



**PMA<sup>TM</sup>**



# School District U-46 Refunding Discussion

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PMA Securities, LLC

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# 2021 Refunding Overview



## Summary of 2021 Bonds

- ▶ District upgraded from “AA-” to “AA” by S&P
- ▶ Average costs of issuance reduced by 30%
- ▶ \$1.8 million of debt service savings (summarized on next page)
- ▶ Switch to competitive bidding produced eight bids

Bid Award*	Bidder Name	TIC
<input type="checkbox"/>	<a href="#">J.P. Morgan Securities LLC</a>	0.368968
<input type="checkbox"/>	<a href="#">BNYMellon Capital Markets</a>	0.377437
<input type="checkbox"/>	<a href="#">Piper Sandler &amp; Co</a>	0.385162
<input type="checkbox"/>	<a href="#">KeyBanc Capital Markets</a>	0.391468
<input type="checkbox"/>	<a href="#">FHN Financial Capital Markets</a>	0.395634
<input type="checkbox"/>	<a href="#">Mesirow Financial, Inc.</a>	0.417186
<input type="checkbox"/>	<a href="#">Northland Securities, Inc.</a>	0.431810
<input type="checkbox"/>	<a href="#">Robert W. Baird &amp; Co., Inc.</a>	0.483145

\*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.



# Final Savings

## Debt Service Comparison

Date	New Debt Service	+	Noncallable Debt Service	=	New Net Debt Service	vs.	Old Net Debt Service	=	Savings
01/01/2022	178,975.55		2,106,300.00		2,285,275.55		2,285,275.55		-
01/01/2023	5,614,200.00		-		5,614,200.00		6,133,325.00		519,125.00
01/01/2024	5,689,600.00		-		5,689,600.00		6,133,200.00		443,600.00
01/01/2025	5,689,200.00		-		5,689,200.00		6,132,500.00		443,300.00
01/01/2026	3,525,600.00		-		3,525,600.00		3,965,775.00		440,175.00
<b>Total</b>	<b>\$20,697,575.55</b>		<b>\$2,106,300.00</b>		<b>\$22,803,875.55</b>		<b>\$24,650,075.55</b>		<b>\$1,846,200.00</b>

## PV Analysis Summary (Net to Net)

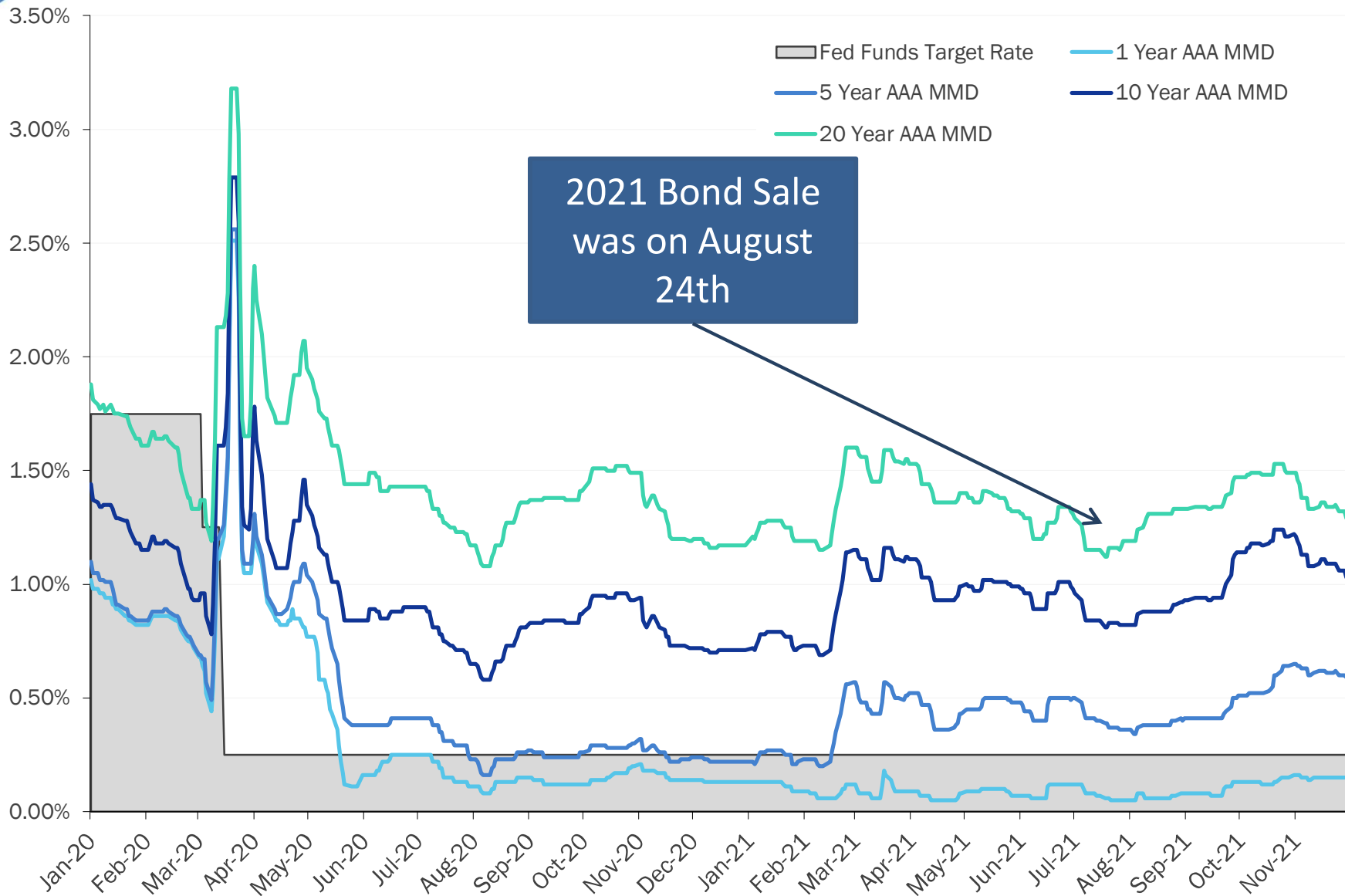
Gross PV Debt Service Savings	3,525,426.40
Net PV Cashflow Savings @ 0.696%(AIC)	3,525,426.40
Transfers from Prior Issue Debt Service Fund	(1,715,311.95)
Contingency or Rounding Amount	4,449.26
<b>Net Present Value Benefit</b>	<b>\$1,814,563.71</b>
<b>Net PV Benefit / \$21,590,000 Refunded Principal</b>	<b>8.405%</b>



