

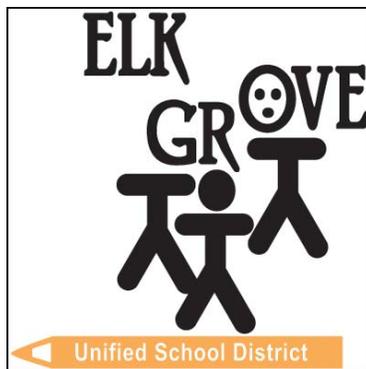
Elk Grove Unified School District

Financial Stewardship:

Savings From Refinancing

Community Facilities District #1

Bonds



Prepared by Lori Raineri and Rich Malone

April 19, 2016

Agenda

- ◆ Market Update
- ◆ Certificates of Participation Sale Process
- ◆ Sale Results
 - ▶ 2016 Refunding Certificates of Participation
- ◆ Review of District's Use of GFOA Best Practices
- ◆ Conclusion
- ◆ For Reference
 - ▶ February 16, 2016 Presentation



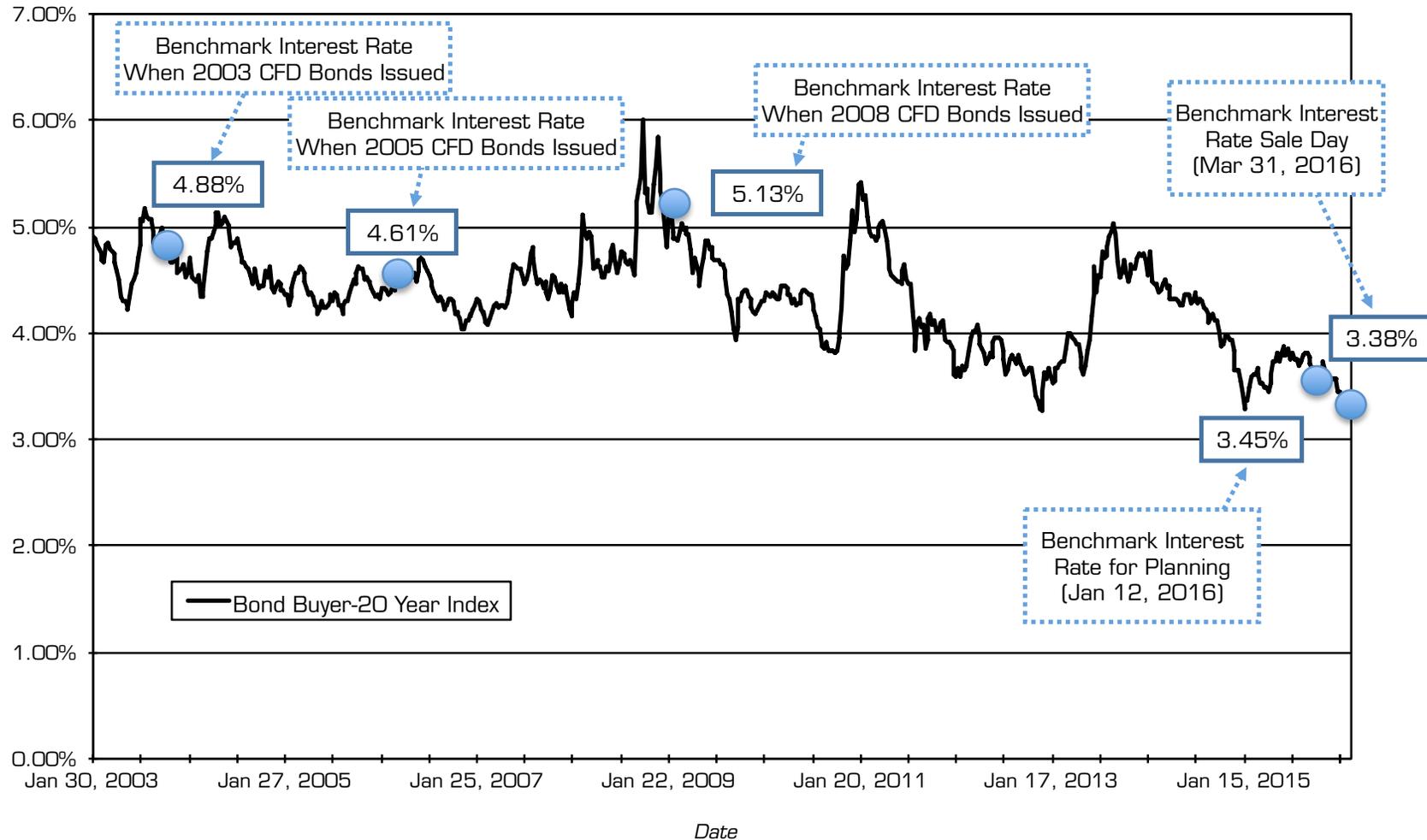
The Market Can Speak for Itself



Benchmark Index Has Been Declining

Interest Rate

The Benchmark Municipal Bond Interest Rate Is Well Below Its Levels in 2003, 2005, & 2008, and is Just Above Historic Lows



Notes: The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years and is compiled every Thursday. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Rating Service AA.

Certificates Sale



- ◆ Competitive bids accepted until Wednesday, April 6 at 9:05 am
- ◆ i-Deal bidding platform
