



**Los Angeles County  
Office of Education**

# **2025 Public Finance Seminar and Luncheon**

**Hosted By:  
Los Angeles County Schools  
Regionalized Business Services Corporation**



**Los Angeles County  
Office of Education**

**Los Angeles County Schools and Community College Districts  
Annual Public Finance Seminar  
April 3, 2025  
9 a.m.–1 p.m.**

**Opening Remarks**

*Phillip Downing, Coordinator, Business Advisory Services – Los Angeles County Office of Education (LACOE)  
Anthony Culpepper, President – Los Angeles County Schools Regionalized Business Services Corporation*

**Legal Update – Legislation Affecting School Districts and Debt Issuances**

*Diane Quan, Esq., Partner – Hawkins Delafield & Wood LLP  
Ann La Morena Rohlin, Esq., Partner – Norton Rose Fulbright US LLP*

**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*

**BREAK**

**TRANS/COPs/Market Update – Importance of Cash Flow**

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

**Citizens Bond Oversight Committee Training**

*Diane Quan, Esq., Partner – Hawkins Delafield & Wood LLP  
Ann La Morena Rohlin, Esq., Partner – Norton Rose Fulbright US LLP*

**Continuing Disclosure Training and Requirements**

*Michael Kremer and Colleen McInnes – Montague DeRose and Associates, LLC*

**Closing Remarks**

*Michael Kremer, Managing Director – Montague DeRose and Associates, LLC*

**LUNCH**



**Capital  
Markets**



# Opening Remarks



 **NORTON ROSE FULBRIGHT**

**HAWKINS**

# **Legal Update – Legislation Affecting School Districts and Debt Issuances**

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

Diane Quan, Partner, Hawkins Delafield & Wood LLP  
Ann La Morena Rohlin, Partner, Norton Rose Fulbright US LLP

April 2025

Norton Rose Fulbright US LLP



# Legal Update – Legislation Affecting School Districts and Debt Issuances

❖ **PROPOSITION 2** – November 2024 voter approved \$10 billion State general obligation bonds for public school and community college facilities, with \$8.5 billion allocated for K-12 schools and \$1.5 billion for community colleges

- As much as \$4.8 billion in unfunded projects with preliminary approvals from the last State bond may get priority

❖ **AB 905** – State General Obligation Bonds – disclosure requirements

- Originally applied to “public bodies,” recently amended to apply to State GO bonds
- The bill targets transparency and accountability in the issuance and use of GO bonds approved by voters after January 1, 2026.
- Disclosure of specific goals, purposes, performance indicators, data collection requirements, and project outcomes (among many others).
- As INTRODUCED, AB 905 covered “public bodies.” As AMENDED, it has been tailored to State GO Bonds. (3/28/2025)

# Legal Update – Federal Agencies and Executive Orders Affecting School Districts

## ❖ *US Department of Agriculture*

- About \$660 million Local Food for Schools Program canceled for 2025 (active in 40 states).

## ❖ *The White House Executive Order March 20, 2025 – Improving Education Outcomes by Empowering Parents, States and Communities*

- Transfers main functions of US Dept. of Education to the States
- Secretary of Ed to ensure allocation of Federal Dept. of Ed funds subject to compliance with Federal law and Administration policy

## ❖ *California Governor Executive Order – January 16, 2025 – Extension of Property Tax Deadlines for LA firestorm communities*

- Suspends until April 10, 2026, certain state tax laws that impose penalties, costs, and interest for late payments of property taxes due in calendar year 2025. Applies to properties in ZIP codes 90019, 90041, 90049, 90066, 90265, 90272, 90290, 90402, 91001, 91040, 91104, 91106, 91107, 93535, or 93536.
- Reassessment - Property owners may also seek disaster relief to have property destroyed or damaged in the fires reassessed, and property taxes adjusted downward, based on its current state, by filing a claim with the Los Angeles County Assessor's Office within 12 months from the date the property was damaged or destroyed
- Property owners may also seek further suspension of penalties and interest, for up to four years, by submitting a Penalty Cancellation Request form with the LA County Treasurer and Tax Collector

# Securities Laws

- **Offering Document Disclosure (Preliminary Official Statement and final Official Statements)**
  - No untrue statement of a material fact
  - No omission of material facts
  - Hot Topics: Cybersecurity, Federal Funding, Climate Events (wildfires, floods, debris flow, drought), AB 218 liability, Litigation, Bargaining Units, Audit findings, tax-exempt municipal bonds
- **Continuing Disclosure**  
(covered later this session)
  - Annual Reports, event filings, voluntary filings



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# Fiscal Health is Strong, but Signs of Weakening are Growing

# Statewide Trends Impacting Solvency

- Declining enrollment.
  - Offset in the short term by universal transitional kindergarten implementation and improvement in average daily attendance (ADA) yield from pandemic.
- Ongoing expenditures previously supported by one-time pandemic-related funds without an exit plan.
  - Federal Elementary and Secondary School Emergency Relief (ESSER).
  - State Learning Recovery Emergency Block Grant (LREBG).
- Low to more normal cost-of-living adjustments (COLA) moving forward.
  - Fixed costs grow 4.5% to 5.0% annually; COLAs below this level result in local budget difficulties.

# Statewide Trends Impacting Solvency (Cont.)

- Inflationary pressures remain on the cost side.
- Significant increases in utilities and insurance costs over a decade.
  - Utilities up close to 200%.
  - Some forms of liability insurance up 700%.
  - Cost of fire coverage will be significantly affected in the coming years.
- Potential federal policy and funding changes are creating uncertainty and risk.
- Reserves are higher than in the Great Recession (23-25% vs 8%).
- Cash reserves are strong but deteriorating due to deficit spending.

# State Budget Prospects

# Planning Considerations Related to the Governor's Budget Proposal

- Updated multiyear projections are essential; have one for each potential scenario (i.e., revenue, ADA and COLA scenarios), and adjust as information changes.
- Use caution in budgeting for the proposed transitional kindergarten 10-to-1 staffing add-on funding level.
- Do not budget the \$1.8B discretionary grant; save that decision for the August 45-day revision.
- Expansion of the Expanded Learning Opportunities Program Tier 1 requires attention to detail regarding universal offering.
- Proposed budget does not fund the graduation requirement to add ethnic studies for incoming freshmen in 2025-26; however, the University of California is scheduled to move forward with A-G requirement updates.

