



## SMMUSD Financial Oversight Committee Minutes

Date: Tuesday, May 7, 2019

Time: 7:00 pm to 9:00 pm

Location: Testing Room, SMMUSD Admin Offices  
1651 16th Street, Santa Monica, CA 90404

### I. Call to Order

7:04 pm

Committee Members: Alex Farivar

Joan Krenik arrived @ 7:18p.m.

~~Shawn Landres~~

Gordon Lee

Marc Levis-Fitzgerald

Debbie Mulvaney

Seth Jacobson

Michael Kremer departed @ 8:03p.m.

Tom Larmore

Shelly Slaugh Nahass

Payal Maniar

Staff:

Ben Drati arrived @ 7:14p.m. and departed @ 8:32p.m.

Melody Canady

Kim Nguyen

Gerardo Cruz

Board Liaison:

Craig Foster

Absent:

Jon Kean

Laurie Lieberman

**Shawn Landres**

Public:

Shin Green, Eastshore Consulting departed @ 8:30p.m.

Annette Yee, Montague DeRose and Associates by phone until 8:25p.m.

Nikki Kolhoff

Lydia Muriro

DeAnne Ozalei

M. Rushfifud

~~Anna~~ **Ann** Thanawalla

### II. Approval of FOC Meeting Minutes

7:05 pm

A motion was made by Mr. Levis-Fitzgerald and seconded by Mr. Larmore to approve the March 12, 2019 meeting minutes.

AYES: ~~Ten (10)~~ **Nine (9)** (Mr. Farivar, Mr. Jacobson, Mr. Kremer, ~~Mr. Landres~~, Mr. Larmore, Mr. Lee, Mr. Levis-Fitzgerald, Ms. Maniar, Ms. Mulvaney, Ms. Slaugh Nahass)

STUDENT ADVISORY VOTE: None (0)

NOES: None (0)

ABSENT: ~~One (1)~~ **Two (2)** (Ms. Krenik, **Mr. Landres**)

ABSTAIN: None (0)

### **III. Staff Report: Assistant Superintendent, Business and Fiscal Services Melody Canady**

7:06 pm

#### **A. TRANs 101 (Annette Yee, Montague DeRose and Associates)**

Mr. Kremer disclosed to the committee that he is working on the Pooled TRANs of which SMMUSD will be one of up to 12 district borrowers. His colleague, Ms. Yee, is interfacing with SMMUSD because of his role on the FOC.

Ms. Yee joined by the meeting by teleconference. She provided the committee an overview of Tax and Revenue Anticipation Notes (TRANs). The purpose of TRANs is a short-term cash management tool to even out monthly general fund cash flow or cover temporary deficits. TRANs do not offset year-end cash deficits. Cash flow worksheets must clearly show the District's ability to repay TRAN principal and interest on the set-aside date and TRAN maturity. It takes approximately 2-3 months lead-time to issue TRANs. The committee requested that Ms. Yee look at the district's cash flow and see if the district can be in its own pool. The committee also requested that district underwriters look at 9 months vs. 12 months pros and cons analysis and cost difference.

Ms. Yee's presentation may be found at the end of these minutes.

7:43 pm

#### **B. Basic Aid 101 (Superintendent Ben Drati / Shin Green, Eastshore Consulting)**

Mr. Green provided the committee with a truncated version of the Basic Aid presentation made at the March 7, 2019 Board of Education meeting.

Mr. Green's presentation may be found at: <http://www.smmusd.org/fiscal/BudgetDocs/BasicAid-030719.pdf>.

8:25 pm

#### **C. Update on ERAF status and negotiations with LACOE and/or the Auditor/Controller**

Ms. Canady informed the committee of her discussions with LACOE and Los Angeles County Auditor/Controller. The District's attorneys have made requests via public record request (PRA). Both agencies responded that additional time was necessary to answer the PRA. LACOE provided a response date of May 13, 2019 and the Auditor/Controller provided a date of May 24, 2019. A copy of the County's response may be found at the end of these minutes.

#### IV. Discussion/Action Items

7:05 pm

##### A. Nominating Subcommittee Recommendation for Committee membership effective July 1, 2019.

Ms. Slaugh Nahass reported that the subcommittee received and interviewed (9) nine applicants and are recommending Matthew Crawford and Matthew Covington to be appointed by the Board to serve on the FOC commencing July 1, 2019. The applications and resume of Mr. Crawford and Mr. Covington will be emailed to the full committee.

A motion was made by Ms. Slaugh Nahass and seconded by Mr. Larmore to recommend Matthew Crawford and Matthew Covington to the Board of Education to serve on the Financial Oversight Committee.

