



**Los Angeles County
Office of Education**

**Los Angeles County Schools and Community College Districts
Annual Public Finance Seminar
February 13, 2024
9 a.m. – 1 p.m.**

Opening Remarks

*Jeff Young, Assistant Director, Business Advisory Services – Los Angeles County Office of Education (LACOE)
Ms. Julie Boucher, Vice President – Los Angeles County Schools Regionalized Business Services Corporation*

State of the State

*Michael Fine, Chief Executive Officer – Fiscal Crisis & Management Assistance Team (FCMAT)
Tatia Davenport, Chief Executive Officer – California Association of School Business Officials (CASBO)*

Parcel Taxes and GO Bond Elections

Charles Heath, Partner, Team CivX – Communication and Ballot Measure Strategists

TRANS/COPs/Market Update – Importance of Cash Flow

*Annette Yee, Managing Director – Montague DeRose and Associates, LLC
Michael Kremer, Managing Director – Montague DeRose and Associates, LLC
Karma Pemba, Managing Director – RBC Capital Markets
Katherine Jacobson, Director – RBC Capital Markets*

BREAK

Citizens Bond Oversight Committee Training

*Diane Quan, Partner and Kyle Reynolds, Associate – Hawkins Delafield & Wood LLP
Ann La Morena Rohlin, Partner – Norton Rose Fulbright US LLP*

Continuing Disclosure Training and Requirements

Annette Yee, Mike Kremer and Colleen McInnes – Montague DeRose and Associates, LLC

Closing Remarks

Annette Yee, Managing Director – Montague DeRose and Associates, LLC

LUNCH



**Capital
Markets**



The slide features a dark blue background on the right and a white background on the left. The FCMAT logo is positioned on the left side, and the title 'The Current State of School Finance' is centered on the right. Below the title, the event details are listed: 'Los Angeles County Office of Education Public Finance Conference February 13, 2024'. A small number '1' is in the bottom right corner.

FCMAT
FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

**The Current State
of School Finance**

Los Angeles County Office of Education
Public Finance Conference
February 13, 2024

© Fiscal Crisis & Management
Assistance Team

1

1

The slide has a light blue background. The title 'Fiscal Status of School Districts' is at the top. Below it is a bulleted list of seven points. The FCMAT logo is in the bottom left corner, and a small number '2' is in the bottom right corner.

Fiscal Status of School Districts

- Fiscal health of districts has been strong, but signs of weakening are beginning to show.
- Underlying difficulties exist.
 - Enrollment continues to decline.
 - Expiration of one-time funds.
 - Inflationary pressures on cost side slowing, but not retreating.
 - Cost-of-living adjustment normalizing.
 - Slowing state revenues will impact Proposition 98 growth.
- Multiyear projections have never been more important.

FCMAT

2

2

Fiscal Health is Strong, but signs of weakening are beginning to show

FCMAT 3

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Disapproved Budgets

There were no disapproved budgets for the 2023-24 fiscal year as of budget adoption reviews (November 8, 2023).

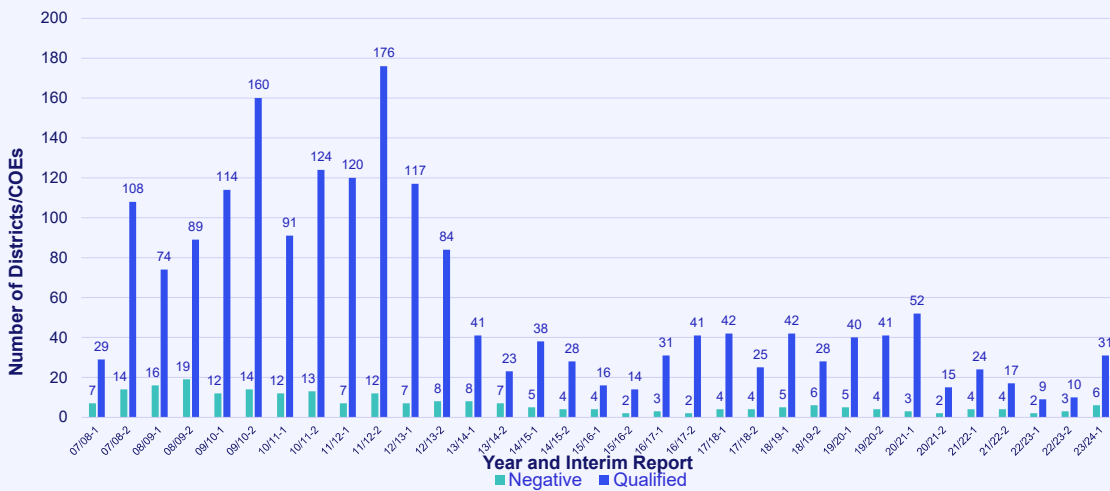
Fiscal Year	Number of Districts*
2017-18	0
2018-19	3
2019-20	1
2020-21	1
2021-22	2
2022-23	0
2023-24	0

*Excludes disapprovals solely due to unapproved Local Control Accountability Plan (LCAP).
 **Preliminarily disapproved; ultimately approved by November 8 deadline.

FCMAT 4

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Historical Qualified and Negative Certifications

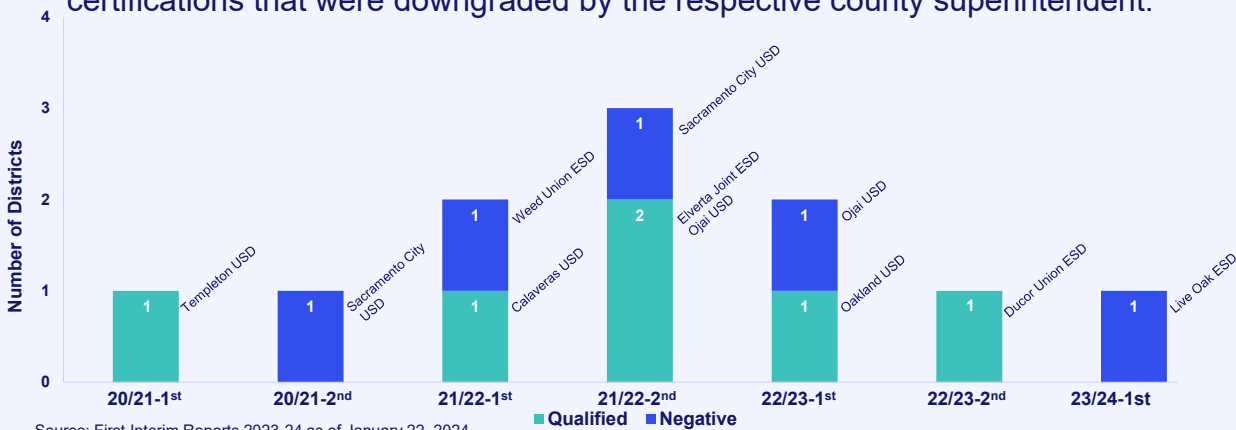


Source: First Interim Reports 2023-24 as of January 22, 2024.

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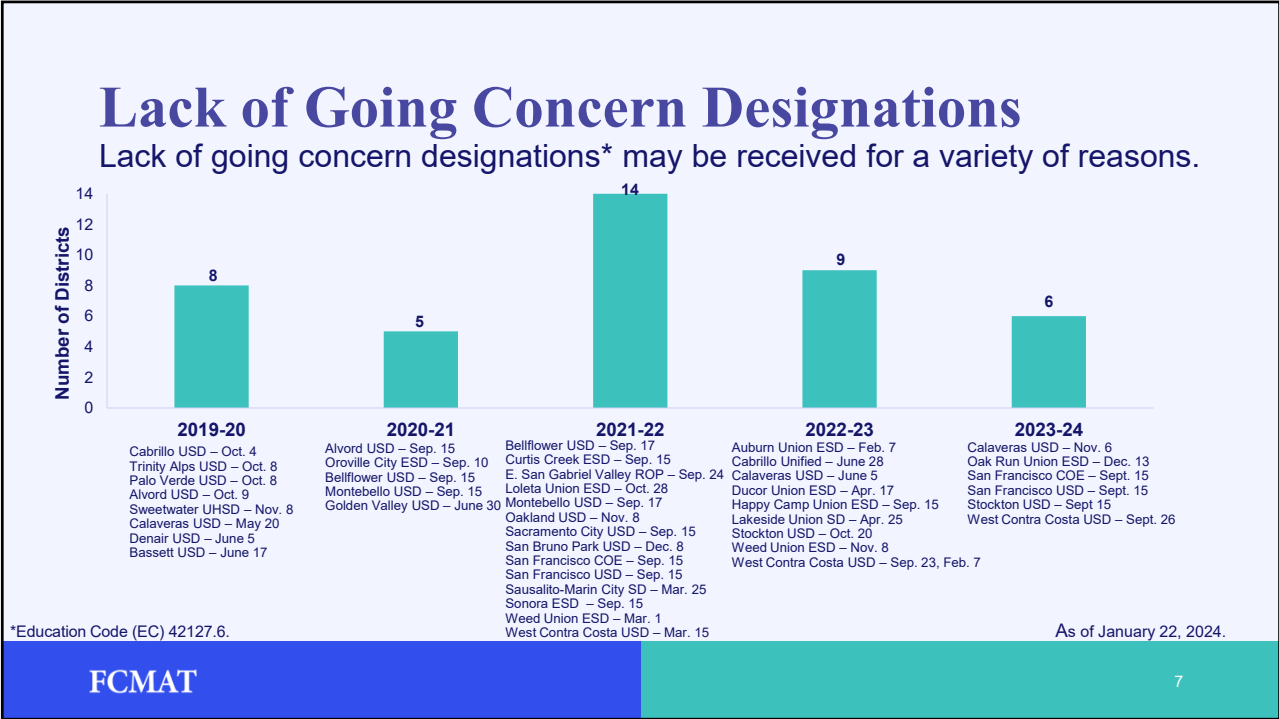
Downgraded Interim Report Certifications

The total count of qualified and negative reports includes interim reports with certifications that were downgraded by the respective county superintendent.



Source: First Interim Reports 2023-24 as of January 22, 2024.

