

MEMO

To: School Board

From: Douglas A. Hasler, CFO *DH*

Date: June 8, 2018

Re: Refunding of Existing Debt Issues

As a follow-up to the presentation in the May Business Committee meeting, I am submitting a proposed agreement from PMA for financial advisory services associated with a refunding.

The refunding presentation in May was conducted for the purposes of informing you of a potential refunding opportunity that the School Board could authorize beginning in September 2018. Based on interest rates as they existing on April 30th, the estimated savings for refunding Certificates of Participation debt which was issued in 2009 and 2010 would be approximately \$630,000. This savings is a net amount after taking into account all costs (including PMA's fees) associated with a refunding. This savings would represent decreased principal/interest costs for the remaining years of these two issues (which will be paid off in full in 2028). While the School District's debt levy would be reduced as a result of a refunding, it is not possible at this time to translate this reduction into the savings that an individual taxpayer would realize. I can work with PMA to find a way to reflect individual taxpayer savings when interest rates, and estimated refunding savings are update prior to bringing a proposal to the School Board later this year.

Savings resulting from a refunding is a direct reflection of interest rates in the municipal bond market. The estimated savings that were discussed in the May Business Committee meeting will likely change – for better, or for worse – by the time that the School Board would be able to authorize a refunding in September.

Under the PMA agreement, total compensation paid to PMA if both debt issues were refunded would be \$83,718.75. This agreement does not commit ISD 709 to doing a refunding. Since PMA's compensation under this agreement would be payable only upon the closing of refunding securities, ISD 709 is not obligated to make any payment to PMA in the event that no refunding is authorized or completed.

I believe that it is important that we have an agreement in place with PMA on this matter, as we will need assistance in evaluating changes in municipal interest rates, and estimated savings that a refunding would generate. I am recommending that the School Board approve the Financial Advisory Agreement with PMA.