

**Malibu Unification Negotiations Committee
Meeting Minutes**

Tuesday, October 4, 2016

1:00 - 3:00 p.m.

**SMMUSD Educational Services Department's Conference Room
1630 17th St., Santa Monica, CA 90404**

I. Call to Order / Roll Call

The committee called the meeting to order at 1:14 p.m. with the following committee members present:

<i>Tom Larmore</i>	<i>Laura Rosenthal</i>
<i>Debbie Mulvaney</i>	<i>Makan Delrahim</i>
<i>Paul Silvern</i>	<i>Manel Sweetmore (via videoconference)</i>

Mr. Sweetmore was located in Glendale, CA.

II. Approval of September 27, 2016 Meeting Minutes

- *Mr. Silvern and Mr. Larmore provided minor corrections to the minutes of September 27, 2016.*
- *By consensus, the committee approved the corrected minutes for the September 27, 2016, meeting.*

III. Videoconference with Mr. Tony Hsieh, SMMUSD Financial Advisor

- *Ms. Maez introduced Mr. Hsieh from Keygent Advisors and explained that his PowerPoint presentation (attached to these minutes) addresses two main questions:*
 1. *What is the bond rating analysis for SMMUSD?*
 2. *What might be the bond rating analysis for a separate SMUSD and MUSD?*

Below is a summary of the content of Mr. Hsieh's presentation and the committee's comments.

Topic: Assessed Value (Slides 2-3)

- *SMMUSD currently consists of four geographic areas. The City of Santa Monica makes up 66.44% of the total assessed value in SMMUSD; and the City of Malibu, a section of the City of Westlake Village, and an unincorporated section of LA County make up the remaining 33.56%. Of this amount, the City of Malibu accounts for 29.7%. Mr. Hsieh agreed to provide the committee with information about the location of the City of Westlake Village property.*

- *The assessed value data in the presentation was provided by California Municipal Statistics, Inc. Mr. Hsieh clarified that the years labeled in the slides represent the second year named in a school year, e.g., 2017 refers to the 2016-17 school year.*
- *SMMUSD's assessed value grew by 6.47% for the 2016-17 school year. During this time period, what would be MUSD and SMUSD grew by 6.54% and 6.43% respectively.*
- *Committee members commented that the assessed value data in Mr. Hsieh's presentation are similar, but not identical, to those that SSC (School Services of California, Inc.) provided in its report to the MUNC.*

Topic: Rating Analysis (Slides 4-6)

- *Mr. Hsieh explained the rationale behind the bond rating analysis for SMMUSD, SMUSD, and MUSD. For each of the three slides, a comparison is shown to Moody's rating medians for the different factors associated with an Aaa, Aa1, and Aa2 rating. The median data represent the medians for all school districts in CA.*
- *Currently, the Aaa rating for school districts in CA is limited to jurisdictions that have achieved Basic Aid status.*
- *Mr. Hsieh explained that the key rating drivers for a school district are: the total assessed value of a district; the district's unrestricted general fund reserves; and the overall wealth (e.g., median family income) of a district. A district's debt burden and management track record also matter.*
- *Mr. Hsieh answered committee members' questions regarding how the amount of a district's reserve funds (expressed as a percent of a district's unrestricted general fund) can affect its bond rating. Mr. Hsieh agreed to verify his general guidance that reserves in the 12.5% range are associated with a Aa1 rating; reserves in the 10-12% range are associated with a Aa2 rating; and reserves in the 6-8% range are associated with a Aa3 rating.*
- *Mr. Hsieh explained that while SMMUSD maintained its Aa1 rating for its recent bond refinancing, SMMUSD faces the possibility of an Aa2 rating if strategies to address a projected budget deficit are not implemented. That, combined with the financial implications of an SMUSD existing separately from an MUSD, increases the possibility of an Aa2 bond rating for SMUSD by itself.*
- *In response to committee questions, Mr. Hsieh confirmed that the bond rating agencies would likely be influenced by the details of and specific plans for unification. In particular, any plans that demonstrate SMUSD will remain financially whole would likely mitigate the chances of a downgrade. Similarly, the absence of such a plan could have a detrimental impact on an SMUSD bond rating.*
- *In response to committee questions, Mr. Hsieh stated that a lack of financial and infrastructure history would unlikely have any immediate negative effect on a bond rating for an MUSD. However, similar to SMUSD, MUSD would have to show details of its financial and budget plans.*