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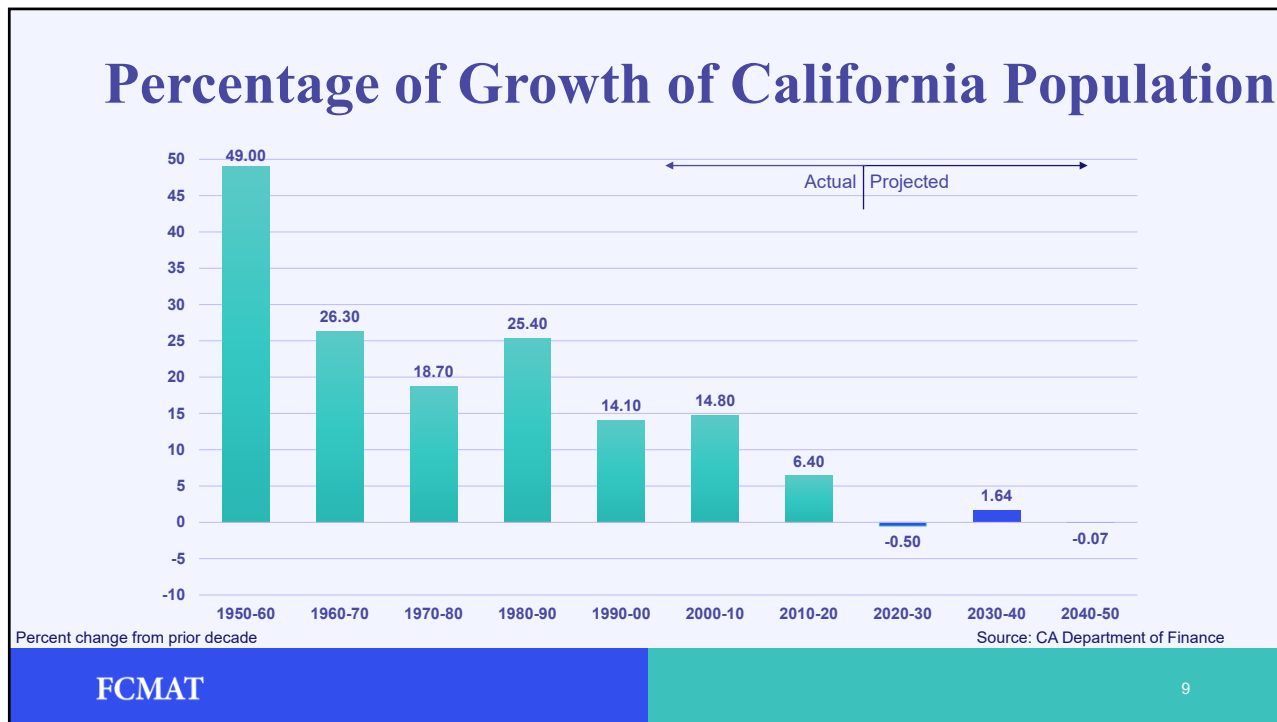


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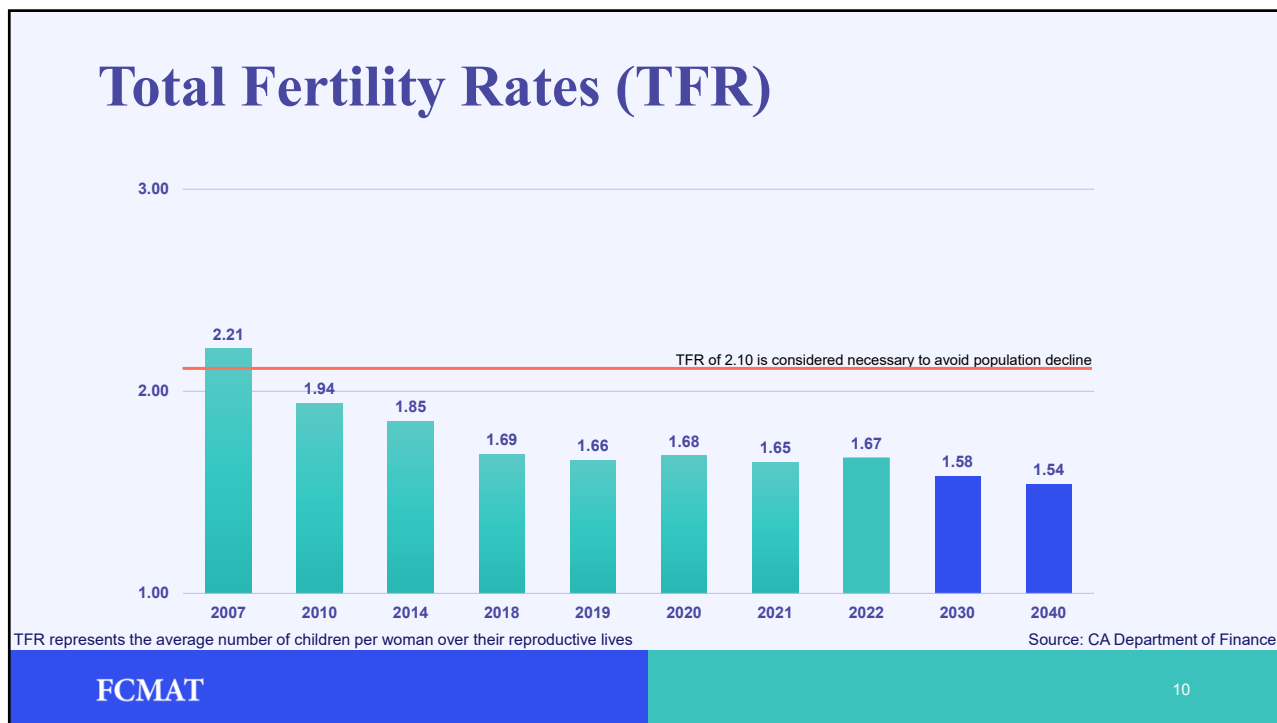
Underlying Difficulties Exist

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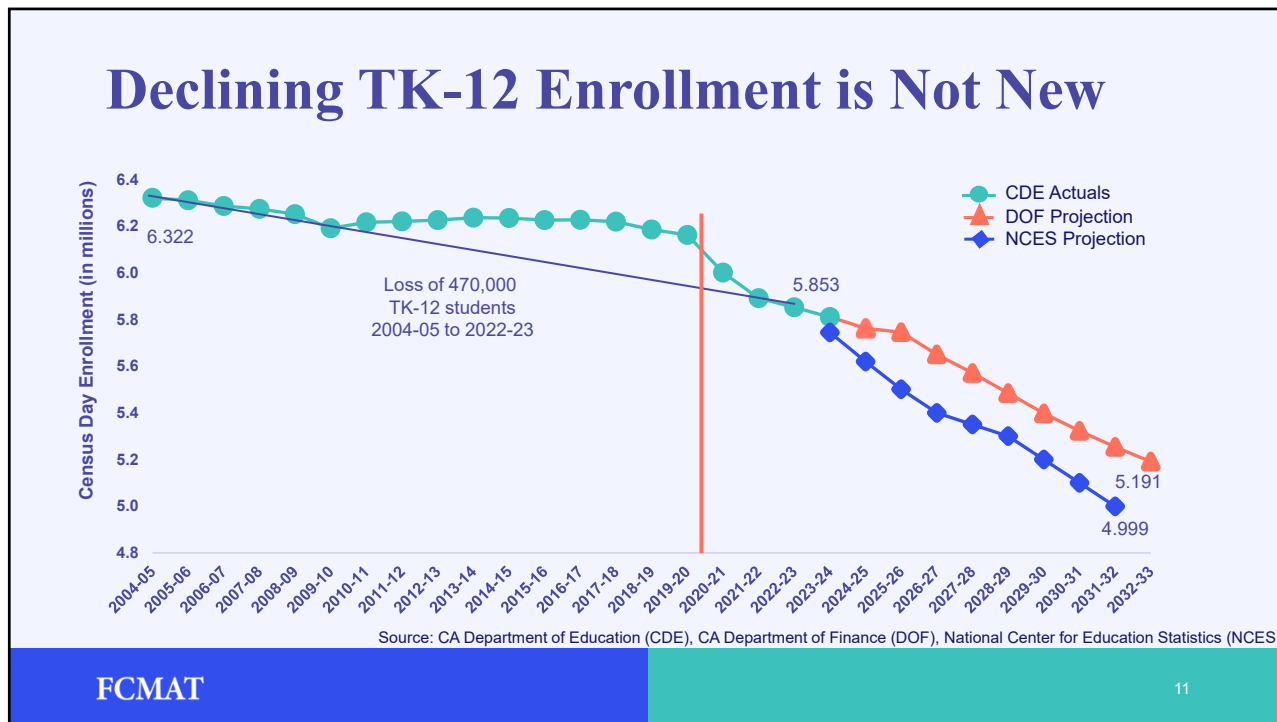
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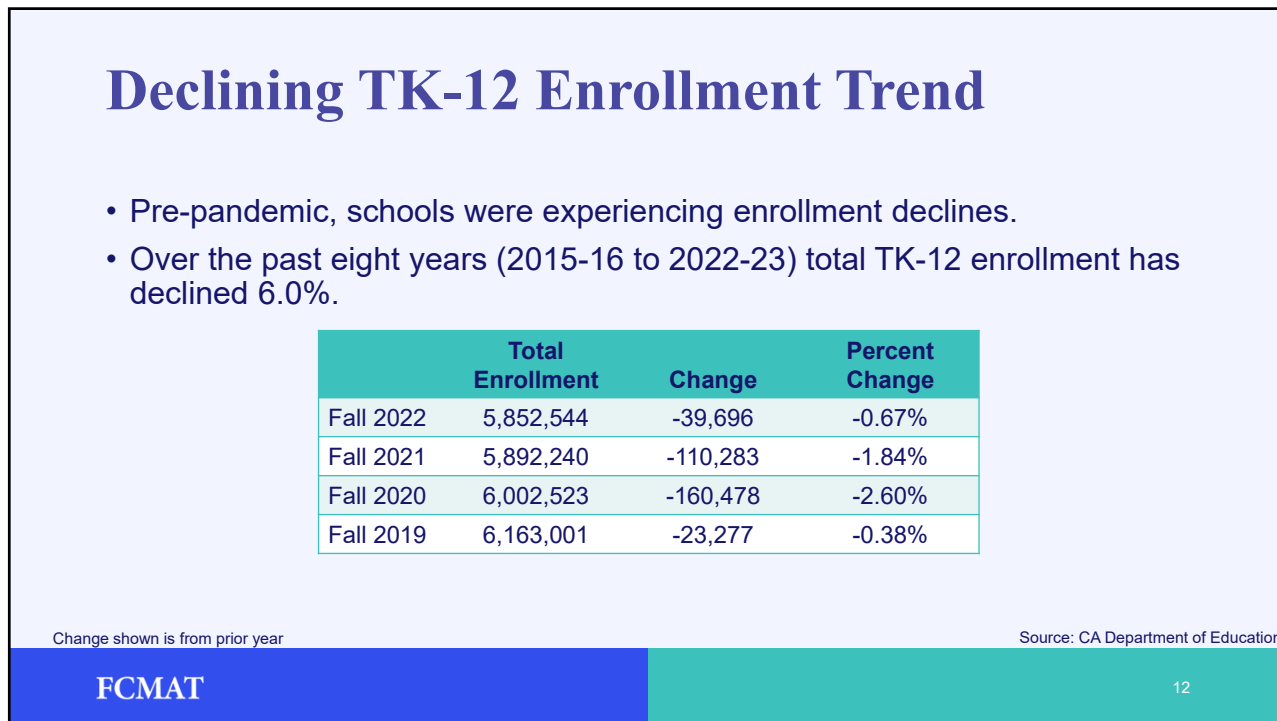
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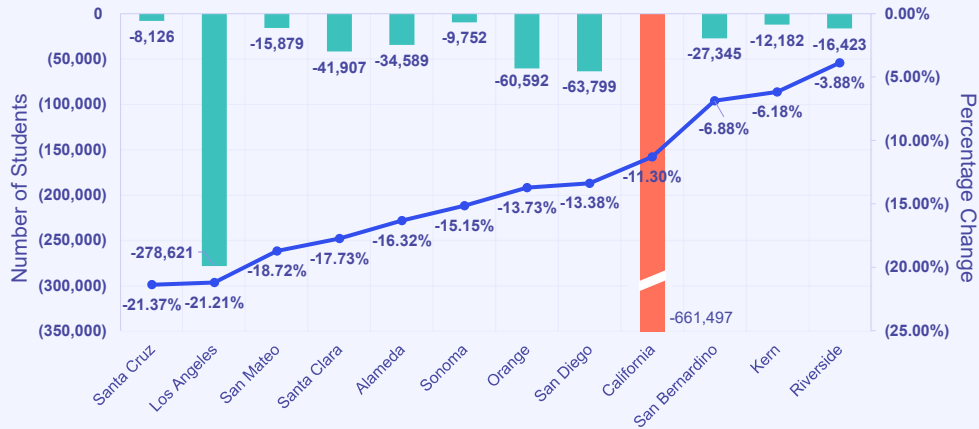


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Change in School-Age Population from 2022-23 to 2032-33 – Selected Declines



Adapted from School Services of California Inc.