AYES: ~~Ten (10)~~ **Nine (9)** (Mr. Farivar, Mr. Jacobson, Mr. Kremer, ~~Mr. Landres~~, Mr. Larmore, Mr. Lee, Mr. Levis-Fitzgerald, Ms. Maniar, Ms. Mulvaney, Ms. Slaugh Nahass)

STUDENT ADVISORY VOTE: None (0)

NOES: None (0)

ABSENT: ~~One (1)~~ **Two (2)** (Ms. Krenik, **Mr. Landres**)

ABSTAIN: None (0)

8:29 pm

##### B. District Budget Subcommittee Reconfiguring / Membership

Ms. Mulvaney summarized the district budget subcommittee reconfiguration to include three tasks: ongoing relationship with the Cities of Malibu and Santa Monica, calculation of redevelopment agency (RDA) funds and calculation of education revenue augmentation fund (ERAF). Subcommittee membership will be determined at the September 12, 2019 FOC meeting.

8:32 pm

##### C. Committee report to the Board of Education on July 18, 2019

Each subcommittee will submit their respective draft report for committee member input and review prior to the June 13, 2019 FOC meeting. Each subcommittee report will be collectively submitted as one full committee report to the Board of Education. It was discussed that all subcommittees be continued with the reconfiguration of District Budget to three parts as reported in Agenda IV. B. District Budget Subcommittee Reconfiguring / Membership.

8:36 pm

##### D. Mandates for 2019-20

The committee discussed potential mandates for 2019-20 to include workforce housing and looking at other models utilized by other school districts.

8:38 pm

##### E. Chair and Vice Chair nomination for 2019-20

Ms. Mulvaney asked committee members to express their interest in serving as Chair or Vice Chair in 2019-20 before the June 13, 2019 FOC meeting. Mr. Jacobson is willing to serve as Chair and Mr. Kremer as Vice Chair.

**V. Receive and File (Limited Discussion)**

8:40 pm

- A. School Services of California Fiscal Report “2018-19 First Interim Report Negative and Qualified Certifications” for publication date: March 22, 2019 Volume 39 No. 6
- B. “Big California School District woes may be tip of the iceberg” by Keeley Webster Published March 14, 2019
- C. April 1, 2019 email re: *Board of Education Adopts Sustainability Plan to Guide District Conservation Efforts*

**VI. Public / Committee Comments**

8:40 pm

~~Nicky~~ **Nikki** Kolhoff addressed the committee regarding Agenda Item IV. A. - Nominating Subcommittee Recommendation for Committee membership effective July 1, 2019.

~~Anne~~ **Ann** Thanawalla addressed the committee regarding Agenda Item VI. - Public / Committee Comments and Agenda Item IV. A. - Nominating Subcommittee Recommendation for Committee membership effective July 1, 2019.

**VII. Next Meeting:** Thursday, June 13, 2019

**VIII. Adjournment:** The meeting adjourned at 8:47 p.m.





# Santa Monica-Malibu Unified School District Finance Oversight Committee

*Introduction to TRANs – May 7, 2019*





## Tax and Revenue Anticipation Notes (TRANs)

- Purpose: short term cash management tool
- Characteristics:
  - Even out monthly General Fund cash-flow or cover temporary deficits
  - TRANs do not offset year-end cash deficits
  - Cash flow worksheets must clearly show the District's ability to repay TRAN principal and interest on the set-aside date and TRAN maturity
  - Approximately 2-3 Months Lead Time to Issue TRANs





# Summary of Beverly Hills USD 2018 – 19 LACOE TRAns

Los Angeles County Schools Pooled Financing Program  
2018-19 Pooled Tax and Revenue Anticipation Notes, Series A  
District Financing Summary

