



# Pine-Richland School District

## Existing Swap Portfolio Overview

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**March 7, 2022**

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# District Existing Swap Overview

**Note: PFM Swap Advisors LLC (“PFMSA”) was NOT involved in the original issuance, structuring or trades associated with any of the District’s existing swaps. PFMSA was engaged by the District initially in 2014 to prepare required reports and related Interest Rate Management Plan updates but has never served as Swap Advisor to the District with respect to the execution of new interest rate management agreements.**



# Overall Existing Swap Portfolio

1) Pine-Richland School District currently has 4 swaps outstanding

**Fixed Payer Swap**

**Series A of 2015 Note**

Pay: **5.00101%**

Receive: **68% of  
1 Month LIBOR + 0.30%**

Current Termination Value <sup>[1]</sup>  
**(\$1,728,769)**

**Basis Swap**

**Series B of 2014 Bonds**

Pay: **SIFMA**

Receive: **68% of  
1 Month LIBOR + 0.30%**

Current Termination Value <sup>[1]</sup>  
**(\$390,759)**

**Constant Maturity Swap**

Pay: **68% of  
1 Month LIBOR + 0.30%**

Receive: **63.105% of  
5 Year LIBOR**

Current Termination Value <sup>[1]</sup>  
**(\$106,368)**

**Constant Maturity Swap**

**Series of 2017 Bonds**

Pay: **SIFMA**

Receive: **63.1% of  
5 Year LIBOR**

Current Termination Value <sup>[1]</sup>  
**(\$41,310)**



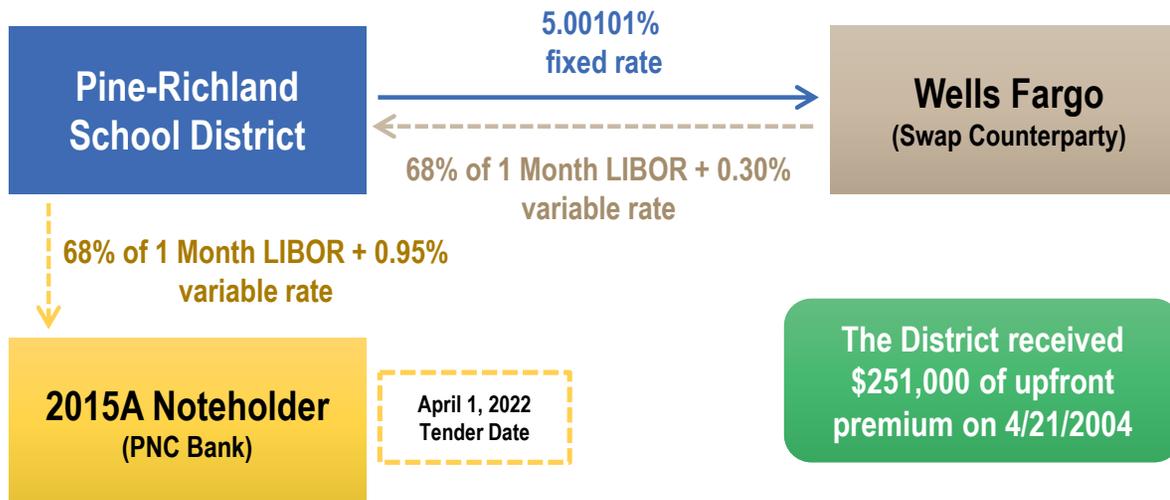
## Fixed Payer Swap – 2015A Note

- 1) \$5,885,000 notional outstanding
- 2) July 15, 2031 final maturity
- 3) Pay: **5.00101%** fixed rate
- 4) Receive: **68% of 1 Month LIBOR + 0.30%** variable rate