Change by County % Change by County

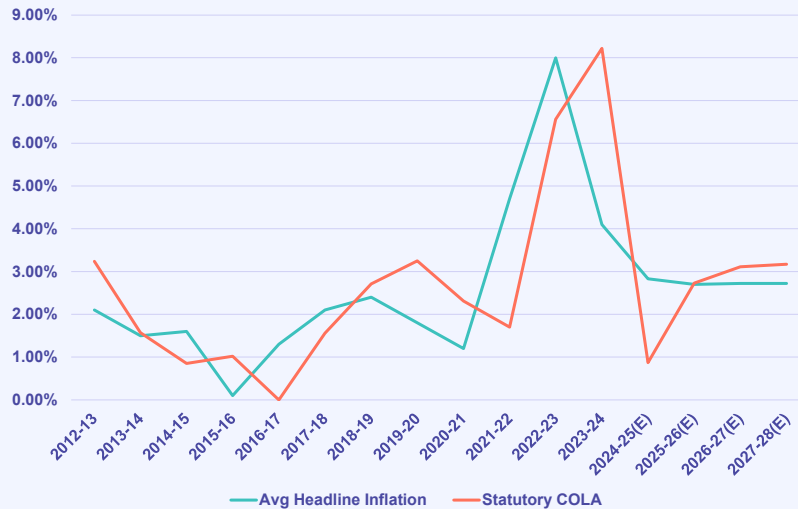
Source: CA Department of Finance, 2023 Tables

Stimulus Funds Expiration Schedule

Fund	SACS Resource	Allocation	Unexpended To Date	Date Expires
ESSER II	3212	\$6.03B	0.72%**	9/30/2023
ELO-G (ESSER II)	3216	\$670.2M	2.21%*	9/30/2023
ELO-G (GEER II)	3217	\$153.2M	2.60%*	9/30/2023
ESSER III	3213 / 3214	\$13.57B	36.25%** / 36.80%**	9/30/2024
ELO-G (ESSER III Emg)	3218	\$437.2M	30.52%*	9/30/2024
ELO-G (ESSER III LL)	3219	\$753.9M	40.18%*	9/30/2024
Homeless Children & Youth II	5634	\$55.2M	76.80%*	9/30/2024

Source: California Department of Education (CDE), *data through September 30, 2023; **data through December 31, 2023.

Inflationary Pressures on Cost Side



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State Revenues Dropping

- Governor’s budget proposal (Jan 10) includes a three-year \$43.8B drop in revenues from June’s forecast.
 - Compares to a \$58B decrease forecasted by the Legislative Analyst’s Office (LAO), a \$15.3B difference.
- LAO’s updated forecast (Feb 9) heightens the concern about downside risk by increasing the \$15.3B difference to \$23.7B, a \$8.4B decrease in forecasted revenues through 2024-25.
 - Update is consistent with weak tax collections in December and January for personal income and corporation taxes.

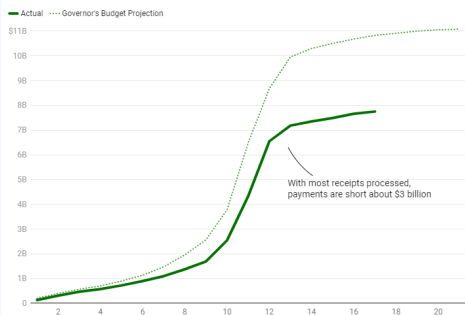
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State Revenues Dropping (Cont.)

- LAO: Recent Revenues Coming in Below Governor's Budget Projections.

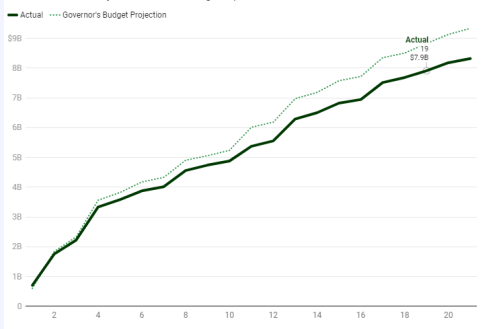
Recently Available Estimated Payments Falling Below Administration's Projections

January estimated personal income tax payments received. Nearly all payments are processed by the 14th collection day of the month.



Recent Income Tax withholding came in \$1 billion lower than Governor's Budget estimates

Cumulative total January income tax withholding receipts



Multiyear Financial Projections are Critical

Multiyear Financial Projections

- A district must have the ability to accurately reflect its net ending balance and ensure early warning of any discrepancies between budget and actual revenues and expenditures throughout the budget monitoring process
 - One of the purposes of first and second interim reports is to provide updates of the district's projected net ending balance for the current year and multiyear projections
- Long-term impact of current decisions must be assessed and must be considered over multiple years (at least current plus two years)
 - The cause of most school district insolvencies can be traced to a bad financial decision made during prosperous times that came back to bite the district during lean financial times – exercise caution

Thank you!

Future Proofing Public Finance: Strategies for Innovation and Resilience

Tatia Davenport
CEO
 CASBO





Resilience is more than recovery...it's the ability to adapt, withstand shocks, and accelerate growth.

Proactive preparation for downturn

Preparing to leverage growth opportunities in recoveries.

**DIGITIZATION / AI
PROCESSES**

**Innovation
&
Resilience**

PEOPLE

A decorative graphic on the left side of the slide consists of several hexagons. The largest is a solid orange hexagon in the center. To its top right is a smaller, light blue hexagon. To its bottom right is a smaller, solid orange hexagon. To its bottom left is a white outline of a hexagon. To its left is another white outline of a hexagon, partially overlapping the large orange one.

WHERE DOES AI EXCEL?

PROBLEM SOLVING

ANALYZING DOCUMENTS

SUMMARIZING

ANALYZING

TASK MANAGEMENT

ORGANIZATION

PATTERN & ANOMOLY DETECTION

TREND ANALYSIS

A decorative graphic on the left side of the slide consists of several hexagons. There is a large solid orange hexagon in the center. To its top right is a smaller light blue hexagon. To its bottom right is a smaller solid orange hexagon. To its bottom left is a smaller white outline hexagon. To its left is another smaller white outline hexagon.

WHERE DOES AI FAIL? (FOR NOW)

HALLUCINATIONS

VULNERABLE TO MALICIOUS USE (VOICE
DUPLICATION, PHISHING,

1,000 AI GENERATED WEBSITES

Transforming Public Finance: The Power of AI

Operational Impacts and Opportunities

- **Risk Assessment and Management:** AI algorithms can analyze vast amounts of data to identify potential financial risks and predict future trends.
- **Fraud Detection and Prevention:** By using machine learning models, public finance institutions can detect and prevent fraudulent activities more efficiently.
- **Budget Planning and Allocation:** AI tools help in analyzing past spending patterns and predicting future budget requirements more accurately and ensuring optimal use of resources for public welfare.
- **Revenue Forecasting:** AI models are capable of forecasting revenue more accurately by analyzing complex variables and historical data.

Transforming Public Finance: The Power of AI

Operational Impacts and Opportunities

- **Regulatory Compliance:** AI systems can monitor regulatory changes in real-time and help public finance institutions ensure compliance, reducing the risk of penalties.
- **Debt Management:** AI can help in managing public debt more effectively by predicting future borrowing costs, analyzing refinancing options, and optimizing debt portfolios.
- **Investment Analysis:** For public funds that include investments, AI can analyze market trends, assess investment risks, and recommend strategies to maximize returns while minimizing risks.

AI and Digital Transformation in Public Finance

Critical to have data governance, quality control, and skilled human oversight in an AI-driven environment.

- Data Privacy - HIPPA, Proprietary and Low Risk Data
- Regular independent audits to ensure data integrity, transparency and legality
- Establish oversight committee for continuous scrutiny of AO practices
- Technological Competence and Continuous Learning
- Enhancing AI Transparency and Understandability

Strategizing AI Integration With CASBO: Advancing School Business Operations

- Meeting Federal Department of Labor and Education to speak on use in School Business
- Meeting with Chair of Federal IP Subcommittee to discuss use of AI in School Business
- CEO Conference Panel Member on Leading AI Initiatives in School Business
- Forbes Magazine Article (March 2024) “Best Practices for School Business Leaders Exploring AI”
- CASBO Conference will delve into use of AI in School Business (April 2024)
 - Preparing your data
 - Legal considerations
 - Prompt Engineering
 - Practical use across myriad of AI tools
- CASBO Micro-certification in AI for the finance and operations areas of School Business

AI / DIGITAL
TRANSFORMATION

Trends

WORKFORCE
LANDSCAPE



**LET'S TAKE A TEST
DRIVE**



The New Workforce Landscape

Skills & Credentials

- The rise of experience, skill, and alternative credentials over traditional degrees.
- The demand for flexibility in work arrangements as a standard expectation.
 - The four-day workweek becoming a mainstream attraction for talent acquisition (63%)
- Preparing for economic cycles with a focus on agility and continuous growth.
 - Which skills are core, vs. new, emerging, growing, and declining
 - 40% of employees say they are doing tasks outside of their job description. Proves roles are ill-designed to capture the skills required for today's work.

Cultivating an Adaptive Culture

Internal Mobility and Skill Development

- Investing in talent development for organizational efficiency and growth - The most economic way to address skill gaps is to invest in your existing talent; upskill & reskill.
- Encouraging a culture of mobility and utilizing internal candidates for new roles.

Rethinking Employment Models

- Deconstructing roles to align with contemporary work requirements.
- Addressing the labor shortage and operational risks through innovative employment models for the gig economy.

Transforming Human Resources

- **Talent Acquisition and Recruitment:** AI can automate candidate sourcing, screening resumes, and identifying the most qualified candidates faster and more efficiently than traditional methods.
- **Candidate Assessment and Onboarding:** Through AI-driven assessments, organizations can evaluate a candidate's fit for a role based on skills, personality, and cultural fit, improving the quality of hires.
- **HR Analytics:** By analyzing data on employee performance, recruitment processes, and other HR activities, AI can optimize workforce planning, predict future staffing needs, and identify strategies to mitigate labor shortages.
- **Automation of Routine Tasks:** AI automates routine HR tasks such as payroll processing, benefits administration, and compliance reporting.