Beverly Hills Unified School District		Note Amount: \$ 12,925,000		Series: A-1		S&P Rating: SP-1+			
<b>1. Key Dates</b>		<b>4. Projected Cash Deficit</b>		<b>6. TRAN Net Proceeds</b>					
Pricing	08/15/18	Issuer Status	Large Issuer	Principal	\$ 12,925,000.00				
Delivery	08/29/18	Projected Deficit	\$ 10,879,069	Original Issue Premium	240,146.50				
First Set-Aside	01/31/19	Deficit Target	\$ 9,442,584	Underwriter's Discount	(18,095.00)				
Last Set-Aside	05/31/19	Deficit Period	mid December	Costs of Issuance	(29,373.01)				
Maturity	06/03/19	Deficit Target Date	02/27/19	Net Proceeds	\$ 13,117,678.49				
<b>2. Set-Asides</b>		<b>5. Interest Cost Calculations</b>		<b>7. Projected Gain (Loss) from TRAN</b>					
First Month	01/31/19	Interest Due	\$ 393,494.44	Original Issue Premium	\$ 240,146.50				
First Amount	\$ 6,462,500.00	Principal and Interest	13,318,494.44	Underwriter's Discount	(18,095.00)				
Final Month	05/31/19	True Interest Cost	1.710%	Costs of Issuance	(29,373.01)				
Final Amount	\$ 6,855,994.44	All-in True Interest Cost	2.006%	Interest Due	(393,494.44)				
<b>3. Pricing</b>				Projected Interest Earned	170,601.89				
Term (Days 360)	274			Projected Gain (Loss)	\$ (30,214.06)				
Coupon	4.00%								
Yield	1.53%								
Price	101.858								
	Beginning			Balance Sheet	Ending		Adjusted	Invested	Interest
Period	Cash Balance	Revenues	Expenditures	Transactions	Cash Balance	TRAN Activity	Ending Cash Balance	TRAN Balance	Earnings @ 1.87% (1)
July, 2018	\$ 12,054,920	\$ 629,746	\$ 1,049,110	\$ (4,301,165)	\$ 7,334,392		\$ 7,334,392		
August, 2018	7,334,392	2,156,352	1,907,928	(1,361,761)	6,221,055	\$ 13,117,678	19,338,733	\$ 13,117,678	\$ 1,344
September, 2018	6,221,055	3,052,443	5,319,975	562,074	4,515,598	-	17,633,276	13,117,678	20,162
October, 2018	4,515,598	488,922	5,981,848	122,723	(854,606)	-	12,263,073	13,117,678	20,834
Nov 1-16, 2018	(854,606)	-	5,370,905	181,376	(6,044,135)	-	7,073,544	9,668,308	7,925
Nov 17-30, 2018	(6,044,135)	943,558	889,034	(20,173)	(6,009,784)	-	7,107,894	7,090,719	5,086
Dec 1-20, 2018	(6,009,784)	-	5,239,259	369,974	(10,879,069)	-	2,238,609	4,673,252	4,788
Dec 21-31, 2018	(10,879,069)	23,134,334	1,085,489	(81,139)	11,088,637	-	24,206,316	13,117,678	7,393
January, 2019	11,088,637	5,565,918	6,752,900	(18,570)	9,883,085	(6,462,500)	16,538,263	13,117,678	20,834
February, 2019	9,883,085	3,376,892	5,921,028	357,090	7,696,038	-	14,351,217	13,117,678	18,818
March, 2019	7,696,038	2,715,619	6,097,656	338,753	4,652,754	-	11,307,933	12,829,575	20,376
April, 2019	4,652,754	14,528,587	6,420,970	284,526	13,044,898	-	19,700,076	13,117,678	20,162
May, 2019	13,044,898	7,984,836	6,240,030	(7,015)	14,782,689	(6,855,994)	14,581,873	13,117,678	20,834
June, 2019	14,782,689	5,325,760	13,285,613	4,215,339	11,038,175	-	10,837,359	13,318,494	2,047
		\$ 69,902,966	\$ 71,561,744	\$ 642,032		\$ (200,816)			\$ 170,602

(1) LA County's Treasury Pool Allocation Rate for June 2018. No interest compounding.



# Set-Aside Payment Schedule and Maturity Dates

**Summary of Set-Aside Payment Schedule and Maturity Dates**  
**Los Angeles County Schools Pooled Financing Program**  
**2018-19 Series A Tax and Revenue Anticipation Notes**

Participant	Series	Note Amount	First Set-Aside		Final Set-Aside		Maturity		Other Information		Net Interest Cost
			Date	Amount	Date	Amount (1)	Date	Amount (1)	Interest (1)	TRAN Deposit	
Beverly Hills Unified School District	A-1	12,925,000	01/31/2019	6,462,500	05/31/2019	6,855,994.44	06/03/2019	13,318,494.44	393,494.44	13,117,678.49	200,815.95
Manhattan Beach Unified School District	A-1	6,000,000	01/31/2019	3,000,000	05/31/2019	3,182,666.67	06/03/2019	6,182,666.67	182,666.67	6,083,650.22	99,016.45
Palos Verdes Peninsula Unified School District	A-1	5,000,000	01/31/2019	2,500,000	05/31/2019	2,652,222.22	06/03/2019	5,152,222.22	152,222.22	5,067,901.80	84,320.42
Redondo Beach Unified School District	A-1	5,540,000	01/31/2019	2,770,000	05/31/2019	2,938,662.22	06/03/2019	5,708,662.22	168,662.22	5,616,399.89	92,262.33
Acton-Agua Dulce Unified School District	A-2	800,000	01/31/2019	400,000	05/31/2019	424,355.56	06/03/2019	824,355.56	24,355.56	801,646.06	22,709.50
Burbank Unified School District	A-2	16,635,000	01/31/2019	8,317,500	05/31/2019	8,823,943.33	06/03/2019	17,141,443.33	506,443.33	16,883,427.63	258,015.70
Hawthorne School District	A-2	9,615,000	01/31/2019	4,807,500	05/31/2019	5,100,223.33	06/03/2019	9,907,723.33	292,723.33	9,754,026.79	153,696.54
Duarte Unified School District	A-3	4,000,000	01/31/2019	2,000,000	06/21/2019	2,134,222.22	07/01/2019	4,134,222.22	134,222.22	4,057,953.39	76,268.83
Lennox School District	A-4	7,325,000	04/30/2019	3,662,500	06/21/2019	3,908,294.44	07/01/2019	7,570,794.44	245,794.44	7,414,268.93	156,525.51
		<u>67,840,000</u>		<u>33,920,000</u>		<u>36,020,584.43</u>		<u>69,940,584.43</u>	<u>2,100,584.43</u>	<u>68,796,953.20</u>	<u>1,143,631.23</u>