Current Termination Value <sup>[1]</sup>

**(\$1,728,769)**

### Cash Flow Schematics



### Related Bonds History

#### Series A of 2015 Note

Butler County General Authority

refunded the

#### Series C of 2011 Note

Butler County General Authority

which refunded the

#### Series D of 2001 Bonds

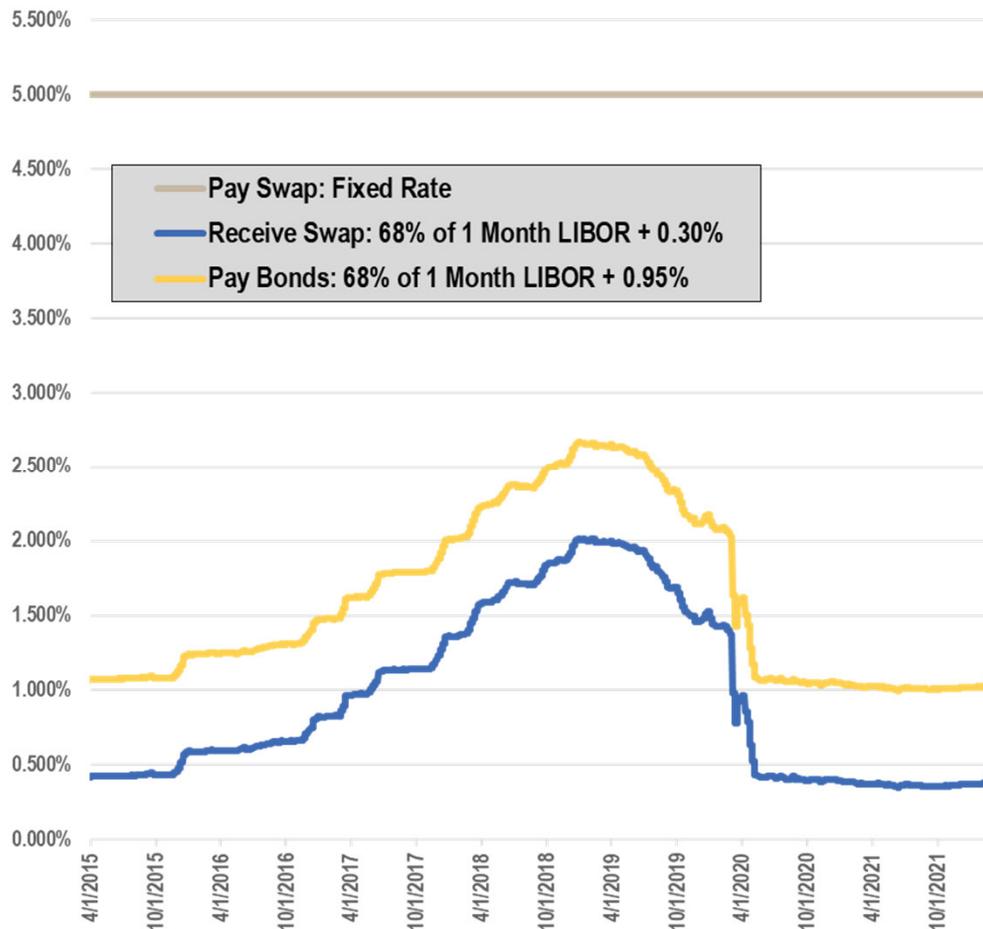
Pine-Richland School District

original related bonds



# Fixed Payer Swap – Historical All-in Rates

April 2015 to Present



Dates	Pay Swap	Receive Swap	Pay Bonds	Hedged Result
2015 Avg	5.001	(0.442)	1.092	5.651
2016 Avg	5.001	(0.636)	1.286	5.651
2017 Avg	5.001	(1.054)	1.704	5.651
2018 Avg	5.001	(1.671)	2.321	5.651
2019 Avg	5.001	(1.817)	2.467	5.651
2020 Avg	5.001	(0.657)	1.307	5.651
2021 Avg	5.001	(0.368)	1.018	5.651

2022 YEAR TO DATE RESETS				
1/6/2022	5.001	(0.371)	1.021	5.651
1/13/2022	5.001	(0.372)	1.022	5.651
1/20/2022	5.001	(0.374)	1.024	5.651
1/27/2022	5.001	(0.371)	1.021	5.651
2/3/2022	5.001	(0.376)	1.026	5.651
2/10/2022	5.001	(0.384)	1.034	5.651
2/17/2022	5.001	(0.410)	1.060	5.651
2/24/2022	5.001	(0.442)	1.092	5.651