“The world as we have created it is a process of our thinking. It cannot be changed without changing our thinking”

Albert Einstein

Thank you!



TATIA@CASBO.ORG





Recent Trends in Bond and Parcel Tax Elections



February 13, 2024

Charles Heath, Partner



Recent Trends in the Political Climate

- ✓ COVID put schools in the political crosshairs – combative school board elections
- ✓ Culture wars over curriculum, books and “wokeness”
- ✓ Renewed strength of organized labor
- ✓ Growing polarization
- ✓ Irrational but profound economic pessimism



2024 Elections: March Primary Election

✓ March 5, 2024 Primary Election

- Presidential Primary a Foregone Conclusion
- Competitive US Senate Primary – Battle for 2nd
- Scattered Competitive Congressional and Legislative Primaries
- One Statewide Measure on the Ballot
- Few Local and Municipal Election (mostly county officials and judges)
- Lower projected voter turnout: 40% – 60% in most areas
- 40 K-12 Bond Measures
- 11 K-12 Parcel Tax Measures

STATE

1 STATE MEASURE 1

Vote YES or NO

AUTHORIZES \$6.38 BILLION IN BONDS TO BUILD MENTAL HEALTH TREATMENT FACILITIES FOR THOSE WITH MENTAL HEALTH AND SUBSTANCE USE CHALLENGES; PROVIDES HOUSING FOR THE HOMELESS. LEGISLATIVE STATUTE .

Amends Mental Health Services Act to provide additional behavioral health services. **Fiscal Impact:** Shift roughly \$140 million annually of existing tax revenue for mental health, drug, and alcohol treatment from counties to the state.

Increased state bond repayment costs of \$310 million annually for 30 years. **Supporters:** California Professional Firefighters; CA Assoc. of Veteran Service Agencies; National Alliance on Mental Illness - CA **Opponents:** Mental Health America of California; Howard Jarvis Taxpayers Association; CalVoices

YES on Measure 1

NO on Measure 1

End of Ballot



2024 Elections: November General Election

✓ November 5, 2024 General Election

- Highly Competitive Presidential General Election (although not in California)
- Potentially Competitive US Senate Primary (depends on top two)
- Scattered Competitive Congressional and Legislative Races
- LONG List of Statewide Measures on the Ballot
- MANY Local and Municipal Elections (counties, cities, schools, CCDs, special districts, etc.)
- High voter turnout: 65% - 85% in most areas
- Hundreds of Bond and Parcel Tax Measures on the Ballot



Statewide Issues Headed to the Nov. Ballot

- ✓ SCA 2: Eliminates restrictions on affordable housing projects
- ✓ ACA 1: Lowers voter approval threshold for city, county and special district infrastructure and housing funding measures
- ✓ ACA 5: Marriage equality (repeals Prop 8 language in state constitution)
- ✓ ACA 13: Raises voting threshold for certain constitutional amendments (targeting Taxpayer Protection and Government Accountability Act)



Statewide Issues Likely Headed to the Nov. Ballot

- ✓ Taxpayer Protection and Government Accountability Act (Business Roundtable Initiative)
- ✓ Statewide School/College Bond
- ✓ Statewide Housing Bond
- ✓ Minimum Wage
- ✓ Rent Control
- ✓ Oil and Gas Drilling
- ✓ Limitations on Employee Lawsuits RE Labor Law Violations
- ✓ Income Tax Increase on Wealthy for Pandemic Detection/Prevention
- ✓ + 33 Other Initiatives Currently in Qualification Process



Revenue Measure Passage Rates

Bond Measures

Election	Passage Rate
November 2022 General (71/99)	72%
June 2022 Primary (16/20)	80%
November 2020 General (48/60)	80%
March 2020 Primary (43/119)	36%
November 2018 General (92/107)	86%
June 2018 Primary (33/38)	87%
November 2016 General (172/178)	97%
June 2016 Primary (41/45)	91%
November 2014 General (91/112)	81%
June 2014 Primary (32/43)	74%

Parcel Tax Measures

Election	Passage Rate
November 2022 General (5/7)	71%
June 2022 Primary (7/7)	100%
November 2020 General (10/13)	77%
March 2020 Primary (14/28)	50%
November 2018 General (11/14)	79%
June 2018 Primary (10/11)	91%
November 2016 General (17/22)	77%
June 2016 Primary (7/7)	100%
November 2014 General (8/8)	100%
June 2014 Primary (5/5)	100%



Bond Measure Basics

- ✓ Requires support from at least 55% of voters who cast ballots
- ✓ Funds delivered up front and repaid over time by property taxpayers
- ✓ Funds may only be used for construction, acquisition or repair of facilities, furnishings, equipment and technology
- ✓ Cost is based on the assessed value (not market value) of properties
- ✓ No exemptions allowed by law but longtime homeowners pay the least
- ✓ Typical bond term is 30 years
- ✓ Accountability protections like an independent citizens' oversight committee and annual audits are required
- ✓ Bond elections limited to regularly scheduled primary and general election

TCX Parcel Tax Basics

- ✓ Requires support from at least 66.7% of voters who cast ballots
- ✓ Funds may be used for any purpose including staffing and programming
- ✓ Tax must be applied uniformly across all parcels (per parcel or per square foot)
- ✓ Rate can be adjusted annually for inflation
- ✓ Exemptions may be offered to senior citizens and low-income homeowners with disabilities
- ✓ Tax may be temporary or “until ended by voters”
- ✓ Accountability protections like an independent citizens’ oversight committee are optional
- ✓ Not limited to regularly scheduled primary and general elections
- ✓ Less than 10% of CA school districts have passed a parcel tax



Simple Majority Parcel Taxes?

- ✓ **Current Law:** Special taxes qualified for the ballot via the citizens' initiative process (signature gathering) may be approved with a simple majority of votes cast
- ✓ CA school districts not subject to initiatives
- ✓ Must be written as a city tax initiative with funds directed to school district
- ✓ Signature threshold to qualify: 10% of registered voters
- ✓ Initiative development, qualification and campaign, must be 100% independent of school district
- ✓ November 2024 Statewide Initiative: Taxpayer Protection and Government Accountability Act (applies retroactively)



Simple Majority Parcel Taxes?

- ✓ **San Francisco (2018)**
 - \$298 per parcel for 20 years
 - Passed with 60.7% Yes
- ✓ **Oakland (2018)**
 - \$198 per parcel for 30 years
 - Passed with 62.5% Yes
- ✓ **South San Francisco (2022)**
 - \$2.50 per square foot on commercial offices
 - Failed with 47.2% Yes
- ✓ **San Francisco City College (2022)**
 - \$150-\$4,000 per parcel for 20 years
 - Failed with 36.7% Yes
- ✓ **Manhattan Beach Unified School District (2022)**
 - \$1,095 per parcel for 12 years
 - Failed with 31.9% Yes



All Mail Ballot Elections

- ✓ All voters receive a ballot in the mail – LA County operates Voting Centers eleven days prior to the election
- ✓ Voting by mail is nothing new to most Californians – over 90% of ballots in 2022 were cast by mail
- ✓ Same people vote as in the past
- ✓ Understanding who votes early, who votes late and who doesn't vote at all is key for efficient use of campaign resources
- ✓ Easy to track who has voted and who hasn't for effective GOTV targeting
- ✓ Ballots can be received up to three days after election and still be counted – final results for tight races aren't known for weeks



New Trends in Campaigns

- ✓ People are online more than ever
- ✓ Social media and web advertising are a critical component to successful campaigns along with traditional direct mail and print advertising
- ✓ Voters get more sophisticated all the time at screening unwanted contacts
- ✓ Campaign technology allows for mass texting of voters
- ✓ “Relational organizing” – warm contacts
- ✓ Must raise a strong budget for direct mail, social media and web advertising

TCX Are Polls Accurate?

- ✓ Yes, if done correctly with the appropriate methodology
- ✓ A poll is a snapshot in time so the timing of your poll is important
- ✓ Consider polling twice – baseline poll and tracking poll
- ✓ Work with a pollster with significant local bond and tax measure experience
- ✓ Polling is the only objective measurement of public opinion
- ✓ Most CA pollsters predict the election outcome within the margin of error of the survey 90% of the time



Revenue Measure Planning Process



- Voter Survey
- Amount/Tax Rate
- Funding Priorities
- Election Timing
- Political Landscape

- Non-advocacy Communications
- Program Project List
- Ballot Question
- Consensus Building
- Resolution

- Fundraising
- Endorsements
- Website
- Lawn Signs
- Direct Mail
- Digital Advertising
- Get Out The Vote



Looking Beyond 2024

- ✓ Next President?
- ✓ 2026 CA Gubernatorial Election – no obvious frontrunner
- ✓ Trajectory of the Economy?
- ✓ Many Unknowns



Contact Info

Charles Heath

Partner

TeamCivX

415-810-8053

cheath@TeamCivX.com

**Los Angeles County
Schools and Community
Colleges Pooled
Financing Program**

February 13, 2024



**Los Angeles County
Office of Education**



**Capital
Markets**



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Tax and Revenue Anticipation Notes

Market Update

SECTION 1



**Los Angeles County
Office of Education**

Taxable and Tax-Exempt Yield Changes Since 2020

Since the FOMC began raising interest rates in March 2022 to address inflation, the spread between taxable and tax-exempt yields has widened considerably; the 10-Year Treasury rose to a high of 5.02% before rallying in recent months.

Recap of Recent FOMC Meeting (January 2024)

- The FOMC held its benchmark federal funds target rate range steady at 5.25-5.50%, as expected.
- A reference to “additional policy firming” was replaced with a specific reference to rate cuts in the FOMC statement.
- Chair Powell reiterated that the Fed will not cut rates until they are more confident that inflation is nearing the 2% target.
- Powell noted that inflation eased over the past year but remains elevated, and he said a March cut is not the Fed’s base case.
- Futures are currently pricing five cuts this year; odds of a cut in May dropped from 96% after the Fed meeting to 60% on Monday 2/5/2024.
- January’s strong payroll report supports the Fed’s stance of remaining patient, and it triggered a sharp Treasury selloff on Friday 2/2/2024.