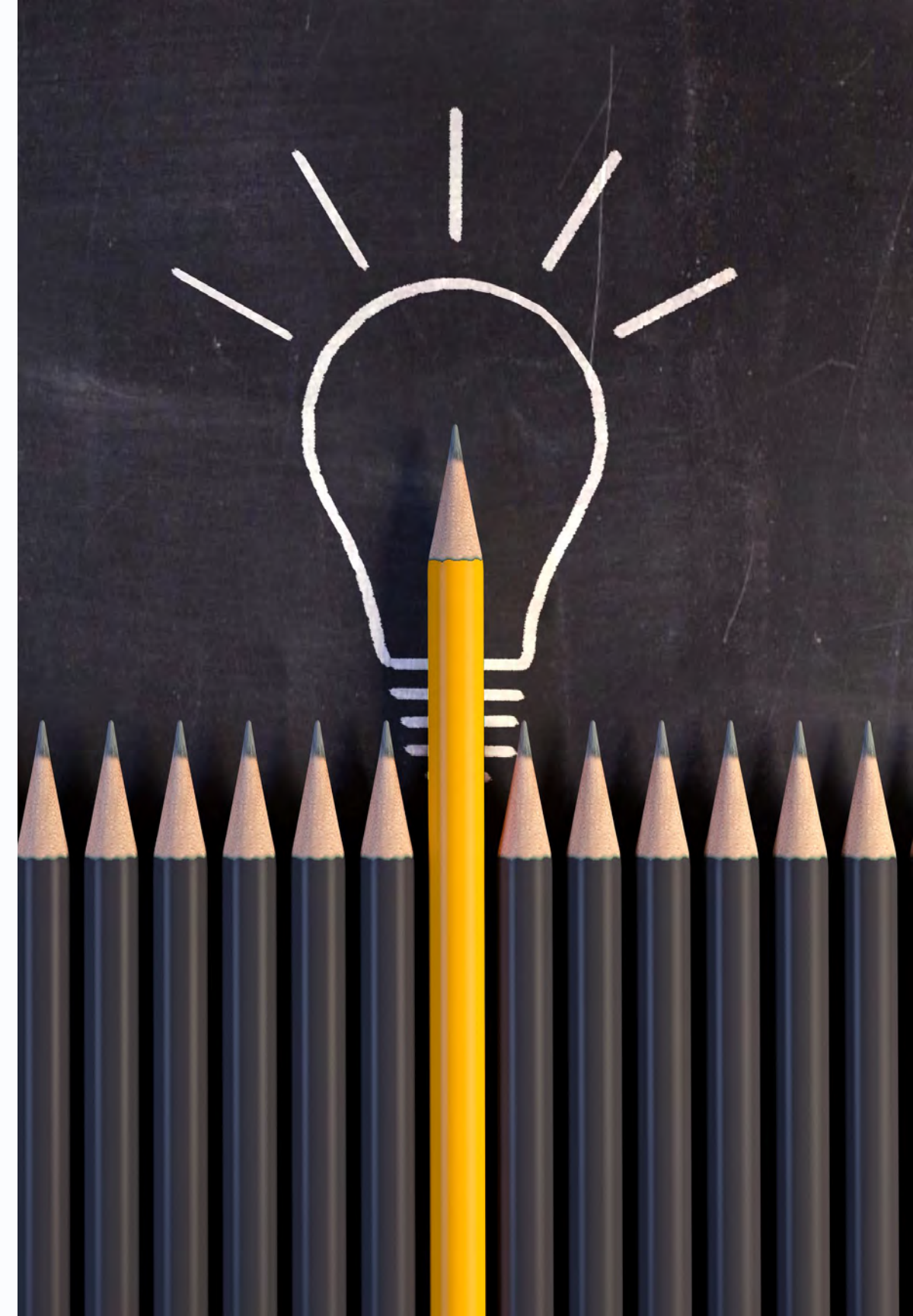
# Risks in the Governor's Budget

- There are revenue risks associated with the economy, federal policy, and impact from the January fires.
- Legislative Analyst's Office cautions about current year Proposition 98 sensitivity to revenue fluctuation, COLA, and transitional kindergarten staffing rate.
- Potential federal policy and funding changes.
  - Federal education spending in California is approximately \$7.2B, with the largest ongoing programs\* being:
    - Child nutrition: 33%.
    - Title I, Part A: 25%.
    - Special Ed IDEA Local Assistance: 16%.
    - Other programs: 26%.

\*2022-23 data.

# Leadership in Public Finance & Navigating Challenges

Tatia Davenport, CASBO, CEO







# Perfect Storm

## Federal

- National debt exceeds \$36 trillion; the cost of servicing is greater than the spending on defense. The national debt-to-GDP ratio is growing
- The Congressional Budget Office (CBO) projects a slow down in U.S. economic growth over the next 30 years, driven by rising debt and declining birth rates.

## Legislation

- SB 1315-Reduce Administrative Burden of LEA's
- AB218 related legislation

## Union Leadership Collaborating to Bargain





# Perfect Storm Cont'd

School Choice Popularity

Corporate Exodus Continues

- In 2022, California lost 817,669 residents.
- Between 2018 and 2024, 500+ companies moved their headquarters from California to a different state.
- The average cost of a single-family home in California is a shocking **\$838,850**, more than double the national average.



# Adaptive Leadership: Prioritize Scenario Planning

- National Center for Education Statistics (NCES) estimates loss of 15.7% students by 2031
- Districts are slow to respond
- Difficult and political
- School Closures alone won't balance the budgets
- Staff & programmatic reductions eminent
- Financial issues can create a sense of crisis, but leaders need to maintain a long-term vision for education quality and equity.



# Collaborative Leadership: Building Alliances outside of Education



The Los Angeles 2020 Commission, co-chaired by Austin Beutner and former U.S. Secretary of Commerce Mickey Kantor, brought together diverse stakeholders to analyze and provide recommendations on the city's financial stability, including aspects impacting education.

*Goal: comprehensive assessment and implementation plan*



## Education Leaders

District administrators and board members



## City Officials

Budget and planning departments



## Community

Parents, businesses, nonprofits



# Identifying Key Drivers of Change



## Economic Conditions

Market cycles, interest rates, inflation trends, and global trade patterns that could impact your financial outlook and operational costs.



## Legislative Changes

Regulatory shifts, policy reforms, and compliance requirements that may affect your industry landscape and business practices.



## Technological Advancements

Emerging technologies, digital disruption, and innovation trends that could transform your programs, services, or delivery models.



## Demographic Shifts

Population changes, workforce evolution, and consumer behavior patterns that might reshape your market and talent strategies.

The first critical step in scenario planning involves systematically identifying and analyzing these drivers of change. By understanding the forces that could significantly impact your organization's future, you establish the foundation for building meaningful scenarios.



# Creating the Scenario Matrix

## Select Critical Uncertainties

From your list of drivers, identify two high-impact, high-uncertainty factors that will form the axes of your scenario matrix.

This structured approach transforms abstract uncertainties into a concrete framework for scenario development. The resulting matrix provides a balanced view of possible futures that moves beyond simple "good" or "bad" outcomes to explore nuanced combinations of key variables.

## Define Polar Outcomes

For each uncertainty, define the opposite possible outcomes (e.g., strong vs. weak economy, high vs. low technology adoption).

## Create Four Quadrants

Place your critical uncertainties on perpendicular axes to form a matrix with four distinct quadrants, each representing a unique scenario.

## Name Your Scenarios

Give each quadrant a descriptive title that captures the essence of that particular future world.

# Example: Education Sector Scenario Matrix

<p><b>Best-Case Scenario</b></p> <p>Strong Economy + High Government Support: Increased funding, innovation opportunities, and expansion of educational programs.</p>	<p><b>Optimistic Scenario</b></p> <p>Strong Economy + Low Government Support: Schools pursue alternative funding through business partnerships and private grants.</p>
<p><b>Worst-Case Scenario</b></p> <p>Weak Economy + Low Government Support: Severe budget cuts, program reductions, and restructuring of core operations.</p>	<p><b>Pessimistic Scenario</b></p> <p>Weak Economy + High Government Support: Focus on maintaining essential services with tight budgets and prioritized spending.</p>

This education sector example demonstrates how the interplay between economic conditions and government support creates four distinct futures. Each scenario presents unique challenges and opportunities that would require different strategic responses from educational institutions.

# Developing Rich Scenario Narratives



## Craft the core storyline

Develop a compelling narrative that captures how the scenario unfolds over time



## Add contextual details

Incorporate specific events, milestones, and environmental factors



## Include stakeholder perspectives

Consider how different groups would experience this future



## Create timeline markers

Identify signposts that would indicate movement toward this scenario

Effective scenarios go beyond simple descriptions to become immersive narratives that stakeholders can mentally inhabit. By developing detailed stories about each possible future, you create vivid mental models that help decision-makers think more creatively about strategic options and potential responses.

Remember that the most useful scenarios are both plausible and challenging—they should stretch your thinking while remaining grounded in realistic possibilities based on your identified drivers of change.

# Analyzing Scenario Implications

<u>Financial Implications</u>	<u>Operational Impacts</u>	<u>Staffing Considerations</u>
<ul style="list-style-type: none"><li>• Revenue stream vulnerability</li><li>• Cost structure adaptability</li><li>• Investment requirements</li><li>• Funding source diversification</li></ul>	<ul style="list-style-type: none"><li>• Service delivery models</li><li>• Supply chain resilience</li><li>• Technology infrastructure</li><li>• Process flexibility</li></ul>	<ul style="list-style-type: none"><li>• Workforce composition</li><li>• Skill requirements</li><li>• Talent acquisition strategies</li><li>• Organizational structure</li></ul>

For each scenario, conduct a thorough analysis of how your organization would be affected across these key dimensions. Identify both the challenges that would need to be mitigated and the opportunities that could be leveraged under each set of conditions.

