



Lehigh Area School District

Debt Restructuring Discussion

April 12, 2021



Zach Williard, Director
Karli Keisling, Senior Analyst

PFM Financial Advisors LLC
213 Market Street
Harrisburg, PA 17101
717.232.2723



**Capital
Markets**

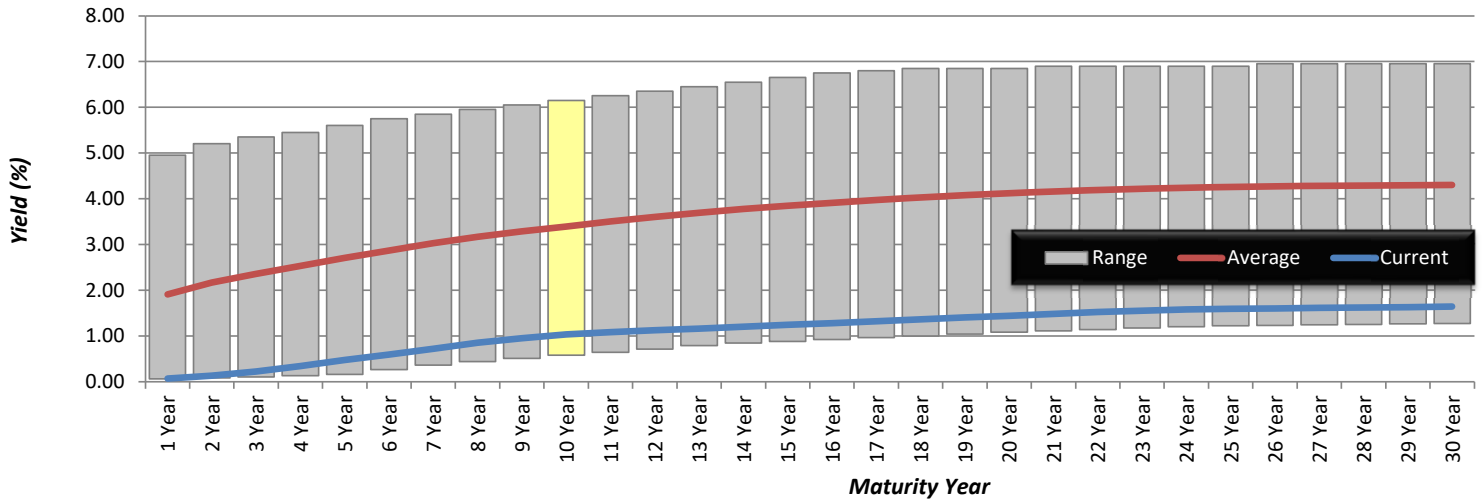
Brian Bradley, Managing Director
Allison Macchi, Vice President

RBC Capital Markets, LLC
300 Conshohocken State Road
W. Conshohocken, PA 19428
610.729-3750

