



McHenry County College

Science Center Financing Options

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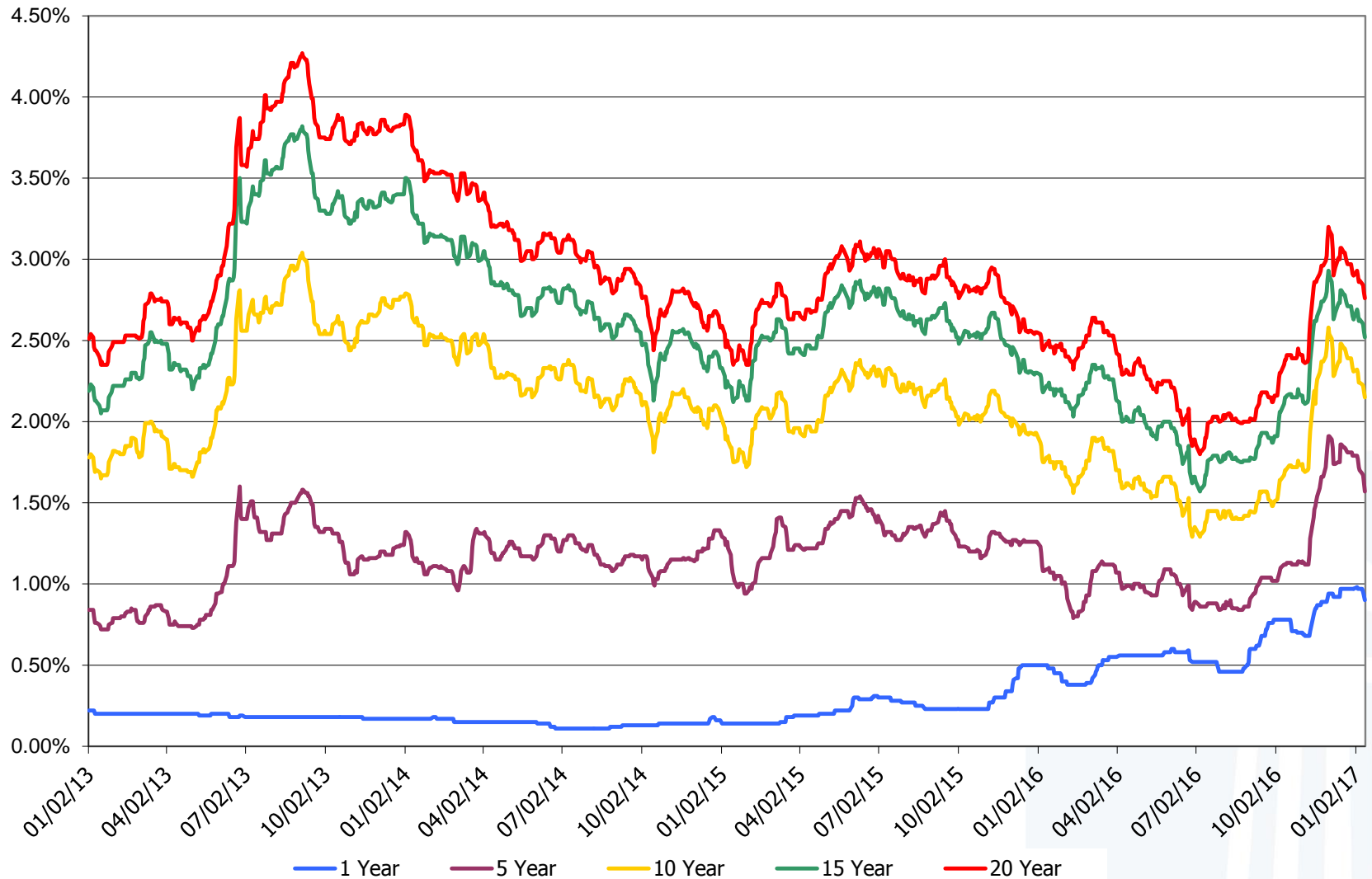
- Assumes the College needs to finance approximately \$11.9 million of the Science Center project cost

Total project cost:	\$16,787,869
Less: Donation:	<u>(3,000,000)</u>
	\$13,787,869
Less: Fund balance contribution	<u>(1,930,430)</u>
Financing Amount	\$11,857,439

- The College must pay debt service out of operating funds
 - No separate tax levy
- Maximum length of maturity is 20 years
- No public hearing or petition period requirements

- Because there is no property tax levy to support the debt service payments, the rating agencies typically “notch” the credit rating for debt certificates by one level
- However, in 2012 Moody’s did not notch the credit rating for the College’s Series 2012 Refunding Debt Certificates (rated “Aa1”)*
 - Report cited the College’s sound financial position, sizable tax base and low debt burden
- The District’s credit rating will be updated with the sale of new Debt Certificates

*The College’s 2015 Debt Certificates were sold via a direct placement and were not rated.

