

# General Obligation Bond Program Update Santa Monica-Malibu Unified School District

2018 Elections  
SFIDs 1 & 2  
Measures SMS & M

April 15, 2021



# Measures SMS and M GO Bond Analysis Update

# Plan of Finance – Original Plan

\$680.0 million combined over the next six years

- ❖ On November 6, 2018, District voters approved Measures SMS and M, authorizing the sale of \$485 million and \$195,000,000 in bonds respectively for the renovation, upgrade, new construction, and modernization of schools within the District boundaries
- ❖ Estimated tax rates for Measures SMS and M are \$40.00 and \$30.00 per \$100,000 of assessed value; below are the District’s original bond programs for each measure:

### Santa Monica SFID No. 1, Original Bond Issuance Summary (2019)

Issuance Date	Issue Name	Principal Amount	Financing Term	AV Growth	Rate	Total Debt Service	Repayment Ratio
2019	Series A	\$ 125,000,000	30 years	3.50%	3.04%	\$192,500,000	1.54 to 1
2021	Series B	\$ 117,000,000	30 years	3.50%	4.50%	\$229,320,000	1.96 to 1
2023	Series C	\$ 117,000,000	30 years	3.50%	4.50%	\$242,190,000	2.07 to 1
2025	Series D	\$ 126,000,000	30 years	3.50%	4.50%	\$291,060,000	2.31 to 1
		\$ 485,000,000				\$ 955,070,000	1.97 to 1

### Malibu SFID No. 2, Original Bond Issuance Summary (2019)

Issuance Date	Issue Name	Principal Amount	Financing Term	AV Growth	Rate	Total Debt Service	Repayment Ratio
2019	Series A	\$ 50,000,000	30 years	3.50%	3.07%	\$ 79,500,000	1.59 to 1
2021	Series B	\$ 47,000,000	30 years	3.50%	4.50%	\$ 94,940,000	2.02 to 1
2023	Series C	\$ 48,000,000	30 years	3.50%	4.50%	\$ 103,680,000	2.16 to 1
2025	Series D	\$ 50,000,000	30 years	3.50%	4.50%	\$ 122,000,000	2.44 to 1
		\$ 195,000,000				\$ 400,120,000	2.05 to 1

Source: Raymond James/Isom Advisors

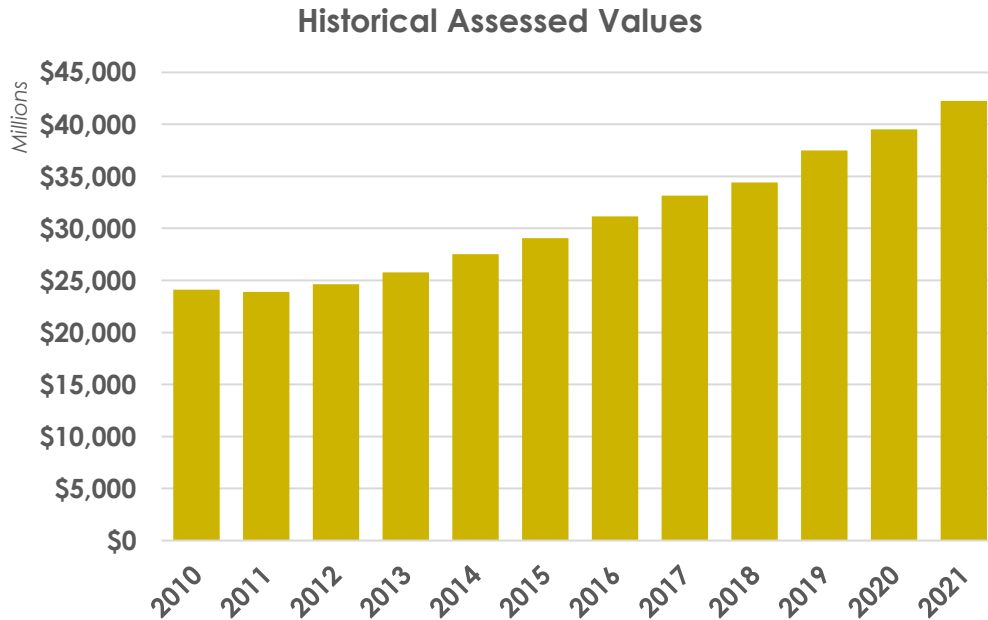
- ❖ Variables that determine the timing and size of the sales are the tax base (assessed value), assessed value growth assumptions, tax rates, term (length of the borrowing), and interest rates.

