San Leandro Unified School District

Preliminary Analysis of Existing Refunding Opportunities

Prepared for: District Staff Review









SAN LEANDRO UNIFIED SCHOOL DISTRICT
LEARNING

September 1, 2016

San Leandro Unified School District

Overview of G.O. Bond Refunding Opportunities

What is a Refunding?

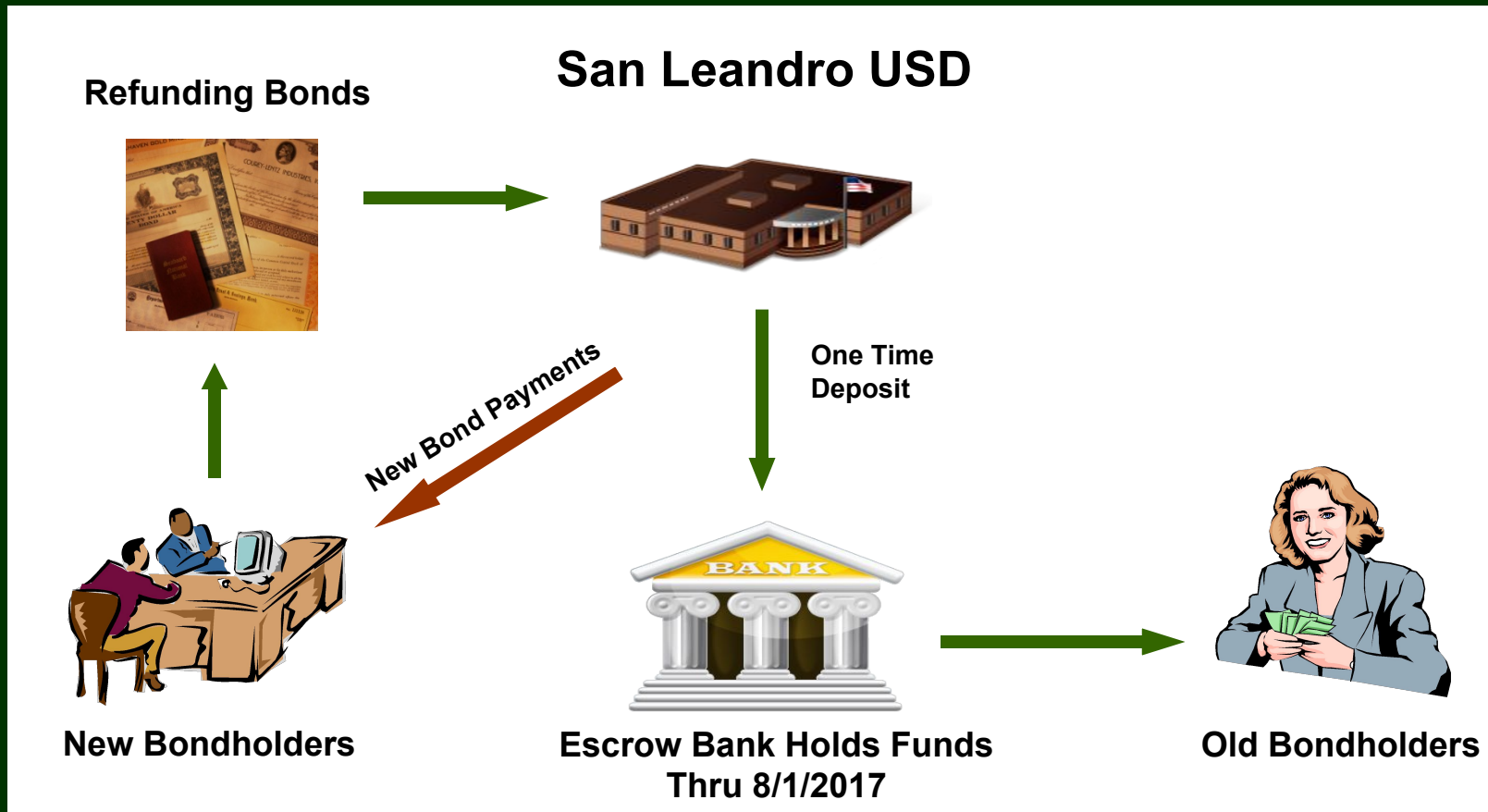
A "Refunding" or "Refinancing" replaces Higher Interest Rate Bonds by Selling Lower Interest Rate Refunding Bonds to Prepay Existing Debt.

