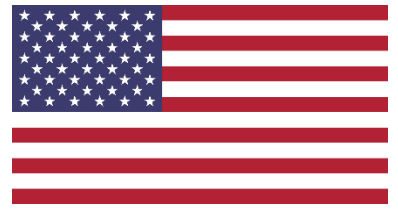


**Lehigh Area School District
Finance Committee Meeting
Monday, June 22, 2020 at 6:00 PM**



Finance Committee Minutes

The meeting was called to order at 6:03 p.m.

The following Board Members were present:

Richard Beltz, Rita Spinelli, Nathan Foeller, Larry Stern (audience), Gail Maholick (audience), Wayne Wentz (audience), Stephen Holland (audience) and David Bradley (audience)

The following Administration Members were present:

Jonathan Cleaver, Patricia Denicola, Tina Champ and Meghan Christman

PFM Presentation

Review of the Refinancing Review PowerPoint presented by Ken Phillips from RBC and Zach Williard from PFM.

2020-2021 Budget Discussion

Review of the 2020-2021 Finance Committee Update document.

Audience discussions with:

- Barb Bowes- Salary cuts, extracurricular cuts, repercussions for transportation cuts, charter school expenses, bond issues and police officer expenses
- Tom- Transportation cuts
- Fred Kemmerer- Teacher pay cuts and extracurricular cuts
- Gloria Bowman- Teacher contract and AFR fund balance
- David Bradley- Audit report
- Dillan Zellers- Importance of teachers and the band
- Dache Zelrick- Extracurricular cuts

The finance committee agreed to have an additional meeting on Thursday, June 25 at 6:00 pm.

The meeting was adjourned at 7:10 p.m.