# Santa Monica SFID No. 1 Tax Base



## Historical Assessed Value for FY 2010-2021

The District's SFID No. 1 2020-21 AV is \$42,271,044,390 and has averaged annual growth of 5.3% over the last eleven years.



Year	AV Growth
2010	--
2011	-0.9%
2012	3.2%
2013	4.6%
2014	6.8%
2015	5.6%
2016	7.3%
2017	6.4%
2018	3.8%
2019	8.9%
2020	5.5%
2021	7.0%
<b>Average</b>	<b>5.3%</b>

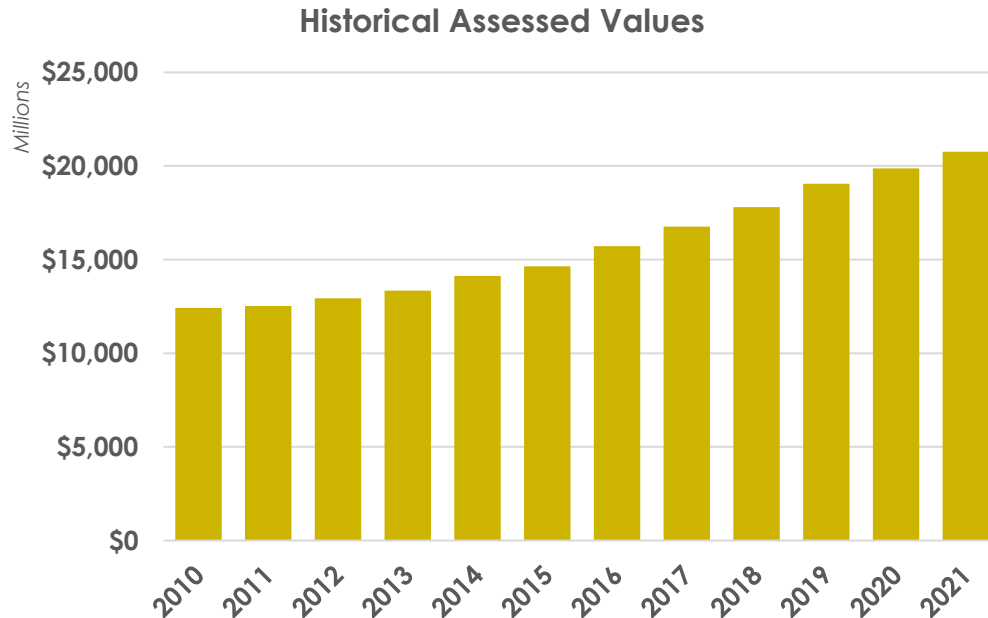
Average Growth Rates	
<b>3-Years</b>	<b>7.1%</b>
<b>6-Years</b>	<b>6.5%</b>
<b>9-Years</b>	<b>6.2%</b>

Source: California Municipal Statistics, Inc.

# Malibu SFID No. 2 Tax Base

## Historical Assessed Value for FY 2010-2021

The District's SFID No. 2 2020-21 AV is \$20,765,176,841 and has averaged annual growth of 4.8% over the last eleven years.



