



## **Palos Verdes Peninsula Unified School District**

# Board Presentation

by

Isom Advisors,  
a Division of Urban Futures, Inc.

October 22, 2019

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## About the Firm

# Introduction

Meeting your financial challenges and saving you money

Palos Verdes Peninsula USD

- ❖ Isom Advisors is a full-service planning, campaign, and financial advisory firm that serves California school districts.
- ❖ The leading financial advisor to school districts for since 2011 based on number of general obligation bond financings.
- ❖ We are independent with no conflicts of interest.
- ❖ Our staff has over 100 years of experience providing honest advice and the highest level of service.
- ❖ Strong references from our clients.
- ❖ Regional experience includes:
  - Azusa USD
  - Bassett USD
  - El Monte HSD
  - Garvey ESD
  - **Hermosa Beach ESD**
  - Huntington Beach SD
  - **Inglewood USD**
  - **Lawndale ESD**
  - Magnolia ESD
  - Mountain View ESD
  - **Redondo Beach USD**
  - **Santa Monica - Malibu USD**
  - South Whittier ESD
  - **Torrance USD**
  - Whittier City ESD



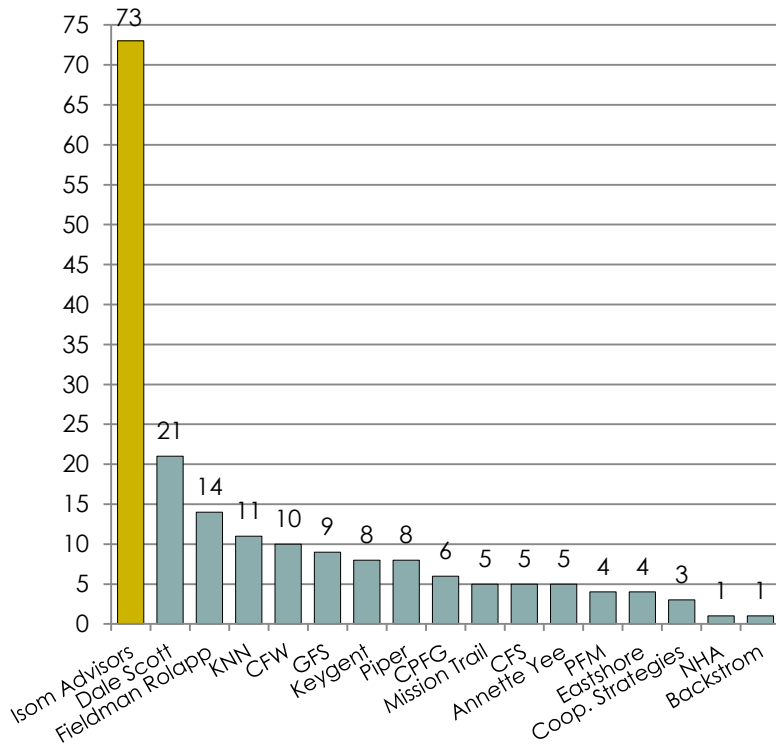
# Past Bond Program Successes

A leader in every election cycle

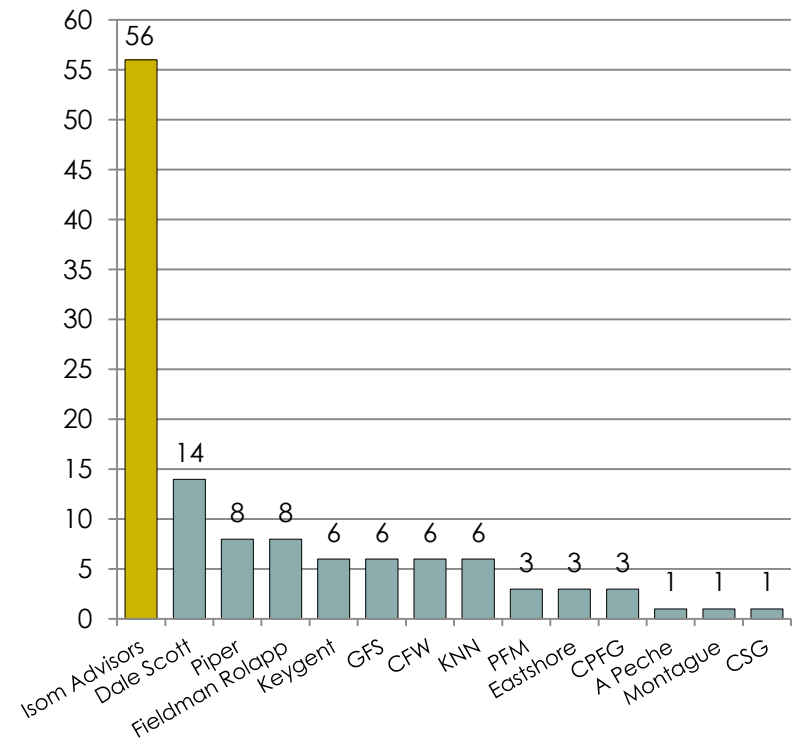
Palos Verdes Peninsula USD

- ❖ We have more than triple the amount of experience in implementing new bond authorizations than our nearest financial advisor competitor.

**2016 Successful K-12 School Bond Programs by Financial Advisors**



**2018 K-12 Successful School Bond Programs by Financial Advisors**



# A Leader in the Industry

More K-12 bonds sold since 2011 than any FA firm

**Palos Verdes Peninsula USD**

- ❖ Isom Advisors has been the leading financial advisor to California school districts in 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 YTD.