- *Committee members asked Mr. Hsieh about the potential bond rating advantage to SMUSD or MUSD (or both) of establishing a JPA to issue the remaining ES Measure bonds. Mr. Hsieh responded that a JPA would unlikely have any positive effect. This is because the bond rating agencies tend to evaluate any JPA according to the member jurisdiction with the least favorable conditions.*

Topic: Bond Scenarios (slides 9-12)

- *Mr. Hsieh explained that he developed the bond scenarios to illustrate different issuance and repayment schedules for the remaining \$295 million in Measure ES bond authority under a range of assumptions.*
- *In response to committee members' questions, Mr. Hsieh explained that the sale schedule of a district's bonds depends on a number of factors, including market conditions, the effect an issuance would have on the property tax rate, and the district's project needs, e.g., readiness for construction.*
- *Several committee members talked about the history of Measure ES' approval. When the measure was put to the voters for approval, SMMUSD committed to remain within the \$30/\$100K tax rate window, even though the law allows a rate that goes up to \$60/\$100K.*
- *In response to committee members questions and comments about the different scenarios, Mr. Hsieh stated that his understanding that the division of the remaining \$285 million in Measure ES authorization between SMUSD and MUSD is, by law, subject to negotiation between the jurisdictions.*
- *Scenario 1 illustrates the issuance schedule for the remaining \$295 million in Measure ES proceeds if SMMUSD does not separate into two school districts.*
- *Scenario 2 illustrates a split of the remaining \$295 million in Measure ES proceeds between SMUSD and MUSD according to assessed value ratios, along with associated repayments by both districts. This scenario shows a net increase in debt burden of \$3 million: a \$4 million increase to SMUSD and a \$1 million decrease to MUSD.*
- *Scenario 3 illustrates SMUSD accessing the remaining \$295 in Measure ES proceeds with no future debt payments by MUSD on Series A or Series B bonds. This scenario results in an enormous increase in SMUSD's debt burden. The MUNC agreed not to entertain Scenario 3 any further.*
- *Scenario 4 illustrates SMUSD accessing the remaining \$295 in Measure ES proceeds but with MUSD making pro-rata repayments for Series A and Series B bonds. Although it is less than Scenario 3, Scenario 4 also results in a large increase in SMUSD's debt burden.*
- *The committee mentioned there might be a need to request an illustrative issuance schedule (a Scenario 5) once the magnitude of Malibu's remaining ES Measure allocation has been decided by those responsible for making that decision.*

- *The committee agreed that the comparative summary chart should be omitted because it raised more questions than it answered. Mr. Hsieh agreed to submit an updated version of his PowerPoint presentation that included this change along with some other minor corrections. A copy of the final version of Mr. Hsieh's presentation is attached to these minutes.*

Review of Measure BB and Measure ES Updates

Following the discussion of Keygent's slides, Ms. Mulvaney walked the committee through the Measure BB and Measure ES handouts from the September 20, 2016 committee meeting. (Copies attached to these minutes.) Among the details explained were where the BB Measure shortfall appears in the ES Measure budget, and that \$19M of the \$77M allocated for Malibu projects has not yet been assigned to a specific project.