*The goal is not just to understand what might happen, but to develop insights about what specific actions would be most valuable in each possible future. This analysis forms the foundation for developing robust strategies that can succeed across multiple scenarios.*



# Developing Scenario-Based Strategies



After analyzing the implications of each scenario, the next step is developing strategic options that address the various possible futures. The pyramid structure above represents different categories of strategic responses, with the most fundamental capabilities at the base and more specialized responses toward the top.

The most effective scenario-based strategies incorporate elements from each level of the pyramid—focusing on building core capabilities while also developing specific plans to address the unique challenges and opportunities present in each scenario.

# Implementing Scenario Planning in Your Organization

70%	3-5	12
Success Rate	Planning Horizon	Review Cycle
Organizations using scenario planning report higher strategic success rates	Recommended years for most effective scenario timeframes	Monthly monitoring of signposts and quarterly strategy reassessment

To successfully integrate scenario planning into your strategic processes, establish a regular cadence for scenario development, monitoring, and strategy adjustment. Create a designated team responsible for tracking the early warning signals that indicate movement toward particular scenarios.

Remember that scenario planning is not a one-time exercise but an ongoing discipline. The most successful practitioners continually refine their scenarios as new information emerges and regularly reassess strategic options against evolving futures. By embedding this approach in your organization's planning culture, you'll build the adaptive capacity needed to thrive in an uncertain world.

# Call to Action

## Courage

Make difficult decisions focused on student needs

## Collaboration

Build networks beyond traditional education circles

## Commitment

Maintain unwavering focus on educational mission



# Thank You!



Contact Information

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# Recent Trends in Bond and Parcel Tax Elections

April 3, 2025

Charles Heath, Partner





## Recent Trends in the Political/Budget Climate

- ✓ COVID put schools in the political crosshairs – combative school board elections
- ✓ Culture wars over DEI, curriculum, books and “wokeness”
- ✓ Growing polarization
- ✓ Temporary COVID funding is gone
- ✓ Significant salary and benefit increases provided during inflationary period creating budget pressure



# Revenue Measure Passage Rates

## Bond Measures

Election	Passage Rate
November 2024 (205/267)	77%
March 2024 (24/40)	60%
November 2022 General (71/99)	72%
June 2022 Primary (16/20)	80%
November 2020 General (48/60)	80%
<b>March 2020 Primary (43/119)</b>	<b>36%</b>
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%

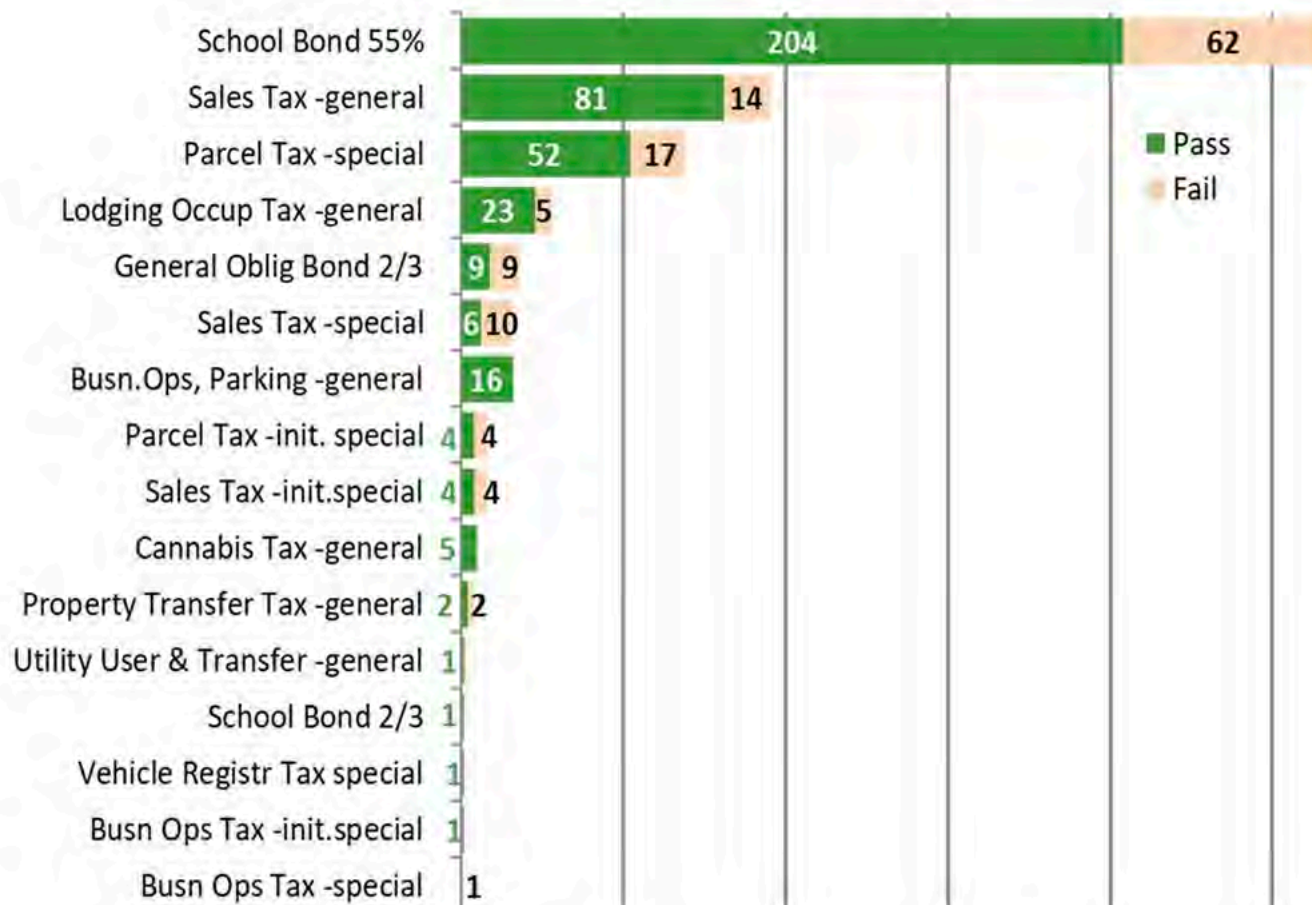
## Parcel Tax Measures

Election	Passage Rate
November 2024 (24/26)	92%
March 2024 (10/11)	91%
November 2022 General (5/7)	71%
June 2022 Primary (7/7)	100%
November 2020 General (10/13)	77%
<b>March 2020 Primary (14/28)</b>	<b>50%</b>
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%



# Local Elections: Other Bonds and Taxes

**Passing and Failing Measures by Type November 2024**







## Looking Ahead to 2026

- ✓ June Primary and November General
- ✓ “Blue Wave” Similar to 2018?
- ✓ Ongoing Partisan Realignment and Polarization
- ✓ 2026 CA Gubernatorial Election – no obvious frontrunner



# Wide Open Race For Governor

- Katie Porter
- Toni Atkins
- Eleni Kounalakis
- Stephen Cloobek
- Michael Younger
- Betty Yee
- Tony Thurmond
- Rick Caruso
- Kamala Harris
- Chad Bianco
- Brian Dahle
- Lanhe Chen

Total	100
Undecided	45.4
Katie Porter	20.9
Antonio Villaraigosa	9.2
Someone else (please specify)	7.8
Eleni Kounalakis	4.8
Betty Yee	3.2
Tony Thurmond	2.9
Toni Atkins	2.6
Stephen Cloobek	2.6
Michael Younger	0.6



# 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?

- ✓ 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 or county 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



# 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



# Revenue Measure Planning Process





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# Break



# Los Angeles County Schools and Community Colleges Pooled Financing Program

April 3, 2025



**Los Angeles County  
Office of Education**



**RBC Capital Markets**



# Table of Contents

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Section #1: Market Update	3
Economic Signals	
Interest Rate Forecast	
Municipal Market Fund Flows	
Interest Rate Movements	
Current Market Conditions	
Section #2: COPs & TRANs	8
Certificates of Participation	
Tax and Revenue Anticipation Notes	

