



# Livonia Public Schools

*Finance Office*

Date: January 15, 2025

To: Andrea Oquist, Superintendent

From: Alison Smith, Chief Financial Officer

Re: 2021 Bond - Sale of Third Series & Bond Tendering

I would like to discuss both the sale of the third series of 2021 bonds as well as revisit the topic of bond tendering at the Finance Committee meeting on Tuesday, January 21, 2025.

The 2021 bond approved by the voters for \$186 million is scheduled to be sold in three series. The first series was sold in June 2021 and the second series was sold in May 2023. The third and final series totaling \$38 million is scheduled to be sold in the Spring of 2025. I have been working very closely with our financial advisor (PFM), bond counsel (Thurn Law Firm), and bond underwriter (JP Morgan Chase) to ensure all legal requirements are satisfied and we reach the most fiscally advantageous terms possible for our bond sale.

I recommend we sell this final series through a negotiated sale as we have done with the last two series. The main advantages of a negotiated sale include flexibility in the timing of the sale, flexibility in the structuring of the bond repayment terms, and the ability to pre-market the bonds to potential investors. With a negotiated sale, the underwriter would sell the bonds to investors and the district (with the help of our financial advisor) would negotiate the interest rates and purchase price with the underwriter. Typically, on the day of pricing, the underwriter will provide the district and our financial advisor with a "proposed" interest rate scale and will then go into the market and take orders for the bonds at the agreed upon interest rates and prices. Once the order period is over, the underwriter may re-price some or all of the interest rates on the bonds lower or higher based on the demand for the bonds during the order period.

A resolution approved by the Board of Education is needed for the third sale of bonds. This resolution will be prepared by bond counsel and is consistent with the authorization the Board provided in 2021 with updated data for the current sale.

I have asked our bond counsel to include parameters for a potential tender refunding in the resolution so if the market conditions are right and we can save our taxpayers money in the form of interest savings, we have the authorization to act.

We talked with the Board of Education back in June of 2023 about bond tendering. In a Tender Refunding, the issuer offers to buy back (ie "tender") outstanding bonds from investors at a premium to market value funded with refunding bond proceeds. The purchase occurs at a premium to market trading levels to incentivize participation (which could be below par). Ultimate investor participation is initially unknown and unlikely to approach 100% participation (typically 20-30% would be viewed as a success). The purpose of exploring this opportunity is for savings for taxpayers in the form of lower interest costs on outstanding debt

Please add this item to the January 21, 2025, Finance Committee Agenda.

Please let me know if there are any questions.

Thank you.

AS

c: Board of Education