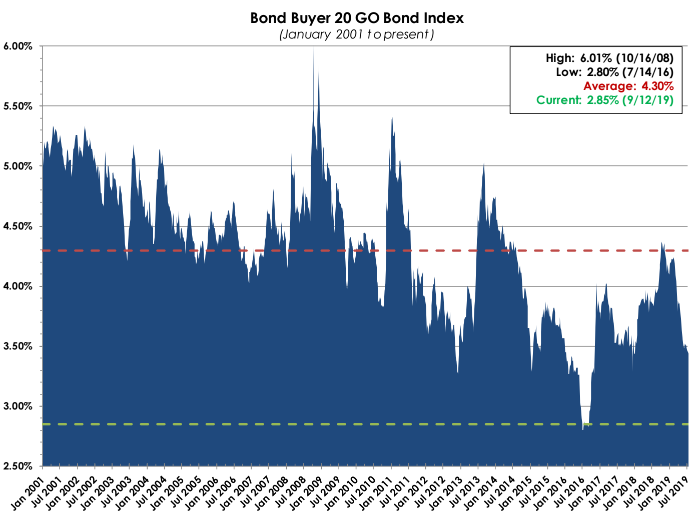
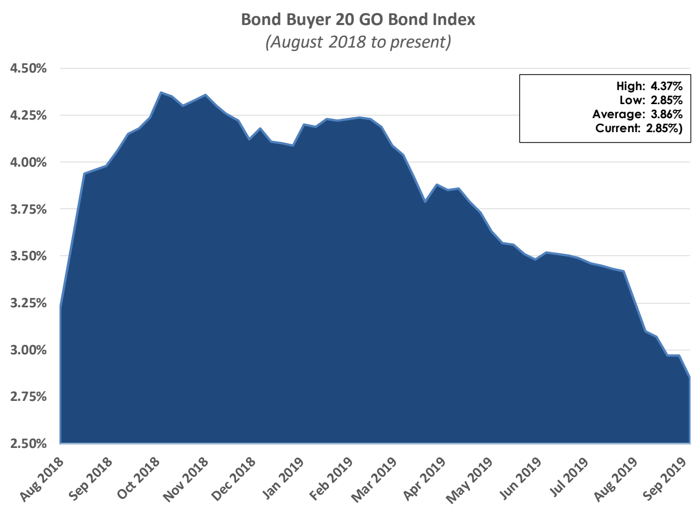
Isom Advisors A Division of
URBAN FUTURES | Incorporated

TO: Melody Canady, Assistant Superintendent, Business and Fiscal Services
FROM: Jon Isom, Managing Principal & Greg Isom, Managing Principal
SUBJECT: 2012 Election General Obligation Bonds, Series E and 2019 General Obligation Refunding Bonds
DATE: September 19, 2019

Summary

As the District is aware, based on its recent Malibu and Santa Monica School Facilities Improvement District bond sales, interest rates are near all-time lows and lower than August 2018, when the District sold its 2012 Election GO Bonds, Series D. For reference, the charts below show the Bond Buyer 20 municipal bond index (an index comprised of 20 high-grade general obligation bonds) since 2001 and since August 2018.





Due to the low rates and strong increase in SMMUSD's assessed value this year – up 5.08% from 2019 – the District has the opportunity to accelerate its bond program by selling its fifth and final series of 2012 election bonds for $115 million. Further, the low rates allow us to consider refinancing for taxpayer savings a portion of the District's outstanding bonds, specifically its 2006 Election Series D and 2012 Election Series D bonds. Though municipal agencies can no longer advance refinance bonds on a tax-exempt basis, districts can advance refund bonds as a taxable transaction. Currently, as a taxable refunding, the District can refund over $100 million of prior bonds saving nearly $15 million, or 10.7% on a present value basis (net of all costs).

Recommendation

It is our recommendation that SMMUSD move forward with its 2012 Election bond program and consider refinancing the above-mentioned prior bonds. The District has indicated that it is in a position to continue its facilities improvements and can spend the proceeds of the new money sale. Not only does the District take advantage of low interest rates, it potentially avoids increased construction costs if it sold bonds next year. The refinancing will lower future tax payments for District property owners under current market conditions. By approving the refinancing now, we can take advantage of these low rates but also have the flexibility to delay the refunding if interest rates were to rise.

Please let us know if you have any questions.