

August 12, 2021

# San Mateo Union High School District

## Potential Bond Refinancing

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# Potential Bond Refinancing

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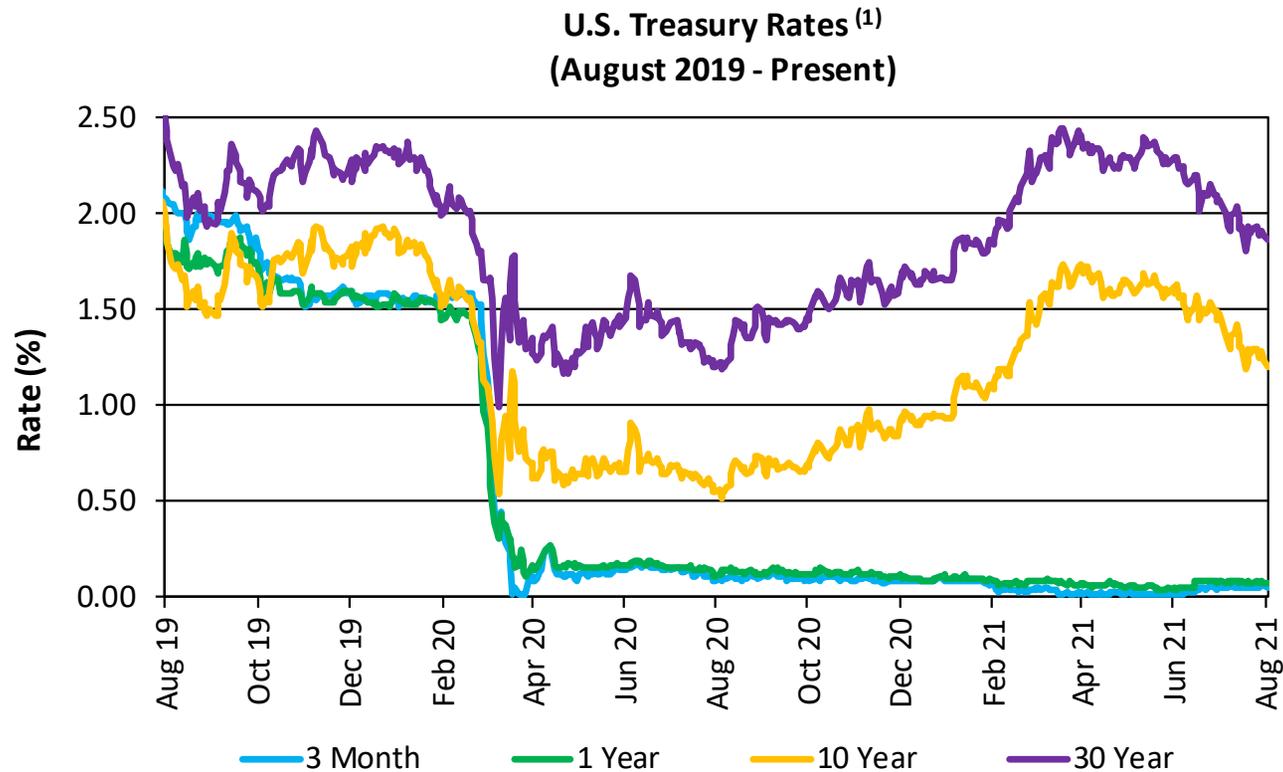
Under current market interest rates, the District may be able to refinance a portion of the Election of 2010, Series 2015 bonds (the “Prior Bonds”)

- ◆ The total estimated savings is approximately **\$3.7 million** over the life of the refinancing (after all costs are paid from proceeds)
  - Savings would be generated for the District’s taxpayers by replacing the higher interest rate Prior Bonds with lower interest rate refunding bonds
  - The savings are subject to market fluctuations in interest rates until the refunding bonds are sold
- ◆ Per IRS regulations, the refinancing is required to be issued as taxable bonds
  - Taxable bonds carry a higher interest rate than tax-exempt bonds, however, the potential savings are still significant
- ◆ *All financing costs (with the exception of credit ratings) are contingent upon the successful issuance of the refinancing and are paid only from bond proceeds, not the General Fund*



# Interest Rates

U.S. Treasury rates have declined in recent months over concerns regarding the Delta variant



(1) Source: U.S. Department of the Treasury.



# Refinancing Summary <sup>(1)</sup>

Under current interest rates, a refinancing of the Prior Bonds produces savings above the 3% present value industry benchmark

## Debt Service Comparison <sup>(1)</sup>

Date	Current Payments <sup>(2)</sup>	Estimated New Payments	Estimated Savings
9/1/2022	\$ 2,008,350	\$ 2,007,159	\$ 1,191
9/1/2023	2,008,350	1,884,406	123,944
9/1/2024	2,008,350	1,885,232	123,119
9/1/2025	2,008,350	1,884,085	124,265
9/1/2026	3,553,350	3,330,571	222,779
9/1/2027	3,726,100	3,494,654	231,446
9/1/2028	3,891,350	3,651,506	239,844
9/1/2029	6,703,850	6,286,730	417,120
9/1/2030	7,250,600	6,802,250	448,350
9/1/2031	7,525,200	7,167,454	357,746
9/1/2032	7,814,600	7,456,768	357,832
9/1/2033	11,072,400	10,388,891	683,510
9/1/2034	8,424,000	8,064,794	359,206
<b>Total</b>	<b>\$ 67,994,850</b>	<b>\$ 64,304,499</b>	<b>\$ 3,690,351</b>

## Estimated Refinancing Results <sup>(1)</sup>

Debt Service Savings:	\$ 3,690,351
Present Value Savings (\$):	\$ 3,203,740
Present Value Savings (%):	6.73%
Interest Rate of Prior Bonds:	4.15%
Interest Rate of Refunding Bonds:	1.85%
Call Date of Prior Bonds:	9/1/2025
Escrow Yield: <sup>(3)</sup>	0.47%
Refunding Bond Yield:	1.77%
Escrow Negative Arbitrage:	\$ (2,561,038)
Principal of Refunded Bonds:	\$ 47,620,000
Principal of Refunding Bonds:	\$ 55,065,000

(1) Reflects interest rates provided by Stifel Nicolaus as of August 2, 2021. Refinancing results are subject to market fluctuations until the refinancing is sold. Includes all estimated financing costs.

(2) Assumes refinancing of all callable maturities.

(3) Subject to bid and District determination. Assumes State and Local Government Series Securities as of August 2, 2021.



# Interest Rate Sensitivity

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The savings on the refinancing are extremely sensitive to changes in interest rates

- ◆ Every **increase** in interest rates by 0.1% **decreases** the savings by ~\$520,000
- ◆ Every **decrease** in interest rates by 0.1% **increases** the savings by ~\$520,000

Rates	Savings
+0.1%	\$ 3,170,001
<b>Current Rates</b>	\$ 3,690,351
-0.1%	\$ 4,210,621



# Next Steps

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- ◆ August 12: District Board to consider approval of resolution and related legal documents
- ◆ August 16: Receive updated rating from Moody's
- ◆ August 17: Finalize preliminary official statement for investor review
- ◆ August 24: Sell bonds
- ◆ September 21: Closing