 - ▶ Used on the day of sale to accept bids but also provides advance notification to potential bidders
 - Underwriters notified are those who subscribe to i-Deal and those whom we have identified
 - Notification provides access to the Preliminary Official Statement, bid specifications, purchase contract and a fax bid form
 - Posting in *The Bond Buyer* newspaper's competitive sale calendar
 - ▶ Flexible Bidding Parameters
- ✓ *More competition → better results for the District*

Competitive Sale Benefited District

COMPETITIVE BIDDING RESULTS

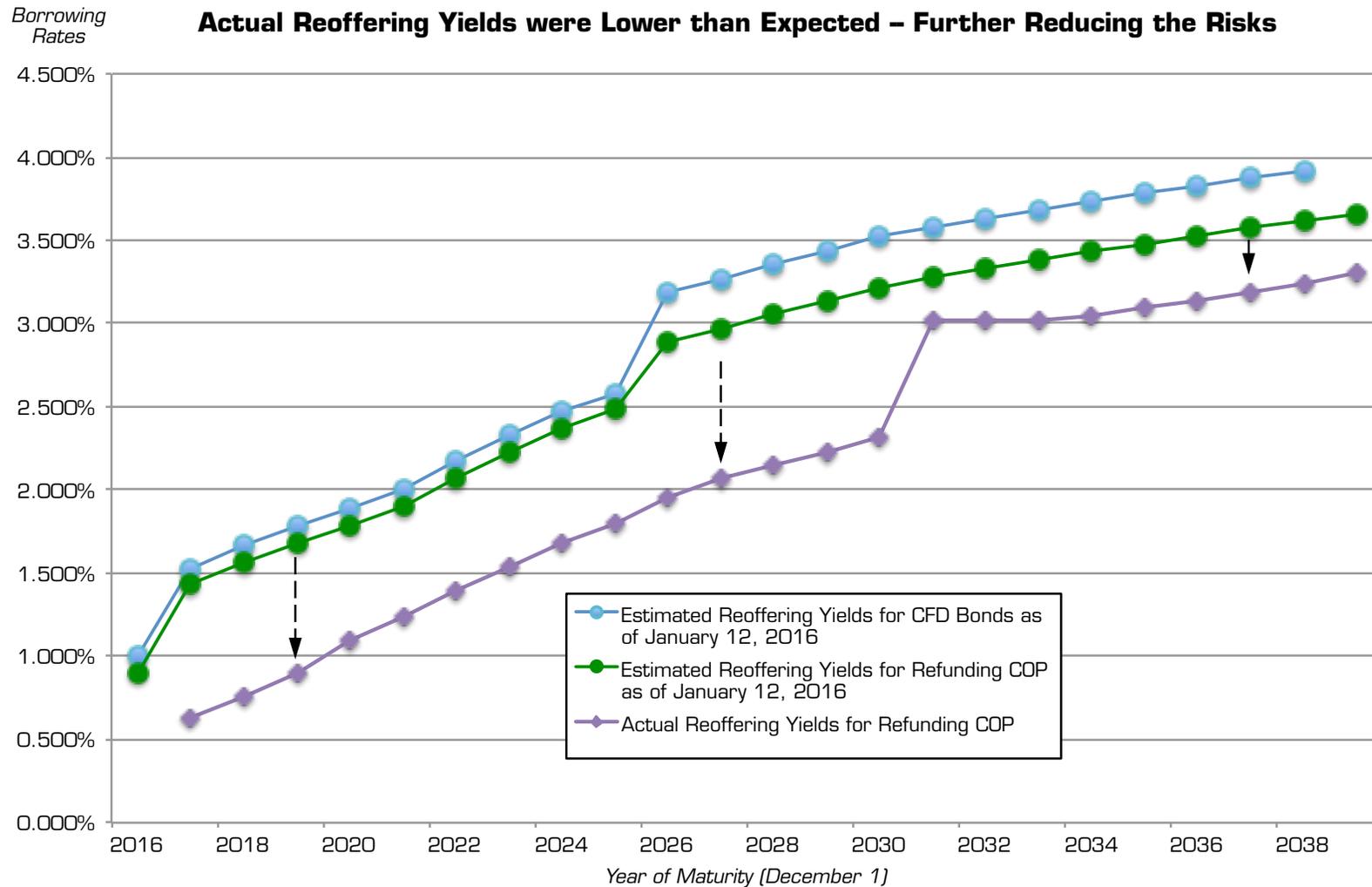
Bid #	Name of Bidder	True Interest Cost (TIC%)	Approximate Difference in Present Value From Winning Bid
1	Mesirow Financial, Inc.	3.113117%	n/a
2	Wells Fargo Bank, National Association	3.190007%	\$1,054,650
3	Robert W. Baird & Co., Inc.	3.198985%	\$1,166,570
4	Citigroup Global Markets Inc.	3.250898%	\$1,963,568
5	Morgan Stanley & Co, LLC	3.289577%	\$2,498,593
6	Raymond James & Associates, Inc.	3.301109%	\$2,653,655
7	Bank of America Merrill Lynch	3.410359%	\$4,272,661