- IV. Continuation of Worksession on Principles and Terms of Agreement
Due to the amount of time taken for Agenda Item III, the terms sheet discussion was postponed until the MUNC's next meeting.
- V. Public Comments
There were no public comments.
- VI. Upcoming meetings
- A. *Topics for Next Agenda*
The committee agreed to continue its work session on the principles and terms of an agreement, picking up with Topic 3, Operating Budget Impact.
- B. *Recap of upcoming committee schedule:*
- 1. No meeting the week of October 9-15, 2016*
 - 2. October 18, 2016, 7-9 PM, Malibu City Hall*
 - 3. October 25, 2016, 7-9 PM, District Offices, Santa Monica*
- Ms. Orlansky will circulate a potential meeting schedule for November.*
- VII. Adjournment
The committee adjourned the meeting at 3:10 p.m.

Attachment: Final Version of Mr. Hsieh's PowerPoint presentation.

October 4, 2016

Santa Monica-Malibu Unified School District

Bond Program Overview

Keygent LLC

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Section I

District Overview

SMMUSD Assessed Value by Jurisdiction ⁽¹⁾

Santa Monica Malibu USD (“SMMUSD”) is currently comprised of the areas below:

- ◆ The City of Santa Monica (assumed to be the potential “Santa Monica USD”) makes up approximately 66.44% of SMMUSD
- ◆ The City of Malibu and portions of the City of Westlake Village and Unincorporated Los Angeles County (together, assumed to be the potential “Malibu USD”) make up approximately 33.56% of SMMUSD

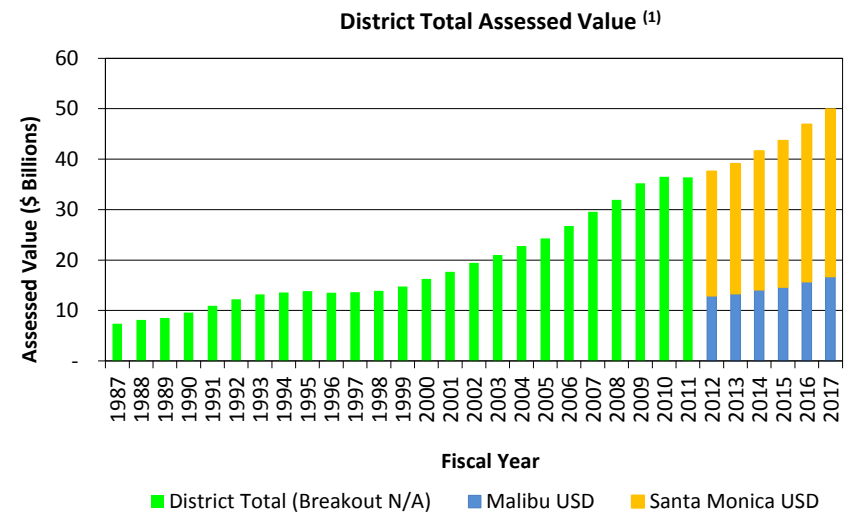
Jurisdiction	2016-17		2016-17	
	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Malibu	\$ 14,821,609,195	29.70 %	\$ 14,821,609,195	100.00 %
City of Santa Monica	33,159,005,934	66.44	33,159,981,350	100.00 %
City of Westlake Village	559,977	0.00	3,323,375,113	0.02 %
Unincorporated Los Angeles County	1,929,021,118	3.86	98,268,176,262	1.96 %
Total District	\$ 49,910,196,224	100.00 %		
Los Angeles County	\$ 49,910,196,224	100.00 %	\$1,344,647,265,846	3.71 %

(1) Source: California Municipal Statistics, Inc.

