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# **FINANCING OPTIONS & RAYMOND JAMES OVERVIEW**

Discussion Materials – Board of Education  
December 19, 2017

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**RAYMOND JAMES**

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# SECTION 1



## Market Update

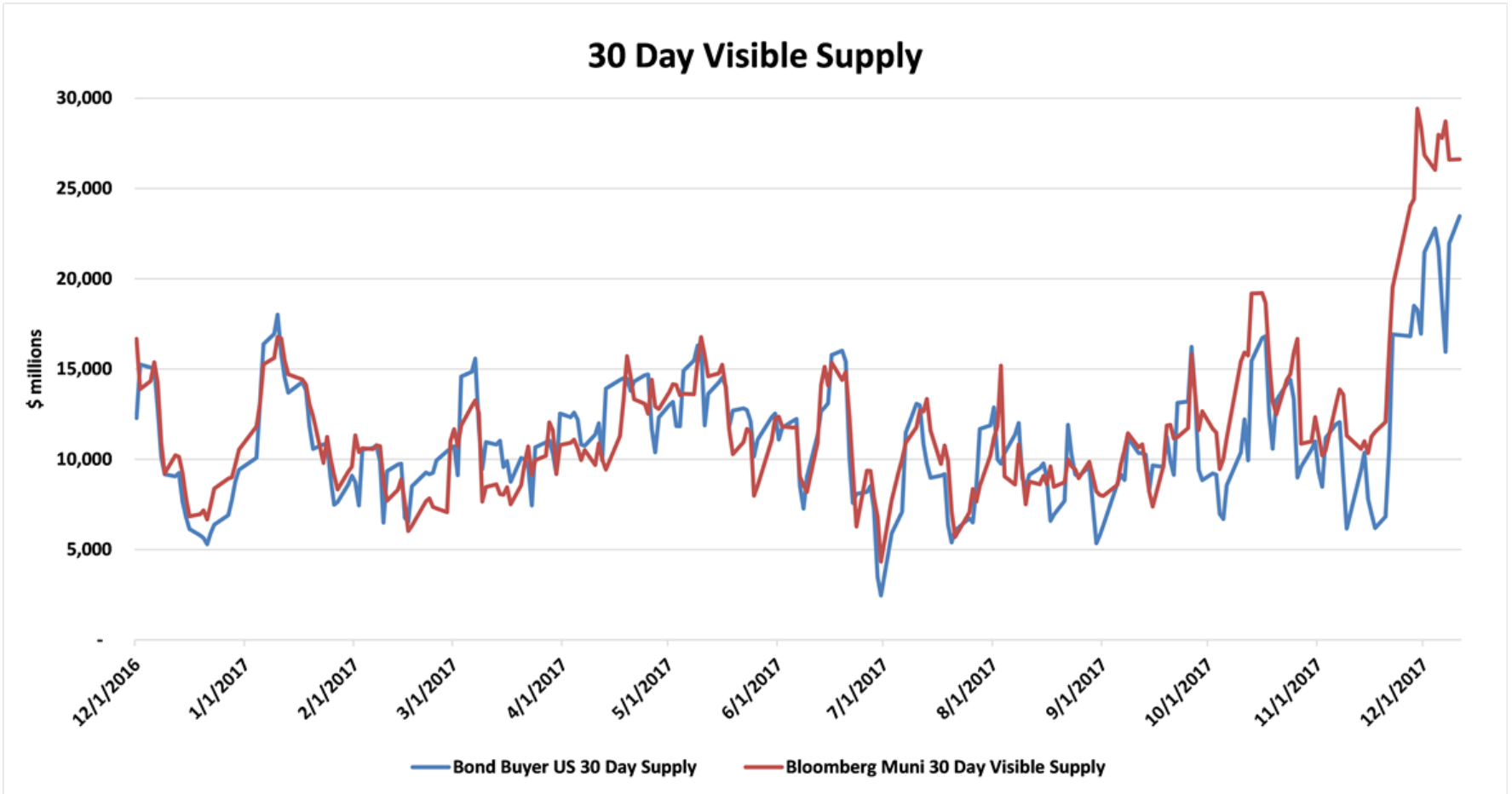
# TAX REFORM PROPOSALS HAVE MAJOR IMPLICATIONS FOR MUNIS

Proposed Reform	House Version	Senate Version
Private Activity Bonds (Includes 501c3's)	Total repeal	No changes
Tax-Exempt Advance Refundings	Total repeal	Total repeal

