EXECUTIVE SUMMARY
FOR THE SHOREWOOD SCHOOL DISTRICT
SCHOOL BOARD

Topic: Debt Defeasance
Date: 12 June 2018
Prepared by: Patrick Miller
Board Policy Reference: OE-6 – Financial Administration

Recommended action:

___ Information only
___ Presentation/discussion
_X_ Discussion/action by board of education
___ Presentation/action next meeting

Recommendation(s): Approve: Resolution Authorizing the Establishment of an Escrow Account with Respect to Certain of the Taxable General Obligation Refunding Bonds, Series 2011, dated July 19, 2011 and Taxable General Obligation Refunding Bonds, Series 2011A, dated September 27, 2011

Purpose: Officially accept the resolution to utilize $1,684,827 in 2017-18 debt service levy to pay off a portion of the Bonds dated July 19, 2011 and September 27, 2011.

Background: Since 2012, the District has maintained a mill rate of $13.88. To accomplish this, the District has levied funds in the Fund 39 Levy (referendum approved debt service) on an annual basis for future prepayment of existing debt principle and interest. This approach is used by many Wisconsin school districts to create a consistent impact to taxpayers.

As a result of this strategy, the District has accumulated a balance of approximately $3.2 million in Fund 39. This balance can only be used to pay off existing Fund 39 debt or to offset future Fund 39 debt service levies. At this time, Administration is recommending that approximately $1,684,827 be used to pay off existing debt, which represents the excess amount that the District levied in 2017-18. By spending a portion of this balance now, the District will accomplish the following:

- Position the District's current indebtedness to better support potential future projects with minimal changes to the current mill rate.
- Reduce future interest cost. As shown on the attached analysis, the estimated reduction in the future debt service levy due to savings in interest cost is approximately $454,947.

The District will continue to work with our Financial Advisors, PMA, to develop strategies as to how to best spend down the remaining Fund 39 balance. As the District works on long range planning, these funds may provide flexibility in managing the levy and mitigating the future tax impact of any potential referendum initiatives.

Attachment(s): Preliminary Defeasance Analysis

School District of Shorewood

Preliminary Defeasance Analysis

BEFORE DEFEASANCE

Calendar Year	$3,595,000 Taxable G.O. Refunding Bonds Dated July 19, 2011 PRINCIPAL (4/1)	RATE	INTEREST (4/1 & 10/1)	$5,060,000 Taxable G.O. Refunding Bonds Dated September 27, 2011 PRINCIPAL (4/1)	RATE	INTEREST (4/1 & 10/1)	OTHER FUND 39/EE D/S	TOTAL FUND 39/EE D/S
2018	$210,000	3.000%	$72,830	$225,000	2.000%	$126,328	$2,017,327	$2,651,485
2019	$230,000	3.500%	$65,655	$230,000	2.300%	$121,433	$935,359	$1,582,447
2020	$245,000	3.750%	$57,036	$235,000	2.500%	$115,850	$1,013,229	$1,666,115
2021	$265,000	4.000%	$47,143	$240,000	2.750%	$109,613	$704,010	$1,365,765
2022	**$285,000**	4.050%	$36,071	**$245,000**	2.900%	$102,760	$697,237	$1,366,068
2023	**$310,000**	4.200%	$23,790	**$255,000**	3.050%	$95,319	$684,572	$1,368,681
2024	**$330,000**	4.350%	$10,103	**$260,000**	3.200%	$87,270	$676,074	$1,363,446
2025	**$65,000**	4.500%	$1,463	**$270,000**	3.350%	$78,588	$661,725	$1,076,775
2026				**$280,000**	3.550%	$69,095	$651,511	$1,000,606
2027				**$290,000**	3.700%	$58,760	$635,216	$983,976
2028				**$300,000**	4.000%	$47,395	$626,966	$974,361
2029				**$315,000**	4.100%	$34,938	$355,185	$705,123
2030				**$330,000**	4.200%	$21,550	$355,493	$707,043
2031				**$340,000**	4.300%	$7,310	$355,165	$702,475
2032							$354,183	$354,183
2033							$352,525	$352,525
2034							$355,076	$355,076
2035							$351,814	$351,814
	$1,940,000		$314,090	$3,815,000		$1,076,206	$11,782,664	$18,927,960
	Callable: April 1, 2021 @ Par			**Callable: April 1, 2021 @ Par**				