10-Year MMD and 10-Year UST Since January 2020



Liquidity Concerns Continue To Impact Muni Market

Bloomberg Intelligence View:

- The annual decline of dealers will continue with additional fear of larger shops exiting the market at some point. Tightening spreads along with increased regulatory costs have made cost of muni business even more prohibitive. This results in less balance sheet in our market to absorb volatility

Slowing Economy Could Lead To More Reserve Burning

Bloomberg Intelligence View:

- While recession has turned into somewhat of a dirty word, we still acknowledge that some economic data points are portending an economic slowdown. Of concern is a slow-down in tax revenue collections which could add pressure to issuers already planning for a life without pandemic funds

Changing Market Structure Will Drive Demand

Bloomberg Intelligence View:

- In the past decade, the AUM in the municipal separately managed account space has grown from about 3% of total market to almost 25%, with nearly \$1 trillion flocking to this type of solution. The exponential growth in both SMAs and ETFs should drive persistent demand for munis in 2024 and beyond

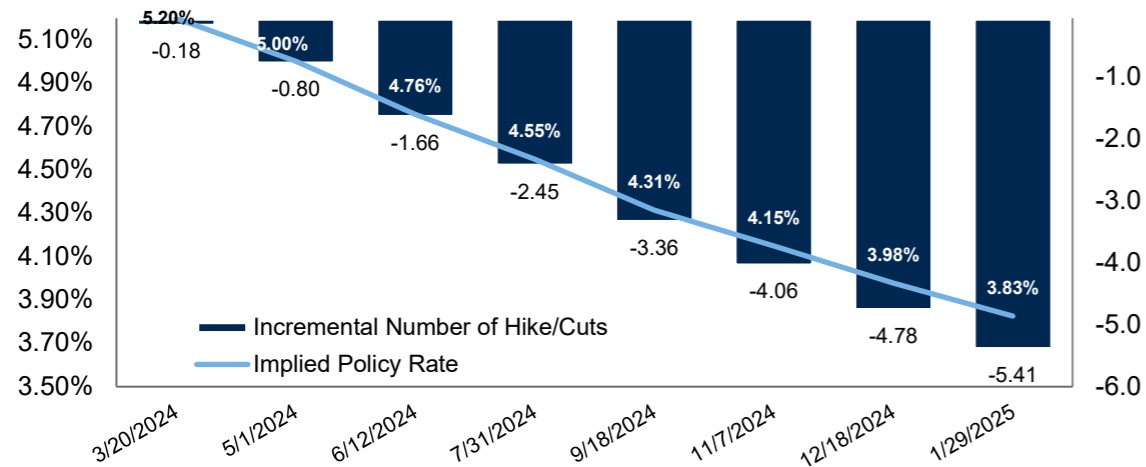
RBCCM Observations

- **Soft landing is achievable:** Inflation data is on the right track. Mounting headwinds should lead to slower growth and softer labor markets but stop short of recession.
- **Consumer headwinds are mounting:** Consumer debt grows, interest expenses accumulate, and wage growth slows.
- **Lower Rates are Likely:** It won't necessarily take a recession to push rates meaningfully lower in 2024

Interest Rate Forecasts – RBC Economics and Bloomberg Consensus

Market participants are currently predicting Fed rate cuts beginning in Spring 2024 and a decline in interest rates over the course of 2024

Futures Market – Fed Funds Rate Hike Probability (Current Target Rate: 5.25% - 5.50%)



Note: 25bps equates to one hike
Source: Bloomberg, latest data for week ending February 02, 2024

RBC Economics U.S. Interest Rate Forecast - February 2024

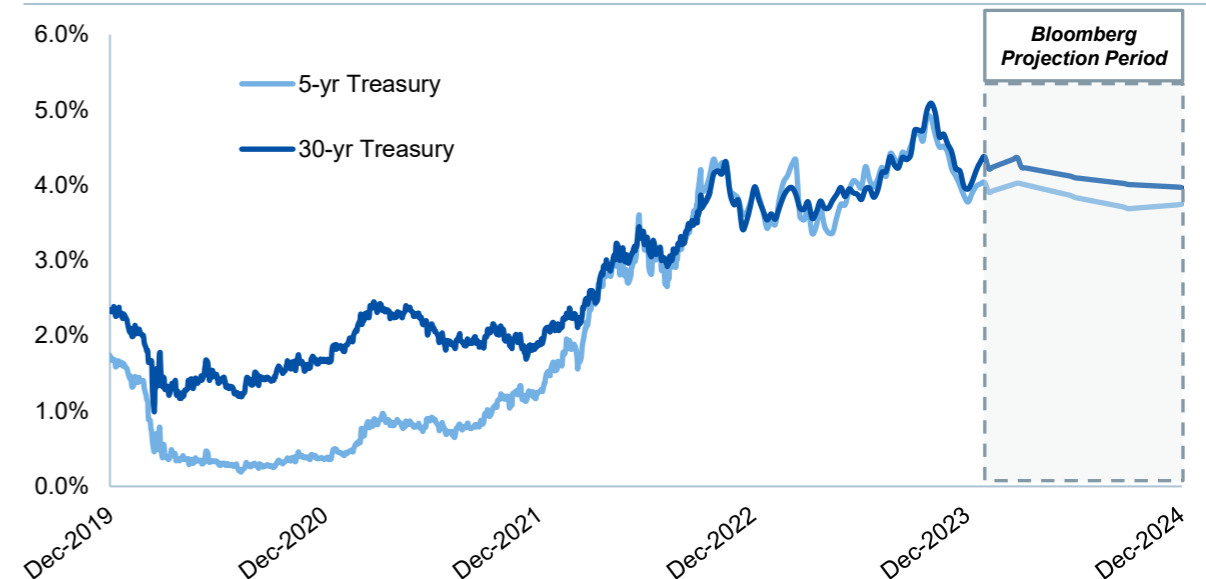
End of Quarter	Forecast				
	Current	24Q1	24Q2	24Q3	24Q4
Fed funds	5.38	5.38	5.13	4.63	4.13
Two-year	4.41	5.28	4.98	4.48	3.98
Five-year	4.04	4.55	4.05	3.70	3.40
10-year	4.10	4.20	3.85	3.65	3.50
20-year	4.40	4.40	4.20	4.05	3.95
30-year	4.30	4.50	4.35	4.30	4.25
Yield curve (2s10s)	-31	-15	15	35	55

Bloomberg's Consensus Economic Interest Rate Forecast

Tenor	Current	December 2024	Change
Fed Funds Upper Bound	5.50%	4.35%	-1.15%
3-Month SOFR	5.32%	4.27%	-1.05%
5-Year Treasury	4.04%	3.59%	-0.45%
10-Year Treasury	4.10%	3.75%	-0.35%
30-Year Treasury	4.30%	3.97%	-0.33%
10 to 30-yr Spread (bps)	20	22	2

Sources: Bloomberg and RBC Capital Markets as of February 02, 2024, <http://www.rbc.com/economics/>

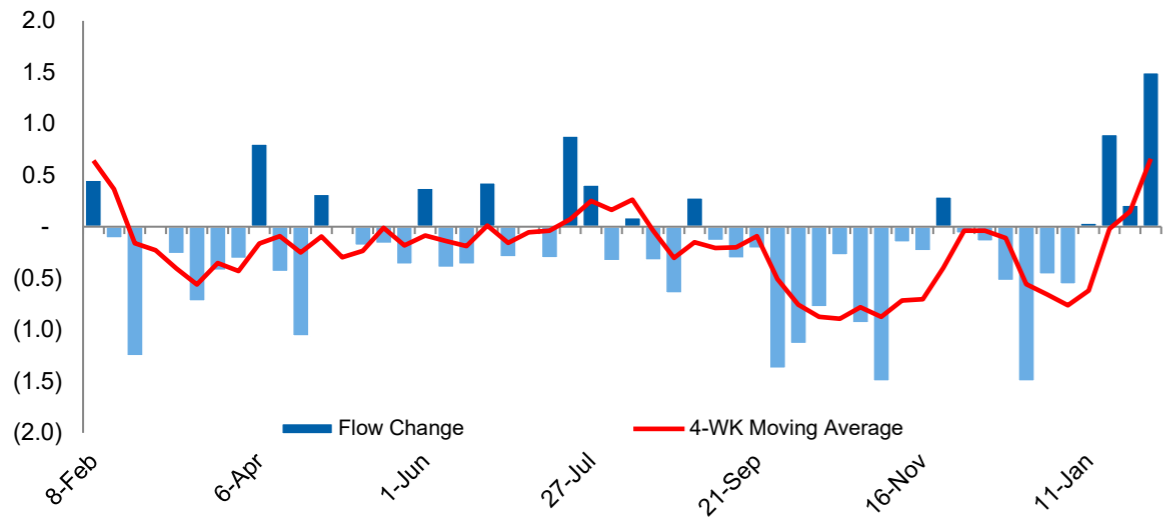
Historical and Bloomberg's Projected Treasury Yields



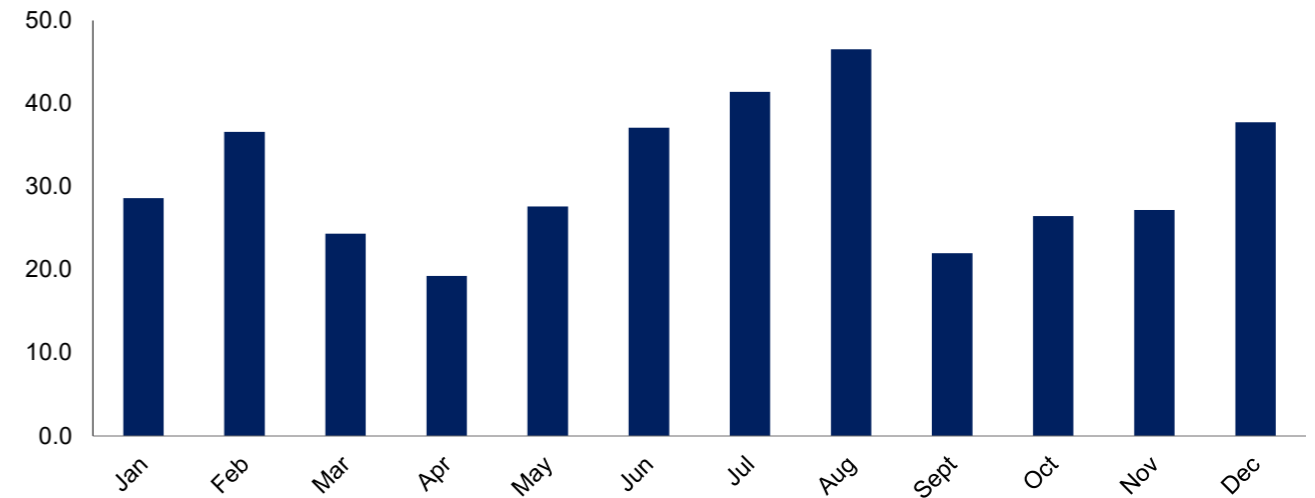
Municipal Market Themes – Bond Fund Flows and Supply Factors

Consistent outflows, persistent inflation pressures and tightening monetary policy have driven volatility