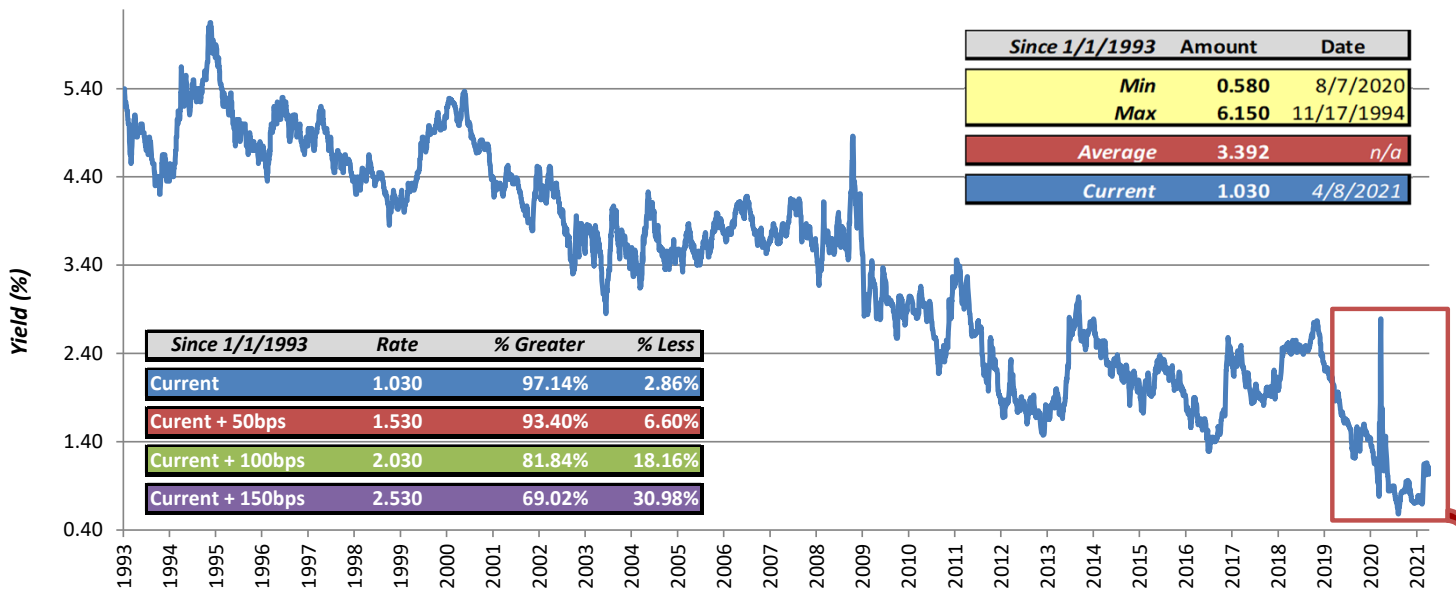
MUNICIPAL MARKET UPDATE

April 8, 2021

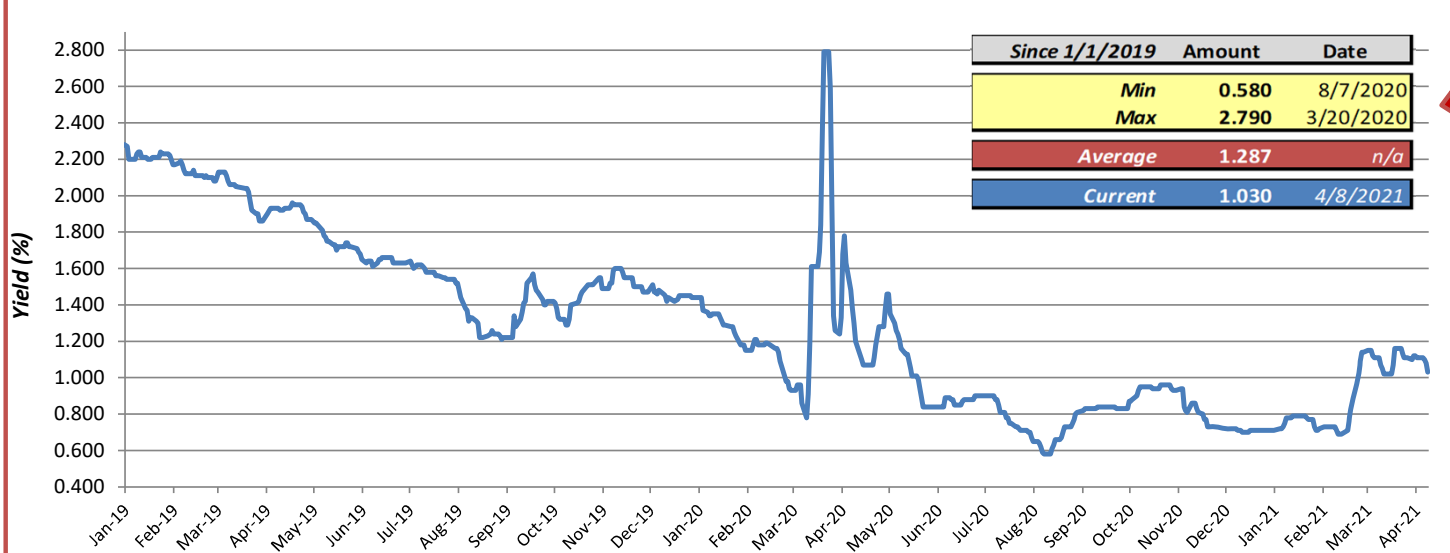
HISTORICAL MMD CURVE ILLUSTRATION - SINCE JANUARY 1, 1993



SPOT ANALYSIS - 10 YEAR MMD - SINCE JANUARY 1, 1993



SPOT ANALYSIS - 10 YEAR MMD - SINCE JANUARY 1, 2019



**LEHIGHTON AREA SCHOOL DISTRICT
SUMMARY OF OUTSTANDING INDEBTEDNESS**

Debt Service Requirements

1	2	3	4	5	6	7	8
Fiscal Year Ended	TD Bank	G.O. Bonds Series of 2014 (QZABs) [2]	G.O. Bonds Series of 2015	G.O. Bonds Series A of 2015	Vo-Tech	BB&T	Total Debt Service
	G.O. Note Series of 2014 [1]				Lease Revenue Series of 2016 [3]	G.O. Note Series of 2017 (QZABs)[4]	
6/30/2021	868,189	314,660	176,093	1,912,100	308,854	510,000	4,089,896
6/30/2022	868,352	311,660	175,984	1,913,800	307,384	515,000	4,092,181
6/30/2023	868,148	308,660	175,853	1,915,300	306,917	515,000	4,089,877
6/30/2024	867,576	305,660	175,722	1,919,750	308,721	510,000	4,087,429
6/30/2025	867,626	302,660	175,591	1,921,625	307,865	510,000	4,085,367
6/30/2026	868,277	299,660	175,459	1,922,250	308,079	510,000	4,083,726
6/30/2027		806,660	426,981	2,082,500	307,972	365,000	3,989,114
6/30/2028		796,010	429,519	2,087,000	307,247	370,000	3,989,776
6/30/2029		780,360	426,206	2,104,125	308,771	365,000	3,984,462
6/30/2030		769,785	427,491	2,108,750	307,381	365,000	3,978,407
6/30/2031		759,210	428,244	2,116,000	306,880	365,000	3,975,334
6/30/2032		748,635	428,113	2,120,750	307,506	370,000	3,975,004
6/30/2033		738,060	427,263	2,132,750	307,882		3,605,955
6/30/2034		727,485	426,063	2,141,750	309,028		3,604,326
6/30/2035		742,543	429,425	2,123,375	308,534		3,603,876
6/30/2036			427,350	2,659,000	307,779		3,394,129
6/30/2037			424,565	2,662,250	307,543		3,394,358
6/30/2038			425,968	2,661,000	308,322		3,395,289
6/30/2039			421,908	2,665,000			3,086,908
6/30/2040			417,478	2,668,875			3,086,353
6/30/2041			417,585	2,667,500			3,085,085
6/30/2042				3,109,375			3,109,375
6/30/2043				3,108,625			3,108,625