* Note: subsequent to the bidding, the winning bid was restructured, changing the TIC to 3.102968%.

- ✓ *The District's CFD bonds carry a 'BBB+' rating*
- ✓ *The Certificates of Participation are rated 'A'*

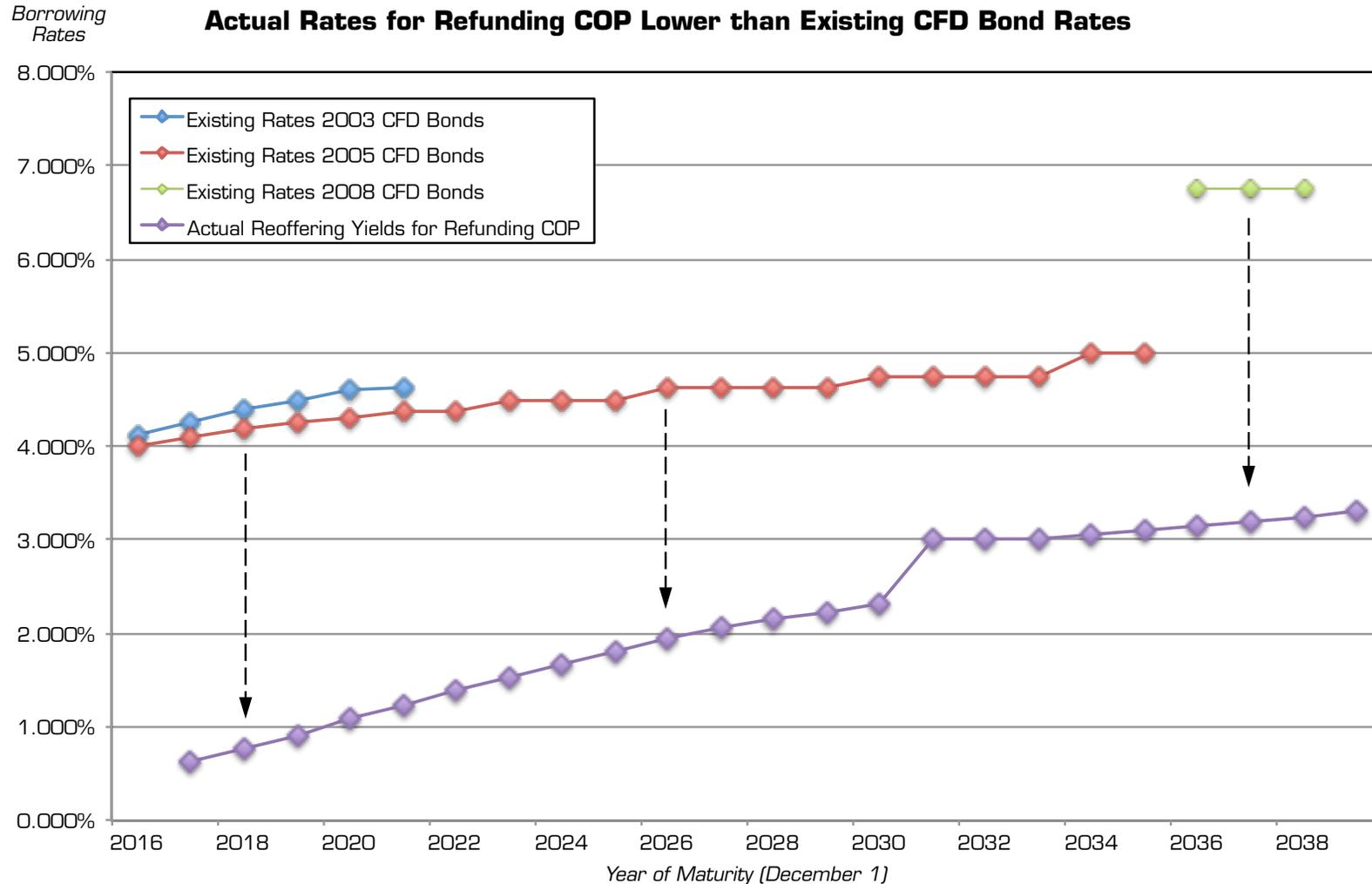


Interest Rates Below Estimates



Refinancing rate for Refunding COP based on MMD "AAA" rates as of January 12, 2016, adjusted by +70bp for noncallable certificates, and +100bp for callable certificates to account for assumed "A" underlying rating. Actual reoffering yields based on sales results.