- ❖ Isom Advisors is in the market managing bond sales more frequently than any other F.A. firm. This experience provides our clients unparalleled expertise in structuring bonds and determining appropriate interest rates.

**2019 Ranking of Top 7 K-12 CA Financial Advisors  
# of District Bond Sales\***

Financial Advisor	Districts
<b>Isom Advisors, Urban Futures Inc.</b>	<b>88</b>
Dale Scott & Co.	28
Fieldman Rolapp	23
KNN Public Finance	14
Piper Jaffray	13
Government Financial Strategies	11
Keygent	11

**2018 Ranking of Top 7 K-12 CA Financial Advisors  
# of District Bond Sales**

Financial Advisor	Districts
<b>Isom Advisors, Urban Futures Inc.</b>	<b>100</b>
Fieldman Rolapp	20
Dale Scott & Co.	20
Piper Jaffray	18
KNN Public Finance	13
Caldwell Flores Winters	11
PFM	11

**2017 Ranking of Top 7 K-12 CA Financial Advisors  
# of District Bond Sales**

Financial Advisor	Districts
<b>Isom Advisors, Urban Futures Inc.</b>	<b>128</b>
Dale Scott & Co.	35
KNN Public Finance	28
Fieldman Rolapp	27
Keygent	22
Caldwell Flores Winters	22
Government Financial Strategies	19

\*Year-to-date

**2016 Ranking of Top 7 K-12 CA Financial Advisors  
# of District Bond Sales**

Financial Advisor	Districts
<b>Isom Advisors, Urban Futures Inc.</b>	<b>98</b>
Keygent	42
Dale Scott & Co.	36
Fieldman Rolapp	33
KNN Public Finance	33
Government Financial Strategies	30
Caldwell Flores Winters	26

**2015 Ranking of Top 7 K-12 CA Financial Advisors  
# of District Bond Sales**

Financial Advisor	Districts
<b>Isom Advisors, Urban Futures Inc.</b>	<b>93</b>
Dale Scott & Co.	36
Keygent	32
KNN Public Finance	25
Caldwell Flores Winters	25
Government Financial Strategies	22
Fieldman Rolapp	21