## Potential Implications

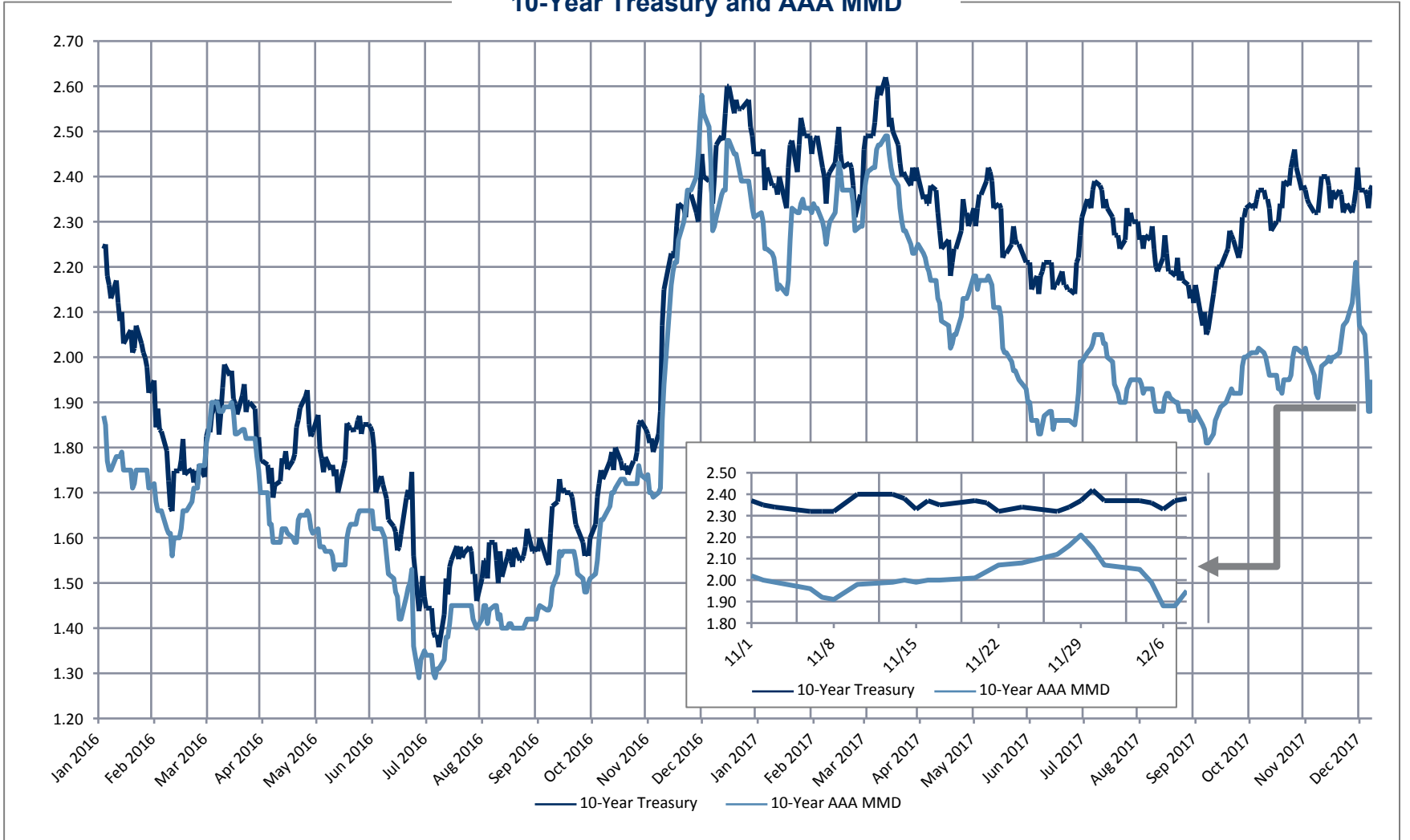
- Decreased demand for tax-exempt debt resulting from lower tax rates for corporations, individuals and banks.
- Primary market issuance would likely decrease too as provisions in the House bill eliminate Private Activity Bonds (PABs) and Advance Refundings which accounted for 43% of the market in 2016.
  - PABs include exempt facility bonds, qualified mortgage bonds, qualified veterans' mortgage bonds, qualified small issue bonds, qualified student loan bonds, qualified redevelopment bonds, and qualified 501(c)(3) bonds.
- House bill would require non-profits, such as private higher education institutions, airports, charter schools, foundations, hospitals, and other private activity bond issuers to use higher cost taxable financing for capital needs.
- The House and Senate bills eliminate advance refundings which would remove a proven tool that borrowers have used to take advantage of market conditions to lower debt service costs.