6/30/2044				3,105,750			3,105,750
6/30/2045							
Totals	5,208,168	8,711,708	7,438,858	55,829,200	5,542,666	5,270,000	88,000,600

Local Effort Requirements

9	10	11	12	13	14	15	16
Fiscal Year Ended	TD Bank	G.O. Bonds Series of 2014 (QZABs) [2]	G.O. Bonds Series of 2015	G.O. Bonds Series A of 2015	Vo-Tech	G.O. Note Series of 2017 (QZABs)[4]	Total Local Effort
	G.O. Note Series of 2014 [1]				Lease Revenue Series of 2016 [3]		
6/30/2021	413,793	210,971	168,155	1,589,367	220,565	296,317	2,899,168
6/30/2022	413,871	208,959	168,052	1,590,780	219,515	299,222	2,900,399
6/30/2023	413,773	206,948	167,926	1,592,027	219,181	299,222	2,899,078
6/30/2024	413,501	204,936	167,801	1,595,726	220,470	296,317	2,898,751
6/30/2025	413,525	202,925	167,676	1,597,285	219,859	296,317	2,897,586
6/30/2026	413,835	200,913	167,550	1,597,804	220,011	296,317	2,896,432
6/30/2027		540,842	407,734	1,731,006	219,935	212,070	3,111,589
6/30/2028		533,702	410,157	1,734,747	219,417	214,975	3,112,999
6/30/2029		523,209	406,994	1,748,981	220,505	212,070	3,111,760
6/30/2030		516,119	408,221	1,752,826	219,513	212,070	3,108,748
6/30/2031		509,029	408,940	1,758,852	219,155	212,070	3,108,046
6/30/2032		501,938	408,815	1,762,800	219,602	214,975	3,108,131
6/30/2033		494,848	408,003	1,772,775	219,871		2,895,497
6/30/2034		487,758	406,857	1,780,256	220,689		2,895,560
6/30/2035		497,854	410,068	1,764,982	220,336		2,893,240
6/30/2036			408,086	2,210,202	219,797		2,838,085
6/30/2037			405,427	2,212,904	219,629		2,837,959
6/30/2038			406,766	2,211,865	220,185		2,838,815
6/30/2039			402,889	2,215,189			2,618,079
6/30/2040			398,659	2,218,410			2,617,069
6/30/2041			398,762	2,217,267			2,616,029
6/30/2042				2,584,561			2,584,561
6/30/2043				2,583,937			2,583,937
6/30/2044				2,581,548			2,581,548
6/30/2045							
Totals	2,482,298	5,840,951	7,103,538	46,406,099	3,958,234	3,061,946	68,853,065
Principal*	4,114,000	7,444,000	4,970,000	30,470,000	3,945,348	4,760,000	55,703,348