**2014 Ranking of Top 7 K-12 CA Financial Advisors  
# of District Bond Sales**

Financial Advisor	Districts
<b>Isom Advisors, Urban Futures Inc.</b>	<b>48</b>
Keygent	37
Dale Scott & Co.	17
Caldwell Flores Winters	15
Fieldman Rolapp	11
Government Financial Strategies	11
Dolinka Group	10

Source: California Debt and Investment Advisory Commission, Thompson Reuters, Isom Advisors

# Large K-12 Issuers Experience

Managing more large authorizations than any other firm

## Palos Verdes Peninsula USD

- ❖ We work on more large California school district bond programs than any other financial advisory firm.
- ❖ We work closely with our school district clients to build and maintain trust with the community and taxpayers to ensure that the school district has consistent access to capital funding through general obligation bonds.
- ❖ The list on the right shows some of the larger bond programs we have worked on since 2014.

<u>District</u>	<u>2017-18 Enrollment</u>	<u>Election Date</u>	<u>Authorization Amount</u>
<b>El Monte UHSD</b>	<b>8,880</b>	<b>November 2018</b>	<b>\$190,000,000</b>
Fremont UHSD	11,140	November 2018	\$275,000,000
Hayward USD	22,734	November 2018	\$381,700,000
Madera USD	20,956	November 2018	\$120,000,000
<b>Santa Monica-Malibu USD</b>	<b>10,806</b>	<b>November 2018</b>	<b>\$485,000,000</b>
<b>Santa Monica-Malibu USD</b>	<b>10,806</b>	<b>November 2018</b>	<b>\$195,000,000</b>
Sunnyvale SD	6,575	November 2018	\$100,000,000
Cabrillo USD	3,207	June 2018	\$99,000,000
Mt. View-Los Altos UHSD	4,304	June 2018	\$295,000,000
<b>Oxnard UHSD</b>	<b>17,474</b>	<b>June 2018</b>	<b>\$350,000,000</b>
<b>Pleasant Valley ESD</b>	<b>7,154</b>	<b>June 2018</b>	<b>\$119,000,000</b>
San Lorenzo USD	11,530	June 2018	\$130,000,000
Campbell HSD	8,043	November 2016	\$275,000,000
Chico USD	14,228	November 2016	\$152,000,000
<b>Huntington Beach ESD</b>	<b>7,073</b>	<b>November 2016</b>	<b>\$159,000,000</b>
San Juan Unified School District	50,044	November 2016	\$750,000,000
<b>Simi Valley USD</b>	<b>16,801</b>	<b>November 2016</b>	<b>\$179,000,000</b>
Albany USD	3,658	June 2016	\$95,000,000
Fairfield-Suisun USD	21,539	June 2016	\$249,000,000
Franklin-McKinley USD	10,596	June 2016	\$67,400,000
Gilroy USD	11,834	June 2016	\$170,000,000
Livermore USD	13,765	June 2016	\$245,000,000
San Rafael City Schools	7,378	November 2015	\$268,700,000
New Haven USD	11,613	November 2014	\$125,000,000
San Luis Coastal USD	7,755	November 2014	\$177,000,000
Santa Rosa City Schools	16,432	November 2014	\$229,000,000
<b>Torrance USD</b>	<b>23,496</b>	<b>November 2014</b>	<b>\$194,300,000</b>
Vacaville USD	13,163	November 2014	\$194,000,000
Tracy USD	16,237	June 2014	\$82,000,000

Source: California Debt and Investment Advisory Commission, Thompson Reuters, Isom Advisors

# Isom Advisors Staff

Focus on serving our school district clients

Palos Verdes Peninsula USD

- ❖ Delivering **high-quality** and **timely** work product to our California school district clients is a top priority for us
- ❖ Our staff has **over 100 years of combined experience** providing honest advice and the highest level of service
- ❖ We believe that our school district clients benefit from **senior level service** and we do not rely on junior analysts
- ❖ As our client base has expanded over the last five years, we have correspondingly **increased our staff, while other firms are cutting**, to continue to deliver the type of service we believe our clients deserve
- ❖ We have a **rating specialist** on staff with seven years of senior experience at S&P
- ❖ Our main offices are in Walnut Creek and Tustin.

