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**GALION CITY SCHOOLS
BOARD OF EDUCATION**

REPORT ON RESULTS - BOND ISSUE REFINANCING

PRESENTED BY:

**JOHN PAYNE
BRADLEY PAYNE ADVISOR GROUP**

July 17, 2013



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➤ The following points reflect the original pre-sale memo to the Board of Education from May 13, 2013, in black print, followed by the post transaction update prepared for the District's July 17, 2013 meeting in gold print.

➤ There Are Two Bond Resolutions Before the Board for Consideration

- They allow the Treasurer to move ahead with refinance (refund) its 2004 and 2006 bonds and reduce the amount of tax collections necessary to pay off the bonds

Result: The District refinanced \$9,300,000 of its \$13,195,000 Series 2004 Bonds and none of the 2006 Bonds. This leaves \$2,930,000 Series 2004 Bonds and \$3,050,000 2006 Bonds that are candidates to be refinanced in early 2014 if interest rates create additional savings opportunities.

- Refundings create taxpayer savings

Result: By percentage amount of savings, this refinancing is the most successful I have seen in twenty-seven years in the industry. While the industry-wide rule of thumb for determining an acceptable level of savings is 3% to 5% on a present value basis, this issue generated 16.43% savings. In addition, the District's timing was flawless given that interest rates have climbed aggressively and ceaselessly since the day the District's refunding bonds were sold.

➤ Additional Team Members: Squire, Sanders & Dempsey and RBC Capital Markets

➤ Current Situation and Opportunity:

- Series 2004 Bonds and 2006 Bonds are outstanding in amounts of \$13,515,000 and \$3,110,000 respectively
- They carry higher interest rates than those available today
- Refinancing them through new bond offerings creates savings
- The inset table summarizes the estimated opportunity for each issue

Bond Description	Amount to be Refinanced	Years of Bond Loan Remaining	Estimated Average Interest Rates on Old Bonds	Estimated Average New Interest Rates	Total Estimated Savings – Gross Dollars
Series 2004	\$13,195,000	18.5 (2031)	4.5%	3.35%	\$1,600,000
Result	\$9,300,000		4.5%	2.55%	\$2,025,791
Series 2006*	\$3,050,000	18.5 (2031)	4.85%	3.15%	\$52,000
Result	\$0.00				\$0.00



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**2006 bonds can't be refinanced until June 2016 – funds in escrow until then reduces savings potential*

➤ **Activities To Be Completed:**

- **Schedule all activities**
- **Consider bond resolutions – Board of Education**
- **Decide if completing 1 large refunding or 2 smaller refunding**

The Treasurer and Financing Team changed this plan completely and decided to pursue a smaller, single refunding issue to create the most efficient savings outcome. By keeping the District's amount of bonds issued this calendar year under \$10,000,000 the District was able to take advantage of a special federal bond law provision called, "bank qualification" thus lowering the District's interest rates for its new bonds significantly and achieving the additional savings noted in the table above. In addition, this approach saved approximately \$6,900,000 of "unrefunded" bonds for another bank qualification refinancing in early 2014, creating the possibility for additional savings.

- **Establish a credit rating for the bonds – expect State of Ohio Credit Enhancement Program Guaranty – "Aa2" – financing team**

The District's bonds qualified for the Ohio Credit Enhancement Guarantee Program and earned a high bond rating of "Aa2" Moody's. The enabled the District to achieve very low interest rates.

- **Complete all legal documents – bond counsel**
- **Collect district information for the formal offering document – Preliminary Official Statement - Treasurer, Superintendent and financing team**
- **Structure new payment schedule for new bonds – RBC and financing team**

The Financing Team used the refunding opportunity to improve upon the previous payment schedule for the 2004 Bonds. The previous schedule had payments starting low and growing higher each year, creating a situation where bond millage would likewise need to grow each year. The new schedule minimizes the growing payments and levels out estimated annual bond millage for the foreseeable future.

- **Distribute offering document and sell bonds – RBC (underwriter)**
- **Use new bond money to pay off old bonds and switch to paying new bonds – financing team**
- **Report to the Board of Education and close out all details**

Final report given by John Payne to the Board of Education on July 17, 2013

➤ **Questions**