- ✓ ***Advance Refunding*** **Bonds Provide Funds to Purchase Escrow Securities that Will Make All Future Payments to Old Bond Investors including "Buying Back" Refunded Bonds on the First Possible Prepayment Date (ONLY ONE ALLOWED by Issued Bond as per Federal Tax Law);**
- ✓ ***Current Refunding*** **Bonds Provide Funds to "Buy Back" and Retire Outstanding Bonds within 90 days of the Refunding Bond Closing; and**
- ✓ **Both Provide Funds to Pay for Costs of Issuance, Prepayment Premiums and Additional Investment Principal (if the Escrow Earns Less than the Rate on the Refunded Bonds While Invested, as it Does Today).**

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Overview of G.O. Bond Refunding Opportunities

Conceptual Flow Of Funds for Refundings

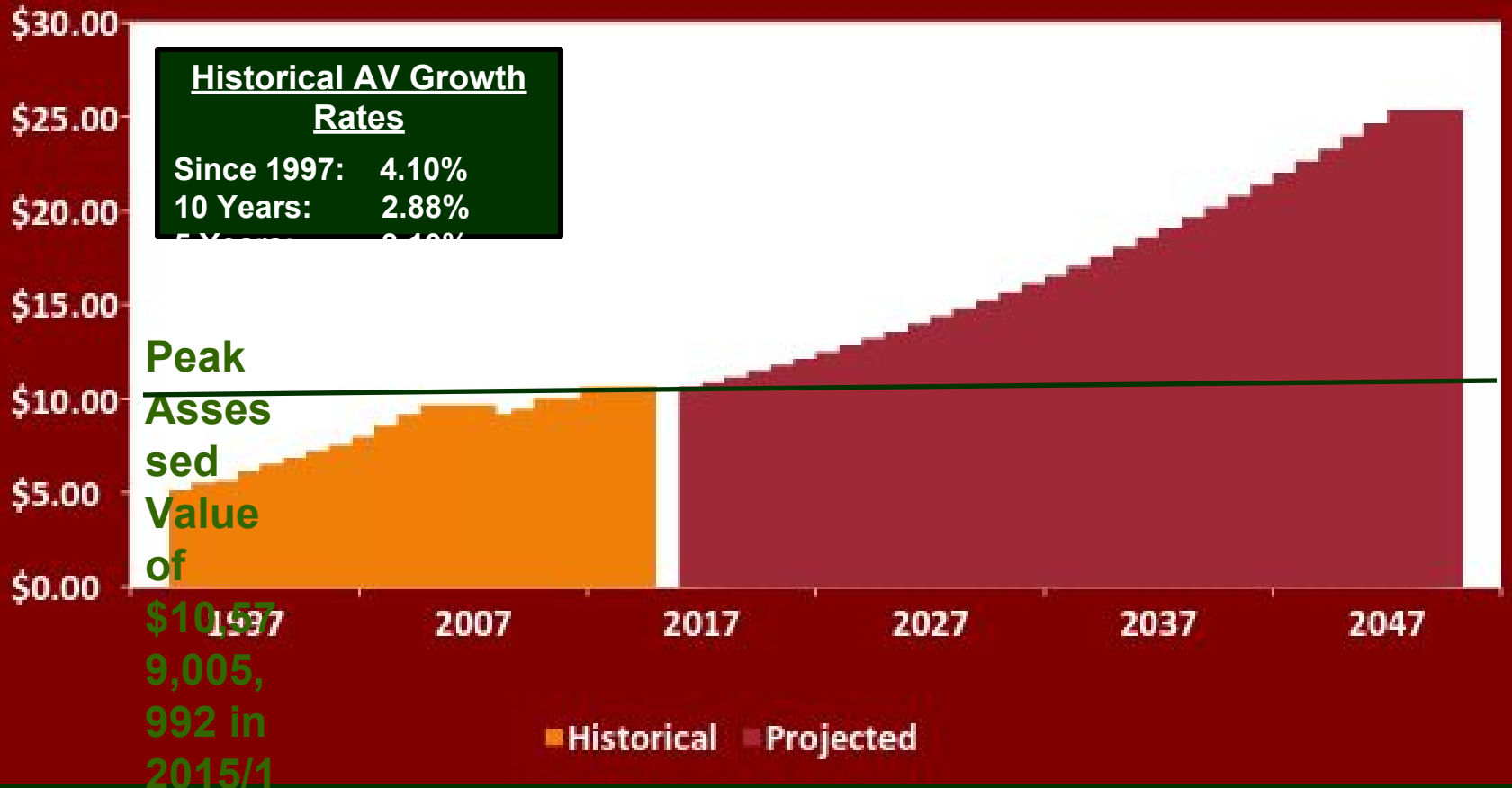


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Historical and Projected Assessed Valuation