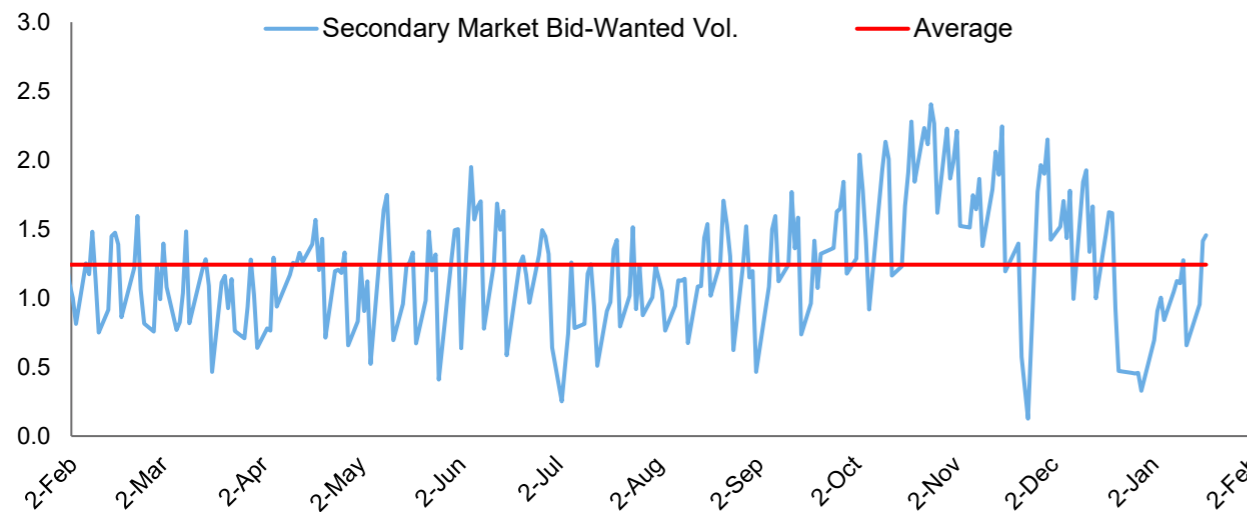
Weekly Municipal Bond Fund Flows (\$ billions)



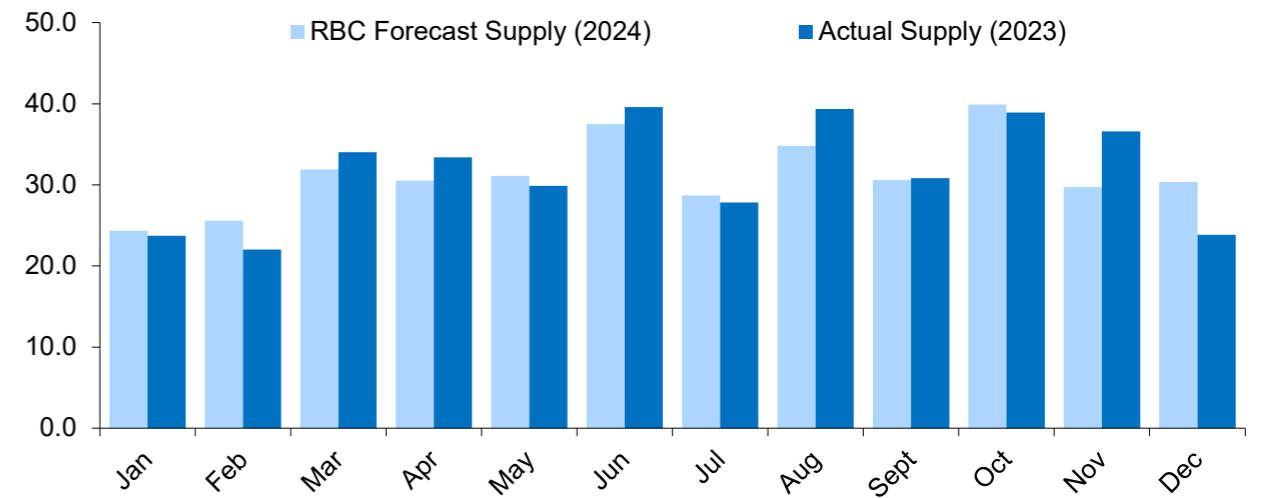
2024 Redemptions (\$ billions)



Municipal Bid-Wanted (\$ billions)



Actual 2023 Supply and Forecasted 2024 Supply (\$ billions)



Source: Bloomberg as of February 02, 2024; Lipper for the week ended February 01, 2024

Certificates of
Participation/Tax and
Revenue Anticipation
Notes

SECTION 2



**Los Angeles County
Office of Education**

Certificates of Participation (COPs)

- Purpose: often times used as a supplement or bridge financing for General Obligation Bonds
- Characteristics:
 - Exempt from Debt Limitation
 - Board Authorization
 - No Voter Approval
 - Can be Refinanced with G.O. Bonds, COPs or Bond Anticipation Notes to Help Achieve Savings
 - Requires County Office Review – AB 1200

Examples of Equipment and Real Property Commonly Financed Through COPs

Equipment



Real Property

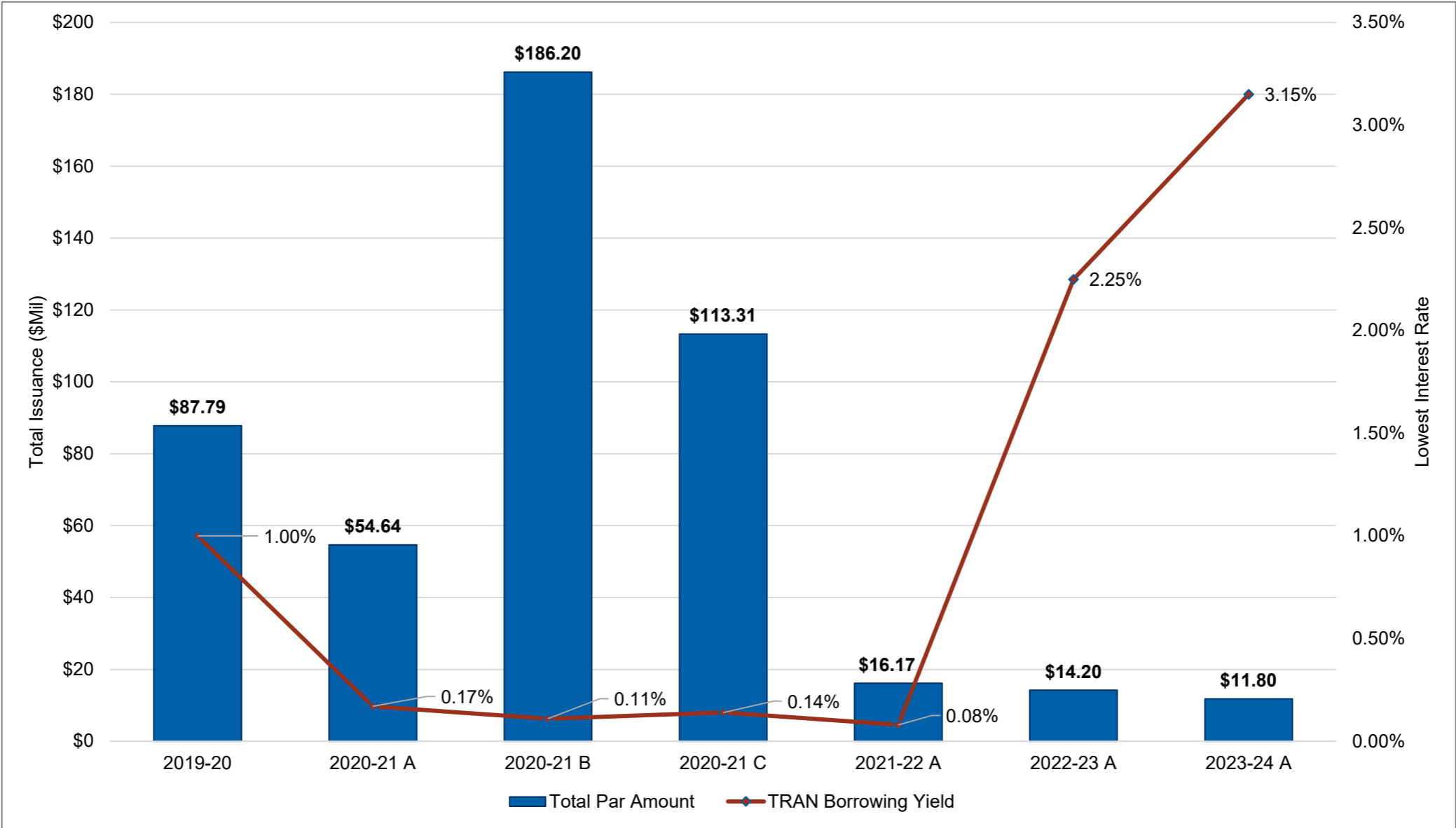


Tax and Revenue Anticipation Notes (TRANs)

- 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

TRAN Performance since 2020

LACOE TRAN Program Issuance Size and Interest Rate Performance



Tax and Revenue Anticipation Notes (TRANs) – 2023 - 24 Series A

Transaction Summary	
Delivery Date	September 13, 2023
Maturity Date	June 28, 2024
Par Amount	\$11,800,000
Rating	SP-1+
Coupon	5.000%
Yield	3.150%
Participant	Manhattan Beach Unified School District

Tax and Revenue Anticipation Notes (TRANs) - Series A

2024-25 Schedule	
Dates	Description
5/1 - 6/23	Distribute Resolutions to Interested Districts
5/1 – 5/19	Distribute Cash Flow Template and Standard & Poor’s (S&P) Questionnaire
On or before 5/12	May Revise released by Governor
5/19	LACOE provides preliminary overview of May Revise budget assumptions and S&P provides update to rating questionnaire
By 6/16	District submits cash flows and ratings questionnaire
By 7/7	District adopts TRAN resolution
7/21	Credit Ratings received
8/9	Pricing
8/23	Closing and Delivery of Funds

LA County Pooled TRANs or COPs

Top four (4) reasons to use LACOE

1

Pre-Selected Financing Team

2

Pooled Issuance leads to greater size, attracting more investors and thus lowering costs

3

Widely recognized pooled financing program

4

Has been serving Los Angeles County since 1985

Pooled Financing Program – Contacts

Program Coordinators:

Octavio Castelo, Director - (562) 922-6110
Jeff Young, Assistant Director - (562) 922-6419



Municipal Advisor:

Annette Yee, *Managing Director* - (831) 626-4524
Mike Kremer, *Managing Director* - (805) 728-1958



Underwriters:

Karma Pemba, *Managing Director* - (213) 362-4130
Katherine Jacobson, *Managing Director* - (415) 445-8202
Luke Brewer, *Vice President* - (415) 770-3854



Bond Counsel:

Diane Quan, Esq. - (213) 236-9068
Kyle Reynolds, Esq. – (213) 236-9074



Disclosure Counsel:

Ann La Morena Rohlin, Esq. - (213) 892-9327
Mauricio Salazar, Esq. - (213) 892-9240



Disclaimer

Sources include: https://www.rbccm.com/assets/rbccm/docs/uploads/2017/RBCCM_Muni_Markets_Weekly_Newsletter.pdf, <http://www.rbc.com/economics/>, RBC Capital Markets.

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Citizens' Oversight Committees Legal Considerations

February 13, 2024

Diane K. Quan

Kyle Reynolds

Proposition 39: History and Purpose

- Approved by Voters on November 7, 2000
- Added Education Code Sections 15264 – 15288, known as the “Strict Accountability in Local School Construction Bonds Act of 2000”
- Amended portions of the California Constitution (Article XIII A)
- Intended to support repair and rebuilding of schools and investment in education while providing accountability to ensure funds are spent prudently and only as directed by the citizens of the school community

Proposition 39: Requirements

	Traditional Authority	Proposition 39 (2000)
Board Approval	Simple majority	2/3 approval
Voter Approval	2/3 of votes cast	55% of votes cast
Use of Proceeds	Real property	School facilities*

- * “...for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities.”

