

Memorandum

To: Lisa Abbey, Assistant Superintendent of Business Services

From: Nick Armelagos, Administrator of Finance

Date: August 2, 2016

Re: State Aid Note/Line of Credit Analysis

I have attached the State Aid Note/Line of Credit analysis spreadsheet for your review. After completing this analysis, I've talked to bankers that have provided quotes and I've had discussion with Kari Shay, Thrun Law Firm. I am proposing that Livonia Public Schools move forward with a four month State Aid Note from First Merit Bank at a .95% interest rate. This would be for the period of October 1, 2016 – January 31, 2017. First Merit Bank was the banking institution that Livonia Public Schools used for cash flow borrowing in 2015-16.

The reasons for selecting the State Aid Note over the Line of Credit is that the State Aid Note has an overall lower cost in legal fees, bank fees, interest costs and it is a much less complex transaction. First Merit Bank has a lower interest rate and the total expense is less than PNC Bank. Please let me know if you have questions or concerns.

Attachment

Livonia Public Schools

Cash Flow vs Line of Credit Analysis

FY 17

Assumptions:

Line of Credit:

October 1, 2016 - September 30, 2017

State Aid Note:

October 1, 2016 - January 31, 2017

4 months

Amount - \$3,500,000

State Aid Note

Financial Institution	Interest Rate	Legal Costs(Bank)	Legal Costs(Thrun)	Bank Fees	Interest Expense	Total Expense
First Merit	0.95%	none with Thrun				
		documents	\$4,149.00	none	\$11,083.33	\$15,232.33
PNC Bank	1.02%	none	\$4,149.00	none	\$11,900.00	\$16,049.00

two draws

Line of Credit

Libor is currently .47%

Financial Institution		Interest Rate	Legal Costs(Bank)	Legal Costs(Thru)	Bank Fees	Interest Expense	Total Expense
First Merit		LIBOR + 0.95%	\$1,500.00	\$7,647.00	\$5,000.00	\$1,629.00	\$15,776.00
JP Morgan Chase		(LIBOR *72%) + 1.10%		\$7,647.00	\$7,000.00	\$1,652.00	\$16,299.00

- Upfront fee

% - Commitment /Unused Fee