Market Update

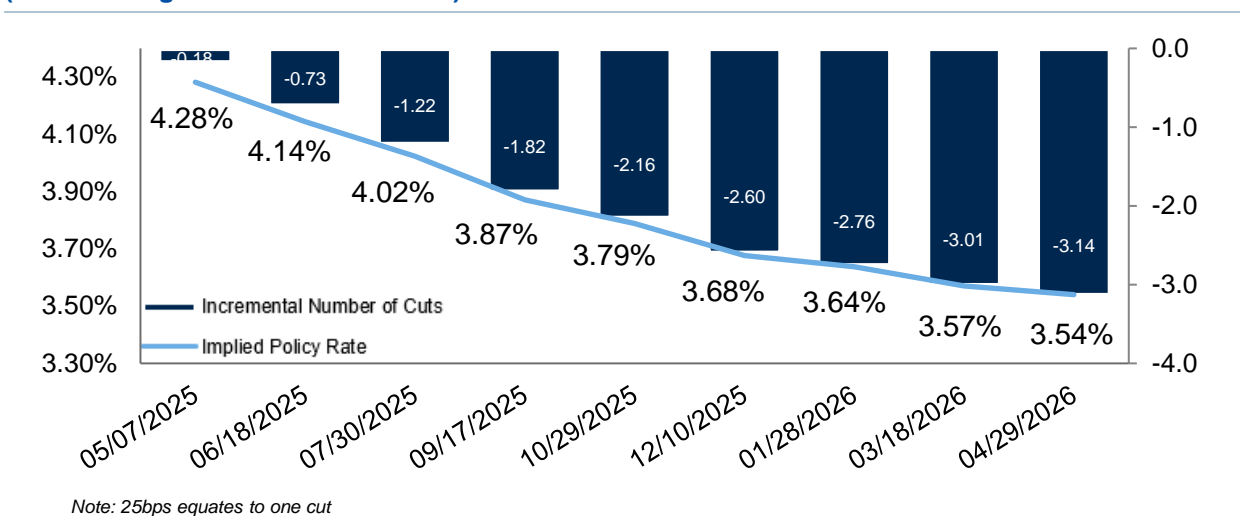
SECTION 1



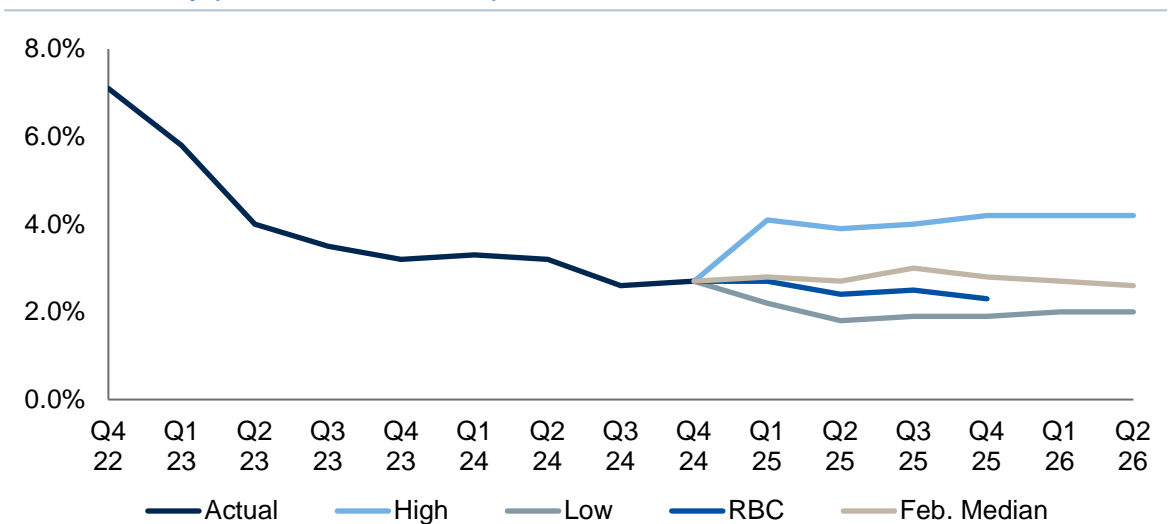
**Los Angeles County  
Office of Education**

# Economic Overview Reflects Monetary Policy Focus, Tariff Implications and Geopolitical Tensions

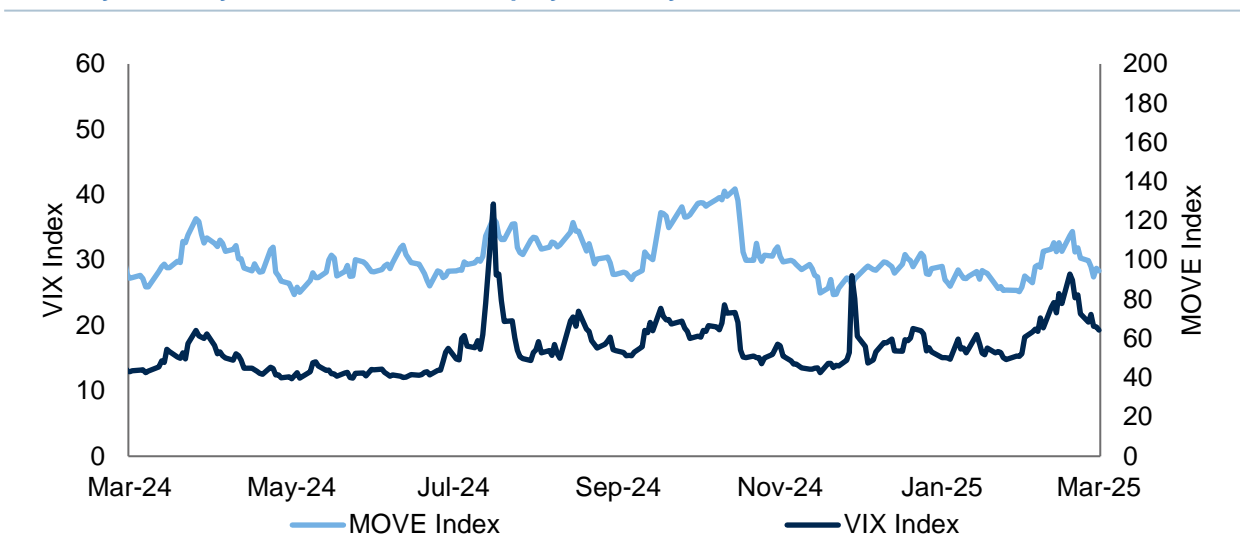
**Futures Market – Fed Funds Rate Cut Probability**  
(Current Target Rate: 4.25% - 4.50%)



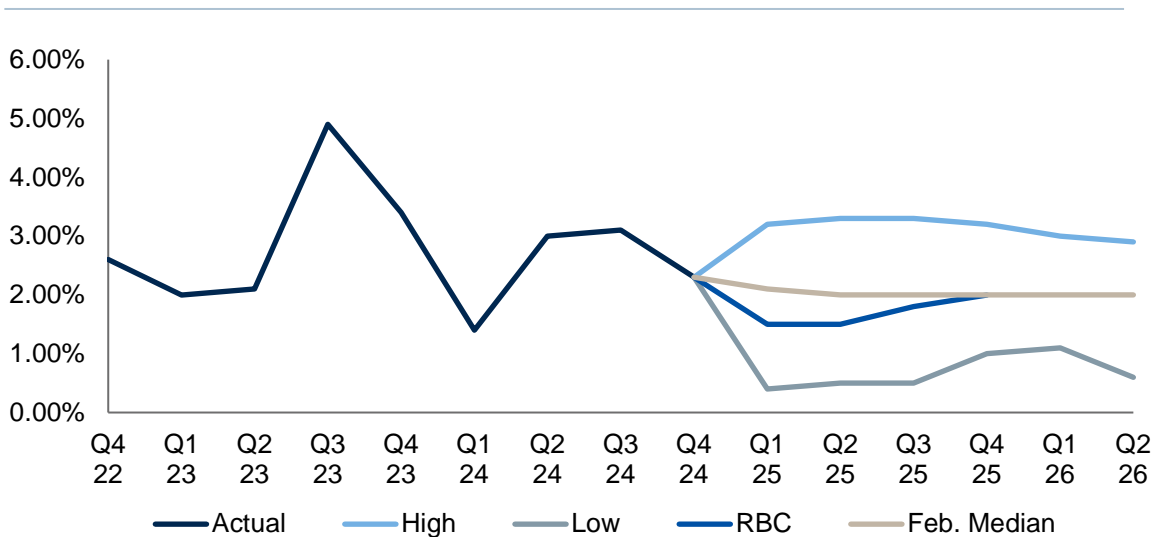
**Inflation Survey (Headline CPI – YOY%)**