SMMUSD's Assessed Value ⁽¹⁾

SMMUSD's assessed value ("AV") grew by 6.47% in 2016-17

FY	Malibu USD		Santa Monica USD		SMMUSD	
	Total Assessed Value ⁽¹⁾	Annual % Change	Total Assessed Value ⁽¹⁾	Annual % Change	Total Assessed Value ⁽¹⁾	Annual % Change
1987					\$ 7,363,965,000	
1988					8,115,946,000	10.21 %
1989					8,497,040,000	4.70
1990					9,569,512,000	12.62
1991					10,959,403,000	14.52
1992					12,247,660,396	11.75
1993					13,212,295,256	7.88
1994					13,589,734,588	2.86
1995					13,831,788,934	1.78
1996					13,517,085,904	-2.28
1997					13,644,313,888	0.94
1998					13,879,224,941	1.72
1999					14,755,885,770	6.32
2000					16,268,617,035	10.25
2001					17,652,511,583	8.51
2002					19,440,867,781	10.13
2003					21,014,678,438	8.10
2004					22,755,683,025	8.28
2005					24,274,572,281	6.67
2006					26,750,651,775	10.20
2007					29,570,115,254	10.54
2008					31,926,254,125	7.97
2009					35,219,582,002	10.32
2010					36,517,722,578	3.69
2011					36,397,355,982	-0.33
2012	12,933,576,249		24,643,220,291		37,576,796,540	3.24
2013	13,336,729,306	3.12 %	25,764,831,084	4.55 %	39,101,560,390	4.06
2014	14,123,821,322	5.90	27,513,319,466	6.79	41,637,140,788	6.48
2015	14,646,090,350	3.70	29,045,399,241	5.57	43,691,489,591	4.93
2016	15,722,234,940	7.35	31,154,496,570	7.26	46,876,731,510	7.29
2017	16,751,190,290	6.54	33,159,005,935	6.43	49,910,196,224	6.47



	SMMUSD	
	Annualized Growth Rates:	Lowest Rolling
3-year:	6.23 %	0.11 %
5-year:	5.84	0.99
10-year:	5.37	4.73
15-year:	6.49	6.05
20-year:	6.70	5.57
25-year:	5.78	5.78

(1) Source: California Municipal Statistics, Inc. and Los Angeles County.

Rating Analysis - SMMUSD

The columns below represent Moody's rating medians for Aaa, Aa1 and Aa2

General Entity Information				SMMUSD ⁽¹⁾
Current Senior Most Rating	Aaa	Aa1	Aa2	Aa1
Financial Data : Tax Base Statistics and Ratios				
Total Full Value (\$000)	\$26,557,665	\$19,972,508	\$11,779,405	\$49,910,196
Full Value Per Capita (\$)	\$347,154	\$244,205	\$139,835	\$393,851
Average Annual Increase in Full Value (%)	4.2	2.8	1.7	6.7
Financial Data : Demographic Statistics				
Actual/Estimated Population, Annual Value	74,066	N/A	430,000	126,724
Population 2010 Census	60,630	85,145	80,653	108,868
Per Capita Income (2010 Census)	\$61,586	\$45,819	\$33,507	\$61,986
Per Capita Income as % of State (2010 Census)	211.0	157.0	114.8	207.3
Per Capita Income as % of U.S. (2010 Census)	225.3	167.6	122.5	217.1
Median Family Income (2010 Census)	\$123,573	\$107,125	\$88,963	\$75,391
Median Family Income as % of State (2010 Census)	178.2	154.5	128.3	122.6
Median Family Income as % of U.S. (2010 Census)	196.2	170.1	141.2	141.0
Population Change 2000-2010 (%)	4.0	3.5	4.9	N/A
Median Home Value (2010 Census)	\$1,000,001	\$779,700	\$556,400	1,000,000+
Median Gross Rent (2010 Census)	\$1,580	\$1,442	\$1,296	\$1,466
County Annual Unemployment Rate (BLS Data, %)	4.2	4.5	5.2	6.7
Financial Data : Debt Statistics & Ratios				
Operating Revenues (\$000)	\$73,682	\$91,511	\$99,867	\$180,979
Fund Balance as a % of Revenues	37.2	35.2	25.3	42.3
Cash Balance as a % of Revenues	39.4	36.9	26.9	48.5
Basic Aid	Yes	Yes/No	No	No
Financial Data : Pension Statistics and Ratios				
Net Direct Debt (\$000)	\$155,191	\$129,931	\$72,721	\$322,275
Net Direct Debt/Operating Revenues (x)	1.4	1.7	0.9	1.8
Net Direct Debt/Full Value (%)	2.5	2.2	2.6	0.7