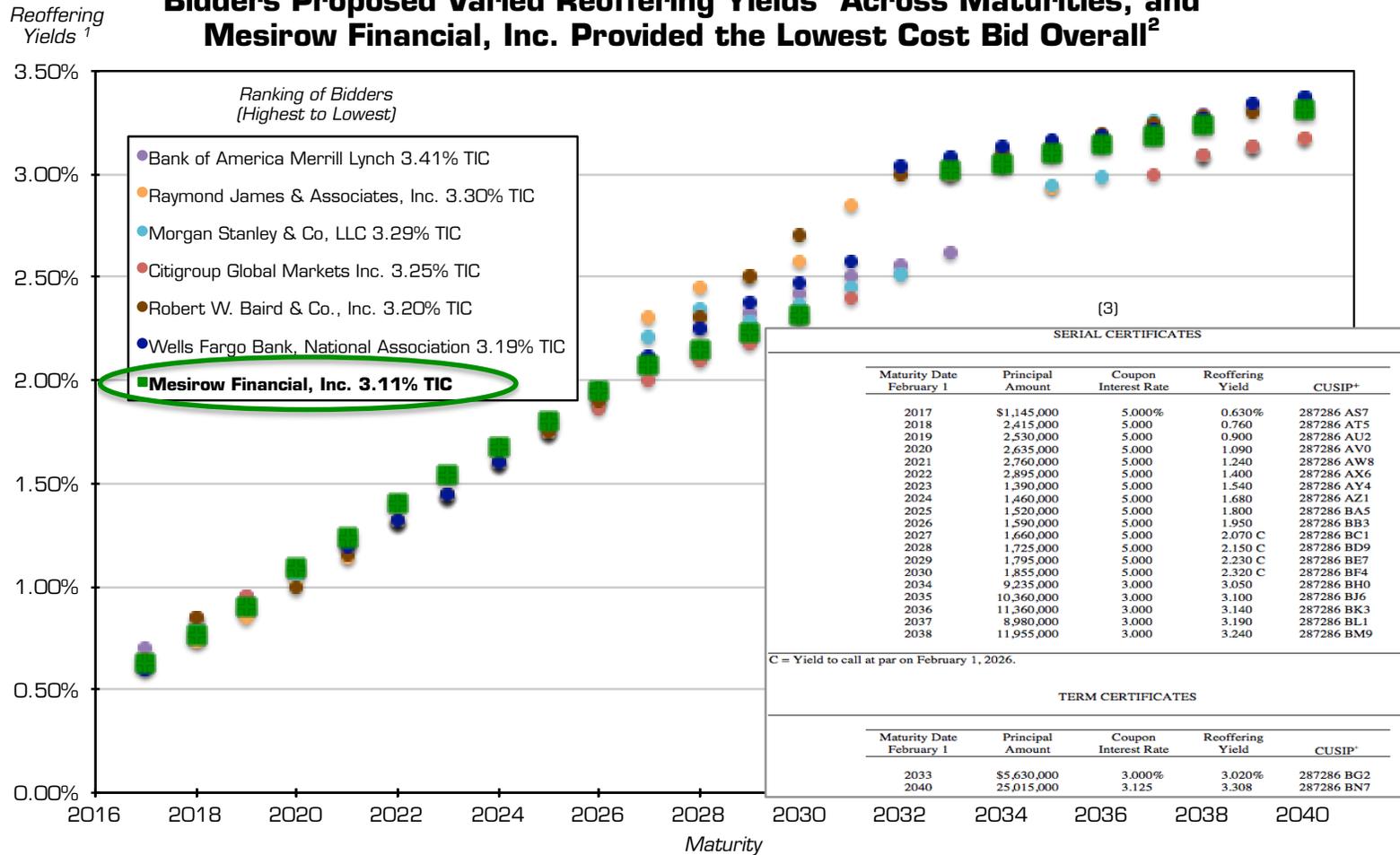
... and Much Lower Than Before



2003, 2005, and 2008 Bond rates are the actual "coupon rates" per the Official Statements. Actual reoffering yields based on sales results.

Reoffering Yields Tell a Story

Bidders Proposed Varied Reoffering Yields¹ Across Maturities, and Mesirow Financial, Inc. Provided the Lowest Cost Bid Overall²



Notes: 1) Reoffering yields account for both coupon rates plus any original issue premium/discount. Reoffering yields shown are "yield to worst" which reflect the worst yield from the investor's perspective (in other words, the lowest yield) between either the yield to the maturity date or the yield to the call date. 2) The lowest cost bid is calculated on the basis of true interest cost (TIC), which analyzes the full bid including coupon rates (the interest rate from the District's perspective), upfront premium/discount, and upfront underwriter's discount - all on a present value basis. TIC is used because it is a comprehensive measure of the value of the bid. 3) Table of maturities from the final Official Statement, page ii.