# Market Update



# Historical Tax-Exempt Interest Rates since January 1, 2020



\*The Municipal Market Data "MMD" is a AAA municipal bond market index produced by TM3. As of November 30, 2021



# Refunding Background



# Refunding Definitions and Limitations

- ▶ The District may refund or restructure bonds on a **taxable basis** at any time, or it may issue **tax-exempt current refunding** bonds (within 90 days of the call date and after)
- ▶ A Federal tax law change is necessary to allow for a **tax-exempt advance refunding** for bonds originally issued for new money
  - ▶ An advance refunding is a refunding that closes more than 90 days before the call date
  - ▶ Legislation to bring back tax-exempt advance refundings has been introduced in Congress, but the bill has stalled, or the language has been removed
- ▶ The current level of short-term investment rates make longer advance refunding escrows more inefficient





# Outstanding Principal (as of 1/2/2022)

Lew Year	Fiscal Year	Taxable GO			GO Limited		Total	Ending Principal Balance	Cumulative Retirement as Percent of Total
		GO School Bonds, Series 2003 B	GO Limited School Bonds, Series 2015A	Limited Refunding School Bonds, Series 2015B	GO Refunding School Bonds, Series 2015D	School Refunding Series 2021			
2021	2023	\$ 10,030,910	\$ -	\$ -	\$ -	\$ 4,865,000	\$ 14,895,910	\$ 170,530,000	8.03%
2022	2024	-	-	-	6,480,000	5,135,000	11,615,000	158,915,000	14.30%
2023	2025	-	-	-	6,695,000	5,340,000	12,035,000	146,880,000	20.79%
2024	2026	-	-	2,170,000	7,030,000	3,390,000	12,590,000	134,290,000	27.58%
2025	2027	-	-	6,215,000	7,380,000	-	13,595,000	120,695,000	34.91%
2026	2028	-	4,055,000	2,395,000	7,750,000	-	14,200,000	106,495,000	42.57%
2027	2029	-	6,750,000	-	8,135,000	-	14,885,000	91,610,000	50.59%
2028	2030	-	7,090,000	-	8,540,000	-	15,630,000	75,980,000	59.02%
2029	2031	-	7,440,000	-	8,970,000	-	16,410,000	59,570,000	67.87%
2030	2032	-	7,815,000	-	9,420,000	-	17,235,000	42,335,000	77.17%
2031	2033	-	8,205,000	-	9,890,000	-	18,095,000	24,240,000	86.93%
2032	2034	-	2,955,000	-	10,385,000	-	13,340,000	10,900,000	94.12%
2033	2035	-	-	-	10,900,000	-	10,900,000	-	100.00%
<b>Total:</b>		<u>\$ 10,030,910</u>	<u>\$ 44,310,000</u>	<u>\$ 10,780,000</u>	<u>\$ 101,575,000</u>	<u>\$ 18,730,000</u>	<u>\$ 185,425,910</u>		