(1) Sources: California Municipal Statistics, Inc., U.S. Census Bureau, 2010 Census, U.S. Census Bureau, 2010-2014 American Community Survey 5-Year estimates, and Bureau of Labor Statistics.

Rating Analysis - SMUSD

The columns below represent Moody's rating medians for Aaa, Aa1 and Aa2

General Entity Information				SMUSD ⁽¹⁾
Current Senior Most Rating	Aaa	Aa1	Aa2	
Financial Data : Tax Base Statistics and Ratios				
Total Full Value (\$000)	\$26,557,665	\$19,972,508	\$11,779,405	\$33,159,006
Full Value Per Capita (\$)	\$347,154	\$244,205	\$139,835	\$361,923
Average Annual Increase in Full Value (%)	4.2	2.8	1.7	6.0
Financial Data : Demographic Statistics				
Actual/Estimated Population, Annual Value	74,066	N/A	430,000	91,619
Population 2010 Census	60,630	85,145	80,653	89,736
Per Capita Income (2010 Census)	\$61,586	\$45,819	\$33,507	\$58,252
Per Capita Income as % of State (2010 Census)	211.0	157.0	114.8	194.8
Per Capita Income as % of U.S. (2010 Census)	225.3	167.6	122.5	204.0
Median Family Income (2010 Census)	\$123,573	\$107,125	\$88,963	\$74,534
Median Family Income as % of State (2010 Census)	178.2	154.5	128.3	121.2
Median Family Income as % of U.S. (2010 Census)	196.2	170.1	141.2	139.4
Population Change 2000-2010 (%)	4.0	3.5	4.9	0.7
Median Home Value (2010 Census)	\$1,000,001	\$779,700	\$556,400	1,000,000+
Median Gross Rent (2010 Census)	\$1,580	\$1,442	\$1,296	\$1,583
County Annual Unemployment Rate (BLS Data, %)	4.2	4.5	5.2	6.7
Financial Data : Debt Statistics & Ratios				
Operating Revenues (\$000)	\$73,682	\$91,511	\$99,867	N/A
Fund Balance as a % of Revenues	37.2	35.2	25.3	N/A
Cash Balance as a % of Revenues	39.4	36.9	26.9	N/A
Basic Aid	Yes	Yes/No	No	No
Financial Data : Pension Statistics and Ratios				
Net Direct Debt (\$000)	\$155,191	\$129,931	\$72,721	\$214,120 ⁽²⁾
Net Direct Debt/Operating Revenues (x)	1.4	1.7	0.9	N/A
Net Direct Debt/Full Value (%)	2.5	2.2	2.6	0.6

(1) Sources: California Municipal Statistics, Inc., U.S. Census Bureau, 2010 Census, U.S. Census Bureau, 2010-2014 American Community Survey 5-Year estimates, and Bureau of Labor Statistics.

(2) Assumes pro-rata split of outstanding debt based on 2016-17 AV shown on page two.