Year	AV Growth
2010	--
2011	0.8%
2012	3.3%
2013	3.1%
2014	5.9%
2015	3.7%
2016	7.3%
2017	6.5%
2018	6.2%
2019	7.0%
2020	4.3%
2021	4.5%
<b>Average</b>	<b>4.8%</b>

Average Growth Rates	
3-Years	5.3%
6-Years	6.0%
9-Years	5.4%

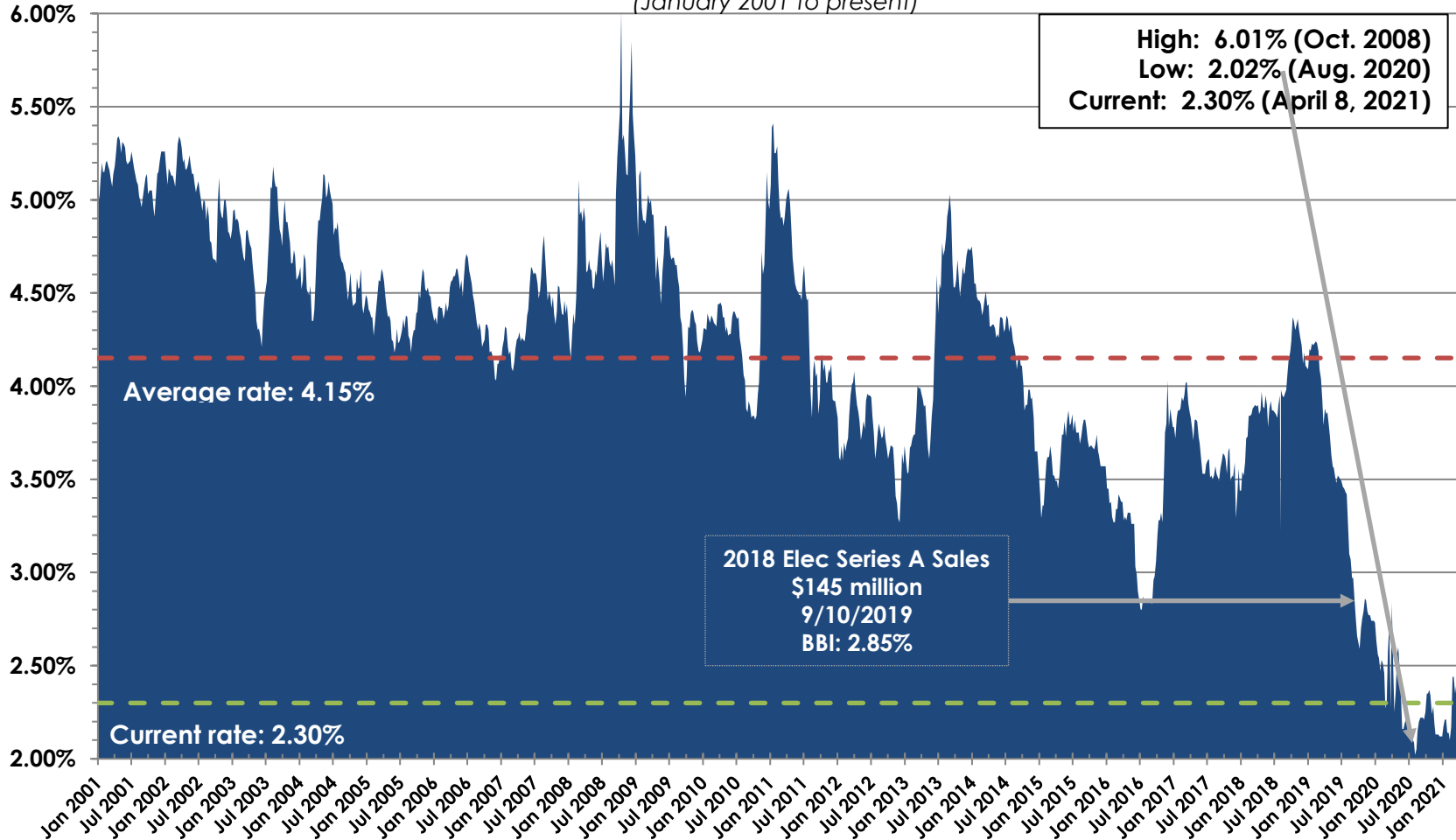
Source: California Municipal Statistics, Inc.