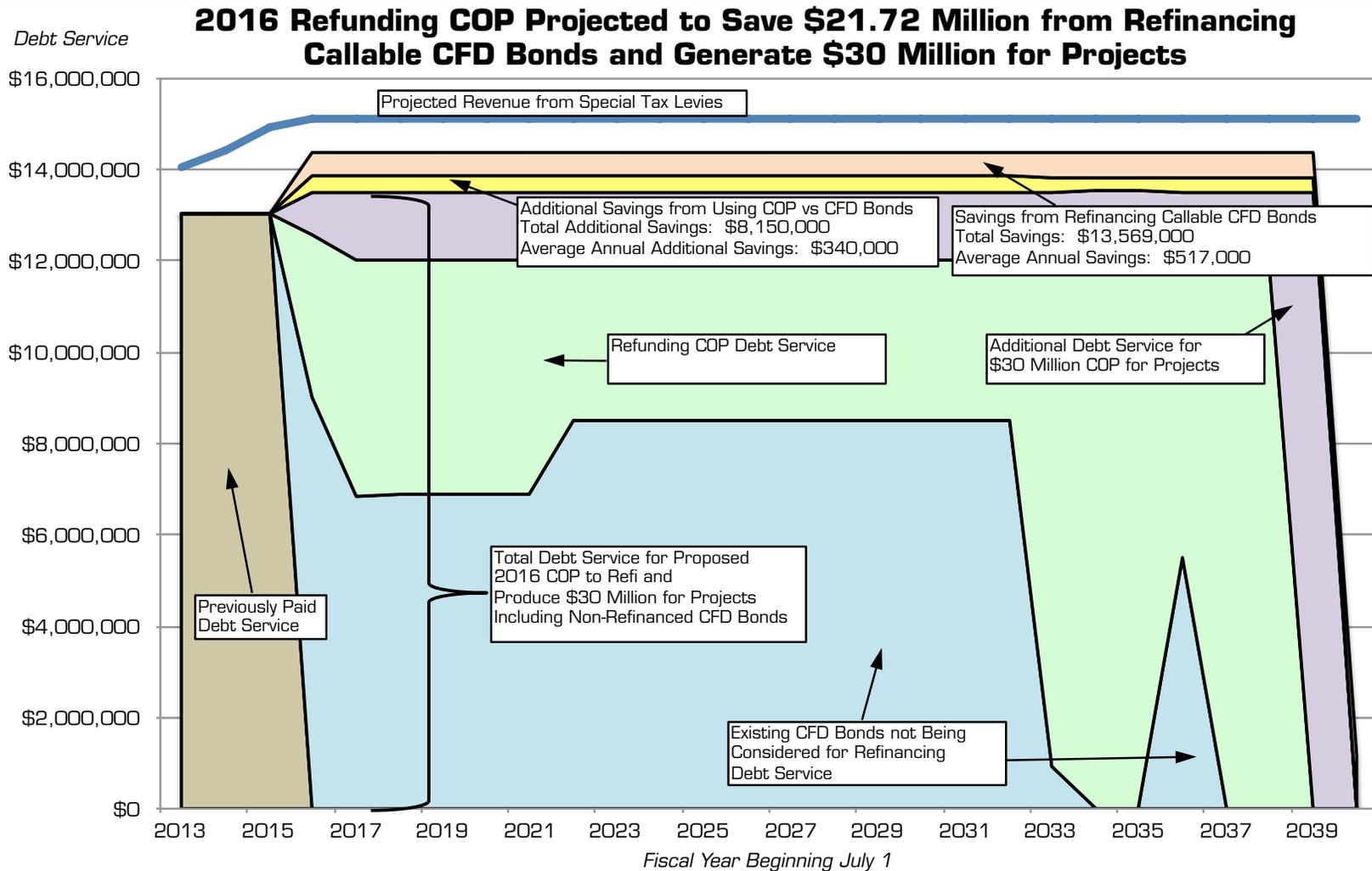
Less Costs → Less Borrowing

Sources	Estimated (1/12/16)	Actual	Difference
<u>Refunding COP Proceeds</u>			
Refunding COP Par Amount:	\$109,970,000.00	\$109,910,000.00	\$ 60,000.00
Premium:	+ \$1,716,335.35	+ \$3,222,972.85	\$ (1,506,637.50)
Total:	\$111,686,335.35	\$113,132,972.85	\$ (1,446,637.50)
<u>Other Sources of Funds</u>			
Available from 2008 Reserve Fund	\$2,774,696.63	\$2,713,273.64	\$ 61,422.99
June 1, 2016 Payment	+ \$2,141,284.38	+ \$0.00	\$ 2,141,284.38
	\$4,915,981.01	\$2,713,273.64	\$ 2,202,707.37
Total Sources	\$116,602,316.36	\$115,846,246.49	\$ 756,069.87
<u>Uses</u>			
<u>Project Fund Deposits</u>			
Project Fund #1	\$30,000,000.00	\$30,000,000.00	\$ -
CFD Refunding Escrow	+ \$83,862,607.23	+ \$84,122,621.00	\$ (260,013.77)
	\$113,862,607.23	\$114,122,621.00	\$ (260,013.77)
<u>Delivery Date Expenses</u>			
Costs of Issuance:	\$170,000.00	\$261,249.92	\$ (91,249.92)
Underwriter's Discount:	\$1,374,625.00	\$911,178.30	\$ 463,446.70
Bond Insurance:	\$905,342.11	\$335,244.10	\$ 570,098.01
Surety Bond:	+ \$287,748.52	+ \$215,953.17	\$ 71,795.35
Total Funds Required:	\$2,737,715.63	\$1,723,625.49	\$ 1,014,090.14
<u>Other</u>			
Rounding (Additional Proceeds):	\$1,993.50	\$0.00	\$ 1,993.50
Total Uses:	\$116,602,316.36	\$115,846,246.49	\$ 756,069.87

✓ One of the significant cost reductions was negative arbitrage, which was reduced from \$2,278,548 to \$1,941,531.