# VISIBLE SUPPLY IS SPIKING TO YEARLY HIGHS



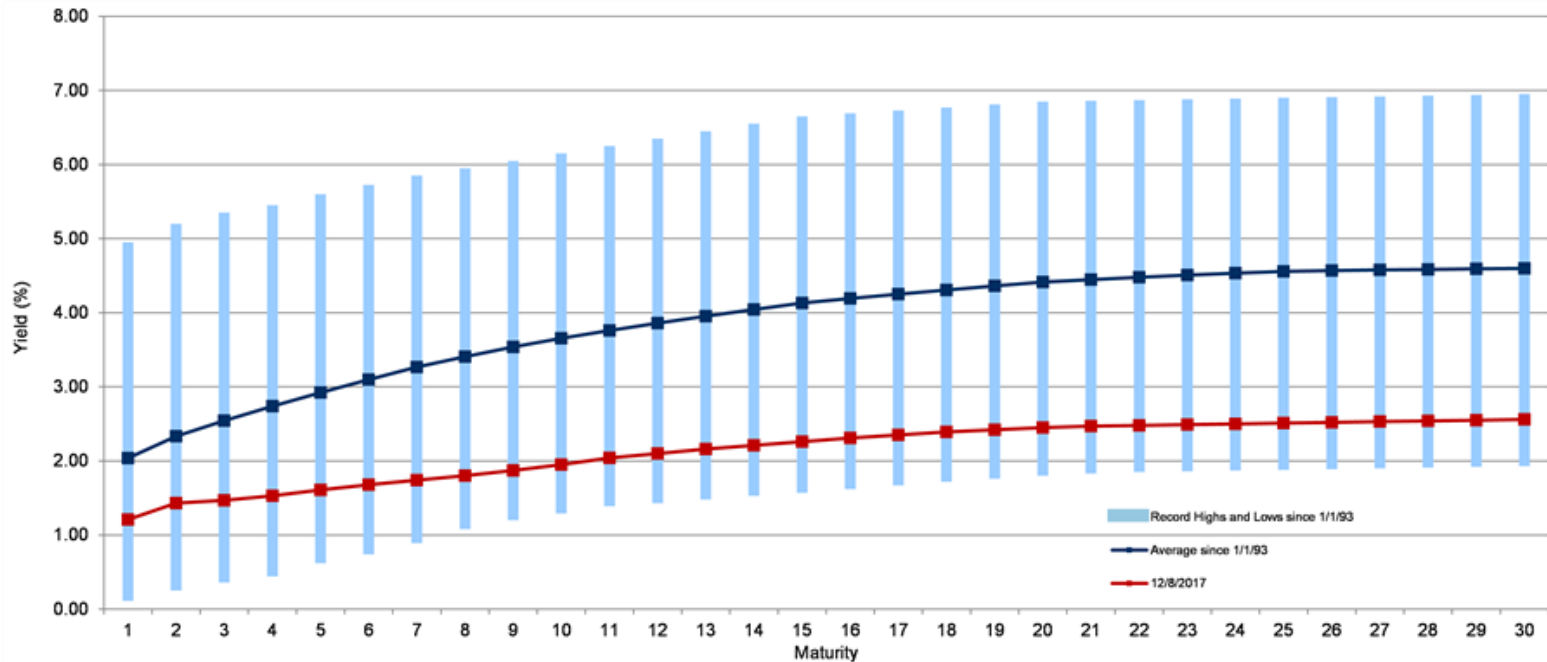
# ALONG WITH TAX REFORM IS DRIVING MUNICIPAL RATES DOWN

10-Year Treasury and AAA MMD



# HISTORICAL MMD AAA RATES

- The graph below shows the range between the record highs and lows of AAA MMD at each maturity since 1993, along with average rates over this time frame and the current rates.
- AAA MMD rates set multiple record lows in June and July 2016, and current rates remain well below the historical average.



	1	5	10	15	20	25	30
Record Low since 1/1/93	0.11	0.62	1.29	1.57	1.80	1.88	1.93
Record High since 1/1/93	4.95	5.60	6.15	6.65	6.85	6.90	6.95
Average since 1/1/93	1.99	2.87	3.59	4.07	4.35	4.49	4.53
Current (12/08/17)	1.21	1.61	1.95	2.26	2.45	2.51	2.56