Next Meeting Date: Monday, July 13, 2020 6:00 p.m.
PJD/mmc

Lehigh Area School District



Refinancing Review

June 15, 2020

STRICTLY PRIVATE AND CONFIDENTIAL

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Capital
Markets

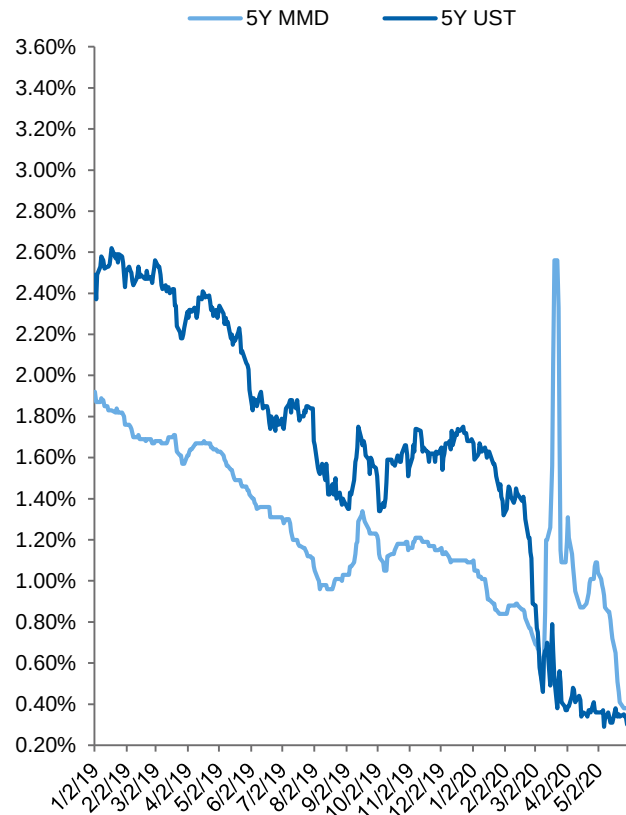




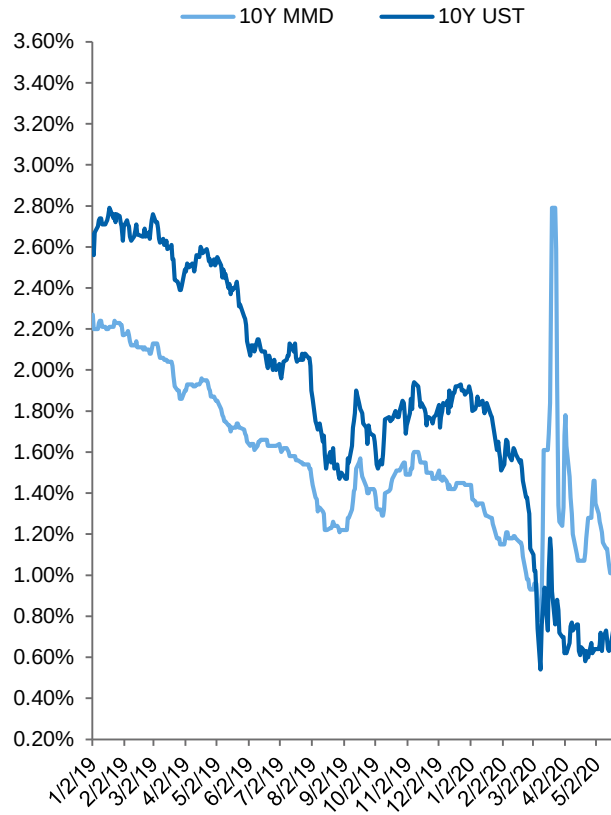
Interest Rate Movements

Relative Performance of Municipal Yields Versus Treasuries

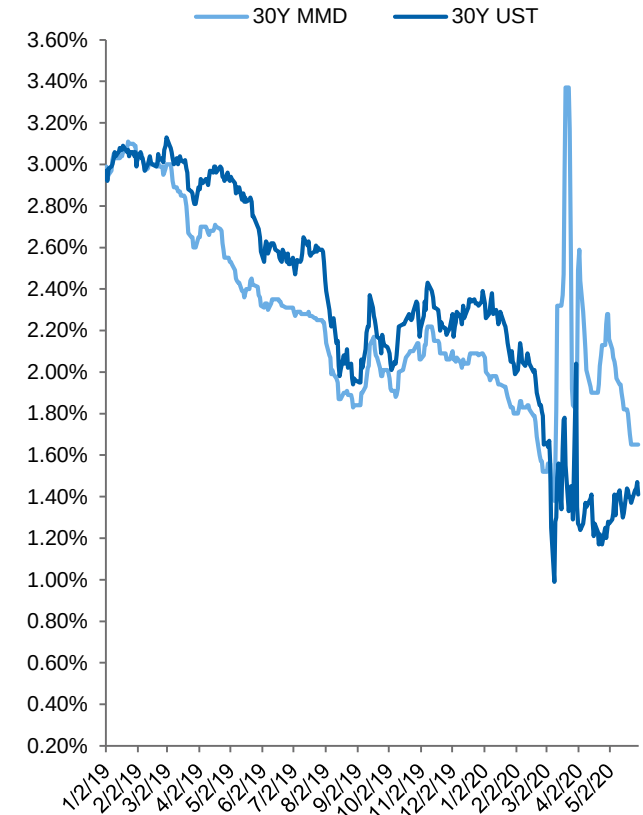
5 Year MMD⁽¹⁾ and 5 Year UST



10 Year MMD and 10 Year UST



30 Year MMD and 30 Year UST



Change in MMD

	01/02/2019	05/29/2020	Δ (bps)
3yr MMD	1.790	0.230	-156
5yr MMD	1.920	0.380	-154
7yr MMD	2.040	0.610	-143
10yr MMD	2.270	0.840	-143
30yr MMD	2.990	1.650	-134

Change in Treasuries

	01/02/2019	05/29/2020	Δ (bps)
3yr UST	2.470	0.190	-228
5yr UST	2.490	0.300	-219
7yr UST	2.560	0.500	-206
10yr UST	2.660	0.650	-201
30yr UST	2.970	1.410	-156

Change in MMD/UST Ratio

	01/02/2019	05/29/2020	Δ (%)
3yr Ratio	72%	121%	49%
5yr Ratio	77%	127%	50%
7yr Ratio	80%	122%	42%
10yr Ratio	85%	129%	44%
30yr Ratio	101%	117%	16%

(1) MMD stands for Municipal Market Data; which is the daily index off of which all municipal bonds are priced.

