SAN LEANDRO UNIFIED SCHOOL DISTRICT
BUSINESS AND OPERATIONS

To: SLUSD Governing Board

From: Kevin Collins, Assistant Superintendent for Business and Operations

Date: May 9, 2017

Re: Qualified Zone Academy Bond (QZAB) Payoff Proposal

In 2014, the Governing Board approved Resolution 14-20 authorizing a QZAB lease (the "QZABs") in the amount of $5,150,000. Proceeds of the lease were to be used for "fiber optic connections, network and technology upgrades and modernization projects to be located at the Bancroft Middle School S.T.E.A.M. Academy (Science, Technology, Engineering, Arts and Mathematics), the John Muir Middle School S.T.E.A.M. Academy (Science, Technology, Engineering, Arts and Mathematics) and the San Leandro High School S.T.E.A.M. Academy (Science, Technology, Engineering, Arts and Mathematics)."

The district began making QZAB lease payments in 2015. The payment schedule calls for a total payment (principal and interest) of $294,150 in 2017-18. The payments will increase to a final total payment of $1,016.438 in 2028-29. The repayment schedule and payoff quote from Bank of America are attached to this memo, with all payments expected to be made from the General Fund.

The district's Measure J1 included language allowing for financing of technology and modernization projects including the repayment of interim financings such as leases. The district's Bond Counsel has provided the opinion that the district could use Measure J1 proceeds to repay the remaining QZABs, relieving the General Fund of a significant ongoing debt service obligation. If approved, the district would be required to pay a fee of 3% of outstanding principal for early prepayment of the QZABs. This fee, known as a "prepayment premium", is set forth in the original QZAB documents approved by the Board in 2014.

Under this proposal, the QZAB would be paid off using $2.5 million of funding from each of the first two maturities (years) of Measure J1 Series A bonds that are being sold this month. The 2018 and 2019 maturities have an average interest rate of 1.10%, meaning that the QZAB would be paid off at a lower interest rate and at a significantly faster rate than under the original repayment schedule. This arrangement would not impact the total amount of funding from Measure J1 nor its repayment schedule.

Staff recommends that the Facilities and Technology Committee approve the use of up to $5 million dollars from Measure J1 for the prepayment of the outstanding balance of the district's QZABs, including principal, accrued interest, and the early prepayment fee.

Bank of America
Merrill Lynch

Mail Code: RI 1-530-01-19
3400 Pawtucket Avenue
Riverside, RI 02915-5298
Fax: 404-532-3742
BALCPayoffs@bankofamerica.com

April 7, 2017
Ivory Li
ivory.r.li@pjc.com
SAN LEANDRO UNIFIED SCHOOL DIS

Re: Note and Security Agreement No. 27137-70001 in the original principal amount of $5000000 dated as of June 1, 2014 between Banc of America Leasing & Capital, LLC, as Secured Party (BAL), and SAN LEANDRO UNIFIED SCHOOL DIS, as Debtor (the Note)
Customer No. 2713700 /Schedule No(s). 001

Dear Ivory Li

In response to your request to a prepayment of the above-referenced Note, we provide the following:

Principal				$	4,775,000.00
Interest	3/16/17	thru	6/16/17	$	26,480.03
Prepayment Fee				$	143,250.00
Payoff Amount as of			6/16/17	**$**	**4,944,730.03**

A per diem of $287.83 will be added to the Payoff Amount after the payoff date above. After 9/15/17, a new payoff quote may be required.

Please wire transfer the above amounts as follows.

Bank:	Bank of America
ABA #:	0260-0959-3
For the account of:	Banc of America Leasing & Capital, LLC
Account No.:	12334-01992
Reference:	**Customer No. 2713700 /Schedule No(s). 001**
Upon receipt Notify:	Luke Smith

Upon our receipt of wire transferred funds or certified check in the aforementioned amount, and provided that you are not then in default of any of your obligations to BAL, BAL will execute any documentation reasonably required to terminate its security interest in the Collateral to be released.

Notwithstanding the above, unless the foregoing prepayment amortizes the entire balance of principal and interest under the Note, the Note continues to be in full force and effect with respect to, among other things, the remaining Collateral under the Note and, except as specifically set forth herein, all of the terms and conditions of the Note remain in full force and effect and are hereby ratified and affirmed by you. Further, any corporate or personal guaranties which relate to the Note, as well as any and all other obligations which may be outstanding to BAL or its affiliates, shall remain in full force and effect with respect to such other obligations, notwithstanding the early payoff of the Note pursuant to this letter. In addition, if a security interest in the Collateral to be released has been granted to BAL as security for any obligations owing to BAL or its affiliates or assign, other than the Note, any such grant of security interest shall remain in full force and effect with respect to such other obligations, notwithstanding the early payoff of the Note pursuant to this letter.