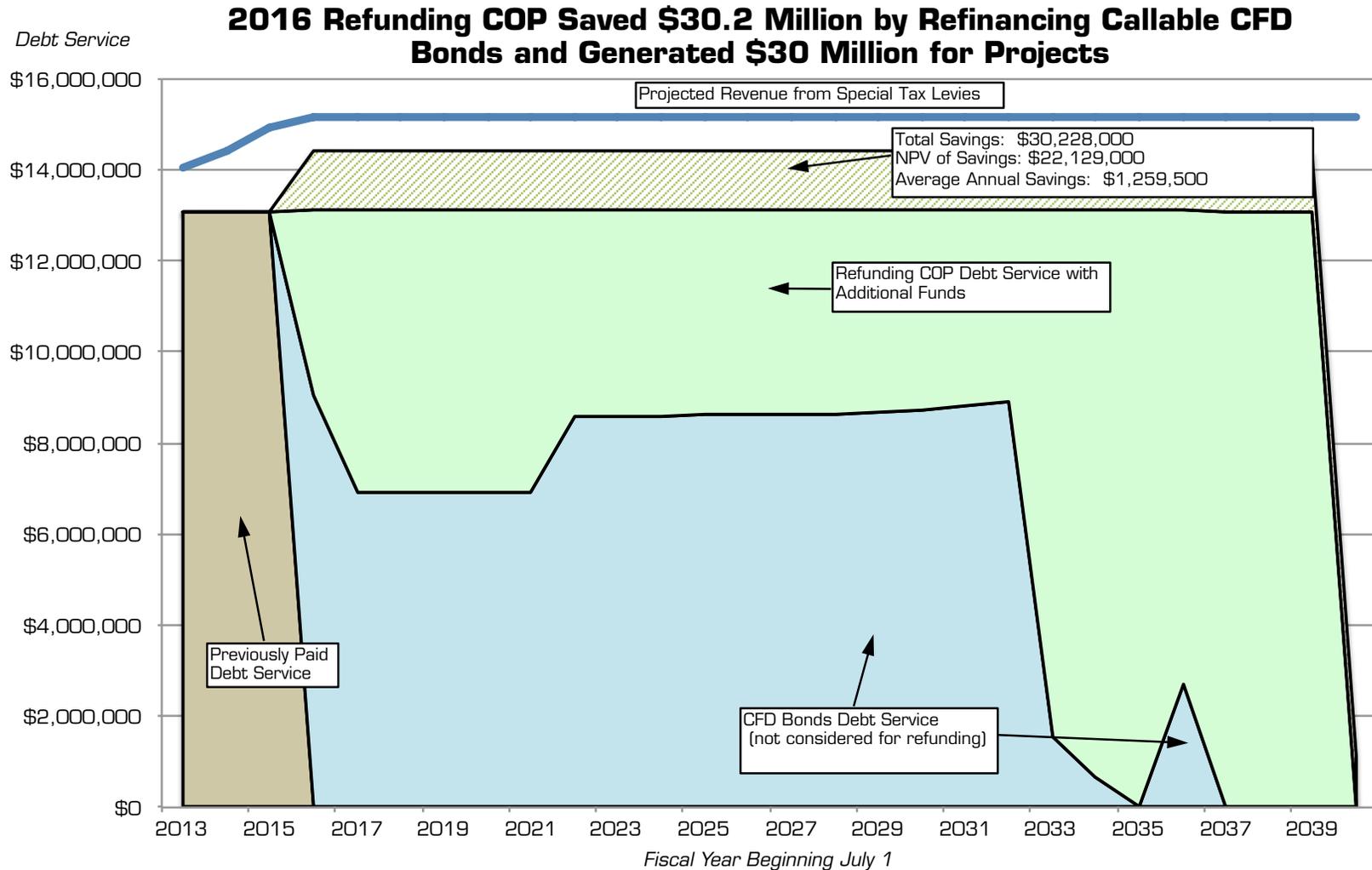
* The ratio of PV Savings to Negative Arbitrage improved from an estimated 4.7:1 to an actual 11.4:1.

Original Estimate: \$21.72 Mil. of Savings



Existing CFD Bond debt services from the respective Official Statements. Refinancing rate for CFD Bonds based on MMD "AAA" rates as of January 12, 2016, adjusted by +80bp for noncallable bonds, and +130bp for callable bonds to account for assumed "AA" insured rating and "BBB+" underlying rating. Refinancing rate for Refunding COP based on MMD "AAA" rates as of January 12, 2016, adjusted by +70bp for noncallable certificates, and +100bp for callable certificates to account for assumed "A" underlying rating. Values rounded.

Actual Savings Exceeds \$30 Million!