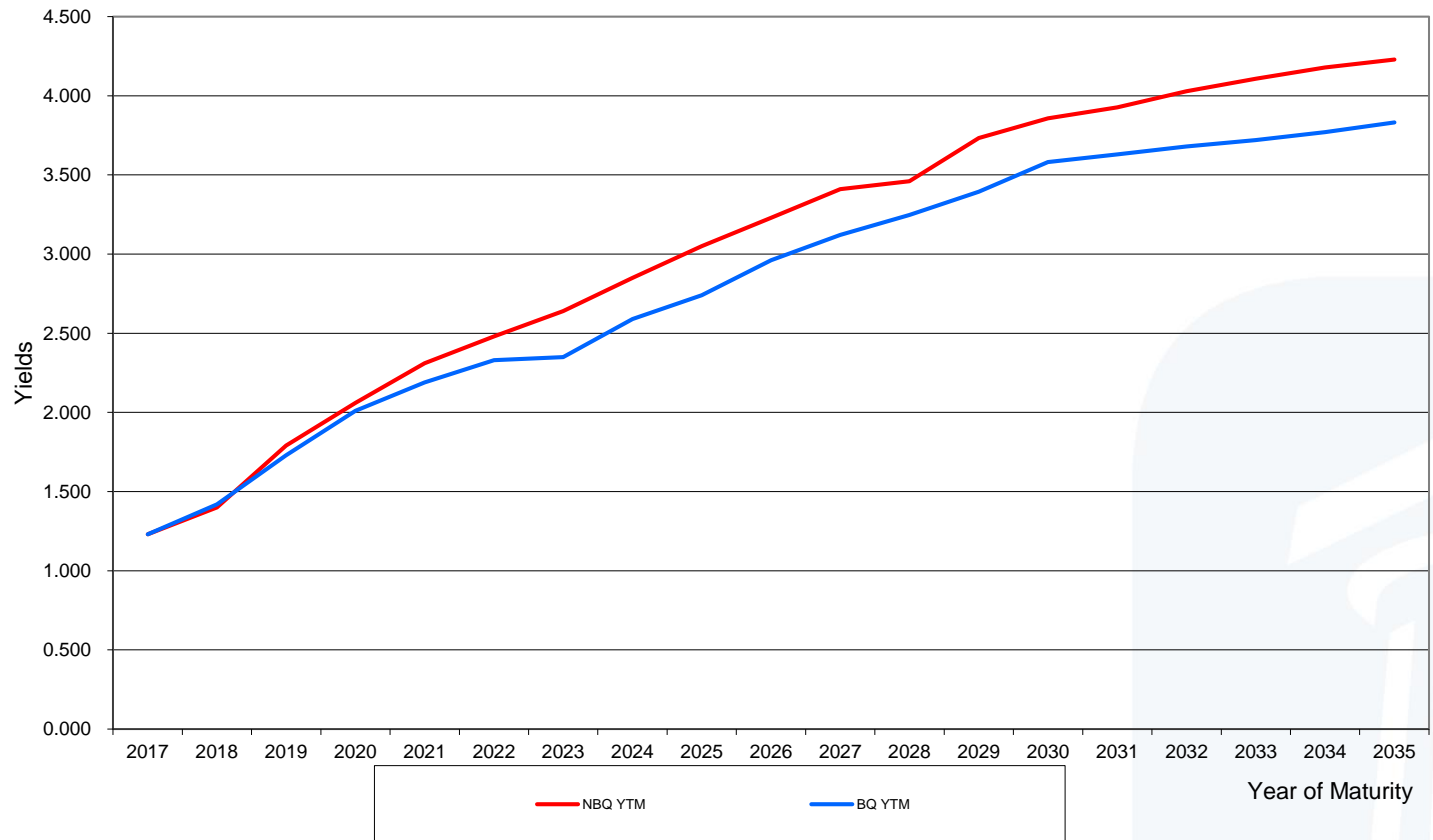


*Municipal Market Data as of January 13, 2017.