PE%:	82.67%	52.05%	7.12%	26.66%	48.41%	66.18%
PE% Status:	Temp.	Temp.	Temp.	Est.	Est.	Est.
AR% (20-21)	63.31%	63.31%	63.31%	63.31%	59.05%	63.31%
Call Date:	Anytime	11/1/2024	11/15/2022	11/15/2023	3/1/2026	5/1/2027
Purpose:	New Money	New Money	New Money	New Money	Adv Ref 2008	New Money



* Outstanding as of April 8, 2021

[1] On March 2017 the District prepaid \$1,991,000 of the 2014 TD Bank Loan with unspent proceeds of the 2014 Note.

[2] Includes any earnings from the sinking fund (estimated at 1.50%). The final permitted sinking fund yield is 3.06% (as of November 18, 2014).

[3] Assumes a pro-rata share of 26.73%

[4] The District locked in an interest rate of 0.00% with BB&T for this QZAB bank loan.



Leighton Area School District

Points for Discussion

April 12, 2021



I) Restructuring Plan Overview:

1. The District's has previously authorized its financing team (PFM Financial Advisors, RBC Capital Markets and King Spry, Herman, Freund & Faul) to explore a restructuring scenario that will provide short-term budgetary relief in FY 2022 and 2023, allowing the District to build up general fund reserve levels.
2. This restructuring will identify certain maturities of each of the District's outstanding series of debt to be paid within the next 24 months and push some or all of those payments out further to create short term budget relief with the understanding it will have an overall long term cost.
 - a. It is our understanding from the Administration that the District will use the one (1) time savings in budget FYE 2022 and 2023 to build up general fund reserve levels.
 - b. This debt restructuring is meant to be one aspect of the District's multi-year recovery plan that includes future tax increases and rebuilding of reserve levels.
 - c. It is very important that the District does NOT lower its debt service budget going forward because of the debt restructuring. As mentioned above, this debt restructuring is only designed to provide one-time savings in the FYE 2022 and 2023 budget years, and after that the District's debt service budget will go back to its current level (approx. \$4.0 million).
 - d. The below table shows what maturities and interest payments will be restructured from the District's 2014 Note and 2015A Bonds.

Series	Maturity	Par Amount
Series of 2014 Note	11/15/2021	788,000
	11/15/2022	805,000
Series A of 2015 Bonds	11/15/2021	420,000
	11/15/2022	430,000

Series	Maturity	Interest Amount
Series A of 2015 Bonds	11/15/2021	749,000
	5/15/2022	744,800
	11/15/2022	744,800
TOTAL PAR PLUS INTEREST		4,681,600

LEHIGHTON AREA SCHOOL DISTRICT
Summary of 2021 Restructuring Plan

**ESTIMATED
FOR ILLUSTRATIVE
PURPOSES ONLY**

Purpose: Restructure portions of the District's debt to provide short-term budgetary relief in FY2022 and FY2023. Certain maturities of each outstanding series of debt will be restructured to provide budget relief, with the understanding that it will have an overall long-term cost to the District.