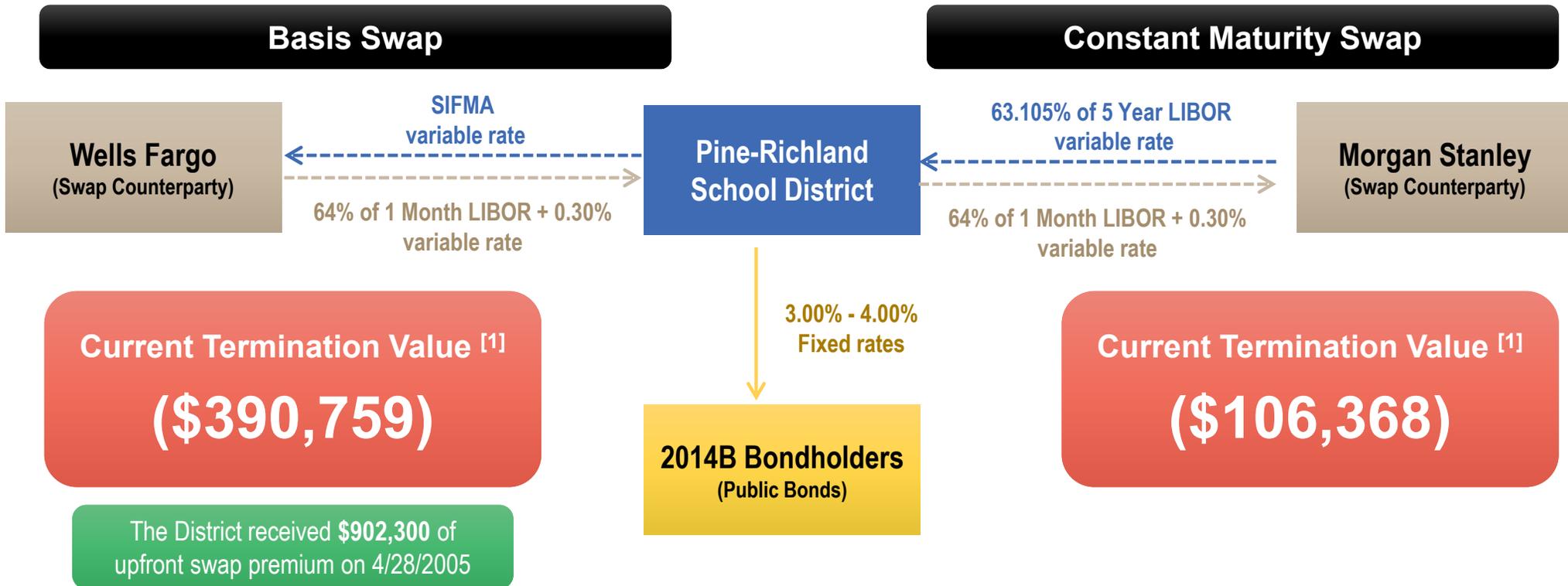


# Basis & Constant Maturity Swaps – 2014B Bonds

- 1) \$15,845,000 notional outstanding (each)
- 2) November 1, 2033 final maturity

**Net Combined Swap Results**

<u>District pays</u> <b>SIFMA</b>	<u>District receives</u> <b>63.105% of 5 Year LIBOR</b>
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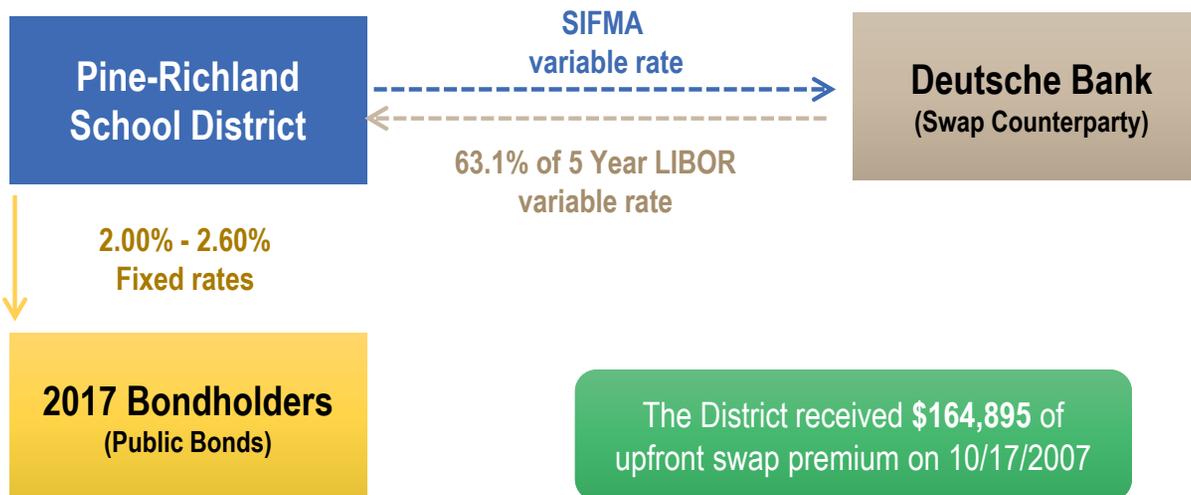