**Treasury Volatility Remains Elevated, Equity Volatility has Moderated**



**GDP Growth Rate Survey**



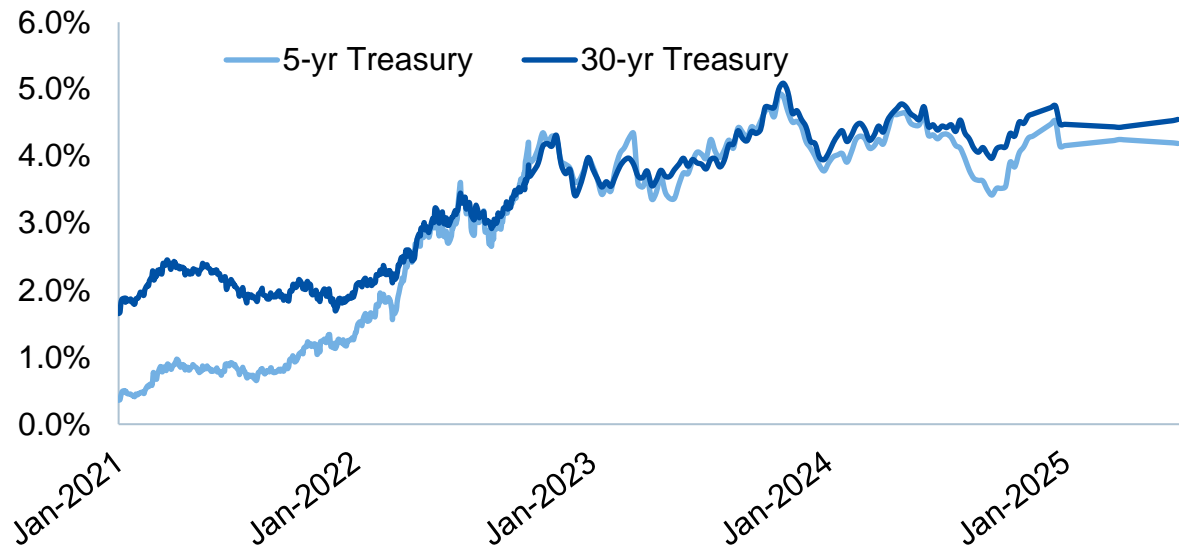
Sources: Bloomberg, latest data for the week ended March 21, 2025

# Interest Rate Forecast

## RBC Economics U.S. Interest Rate Forecast - March 2025

Actual					Forecast							
End of Quarter	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	26Q1	26Q2	26Q3	26Q4
Fed funds	5.38	5.38	4.88	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38
Three-month	5.45	5.48	4.73	4.37	4.28	4.21	4.23	4.28	4.28	4.31	4.31	4.31
Two-year	4.66	4.71	3.66	4.25	4.25	3.70	3.90	4.15	4.25	4.30	4.30	4.30
Five-year	4.28	4.33	3.58	4.38	4.10	3.65	3.80	4.00	4.10	4.15	4.20	4.25
10-year	4.27	4.36	3.81	4.58	4.25	3.90	4.05	4.20	4.25	4.30	4.35	4.40
30-year	4.41	4.51	4.14	4.78	4.55	4.30	4.40	4.50	4.55	4.60	4.65	4.70

Historical and Projected Treasury Yields

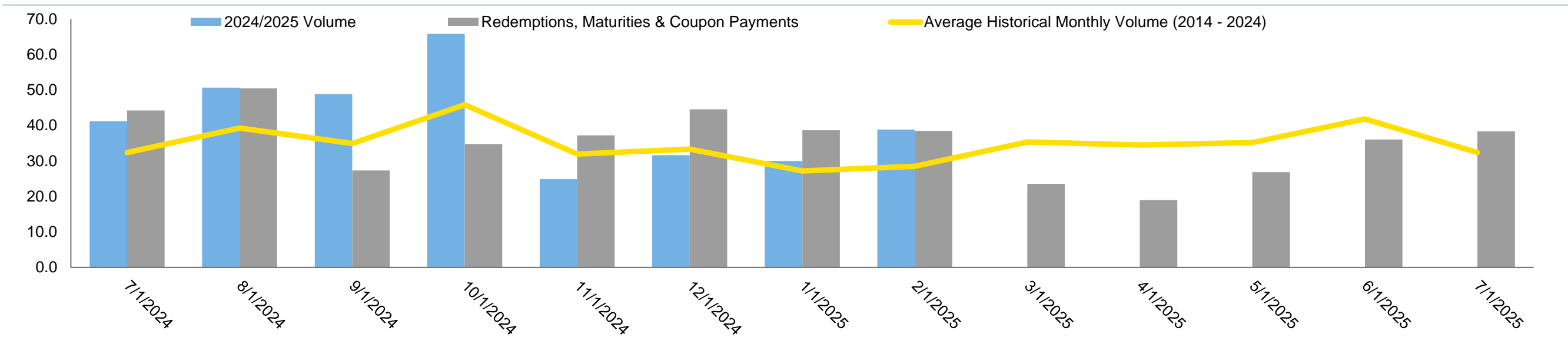


Sources: Bloomberg; Thomson Financial Municipal Market Monitor (TM3); RBC Capital Markets March 21, 2025

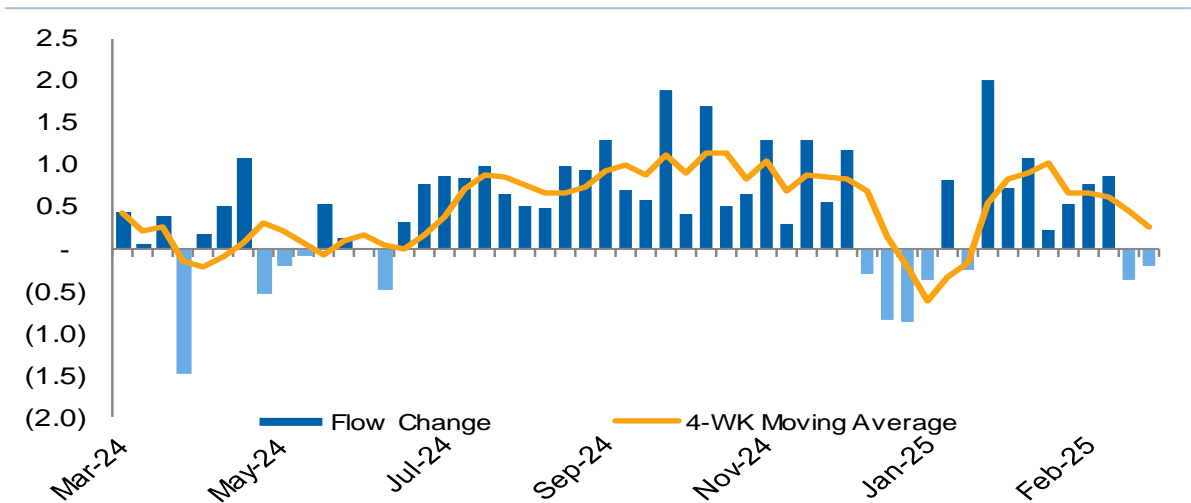
# Municipal Market Themes

The market experienced significant volume in February after a respite during the November election period

