

Finance Committee Meeting – October 9, 2017

Meeting Agenda

1. L-S Debt Profile and Refinancing Review – Ken Phillips and Lauren Stadel
2. 2016–2017 Budget Outcome
3. 2018–2019 Budget Schedule

Lampeter-Strasburg School District

Debt Profile & Refinancing Review

October 9, 2017



STRICTLY PRIVATE AND CONFIDENTIAL

Ken Phillips
Managing Director
RBC Capital Markets
2101 Oregon Pike
Lancaster, PA 17601
Tel: (717) 519-6001
ken.phillips@rbccm.com

Lauren Stadel
Vice President
RBC Capital Markets
2101 Oregon Pike
Lancaster, PA 17601
Tel: (717) 519-5925
lauren.stadel@rbccm.com



RBC Capital Markets

Outstanding Gross Debt

Lampeter-Strasburg School District Gross Debt Outstanding As of July 1, 2017

| As of Fiscal Year Ending June 30 | (1) 2002 Fixed DeIVal Loan | (2) 2002 Variable DeIVal Loan | (3) 2011 G.O. Bonds | (4) 2012 G.O. Notes | (5) 2014 G.O. Bonds | (6) 2015 G.O. Notes | Total |
|----------------------------------|----------------------------------|-------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------|
| 2018 | 556,868 | 530,218 | 652,894 | 3,378,800 | 340,306 | 311,153 | 5,770,238 |
| 2019 | 568,736 | 530,467 | 642,894 | 1,939,600 | 763,956 | 1,321,450 | 5,767,103 |
| 2020 | 579,947 | 530,515 | 646,644 | | 4,223,656 | | 5,980,762 |
| 2021 | 590,498 | 530,363 | 638,769 | | 4,274,106 | | 6,033,736 |
| 2022 | 601,382 | 531,004 | 640,119 | | 1,096,750 | | 2,869,255 |
| 2023 | | | 630,406 | | | | 630,406 |
| 2024 | | | 634,206 | | | | 634,206 |
| 2025 | | | 627,406 | | | | 627,406 |
| 2026 | | | 629,594 | | | | 629,594 |
| 2027 | | | 625,419 | | | | 625,419 |
| Total | 2,897,431 | 2,652,567 | 6,368,350 | 5,318,400 | 10,698,775 | 1,632,603 | 29,568,126 |

(1) 2002 DeIVal Fixed Rate Conversion Portion @ 2.635% 1/15/09(includes approximate 40bp annual fees)

(2) 2002 DeIVal Fixed Rate Conversion Portion @ 2.005% 9/25/11

(3) Series 2011, callable 3/1/17, average coupon 2.91%, yield 2.77%.

(4) Series 2012, non-callable, average coupon 3.89%, yield 1.57%.

(5) Series 2014, callable 8/15/19, average coupon 2.52%, yield 2.15%.

(6) Series of 2015 Notes (Susquehanna Bank Loan), fixed rate of 1.65%.

Lampeter-Strasburg School District
Net Debt Outstanding
 As of July 1, 2017

| As of Fiscal Year Ending June 30 | 2002 Fixed DelVal Loan | 2002 Variable DelVal Loan | 2011 G.O. Bonds | 2012 G.O. Bonds | 2014 G.O. Bonds | 2015 G.O. Notes | Total |
|----------------------------------|------------------------|---------------------------|-----------------|-----------------|-----------------|-----------------|------------|
| 2018 | 506,056 | 481,838 | 593,484 | 3,089,689 | 309,823 | 283,281 | 5,264,171 |
| 2019 | 516,841 | 482,064 | 584,394 | 1,773,636 | 695,525 | 1,203,081 | 5,255,540 |
| 2020 | 527,029 | 482,108 | 587,802 | 0 | 3,845,321 | 0 | 5,442,261 |
| 2021 | 536,618 | 481,970 | 580,644 | 0 | 3,891,252 | 0 | 5,490,484 |
| 2022 | 546,509 | 482,552 | 581,871 | 0 | 998,508 | 0 | 2,609,440 |
| 2023 | 0 | 0 | 573,042 | 0 | 0 | 0 | 573,042 |
| 2024 | 0 | 0 | 576,497 | 0 | 0 | 0 | 576,497 |
| 2025 | 0 | 0 | 570,315 | 0 | 0 | 0 | 570,315 |
| 2026 | 0 | 0 | 572,304 | 0 | 0 | 0 | 572,304 |
| 2027 | 0 | 0 | 568,509 | 0 | 0 | 0 | 568,509 |
| Total | 2,633,053 | 2,410,532 | 5,788,862 | 4,863,325 | 9,740,430 | 1,486,362 | 26,922,564 |

| | | | | | | |
|--------------|--------|--------|--------|--------|--------|--------|
| Local Effort | 90.88% | 90.88% | 90.90% | 91.44% | 91.04% | 91.04% |
| State Effort | 9.12% | 9.12% | 9.10% | 8.56% | 8.96% | 8.96% |
| CARF | 41.76% | 41.76% | 41.76% | 41.76% | 41.76% | 41.76% |
| Proj. Reimb. | 21.85% | 21.85% | 21.79% | 20.49% | 21.45% | 21.45% |