# Constant Maturity Swap – 2017 Bonds

- 1) \$7,120,000 notional outstanding
- 2) September 1, 2027 final maturity
- 3) Pay: **SIFMA**
- 4) Receive: **63.1% of 5 Year LIBOR**

Current Termination Value <sup>[1]</sup>  
**(\$41,310)**

## Cash Flow Mechanics



## Related Bonds History

### Series of 2017 Bonds

Pine-Richland School District

refunded the

### Series of 2007 Notes

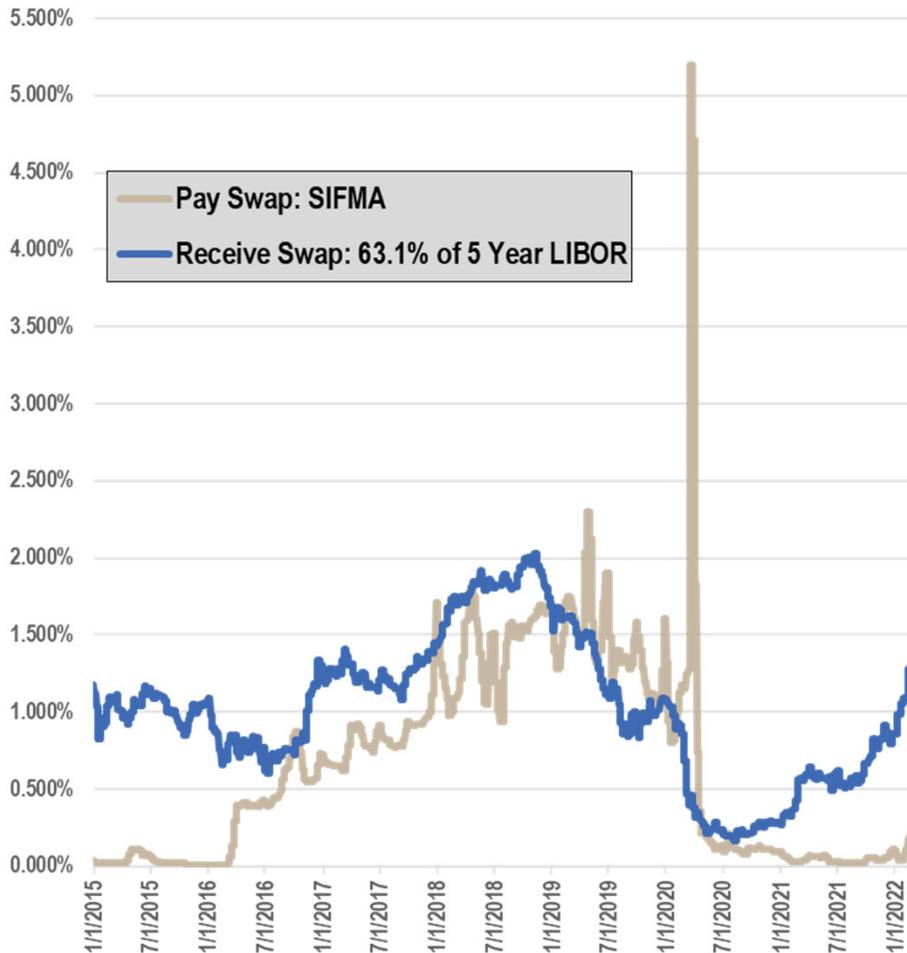
Pine-Richland School District

original related bonds



# Basis & Constant Maturity Swaps – Historical Rates

## 2015 to Present



Dates	Pay Swap	Receive Swap	Hedged Result
2015 Avg	0.033	(1.022)	<b>(0.989)</b>
2016 Avg	0.416	(0.831)	<b>(0.415)</b>
2017 Avg	0.839	(1.252)	<b>(0.412)</b>
2018 Avg	1.412	(1.809)	<b>(0.398)</b>
2019 Avg	1.457	(1.236)	<b>0.221</b>
2020 Avg	0.556	(0.378)	<b>0.179</b>
2021 Avg	0.043	(0.596)	<b>(0.553)</b>

