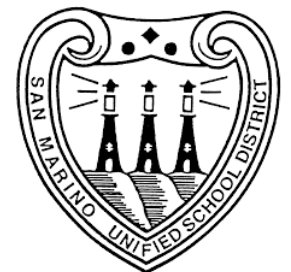


April 28, 2020

San Marino Unified School District

2020-21 Tax and Revenue Anticipation Notes



What is a Tax and Revenue Anticipation Note?

Tax and Revenue Anticipation Notes (“TRANs”) are short-term securities commonly used by public agencies (including California school districts) as a cash management tool

- ◆ Tax-exempt borrowing for up to 13 months
- ◆ Helps districts match monthly expenditures with irregular state and property tax revenues

Nine school districts in Los Angeles County issued TRANs in 2019-20



TRANs Process

- ◆ The District prepares an estimated cashflow for the upcoming fiscal year
 - The District’s revenue from State aid and property taxes is not received in equal installments throughout the year; the amounts vary greatly from month to month
 - The largest receipts are anticipated in December and April
 - As a result, the District projects cashflow needs in October, November, February, and March
- ◆ The District’s financing team reviews the cashflow to determine the appropriate TRANs size based on the projected months that the District would need a TRAN
- ◆ The pool of issuers receives a TRANs rating from Standard & Poor’s
- ◆ The underwriter markets and sell the TRANs to the investment community
- ◆ Proceeds are invested in the Los Angeles County Treasurer’s Investment Pool while unused

Los Angeles County Investment Pool

Recent Earnings Rates

| Month | Earnings Rate |
|--------|---------------|
| Feb-20 | 1.89% |
| Jan-20 | 1.86% |
| Dec-19 | 1.83% |
| Nov-19 | 1.92% |
| Oct-19 | 1.98% |



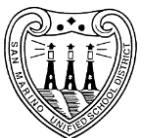
Program Description

The California Education Notes Program (“Cal-Ed Program”) is a TRANs borrowing program that pairs comparable school districts of high credit quality

- ◆ TRANs are sold as a pool to save on borrowing costs
- ◆ 9 school districts are considering issuing Cal-Ed TRANs for 2020-21

| <u>2019-20 Participants</u> | <u>Rating</u> |
|-----------------------------|---------------|
| Moreland SD | Aa3, AA- |
| San Marino USD | Aa1, AA |
| San Mateo UHSD | Aaa, AA+ |

- ◆ *Note: The ratings above are the general obligation bond ratings for each of the school districts based on each district’s tax base, local economy, management, and debt.*



Financing Plan

It is proposed that the District issue TRANs in an amount not-to-exceed \$6.8 million

◆ **Estimated financing parameters:**

- Proceeds: \$6,800,000
- Issuance Amount: \$6,677,000
- Term: ~1 year
- Estimated all-inclusive interest rate: 1.85% ⁽¹⁾
 - Estimated net interest cost: \$118,856 ⁽¹⁾
 - Includes estimated costs of issuance and underwriting fees of \$37,173
 - Estimated earnings with Los Angeles County (if invested for ~8 months): \$71,941 ⁽²⁾
 - Estimated net cost to District: \$46,915

(1) Based on interest rates provided by the underwriter on April 14, 2020. Includes all estimated costs of issuance. Subject to market fluctuations.

(2) Assumes proceeds are invested for ~8 months at 1.6% yield.



Previous TRANs Issuances

The District issued TRANs for 2009-10, 2010-11, 2018-19, and 2019-20 through the Cal-Ed Program

◆ **2009-10 TRANs:**

- Proceeds: \$4,685,000
- All-inclusive interest rate: 0.92%
 - Interest cost: \$43,720 ⁽¹⁾

◆ **2010-11 TRANs:**

- Proceeds: \$3,000,000
- All-inclusive interest rate: 0.98%
 - Interest cost: \$29,430 ⁽¹⁾

◆ **2018-19 TRANs:**

- Proceeds: \$3,750,000
- All-inclusive interest rate: 2.34%
 - Interest cost: \$87,873 ⁽¹⁾

◆ **2019-20 TRANs:**

- Proceeds: \$5,500,000
- All-inclusive interest rate: 1.79%
 - Interest cost: \$90,007 ⁽¹⁾

(1) Does not include any interest earnings made in the Los Angeles County Investment Pool.



Next Steps

- ◆ May 2020: Review cash flow with tax counsel and respond to rating agency questionnaire
- ◆ June 2020: Receive pooled credit rating
- ◆ July 2020: Post preliminary official statement for investors to review
- ◆ July 2020: Sell TRANs to investment community
- ◆ July/August 2020: Closing; District receives TRAN proceeds
- ◆ June 2021: TRAN repaid