Refunding Summary – Series of 2011 Bonds

Upfront Savings

Summary of Refunding Results

| | |
|-------------------------------|-------------|
| Par Amount of Refunded Bonds | \$5,435,000 |
| Par Amount of Refunding Bonds | \$5,585,000 |
| Arbitrage Yield | 2.095% |
| Present Value Savings (\$) | \$128,294 |
| Present Value Savings (%) | 2.361% |
| Negative Arbitrage (\$) | \$0 |
| Unrefunded Par Amount (\$) | \$0 |
| Call Date (2011 Bonds): | 03/01/2017 |

Sources and Uses of Funds

| | |
|-----------------------------|--------------------|
| Sources: | |
| Bond Par Amount | \$5,585,000 |
| Premium (Discount) | - |
| Total Sources | \$5,585,000 |
| Uses: | |
| Refunding Escrow Deposits | \$5,473,223 |
| Estimated Costs of Issuance | 108,869 |
| Additional Proceeds | 2,908 |
| Total Uses | \$5,585,000 |

Sensitivity Analysis

| | |
|--------------------------------------|-----------|
| NPV Savings Assuming +25bps in rates | \$64,215 |
| NPV Savings Assuming -25bps in rates | \$192,373 |

Cash Flow Savings

| Date | Prior D/S | Refunding D/S | Savings | PV Savings |
|--------------|--------------------|--------------------|------------------|------------------|
| 06/30/2018 | \$576,447 | \$465,634 | \$110,813 | \$110,237 |
| 06/30/2019 | 642,894 | 642,653 | \$241 | 465 |
| 06/30/2020 | 646,644 | 646,113 | \$531 | 709 |
| 06/30/2021 | 638,769 | 638,621 | \$148 | 311 |
| 06/30/2022 | 640,119 | 635,129 | \$4,990 | 4,710 |
| 06/30/2023 | 630,406 | 630,329 | \$77 | 187 |
| 06/30/2024 | 634,206 | 629,538 | \$4,669 | 4,189 |
| 06/30/2025 | 627,406 | 622,520 | \$4,886 | 4,268 |
| 06/30/2026 | 629,594 | 629,470 | \$124 | 149 |
| 06/30/2027 | 625,419 | 625,250 | \$169 | 161 |
| Total | \$6,291,903 | \$6,165,256 | \$126,647 | \$125,386 |

Savings Summary

| | |
|------------------------------|------------------|
| PV of savings from cash flow | \$125,386 |
| Additional Proceeds | 2,908 |
| Net PV Savings | \$128,294 |

*Assuming settlement on December 1st, 2017

New Money Borrowing(s) & Refinancing Considerations

- On February 6, 2017 the District approved a \$5,580,000 Parameters Bond Purchase Agreement (“BPA”) to provide funds for future capital projects of the District
- With 2011 Bonds now producing savings, District should consider adopting another Resolution & BPA to incorporate the refunding
- 2/6/17 BPA will be “taken off the books” and replaced with 1 master Resolution and BPA to cover refunding of 2011 Bonds and up to \$8,000,000 of capital project financing
- The future projects can be funded at any time in one or more series of Bonds. Entire \$8,000,000 does not have to be used, if at all
- Debt service under the Parameters BPA utilizes a wrap around structure with a final maturity in fiscal year 2024 to take advantage of the District’s relatively short existing debt portfolio.
- Depending on market conditions and new money requirements, refunding may be done in conjunction with new money borrowing

Disclaimer

RBC Capital Markets, LLC (RBC CM), seeks to serve as an underwriter on a future transaction and not as a financial advisor or municipal advisor. The information provided is for discussion purposes only in anticipation of being engaged to serve as an underwriter. The primary role of an underwriter is to purchase securities with a view to distribution in an arm's-length commercial transaction with the issuer. The underwriter has financial and other interests that differ from those of the Issuer. RBC CM is not recommending an action to you as the municipal entity or obligated person; (b) RBC CM is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to you with respect to the information and material contained in this communication; (c) RBC CM is acting for its own interests; and (d) you should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material.

Disclaimer:

This presentation was prepared exclusively for the benefit of and internal use by the recipient for the purpose of considering the transaction or transactions contemplated herein. This presentation is confidential and proprietary to RBC Capital Markets, LLC ("RBC CM") and may not be disclosed, reproduced, distributed or used for any other purpose by the recipient without RBCCM's express written consent.

By acceptance of these materials, and notwithstanding any other express or implied agreement, arrangement, or understanding to the contrary, RBC CM, its affiliates and the recipient agree that the recipient (and its employees, representatives, and other agents) may disclose to any and all persons, without limitation of any kind from the commencement of discussions, the tax treatment, structure or strategy of the transaction and any fact that may be relevant to understanding such treatment, structure or strategy, and all materials of any kind (including opinions or other tax analyses) that are provided to the recipient relating to such tax treatment, structure, or strategy.