## SECTION 3



### Financing Options and FORC Recommendation

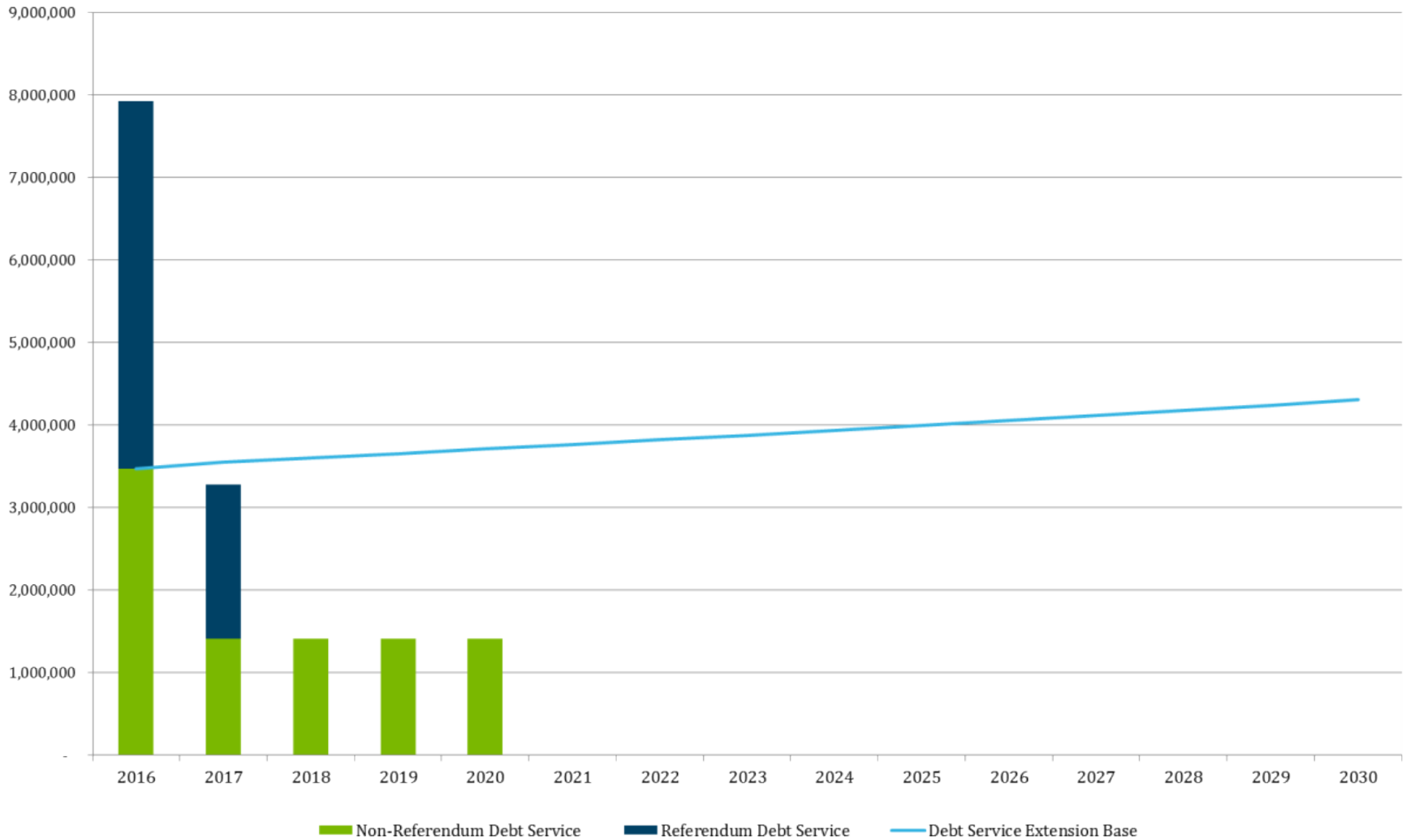


# CURRENTLY OUTSTANDING DEBT SERVICE WITH ABATEMENT

Tax Year	Equalized Assessed Value	Debt Service Extension Base	CPI Growth (1)	Referendum (1) Total		Remaining DSEB Capacity	Referendum		Referendum Total ULTD/S	Total Proposed Debt Service	Proposed B&I Tax Rate
				Total DSEB D/S			Current ULTD/S	Less: Proposed Abatement			
2015	1,334,441,513	3,451,651	0.80%	3,364,600		87,051	4,455,200	-	4,455,200	7,819,800	0.586
2016	1,386,653,517	3,475,813	0.70%	3,471,739		4,074	4,455,600	-	4,455,600	7,927,339	0.572
2017	1,386,653,517	3,548,805	2.10%	1,417,155		2,131,651	4,458,100	(2,592,994)	1,865,106	3,282,261	0.237
2018	1,386,653,517	3,602,037	1.50%	1,412,301		2,189,736	-	-	-	1,412,301	0.102
2019	1,386,653,517	3,656,068	1.50%	1,417,070		2,238,998	-	-	-	1,417,070	0.102
2020	1,386,653,517	3,710,909	1.50%	1,416,271		2,294,638	-	-	-	1,416,271	0.102
2021	1,386,653,517	3,766,572	1.50%	-		3,766,572	-	-	-	-	0.000
2022	1,386,653,517	3,823,071	1.50%	-		3,823,071	-	-	-	-	0.000
2023	1,386,653,517	3,880,417	1.50%	-		3,880,417	-	-	-	-	0.000
2024	1,386,653,517	3,938,623	1.50%	-		3,938,623	-	-	-	-	0.000
2025	1,386,653,517	3,997,703	1.50%	-		3,997,703	-	-	-	-	0.000
2026	1,386,653,517	4,057,668	1.50%	-		4,057,668	-	-	-	-	0.000
2027	1,386,653,517	4,118,533	1.50%	-		4,118,533	-	-	-	-	0.000
2028	1,386,653,517	4,180,311	1.50%	-		4,180,311	-	-	-	-	0.000
2029	1,386,653,517	4,243,016	1.50%	-		4,243,016	-	-	-	-	0.000
2030	1,386,653,517	4,306,661	1.50%	-		4,306,661	-	-	-	-	0.000
2031	1,386,653,517	4,371,261	1.50%	-		4,371,261	-	-	-	-	0.000
2032	1,386,653,517	4,436,830	1.50%	-		4,436,830	-	-	-	-	0.000
2033	1,386,653,517	4,503,382	1.50%	-		4,503,382	-	-	-	-	0.000
2034	1,386,653,517	4,570,933	1.50%	-		4,570,933	-	-	-	-	0.000
2035	1,386,653,517	4,639,497	1.50%	-		4,639,497	-	-	-	-	0.000
				<b>9,134,535</b>			<b>8,913,700</b>	<b>(2,592,994)</b>	<b>6,320,706</b>	<b>15,455,241</b>	

(1) CPI is assumed to grow at 1.5% from LY 2018 on

# CURRENTLY OUTSTANDING DEBT SERVICE WITH ABATEMENT



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## NON-REFERENDUM LIMITED BONDS-ORIGINAL PLAN

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- The District can issue bonds without a referendum to fund capital projects, if the debt service payments fit within the District's Debt Service Extension Base (DSEB) (\$3,548,805); DSEB grows with CPI annually
- In 2016 the District authorized not to exceed \$16M of limited tax working cash fund bonds payable from the DSEB to fund an addition to Holmes School and life safety projects
- In December of 2016, the District issued \$6M of the \$16M
- The original plan from last year was to issue an additional \$10M in February 2018 to complete the construction projects
- After discovering the additional 2016 levy from the operating tax rate increase referendum of approximately \$2.6M, the District abated debt service by \$2.6M in 2017 levy to correct the over levy in 2016
- In order to reduce this amount in the operating levy in future years, the District would either have to abate the debt service levy again in future years OR reduce the 2017 operating tax levy by \$2.6M

# ORIGINAL PLAN TO ISSUE ADDITIONAL \$10M FOR PROJECTS

\$10M LTGO Bonds (Public Sale) in February 2018 (Non-Bank Qualified)