# Interest Rate Environment

Interest rates are well below historical averages

## Bond Buyer 20 GO Bond Index

(January 2001 to present)



# Plan of Finance – Updated Plan

\$680.0 million combined over the next four to five years

- ❖ District is currently “ahead of schedule” with respect to its bond program – specifically AV has exceeded projections (6.25% and 4.40% in actual growth vs. 3.50% projected) and interest rates are significantly lower than originally projected.
- ❖ Accelerating the bond program, receiving proceeds sooner for projects, while maintaining the tax rate estimate to voters is a big win for the community; District teachers, students, and residents receive improved classrooms and facilities sooner and taxpayers save significantly through lower borrowing costs; current estimates for total P&I are nearly \$250 million lower than election day projections
- ❖ Below is the District’s updated bond programs for Measures SMS and M respectively:

## Santa Monica SFID No. 1, Bond Issuance Summary <sup>1</sup>

Issuance Date	Issue Name	Principal Amount	Financing Term	AV Growth	Rate	Total Debt Service	Repayment Ratio
2019	Series A	\$ 110,000,000	30 years	3.50%	2.87%	\$164,059,734	1.49 to 1
2021	Series B	\$ 200,000,000	30 years	3.50%	2.93%	\$316,393,190	1.58 to 1
2023	Series C	\$ 87,500,000	30 years	3.50%	3.18%	\$148,552,075	1.70 to 1
2025	Series D	\$ 87,500,000	30 years	3.50%	3.35%	\$160,676,002	1.84 to 1
		\$ 485,000,000				<b>\$ 789,681,001</b>	<b>1.63 to 1</b>

## Malibu SFID No. 2, Bond Issuance Summary <sup>1</sup>

Issuance Date	Issue Name	Principal Amount	Financing Term	AV Growth	Rate	Total Debt Service	Repayment Ratio
2019	Series A	\$ 35,000,000	30 years	3.50%	2.87%	\$ 51,422,700	1.47 to 1
2021	Series B	\$ 80,000,000	30 years	3.50%	2.90%	\$ 124,680,789	1.56 to 1
2024	Series C	\$ 80,000,000	30 years	3.50%	3.24%	\$ 145,207,521	1.82 to 1
		\$ 195,000,000				<b>\$ 321,311,010</b>	<b>1.65 to 1</b>