## 2022 YEAR TO DATE RESETS

1/6/2022	0.060	(0.985)	<b>(0.925)</b>
1/13/2022	0.040	(0.984)	<b>(0.944)</b>
1/20/2022	0.040	(1.053)	<b>(1.013)</b>
1/27/2022	0.060	(1.087)	<b>(1.027)</b>
2/3/2022	0.110	(1.100)	<b>(0.990)</b>
2/10/2022	0.170	(1.284)	<b>(1.114)</b>
2/17/2022	0.190	(1.212)	<b>(1.022)</b>
2/24/2022	0.200	(1.231)	<b>(1.031)</b>

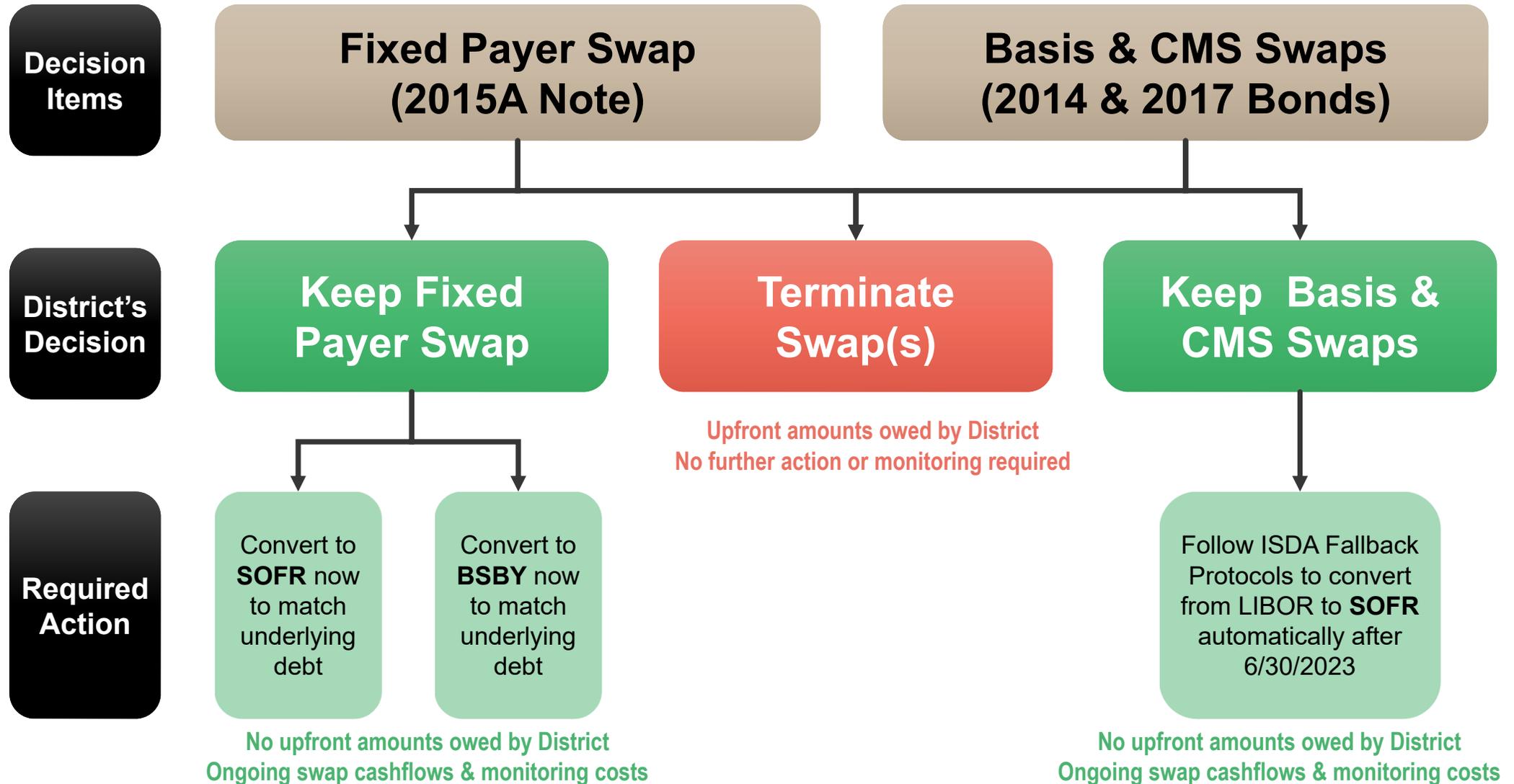


# Swap Options Related to Refunding

**Note: PFM Financial Advisors LLC (“PFMFA”) is NOT currently serving as Financial Advisor to the School District’s 2022 Refunding. Any information or contents related to the underlying debt has been provided directly by PNC Bank. PFMFA makes no representation to the suitability or market appropriateness of any indications provided by PNC Bank as it relates to the underlying debt issuance.**