(1) Interest calculated at coupon rate of 4.00%





# Benefits of LACOE Pool

## Top four (4) reasons to use LACOE

1

Pre-selected financing team; serving since 1985

2

Widely recognized pooled financing program

3

Greater issue size, county intercept, name recognition attracts more investors and thus lowers interest cost

4

Pooling of issuers results in economies of scale which lowers upfront financing costs



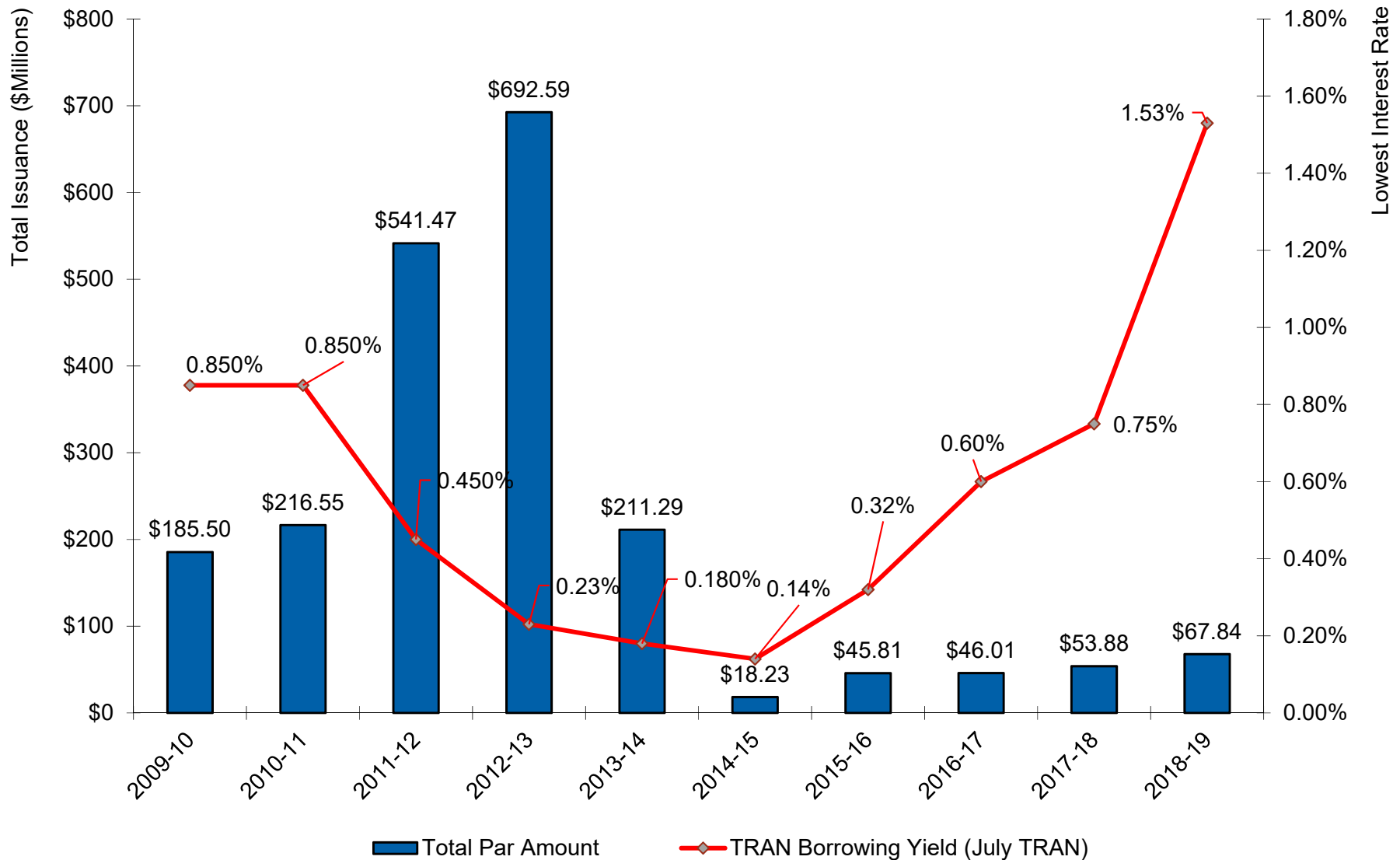
# LACOE TRANS are Cost Effective for Issuers

Fiscal Year	Issuer	Par Amount	Issuance Cost	% Issuance Cost of Par	Yield %
2018 - 19	<i>LACOE Pool</i>	<i>\$67,840,000</i>	<i>\$284,114</i>	<i>0.42%</i>	<i>1.53%</i>
	Cal Ed Notes	18,825,000	119,666	0.64	1.60
	CSBA Pool	128,578,669	511,328	0.40	1.60
	SD County Pool	66,635,000	247,322	0.37	1.53
2017 - 18	<i>LACOE Pool</i>	<i>\$53,880,000</i>	<i>\$256,175</i>	<i>0.48%</i>	<i>0.75%</i>
	Cal Ed Notes	16,700,000	106,175	0.64	0.90
	CSBA Pool	152,342,214	581,669	0.38	0.93
	SD County Pool	55,770,000	278,063	0.50	0.80
2016 - 17	<i>LACOE Pool</i>	<i>\$46,010,000</i>	<i>\$214,026</i>	<i>0.47%</i>	<i>0.60%</i>
	Cal Ed Notes	27,285,000	129,703	0.48	0.70
	CSBA Pool	178,627,026	629,731	0.35	0.60
	SD County Pool	36,270,000	235,410	0.65	0.61