- Tax-exempt municipal securities are designated as Bank Qualified (“BQ”) if the College does not expect to issue more than \$10 million in a single calendar year
- Allows a financial institution to deduct 80% of its interest expense allocable to the purchase of tax-exempt securities, essentially providing banks a double tax benefit
- Some of the savings are passed along to the district as a lower interest rate versus a traditional tax-exempt bond/debt certificate or non-bank qualified (“NBQ”) transaction
- The College should consider issuing a portion of the Debt Certificates on a BQ basis

- The current BQ benefit is in 2022 and after

BQ vs NBQ (Illinois "AA" Credit)



*Based on actual bond sales for the City of Oak Forest (AA- BQ) and the Village of Bartlett (Aa1 NBQ) in November 2016.

- **Scenario 1**
 - \$11.857 million issued in March of 2017 (Non-BQ)
- **Scenario 2**
 - \$9.730 million issued in March of 2017 (BQ)
 - \$2.127 million issued in February of 2018 (BQ)

Fiscal Year	Scenario 1		Scenario 2		Total Debt Service
	Dated: 3/01/17		Dated: 3/01/17 Dated: 2/01/18		
	NBQ	Max BQ	BQ		
2018	\$ 838,042	\$ 826,679	\$ -	\$ 826,679	
2019	842,100	668,050	155,125	823,175	
2020	838,100	670,950	153,425	824,375	
2021	841,725	671,825	156,725	828,550	
2022	839,975	672,450	154,475	826,925	
2023	837,975	672,825	157,225	830,050	
2024	840,725	667,950	154,850	822,800	
2025	840,575	670,950	157,475	828,425	
2026	839,975	668,500	154,475	822,975	
2027	838,925	670,750	156,475	827,225	
2028	842,425	672,550	153,325	825,875	
2029	837,475	671,625	155,175	826,800	
2030	842,000	670,175	156,325	826,500	
2031	840,650	668,200	157,300	825,500	
2032	838,600	670,700	153,100	823,800	
2033	837,600	669,900	153,900	823,800	
2034	840,600	668,300	153,900	822,200	
2035	842,400	670,900	153,700	824,600	
2036	838,000	672,500	158,300	830,800	
2037	840,000	672,000	157,500	829,500	
Total DS:	\$ 16,797,867	\$ 13,567,779	\$ 2,952,775	\$ 16,520,554	
Estimated TIC:	3.50%	3.36%	3.26%	3.35%	
Estimated Proceeds:	\$ 11,857,439	\$ 9,730,000	\$ 2,127,439	\$ 11,857,439	

Estimated interest savings
with two BQ issues:
\$277,313

**Breakeven
Market Movement:**
1.20%

(1) Rates based upon the "AAA" MMD index for January 13, 2017 and recent bond sales which PMA believes to be accurate and reliable, plus 0.25%.

Present financing options/plan to the Board of Trustees	January 26
Board adopts parameters resolution for the sale of Debt Certificates (regular meeting)	February 23
Price Series 2017 Debt Certificates	Mid-March
Close Series 2017 Debt Certificates	Early to mid-April

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Levy Year	Fiscal Year	GO Refunding Debt			Ending Principal Balance	Cumulative Principal Retirement as Percent of Total
		Debt Certificates, Series 2012	Certificates (Limited Tax), Series 2015	Total		
2015	2017	\$ 275,000	\$ 200,000	\$ 475,000	\$ 3,210,000	12.89%
2016	2018	290,000	205,000	495,000	2,715,000	26.32%
2017	2019	295,000	210,000	505,000	2,210,000	40.03%
2018	2020	310,000	220,000	530,000	1,680,000	54.41%
2019	2021	-	220,000	220,000	1,460,000	60.38%
2020	2022	-	230,000	230,000	1,230,000	66.62%
2021	2023	-	235,000	235,000	995,000	73.00%
2022	2024	-	240,000	240,000	755,000	79.51%
2023	2025	-	245,000	245,000	510,000	86.16%
2024	2026	-	250,000	250,000	260,000	92.94%
2025	2027	-	260,000	260,000	-	100.00%
2026	2028	-	-	-	-	100.00%
2027	2029	-	-	-	-	100.00%
2028	2030	-	-	-	-	100.00%
2029	2031	-	-	-	-	100.00%
2030	2032	-	-	-	-	100.00%
Totals:		<u>\$ 1,170,000</u>	<u>\$ 2,515,000</u>	<u>\$ 3,685,000</u>		
Purpose:		Advance Refunding	Current Refunding			
Callable:		N/A	N/A			