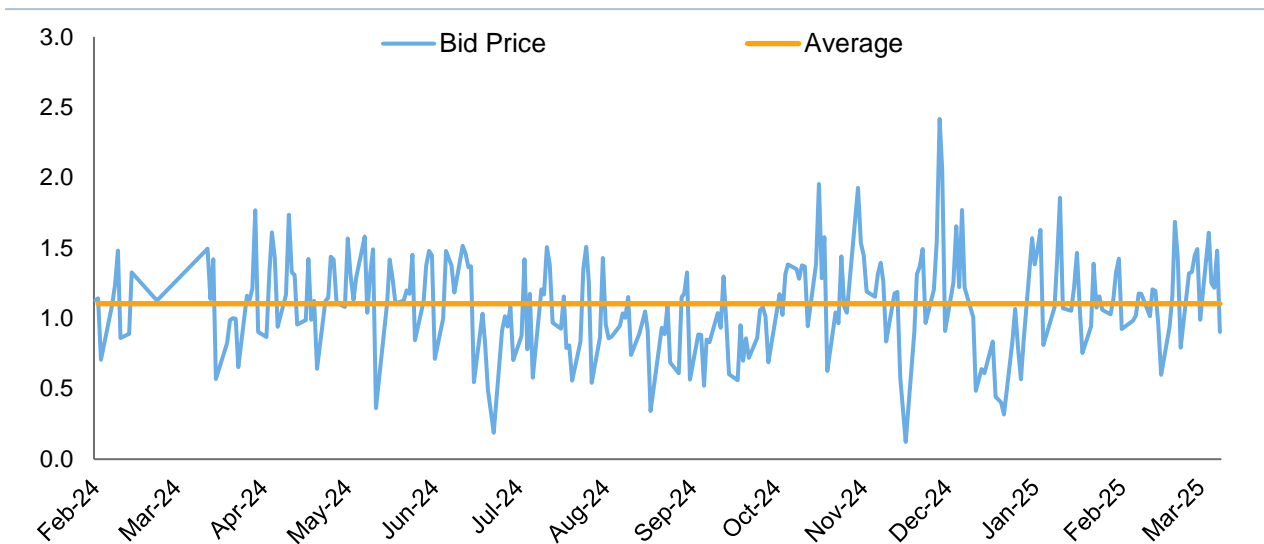
Monthly Reinvestment Cash Versus Volume (\$ billions)



Weekly Municipal Bond Fund Flows (\$ billions)



Municipal Bid-Wanted (\$ billions)



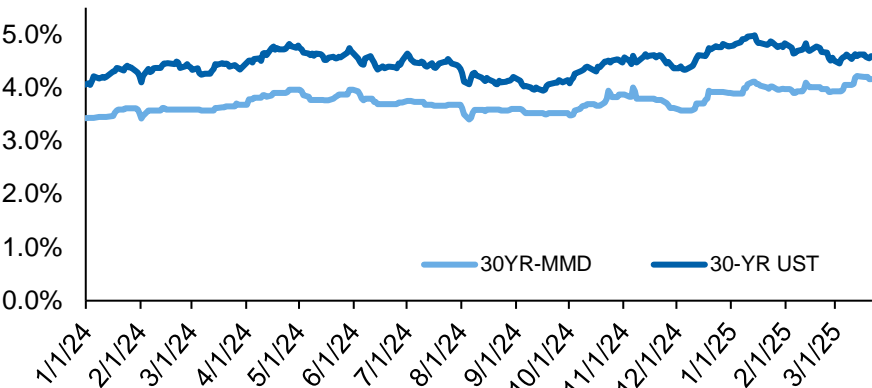
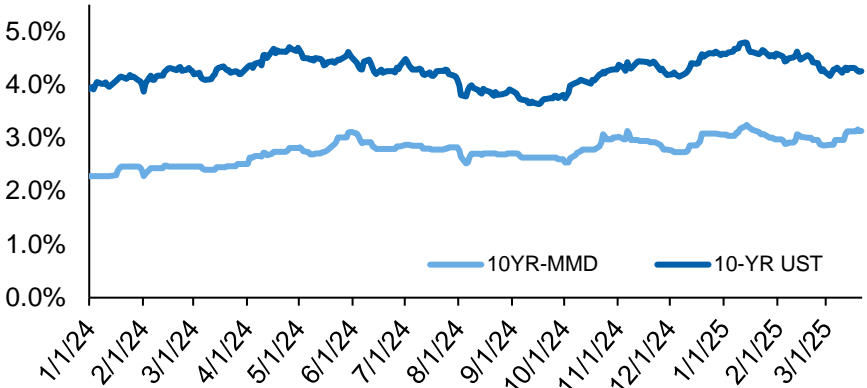
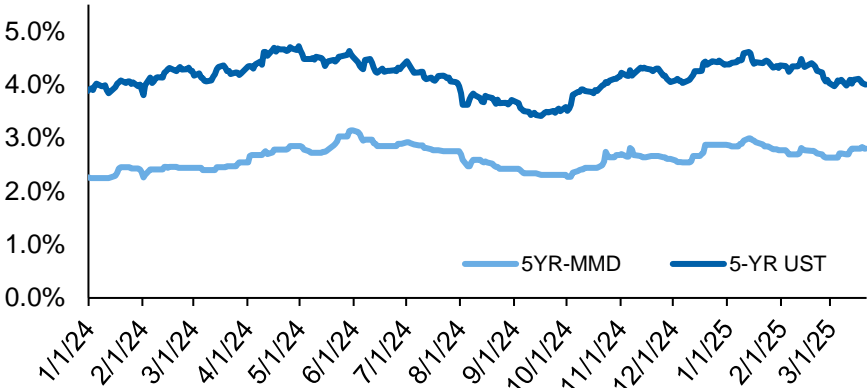
Sources: Bloomberg as of March 21, 2025; Lipper for the week ended March 20, 2025



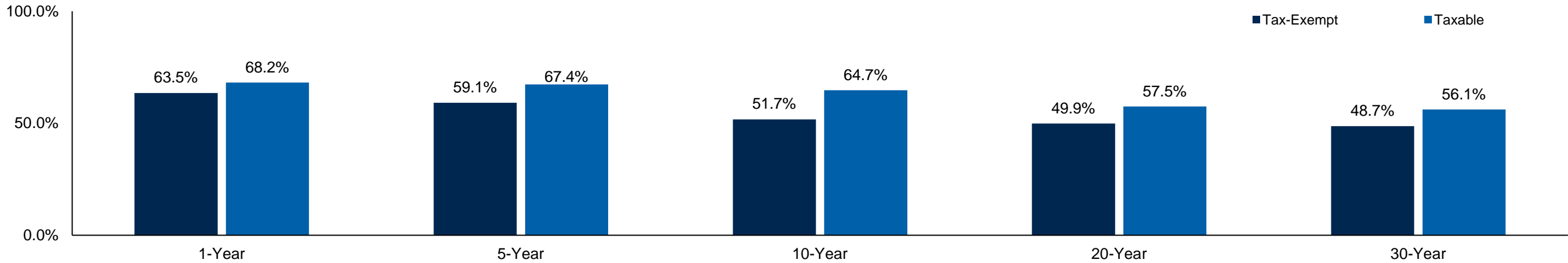
# Interest Rate Movements

## Relative Performance of Municipals Versus Treasuries

MMD				UST				MMD / UST Ratio			
	01/02/2024	03/21/2025	Δ (bps)		01/02/2024	03/21/2025	Δ (bps)		01/02/2024	03/21/2025	Δ (%)
3yr MMD	2.35%	2.67%	32	3yr UST	4.09%	3.92%	-17	3yr Ratio	57%	68%	11%
5yr MMD	2.25%	2.80%	55	5yr UST	3.93%	4.00%	7	5yr Ratio	57%	70%	13%
7yr MMD	2.26%	2.89%	63	7yr UST	3.95%	4.12%	17	7yr Ratio	57%	70%	13%
10yr MMD	2.28%	3.13%	85	10yr UST	3.95%	4.25%	30	10yr Ratio	58%	74%	16%
30yr MMD	3.43%	4.16%	73	30yr UST	4.08%	4.59%	51	30yr Ratio	84%	91%	7%



Relative Value by Maturity Length: % of Time Rates Have Been Lower Over Past 30 Years



Sources: Bloomberg; Thomson Financial Municipal Market Monitor (TM3); RBC Capital Markets March 21, 2025