# TRANS Performance over the Past Decade

## LACOE TRANS Program Issuance Size and Interest Rate Performance





# Pooled Financing Program Contacts

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## Program Coordinators:

**Keith Crafton**, *Director* - (562) 922-6110

**Gerald Yarbrough**, *Coordinator* - (562) 922-6122



**Los Angeles County  
Office of Education**

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## Municipal Advisor:

**Annette Yee**, *Managing Director* - (831) 626-4524

**Mike Kremer**, *Managing Director* - (805) 728-1958



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## Underwriters:

**Rod Carter**, *Managing Director* - (213) 362-4133

**Christen Villalobos**, *Director* - (213) 362-3950

**Erica Gonzalez**, *Managing Dir.* - (415) 364-6841

**Roberto Ruiz**, *Director* - (415) 364-6856



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**STIFEL**

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## Bond Counsel:

**Arto Becker**, *Esq.* - (213) 236-9050



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## Disclosure Counsel:

**Ann La Morena Rohlin**, *Esq.* - (213) 892-9327

**Jonathan Guz**, *Esq.* - (213) 892-9304





# Upcoming TRANs Schedule

2019-2020 Schedule	
Dates	Description
3/25 – 6/28	Distribute Resolutions to Interested Districts
5/6 – 5/17	Distribute Cash Flow Template and Standard & Poor's (S&P) Questionnaire
5/10	May Revise released by Governor
5/20	LACOE provides preliminary overview of May Revise budget assumptions and S&P provides update to rating questionnaire
By 5/31	District submits cash flows and ratings questionnaire
By 7/12	District adopts TRAN resolution
7/24	Credit Ratings received
8/14	Pricing
8/28	Closing and Delivery of Funds





COUNTY OF LOS ANGELES  
OFFICE OF THE COUNTY COUNSEL

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LOS ANGELES, CALIFORNIA 90012-2713

MARY C. WICKHAM  
County Counsel

April 29, 2019

VIA E-MAIL AND U.S. MAIL

Stephen R. Onstot  
3880 Lemon Street, Suite 520  
Riverside, California 92501  
[sonstot@awattorneys.com](mailto:sonstot@awattorneys.com)

**Re: Public Records Act Request**

Dear Mr. Onstot:

This letter responds to your April 17, 2019, request for public records, pursuant to the California Public Records Act, Government Code section 6250, et seq. ("CPRA"), directed to the Los Angeles County Auditor-Controller's office. Your CPRA request was forwarded to me for response. Specifically, your request seeks eight categories of records relating to "the allocation of \$8,861,301.26 to the Education Revenue Augmentation Fund ("ERAF") for the Santa Monica-Malibu Unified School District for 2018-2019...".

Please be advised that, pursuant to Government Code section 6253(c), additional time is needed to respond to your CPRA request due to unusual circumstances. Such unusual circumstances includes the need to search for, collect, and appropriately examine records potentially responsive to the subject matter of your request.

We expect to provide you with a determination on or before May 13, 2019, as to whether or not we are able to identify any disclosable public records responsive to the terms of your request.

Very truly yours,

MARY C. WICKHAM  
County Counsel

By   
MICHAEL S. BUENNAGEL  
Deputy County Counsel  
Government Services Division

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MSB:eb

# *The* FISCAL REPORT *an informational update*

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Volume 39 For Publication Date: March 22, 2019 No. 6  
**2018-19 First Interim Report Negative and Qualified Certifications**

The California Department of Education (CDE) recently released the results of the 2018-19 First Interim reporting by local educational agencies (LEAs). The number of negative and qualified certifications slightly increased at First Interim—up to 47 LEAs certified as qualified or negative from 46 LEAs a year ago at the 2017-18 First Interim reporting period. Five LEAs are on the negative certification list, one more than last year, and 42 LEAs are certified as qualified, the same number as in 2017-18.

The number of LEAs with a negative certification is most likely due to a slowdown of revenues due to full implementation of the Local Control Funding Formula in 2018-19 and low cost-of-living adjustment estimates by the state in future years.

The CDE does not have information to determine whether a school district has self-certified as qualified or negative or if the applicable oversight agency required the LEA to lower its certification. LEAs that have self-certified as qualified or negative should be taking the necessary steps to provide public notice acknowledging the pending fiscal challenges and the measures they will take to resolve projected financial problems. The classifications come from the LEAs' certified budgets in December 2018, which cover the period ending October 31. As a result of the time lag, some LEAs may have already made budget adjustments to change their financial condition of negative or qualified status.

## **Negative Certification**

A negative certification is assigned to a school district or county office of education when it is determined that, based upon current projections, the LEA will not meet its financial obligations for fiscal year 2018-19 or 2019-20.