Purpose: AR - 1994 AR- 2012B NM - WC AR - 2011A AR - 2001, 02, 03B CR - 2009, 2012B

Callable: NA 1/1/24 1/1/24 1/1/24 NA

Average Rate: 5.00% 3.83% 5.00%



# Refunding Analysis Update



## Break-Even Market Movement

- ▶ The breakeven market movement (BEMM) is the amount that interest rates would have to increase between two-different dates for an issuer to be indifferent between the two choices
- ▶ For example, if the BEMM is 1.0%, and tax-exempt rates increase by more than 1.0% between January 2022 and October 2023, the District will be better off selling refunding bonds on a taxable basis sooner



# Tools to Manage Market Risk for Refundings

## Common Approaches

1. Wait for Current Refunding – Current Plan
2. Taxable Advance Refunding – Consider BEMM
3. Forward Settlement Current Refunding – Possible, more to come



# What is a Forward Settlement Current Refunding?

- ▶ In a Forward, the interest rate is set in the present, but the bonds close in the future (~October 2023)
- ▶ This strategy would allow the District to lock-in a rate above the current market mitigating market risk
  - ▶ Allows refunding bonds to be issued tax-exempt
  - ▶ No inefficient escrow
  - ▶ Reduces the BEMM
- ▶ Typically, this is not an option until the sale date is a year or less from the closing date
  - ▶ However, JP Morgan after winning the 2021 bond sale, reached out about the other callable bonds – initially as a taxable refunding
  - ▶ After PMA raised the possibility of a Forward, JP Morgan expressed a willingness to consider an extended Forward given its banking relationship with the District



# Estimated Refunding Saving Summary

	Series 2015A		Series 2015D		Series 2015B*	
	CR	FWD	CR	FWD	CR	AR
Par Refunded:	\$44,310,000		\$95,095,000		\$10,780,000	
NPV Savings:	\$9,696,862	\$8,559,495	\$18,668,790	\$16,861,638	\$652,569	\$167,686
NPV Savings %:	21.88%	19.32%	19.63%	17.73%	6.05%	1.56%
Breakeven:	0.30%		0.25%		1.35%	
Call Date:	January 1, 2024		January 1, 2024		January 1, 2024	
Tax Status	Tax-Exempt		Tax-Exempt		Taxable	

\*The 2015B bonds are taxable, accordingly a current refunding would also need to be done taxable.

- ▶ The analysis above assumes no extension of the debt
- ▶ CR = Current Refunding
- ▶ AR = Advance Refunding