Source: Thomson Reuters

Gross Debt Outstanding



1	2	3	4	5	6	7	8
	Gross Debt Service						
Fiscal Year Ending June 30	Series 2014 <u>Notes</u> Total Gross Outstanding D/S	Series 2014 <u>QZABS</u> Total Gross Outstanding D/S	Series 2015 <u>Bonds</u> Total Gross Outstanding D/S	Series 2015A <u>Bonds</u> Total Gross Outstanding D/S	Series 2016 <u>Vo-Tech</u> Total Gross Outstanding D/S	Series 2017 <u>QZABS</u> Total Gross Outstanding D/S	<u>Sub-Total</u> Aggregate Gross Outstanding D/S
2021	\$868,189	\$314,660	\$176,093	\$1,912,100	\$308,855	\$510,000	\$4,089,896
2022	868,352	314,660	175,984	1,913,800	307,385	515,000	4,095,181
2023	868,148	314,660	175,853	1,915,300	306,917	515,000	4,095,878
2024	867,576	314,660	175,722	1,919,750	308,721	510,000	4,096,429
2025	867,626	314,660	175,591	1,921,625	307,866	510,000	4,097,368
2026	868,277	314,660	175,459	1,922,250	308,079	510,000	4,098,726
2027		824,660	426,981	2,082,500	307,972	365,000	4,007,114
2028		824,660	429,519	2,087,000	307,247	370,000	4,018,426
2029		819,660	426,206	2,104,125	308,771	365,000	4,023,762
2030		819,660	427,491	2,108,750	307,381	365,000	4,028,282
2031		819,660	428,244	2,116,000	306,880	365,000	4,035,784
2032		819,660	428,113	2,120,750	307,507	370,000	4,046,029
2033		819,660	427,263	2,132,750	307,883		3,687,555
2034		819,660	426,063	2,141,750	309,028		3,696,501
2035		851,330	429,425	2,123,375	308,534		3,712,664
2036			427,350	2,659,000	307,779		3,394,129
2037			424,565	2,662,250	307,544		3,394,359
2038			425,968	2,661,000	308,322		3,395,290
2039			421,908	2,665,000			3,086,908
2040			417,478	2,668,875			3,086,353
2041			417,585	2,667,500			3,085,085
2042				3,109,375			3,109,375
2043				3,108,625			3,108,625
2044				3,105,750			3,105,750
TOTAL	\$5,208,168	\$9,306,570	\$7,438,858	\$55,829,200	\$5,542,672	\$5,270,000	\$88,595,468