Number	County	LEA	Total Budget (in Millions)
1	Amador	Amador County Office of Education	\$13.1
2	Butte	Feather Falls Union Elementary	0.5
3	Kern	Southern Kern Unified	40.9
4	Sacramento	Sacramento City Unified	561.1
5	San Diego	Sweetwater Union High	485.1

## **Qualified Certification**

A qualified certification is assigned to an LEA when it is determined that, based upon current projections, the LEA may not meet its financial obligations for fiscal year 2018-19, 2019-20, or 2020-21.

Number	County	LEA	Total Budget (in Millions)
1	Alameda	Newark Unified	\$67.1

Number	County	LEA	Total Budget (in Millions)
2	Alameda	Oakland Unified	609.8
3	Alameda	Piedmont City Unified	41.3
4	Amador	Amador County Unified	42.1
5	Calaveras	Calaveras Unified	33.1
6	Contra Costa	Pittsburg Unified	86.6
7	El Dorado	Camino Union Elementary	5.7
8	El Dorado	Gold Trail Union Elementary	7.1
9	Humboldt	Klamath-Trinity Joint Unified	23.7
10	Kern	Lost Hills Union Elementary	8.0
11	Kern	North Kern Vocational Training Center	1.5
12	Los Angeles	Burbank Unified	167.6
13	Los Angeles	Duarte Unified	48.0
14	Los Angeles	Glendale Unified	301.5
15	Los Angeles	Inglewood Unified	123.4
16	Los Angeles	Los Angeles Unified	7,389.0
17	Los Angeles	Monrovia Unified	67.9
18	Marin	Larkspur Corte-Madera Elementary	20.9
19	Napa	Pope Valley Union Elementary	1.7
20	Placer	Placer Hills Union Elementary	8.1
21	Riverside	Alvord Unified	242.9
22	Riverside	Coachella Valley Unified	254.9
23	Riverside	Riverside Unified	527.3
24	Sacramento	Robla Elementary	26.4
25	San Bernardino	Yucaipa-Calimesa Joint Unified	99.9
26	San Diego	Bonsall Unified	26.5
27	San Diego	Mountain Empire Unified	23.3
28	San Diego	Oceanside Unified	223.5
29	San Diego	San Ysidro Elementary	62.0
30	San Luis Obispo	Paso Robles Joint Unified	78.5
31	San Mateo	Cabrillo Unified	38.1
32	San Mateo	San Carlos Elementary	39.7
33	Santa Clara	Alum Rock Union Elementary	149.4
34	Santa Clara	Berryessa Union Elementary	83.7
35	Santa Clara	Franklin-McKinley Elementary	101.4
36	Shasta	Cascade Union Elementary	14.7
37	Shasta	Gateway Unified	21.8
38	Solano	Vallejo City Unified	167.2
39	Sonoma	Cotati-Rohnert Park Unified	67.8
40	Sonoma	West Sonoma County Union High	26.1
41	Tulare	Terra Bella Union Elementary	14.6
42	Tuolumne	Curtis Creek Elementary	7.3

Source: CDE

—*Jamie Metcalf*

# Big California school district woes may be tip of the iceberg

By Keeley Webster

Published March 14 2019, 3:45pm EDT

**More in** [School bonds](#), [Public school funding](#), [Los Angeles Unified School District](#), [City of Sacramento, CA](#), [Oakland Unified School District](#), [California](#)

Enrollment pressures and financial stresses aren't limited to California's big school districts.

Recent teachers' strikes in Los Angeles and Oakland underscored the fiscal pressures on those big city districts.

But all of the state's school districts face large scheduled teacher pension contribution increases, limited control over revenues, and relatively low reserves in the face of elevated revenue volatility due to reliance on volatile state funding, said Karen Ribble, a Fitch Ratings senior director. That combines to create a challenging budget environment now, but could cause increasing strain during a recession, Ribble said.



Teachers picket at a Los Angeles school in January. Enrollment and funding pressures are seen in Los Angeles and around California.

Bloomberg News

Teachers also have been demanding salary increases to deal with the surging cost of living in California's urban centers, said Andrew Ward, a Fitch director.

Of the 124 Fitch-rated California school districts, roughly 40% have only adequate gap closing capacity, placing them at a lower-tier investment grade BBB rating level in that credit criteria, analysts wrote in a Jan. 18 report. Fitch analysts wrote that they believe these schools could become stressed in a downturn with a number requiring intervention from the state or their county office of education to balance budgets.

Ward noted that state government and county offices of education can provide assistance using a number of tools, including providing financial expertise, before a district reaches the level of needing a state takeover.



The state has taken over only nine school districts since the state's current structure of aiding financially failing school districts was created through Assembly Bill 1200 in 1991, Ribble said.

Districts with exceptional distress can get a loan from the state, but they have to pay it back and temporarily cede control to a fiscal advisor appointed by the county.

Enrollment declines have occurred at 65% of the state's 1,200 school districts, said Michael Fine, chief executive officer of the state's Fiscal Crisis & Management Assistance Team, an agency that monitors the fiscal health of school districts, investigates fraud, and works with county offices of education to manage troubled school districts.