Tax Year	Equalized Assessed Value	EAV Change	Debt Service Extension Base	CPI Growth (1)	Current DSEB D/S	Non-Ref (Limited Tax)		Remaining DSEB Capacity	Referendum Total ULT D/S	Total Proposed Debt Service	Proposed Debt Service Tax Rate
						\$10M Series 2018 DSEB Debt Service	Total DSEB D/S				
2016	1,386,653,517	3.91%	3,475,813	0.70%	3,471,739	-	3,471,739	4,074	4,455,600	7,927,339	0.572
2017	1,386,653,517	0.00%	3,548,805	2.10%	1,417,155	2,129,617	3,546,771	2,034	1,865,106	5,411,877	0.390
2018	1,386,653,517	0.00%	3,602,037	1.50%	1,412,301	2,185,200	3,597,501	4,536	-	3,597,501	0.259
2019	1,386,653,517	0.00%	3,656,068	1.50%	1,417,070	2,235,200	3,652,270	3,798	-	3,652,270	0.263
2020	1,386,653,517	0.00%	3,710,909	1.50%	1,416,271	2,290,200	3,706,471	4,438	-	3,706,471	0.267
2021	1,386,653,517	0.00%	3,766,572	1.50%	-	1,814,800	1,814,800	1,951,772	-	1,814,800	0.131
2022	1,386,653,517	0.00%	3,823,071	1.50%	-	-	-	3,823,071	-	-	0.000
2023	1,386,653,517	0.00%	3,880,417	1.50%	-	-	-	3,880,417	-	-	0.000
2024	1,386,653,517	0.00%	3,938,623	1.50%	-	-	-	3,938,623	-	-	0.000
2025	1,386,653,517	0.00%	3,997,703	1.50%	-	-	-	3,997,703	-	-	0.000
2026	1,386,653,517	0.00%	4,057,668	1.50%	-	-	-	4,057,668	-	-	0.000
2027	1,386,653,517	0.00%	4,118,533	1.50%	-	-	-	4,118,533	-	-	0.000
2028	1,386,653,517	0.00%	4,180,311	1.50%	-	-	-	4,180,311	-	-	0.000
2029	1,386,653,517	0.00%	4,243,016	1.50%	-	-	-	4,243,016	-	-	0.000
2030	1,386,653,517	0.00%	4,306,661	1.50%	-	-	-	4,306,661	-	-	0.000
2031	1,386,653,517	0.00%	4,371,261	1.50%	-	-	-	4,371,261	-	-	0.000
2032	1,386,653,517	0.00%	4,436,830	1.50%	-	-	-	4,436,830	-	-	0.000
2033	1,386,653,517	0.00%	4,503,382	1.50%	-	-	-	4,503,382	-	-	0.000
2034	1,386,653,517	0.00%	4,570,933	1.50%	-	-	-	4,570,933	-	-	0.000
2035	1,386,653,517	0.00%	4,639,497	1.50%	-	-	-	4,639,497	-	-	0.000
2036	1,386,653,517	0.00%	4,709,089	1.50%	-	-	-	4,709,089	-	-	0.000
						9,134,535	10,655,017	19,789,552		6,320,706	26,110,258

All in True Interest Cost as of Nov. 17, 2017: 2.25%  
 Proceeds: 10,000,000  
 Total Cost: 655,017

(1) CPI is assumed to grow at 1.5% from LY 2018 on

(2) Proposed Series 2018 assumes current market interest rates for a similar rated transaction.

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## FORC ALTERNATIVE FUNDING PLAN

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- As an alternative to reducing the 2017 operating tax levy, FORC discussed issuing FEWER Bonds (\$7.5M v \$10M) which would save the District interest cost (just under \$100,000)
- In addition, the bond levy would not start in 2017, but 2018 levy year instead – thereby reducing the debt service tax levy by approximately \$2.13M for levy year 2017 (debt service tax rate reduction of approximately \$.15 per \$100 EAV)
- In order to fund the life safety and Longfellow projects the District would utilize approximately \$2.5M of the operating tax levy plus \$7.5M bond proceeds
- The District estimates it will need these fund by July of 2018
- The following page shows the proposed FORC funding plan
- Options 1 and 2 show \$7.5M issued in March 2018 versus July 2018 and the breakeven increase in interest rates to make the District better off to issue the bonds in March of 2018

# OPTION 1: \$7.5M DSEB BONDS ISSUED IN MARCH 2018

\$7.5M Bank Qualified (Private Placement) in March 2018

Tax Year	Equalized Assessed Value	EAV Change	Debt Service Extension Base	CPI Growth (1)	Current DSEB D/S	Non-Ref (Limited Tax)		Remaining DSEB Capacity	Referendum		Proposed Debt Service Tax Rate
						\$7.5M Series 2018 Net Debt Service	Total DSEB D/S		Total ULT D/S	Total Proposed Debt Service	
2016	1,386,653,517	3.91%	3,475,813	0.70%	3,471,739	-	3,471,739	4,074	4,455,600	7,927,339	0.572
2017	1,386,653,517	0.00%	3,548,805	2.10%	1,417,155	-	1,417,155	2,131,651	1,865,106	3,282,261	0.237
2018	1,386,653,517	0.00%	3,602,037	1.50%	1,412,301	2,181,359	3,593,660	8,378	-	3,593,660	0.259
2019	1,386,653,517	0.00%	3,656,068	1.50%	1,417,070	2,238,370	3,655,439	629	-	3,655,439	0.264
2020	1,386,653,517	0.00%	3,710,909	1.50%	1,416,271	2,290,334	3,706,605	4,304	-	3,706,605	0.267
2021	1,386,653,517	0.00%	3,766,572	1.50%	-	1,349,040	1,349,040	2,417,532	-	1,349,040	0.097
2022	1,386,653,517	0.00%	3,823,071	1.50%	-	-	-	3,823,071	-	-	0.000
2023	1,386,653,517	0.00%	3,880,417	1.50%	-	-	-	3,880,417	-	-	0.000
2024	1,386,653,517	0.00%	3,938,623	1.50%	-	-	-	3,938,623	-	-	0.000
2025	1,386,653,517	0.00%	3,997,703	1.50%	-	-	-	3,997,703	-	-	0.000
2026	1,386,653,517	0.00%	4,057,668	1.50%	-	-	-	4,057,668	-	-	0.000
2027	1,386,653,517	0.00%	4,118,533	1.50%	-	-	-	4,118,533	-	-	0.000
2028	1,386,653,517	0.00%	4,180,311	1.50%	-	-	-	4,180,311	-	-	0.000
2029	1,386,653,517	0.00%	4,243,016	1.50%	-	-	-	4,243,016	-	-	0.000
2030	1,386,653,517	0.00%	4,306,661	1.50%	-	-	-	4,306,661	-	-	0.000
2031	1,386,653,517	0.00%	4,371,261	1.50%	-	-	-	4,371,261	-	-	0.000
2032	1,386,653,517	0.00%	4,436,830	1.50%	-	-	-	4,436,830	-	-	0.000
2033	1,386,653,517	0.00%	4,503,382	1.50%	-	-	-	4,503,382	-	-	0.000
2034	1,386,653,517	0.00%	4,570,933	1.50%	-	-	-	4,570,933	-	-	0.000
2035	1,386,653,517	0.00%	4,639,497	1.50%	-	-	-	4,639,497	-	-	0.000
2036	1,386,653,517	0.00%	4,709,089	1.50%	-	-	-	4,709,089	-	-	0.000
					9,134,535	8,059,102	17,193,636		6,320,706	23,514,342	