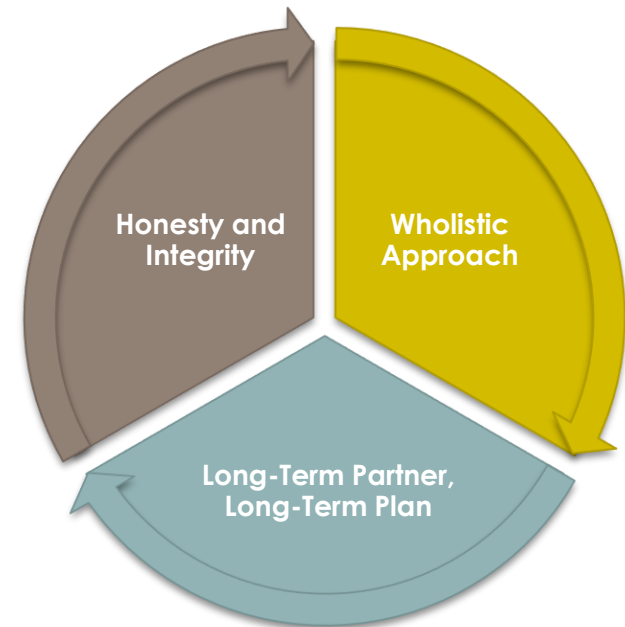


# Isom Advisors Philosophy

Focus on serving our school district clients

Palos Verdes Peninsula USD

- ❖ **Long-Term Partner, Long-Term Plan:** We will partner with the District to develop a sustainable and responsible long-term plan to meet the District's facility needs through bond funding and other funding sources while maintaining and garnering community trust and support.
- ❖ **Wholistic Approach:** We take a wholistic approach to bond financings and have a variety of tools (bond structuring skills, rating expertise, community survey experience, pricing expertise, political insight) to provide Palos Verdes Peninsula USD with insightful financing solutions.
- ❖ **Honesty and Integrity:** We understand the importance of providing honest and responsible advice, which includes fees we charge our clients. Further, our firm has never been in a lawsuit with a client, and neither our conduct nor our financings have ever been questioned or investigated in court, or by the Securities and Exchange Commission (SEC), Internal Revenue Service (IRS), or Municipal Securities Rulemaking Board (MSRB).





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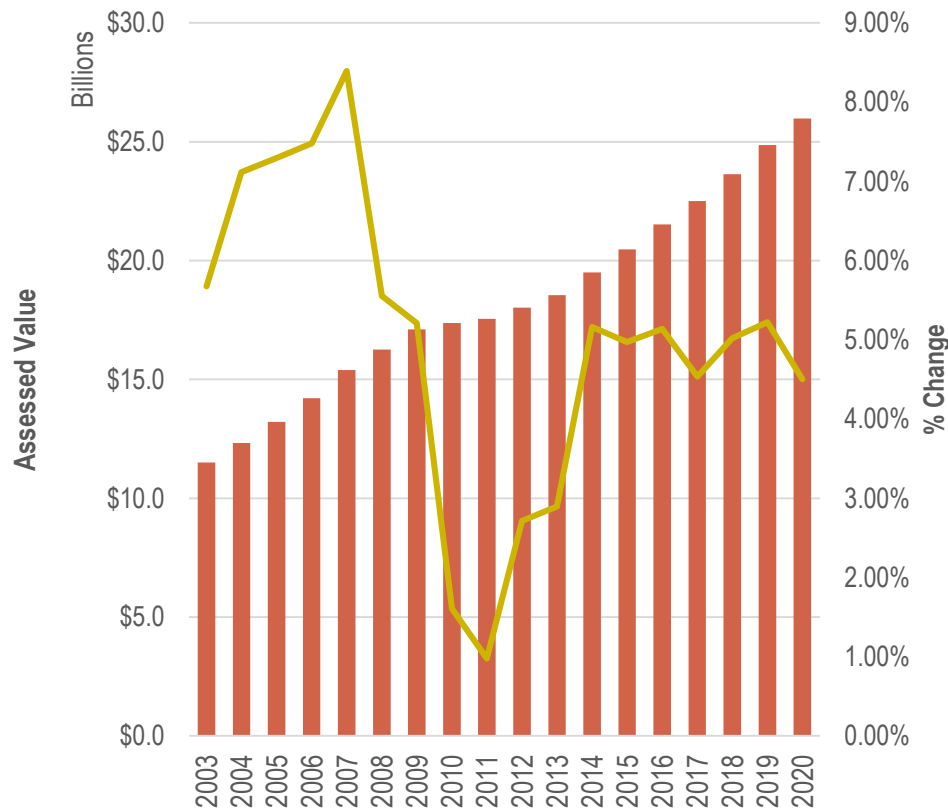
# District's Current Bond Program and Potential New Bond Program