Rating Analysis - MUSD

The columns below represent Moody's rating medians for Aaa, Aa1 and Aa2

General Entity Information				MUSD ⁽¹⁾
Current Senior Most Rating	Aaa	Aa1	Aa2	
Financial Data : Tax Base Statistics and Ratios				
Total Full Value (\$000)	\$26,557,665	\$19,972,508	\$11,779,405	\$16,751,190
Full Value Per Capita (\$)	\$347,154	\$244,205	\$139,835	\$1,305,627
Average Annual Increase in Full Value (%)	4.2	2.8	1.7	7.5
Financial Data : Demographic Statistics				
Actual/Estimated Population, Annual Value	74,066	N/A	430,000	12,830
Population 2010 Census	60,630	85,145	80,653	12,645
Per Capita Income (2010 Census)	\$61,586	\$45,819	\$33,507	\$95,212
Per Capita Income as % of State (2010 Census)	211.0	157.0	114.8	318.4
Per Capita Income as % of U.S. (2010 Census)	225.3	167.6	122.5	333.4
Median Family Income (2010 Census)	\$123,573	\$107,125	\$88,963	\$130,432
Median Family Income as % of State (2010 Census)	178.2	154.5	128.3	212.1
Median Family Income as % of U.S. (2010 Census)	196.2	170.1	141.2	243.9
Population Change 2000-2010 (%)	4.0	3.5	4.9	6.4
Median Home Value (2010 Census)	\$1,000,001	\$779,700	\$556,400	1,000,000+
Median Gross Rent (2010 Census)	\$1,580	\$1,442	\$1,296	2,000+
County Annual Unemployment Rate (BLS Data, %)	4.2	4.5	5.2	6.7
Financial Data : Debt Statistics & Ratios				
Operating Revenues (\$000)	\$73,682	\$91,511	\$99,867	N/A
Fund Balance as a % of Revenues	37.2	35.2	25.3	N/A
Cash Balance as a % of Revenues	39.4	36.9	26.9	N/A
Basic Aid	Yes	Yes/No	No	Yes
Financial Data : Pension Statistics and Ratios				
Net Direct Debt (\$000)	\$155,191	\$129,931	\$72,721	\$108,155 ⁽²⁾
Net Direct Debt/Operating Revenues (x)	1.4	1.7	0.9	N/A
Net Direct Debt/Full Value (%)	2.5	2.2	2.6	0.6

(1) Sources: California Municipal Statistics, Inc., U.S. Census Bureau, 2010 Census, U.S. Census Bureau, 2010-2014 American Community Survey 5-Year estimates, and Bureau of Labor Statistics.

(2) Assumes pro-rata split of outstanding debt based on 2016-17 AV shown on page two.

Summary of Measure ES

On November 6, 2012, SMMUSD was authorized by voters to issue \$385 million of general obligation bonds under Proposition 39

- ◆ Passed with a 68.06% affirmative vote
 - 55% voter approval required
- ◆ Estimated tax rate of \$30 per \$100,000 of AV
 - Proposition 39 legal maximum: \$60 per \$100,000 of AV

The District has issued two series under Measure ES

- ◆ On August 13, 2014, SMMUSD issued Series A for \$30 million
- ◆ On July 7, 2015, SMMUSD issued Series B for \$60 million
- ◆ Measure ES tax rates:
 - Fiscal year 2013-14: \$26.49 per \$100,000 of AV
 - Fiscal year 2014-15: \$27.96 per \$100,000 of AV
 - Fiscal year 2015-16: \$27.37 per \$100,000 of AV
 - Fiscal year 2016-17: \$25.57 per \$100,000 of AV

Section II

Bond Scenarios

Scenario 1 - SMMUSD

SMMUSD can access the remaining \$295 million in Measure ES authorization by 2023 using all current interest bonds (“CIBs”) under the below assumptions

◆ **Assumptions:**

- Interest rates: 5.25% - 6.75% ⁽¹⁾
- Annual AV growth rates:
 - 2017-18: 3.00%
 - Thereafter: 4.00%
- Secured AV delinquency: 5.0%

Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Proceeds	Interest Rate Assumption	% CABs	Estimated Repayment Ratio	Estimated Santa Monica USD Debt Service	Estimated Malibu USD Debt Service	Estimated Total Debt Service
Series A	August 2014	\$ 30,000,000	3.50 %	0.00 %	1.21 to 1	\$ 24,120,096	\$ 12,184,935	\$ 36,305,031 ⁽³⁾
Series B	July 2015	60,000,000	3.77	0.00	1.54 to 1	61,578,420	31,108,045	92,686,465 ⁽³⁾
Series C	July 2017	73,750,000	5.25	0.00	1.74 to 1	85,375,567	43,129,833	128,505,400
Series D	July 2019	73,750,000	5.75	0.00	1.91 to 1	93,349,443	47,158,057	140,507,500
Series E	July 2021	73,750,000	6.25	0.00	2.06 to 1	100,761,151	50,902,286	151,663,438
Series F	July 2023	73,750,000	6.75	0.00	1.93 to 1	94,358,236	47,667,676	142,025,913
Total		\$ 385,000,000		0.00 %	1.80 to 1	\$ 459,542,915	\$ 232,150,832	\$ 691,693,746

(1) Assumes higher than market interest rates of a ‘Aa1/AA’ district.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District’s project needs.

(3) Previously issued financing.

Scenario 2 – Unification/SM & Malibu Split ES Proceeds Pro-Rata

Santa Monica USD and Malibu USD can access the remaining \$295 million; proceeds are split according to assessed value ratios

◆ Assumptions:

- Interest rates:
 - Malibu USD: 5.20% - 6.70% ⁽¹⁾
 - Santa Monica USD: 5.30% - 6.80% ⁽¹⁾
- Annual AV growth rates:
 - 2017-18: 3.00%
 - Thereafter: 4.00%
- 100% CIBs

Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Total Proceeds	Santa Monica USD				Malibu USD				Estimated Total Debt Service
			Proceeds ⁽³⁾	Interest Rate Assumption	Estimated Repayment Ratio	Estimated Debt Service ⁽³⁾	Proceeds ⁽³⁾	Interest Rate Assumption	Estimated Repayment Ratio	Estimated Debt Service ⁽³⁾	
Series A	August 2014	\$ 30,000,000	\$ 19,931,202	3.50 %	1.21 to 1	\$ 24,120,096	\$ 10,068,798	3.50 %	1.21 to 1	\$ 12,184,935	\$ 36,305,031 ⁽⁴⁾
Series B	July 2015	60,000,000	39,862,403	3.77	1.54 to 1	61,578,420	20,137,597	3.77	1.54 to 1	31,108,045	92,686,465 ⁽⁴⁾
Series C	July 2017	73,750,000	48,997,537	5.30	1.75 to 1	85,776,470	24,752,463	5.20	1.71 to 1	42,203,800	127,980,270
Series D	July 2019	73,750,000	48,997,537	5.80	1.92 to 1	93,860,320	24,752,463	5.70	1.86 to 1	45,951,720	139,812,040
Series E	July 2021	73,750,000	48,997,537	6.30	2.03 to 1	99,508,990	24,752,463	6.20	1.99 to 1	49,338,890	148,847,880
Series F	July 2023	73,750,000	48,997,537	6.80	2.01 to 1	98,653,260	24,752,463	6.70	2.04 to 1	50,392,860	149,046,120
Total		\$ 385,000,000	\$ 255,783,753		1.81 to 1	\$ 463,497,557	\$ 129,216,247		1.79 to 1	\$ 231,180,249	\$ 694,677,806

(1) Assumes higher than market interest rates of 'Aaa/AA+' for Malibu USD and 'Aa2/AA-' for Santa Monica USD.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District's project needs.

(3) Proceeds and debt service based on the pro-rata split shown on page two.

(4) Previously issued financing.