# Current Municipal Market Conditions: “AAA” MMD

“AAA” MMD January 1, 2009 to Present



January 1, 2009 to Present

	10 Year	20 Year	30 Year
Maximum	0.58%	1.08%	1.27%
Minimum	3.61%	4.89%	5.08%
Current	3.30%	4.10%	4.29%

Shift in “AAA” MMD Since 2024-25 TRAN Sale



Since 2024-25 TRAN Sale

	10 Year	20 Year	30 Year
Change in Rates	+61 bps	+80 bps	+71 bps

Certificates of Participation /  
Tax and Revenue  
Anticipation Notes

SECTION 2



**Los Angeles County  
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# Certificates of Participation (COPs)

- Purpose: often used as a supplement to or bridge financing for General Obligation Bonds
- Characteristics:
  - Exempt from Debt Limitation
  - Board Authorization required
  - 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



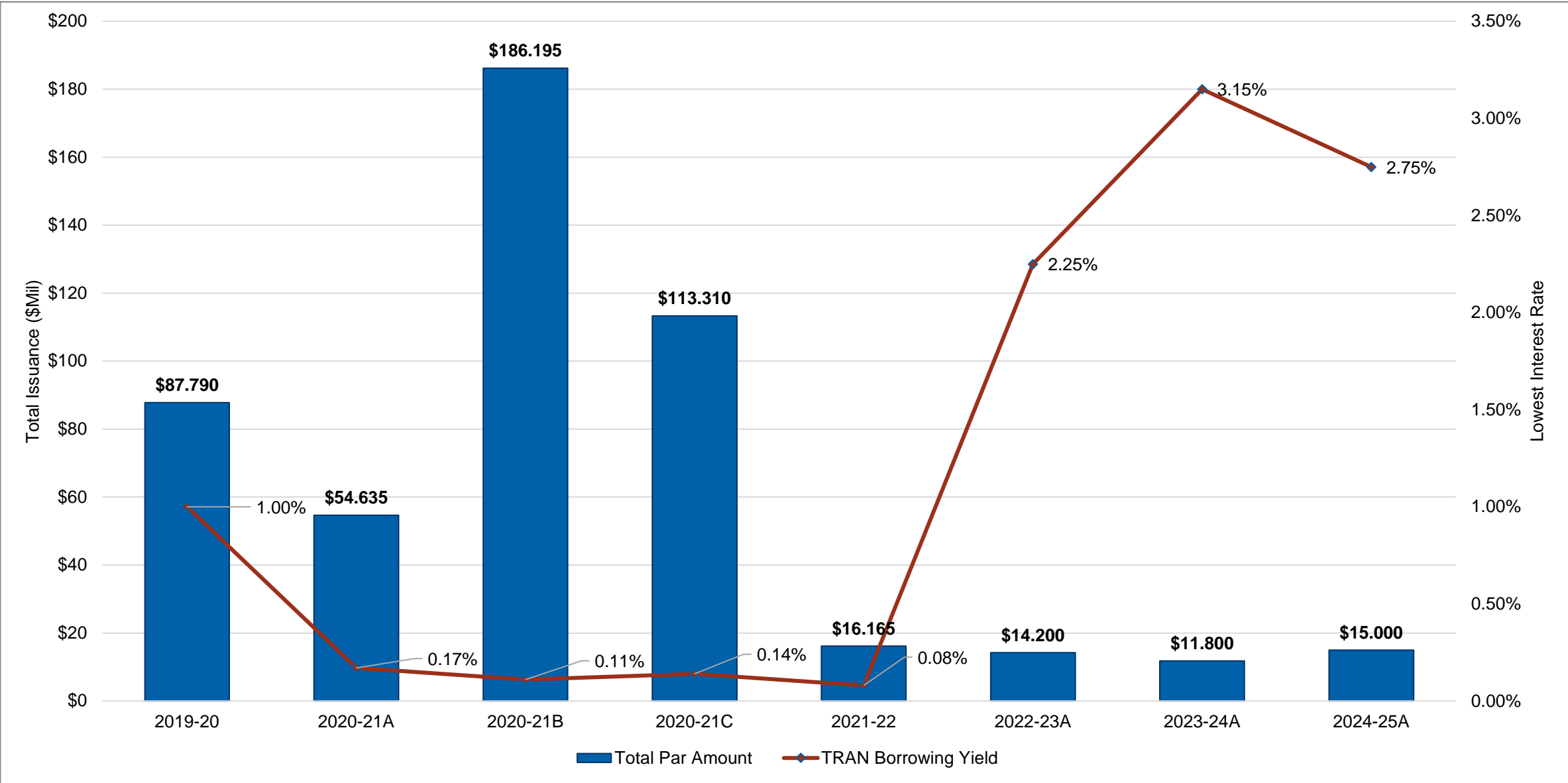
# Tax and Revenue Anticipation Notes (TRANs)

---

- Purpose: short-term cash management tool
- Characteristics:
  - Used to even out monthly General Fund cash flow or cover temporary cash flow deficits
  - TRANs do not “fix” an imbalanced budget
  - Projected monthly cash flows must clearly show the District’s ability to repay TRAN principal and interest on the set-aside dates and at 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) – 2024-25 Series A

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Transaction Summary	
Delivery Date	September 11, 2024
Maturity Date	June 2, 2025
Par Amount	\$15,000,000
Rating	SP-1+
Coupon	4.000%
Yield	2.750%
Participant	Manhattan Beach Unified School District



# Tax and Revenue Anticipation Notes (TRANs) – 2025-26 Series A

Financing Schedule	
Dates	Description
May 14	Deadline for May Revise to be released by Governor
Mid-May	LACOE provides preliminary overview of May Revise budget assumptions
May 26 – Jun 23	Interested Districts contact the Financing Team Distribute Resolutions to Interested Districts
May 26 – Jun 15	Distribute Cash Flow Template and Standard & Poor's (S&P) Questionnaire
By Jun 30	Districts submit cash flows and ratings questionnaire to Montague DeRose
By Jul 23	Districts adopt TRAN resolution
Aug 11	Credit Ratings received
Aug 12	County Board of Supervisors adopts TRAN resolution
Aug 27	Pricing
Sep 10	Closing and Delivery of Funds

# Top Four Reasons to Use LA County Pooled TRANs & COPs Program

---

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

**Serving Los Angeles County schools since 1985**

# Pooled Financing Program – Contacts

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## Program Coordinators:

**Octavio Castelo**, Director – (562) 922-6110

**Phillip Downing**, Business Advisory Services – (562) 922-6166



**Los Angeles County  
Office of Education**

## Municipal Advisor:

**Mike Kremer**, Managing Director – (805) 728-1958

**Colleen McInnes**, Senior Vice President – (805) 728-1957



## Underwriter:

**Karma Pemba**, Managing Director – (213) 362-4130

**Katherine Jacobson**, Managing Director – (415) 445-8202



**RBC Capital Markets®**

## Bond Counsel:

**Diane Quan**, Partner – (213) 236-9068



## Disclosure Counsel:

**Ann La Morena Rohlin**, Partner – (213) 892-9327

**Mauricio Salazar**, Senior Associate – (213) 892-9240

**Glara Park**, Associate – (213) 892-9212



Sources include: [https://www.rbccm.com/assets/rbccm/docs/uploads/2017/RBCCM\\_Muni\\_Markets\\_Weekly\\_Newsletter.pdf](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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# Disclaimer

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Pursuant to Municipal Securities Rulemaking Board ("MSRB") Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Montague DeRose and Associates, LLC ("MDA") and its associated persons.

## Conflicts of Interest

The following are potential conflicts of interest to be considered:

MDA represents that in connection with the issuance of municipal securities, MDA may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, MDA hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding MDA's ability to provide unbiased advice to enter into such transaction. The contingent fee arrangement creates an incentive for MDA to recommend unnecessary financings or financings that are disadvantageous to the Client, or to advise Client to increase the size of the issue. This potential conflict of interest will not impair MDA's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

MDA serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another client. For example, MDA serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, MDA could potentially face a conflict of interest arising from these competing client interests. MDA fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with all of its clients.

The fee paid to MDA increases the cost of investment to the client. The increased cost occurs from compensating MDA for municipal advisory services provided.

