbitrage of each series refunded
- Comparison of the tax-exempt vs. taxable funding for the refunding bonds

The Post-Pricing Book for the 2021 Refunding General Obligations Bonds may be found at: <https://www.smmusd.org/cms/lib/CA50000164/Centricity/Domain/300/FinReports/Post-PricingBook2021RefundGOBonds090121.pdf>

C. Review of FOC Recommendations on the District's Debt Policy

This item was amended from the agenda. The Bond Oversight subcommittee will meet with staff and board liaisons, and provide an update to the FOC at a later meeting.

6:50 pm

D. Update on Nominations

Ms. Maniar reported that the members for the Nominations subcommittee have been established. They will reach out to the active applicants from last spring and will provide the committee with updates at the next meeting.

6:52 pm

E. Future Meetings Dates

Due to scheduling conflicts, the December 2, 2021 meeting has been moved to December 7, 2021. In order to allow sufficient time for staff to prepare the financial reports, the May 11, 2022 meeting has been moved to May 24, 2022. Staff will meet with the Budget Recommendations subcommittee prior to presenting the reports to the Board. The reports will be presented to the FOC at the meeting following the Board presentation.

A copy of the meeting calendar may be found at the end of these minutes.

VI. Ad hoc Subcommittee Report

6:55 pm

A. Budget Recommendations: *Mr. Jacobson, Mr. Covington, Mr. Beekman, Mr. Rotgin*

Mr. Jacobson is the Chair of this subcommittee. The subcommittee plans to meet in the upcoming week. They will provide updates at the next meeting.

B. Tax Revenue and Assessed Valuation: *Mr. Farivar, Mr. Crawford, Mr. Kremer, Mr. Beekman*

Mr. Farivar is the Chair of this subcommittee and Mr. Beekman joined the subcommittee. The subcommittee plans to meet in the upcoming weeks.

C. Bond Oversight: *Mr. Kremer, Mr. Crawford, Ms. Mevasse, Mr. Rotgin*

Mr. Kremer is the Chair of this subcommittee. The subcommittee will try to coordinate a meeting before the discussion with the board liaisons and staff to discuss the Debt Policy.

D. Measure R Reporting and Process Review: *Mr. Crawford, Mr. Landres, Ms. Maniar*

Mr. Crawford is the Chair of this subcommittee. The subcommittee met to discuss the scope and initial thoughts of the subcommittee. They discussed their starting strategy and is working to schedule time with staff.

E. Financial Communication and Reporting Subcommittee: *Mr. Landres, Ms. Maniar, Ms. Mevasse, Mr. Jacobson*

Mr. Landres is the Chair of this subcommittee. With the overlap of members in the Measure R subcommittee and its limited timeframe, a decision was made to focus on Measure R. Once it is completed, the subcommittee will focus on financial communications.

F. Nomination: *Mr. Covington, Mr. Kremer, Ms. Maniar, Mr. Farivar*

Mr. Covington is the Chair of this subcommittee and Mr. Farivar joined the subcommittee. Staff will provide the subcommittee with the applications from last spring. The subcommittee will proceed with interviews and make recommendations at the next meeting.

VII. Receive and File (Limited Discussion)

7:01 pm

A. Board of Education Agenda Item II.K.2. Clarification of Financial Oversight Committee (FOC) Charges for 2021-22: October 7, 2021

B. Senior Exemptions from Measure R Parcel Tax

https://drive.google.com/file/d/1EgtCd1eFUgKv0e_e1LLb869TjPfnvnDR/view?usp=sharing

VIII. Public Comments None

IX. Committee Comments

7:03 pm

Mr. Landres inquired about the Board of Education's plans to return to in-person meetings and the possibility of the FOC making its own findings, if needed, to continue meeting virtually in compliance with AB 361. The committee discussed the importance of accessibility for public comments as live public comments may be given during the meetings per the stipulations of AB 361. The link to provide public comment is available on the agenda.