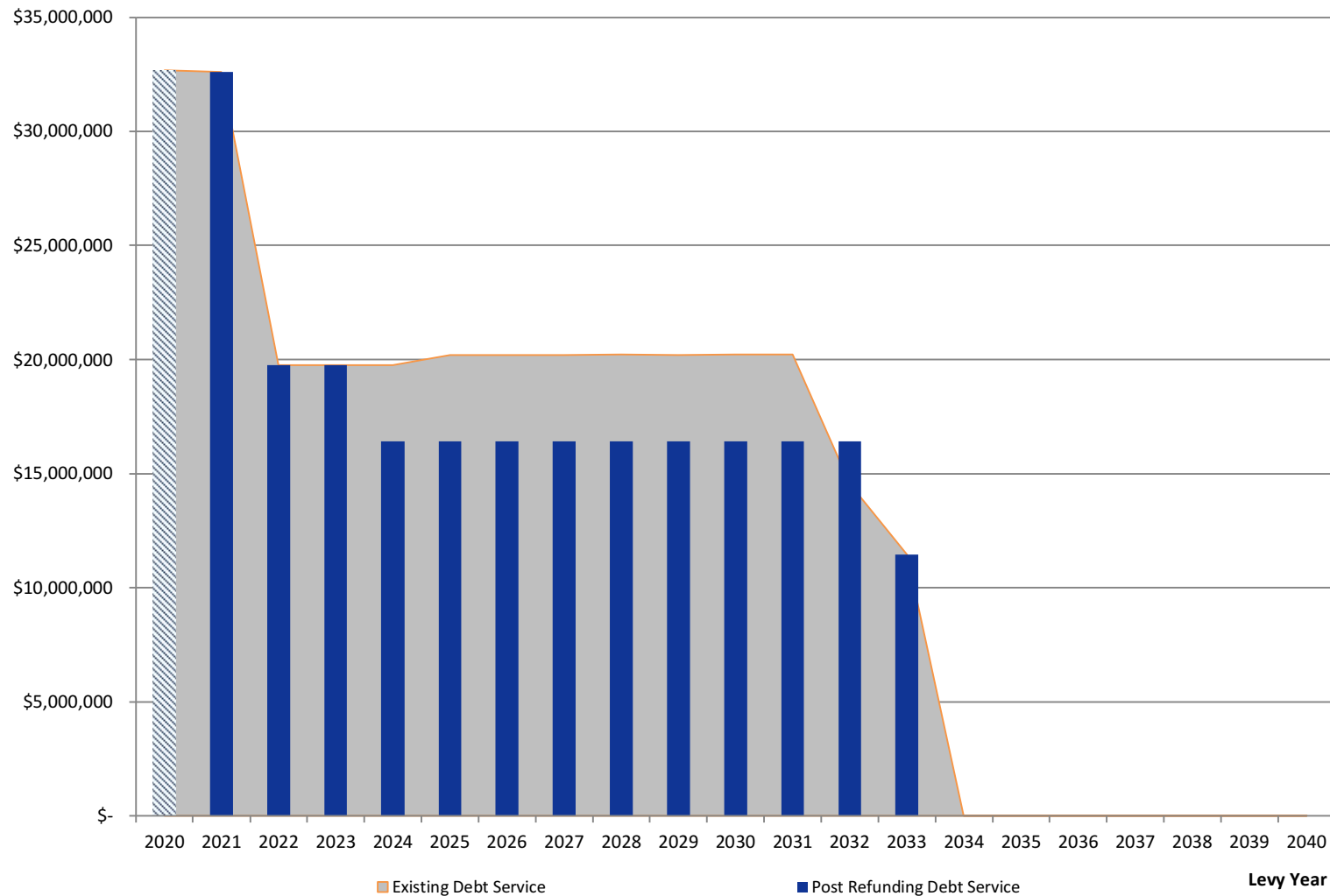
Note: Estimated savings are net of all costs of issuance. Based on current market rates as of November 29, 2021.



# Estimated Post Refunding Debt Service

Debt service is net of abatements totaling \$9.6 million for levy year 2020 and estimated to be \$9.1 million for levy year 2021

Post Refunding Debt Service | Assumes Forward Delivery 2015A & 2015D Bonds





## Possible Next Steps

- ▶ Distribute Term Sheet to Potential Purchasers January 5, 2022
- ▶ Bids Due from Potential Purchasers January 20, 2022
- ▶ Board approve parameters resolution authorizing the sale of the forward delivery current refunding January 24, 2022
- ▶ Delegates sign-off on bids January 24, 2022
- ▶ Bonds Close October 2, 2023





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# Existing Debt Service on Bonds