# Key Decision Points Summary





## Fixed Payer Swap – 2015A Note

- 1) The District is considering a refunding of the Related Bonds (Series A of 2015 Note) with a new variable rate bank loan based on either:
  - a) Secured Overnight Financing Rate (**SOFR**)
  - b) Bloomberg Short-Term Bank Yield Index (**BSBY**)

### Keep Fixed Payer Swap

Convert to  
**SOFR**

District  
Receives:

79% of SOFR

District  
Pays:

4.8325% <sup>[1]</sup>

Convert to  
**BSBY**

79% of BSBY

4.9950% <sup>[1]</sup>

### Terminate Fixed Payer Swap

Current Termination Value <sup>[2]</sup>  
**(\$1,668,776)**



# Considerations – 2015A Fixed Payer Swap

	Keep Fixed Payer Swap		Terminate Swap
	Convert to SOFR	Convert to BSBY	
<b>Pay Swap <sup>[1]</sup>:</b>	4.8325%	4.9950%	<b>Not applicable</b>
<b>Receive Swap:</b>	79% of SOFR	79% of BSBY	
<b>Pay Bonds <sup>[2]</sup>:</b>	79% of SOFR + 0.58%	79% of BSBY + 0.48%	See PNC Bond Analysis
<b>Hedged Result <sup>[3]</sup>:</b>	<b>5.4125%</b>	<b>5.4750%</b>	See PNC Bond Analysis
<b>Underlying Variable Rate Description:</b>	"A broad measure of the cost of borrowing cash overnight collateralized by Treasury securities" <sup>[4]</sup>	"BSBY seeks to measure the average yields at which large global banks access USD senior unsecured marginal wholesale funding" <sup>[5]</sup>	Fixed rate bonds

<sup>[1]</sup> Estimated conversion based on current market conditions as of 2/28/2022. Actual fixed swap rate subject to discussions with Counterparty

<sup>[2]</sup> Per PNC Bank Preliminary Term Sheet dated 2/11/2022.

<sup>[3]</sup> Assumes rate reset dates are aligned to remove basis risk and create exact hedge for underlying debt

<sup>[4]</sup> Source: Federal Reserve Bank of New York

<sup>[5]</sup> Source: Bloomberg



# Considerations – Basis & Constant Maturity Swaps

	Keep Basis & Constant Maturity Swaps	Terminate Swap
<b>Pay Swap:</b>	SIFMA	Not applicable
<b>Receive Swap:</b>	63.1% <sup>[1]</sup> of 5 Year LIBOR	Not applicable
<b>Upfront Termination:</b>	No	Yes
<b>Ongoing Cashflow:</b>	Yes	No
<b>Action Required Now:</b>	Not immediately, but adherence to ISDA Fallback Protocols and/or bilateral agreements in the short run is necessary to convert LIBOR to SOFR after 6/30/2023	Yes - terminate swap
<b>Types of Market Conditions That Hurt Termination &amp; Cash Flow Amounts:</b>	Flattening yield curve environment where short term rates approach the same levels as longer-term rates, which can be caused when increases in the short-term Fed Funds Target Rate set by the Federal Reserve are not met with commensurate increases in longer term Treasury Bonds	None - swap is terminated



## Key Questions to Answer

**Fixed Payer Swap  
(2015A Note)**

Does the District want to terminate the fixed payer swap <sup>[1]</sup>?

If not, does the District want to use **SOFR** or **BSBY** as the underlying index?

**Basis & Constant Maturity Swaps  
(2014B & 2017 Bonds)**

Does the District want to terminate the basis and constant maturity swaps <sup>[1]</sup>?

<sup>[1]</sup> The source of funds for any termination payments owed by the District to the Counterparty may or may not be able to be funded by related refunding bond proceeds. Consult Bond Counsel for further direction.



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