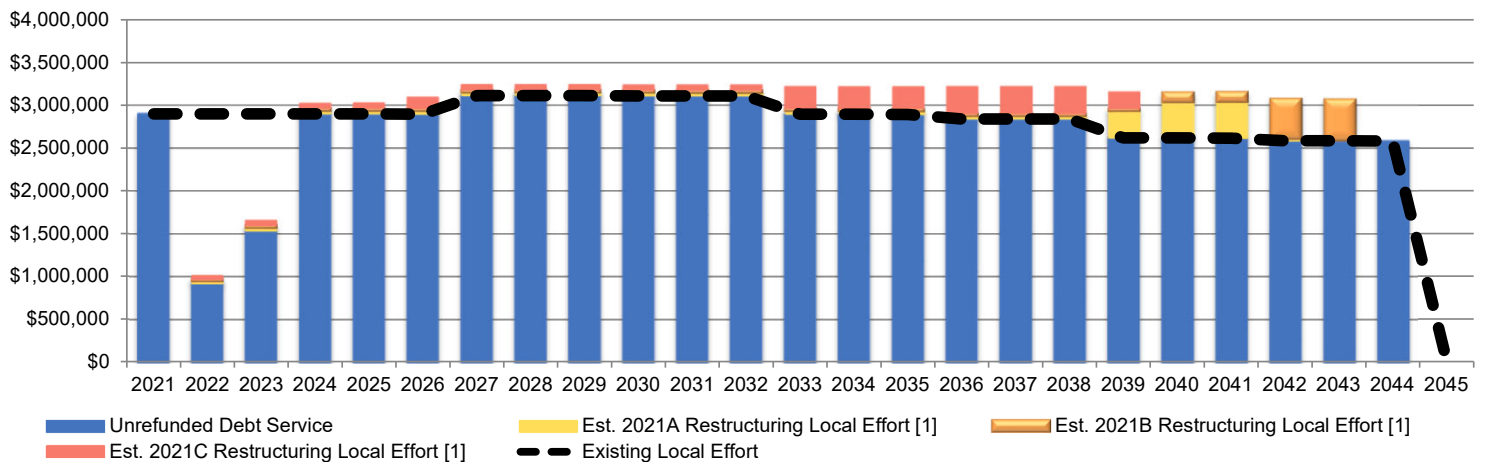
	2021A (TE)	2021B (TE)	2021C (TX)	Total
Settlement	August 2021	August 2021	August 2021	
Principal	\$1,665,000	\$1,215,000	\$1,995,000	\$4,875,000
Total Restructured Par Plus Interest	\$1,593,000	\$1,169,000	\$1,919,600	\$4,681,600
Est. FY22 Budgetary Relief	\$364,116	\$947,549	\$575,897	\$1,887,562
Est. FY23 Budgetary Relief	\$356,085	(\$32,189)	\$918,922	\$1,242,818

Fiscal Year Ending	Existing Local Effort	(Less) Refunded Local Effort	Plus Est. 2021A Restructuring Local Effort ^[1]	Plus Est. 2021B Restructuring Local Effort ^[1]	Plus Est. 2021C Restructuring Local Effort ^[1]	Estimated Total Local Effort	Total Gross Savings/(Cost)
6/30/2021	2,899,168					2,899,168	
6/30/2022	2,900,399	(1,978,697)	23,801	24,142	43,193	1,012,837	1,887,562
6/30/2023	2,899,078	(1,364,332)	31,735	32,189	57,590	1,656,260	1,242,818
6/30/2024	2,898,751		31,735	32,189	57,590	3,020,265	(121,514)
6/30/2025	2,897,586		31,735	32,189	62,008	3,023,518	(125,932)
6/30/2026	2,896,432		31,735	32,189	128,072	3,088,427	(191,996)
6/30/2027	3,111,589		31,735	32,189	60,782	3,236,294	(124,706)
6/30/2028	3,112,999		31,735	32,189	60,691	3,237,613	(124,614)
6/30/2029	3,111,760		31,735	32,189	60,588	3,236,272	(124,511)
6/30/2030	3,108,748		31,735	32,189	60,475	3,233,146	(124,398)
6/30/2031	3,108,046		31,735	32,189	60,353	3,232,322	(124,277)
6/30/2032	3,108,131		31,735	32,189	60,228	3,232,282	(124,151)
6/30/2033	2,895,497		31,735	32,189	252,751	3,212,171	(316,674)
6/30/2034	2,895,560		31,735	32,189	251,075	3,210,558	(314,998)
6/30/2035	2,893,240		31,735	32,189	253,432	3,210,595	(317,355)
6/30/2036	2,838,085		31,735	32,189	312,127	3,214,135	(376,050)
6/30/2037	2,837,959		31,735	32,189	311,625	3,213,508	(375,548)
6/30/2038	2,838,815		31,735	32,189	310,202	3,212,941	(374,126)
6/30/2039	2,618,079		310,399	32,189	190,127	3,150,793	(532,715)
6/30/2040	2,617,069		413,815	116,344		3,147,229	(530,160)
6/30/2041	2,616,029		418,804	113,885		3,148,719	(532,690)
6/30/2042	2,584,561		16,871	470,015		3,071,447	(486,886)
6/30/2043	2,583,937			478,847		3,062,784	
6/30/2044	2,581,548					2,581,548	
6/30/2045							
TOTAL	68,853,065	(3,343,029)	1,691,445	1,750,441	2,592,909	71,544,831	(2,212,919)