District Historical AV from 1997/98 to 2015/16 Plus Projections

District-wide Assessed Valuation And Projected Tax Base Growth



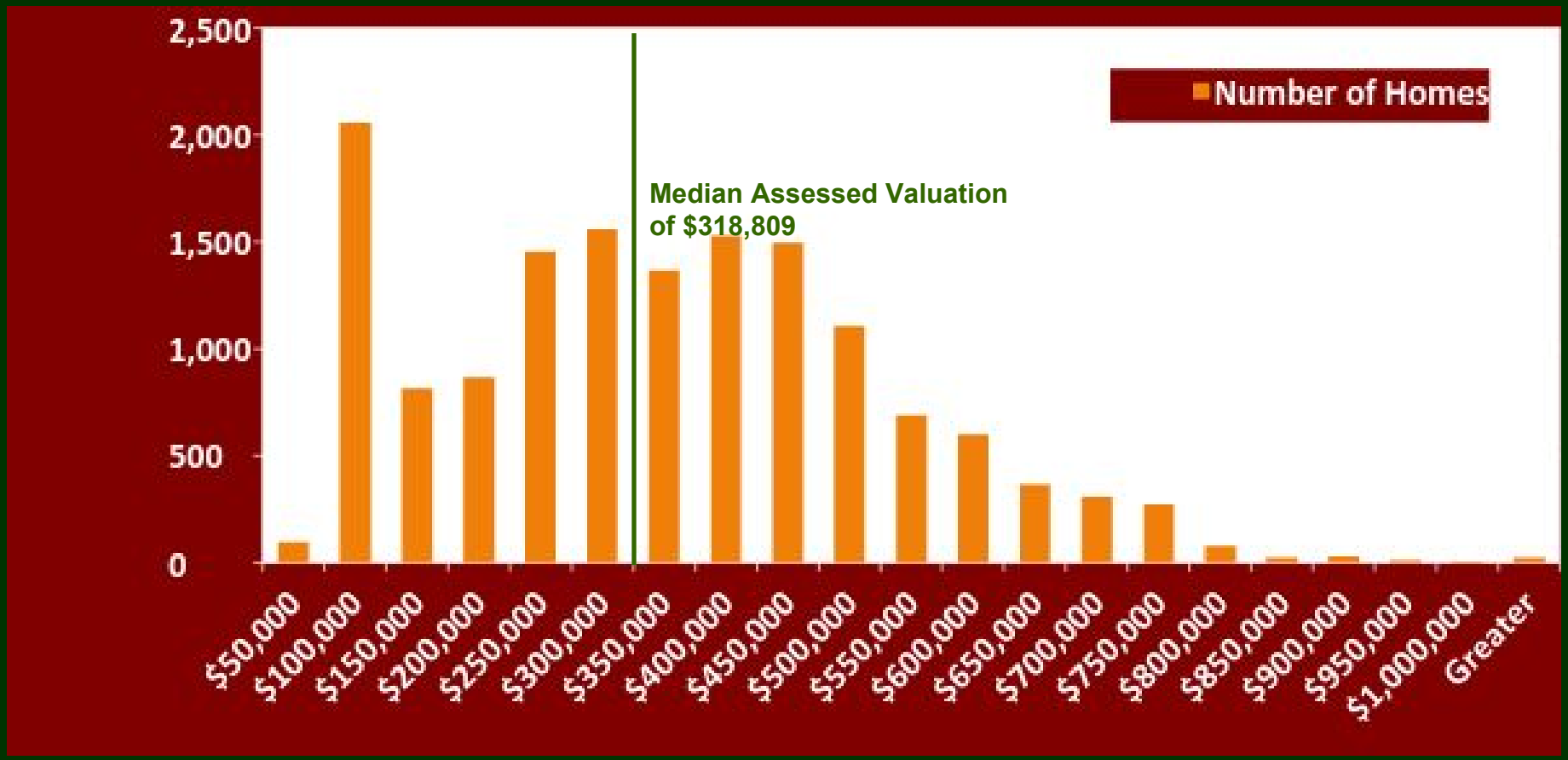
Source: California Municipal Statistics

San Leandro Unified School District

Current Assessed Valuation for Last Tax Roll for Tax Bills

District AV Statistics from 2015/16 Tax Rolls

District-wide Assessed Valuation For Single Family Homes