All in True Interest Cost as of December 1st, 2017:

Proceeds:	\$ 7,500,000
Total Interest Cost:	\$ 559,102
<i>Proposed 2018 Non-Ref</i>	

- (1) CPI is assumed to grow at 1.5% from LY 2018 on
- (2) Proposed issues assume current market interest rates for a similar rated transaction.
- (3) This issue is assumed to be a private placement.

## OPTION 2: \$7.5M DSEB BONDS ISSUED IN JULY 2018

\$7.5M Bank Qualified (Private Placement) in July 2018

Tax Year	Equalized Assessed Value	EAV Change	Debt Service Extension Base	CPI Growth (1)	Current DSEB D/S	Non-Ref (Limited Tax)		Remaining DSEB Capacity	Referendum Total ULT D/S	Total Proposed Debt Service	Proposed Debt Service Tax Rate
						\$7.5M Series 2018 Net Debt Service	Total DSEB D/S				
2016	1,386,653,517	3.91%	3,475,813	0.70%	3,471,739	-	3,471,739	4,074	4,455,600	7,927,339	0.572
2017	1,386,653,517	0.00%	3,548,805	2.10%	1,417,155	-	1,417,155	2,131,651	1,865,106	3,282,261	0.237
2018	1,386,653,517	0.00%	3,602,037	1.50%	1,412,301	2,181,500	3,593,801	8,236	-	3,593,801	0.259
2019	1,386,653,517	0.00%	3,656,068	1.50%	1,417,070	2,237,374	3,654,444	1,624	-	3,654,444	0.264
2020	1,386,653,517	0.00%	3,710,909	1.50%	1,416,271	2,294,338	3,710,609	300	-	3,710,609	0.268
2021	1,386,653,517	0.00%	3,766,572	1.50%	-	1,297,940	1,297,940	2,468,632	-	1,297,940	0.094
2022	1,386,653,517	0.00%	3,823,071	1.50%	-	-	-	3,823,071	-	-	0.000
2023	1,386,653,517	0.00%	3,880,417	1.50%	-	-	-	3,880,417	-	-	0.000
2024	1,386,653,517	0.00%	3,938,623	1.50%	-	-	-	3,938,623	-	-	0.000
2025	1,386,653,517	0.00%	3,997,703	1.50%	-	-	-	3,997,703	-	-	0.000
2026	1,386,653,517	0.00%	4,057,668	1.50%	-	-	-	4,057,668	-	-	0.000
2027	1,386,653,517	0.00%	4,118,533	1.50%	-	-	-	4,118,533	-	-	0.000
2028	1,386,653,517	0.00%	4,180,311	1.50%	-	-	-	4,180,311	-	-	0.000
2029	1,386,653,517	0.00%	4,243,016	1.50%	-	-	-	4,243,016	-	-	0.000
2030	1,386,653,517	0.00%	4,306,661	1.50%	-	-	-	4,306,661	-	-	0.000
2031	1,386,653,517	0.00%	4,371,261	1.50%	-	-	-	4,371,261	-	-	0.000
2032	1,386,653,517	0.00%	4,436,830	1.50%	-	-	-	4,436,830	-	-	0.000
2033	1,386,653,517	0.00%	4,503,382	1.50%	-	-	-	4,503,382	-	-	0.000
2034	1,386,653,517	0.00%	4,570,933	1.50%	-	-	-	4,570,933	-	-	0.000
2035	1,386,653,517	0.00%	4,639,497	1.50%	-	-	-	4,639,497	-	-	0.000
2036	1,386,653,517	0.00%	4,709,089	1.50%	-	-	-	4,709,089	-	-	0.000
						9,134,535	8,011,152	17,145,687		6,320,706	23,466,393

All in True Interest Cost as of December 1st, 2017:	2.35%
Proceeds:	\$ 7,500,000
Total Interest Cost:	\$ 511,152

- (1) CPI is assumed to grow at 1.5% from LY 2018 on
- (2) Proposed Series 2018 assumes current market interest rates for a similar rated transaction.
- (3) This issue is assumed to be a negotiated public sale