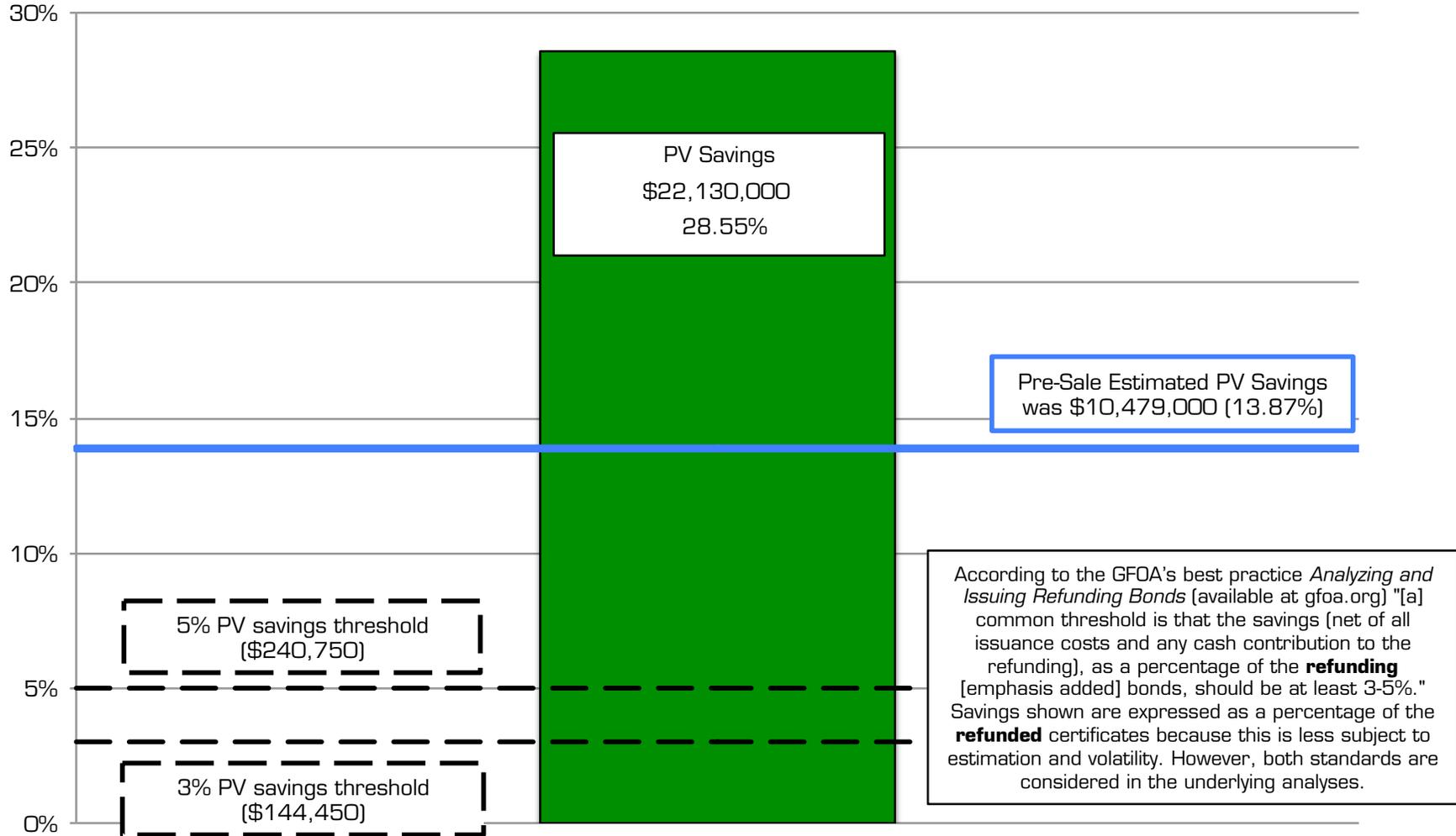


Existing CFD Bond debt services from the respective Official Statements. Actual debt service from sales results. Values rounded.

NPV Savings > Best Practice Standards

\$22.13 Million Projected PV Savings Exceeds GFOA's Recommended Minimum Savings Thresholds

Refinance Savings



GFOA Best Practices Utilized



◆ Selecting and Managing Municipal Advisors



◆ Selecting Bond Counsel



◆ Analyzing and Issuing Refunding Bonds



◆ Selecting and Managing the Method of Sale of Municipal Bonds



◆ Using Credit Rating Agencies



Conclusion

- ◆ District will save an average of approximately \$1,259,500 annually
- ◆ Total savings of over \$30.23 million, or \$22.13 million in terms of “today’s dollars”
- ◆ Strategic use of certificates of participation rather than bonds was confirmed by sale results
 - ▶ “Actuals” being so much better than estimates represents a significant reduction in risk.
- ◆ \$30 million generated for new elementary school construction.

Thank You!