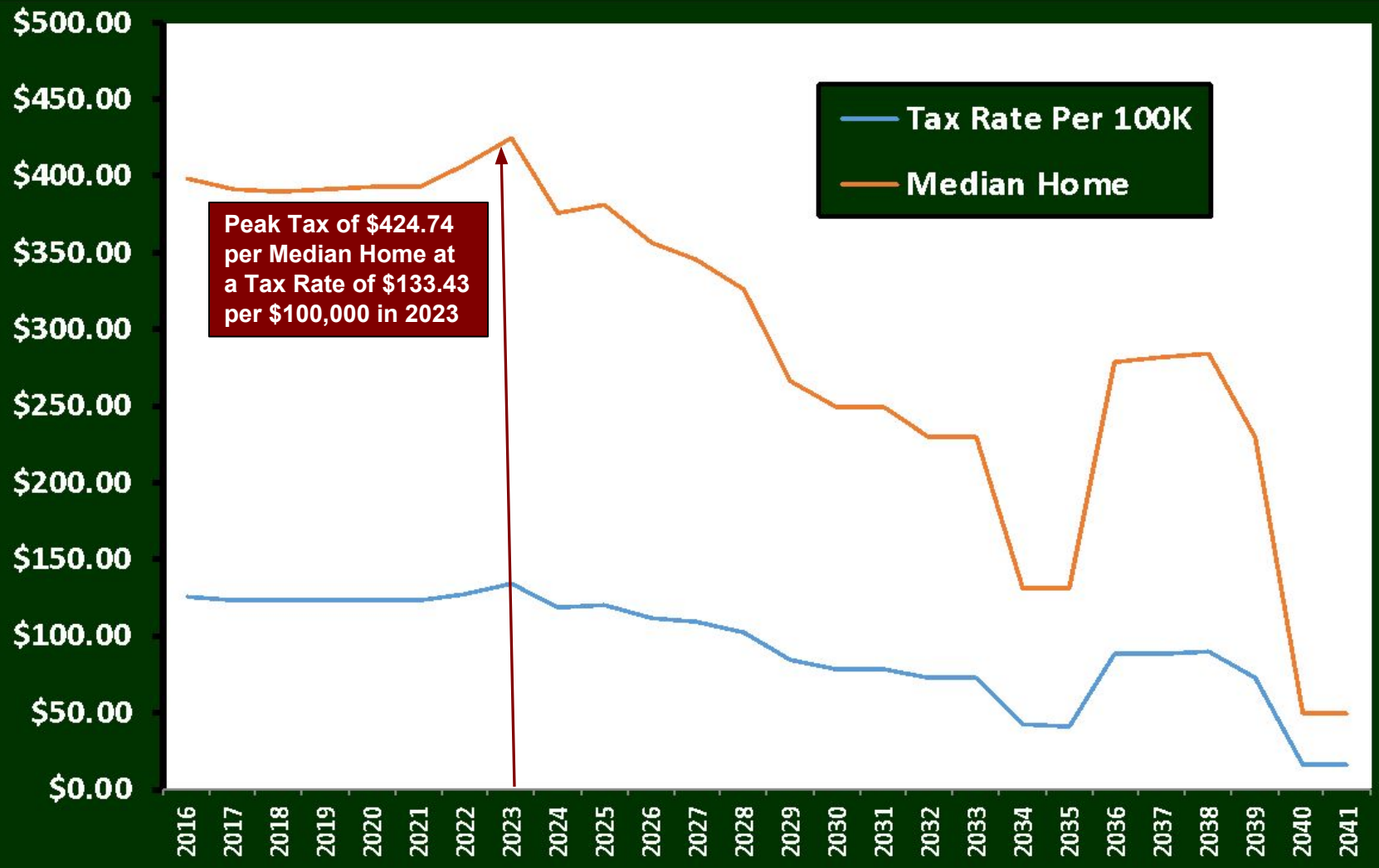


Source: California Municipal Statistics

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Financial Advisor's Overview of G.O. Bond Opportunities

PROJECTION OF FUTURE TAX RATES ON EXISTING BONDS



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Overview of G.O. Bond Refunding Opportunities

How Are Savings Calculated?