<sup>1</sup> Preliminary and subject to change

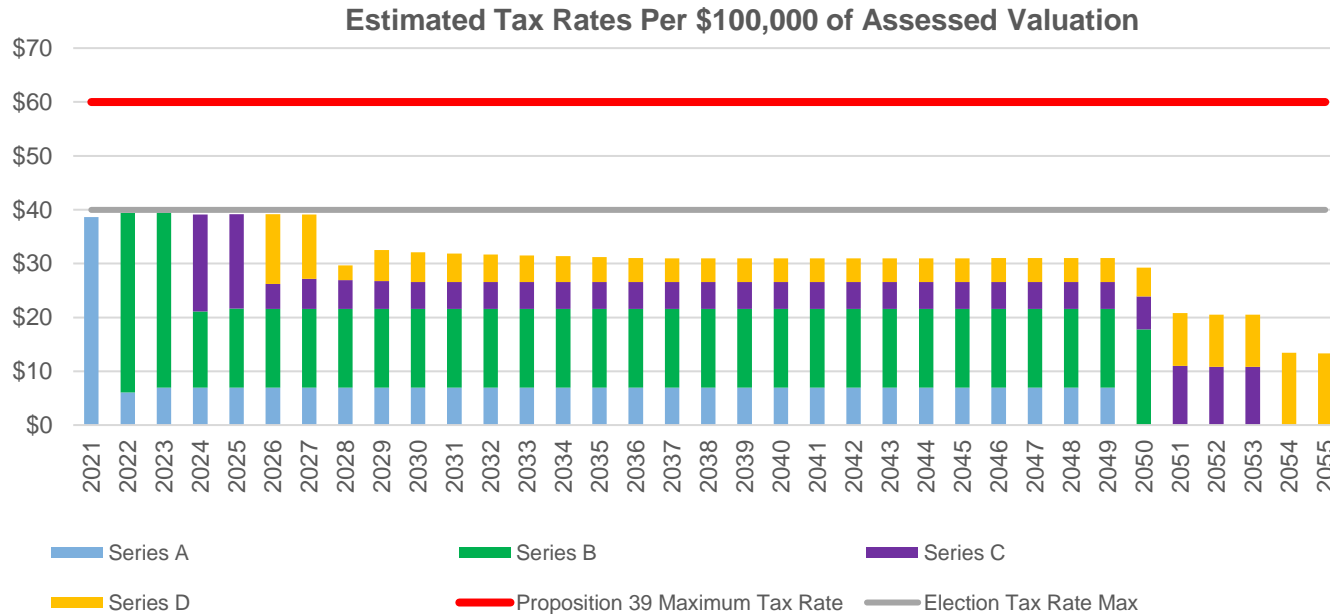
Source: Raymond James/Isom Advisors

# Tax Rate Implications – SFID # 1

## Keeping the Measure SMS Tax Rates Estimated to Voters

### Estimated Measure SMS Tax Rates Per \$100,000 of Assessed Valuation

Average Annual Tax Rate	\$30.80
Maximum Annual Tax Rate	\$39.46
Prop 39 Maximum Annual Tax Rate	\$60.00





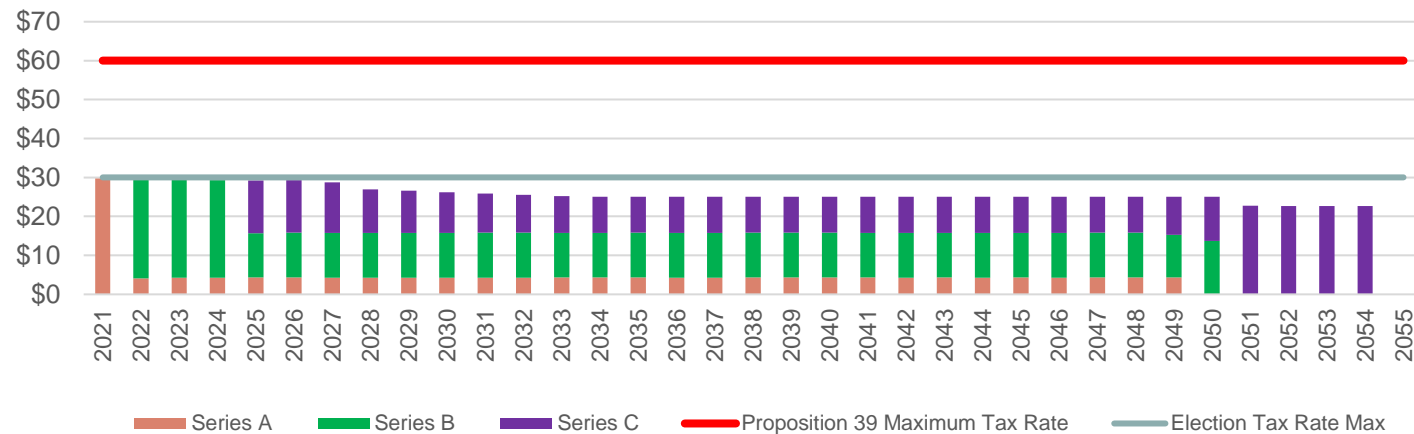
# Tax Rate Implications – SFID #2

Keeping the Measure M Tax Rates Estimated to Voters

## Estimated Measure M Tax Rates Per \$100,000 of Assessed Valuation

Average Annual Tax Rate	\$25.87
Maximum Annual Tax Rate	\$29.99
Prop 39 Maximum Annual Tax Rate	\$60.00

Estimated Tax Rates Per \$100,000 of Assessed Valuation



# Timeline

What are the next steps?