# Assessed Value History

District's AV has grown an average of 5.0% annually since 2002

Palos Verdes Peninsula USD

PVPUSD: History of Assessed Valuation Growth



- ❖ In June 2000, District voters approved Measure K, a \$46 million bond measure with 79.5% support.
- ❖ In November 2005, District voters approved Measure R, a \$30 million bond measure with 70.8% support.
- ❖ In November 2005, District voters approved Measure S, a \$10 million bond measure with 70.0% support.
- ❖ The District's bond program has a combined tax rate of \$23.59 per \$100,000 of assessed valuation for fiscal year 2019-20.

Source: California Municipal Statistics

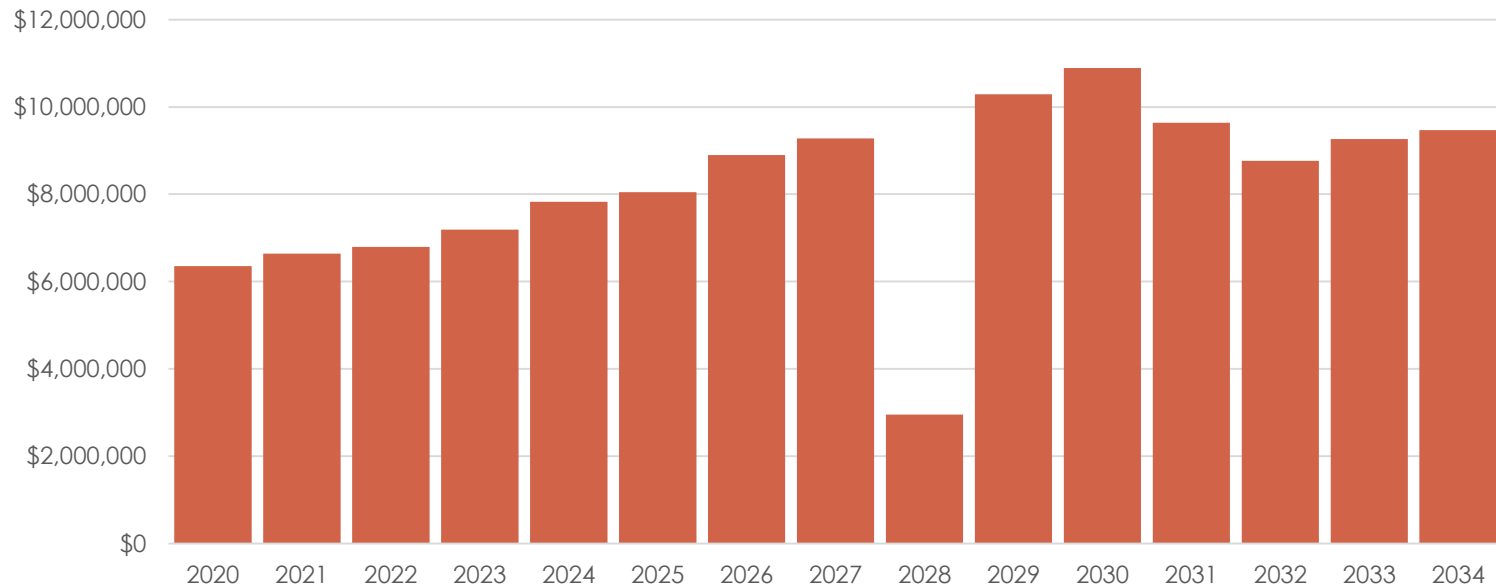
# Existing Bond Program

The District has \$54.6 million in prior bonds outstanding

## Palos Verdes Peninsula USD

- ❖ District's gross bonding capacity is approximately \$649.6 million (2.50% x assessed value); District's outstanding G.O. bond debt is approximately \$54.6 million; District's net bonding capacity, or current debt limit, is approximately \$595.0 million.

### Palos Verdes Peninsula USD: Existing Debt Service



# New Bond Measure

2020 Election – New Tax Rate Target

Palos Verdes Peninsula USD

- ❖ 2020 will have two opportunities to go before the voters – March and November.
- ❖ A traditional bond program uses long-term bonds (25-30-year terms) to maximize the amount of proceeds a school district may raise.
- ❖ A bond program with shorter repayment terms (5-10 years) can significantly reduce interest expense (and taxpayer expense) over time and still raise substantial funding for District capital facilities.
- ❖ The table below shows three examples of financing options; final program will be driven by voter support and construction timelines.