Refunding Savings are Calculated Based on the Difference in Debt Service Payments Each Fiscal Year Comparing the Refunding and Refunded Bond Debt Service, as follows:

- ✓ **Costs of Issuance (including bond insurance), Prepayment Premiums, Escrow Costs and All Related Expenses are Included and Amortized in the Principal Component of the Refunding Bonds;**
- ✓ **Savings are Calculated Annually on a Fiscal Year Basis and Cumulatively on both a Gross Dollar Basis and a Present Value Basis that converts Gross Savings to amounts stated in 2016 Dollars (Present Value); and**
- ✓ **On a Maturity-by-Maturity Basis to Ensure that Each Individual Refunded Bond is Individually Augmenting Savings.**

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Overview of G.O. Bond Refunding Opportunities

Proposed Savings Criteria

The Following Criteria are Proposed as Minimum Guidelines:

- ✓ **The Refunding Bond's Final Maturity will not be extended or shortened;**
- ✓ **The Refunding Bonds will Result in Gross Savings in Every Year;**
- ✓ **The Refunding will Result in a Minimum Savings of 3% of the Amount Refunded in Aggregate for Each Separate Bond Series;**
- ✓ **The Savings will Exceed the Costs of Issuance and Financing Expenses, Excluding Bond Insurance, if any; and**
- ✓ **Additional Refunded Bond Maturities Will be Included in the Refinancing Provided that Each Additional Included Maturity Increases Total Savings.**

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Overview of G.O. Bond Refunding Opportunities

Review of Terms of Election of 2016, Series A Bonds

District-wide 2007 New Money G.O. Bonds

BOND PROGRAM CHARACTERISTICS

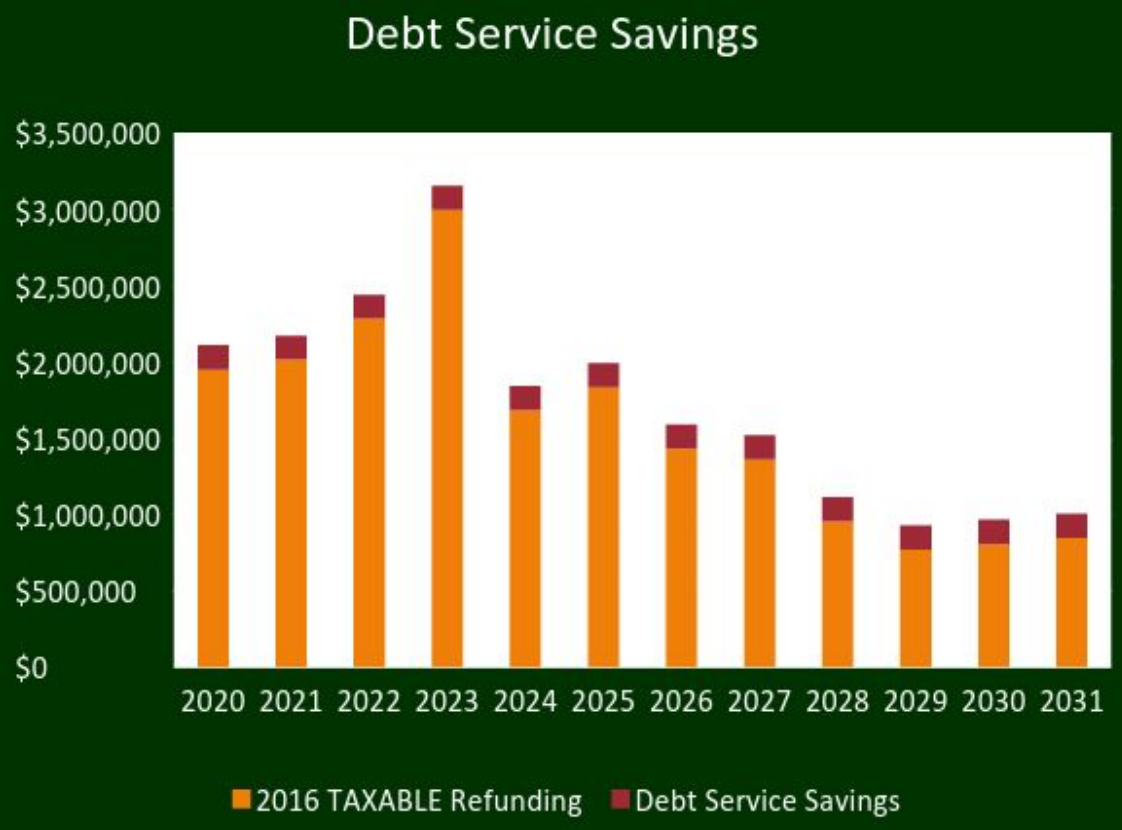
- ✓ **Approved by Voters in 2006;**
- ✓ **$109 Million Authorization;**
- ✓ **Originally Sold to Investors in February 2007;**
- ✓ **All District Taxpayers in Tax Levy;**
- ✓ **Original Series Sold with Bond Insurance from FSA;**
- ✓ **Replace, Renovate, Acquire, Construct and Modernize School Facilities;**
- ✓ **2007 Series A Bond Rates of 3.50% to 4.25%;**
- ✓ **Prepayment Date of August 1, 2017;**
- ✓ **No Prepayment Penalty; and**
- ✓ **Final Maturity Date of August 2031.**