<u>Date</u>	<u>Action</u>
April 15	Discuss financings with FOC
April 19	Kick off Financing with distribution of timeline, term sheet, and distribution list
May 6	District Board adopts bond resolution, POS, and legal documents
Wk. of May 10	Submit credit package to Rating Agencies
Wk. of May 17	Rating conference calls
May 26	Receive rating
June 8	County Board of Supervisors approves bonds
June 9	Post Preliminary Official Statement
June 13	Pre-Pricing Conference Call
June 14	Final Pricing Conference Call
June 24	Distribute Final Preliminary Official Statement
June 17-25	Review and finalize closing documents
June 30	Closing/funding <i>(preliminary)</i>

# Potential Legislative Considerations and GO Bond Refunding Analysis

# Potential Legislative Considerations

## 2021 Infrastructure Plan

- Build America Bonds (BABS) or a version thereof
  - Allows a direct subsidy/tax credit to subsidize interest payments, current proposal is 28% direct subsidy
  - New Construction and may include advance refunding proceed use
  - No limit or application process to issue
- Qualified School Infrastructure Bonds (QSIBs)
  - Have a dedicated maturity, meant to have near or 100% subsidy
  - Proceeds may be used for hard or soft construction costs
  - Would require State allocation method (likely)
- Qualified Zone Academy Bonds (QZABS)
  - Fully subsidized tax credit bonds - usually carry a supplemental coupon, depending on credit
  - Will likely include new construction and limiting or elimination of 10% private donor match
- Tax-Exempt Advance Refundings
  - A tool returning that existed until 2017 which allowed the refinancing of bonds in advance of redemption
  - Creates taxpayer savings and bonding capacity at a cheaper cost than federally taxable advance refundings

# GO Bonds Refunding Savings

## Tax-Exempt Advance Refunding - POTENTIAL

- Should federal legislation be enacted and tax-exempt advance refundings restored, the District would have an opportunity to execute a tax-exempt advance refunding
- Based on 3/30/21 market rates, the District could save an estimated:
  - \$10,630,822 in taxpayer savings (\$8,855,513 net present value savings or 5.73% of refunded par)** by refunding select maturities from the District's outstanding General Obligation bonds (Non-SFID)
  - \$1,694,457 in taxpayer savings (\$1,354,499 net present value savings or 6.35% of refunded par)** by refunding select maturities from the District's outstanding General Obligation bonds of SFID 1
  - \$581,165 in taxpayer savings (\$464,382 net present value savings or 7.26% of refunded par)** by refunding select maturities from the District's outstanding General Obligation bonds of SFID 2

Refunding Savings Summary Statistics

	Non-SFID GO Bonds <sup>1</sup>	SFID 1 GO Bonds	SFID 2 GO Bonds
Type of Refunding	Tax-Exempt Advance	Tax-Exempt Advance	Tax-Exempt Advance
Maturities Refunded <sup>2</sup>	2024-2042	2028-2040	2028-2040
Call Date of Refunded Bonds	7/1/2023 – 8/1/2027	8/1/2027	8/1/2027
Bond Par Amount	\$157,700,000	\$23,660,000	\$7,150,000
True Interest Cost	1.810%	2.070%	2.069%
Par amount of refunded bonds	\$154,505,000	\$21,335,000	\$6,395,000
Average coupon of refunded bonds	3.666%	3.792%	3.930%
Value of Negative Arbitrage	\$4,875,037	\$1,038,216	\$581,165
<b>Savings</b>	<b>\$10,630,822</b>	<b>\$1,694,457</b>	<b>\$581,165</b>
<b>Net PV Savings</b>	<b>\$8,855,513</b>	<b>\$1,354,499</b>	<b>\$464,382</b>
<b>Net PV Savings (% of refunded)</b>	<b>5.732%</b>	<b>6.349%</b>	<b>7.262%</b>
<b>Escrow Efficiency</b>	<b>64.495%</b>	<b>56.609%</b>	<b>59.788%</b>

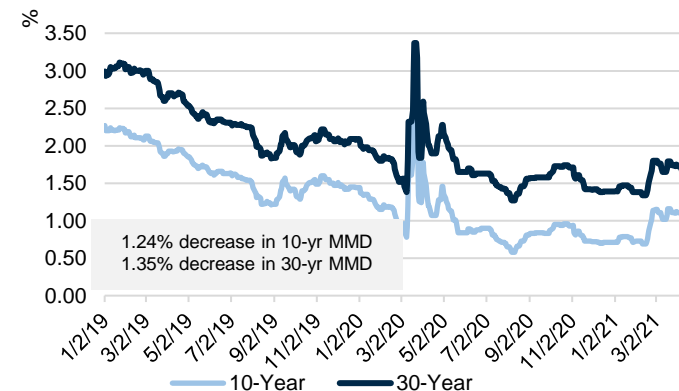
(1) Non-SFID GO Bonds results include 5 outstanding GO bond series

