

Livonia Public Schools

Finance Office

Date: August 13, 2020

To: Andrea Oquist, Superintendent

From: Alison Smith, Director of Finance

Re: Refunding of Prior Bonds

I would like to discuss refunding the outstanding debt related to Livonia Public Schools' Building and Site Bonds during the August 17, 2020 Finance Committee meeting. A refunding program is a cost saving measure that would pay off the current debt by issuing the sale of new bonds at a lower interest rate.

To summarize, we are looking to refund all or a portion of our 2013 School Building and Site Bonds, Series I, dated June 27, 2013 and 2014 Refunding Bonds, dated February 13, 2014. Our 2013 School Building and Site Bonds, Series II, sold in 2016 do not qualify at this time for refunding. The sole purpose of refunding these bonds is to reduce the interest costs for local residents and businesses. Similar to how a homeowner may refinance their mortgage to secure a lower interest rate, that is what we are seeking to do with this transaction. Our financial advisor, PFM, estimates the net present value of the interest savings for our taxpayers will be over \$10 million.

I worked with PFM to secure proposals for underwriter services from three different companies: Stifel, JP Morgan, and Huntington Bank. JP Morgan had the lowest total proposed fee. The district also used JP Morgan as the underwriter for our 2014 refunding of bonds and were pleased with the service they provided. For those two reasons, I recommend moving forward with JP Morgan as our underwriter.

Given the amount and term of the refunding bonds, the School District has three possible bond sale methods available including a Competitive sale, a Negotiated sale, or a Private Placement. Due to the long 23-year term of the bonds, PFM believes a Private Placement will not provide the best results. Private Placement purchasers prefer much shorter terms. Given the timing and structuring flexibility the Negotiated sale process affords the District and the sensitivity of savings to volatile interest rates, PFM recommends the District proceed with a Negotiated sale on the 2020 refunding bond issue. The Competitive sale method will not provide the District that flexibility.

Please contact me if you have any questions. Thank you.

AS/kp

c: Board of Education