San Leandro Unified School District

Overview of G.O. Bond Refunding Opportunities

District 2007 Refunding Bond Debt Service Savings and Summary

District-wide G.O. Bonds



Source: Piper Jaffray

Summary of Results

SUMMARY STATISTICS

Avg. Annual Savings: $136,048

Total Savings: $2,347,718

PV Savings (2016): $2,040,717

PV Savings % 10.56%

Refunded Bonds: $19,310,000

Refunding Bonds: $20,386,354

Escrow Cost: $20,037,383

Issuance Costs: $278,971

Bond Insurance $70,000

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Overview of G.O. Bond Refunding Opportunities

Who Benefits from Savings on the Refunding 2007 New Money G.O. Bonds?

Refunding Savings are Allocated As Follows:

- ✓ **The Alameda County Assessor and Treasurer-Tax Collector will Reduce the 2017/18 Tax Levy and Each Applicable Subsequent Year Tax Roll Levy through 2031 (Total Savings of $2,347,718) to Reflect Lowered Debt Service Payments on the Refunding Bonds if the Refunding can be Completed no later than July 31, 2017;**
- ✓ **Based on August 2016 Market Conditions, Taxpayers will see a Rate Reduction of approximately $1.28 per $100,000 Commencing in 2017/18 or a Cumulative Savings of $19.28 per $100,000 Over the Life of the Refunding through 2031;**
- ✓ **Based on August 2016 Market Conditions, the 2015-16 Median Home Assessed Value of $318,809, the Average Homeowner will Save $4.08 per Year and a Total of $61.21 through 2031;**
- ✓ **Actual Savings will be Impacted both by Actual Interest Rates Paid and AV Adjustments Made by the County Assessor in the Past and Prospectively; and**
- ✓ **Savings May Not be Used by the District to Borrow Additional Funds to Pay for Bond Projects as was Once Possible.**

San Leandro Unified School District

Overview of G.O. Bond Refunding Opportunities

Proposed District Exposure to Market Risk and Expenses

Refunding Bonds Require Favorable Market Conditions to Persist for a Period of 90 to 120 days after Board Approval. Interest Rates are Currently Low and the Expectation is that the Federal Reserve Could Raise Interest Rates During the Period in which the Refunding is being Processed.

The District's Exposure to Changing Market Conditions is Limited as Follows:

- ✓ **All Financing Team Members (Other than Rating Agencies) Shall Work on a Contingent Basis;**
- ✓ **All Costs Incurred by the Financing Team on the District's Behalf Shall be Reimbursable Only from Refunding Proceeds Upon a Successful Sale of Refunding Bonds; and**
- ✓ **District is at Risk for Staff Time Committed to the Refunding(s).**

San Leandro Unified School District

Overview of G.O. Bond Refunding Opportunities

Preliminary Summary of Refunding Results

As of August 2016, Market Interest Rates Result in the Following Findings:

- ✓ **The Election of 2006, Series 2007 District New Money Bonds ($20.4 Million) can be Refunded for Sufficient PV Debt Service Savings of $2,040,716 (10.%) to Easily Meet a Minimum Industry Savings Target;**
- ✓ **The District's 2007 Refunding G.O. Bonds Cannot be Refinanced on a Tax-exempt Basis Under Current Market Conditions Because the Single Permitted Advance Refunding was Utilized in 2007 for the Bonds Originally Authorized in 1997;**
- ✓ **Commencing in May 2017, the 2007 G.O. Refunding Bonds can be Refinanced on a Tax-Exempt Basis as a Current Refunding;**
- ✓ **The District's 2010 New Money G.O. Bonds ($28.4 Million) Can be Refinanced on a Tax-Exempt Basis Under Current Market Conditions for Present Value Savings of $2,486,545 (8.75%);**
- ✓ **The District's 2010 New Money G.O. Bonds ($31.6 Million) Have a Long Escrow to the First Prepayment Date (8/1/2020) and Negative Investment Earnings of $2,235,868.**

San Leandro Unified School District

Overview of G.O. Bond Refunding Opportunities

Preliminary Findings and Recommendation

The Following Preliminary Findings and Recommendations Are Being Made to Staff:

- ✓ **The 2007 New Money Bonds Currently Have Very Strong Savings in Excess of 10.56% of the amount of Refunded Bonds and Should be Refinanced;**
- ✓ **The 2007 Refunding Bonds Currently Achieve Above Minimum Target Savings of 3.0% but Must be Sold on a TAXABLE Basis Due to Tax Law Restrictions. In Less than One Year, these Bonds can be Sold on a Tax-Exempt Basis and District has Elected to Wait until 2017 to Refund Bonds;**
- ✓ **The 2010 New Money Bonds have Significant Savings of 8.75% but Also Have Negative Arbitrage of Over $2.3 million in the Escrow Account. As a Result, District has Elected to Postpone the Refunding until a Future Date; and**
- ✓ **CFS will Monitor 2007 Refunding Bonds and 2010 New Money Bonds for Future Opportunities to Refinance Next Year When New 2016 Bonds are Sold.**

San Leandro Unified School District

Overview of G.O. Bond Refunding Opportunities

Next Steps

Provided that the Board Concludes that the Refunding Opportunity Ought to be Considered as a Future Action Item, the Following Direction Would be Necessary:

- ✓ **Direct Staff and CFS to Coordinate the Preparation of Legal Documentation, including a Board Resolution, Bond Indenture, Official Statement and Bond Purchase Contract to be Agendized for a Meeting in October;**
- ✓ **Affirm the Use of the Existing G.O. Bond Team Including Piper Jaffray (Underwriter), Jones Hall (Bond Counsel/Disclosure Counsel), US Bank (Paying Agent), a Bond Insurer and Such Other Consultants and Vendors as are Reasonably and Customarily Engaged when a Refinancing is Completed.**
- ✓ **Provide Direction as to Any Additional Information or Concerns that Should be Addressed at the Time that the Resolution is Returned to the Board as an Action Item in November.**

San Leandro Unified School District
Preliminary Projection of 2016 Refunding Savings

Disclosure of Purpose and Assumptions of Analysis

The preceding analysis was prepared based on certain assumptions, forecasts and projections that are provided in this presentation. Only a registered municipal advisor should be consulted regarding the findings and estimates related to the sale of bonds. The District is advised that performance of the bond program is based on the existence of comparable conditions and timing as described herein.

Many of the assumptions are noted in the body of the presentation. The most significant assumptions are as follows:

1. **The Bonds will be sold no sooner than by the end of Fiscal Year 2016;**
2. **Interest Rates on the bonds will not change substantially from conditions prevailing in August 2016;**
3. **The price of escrow securities will not change substantially from conditions prevailing in August 2016;**
4. **The District will maintain its current bond rating;**
5. **Bond insurance will be available for approximately the same premium as estimated; and**
6. **Costs of issuance and underwriter fees will be substantially the same as estimates.**

Assumptions utilized in this presentation are used for preparing projections and estimates only. CFS cannot guaranty or warranty market conditions, final costs, changes in laws, regulations or political climate for the sale of municipal bonds.

