

RIVER ROAD INDEPENDENT SCHOOL DISTRICT
BOARD OF EDUCATION
AMARILLO, TEXAS

Subject: Advance Refunding

Date: Monday, October 21, 2013

Presented By: Mike Hodgson
Business Manager

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ACTION

BACKGROUND INFORMATION:

In the opinion of the staff of Specialized Public Finance, our bond financial advisors, an opportunity exists for the school district to refund the remaining portion of the district's 2005 bonds at a lower interest rate to save the school district and the taxpayers money.

If acted on now, this would be an advance refunding because the bonds are not callable until August 15, 2015. An advance refunding requires the district to pay interest on the existing bonds until their call date. What the district must do, is try to determine the optimal time to refund the bonds. If rates stay the same or decrease, it would be advantageous to wait until closer to the call date, so that the amount of interest the district must pay on the existing bonds would be decreased. However, if rates increase, it would be best to do the refunding now because rates in the future could exceed the rates on the current bonds and result in no savings to the district. It is the opinion of Specialized Public Finance that we should begin the refunding as soon as possible. If the refunding is started now, the closing of the transaction would probably occur in January.

Current estimates are that the refunding would save between \$35,000 and \$40,000 per year beginning in 2016. Because the state pays roughly half of our debt payments, the school district savings would be approximately \$18-20,000 per year.

BOARD ACTION REQUESTED:

It is requested that the Board give the Administration permission to begin the refunding process. Staff from Specialized Public Finance will be at the November Board meeting to answer any questions that you have and to provide you with all of the documents that the Board must sign related to the advance refunding.



River Road Independent School District
\$3,612,793*
Unlimited Tax Refunding Bonds, Series 2014

November							December							January						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
					1	2	1	2	3	4	5	6	7				1	2	3	4
3	4	5	6	7	8	9	8	9	10	11	12	13	14	5	6	7	8	9	10	11
10	11	12	13	14	15	16	15	16	17	18	19	20	21	12	13	14	15	16	17	18
17	18	19	20	21	22	23	22	23	24	25	26	27	28	19	20	21	22	23	24	25
24	25	26	27	28	29	30	29	30	31					26	27	28	29	30	31	

Timeline of Events – Negotiated Sale

Monday, November 11, 2013

Board Meeting. The Board considers the following item: authorizing SPFI to pursue the Refunding and approving parameters order for the sale of the Refunding Bonds.

Week of:

Monday, November 11, 2013

SPFI and District Staff make application to TEA for the Permanent School Fund Guarantee on the Refunding Issue.

Week of:

Monday, November 18, 2013

Application to S&P is made for a rating.
The POS is circulated for comments.

Week of:

Monday, December 2, 2013

Rating call with District Staff, SPFI and Standard & Poor's.
TEA releases the Permanent School Fund Guarantee on the Refunding Bonds.

Wednesday, December 11, 2013

Rating is received from Standard & Poor's.
POS distributed to underwriter.

Wednesday, December 18, 2013

Pricing. The Refunding Bonds are priced in the market with the Underwriters and SPFI.

Monday, January 13, 2014

Board Meeting. The Board will receive the final refunding results from SPFI.

Wednesday, January 15, 2014

Closing instructions are sent to all parties.

Wednesday, January 22, 2014

Closing. The Bonds are defeased with the proceeds of the Refunding Bonds.

* Preliminary, subject to change.



Sources and Uses of Funds

- With interest rates as of September 3rd, refinancing the remaining 2005 Bonds would produce approximately \$309,000 over the life of the transaction.

Refunded Bonds					Projected Annual Savings				
Issue	Maturities	Interest Rates	Maturity Value	Original Issuance Value	Callable	CY 12/31	Existing D/S	Post-Ref Net D/S	Savings
Series 2005	2016-2023	CABs	\$ 7,395,000	\$ 3,612,844	8/15/2015	2013	\$ -	\$ -	\$ -
						2014	680,000	675,939	4,061
						2015	675,000	675,000	-
						2016	670,000	635,000	35,000
						2017	665,000	625,000	40,000
						2018	1,010,000	970,000	40,000
						2019	1,010,000	975,000	35,000
						2020	1,010,000	970,000	40,000
						2021	1,010,000	975,000	35,000
						2022	1,010,000	970,000	40,000
						2023	1,010,000	970,000	40,000
							\$ 8,750,000	\$ 8,440,939	\$ 309,061
Preliminary Summary of Results									
Par Amount of Refunding Bonds									
Est. True Interest Cost (TIC)									
\$ 3,612,793									
2.794%									
Total Debt Service Savings									
\$ 309,061									
Net Present Value Savings (\$)									
\$ 258,119									
Net Present Value Savings (%)									
7.144%									
Negative Arbitrage in Escrow									
Captured Benefit = NPV Savings / (NPV Savings + Negative Arbitrage)									
\$ (213,355)									
54.747%									

Note: All assumptions are as of September 3, 2013 for purposes of illustration only. Preliminary, subject to change. Assumes QTEO rates.