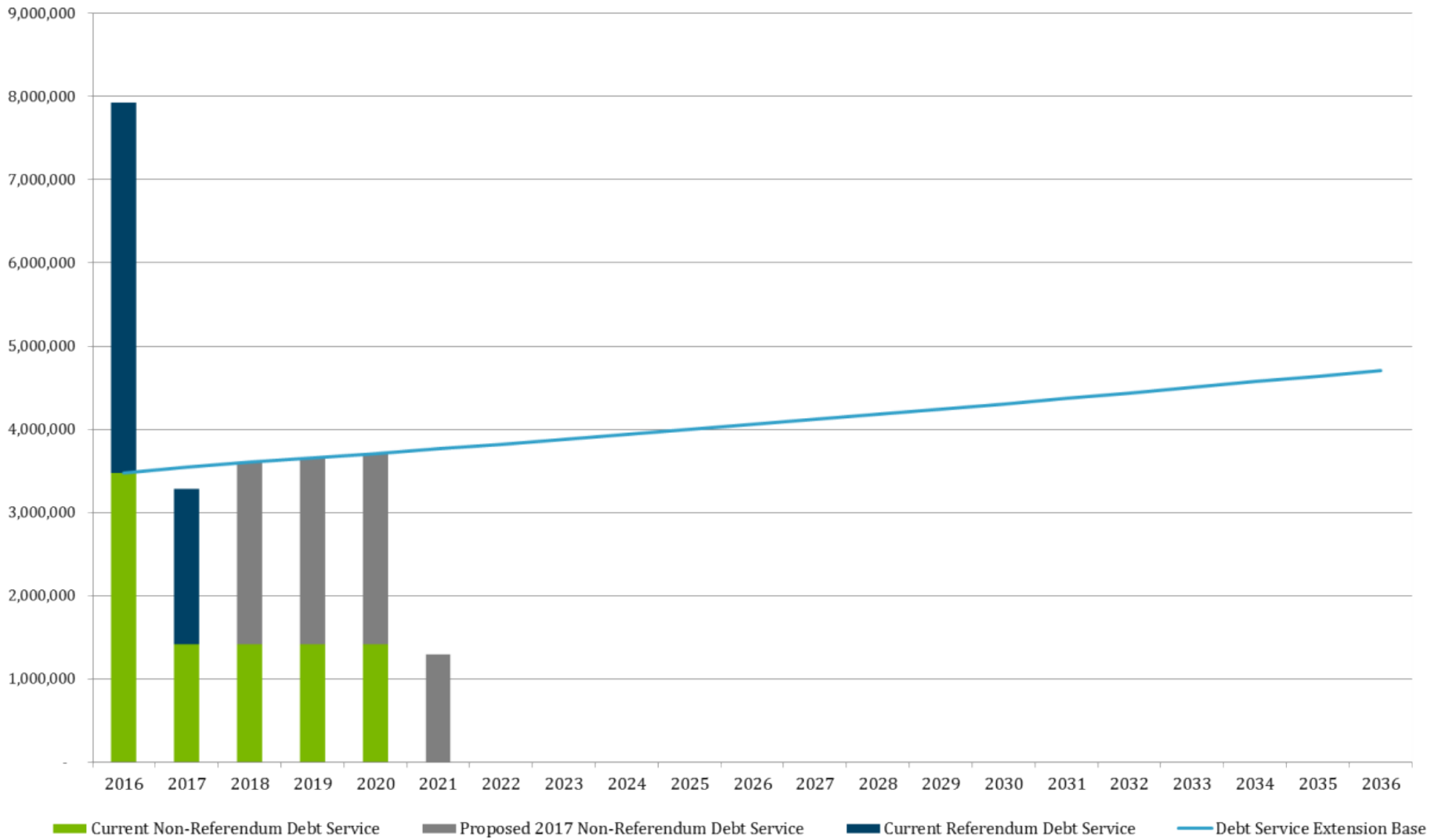
# BREAKEVEN ANALYSIS

	OPTION I	OPTION II	BREAKEVEN
	Mar-18	Jul-18	+0.21% of current rates
	\$7.5MM	\$7.5MM	\$7.5MM
Lewy	Debt Service	Debt Service	Debt Service
2017	-	-	-
2018	2,181,359	2,181,500	2,192,040
2019	2,238,370	2,237,374	2,237,738
2020	2,290,334	2,294,338	2,291,107
2021	1,349,040	1,297,940	1,330,940
<b>TOTAL</b>	<b>8,059,102</b>	<b>8,011,152</b>	<b>8,051,825</b>
		<b>Rate Breakeven</b>	<b>+0.21%</b>
		<i>*Options I and II are based on current market interest rates as of December 1, 2017.</i>	