	Traditional Bond Program #1	Traditional Bond Program #2	"Short" Bond Program
<b>Description</b>	30-year term per series	30-year term per series	10-year term per series
<b>Tax Rate Estimate</b>	\$60/\$100K in AV for 2020 election	\$39/\$100K in AV for 2020 election	\$60/\$100K in AV for 2020 election
<b>Total Authorization</b>	\$550,000,000	\$400,000,000	\$370,000,000
<b>Issuance Schedule</b>	2020: \$142,000,000 2022: \$130,000,000 2025: \$135,000,000 2027: \$143,000,000	2020: \$97,500,000 2022: \$91,000,000 2025: \$100,500,000 2027: \$111,000,000	2020: \$70,500,000 2022: \$49,500,000 2024: \$44,000,000 2026: \$47,500,000 2028: \$72,500,000 2030: \$86,000,000
<b>Final Repayment</b>	2057	2057	2040
<b>Total Interest Pymts</b>	\$1,113,700,000	\$791,500,000	\$414,500,000
<b>Debt ratio</b>	2.02x	1.98x	1.12x

Note: Assumes 3.75% AV growth

# Rating Approach

District ratings are currently Aa1 (March 2019)

Palos Verdes Peninsula USD

## ❖ **Strengths:**

- Second highest rating possible
- Very Strong Median EBI (estimated Buying Income) at 225%
- Very Strong Market Value per Capita at \$383,000
- Low debt burden at less than 1%

## ❖ **Weakness:**

- Somewhat high Adjusted Net Pension Liability to Operating Revenues at 2.8x
- Average cash balance of operating revenues at 21%
- Average to below average General Fund balance of operating revenues at 16%
- Lack of formal policies concerning Fund Balances and other financial positions. If formal policies are in place, the rating agencies are unaware of them.

## ❖ **Recommendations:**

- Should the District create more formal fiscal policies, including a General Fund balance reserve policy, and increase their Cash and General Fund balance positions to a high 'new normal' level, the probabilities of getting the highest rating possible (Aaa) would increase significantly.