Oakland's enrollment has dropped to roughly 30,000 from 50,000 over the past two decades and the district has been discussing closing 24 schools, Fine said. Inglewood Unified School District, which has been under state control for several years, saw enrollment drop to 8,000 from 19,000 in 15 years, he said.

S&P downgraded Oakland USD to A from AA-minus in October, placing the ratings on credit watch with negative implications, citing projections of large deficits in coming years. The district has a BBB-plus rating from Fitch and A1 from Moody's. Its teachers struck for seven school days in February.

In the state capital, the teachers' union at Sacramento City Unified School District is in a war of words with administrators as the district faces warnings about insolvency.

The district is projected to run out of cash by November unless steep cuts are made. The state's 10<sup>th</sup> largest school district has 43,000 students on 76 campuses. Its enrollment has remained steady, but it shares LAUSD's issue of having steep other post-employment benefit liabilities through a generous retiree healthcare program.

Sacramento City "entered into a collective bargaining agreement in December 2017 that they could not afford," Fine said. "I am not critical of the labor agreement. It might be the

right the thing for their labor partners, but they knew they could not afford it and needed to make changes to make room for the cost of the agreement, and they did not."

FCMAT's report released in December concluded that SCUSD needed to make \$35 million in cuts by the time it adopted its 2019-20 budget or it would only have three to four months of cash remaining for day-to-day operations.

The Joint Legislative Audit Committee approved a request Wednesday by Assemblymember Kevin McCarty, D-Sacramento for an audit by the California State Auditor to evaluate what landed the district in its current position. According to McCarty's letter, the district not only has to cut \$35 million from the 2019-20 budget, but another \$35 million in 2020-21.

An audit "would help stakeholders better understand the depth and cause of these troubles, as well as what the district can do to improve its financial condition and prevent this from reoccurring in future years," McCarty wrote in his Jan. 18 letter to the committee.

Fitch downgraded some of SCUSD's bonds, but not others, on Feb. 14, depending on whether or not the ratings agency has a legal opinion designating them "pledged special revenues" in a bankruptcy. It downgraded Series 2007 and 2011 general obligation bonds and 2012 GO refunding bonds to BBB-plus from A-plus and Series 2014A lease revenue bonds to BBB from A and gave them a negative outlook but maintained a triple-A rating on the district's series 2017E and Series 2017C GOs with a stable outlook, based solely on the property tax pledge behind them, which is separated from the district's budget..

Moody's Investors Service and S&P rate the district's GOs A2 and BBB, respectively; both have negative outlooks. The district's lease revenue bonds have a BB-plus junk rating from S&P.

SCUSD announced last week it is cutting 33 administrators to help close a \$30 million deficit. The announcement came as it made its second interim financial report to the county office of education, which is monitoring the district.

The county agreed to give the district extra time to submit a cash flow report. District finance officials failed to respond to questions they asked be submitted in writing about how much savings the proposed cuts would bring, what other cuts it might be anticipating and when it planned to provide the county with the overdue financial report.

From 2012 to 2019, LAUSD's K-12 enrollment declined by roughly 100,000 students, continuing a 16-year-long trend in which the district lost about 260,000 students, according to an S&P ratings downgrade report published Monday by analysts Dan Kaplan and Jennifer Hansen. S&P downgraded LAUSD to A-plus from AA-minus citing its structural imbalance, long term trend of declining enrollment and sizeable unfunded other post-employment benefits liability. The district expects to lose another 15,000 students in 2020 and 12,000 students in 2021, according to the report.

LAUSD's board has approved a special election on June 4 asking for a parcel tax that would raise about \$500 million a year. Voters must approve it with a two-thirds supermajority. The district's fiscal advisory team, led by a special financial advisor appointed by the county, has until March 18 to submit a second interim fiscal stabilization plan.

"I would not describe Los Angeles Unified as being on the threshold for state takeover at all," Fine said. "They had a strong budget going into collective bargaining. They have issues as a result of that collective bargaining, but it's not an immediate problem."

He said LAUSD's problems are two years out, but if it doesn't take action now, the school district will have a more serious problem at that point.

Kroll Bond Rating Agency maintained LAUSD's AA-plus rating with a stable outlook following the teachers' January strike, which lasted six school days, though it estimated the union agreement would increase a projected \$350 million deficit in fiscal year 2021 to \$1.08 billion. The district holds an Aa2 rating from Moody's and A issuer default rating from Fitch.

As the second largest school district in the nation, LAUSD has issues that are unique, because it is facing such a significant decline in enrollment and significant legacy costs,

said Alan Gibson, a Fitch director.

The school district faces competition from charter schools on a level not experienced by other districts, said Gibson, in the form of "one of the most competitive charter systems any school district across the country has to deal with."

Some of LAUSD's problems are shared more widely.

"It is facing the same demographic shift we are seeing throughout the California western seaboard resulting from aging populations and affordability issues that are making the area less attractive to younger families," Gibson said.

