

School Board Workshop:

March 13, 2017

Subject:

Montrose Education Center Lease
Purchase Refinance

Presenter:

**Gary Kawlewski, Director of
Finance and Operations**

SUGGESTED SCHOOL BOARD ACTION:

Discussion only

DESCRIPTION:

On April 22, 2010, BHM Schools closed on the lease purchase for the Montrose Education Center. The lease purchase was done with Wells Fargo Bank's municipal lending division. The amount of the lease purchase was \$1,324,474 and the lease purchase had a 15-year semi-annual payment term with a 5.55% payment rate. The final payoff amount of the lease is currently set to occur on 5/1/2025.

Since the origin of the lease purchase, Sargent County Bank of Forman, ND has purchased a portion of the lease purchase from Wells Fargo and is presenting the school district with an opportunity to refinance the remaining total principal balance with their bank. The Sargent County Bank would pay off Wells Fargo and reissue a new lease purchase agreement with the school district with a lower interest rate and a shorter term for the remainder of the life of the lease purchase as is currently presented. The annual payments would remain the same. However, the principal amounts would increase and the interest payments would decrease. Additionally, the life of the lease purchase would decrease by one year.

The proposed interest factor is currently set at 2.99% and the lease purchase final payment would be 5/1/2024. The projected interest savings as presented is \$99,563, net of the early termination fee. Closing costs would be the attorney fee and the recording fee. Those costs are estimated at about \$3,500. This would leave a net savings after all costs of about \$96,000. We will also look to negotiate the rate down and look to structure the savings to occur sooner than at the end of the term.

We would hope to adopt a resolution calling for the refunding, similar to a bond issue refunding, at the March 27, 2017 board meeting.

ATTACHMENTS:

- Buffalo School No. 877 Refinance
- SCB PF Amortization
- Current Amortization
- Wells Fargo Amortization