Proposition 39: Requirements

- California Constitution Article XIII A Section 1(b)(3) establishes the following accountability requirements, which must be contained in the bond measure:
 - Requires bond proceeds be used only for the purposes specified in Article XIII A, Section 1(b)(3), and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
 - Requires inclusion of a list of the specific school facilities projects to be funded and certification that the school district board, community college board or county office of education has evaluated safety, class size reduction, and information technology needs in developing that list
 - Requires that the school district board, community college board or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed
 - Requires that the school district board, community college board or county office of education conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects

Proposition 39: Requirements

- California Education Code Section 15272
 - Requires that, in addition to other requirements, for bond measures pursuant to the Strict Accountability in Local School Construction Bonds Act of 2000, the ballot measure must contain a statement that the school board “will appoint a citizens’ oversight committee and conduct annual independent audits to assure that funds are spent only on school and classroom improvements and for no other purposes”
- California Education Code Section 15278
 - Establishes the purpose of citizens’ oversight committees, which shall advise the public as to whether a school district or community college district is in compliance with the requirements of Section 1(b)(3) of Article XIII A of the California Constitution

Proposition 39: Requirements

- California Education Code Section 15278
 - A school district must establish and appoint members to a citizens' oversight committee within 60 days of the date the board enters the election results on its minutes
 - An action to obtain an order restraining or preventing any expenditure of bond funds may be maintained against a district by a citizen within the district (meeting certain criteria) if, among other things, the governing board of a district has willfully failed to appoint the citizens' oversight committee in violation of the requirements of Section 15278

Proposition 39: Citizens' Oversight Committee Activities

- California Education Code Section 15278
 - In furtherance of its purpose, a citizens' oversight committee may do the following:
 - Receive and review copies of the annual, independent performance audit required by Article XIII A
 - Receive and review copies of the annual, independent financial audit required by Article XIII A
 - Inspect school facilities and grounds to ensure that bond revenues are expended in compliance with Article XIII A
 - Receive and review copies of deferred maintenance proposals or plans developed by the school or college district
 - Review efforts by the school or college district to maximize bond revenues

Proposition 39: District Assistance

- California Education Code Section 15280
 - District board shall, without expending bond funds, provide any necessary technical assistance and shall provide administrative assistance to the citizens' oversight committee in furtherance of its purpose, as well as sufficient resources to publicize the conclusions of the citizens' oversight committee
 - District board shall provide to the citizens' oversight committee responses to any and all findings, recommendations and concerns in the annual independent financial and performance audits within three months of receiving such audits
 - All citizens' oversight committee proceedings shall be open to the public, with the same notice requirements as the proceedings of the respective district board
 - The citizens' oversight committee shall issue regular reports on the results of its activities at least once a year
 - Minutes of meetings of the citizens' oversight committee and its reports shall be a matter of public record and be made available on the website of the respective district board

Proposition 39: Citizens' Oversight Committee Members

- California Education Code Section 15282
 - Citizens' oversight committees shall consist of at least seven members, who serve a minimum of two years without compensation, for no more than three consecutive terms
 - Citizens' oversight committee members shall contain:
 - A member active in a business organization in the community
 - A member active in a senior citizens' organization
 - For school districts, a member who is the parent or guardian of a child enrolled at the district; for community college districts, a student who is currently enrolled at the district and active in a community college group (such as student government)
 - For a school district, a member who is a parent or guardian of a child enrolled at the district and is active in a parent-teacher organization; for a community college district, a member who is active in the support and organization of a community college or community colleges in the district, such as an advisor council or foundation

Proposition 39: Citizens' Oversight Committee Members

- California Education Code Section 15282
 - Citizens' oversight committee members shall not be:
 - Employees or officials of the district
 - A vendor, contractor or consultant of the district
 - Citizens' oversight committee members must abide by prohibitions in the California Government Code regarding financial conflicts of interest and other incompatible activities

Proposition 39: Citizens' Oversight Committee In Practice

- The Education Code sets forth a basic framework of what a citizens' oversight committee shall do and what it may do
- A district may wish to provide for a citizens' oversight committee to have more duties, depending on its circumstances and constituency
- Citizens' oversight committee bylaws may set forth the expectations with respect to any particular citizens' oversight committee, including what the committee is or is not responsible for, and what the committee may or may not do



Citizens' Bond Oversight Committee Training

**Los Angeles County Schools and
Community College Districts -
Annual Public Finance Seminar**

Ann La Morena Rohlin
Partner
February 2024

Norton Rose Fulbright US LLP



Practical Considerations – Citizens' Bond Oversight Committee

- ❖ *Appointment of Citizen Bond Oversight Committee (CBOC) Members*
- ❖ *CBOC Members, Required Categories*
- ❖ *Sample CBOC Application*
- ❖ *CBOC Term*
- ❖ *CBOC Training, Materials*
- ❖ *Sample Agenda*
- ❖ *Use of Prop 39 Bond Proceeds, AG Opinion*
- ❖ *CBOC Primary Duties*
- ❖ *Duties of District Governing Board/District Officials*
- ❖ *Administrative Assistance/District Support*
- ❖ *Meeting Requirements*
- ❖ *CBOC Bylaws*

Practical Considerations - CBOC

- **Appointment of Citizen Bond Oversight Committee (CBOC) Members** within 60 days of the date the Governing Board enters the election results on its minutes.
 - District Governing Board Appoints CBOC Members
 - The Board shall have sole discretion to select and appoint the CBOC members and to determine its final size
 - **Solicit applications** on District website, local papers/newsletters
 - Bylaws may include guidance for recruiting and recommending members to the Board
 - **CBOC Bylaws can set forth qualifications** (*for example*):
 - To be a qualified person, CBOC applicant must be at least **18 years of age** and reside within the District's geographic boundary
 - The CBOC may not include any current employee or official of the District or any individual employed as, or employed by a vendor, contractor, or paid consultant of the District, nor may it include any individual who has served in the above roles within the past [12 months].

Practical Considerations - CBOC

- **CBOC shall consist of at least seven (7) members**
- **Required Categories of CBOC Membership:** “One member shall be *active* in a...
 - *Business organization representing the business community located within the district*
 - *Senior citizens’ organization*
 - *Bona fide taxpayer’s organization*
 - School District – parent/guardian of enrolled student
 - Community College District (CCD) – currently enrolled student and *active* in CC group, such as student government (at discretion of governing board, may serve up to 6 months after graduation)
 - School District – parent/guardian of enrolled student *and active* in a parent-teacher organization (PTA, school site council)
 - CCD – active in the support and organization of a CCD (member of advisory council or foundation)
- **At-Large Members** - reps of various communities
- **Expertise** – construction, architecture, finance, law, education, business

Practical Considerations - CBOC

➤ Sample Application Questions for Citizens' Bond Oversight Committee

- Name
- Email
- Daytime Telephone, Home/Business Phone
- Primary Residential Address; Business Address
- Are you currently 18 years of age or older?
- Are you currently an employee or an official of the School/Community College District, or a vendor, contractor or consultant of the District?
- Are you currently a member of the District's Citizens' Bond Oversight Committee?
- Do you have any conflicts that would preclude your attendance at meetings?
- Do you know of any reason, such as a potential conflict of interest, which would adversely affect your ability to serve on the independent CBOC?
- Are you willing to comply with the ethics code included in the Bylaws?
- Please provide a brief statement describing why you would like to be considered for appointment to the CBOC and your involvement in the [insert name of city/district] communities.
- Please list relevant experience to serve as a Member of the CBOC (may include public or private experience).
- If you have served on other school district, city or community committees, please list and briefly describe your role.
- Do you have any special areas of expertise or experience that you think would be helpful to the CBOC?
- Please note any additional information you feel should be considered as part of your application.

Practical Considerations - CBOC

➤ Sample Application for Citizens' Bond Oversight Committee (cont'd)

➤ Please indicate organizational representation (if applicable):

- Local Community (indicate city)
- Local Business
- Senior Citizen Organization
- Taxpayers' Organization
- Parent of Enrolled Student/Community College Student
- Parent of enrolled Student and Member of PTA/School Site Council/Active in support and organization of District/Foundation
- At-Large Community Member – Resident of the school, community college district

Signature of Applicant

All answers and statements in this document are true and complete to the best of my knowledge.

Signature _____ Date _____

Completed applications must be received **no later than [4:30 p.m. date, 2024]** at:

District address

Or emailed to: districtemailcontact@districtemail.edu

If you have any questions, please call the District at (123) 456-7890.

It is the policy of the ___ School District not to unlawfully discriminate on the basis of sex, sexual orientation, gender, ethnic group identification, race, ancestry, national origin, color, religion, marital status, age or mental or physical disability in the educational programs or activities which it operates.

Practical Considerations - CBOC

- **Term of CBOC member:** (CA Ed Code 15282)
- **Minimum term of two years without compensation**
- **No more than three consecutive terms**
 - May want to alternate length of terms among CBOC members (otherwise District will need to re-seat entire CBOC at expiration of terms)
 - Bylaws may set forth when term begins – for example “Term begins on the date of appointment by the Board.”
 - Upon expiration of term, the member may be recommended for reappointment if the member wishes to serve another term.
 - Removal; vacancy provisions – set forth in Bylaws.
- Examples:
 - Failure to attend 3 publicly noticed CBOC meetings within a calendar year
 - Failure to comply with Committee Ethics or Conflict of Interest
- District Board shall fill any vacancies on the CBOC in accordance with Bylaws appointment process

CBOC Training

- First Meeting of CBOC
- Duties and Obligations
 - Review of Project List
 - Project Updates, Review of Expenditures
 - Financial Audit
 - Performance Audit
 - Annual Report
 - Site Visits
- Bylaws
- Brown Act
 - Agenda
 - Public Comment
 - Approval of Minutes



CBOC Sample Agenda

ABC School District
Citizens' Bond Oversight Committee
February 13, 2024
6:00 p.m. – 7:00 p.m.
ABC School District
Main Conference Room

Agenda

- | | |
|---------------------------------|--------------------------------|
| 1. Introductions | Chair |
| 2. Public Comments | Chair |
| 3. Election of Officers | Chair |
| 4. Approval of Minutes | Chair |
| - Date(s) of Prior Meeting(s) | |
| 5. Reports | |
| - Budget Update | Name of Presenter/Staff member |
| - Project Updates | Name of Presenter/Staff member |
| - Review of Expenditures | Names of District Staff member |
| - Audit Review | CPA Presenter/Staff member |
| 6. Future Meetings and Location | |
| 7. Adjournment | |

For questions, more information, or if you would like to attend this meeting, please contact the ABC Business Services Office at (123) 456-7890.