AFTER DEFEASANCE

Calendar Year	$3,595,000 Taxable G.O. Refunding Bonds Dated July 19, 2011 PRINCIPAL (4/1)	INTEREST (4/1 & 10/1)	$5,060,000 Taxable G.O. Refunding Bonds Dated September 27, 2011 PRINCIPAL (4/1)	INTEREST (4/1 & 10/1)	EXCESS 2018 LEVY	OTHER FUND 39/EE D/S	TOTAL FUND 39/EE D/S	ANNUAL REDUCTION IN FUND 39/EE PAYMENTS
2018	$210,000	$51,909	$225,000	$112,928	$34,321	$2,017,327	$2,651,485	*$0*
2019	$230,000	$23,813	$230,000	$94,633		$935,359	$1,513,804	*$68,643*
2020	$245,000	$15,194	$235,000	$89,050		$1,013,229	$1,597,473	*$68,643*
2021	$265,000	$5,300	$240,000	$82,813		$704,010	$1,297,122	*$68,643*
2022			**$245,000**	$75,960		$697,237	$1,018,197	*$347,871*
2023			**$255,000**	$68,519		$684,572	$1,008,091	*$360,590*
2024			**$260,000**	$60,470		$676,074	$996,544	*$366,903*
2025			**$270,000**	$51,788		$661,725	$983,512	*$93,263*
2026			**$280,000**	$42,295		$651,511	$973,806	*$26,800*
2027			**$290,000**	$31,960		$635,216	$957,176	*$26,800*
2028			**$300,000**	$20,595		$626,966	$947,561	*$26,800*
2029			**$315,000**	$8,138		$355,185	$678,323	*$26,800*
2030			**$40,000**	$840		$355,493	$396,333	*$310,710*
2031						$355,165	$355,165	*$347,310*
2032						$354,183	$354,183	*$0*
2033						$352,525	$352,525	*$0*
2034						$355,076	$355,076	*$0*
2035						$351,814	$351,814	*$0*
	$950,000	$96,215	$3,185,000	$739,986	$34,321	$11,782,664	$16,788,186	*$2,139,774*
	$990,000 Principal Reduction		**$630,000 Principal Reduction**					

TOTAL REDUCTION IN FUTURE DEBT SERVICE LEVIES:	*$2,139,774*
LESS INCREMENTAL 2018 LEVY USED FOR FUND 39/EE DEFEASANCE: (a)	*($1,684,827)*
TOTAL NET REDUCTION IN FUND 39/EE LEVY:	***$454,947***

(a) 2018 LEVY USED FOR FUND 39/EE DEFEASANCE		ESTIMATED
Deposit to Escrow (Earmarked for Defeasance):		$1,704,772 **
Estimated Costs of Defeasance:		$14,376
Bond Counsel Fee (Quarles & Brady):	$3,875	
FA Fee (PMA):	$3,500	
CPA Fee (Dunbar):	$2,000	
Escrow Agent Fee (Associated):	$1,900	
Escrow Bidding Agent Fee (Farr Miller):	$2,900	
CUSIP Fee (Standard & Poor's):	$201	
Total Amount Needed for Defeasance:		$1,719,148
Less: Reduction in 2018 Debt Service:		($34,321)
District Cash (Incremental Levy):		**$1,684,827**

Estimated Closing Date: June 26, 2018

**Based on preliminary escrow investment rates as of June 6, 2018.