^[1] Estimated based off current market rates. Actual rates to be determined at time of pricing.

PV Savings/(Cost) (698,677)

ILLUSTRATION OF DEBT PORTFOLIO





LEHIGHTON AREA SCHOOL DISTRICT
Preliminary 2021 Financing Schedule
Series of 2021 Debt Restructuring



April 2021						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

May 2021						
S	M	T	W	T	F	S
2	3	4	5	6	7	1/8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

June 2021						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

July 2021						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Tentative Timeline

<u>Date</u>	<u>Objective</u>
Monday, April 12, 2021	* Regularly Scheduled Finance Committee Meeting * - Financing Team Discussion on Debt Restructuring
Monday, April 26, 2021	* Regularly Scheduled School Board Meeting *
Monday, May 10, 2021	* Regularly Scheduled Finance Committee Meeting * - Authorization for Financing Team to Proceed
After May 10th Authorization	PFM to Send Info Request to District District to Return Info Request to PFM Draft Preliminary Official Statement "POS" Send Out Credit Rating and Bond Insurance Packets
Monday, May 24, 2021	* Regularly Scheduled School Board Meeting * - Adoption of a Max Parameters Resolution to Accomplish a Debt Restructuring for FY 22 and FY 23 Budgetary Relief
Month of June	- Credit Rating Interview with Moody's - Due Diligence Call with Financing Team and District - Moody's Credit Rating Due Back to District / Financing Team - Finalize and Print Final Preliminary Official Statement "POS"
Month of July	- Potential Pricing Date/Interest Rate Lock
Sale Date + 35 Days	- Estimated Settlement Date



Disclosures:

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. This material is for general information purposes only and is not intended to provide or give a specific recommendation. Financial advisory services are provided by PFM Financial Advisors LLC and Public Financial Management Inc. Both are registered municipal advisors with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) under the Dodd-Frank Act of 2010. Investment advisory services are provided by PFM Asset Management LLC which is registered with the SEC under the Investment Advisers Act of 1940. Additional applicable regulatory information is available upon request. Swap advisory services are provided by PFM Swap Advisors LLC which is registered as a municipal advisor with both the MSRB and SEC, a commodity trading advisor with the Commodity Futures Trading Commission, and a member of the National Futures Association. Consulting services are provided through PFM Group Consulting LLC. PFM financial modeling platform for strategic forecasting is provided through PFM Solutions LLC. For more information regarding PFM's services or entities, please visit www.pfm.com.

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 PFM. The information and any analyses in these materials reflect prevailing conditions and PFM'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. Opinions, results, and data presented are not indicative of future performance. Actual rates may vary based upon market conditions at the time of pricing. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it. To the extent permitted by applicable law, no employee or officer of PFM's financial advisory business, nor any of PFM's affiliated companies, accept any liability whatsoever for any direct or consequential loss arising from negligence or from any use of this presentation or its contents. Any municipal financial product or financial strategy referenced may involve significant risks, including, but not limited to: market, interest rate, or credit risk, and may not be suitable for all clients. The ultimate decision to proceed with any transaction rest solely with the client.