The information and any analyses contained in this presentation are taken from, or based upon, information obtained from the recipient or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by RBC CM. The information and any analyses in these materials reflect prevailing conditions and RBC CM's views as of this date, all of which are subject to change.

To the extent projections and financial analyses are set forth herein, they may be based on estimated financial performance prepared by or in consultation with the recipient and are intended only to suggest reasonable ranges of results. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it.

IRS Circular 230 Disclosure: RBC CM and its affiliates do not provide tax advice and nothing contained herein should be construed as tax advice. Any discussion of U.S. tax matters contained herein (including any attachments) (i) was not intended or written to be used, and cannot be used, by you for the purpose of avoiding tax penalties; and (ii) was written in connection with the promotion or marketing of the matters addressed herein. Accordingly, you should seek advice based upon your particular circumstances from an independent tax advisor.

2016–2017 Budget Outcome

- The General Fund had a positive change in fund balance in the amount of \$2,048,872 as of June 30, 2017.
 - The recommendation is to transfer an additional \$1,500,000 to the Capital Reserve Fund.
 - The total transfer to the Capital Reserve Fund will be \$2,487,000 resulting in a 7/1/17 Capital Reserve fund balance of \$7,108,249.
 - The Capital Reserve fund balance will be used for improvements dictated by a future facility master plan.
 - The General Fund will have an ending Fund Balance of \$6,236,468 as follows:

| | |
|-----------------------------------|-------------|
| ➤ Assigned for Retirement | \$1,300,000 |
| ➤ Assigned for Technology | \$ 554,000 |
| ➤ Assigned for Assessment Appeals | \$ 470,000 |
| ➤ Inventory | \$ 56,038 |
| ➤ Unassigned Fund Balance | \$3,856,430 |
 - The Unassigned Fund Balance is 7.6% of the 2016-17 Total Expenditures which is within the 8% rule.
- The 2016-2017 Financial Statements will be presented at the Board Workshop Meeting on October 16.

2016–2017 Budget Outcome – continued

| | 2016-17 Budget | 2016-17 Actual | Variance () = Unfavorable |
|--|-------------------|-------------------|--|
| <u>Revenue:</u> | | | |
| Real Estate Taxes | 32,961,470 | 33,205,078 | 243,608 |
| Earned Income Taxes | 2,900,000 | 3,036,807 | 136,807 |
| Delinquent Taxes | 550,000 | 723,188 | 173,188 |
| Investment Earnings | 60,000 | 105,415 | 45,415 |
| Rental Income | 58,000 | 102,667 | 44,667 |
| Regular School Tuition | 59,000 | 108,670 | 49,670 |
| IDEA & Access Revenue | 479,690 | 547,568 | 67,878 |
| Other Local Income | 642,730 | 664,993 | 22,263 |
| Basic Education Subsidy | 3,926,470 | 4,084,222 | 157,752 |
| Rental & Sinking Fund Revenue | 983,610 | 1,175,787 | 192,177 |
| Other State Revenue | 7,207,320 | 7,145,110 | (62,210) |
| Federal Revenue | 449,320 | 490,969 | 41,649 |
| Total Revenue | 50,277,610 | 51,390,474 | 1,112,864 |
| <u>Expenditures:</u> | | | |
| Salaries | 21,216,430 | 20,884,970 | 331,460 |
| Social Security & Retirement | 8,010,050 | 7,735,832 | 274,218 |
| Medical Insurance | 5,437,450 | 4,810,879 | 626,571 |
| Worker's Comp | 147,300 | 69,952 | 77,348 |
| Special Education Contracts & Tuition | 2,084,040 | 1,951,096 | 132,944 |
| CTC Tuition | 540,610 | 446,917 | 93,693 |
| Electricity | 445,590 | 353,721 | 91,869 |
| Natural Gas | 218,010 | 147,426 | 70,584 |
| Budgetary Reserve | 385,820 | - | 385,820 |
| Capital Reserve Transfer | 487,000 | 987,000 | (500,000) |
| Balance of other expenditures | 12,062,470 | 11,953,809 | 108,661 |
| Total Expenditures | 51,034,770 | 49,341,602 | 1,693,168 |
| Revenue Over (Under) Expenditures | | 2,048,872 | Recommend an additional transfer of \$1,500,000 to the Capital Reserve Fund. |

2018–2019 Budget Schedule

- The Pennsylvania Department of Education has calculated the index and set the budget timeline for the 2018-2019 Fiscal Year.
- The base index is set at 2.4%. The index for Lampeter-Strasburg is 2.8%.
- Important dates on the timeline are:
 - January 16, 2018: the deadline to adopt a resolution indicating that the district will not raise the rate of tax by more than its index (or date by which 2018-19 preliminary budget must be available for public inspection).
 - February 5, 2018: the deadline to adopt a 2018-19 preliminary budget (if a resolution has not been adopted).