Refunding of the 2008 Debt Certificates

Why Refund Debt?

- When market conditions provide the ideal environment
  - Lower interest
  - Present savings at least 3%
  - Timing is correct
- When Debt structure allows for taking advantage of opportunities
  - Callable: allows the issuer to retain the privilege of redeeming the bond at some point before the bond reaches its date of maturity
  - Refunding done in 2012 for the 2004 debt certificates for $1,995,000
    - Resulted in a cash flow savings of $88,607 with an overall economic gain of $79,964 (refer to pg. 27 of the FY15 CAFR)
- 2008 debt certificates are now eligible to be called

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Refunding 2008 Debt Certificates

- Savings can be achieved by refunding callable bonds in two ways
  - Advance refunding
  - May execute at any time
  - Refunding proceeds invested in an escrow until the call date
- Current refunding
  - Current refunding bonds need to close within 90 days of the call date
- Per the Government Finance Officers Association, the District should consider refunding bonds if the present value (PV) savings is at least 3.0% (net costs of issuance)

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Refunding 2008 Debt Certificates

- Series 2008 Debt Certificates
  - Issued for land acquisition, demolition, remodeling, furniture and equipment purposes
- $2,490,000 of principal due February 1, 2017 through 2027
  - Callable on and after February 1, 2016
- Average interest rate of the debt certificates is 3.84%
- Eligible for either a tax-exempt advance or <u>current refunding</u>
  - If a current refunding, the callable Series 2008 Debt Certificates may be called at anytime after February 1, 2016
  - Refunding debt certificates may be priced as early as October 2015 with a closing in November 2015

Refunding 2008 Debt Certificates

- Results in a current refunding of the callable 2008 Debt Certificates
  - Based on current market conditions
  - Earliest possible closing date is November 2015
- Actual savings depend upon market conditions at the time of the refunding
  - Negotiated sale
  - Direct Placement (could save more if it can be done)

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Estimated Savings on Refunding

Debt Service Comparison

Date	Total P+I	Non-Refunded	Total	Old Net D/S	Savings
02/01/2016	48,423.75	183,150.00	227,490.28	230,433.13	2,942.85
02/01/2017	265,125.00	-	265,125.00	279,566.26	14,441.26
02/01/2018	266,125.00	-	266,125.00	283,091.26	16,966.26
02/01/2019	267,025.00	-	267,025.00	281,168.76	14,143.76
02/01/2020	267,825.00	-	267,825.00	283,918.76	16,093.76
02/01/2021	262,450.00	-	262,450.00	281,306.26	18,856.26
02/01/2022	267,075.00	-	267,075.00	283,243.76	16,168.76
02/01/2023	266,450.00	-	266,450.00	284,806.26	18,356.26
02/01/2024	264,550.00	-	264,550.00	280,700.00	16,150.00
02/01/2025	262,500.00	-	262,500.00	281,400.00	18,900.00
02/01/2026	265,300.00	-	265,300.00	281,400.00	16,100.00
02/01/2027	267,800.00	-	267,800.00	286,000.00	18,200.00
Total	**$2,970,648.75**	**$183,150.00**	**$3,149,715.28**	**$3,337,034.45**	**$187,319.17**

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	156,387.73
Net PV Cashflow Savings @ 2.686%(AIC)	156,387.73
Contingency or Rounding Amount	4,083.47
Net Present Value Benefit	$160,471.20
Net PV Benefit / $2,490,000 Refunded Principal	6.445%

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Next Steps

- If authorized to proceed
  - November 2015 Board Meeting
    - Board approves a resolution authorizing the refunding
  - CFO works with PMA on refunding
    - Direct Placement or Negotiated Sale
  - Refunding Date occurs on or about 12/15/2015

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Questions?

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