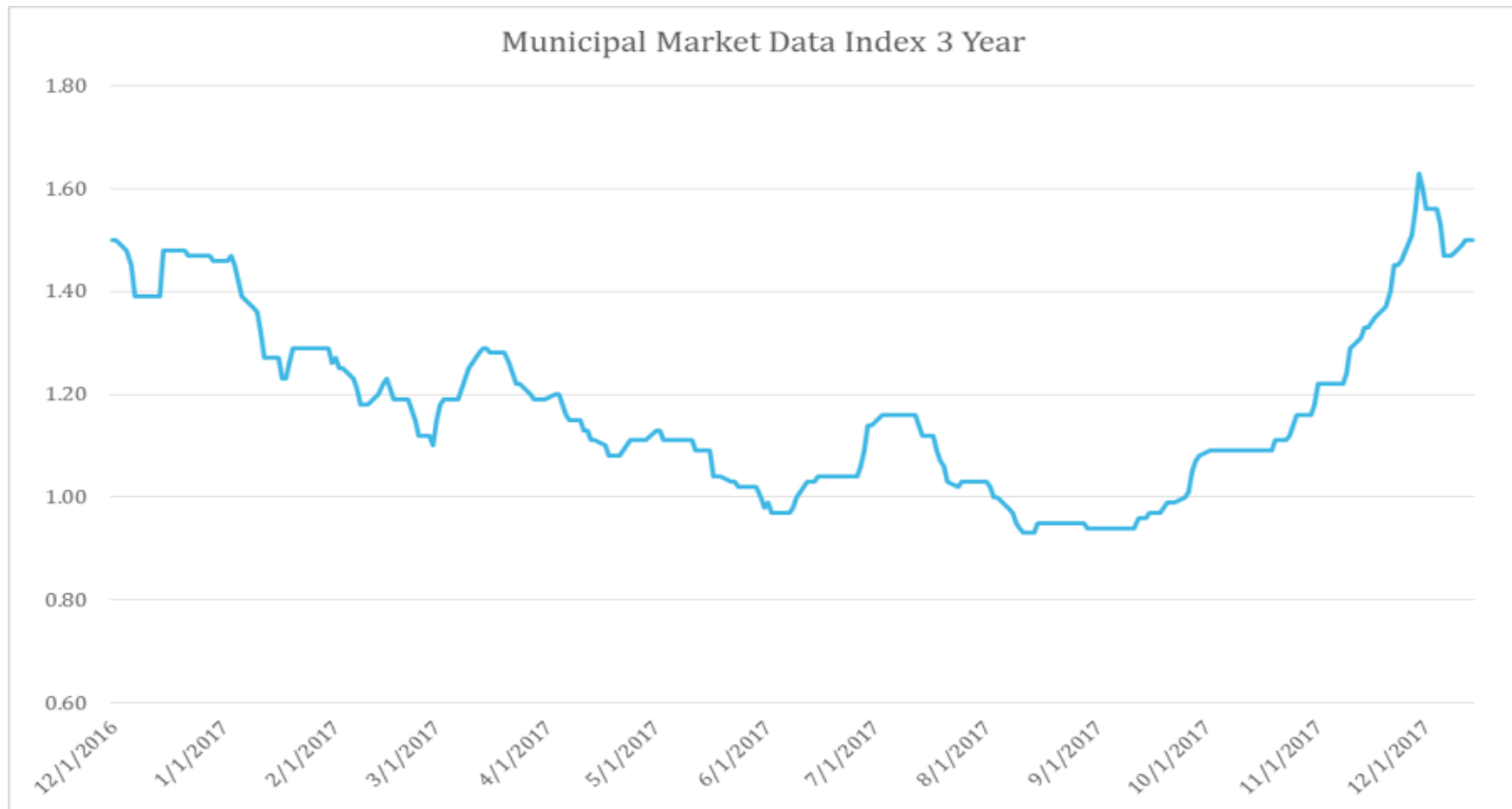
- The District saves \$47,950 of interest cost if bonds are issued in July 2018 versus March 2018
- However, if interest rates increase by more than .21% in each maturity by July 1 of 2018, the interest cost will be the same or more than if the bonds were issued in March of 2018



# \$7.5M DSEB BONDS ISSUED IN JULY 2017



## INTEREST RATE VOLATILITY 3 YEAR - LAST 12 MONTHS



- The average life of the DSEB bonds is 3.184 years
- Above is the volatility of the 3 year AAA Municipal Market Data Index over the last year
- Low is .93% and high is 1.60%

# PROPOSED FINANCING SCHEDULE

<u>Date</u>	<u>Activity</u>	<u>Responsibility</u>	<u>Status</u>
<b>Regular Meeting 14-Nov-17</b>	Discuss plan of financing for Holmes School, mandated life safety projects Review draft bond resolution	District/RJ	Done
<b>FORC Meeting 21-Nov-17</b>	Discuss financing options with FORC including DSEB and Referendum options	District/RJ	Done
<b>FORC Meeting 12-Dec-17</b>	Discuss financing options including breakeven increase in interest rates March versus July issuance 2018	District/RJ	Done
15-Dec-17	Draft Bond Resolutions delivered to District for inclusion in the Board packets	C&C	Done
<b>Regular Meeting 19-Dec-17</b>	Review financing options recommended by FORC and Reimbursement and Parameters Review resolutions for consideration in January 2018	District/RJ	
<b>FORC Meeting January 2018</b>	Discuss financing options in light of updated financial projections	District/RJ	
<b>Regular Meeting 13-Feb-18</b>	Approve parameters bond resolution authorizing the issue of up to \$7.5M with final approval by Board delegates including Board President and Assistant Superintendent for Business and Operations	District/RJ	
	Approve resolution to reimburse District for capital expenditures related to capital projects with proceeds of future DSEB and referendum bonds	District	
TBD	Distribute Preliminary Official Statement (Term Sheet) for Review	All Parties	
TBD	Due Diligence Call	District/RJ	
TBD March-July	Distribute Preliminary Official Statement to Investors	RJ	
TBD March-July	Price bonds assuming appropriate market conditions with final approval of Board Delegates	All Parties	
Ongoing	Process documentation	All Parties	
TBD	Finalize Term Sheet and mail to investors	RJ/Purchaser	
No later than July 2018	Close bond issue, District invests proceeds	All Parties	
<b>Oak Park School District 97</b> <b>Raymond James, Underwriter/Placement Agent</b> <b>Chapman and Cutler, Bond Counsel/Disclosure Counsel</b>		<b>District</b> <b>RJ</b> <b>C&amp;C</b>	

\* Preliminary, subject to change

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# DISCLAIMER

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