By paying the above stated amounts, you agree to the terms of this letter and to an early payoff of the Note, and release BAL of any and all of its obligations under the Note.

If the Payoff Amount is not received by BAL in accordance with the terms of this letter, the Note shall continue in full force and effect in accordance with its terms and you shall promptly reimburse BAL for any out of pocket expenses may have incurred in connection with the proposed early payoff of the Note. Nothing contained in this letter shall be deemed a waiver of any rights and remedies BAL may have under the Note, other related documents and instruments or applicable law, all of which rights and remedies are expressly reserved. Any terms used herein and not defined herein shall have the meanings assigned to them in the Note.

If you should have any questions or if we may be of further service, please feel free to contact us at BALCPayoffs@bankofamerica.com.

Very truly yours,

BANC OF AMERICA LEASING & CAPITAL, LLC,

By *Luke Smith*
Luke Smith
Operations Consultant

Bank of America

EXHIBIT A

QZAB LEASE PAYMENT SCHEDULE

Pmt. No.	Pmt. Year	Pmt. Date	Payment Amount	Interest Portion	Principal Portion	Outstanding Balance	Purchase Price
1	1	3/16/15	$78,059.72	$78,059.72	-	$5,000,000.00	$5,150,000.00
2	2	9/16/15	54,250.00	54,250.00	-	5,000,000.00	5,150,000.00
3	2	3/16/16	54,250.00	54,250.00	-	5,000,000.00	5,150,000.00
4	3	9/16/16	279,250.00	54,250.00	$225,000.00	4,775,000.00	4,918,250.00
5	3	3/16/17	51,808.75	51,808.75	-	4,775,000.00	4,918,250.00
6	4	9/16/17	296,808.75	51,808.75	245,000.00	4,530,000.00	4,665,900.00
7	4	3/16/18	49,150.50	49,150.50	-	4,530,000.00	4,665,900.00
8	5	9/16/18	309,150.50	49,150.50	260,000.00	4,270,000.00	4,398,100.00
9	5	3/16/19	46,329.50	46,329.50	-	4,270,000.00	4,398,100.00
10	6	9/16/19	321,329.50	46,329.50	275,000.00	3,995,000.00	4,114,850.00
11	6	3/16/20	43,345.75	43,345.75	-	3,995,000.00	4,114,850.00
12	7	9/16/20	343,345.75	43,345.75	300,000.00	3,695,000.00	3,805,850.00
13	7	3/16/21	40,090.75	40,090.75	-	3,695,000.00	3,805,850.00
14	8	9/16/21	360,090.75	40,090.75	320,000.00	3,375,000.00	3,442,500.00
15	8	3/16/22	36,618.75	36,618.75	-	3,375,000.00	3,442,500.00
16	9	9/16/22	376,618.75	36,618.75	340,000.00	3,035,000.00	3,095,700.00
17	9	3/16/23	32,929.75	32,929.75	-	3,035,000.00	3,095,700.00
18	10	9/16/23	392,929.75	32,929.75	360,000.00	2,675,000.00	2,728,500.00
19	10	3/16/24	29,023.75	29,023.75	-	2,675,000.00	2,728,500.00
20	11	9/16/24	409,023.75	29,023.75	380,000.00	2,295,000.00	2,340,900.00
21	11	3/16/25	24,900.75	24,900.75	-	2,295,000.00	2,340,900.00
22	12	9/16/25	429,900.75	24,900.75	405,000.00	1,890,000.00	1,908,900.00
23	12	3/16/26	20,506.50	20,506.50	-	1,890,000.00	1,908,900.00
24	13	9/16/26	450,506.50	20,506.50	430,000.00	1,460,000.00	1,474,600.00
25	13	3/16/27	15,841.00	15,841.00	-	1,460,000.00	1,474,600.00
26	14	9/16/27	475,841.00	15,841.00	460,000.00	1,000,000.00	1,010,000.00
27	14	3/16/28	10,850.00	10,850.00	-	1,000,000.00	1,010,000.00
28	15	9/16/28	495,850.00	10,850.00	485,000.00	515,000.00	520,150.00
29	15	3/16/29	520,587.75	5,587.75	515,000.00	0.00	0.00
	TOTAL		$6,049,188.97	$1,049,188.97	$5,000,000.00		

TAXABLE LEASE PAYMENT SCHEDULE

Payment Date	Payment Amount	Interest Portion	Principal Portion	Outstanding Balance
3/16/15	$935.28	$935.28	-	$130,000.00
9/16/15	$130,650.00	650.00	$130,000.00	-
TOTAL	$131,585.28	$1,585.28	$130,000.00	