(2) Select maturities providing positive savings

Assumes market rates as of 3/30/2021

All individual series provide greater than 50% escrow efficiency

10-yr, 30-yr MMD (1/2/2019 to 4/8/2021)



# GO Bonds Refunding Savings

## Taxable Advance Refunding (BABS) - POTENTIAL

- The restoration of Build America Bonds (BABs) could potentially result in attractive taxable refunding opportunities for the District
- Based on 3/30/21 market rates, District could save an estimated:
  - **\$18,165,222 in taxpayer savings (\$17,593,435 net present value savings or 8.49% of refunded par)** by refunding select maturities from the District's outstanding General Obligation bonds (Non-SFID)
  - **\$7,253,340 in taxpayer savings (\$6,182,050 net present value savings or 8.07% of refunded par)** by refunding select maturities from the District's outstanding General Obligation bonds of SFID 1
  - **\$2,102,287 in taxpayer savings (\$1,795,996 net present value savings or 7.78% of refunded par)** by refunding select maturities from the District's outstanding General Obligation bonds of SFID 2

Refunding Savings Summary Statistics

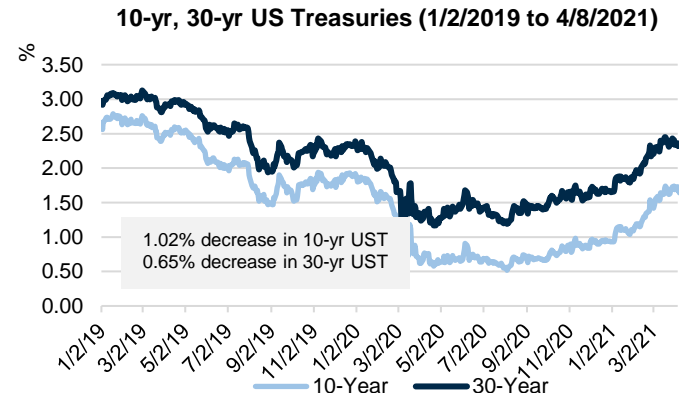
	Non-SFID GO Bonds <sup>1</sup>	SFID 1 GO Bonds	SFID 2 GO Bonds
Type of Refunding	Taxable Advance	Taxable Advance	Taxable Advance
Maturities Refunded <sup>2</sup>	2024-2042	2028-2049	2028-2049
Call Date of Refunded Bonds	7/1/2023 – 8/1/2027	8/1/2027	8/1/2027
Bond Par Amount	\$239,720,000	\$88,360,000	\$26,830,000
True Interest Cost	1.721%	2.108%	2.108%
Par amount of refunded bonds	\$207,245,000	\$76,610,000	\$23,095,000
Average coupon of refunded bonds	3.815%	3.398%	3.425%
Value of Negative Arbitrage	\$8,260,161	\$4,291,854	1,296,087
<b>Savings</b>	<b>\$18,165,222</b>	<b>\$7,253,340</b>	<b>\$2,102,287</b>
<b>Net PV Savings</b>	<b>\$17,593,435</b>	<b>\$6,182,050</b>	<b>\$1,795,996</b>
<b>Net PV Savings (% of refunded)</b>	<b>8.489%</b>	<b>8.070%</b>	<b>7.777%</b>
<b>Escrow Efficiency</b>	<b>68.050%</b>	<b>59.023%</b>	<b>58.109%</b>

(1) Non-SFID GO Bonds results include 8 outstanding GO bond series

(2) Select maturities providing positive savings

Assumes market rates as of 3/30/2021; 28% Direct subsidy

All individual series provide greater than 50% escrow efficiency



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