# 2020 Election Timeline

Following these steps is key to District's success

**Palos Verdes Peninsula USD**

Task	Responsible Party	March 2020	November 2020
Prepare project list	District/Architect	Ongoing	Ongoing
Board Meeting - approve "exploring" feasibility of a tax measure	District	October 2019	October 2019
Conduct Survey	Consultant	October 2019	November 2019
Board Meeting - Survey Results Presentation	Consultant	October 2019	December 2019
Initiate public information program, speaking with elected officials, large taxpayers, community service groups to discuss proposed tax measure	District	Fall 2019	Spring 2020
Finalize Capital and Financing Plan based on Community Outreach	Consultant	October 2019	April 2020
Prepare Resolution for Calling Election, including Ballot Language, Project List, Tax rate Statement	Consultant/ Bond Counsel	October 2019	April - May 2020
Board Meeting - Board action to adopt Resolution Calling Election	District	November 2019	May – June 2020
Submit Resolution Calling Election and Tax Rate Statement	District	December 2019	August 2020
Prepare Argument in Favor of Measure	Consultant/District	December 2019	August 2020
Submit Argument in Favor of Measure	Consultant/District	December 2019	August 2020
Form campaign committee and conduct campaign kick-off meeting	Campaign Committee	December 2019	August 2020
Run Campaign	Campaign Committee	December 2019 – March 2020	August – November 2020
Election Day		March 3, 2020	November 3, 2020

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## Why Isom Advisors?

# Rationale for Selection

Best fit for Palos Verdes Peninsula USD

Palos Verdes Peninsula USD

- ❖ We believe that Isom Advisors is the best fit for Palos Verdes Peninsula USD for the following reasons:
  - ✓ **Leading Financial Advisor to Schools in the State:** We have more experience with California school district bond programs than any other financial advisor since 2011, including larger K-12 school district bond program experience.
  - ✓ **#1 in New General Obligation Bond Programs for K-14 Districts.** We have worked on more than 200 successful tax measures, including 73 in 2016 (presidential election year) and 56 in 2018 (gubernatorial election year), for California's schools and colleges.
  - ✓ **Significant West LA County Experience.** Isom Advisors has worked on bond elections and financings with many other west Los Angeles County school districts including: Hermosa Beach USD, Inglewood USD, Lawndale SD, Redondo Beach USD, Santa-Monica Malibu USD and Torrance USD. We also have excellent working relations with LA County Office of Education and LA County Treasurer's Office.
  - ✓ **Track Record of Saving School Districts' Money:** We use our experience to benefit our school district clients through effective rating strategies and insightful pricing guidance.
  - ✓ **Honest and Responsible Advice:** Our firm has never been in a lawsuit with a client, and neither our conduct nor our financings have ever been questioned or investigated in court, or by the Securities and Exchange Commission (SEC), Internal Revenue Service (IRS), or Municipal Securities Rulemaking Board (MSRB).



# Regulatory Disclosure

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**Disclosure of Conflicts of Interest and Legal or Disciplinary Events.** 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 and potential clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Isom Advisors, a Division of Urban Futures, Inc. ("Isom") and its associated persons.

**Conflicts of Interest. Compensation.** Isom represents that in connection with the issuance of municipal securities, Isom 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, Isom hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding Isom's ability to provide unbiased advice to enter into such transaction. This conflict of interest will not impair Isom's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

It should be noted that other forms of compensation (i.e. hourly or fixed fee based) may also present a potential conflict of interest regarding Isom's ability to provide advice regarding a municipal security transaction. These other potential conflicts of interest will not impair Isom's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

**Other Municipal Advisor Relationships.** Isom 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 Isom client. 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, Isom could potentially face a conflict of interest arising from these competing client interests. Isom fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with its clients.

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

**Legal or Disciplinary Events.** Isom does not have any legal events or disciplinary history on Isom's Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Issuer may electronically access Isom'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 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 Isom, Isom will provide complete disclosure to the Issuer in detail allowing the Issuer to evaluate Isom, its management and personnel.