Net Debt Outstanding



1	2	3	4	5	6	7	8
	Net Debt Service						
Fiscal Year Ending June 30	Series 2014 <u>Notes</u> Total Gross Outstanding D/S	Series 2014 <u>QZABS</u> Total Gross Outstanding D/S	Series 2015 <u>Bonds</u> Total Gross Outstanding D/S	Series 2015A <u>Bonds</u> Total Gross Outstanding D/S	Series 2016 <u>Vo-Tech</u> Total Gross Outstanding D/S	Series 2017 <u>QZABS</u> Total Gross Outstanding D/S	Sub-Total Aggregate Gross Outstanding D/S
2021	\$421,545	\$212,739	\$168,290	\$1,594,873	\$220,565	\$299,963	\$2,917,975
2022	421,624	212,739	168,187	1,596,291	219,516	302,903	2,921,259
2023	421,524	212,739	168,061	1,597,542	219,181	302,903	2,921,952
2024	421,247	212,739	167,936	1,601,254	220,470	299,963	2,923,608
2025	421,271	212,739	167,811	1,602,817	219,859	299,963	2,924,460
2026	421,587	212,739	167,685	1,603,339	220,011	299,963	2,925,325
2027		557,547	408,063	1,737,002	219,935	214,679	3,137,226
2028		557,547	410,488	1,740,756	219,417	217,620	3,145,828
2029		554,166	407,322	1,755,040	220,505	214,679	3,151,713
2030		554,166	408,549	1,758,897	219,513	214,679	3,155,805
2031		554,166	409,269	1,764,945	219,155	214,679	3,162,214
2032		554,166	409,144	1,768,907	219,603	217,620	3,169,439
2033		554,166	408,331	1,778,916	219,871		2,961,284
2034		554,166	407,185	1,786,423	220,689		2,968,463
2035		575,578	410,398	1,771,096	220,336		2,977,408
2036			408,415	2,217,858	219,797		2,846,070
2037			405,753	2,220,569	219,629		2,845,951
2038			407,094	2,219,526	220,185		2,846,805
2039			403,214	2,222,863			2,626,076
2040			398,980	2,226,095			2,625,075
2041			399,083	2,224,948			2,624,031
2042				2,593,514			2,593,514
2043				2,592,888			2,592,888
2044				2,590,490			2,590,490
TOTAL	\$2,528,798	\$6,292,105	\$7,109,258	\$46,566,847	\$3,958,238	\$3,099,613	\$69,554,859

Reimb %:	82.67%	52.05%	7.12%	26.66%	48.41%	66.18%
2019-20 MVAR:	62.23%	62.23%	62.23%	62.23%	59.05%	62.23%
State Share:	51.45%	32.39%	4.43%	16.59%	28.59%	41.18%
Local Share:	48.55%	67.61%	95.57%	83.41%	71.41%	58.82%



Restructuring for Cash Flow Savings in Fiscal Year 2021, 2022 and 2023

1	2	3	4	5	6	7	8	9	10	11	12	13
	Net Debt Service											
Fiscal Year Ending June 30	Series 2014 Notes Total Net Outstanding D/S	Series 2014 QZABS Total Net Outstanding D/S	Series 2015 Bonds Total Net Outstanding D/S	Series 2015A Bonds Total Net Outstanding D/S	Series 2016 Vo-Tech Total Net Outstanding D/S	Series 2017 QZABS Total Net Outstanding D/S	Sub-Total Aggregate Net Outstanding D/S	LESS: Refunded Outstanding Net D/S	PLUS: Series 2020A Bonds Tax-Exempt Ref. Bonds Issue ^{(1) (2)} Net D/S	PLUS: Series 2020B Bonds Taxable Ref. Bonds Issue ^{(1) (2)} Net D/S	Total Net Debt Service	Net Budgetary Savings/ (Loss)
2021	\$421,545	\$212,739	\$168,290	\$1,594,873	\$220,565	\$299,963	\$2,917,975	\$1,395,848	\$47,542	\$26,234	\$1,595,903	\$1,322,072
2022	421,624	212,739	168,187	1,596,291	219,516	302,903	2,921,259	1,400,214	63,390	33,255	1,617,690	1,303,569
2023	421,524	212,739	168,061	1,597,542	219,181	302,903	2,921,952	168,816	63,390	37,413	2,853,939	68,013
2024	421,247	212,739	167,936	1,601,254	220,470	299,963	2,923,608		63,390	37,326	3,024,324	(100,715)
2025	421,271	212,739	167,811	1,602,817	219,859	299,963	2,924,460		63,390	37,231	3,025,081	(100,621)
2026	421,587	212,739	167,685	1,603,339	220,011	299,963	2,925,325		63,390	37,130	3,025,844	(100,519)
2027		557,547	408,063	1,737,002	219,935	214,679	3,137,226		63,390	37,022	3,237,638	(100,412)
2028		557,547	410,488	1,740,756	219,417	217,620	3,145,828		63,390	36,907	3,246,125	(100,297)
2029		554,166	407,322	1,755,040	220,505	214,679	3,151,713		63,390	36,789	3,251,891	(100,179)
2030		554,166	408,549	1,758,897	219,513	214,679	3,155,805		63,390	36,667	3,255,862	(100,057)
2031		554,166	409,269	1,764,945	219,155	214,679	3,162,214		63,390	36,543	3,262,147	(99,933)
2032		554,166	409,144	1,768,907	219,603	217,620	3,169,439		63,390	36,416	3,269,245	(99,806)
2033		554,166	408,331	1,778,916	219,871		2,961,284		63,390	247,083	3,271,757	(310,473)
2034		554,166	407,185	1,786,423	220,689		2,968,463		63,390	240,037	3,271,890	(303,427)
2035		575,578	410,398	1,771,096	220,336		2,977,408		63,390	228,698	3,269,496	(292,088)
2036			408,415	2,217,858	219,797		2,846,070		99,977	324,668	3,270,714	(424,645)
2037			405,753	2,220,569	219,629		2,845,951		424,674		3,270,625	(424,674)
2038			407,094	2,219,526	220,185		2,846,805		422,728		3,269,533	(422,728)
2039			403,214	2,222,863			2,626,076		639,740		3,265,816	(639,740)
2040			398,980	2,226,095			2,625,075		641,002		3,266,077	(641,002)
2041			399,083	2,224,948			2,624,031		312,128		2,936,158	(312,128)
2042				2,593,514			2,593,514				2,593,514	0
2043				2,592,888			2,592,888				2,592,888	0
2044				2,590,490			2,590,490				2,590,490	0
TOTAL	\$2,528,798	\$6,292,105	\$7,109,258	\$46,566,847	\$3,958,238	\$3,099,613	\$69,554,859	\$2,964,878	\$3,475,247	\$1,469,418	\$71,534,646	(\$1,979,787)