Scenario 3 – Unification/SM Issues All Remaining Proceeds/No Malibu on Series A & B

Santa Monica USD can access the remaining \$295 million Measure ES authorization by 2029 using CIBs and capital appreciation bonds (“CABs”) under the below assumptions

◆ **Assumptions:**

- Malibu USD does not pay any future debt service on Series A and Series B
- Interest rates: 5.30% - 6.80% ⁽¹⁾
- Annual AV growth rates:
 - 2017-18: 3.00%
 - Thereafter: 4.00%
- Secured AV delinquency: 5.0%

Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Proceeds	Interest Rate Assumption	% CABs	Estimated Repayment Ratio	Estimated Santa Monica USD Debt Service	Estimated Malibu USD Debt Service	Estimated Total Debt Service
Series A	August 2014	\$ 30,000,000	3.50 %	0.00 %	1.21 to 1	\$ 29,535,063	\$ 6,769,968 ⁽³⁾	\$ 36,305,031 ⁽⁴⁾
Series B	July 2015	60,000,000	3.77	0.00	1.54 to 1	88,377,922	4,308,543 ⁽³⁾	92,686,465 ⁽⁴⁾
Series C	July 2017	59,000,000	5.30	10.05	2.02 to 1	119,274,360	-	119,274,360
Series D	July 2020	59,000,000	5.80	15.52	2.33 to 1	137,349,820	-	137,349,820
Series E	July 2023	59,000,000	6.30	19.76	2.58 to 1	152,059,145	-	152,059,145
Series F	July 2026	59,000,000	6.80	23.87	2.87 to 1	169,550,740	-	169,550,740
Series G	July 2030	59,000,000	6.80	50.69	3.49 to 1	205,616,060	-	205,616,060
Total		\$ 385,000,000		18.37 %	2.37 to 1	\$ 901,763,110	\$ 11,078,511	\$ 912,841,621

(1) Assumes higher than market interest rates of a ‘Aa2/AA-’ district.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District’s project needs.

(3) Estimated debt service paid on issued bonds through 7/1/2016.

(4) Previously issued financing.

Scenario 4 – Unification/SM Issues All Remaining Proceeds; Malibu Pays Pro-Rata on Series A & B

Santa Monica USD can access the remaining \$295 million Measure ES authorization by 2029 using CIBs and CABs under the below assumptions

◆ **Assumptions:**

- Malibu USD pays future pro-rata debt service on Series A and Series B
- Interest rates: 5.30% - 6.80% ⁽¹⁾
- Annual AV growth rates:
 - 2017-18: 3.00%
 - Thereafter: 4.00%
- Secured AV delinquency: 5.0%

Illustrative Issuance Schedule ⁽²⁾

Issue	Issue Date	Proceeds	Interest Rate Assumption	% CABs	Estimated Repayment Ratio	Estimated Santa Monica USD Debt Service	Estimated Malibu USD Debt Service	Estimated Total Debt Service
Series A	August 2014	\$ 30,000,000	3.50 %	0.00 %	1.21 to 1	\$ 24,120,096	\$ 12,184,935	\$ 36,305,031 ⁽³⁾
Series B	July 2015	60,000,000	3.77	0.00	1.54 to 1	61,578,420	31,108,045	92,686,465 ⁽³⁾
Series C	July 2017	59,000,000	5.30	7.91	1.92 to 1	113,089,945	-	113,089,945
Series D	July 2020	59,000,000	5.80	4.85	1.98 to 1	116,777,690	-	116,777,690
Series E	July 2023	59,000,000	6.30	15.93	2.33 to 1	137,189,385	-	137,189,385
Series F	July 2026	59,000,000	6.80	22.46	2.70 to 1	159,377,920	-	159,377,920
Series G	July 2029	59,000,000	6.80	44.78	3.20 to 1	189,033,000	-	189,033,000
Total		\$ 385,000,000		15.95 %	2.26 to 1	\$ 801,166,457	\$ 43,292,979	\$ 844,459,436

(1) Assumes higher than market interest rates of a 'Aa2/AA-' district.

(2) Issuance schedule for illustrative purposes only. Actual amounts and dates will be tailored to the District's project needs.

(3) Previously issued financing.