

# Galion City School District

## Potential Refunding of the School Improvement Refunding Bonds, Series 2013

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# Potential Refunding Opportunity

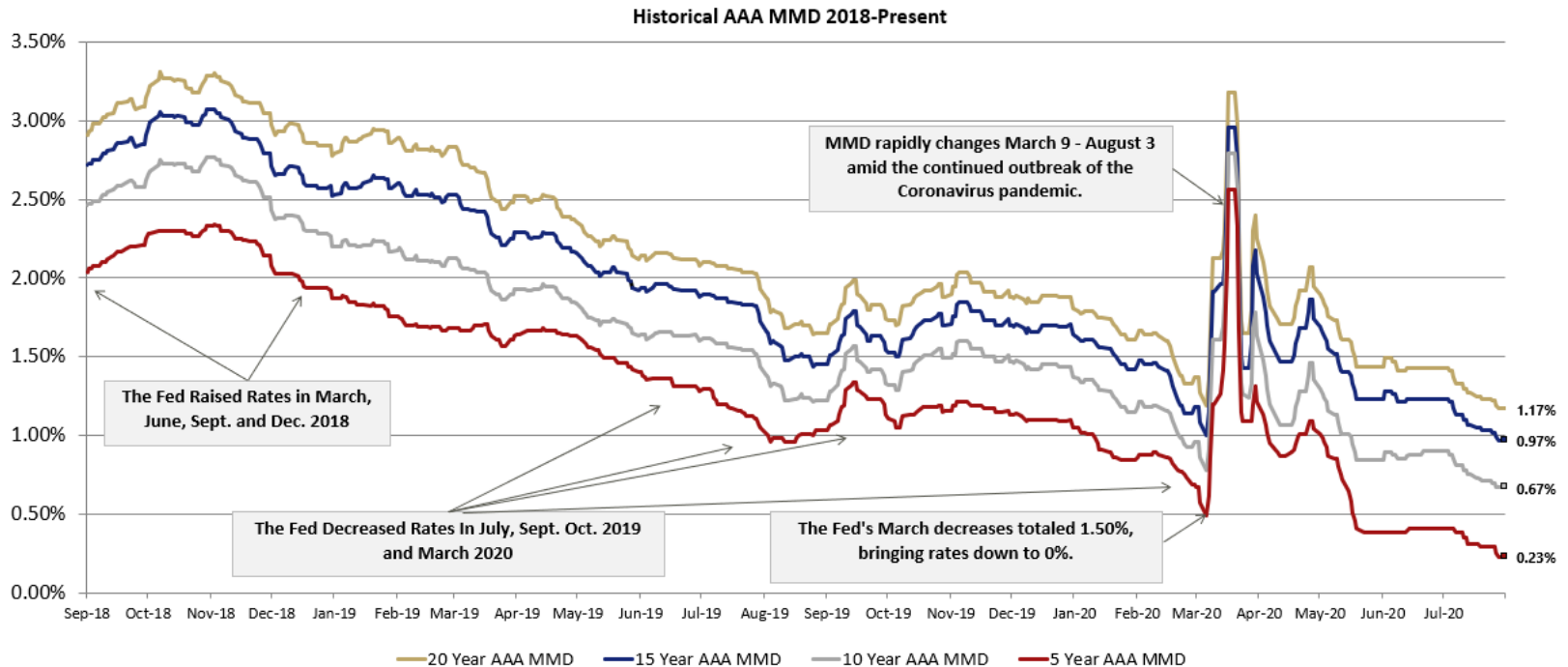
- School Improvement Refunding Bonds, Series 2013
  - Bonds Issued – June 13, 2013
  - Optional Call Date – June 1, 2021
  - Final Maturity Date – December 1, 2028
  - Security – Unlimited Tax General Obligation
  - Series 2013 Refunding Bond Purpose
    - To refund a portion of the then outstanding School Improvement Bonds, Series 2004 which were originally issued to pay the costs of constructing, furnishing, equipping and otherwise improving School District facilities.
    - The Bonds were originally approved by the voters on August 5, 2003
- Series 2021 Refunding Opportunity
  - Currently refund the remaining maturities 2021-2028
  - Maintain the tax-exempt status
  - Maintain the same final maturity of December 1, 2028
  - ***Anticipated to generate significant interest savings for the Taxpayers of the District***
    - ***Through a bond millage reduction***

# Competitive Direct Placement Process

- Competitive Direct Placement is the most efficient & competitive process for the District
  - No rating required
  - No official statement required
  - More flexibility in optional call redemptions
  - Ability to lock in rates more quickly
  - Ability to lock interest rates in for a longer period of time prior to closing – “Forward Rate Lock”
- Competitive Direct Placement Process
  - Baird to prepare term sheet
  - Baird will send term sheet to 56 local, regional and national banks
    - Baird will explain structure and respond to any bond structuring questions from banks
    - Baird will respond to all financial or credit questions or concerns received from banks
    - Baird involvement creates competition between banks
  - Baird will prepare a summary of bank proposals to be shared with the District
    - Baird will compare the differences between the proposals and help the District decide which is best
    - District can select any bank proposal, does not have to select the lowest bidder
    - Baird will negotiate on behalf of the District any financing terms offered by the banks

# Market Timing

## Fluctuation in Interest Rates within the Public Market



- Graph above illustrates significant movement in interest rates for tax exempt bonds sold in the public market.
- Since this is a direct placement to a bank, banks fix their interest rates based upon various indices, but the overall trend should be similar to the above
- Future bank rates are unknown.