Gavin Palatt is a registered municipal advisor with MDA and is also a registered representative of T.E. Laird Securities, LLC ("Laird"), a broker-dealer who may engage in a range of security-related activities to service its clients. Such securities-related activities may include but are not limited to underwriting or placing new issue municipal securities and the buying and selling of new issue and outstanding municipal securities. Laird does not currently provide security-related services to any MDA clients. While a remote possibility, in the future, Laird could have interests in conflict with those of the Issuer, such as when buying or selling the Issuer's securities. If Mr. Palatt was working as a municipal advisor on a related transaction for the Issuer, this could create the incentive for Mr. Palatt to make recommendations to the Issuer that could result in more advantageous pricing for Laird's clients. Currently, MDA and Laird operate in different sectors of the municipal market and their clients are in different geographic parts of the country, and Mr. Palatt's work for Laird is primarily in the area of financial modeling, all factors that mitigate the risk of a conflict of interest. To further address this potential conflict of interest, so long as Mr. Palatt is affiliated with Laird and for a period of two years after his affiliation with Laird ends, he will not participate in the review of any solicited or unsolicited proposals received from Laird or any other municipal advisory activity for MDA in which Laird is also involved. Mr. Palatt's affiliation with Laird will not impair MDA's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer;

If MDA becomes aware of any additional potential or actual conflict of interest after this disclosure, MDA will disclose the detailed information in writing to the Issuer in a timely manner.

## Legal or Disciplinary Events

A regulatory action disclosure has been made on MDA's Form MA and Form MA-I for one of MDA's municipal advisory personnel relating to a 1996 U.S. Securities and Exchange Commission civil complaint in U.S. District Court that was subsequently settled. The civil complaint stems from a 1994 SEC review of a pension bond financing and took place before the municipal advisor's employment with MDA. The details of the complaint are available in Item 9; C(1), (2), (4), (5) (6) and the corresponding regulatory action DRP section on Form MA and Item 6C; (1), (2), (4), (5) and the corresponding regulatory action DRP section on Form MA-I. Issuers may electronically access MDA's most recent Form MA and each municipal advisory personnel's most recent Form MA-I filed with the Commission at the following website: [www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

The SEC permits certain items of information required on Form MA and Form MA-I to be provided by reference to such required information already filed on a regulatory system (e.g., FINRA CRD). The above noted regulatory action has been referenced on both Form MA and MA-I due to the information already filed on FINRA's CRD system and is publicly accessible through BrokerCheck at <http://brokercheck.finra.org>. For purposes of accessing such BrokerCheck information, the Municipal Advisor's CRD number is 1144741.

Issuers may electronically access MDA's most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: [www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

There has been no change to any legal or disciplinary event that has been disclosed on MDA's Form MA or Form MA-I's since the original SEC registration filing of these forms on July 24, 2014.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against MDA, MDA will provide complete disclosure to the Issuer in detail allowing the Issuer to evaluate MDA, its management and personnel.



# Citizens' Oversight Committees Legal Considerations

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April 2025  
Diane K. Quan

California | Connecticut | District Of Columbia | Michigan | New Jersey | New York | North Carolina | Oregon

[www.Hawkins.com](http://www.Hawkins.com)



# 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  
April 2025

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 [for CCDs – enrolled Community College Student, active in a college group, such as student government]
- ☐ Parent of enrolled Student and Member of PTA/School Site Council [for CCDs - active in support of district, such as advisory council or 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](mailto: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)	✓
CBOC Subject to Brown Act Requirements (CA Gov Code)	✓
CBOC Duties: Inform Public, Review Expenditures, Annual Report (CA Ed Code)	✓
CBOC Authorized Activities (CA Ed Code)	✓
CBOC Membership; Term (CA Ed Code)	✓
CBOC Qualifications and Conflicts of Interest	✓
CBOC Meetings (CA Ed Code and Gov Code)	✓
District Support (CA Ed Code)	✓

# Thank you



**Ann La Morena Rohlin**

Partner

Los Angeles

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# LOS ANGELES COUNTY OFFICE OF EDUCATION



## OVERVIEW OF CONTINUING DISCLOSURE RESPONSIBILITIES

April 3, 2025



## 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 publicly-offered, long-term 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](http://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 has a maturity of nine months or less; or are sold to no more than 35 persons, each of whom is considered a “sophisticated investor” 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)
- Develop and maintain accurate lists of bond issues subject to CDAs
- Identify the financial and operating information to be submitted on EMMA and the required deadlines
- 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
- Monitor the 16 Listed Events to ensure timely filing on EMMA (within 10 business days of the occurrence)



## Policies and Practices, cont.

- 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
- 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>



# Disclosures

Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Montague DeRose and Associates, LLC (“MDA”) and its associated persons.

## Conflicts of Interest

The following are potential conflicts of interest to be considered:

MDA represents that in connection with the issuance of municipal securities, MDA may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, MDA hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding MDA’s ability to provide unbiased advice to enter into such transaction. The contingent fee arrangement creates an incentive for MDA to recommend unnecessary financings or financings that are disadvantageous to the Client, or to advise Client to increase the size of the issue. This potential conflict of interest will not impair MDA’s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

MDA serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another client. For example, MDA serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, MDA could potentially face a conflict of interest arising from these competing client interests. MDA fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with all of its clients.

The fee paid to MDA increases the cost of investment to the client. The increased cost occurs from compensating MDA for municipal advisory services provided.

Gavin Palatt is a registered municipal advisor with MDA and is also a registered representative of T.E. Laird Securities, LLC ("Laird"), a broker-dealer who may engage in a range of security-related activities to service its clients. Such securities-related activities may include but are not limited to underwriting or placing new issue municipal securities and the buying and selling of new issue and outstanding municipal securities. Laird does not currently provide security-related services to any MDA clients. While a remote possibility, in the future, Laird could have interests in conflict with those of the Issuer, such as when buying or selling the Issuer’s securities. If Mr. Palatt was working as a municipal advisor on a related transaction for the Issuer, this could create the incentive for Mr. Palatt to make recommendations to the Issuer that could result in more advantageous pricing for Laird's clients. Currently, MDA and Laird operate in different sectors of the municipal market and their clients are in different geographic parts of the country, and Mr. Palatt's work for Laird is primarily in the area of financial modeling, all factors that mitigate the risk of a conflict of interest. To further address this potential conflict of interest, so long as Mr. Palatt is affiliated with Laird and for a period of two years after his affiliation with Laird ends, he will not participate in the review of any solicited or unsolicited proposals received from Laird or any other municipal advisory activity for MDA in which Laird is also involved. Mr. Palatt's affiliation with Laird will not impair MDA's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer;

If MDA becomes aware of any additional potential or actual conflict of interest after this disclosure, MDA will disclose the detailed information in writing to the Issuer in a timely manner.

## Legal or Disciplinary Events

A regulatory action disclosure has been made on MDA’s Form MA and Form MA-I for one of MDA’s municipal advisory personnel relating to a 1996 U.S. Securities and Exchange Commission civil complaint in U.S. District Court that was subsequently settled. The civil complaint stems from a 1994 SEC review of a pension bond financing and took place before the municipal advisor’s employment with MDA. The details of the complaint are available in Item 9; C(1), (2), (4), (5) (6) and the corresponding regulatory action DRP section on Form MA and Item 6C; (1), (2), (4), (5) and the corresponding regulatory action DRP section on Form MA-I. Issuers may electronically access MDA’s most recent Form MA and each municipal advisory personnel’s most recent Form MA-I filed with the Commission at the following website: [www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

The SEC permits certain items of information required on Form MA and Form MA-I to be provided by reference to such required information already filed on a regulatory system (e.g., FINRA CRD). The above noted regulatory action has been referenced on both Form MA and MA-I due to the information already filed on FINRA’s CRD system and is publicly accessible through BrokerCheck at <http://brokercheck.finra.org>. For purposes of accessing such BrokerCheck information, the Municipal Advisor’s CRD number is 1144741.

Issuers may electronically access MDA’s most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: [www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

There has been no change to any legal or disciplinary event that has been disclosed on MDA’s Form MA or Form MA-I’s since the original SEC registration filing of these forms on July 24, 2014.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against MDA, MDA will provide complete disclosure to the Issuer in detail allowing the Issuer to evaluate MDA, its management and personnel.

# Closing Remarks





# Lunch



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