CBOC Member Binders

(and/or electronic links to District website)

1. Committee Members, District Contacts
2. Agendas, Minutes
3. Bond Measure Language
4. Bond Project List
5. CBOC Bylaws
6. Ralph M. Brown Act (the “Brown Act”) Guide
7. Facilities Master Plans
8. CBOC Annual Report(s)
9. Audit Reports



Proposition 39 – Use of Proceeds

- Proposition 39 allows bond proceeds to be used for:
 - Construction, reconstruction, rehabilitation or replacement of school facilities
 - Including furnishing and equipping school facilities, and
 - Acquisition or lease of real property for school facilities

[Hypothetical Ballot Measure Language]

LOS ANGELES COUNTY SCHOOLS AND COMMUNITY COLLEGE DISTRICTS STUDENT ACHIEVEMENT, REPAIR AND SAFETY MEASURE. To upgrade neighborhood schools by repairing classrooms; replacing pipes/ensuring safe drinking water; upgrading fire safety, science labs, classroom technology; repairing, constructing, acquiring educational facilities, sites, equipment; shall Los Angeles County Schools and Community College Districts issue \$XX million in bonds, at legal interest rates, raising an average \$XX annually, projected levies of \$XX per \$100,000 of assessed valuation, **requiring annual audits, independent citizens' oversight, no money for administrators' salaries,** and all funds used locally?

Proposition 39 – Use of Proceeds (cont'd)

- No bond proceeds may be used for *teacher and administrator salaries and other school operating expenses*.
- However, according to a 2004 CA Attorney General (AG) opinion, Proposition 39 bond proceeds may be applied to pay all or a portion of salaries of district employees “**to the extent they perform administrative oversight work on construction projects authorized by a voter-approved bond measure.**”
- Distinguishes between routine, everyday operating expenses and the narrow category of costs and salaries that arise only in connection with, and are incurred only for the duration of, construction projects authorized by a voter-approved school bond measure.
- Limited by the amount of time spent on bond administrative oversight work, and the amount of bond proceeds issued and available
 - The District should keep careful records of the time spent by these employees conducting work associated with the voter-approved bonds, keeping an audit trail of their work (particularly if only a percentage of their work relates to the bond program). Once the construction projects end, so does the employees’ time spent working on them.

Under the Education Code, the COC's primary duties are:

- *Inform the public regarding bond expenditures:*
- To review information provided to the COC by the District as to the expenditure of bond proceeds
- To review an annual independent financial audit and a performance audit provided by the District, to ensure bond proceeds are being spent properly
- Inspect school facilities and grounds where bond proceeds have been or will be expended (***inspections/tours must be arranged with District staff**)
- Review copies of scheduled maintenance proposal or plans developed by the District
- To advise the public as to whether the bond construction program is being run in compliance with law

The most important obligation of the COC:

- At least annually, prepare a report to the taxpayers, describing the bond construction program, identifying its successes and shortcomings, and ensure this report is posted on the District's website
- It is recommended that copies of such reports also be made available in hard copy at District sites

CBOC Link on District website:

“The CBOC shall issue regular reports on the results of its activities. A report shall be issued at least once a year. Minutes of the proceedings of the CBOC and all documents received and reports issued shall be a matter of public record and be made available on an Internet Web site maintained by the governing board of the district.”

Duties of the Board of Education and/or Superintendent:

- Approval of construction contracts, construction change orders
- Approval of the sale of bonds and the expenditure of bond funds
- Approval of construction plans and schedules, all scheduled maintenance plans
- Handling of all legal matters

Technical and Administrative Assistance

- The District is required to provide* the COC with necessary technical and administrative assistance as follows:
 - Provision of a meeting room, including any necessary audio/visual equipment
 - Preparation of and posting of public notices as required by the Brown Act
 - Preparation and copies of any documentary meeting materials, such as agendas and reports
 - Retention of all COC records, and providing public access to such records on an Internet website maintained by the District

*Without expending bond funds

Meeting Requirements

- The COC shall set its own meeting schedule, but shall meet no less frequently than once each fiscal year.
- All meetings are subject to the Brown Act and must be held in locations freely accessible to the public.



Brown Act requirements include:

- Posting of agendas no less than 72 hours in advance of scheduled meetings (24 hours for emergency/special meetings)
- Right of citizens to speak
- No action may be taken by the COC on items not included in the agenda
- All meeting materials are public records
- No secret meetings – and most likely, no closed sessions

Quorum

- To take any action, there must be a quorum of COC members in attendance at a meeting
 - more than 50% of the members
- If a quorum is not present, the COC may still receive information from the District, including the annual audits
- When this occurs, the District staff should circulate such materials to those who were unable to attend

Replacement or resignation of members

- Members may resign at any time
- The Board of Education is obligated to keep the committee fully staffed at no less than 7 members and if a member in a mandatory category (such as a senior citizen) resigns, a new member in the same category must be found

CBOC Bylaws

Legal Requirements	CBOC Bylaws
CBOC Purpose, compliance with Prop 39 (CA Ed Code)	<input checked="" type="checkbox"/>
CBOC Subject to Brown Act Requirements (CA Gov Code)	<input checked="" type="checkbox"/>
CBOC Duties: Inform Public, Review Expenditures, Annual Report (CA Ed Code)	<input checked="" type="checkbox"/>
CBOC Authorized Activities (CA Ed Code)	<input checked="" type="checkbox"/>
CBOC Membership; Term (CA Ed Code)	<input checked="" type="checkbox"/>
CBOC Qualifications and Conflicts of Interest	<input checked="" type="checkbox"/>
CBOC Meetings (CA Ed Code and Gov Code)	<input checked="" type="checkbox"/>
District Support (CA Ed Code)	<input checked="" type="checkbox"/>

Thank you



Ann La Morena Rohlin

Partner

Los Angeles

ann.rohlin@nortonrosefulbright.com



nortonrosefulbright.com

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LOS ANGELES COUNTY OFFICE OF EDUCATION



OVERVIEW OF CONTINUING DISCLOSURE RESPONSIBILITIES

February 13, 2024



What is Continuing Disclosure?

SEC Rule 15c2-12 ensures municipal securities issuers enter into Continuing Disclosure Agreements (“CDA”) to provide certain information to the MSRB about their securities on an ongoing basis

- Consists of important information about municipal bonds that arises after the initial issuance
- Reflects the financial health or operating condition of the school and community college districts or county offices of education (COE) as it changes over time
- Occurrence of specific events that can have an impact on key features of the bonds
- Intended to assist investors in determining the suitability of a bond as well as potential risks associated with the credit of the school and community college districts or COE
- The disclosures are made available to investors and the public on the MSRB’s Electronic Municipal Market Access (EMMA) website (www.emma.msrb.org)



Types of Continuing Disclosure

Updated Financial or Operating Information

- Annual financial information or operating data
 - Must be filed on or before the date specified in the CDA; or
 - File a notice of failure to provide required financial information on or before the date agreed to by the issuer
- Audited financial statements (ACFR)
 - Should be completed within 6 months of the end of the fiscal year and filed as a part of the Annual Continuing Disclosure Report on EMMA



Types of Continuing Disclosure

Sixteen (16) Listed Events specified in SEC Rule 15c2-12

- 1) Principal and interest payment delinquencies
- 2) Non-payment related defaults, if material
- 3) Unscheduled draws on debt service reserves reflecting financial difficulties
- 4) Unscheduled draws on credit enhancements reflecting financial difficulties
- 5) Substitution of credit or liquidity providers, or their failure to perform
- 6) Adverse tax opinions or events affecting the tax-exempt status of the security
- 7) Modifications to rights of security holders, if material
- 8) Bond calls, if material, and tender offers

Listed Events must be filed not more than 10 business days after occurrence



Types of Continuing Disclosure

Sixteen (16) Listed Events specified in SEC Rule 15c2-12, cont.

- 9) Defeasances
- 10) Release, substitution, or sale of property securing repayment of the securities, if material
- 11) Rating changes
- 12) Bankruptcy, insolvency or receivership
- 13) Merger, acquisition, or sale of all issuer assets
- 14) Appointment of successor trustee, if material
- 15) Financial obligation – incurrence or agreement, if material
- 16) Financial obligation – event reflecting financial difficulties

The term “financial obligation” is defined to mean a (a) debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of (a) or (b).



Disclosures Should Include any “Material” Information

- Information is considered material if there is a “substantial” likelihood that, under all circumstances, the omitted factor would have assumed actual significance in the deliberations of a reasonable [investor]”
- The “reasonable” investor is an objective standard
- For future events, materiality depends upon a balancing of both the indicated probability that the event will occur and the anticipated magnitude of the event
- A misstatement or omission may be material if it affects rating, yield, risk of early redemption, etc., even if it does not present a risk of default
- Confidentiality, business concerns, and political sensitivity are not exceptions to application of disclosure rules



Exemptions from Filing

Exemptions from SEC Rule 15c2-12

- The entire issue is for less than \$1 million
- The offering is sold to investors in minimum denominations of \$100,000 and
 - Have a maturity of nine months or less; or
 - Are sold to no more than 35 persons, each of whom the Underwriter reasonably believes
 - Has such knowledge and experience that it is capable of evaluating the merits and risks of investing in the securities and
 - Is not purchasing the securities for more than one account or with a view to distribution.
- For offerings maturing in 18 months or less, there is an exception from the continuing disclosure requirements other than the Listed Events reporting requirement
- Offerings where the issuer has less than \$10 million of outstanding municipal securities must provide financial information and operating data that is “customarily prepared and publicly available” and Listed Events notices only



Policies and Practices

Issuers should Develop and Adopt Continuing Disclosure (CD) Procedures

- Identify position responsible for compliance with continuing disclosure agreements (CDA) and adopted CD policy
- Develop and maintain accurate lists of bond issues subject to CDAs
- Outline process to discuss and understand CDA provisions prior to the related bond closing
- Identify the financial and operating information to be submitted on EMMA and the required deadlines
- Monitor the 16 Listed Events to ensure timely filing on EMMA (within 10 business days of the occurrence)
- Detail process to document and track required EMMA filings to each filing deadline, including the use of external dissemination agent, if applicable



Policies and Practices, cont.

- Describe process by which voluntary filings are made
- Identify records relating to CD that should be retained and the retention period
- Procedures to address actions and notices related to noncompliance with CD requirements
- Ongoing disclosure training for staff and officials responsible for producing, reviewing, and approving disclosure
- CD policies should be periodically reviewed to ensure consistency with market and regulatory expectations
- For some issuers, filing the ACFR on EMMA may fulfill their annual CD requirements. If the CDA requires additional operating data or information not included in the ACFR such information should be included in the Annual CD Report



Policies and Practices, cont.

- An issuer should complete its ACFR within six months of the end of its fiscal year and the ACFR should be submitted to EMMA with its Annual Report
- For bonds issued after February 27, 2019 there are two additional Listed Event notices under Rule 15c2-12 (Events 15 and 16) dealing with “financial obligations”
- Listed Event filings for the incurrence of financial obligations should include a description of the material terms of such obligations, which can be done by filing the underlying documents (sensitive information may be redacted)
- Under Rule 15c2-12, underwriters cannot participate in an offering unless the Issuer states in the Official Statement any material non-compliance with CD requirements within the past five years
- Issuers, in consultation with counsel, may wish to submit other information beyond the CDA, such as annual budgets, interim reports, financial plans, etc.

For more information:

<https://www.msrb.org/sites/default/files/10-Things-to-Know-New-SEC-Rule-15c2-12.pdf>

<https://www.gfoa.org/materials/understanding-your-continuing-disclosure-responsibilities>