# Recent Competitive Direct Placement

Tuslaw LSD – As of July 21, 2020

	Investor	Par Amount of Bonds	Term	Total Cash Savings	Annual Savings	True Interest Cost	All-In TIC	Bank Legal Counsel Fee	Call Option	Notes
	Shared with City - 6/3/20	\$7,765,000	10.25 Years	\$891,090	\$89,109	1.35%	1.54%	\$2,000	TBD	
1	Bank 1	\$7,765,000		\$895,645	\$89,565	1.34%	1.54%	\$3,500	Noncallable	
2	Winning Bank	\$7,765,000		\$891,090	\$89,109	1.35%	1.54%	\$186	Callable on 12/1/2023	
3	Bank 2	\$7,765,000		\$881,772	\$88,177	1.37%	1.56%	\$1,000	Callable Anytime at Par	
4	Bank 3	\$7,765,000		\$825,772	\$82,577	1.49%	1.69%	\$3,500	12/1/24 at Par	
5	Bank 4					1.75%		\$4,000	12/1/25 in whole at Par	
6	Bank 5					1.90%		\$0	12/1/25 in whole at Par	
7	Bank 6					2.04%		\$5,000	12/1/26 at Par	
8	Bank 7					2.65%		\$0	TBD	
9	Bank 8					2.70%		\$3,000	Anytime at par	

- Baird Prepared a Term Sheet for Tuslaw LSD
  - Sent term sheet to 58 local, regional and national banks
  - Very common that majority of banks passed on the financing opportunity
  - Baird solicited proposals from all banks to make sure the District got the lowest rate available with a flexible call option

# Hypothetical Refunding Illustration

## Galion CSD Bonds

Scenario:	Lock Rate in January 2021		Lock Rate in September 2020
	Public Offering - Level Savings	Direct Placement - Level Savings	Rate Lock Direct Placement - Level Savings
<b>Estimated Total Cash Savings:</b>	<b>\$283,208</b>	<b>\$314,705</b>	<b>\$302,796</b>
Estimated Annual Cash Savings to Taxpayer Beginning in 2021:	\$35,401	\$39,338	\$37,850
<b>Estimated Millage Reduction Beginning in 2021 Based Upon 2020 Assessed Value:</b>	<b>.20 Mills</b>	<b>.22 Mills</b>	<b>.22 Mills</b>
Estimated Net Present Value Savings:	\$273,099	\$222,563	\$218,131
<b>Estimated Percentage Savings of Refunded Bonds:</b>	<b>4.97%</b>	<b>4.05%</b>	<b>3.97%</b>
Estimated True Interest Cost on Proposed Bonds:	0.88%	1.25%	1.30%
<b>Estimated All-In True Interest Cost on Proposed Bonds:</b>	<b>1.39%</b>	<b>1.59%</b>	<b>1.61%</b>
<b>Average Coupon Rate on Existing Bonds:</b>	<b>2.71%</b>	<b>2.71%</b>	<b>2.71%</b>
Estimated Par Amount of New Bonds:	\$5,020,000	\$5,500,000	\$5,500,000
Estimated BRF Contribution Due Upfront:	\$0	\$146,258	\$146,258
Security:	UTGO	UTGO	UTGO
Tax Status:	Tax Exempt	Tax Exempt	Tax Exempt
Bank Qualification:	Bank Qualified	Bank Qualified	Bank Qualified
Maintain Same Final Maturity:	December 1, 2028	December 1, 2028	December 1, 2028
<b>Approximate Rate Lock Date:</b>	<b>Mid-January, 2021</b>	<b>Mid-January, 2021</b>	<b>September 2, 2020</b>
Approximate Closing / Funding Date:	March 3, 2021	March 3, 2021	March 3, 2021
Official Statement:	Required	Not Required	Not Required
Assumed Bond Rating:	"Aa2" / "A1"	Not Required	Not Required
Credit Enhancement:	Required	Not Required	Not Required

(1) All estimated cost of issuance and accrued interest are due at closing and will be funded with the District Bond Retirement Fund proceeds (not general fund). All estimated cost of issuance are included in the above estimated savings and all-in true interest costs stated above.

(2) Rates as of August, 2020 and are subject to change. Rate fluctuations will result in increased or decreased illustrated savings for the District. Interest rate and savings fluctuations could be significant and therefore the exact interest rate and savings for the District is difficult to estimate. The final interest rate and therefore savings will be based upon current market conditions at the time the bonds are priced.

# Proposed Next Steps

- **July**
  - ✓ Baird to run refunding analysis
  - ✓ Baird to meet with Treasurer to discuss refunding opportunity
  - ✓ Baird to prepare preliminary closing schedule and distribution list
- **August**
  - ✓ Baird to prepare term sheet for refunding bonds
  - ✓ Baird to prepare bank list
  - ✓ Squire to prepare refunding resolution
    - Baird to provide presentation to Board on the refunding opportunity
    - District to pass resolution to proceed with the refunding
    - District to execute Baird engagement letter
    - Baird to circulate bond refunding term sheet to 45+/- local, regional and national banks on District's behalf
    - Baird to respond to all questions pertaining to structure of the refunding and credit of the District
    - Baird to call all banks as a reminder of proposals being due
- **September**
  - All proposals due back from potential purchasers for the refunding Bonds
  - District to select the winning proposal for the refunding Bonds
  - Baird to officially price refunding bonds and circulate final numbers
  - Baird to prepare closing memo and wiring instructions for closing
  - Squire to prepare final closing documents for bond refunding
  - Baird to manage closing process including reviewing all bond documents for accuracy
- **March 3<sup>rd</sup>, 2021**
  - Close and fund bond refunding