X. Next Meeting: Tuesday, December 7, 2021

XI. Adjournment: The meeting adjourned at 7:07 p.m.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

2021-2022 District Calendar

Approved by the Board of Education: 11/21/19

July 2021				
M	T	W	Th	F
5	6	7	8	9
12	13	14	15*	16
19	20	21	22	23
26	27	28	29	30

August 2021				
M	T	W	Th	F
2	3	4	5	6
9	10	11	12	13
16	17	18	19	20
23	24	25	26	27
30	31			

September 2021				
M	T	W	Th	F
6	7	8	9*	10
13	14	15	16	17
20	21	22	23	24
27	28	29	30	

October 2021				
M	T	W	Th	F
				1
4	5	6	7	8
11	12	13	14	15
18	19	20	21	22
25	26	27	28	29

November 2021				
M	T	W	Th	F
1	2	3	4	5
8	9	10	11	12
15	16	17	18	19
22	23	24	25	26
29	30			

December 2021				
M	T	W	Th	F
		1	2**	3
6	7	8	9	10
13	14	15	16	17
20	21	22	23	24
27	28	29	30	31

January 2022				
M	T	W	Th	F
3	4	5	6	7
10	11	12	13	14
17	18	19	20	21
24	25	26	27	28
31				

February 2022				
M	T	W	Th	F
	1	2	3	4
7	8	9	10	11
14	15	16	17	18
21	22	23	24	25
28				

March 2022				
M	T	W	Th	F
	1	2	3	4
7	8	9	10**	11
14	15	16	17	18
21	22	23	24*	25
28	29	30	31	

April 2022				
M	T	W	Th	F
				1
4	5	6	7	8
11	12	13	14	15
18	19	20	21	22
25	26	27	28	29

May 2022				
M	T	W	Th	F
2	3	4	5	6
9	10	11	12*	13
16	17	18	19	20
23	24	25	26	27
30	31			

June 2022				
M	T	W	Th	F
		1	2	3
6	7	8	9	10
13	14	15	16	17
20	21	22	23	24
27	28	29	30	

Legend:

- = First/Last Day of School
- = Legal Holiday
- ▤ = Local Holiday (schools/offices closed)
- ▨ = School Recess (classes not in session)
- △ = Pupil Free Days (no school for students)
- ▴ = Elem. Pupil Free Day (no school -elem students)
- ▾ = Sec. Pupil Free Day (no school -sec students)
- ◊ = Certificated Staff Development Day

Employee Work Dates:

Sept. 1, 2021-June 30, 2022:* Classified 11-Month
 *must work 22 days in July/August, 2021

Aug. 5, 2021-June 21, 2022: Classified 10 +10
 Aug.12, 2021-June 14, 2022: Classified 10-Month
 Aug. 16, 2021-June 9, 2022: Certificated/184 Days
 Aug. 17, 2021-June 9, 2022 Certif-CDS/183 Days
 Aug. 18, 2021-June 9, 2022: Classified School Year



Board Meeting Dates

FOC Meeting Dates at District Office
 *Joint Meeting w/ the Board
 **Meeting held at Malibu City Hall - Multi-purpose Room

First Day of Instruction:
 - Thursday, August 19, 2021

Last Day of Instruction:
 - Thursday, June 9, 2022

Certificated Staff Development Days:
 (No Students)
 - Monday, August 16, 2021
 - Tuesday, August 17, 2021

HOLIDAYS:

July 5: 4th of July Holiday
 Sept. 6: Labor Day Holiday
 Sept. 7: Local Holiday
 Sept. 16: Local Holiday
 Nov. 11: Veteran's Day Holiday
 Nov. 25: Thanksgiving Holiday
 Nov. 26: Legal Holiday (Admissions Day observd)
 Dec. 23, 24: Winter Holidays
 Dec. 30, 31: New Years Holidays
 Jan 17: Martin Luther King Jr. Holiday
 Feb. 21: Washington's Birthday Holiday
 Apr. 8: Local Holiday
 Apr. 15: Legal Holiday (Lincoln's B'day observd)
 May 30: Memorial Day Holiday

SCHOOL RECESSES:

Nov. 24: Thanksgiving Recess Day
 Dec. 20 - Dec. 31: Winter Recess
 Apr. 4 - Apr. 15: Spring Recess

PUPIL-FREE DAYS:

Aug. 16: All Students
 Aug. 17: All Students
 Aug. 18: All Students
 Nov. 2: Elementary Students Only
 Jan. 3: Secondary Students Only

MINIMUM DAYS:

TK/K: Aug. 19, 20, 24, Nov. 3, 4, 5, Dec. 17, Mar. 31, June 9 + 1 discretionary

Elementary: Aug. 19, 24, 31, Nov. 3, 4, 5, Dec. 17, Mar. 31, June 9 + 1 discretionary

Santa Monica Middle Schools: Sept. 9, Dec. 17, Apr. 1, May 12, June 8, 9 + 4 discretionary

Malibu MS/HS: Sept. 9, 23, Dec. 15, 16, Mar. 24, May 12, June 6, 7, 8, 9

Samohi: Sept. 23, Dec. 14, 15, 16, 17, Mar. 24, June 3, 6, 7, 8

Olympic HS: Sept. 23, Mar. 24, June 1, 2, 3, 6, 7, 8, 9 + 1 discretionary

Teacher Work Days: 184
 Student Days: 180

1st Semester: Aug. 19 - Dec. 17 (80 days)
 2nd Semester: Jan. 4 - June 9 (100 days)

Back to School Nights:

Tues. Aug. 24 - Elementary TK-2
 Tues. Aug. 31 - Elementary 3-5
Thurs. Sept. 9 - Middle Schools*
 Thurs. Sept. 23 - High Schools

Open House Nights:

Thurs. Mar. 24 - High Schools*
 Thurs. Mar. 31 - Elementary*
 Thurs. May 12 - Middle Schools*

Promotions/Graduations:

Thurs. June 2 - Olympic HS 5:30 pm
 Tues. June 7 - Elementary
 Wed. June 8 - MHS 2:00 pm
 - Samohi 5:30 pm
 Thurs. June 9 - Middle School

Parent Conference Days (TK-5):
 Nov. 2 - Nov. 5, 2021

Testing Dates:

CAASPP (11): Mar. 1 - May 20, 2022
 CAASPP (3-8): Apr. 18 - May 20, 2022
 AP Testing: May 2 - May 13, 2022

TK/Kindergarten Roundup:
 Thurs. Jan. 27, 2022

Final Exams:

Malibu MS/HS: Dec. 15 - 17, 2021;
 June 6, 7, 8, 2022
 Samohi: Dec. 14 - 17, 2021;
 June 3, 6, 7, 8, 2022

Summer School:

IISS: June 20 - July 15, 2022
 Credit Recovery: June 20 - Jul 22, 2022
 ESY: June 20 - July 15, 2022

TK-5 Grading Periods:

Conference: Nov. 2, 2021
 Winter Grading: Feb. 4, 2022
 Spring Grading: June 9, 2022

6-12 Grading Periods

Aug. 19 - Oct. 1, 2021
 Oct. 4 - Nov. 12, 2021
 Nov. 15 - Dec. 17, 2021
 Jan. 4 - Feb. 18, 2022
 Feb. 22 - April 22, 2022
 April 25 - June 9, 2022

ITEM : II.K.2. Clarification of Financial Oversight Committee (FOC) Charges for 2021-22 

Rationale

At the July 15, 2021, joint session meeting, the FOC presented its annual end-of-year report and proposed charges for 2021-22, including the addition of a Financial Communication and Reporting Subcommittee. On August 12, 2021, the Board of Education approved those charges.

At its September 21, 2021, meeting, the FOC discussed Financial Communication and Reporting Subcommittee charge and made clarifications to the charge. While these changes do not require board approval, they are appearing as an Information Item on tonight's agenda for transparency purposes. Attachment 1 shows the clarifying language in highlight on page 4; attachment 2 shows the clarifying language in highlight on slide 17.

Supporting Documents

[100721 Clarification FOC Charges attach 2](#)

[100721 Clarification FOC Charges attach 1](#)