Non-Referendum Debt Service										Referendum Debt Service									
Levy Year	Fiscal Year	Taxable GO		GO Limited		Non Referendum Debt Service	Extension Base	Remaining	Prior	GO	School	GO Refunding	Total General	5.0% County	Growth	Tax			
		Limited	School	Refunding	School												Created W/1994	Margin	Referendum
		Bonds, Series	Bonds, Series	Bonds, Series	Total	Levy (1)													
2018	2020	\$ 6,131,970	\$ 2,215,500	\$ 411,063	\$ 8,758,533	\$ 9,201,666	\$ 443,133	\$ 26,114,750	\$ 2,330,000	\$ 4,969,150	\$ (9,605,212)	\$ 23,808,688	\$ 32,567,221	\$ 34,195,582	\$ 4,811,540,043	1.43%	0.7107		
2019	2021	6,133,250	2,215,500	411,063	8,759,813	9,376,498	616,685	2,885,000	25,725,000	4,969,150	(9,605,212)	23,973,938	32,733,751	34,370,438	5,268,100,965	9.49%	0.6524		
2020	2022	6,137,075	2,215,500	411,063	8,763,638	9,592,157	828,520	-	28,550,000	4,969,150	(9,605,212)	23,913,938	32,677,576	34,311,454	5,392,991,871	2.37%	0.6362		
2021	2023	-	2,215,500	411,063	5,614,200	8,240,763	9,726,447	1,485,685	-	28,505,000	4,969,150	-	33,474,150	41,714,913	43,800,658	5,392,991,871	0.00%	0.8122	
2022	2024	-	2,215,500	411,063	5,689,600	8,316,163	9,726,447	1,410,285	-	-	11,449,150	-	11,449,150	19,765,313	20,753,578	5,392,991,871	0.00%	0.3848	
2023	2025	-	2,215,500	411,063	5,689,200	8,315,763	9,726,447	1,410,685	-	-	11,449,750	-	11,449,750	19,765,513	20,753,788	5,392,991,871	0.00%	0.3848	
2024	2026	-	2,215,500	2,581,063	3,525,600	8,322,163	9,726,447	1,404,285	-	-	11,450,000	-	11,450,000	19,772,163	20,760,771	5,392,991,871	0.00%	0.3850	
2025	2027	-	2,215,500	6,545,773	-	8,761,273	9,726,447	965,175	-	-	11,448,500	-	11,448,500	20,209,773	21,220,261	5,392,991,871	0.00%	0.3935	
2026	2028	-	6,270,500	2,489,603	-	8,760,103	9,726,447	966,345	-	-	11,449,500	-	11,449,500	20,209,603	21,220,083	5,392,991,871	0.00%	0.3935	
2027	2029	-	8,762,750	-	-	8,762,750	9,726,447	963,697	-	-	11,447,000	-	11,447,000	20,209,750	21,220,238	5,392,991,871	0.00%	0.3935	
2028	2030	-	8,765,250	-	-	8,765,250	9,726,447	961,197	-	-	11,445,250	-	11,445,250	20,210,500	21,221,025	5,392,991,871	0.00%	0.3935	
2029	2031	-	8,760,750	-	-	8,760,750	9,726,447	965,697	-	-	11,448,250	-	11,448,250	20,209,000	21,219,450	5,392,991,871	0.00%	0.3935	
2030	2032	-	8,763,750	-	-	8,763,750	9,726,447	962,697	-	-	11,449,750	-	11,449,750	20,213,500	21,224,175	5,392,991,871	0.00%	0.3936	
2031	2033	-	8,763,000	-	-	8,763,000	9,726,447	963,447	-	-	11,448,750	-	11,448,750	20,211,750	21,222,338	5,392,991,871	0.00%	0.3935	
2032	2034	-	3,102,750	-	-	3,102,750	9,726,447	6,623,697	-	-	11,449,250	-	11,449,250	14,552,000	15,279,600	5,392,991,871	0.00%	0.2833	
2033	2035	-	-	-	-	-	9,726,447	9,726,447	-	-	11,445,000	-	11,445,000	11,445,000	12,017,250	5,392,991,871	0.00%	0.2228	
2034	2036	-	-	-	-	-	9,726,447	9,726,447	-	-	-	-	-	-	-	5,392,991,871	0.00%	0.0000	
2035	2037	-	-	-	-	-	9,726,447	9,726,447	-	-	-	-	-	-	-	5,392,991,871	0.00%	0.0000	
2036	2038	-	-	-	-	-	9,726,447	9,726,447	-	-	-	-	-	-	-	5,392,991,871	0.00%	0.0000	
2037	2039	-	-	-	-	-	9,726,447	9,726,447	-	-	-	-	-	-	-	5,392,991,871	0.00%	0.0000	
2038	2040	-	-	-	-	-	9,726,447	9,726,447	-	-	-	-	-	-	-	5,392,991,871	0.00%	0.0000	
2039	2041	-	-	-	-	-	9,726,447	9,726,447	-	-	-	-	-	-	-	5,392,991,871	0.00%	0.0000	
2040	2042	-	-	-	-	-	9,726,447	9,726,447	-	-	-	-	-	-	-	5,392,991,871	0.00%	0.0000	
Total DS From																			
Current FY:		\$ 6,137,075	\$ 66,481,750	\$ 13,260,688	\$ 20,518,600	\$ 106,398,113			\$ -	\$ 57,055,000	\$ 147,318,450	\$ (9,605,212)	\$ 194,768,238	\$ 301,166,351	\$ 316,224,668				

(1) Pursuant to Public Act 96-0501, the District's DSEB will increase by the lesser of CPI or 5% each year starting with levy year 2009. The applicable CPI increase has been applied to levy years 2009-2021, and assumed to be 0% per year thereafter.

If the District issues non-referendum bonds with debt service structured assuming a growing DSEB, it will need to pass resolutions, perhaps annually, to capture the additional DSEB levy available from CPI growth.

If the CPI growth is less than estimated on average, the District will have to pay debt service in excess of the DSEB from funds on hand.