(1) Net of Estimated State Reimbursement.

(2) Restructured bonds (highlighted in blue and purple above) include all of the principal maturing in calendar year 2020 and 2021 of the 2014 Notes (\$771,000 & \$788,000), 2014 QZABS (\$200,000 in each year), 2015 Bonds (\$5,000 in each year), 2015A Bonds (\$410,000 & \$420,000) and the 2017 QZABS (\$510,000 & \$515,000) and a portion of the 2022 maturity of the 2014 Notes (\$344,000).

Princ. Mat.	15-Nov	01-Nov	15-Nov	15-Nov	01-Mar	01-Nov
Call:	Anytime	11/01/2024	11/15/2022	11/15/2023	03/01/2026	05/01/2027
Avg. IR	2.16%	1.50%	3.53%	4.99%	3.36%	0.00%



Thoughts, Considerations and Potential Next Steps

- Is there a target amount for budgetary relief in Fiscal Year 2021 and 2022?
 - ✓ RBCCM's analysis assumes a refunding of principal and associated interest in each respective scenario.
- Recommend the Board adopt a Borrowing Resolution and Bond Purchase Agreement for the refinancing of the General Obligation Bonds, Series of 2015 and Series A of 2015 as well as the restructuring of certain portions of the District's current principal payments (all outstanding issuances) to provide budgetary relief.
 - ✓ While Treasury rates remain historically low, over the past two months, credit spreads have widened drastically amid the economic impact of COVID-19.
 - ✓ Prior to the pandemics impact on credit spreads, the net present value savings for the refinancing of the 2015A Bonds provided the School District with significant savings.
 - ✓ We have seen a continuing decline in spreads as the taxable market continues to expand in the past couple of weeks.
 - ✓ We note that the market is extraordinarily volatile, including underlying base rates, credit spreads, and investor demand, and therefore it would prove beneficial for the Board to be in position to take advantage of rates if credit spreads continue to decline.
 - ✓ Recommend the Board adopt a Parameters Resolution for refunding/restructuring at the next regular meeting.



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