San Leandro Unified School District

Overview of G.O. Bond Refunding Opportunities

Review of Terms of 2007 Refunding Bonds

District-wide 2007 G.O. TAXABLE Refunding Bonds

BOND PROGRAM CHARACTERISTICS

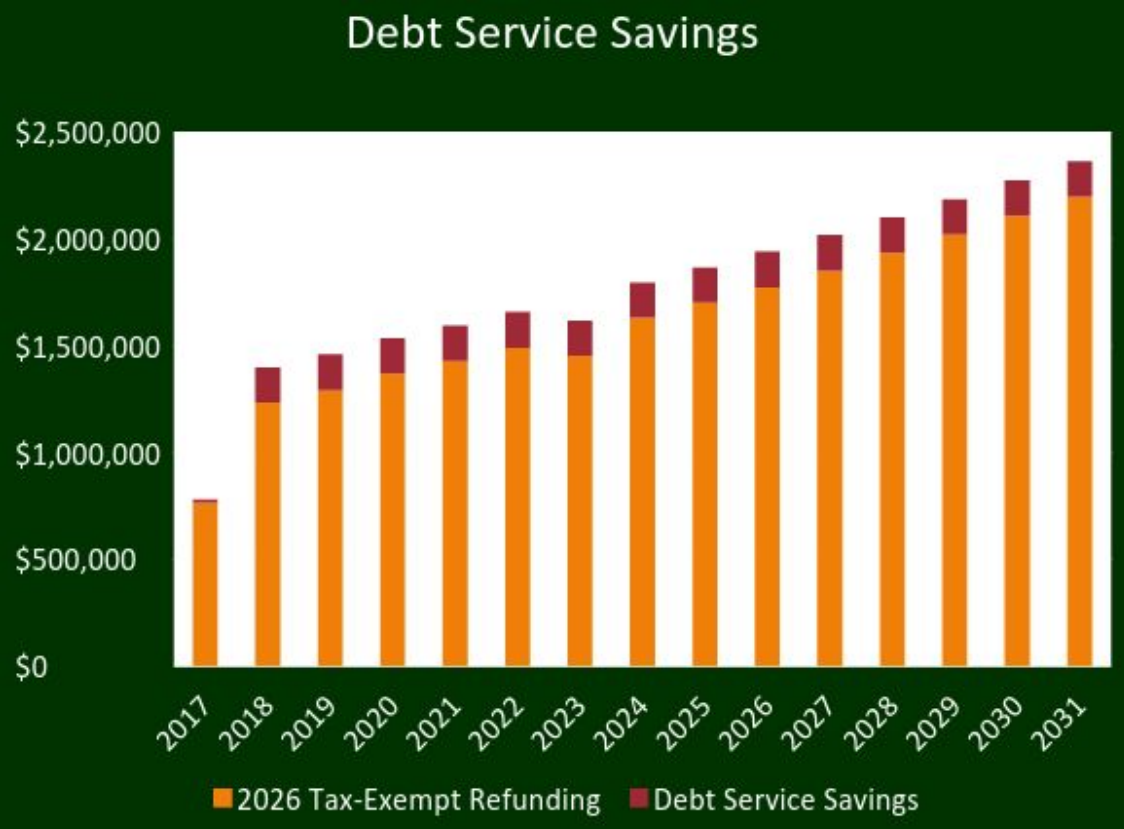
- ✓ **Approved by Voters in March 1997;**
- ✓ **$53.85 Million Original Authorization (All Series Advance Refunded One Time);**
- ✓ **Originally Sold to Investors in Five Series (A thru E);**
- ✓ **All District Taxpayers in Tax Levy;**
- ✓ **1997 Series B, C, D and E were Advance Refunded into Four Escrows in 2007;**
- ✓ **NO FURTHER TAX-EXEMPT ADVANCE REFUNDING POSSIBLE**
- ✓ **2007 Refunding Bond Rates of 3.45% to 4.40%;**
- ✓ **Prepayment Date of August 1, 2017;**
- ✓ **No Prepayment Penalty; and**
- ✓ **Final Maturity Date of August 2028.**

San Leandro Unified School District

Overview of G.O. Bond Refunding Opportunities

District 2007 New Money Bond Debt Service Savings and Summary

District-wide G.O. Bonds



Summary of Results

Annual Savings:	**$156,053**
Total Savings:	**$2,340,807**
PV Savings (2016):	**$1,918,233**
PV Savings %	**10.259%**
Refunded Bonds:	**$18,715,000**
Refunding Bonds:	**$19,969,921**
Escrow Cost:	**$19,757,333**
Issuance Costs:	**$210,809**
Bond Insurance	**TBD**