The Fitch analysts said legislation that has been proposed to cap charter school growth isn't far enough along to be a credit consideration. The legislation doesn't tackle the calls for a moratorium on charter school growth called for by LAUSD and OUSD teachers, both of whom went on strike this fall.

"The main risk to school district budgets and ratings flow from ongoing pension cost pressures, which are likely to continue into the next recession, and the risk that some school district policymakers may fail to cut classroom resources deeply enough to align spending with revenues," Fitch analysts wrote. "Such failures have been relatively rare in California."

Both the California Public Employees' Retirement System and the California State Teachers' Retirement System are in the midst of multiyear efforts to increase their funded ratios and to adapt to reductions in investment return assumptions and longer life spans, Ward said. CalSTRS has more than doubled rates since 2014 to move statutory contribution requirements into better alignment with actuarial needs of the plan. Contributions are scheduled to increase through 2021.

"We are seeing an increased degree of fiscal stress, which is unusual in the tax-supported sector outside of recessions," Ward said. "The stress has yielded some high-profile labor strife and is forcing policymakers to make some very difficult trade-offs. These stresses are

largely confined at this point to districts with declining enrollment and rapidly rising costs of living."

**Keeley Webster**





**From:** Nguyen, Kim  
**To:** ["Craig Foster"](#); ["Debbie Mulvaney"](#); ["Gordon Lee"](#); ["Joan Krenik"](#); [Lieberman \(Ext\), Laurie](#); [Lieberman, Laurie](#); ["Marc Levis-Fitzgerald"](#); ["Seth Jacobson"](#); ["Shelly Slaugh Nahass"](#); ["Tom Larmore"](#); ["Alex Farivar"](#); [Jon Kean](#); ["Shawn Landres"](#); ["mikedkremer@icloud.com"](#); ["Payal S M"](#)  
**Cc:** [Canady, Melody](#); [Upton, Carey](#); [Coster, Caroline](#)  
**Subject:** FW: SMMUSD adopts Sustainability Plan  
**Date:** Monday, April 01, 2019 4:38:00 PM

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Dear Members of the FOC and Board Liaisons:

FYI – Below is an email on behalf of the Facility Improvement Projects department.

*Kim Nguyen*

Santa Monica-Malibu Unified School District  
Business Services  
1651 16th Street  
Santa Monica, CA 90404  
Phone: (310) 450-8338, ext. 70-269  
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**From:** Pinsker, Gail  
**Sent:** Monday, April 01, 2019 3:56 PM  
**To:** Pinsker, Gail <gpinsker@smmusd.org>  
**Subject:** SMMUSD adopts Sustainability Plan

***\*\*Email on behalf of Facility Improvement Projects department\*\****

Dear all SMMUSD staff,

## **Board of Education Adopts Sustainability Plan to Guide District Conservation Efforts**

The Santa Monica-Malibu Unified School District Board of Education has approved the [District Sustainability Plan](#), which provides a strategic roadmap for formalizing and uniting the District's many existing sustainability initiatives and integrates sustainability into student learning and District operations. The plan is organized into eight focus areas:

- **Climate:** Reduce greenhouse gas emissions and protect the local environment.
- **Education and Engagement:** Integrate sustainability education into the curriculum and improve environmental literacy.
- **Energy Efficiency and Renewables:** Install energy efficient systems and use clean, renewable energy.

Water: Conserve water and eliminate water waste in buildings and on landscaping.

- Solid Waste: Reduce, reuse and recycle in classrooms and all school operations.
- Transportation: Convert to environmentally friendly fuels, carpool and walk / bike to schools.
- Food, Nutrition and Wellness: Serve healthy, nutritious and locally grown foods.
- Green Buildings & Operations: Set standards for nontoxic, energy efficient and local building materials.

The plan, approved at a regular school board meeting on March 21, 2019, had been in development for more than a year, and aligns multiple sustainable efforts that date back to 2010.

The new plan included input from students, faculty, staff, parents and the larger Santa Monica and Malibu communities. It is in line with efforts also being undertaken by the cities of Malibu and Santa Monica.

Board of Education President Dr. Richard Tahvildaran-Jesswein lauded the extensive work that went into what he called a comprehensive plan. "This plan is the right thing to do for our communities locally and the environment globally. It's a plan so thorough that other districts will use it as a benchmark," he said.

The district is working with fiscal staff to come up with specific budgets for the major programs that require funding. Most of the projects outlined are cost neutral, including those that are paid for with grants, cost savings, or involve staff time.

**Cause for celebration:** On April 30, the district will be presented with an Excellence Award in Stewardship of the Environment as part of the Sustainable Quality Awards, an annual program that is a joint project of the City of Santa Monica, the Santa Monica Chamber of Commerce, and Sustainability Works.

- The District Sustainability Plan can be found here: [SMMUSD Sustainability Plan](#)
- Stay informed regarding the district's sustainability actions: Follow @BeGreenSMMUSD on Twitter and the [Sustainability](#) webpage.

Please contact Caroline Coster, sustainability coordinator, [ccoster@smmusd.org](mailto:ccoster@smmusd.org), if you have any questions.

Thank you,  
~gail

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