

# Warren County School District

## *Update on QZAB Financing*

*May 26, 2015*

Prepared by:

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# MUNICIPAL MARKET UPDATE

May 26, 2015

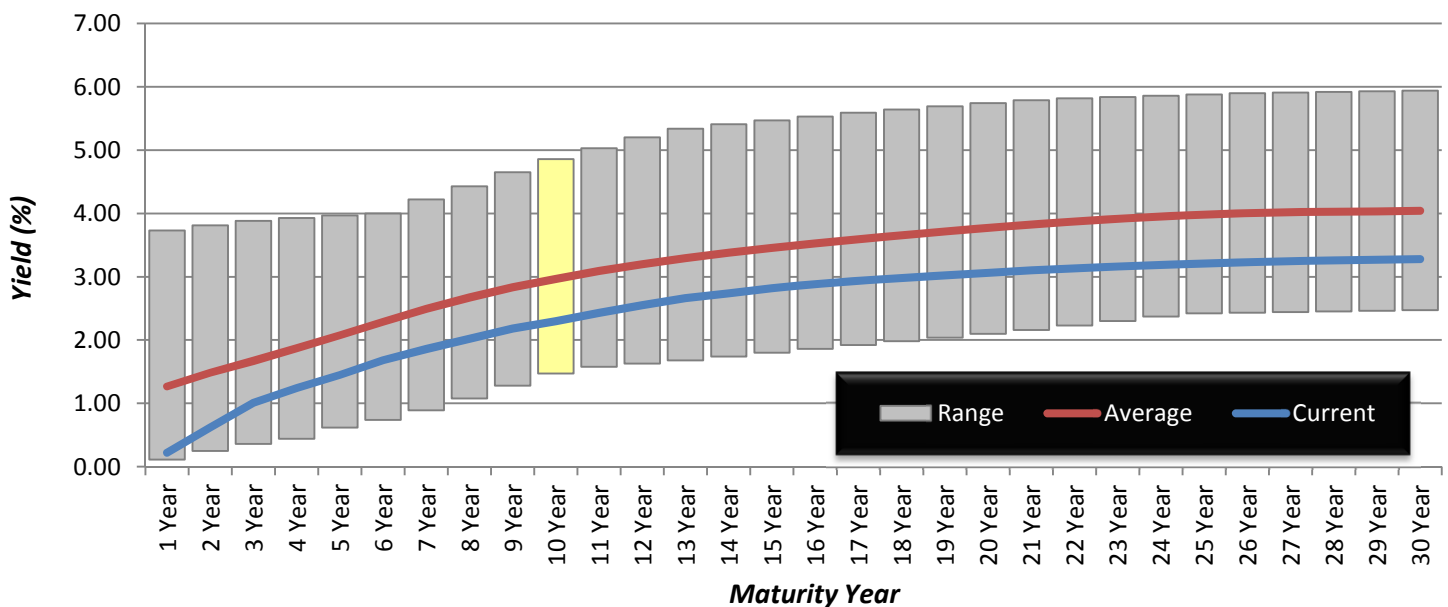


## MMD YIELD CURVE

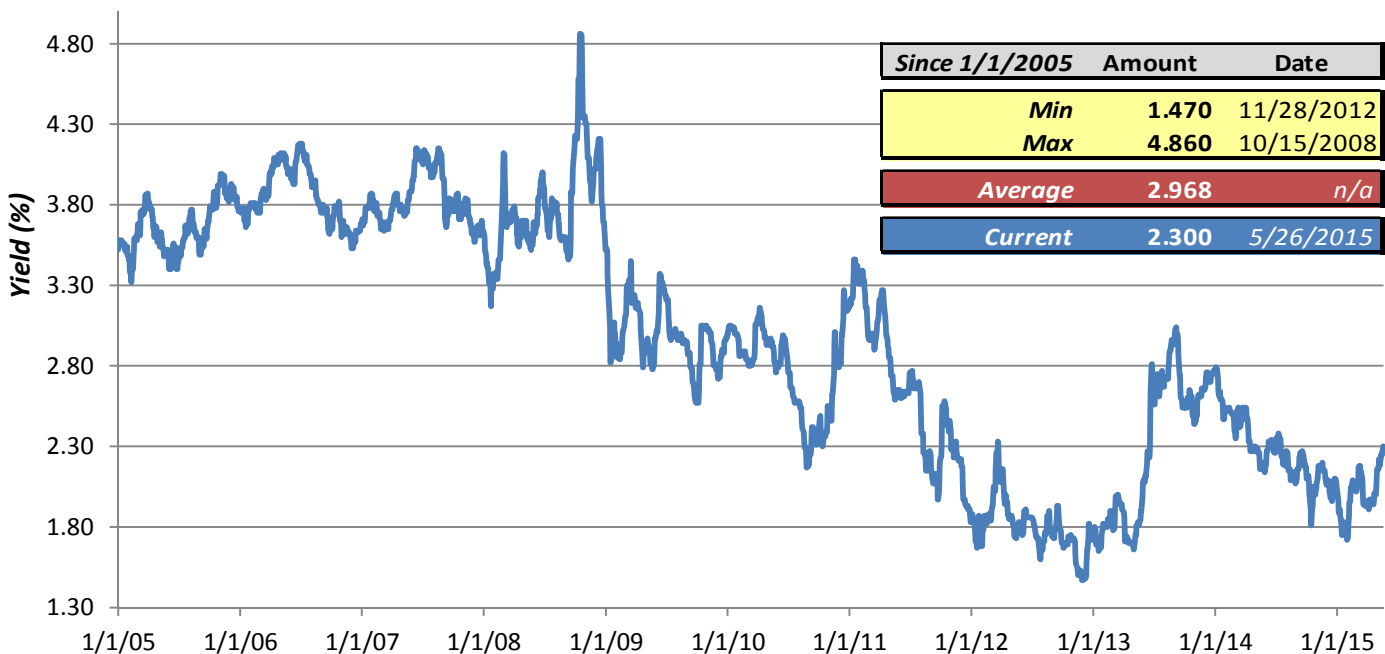
The MMD Yield Curve is a high grade municipal yield curve published daily by Municipal Market Data. It is one of the most commonly used benchmarks in municipal finance. The yields within the curve reflect the current yields for each maturity year at which bondholders would be likely to sell high quality (AAA rated) general obligation backed bonds. The yield curve is typically influenced by new issuances in the primary market as well as post-issuance trading in the secondary market.

Municipal bonds typically trade at a "spread to MMD", meaning the difference between the yield in a specific year of a bond issue and the respective yield in the MMD Yield Curve. While these spreads vary over time, they can be a meaningful and powerful tool in trying to compare relative yield levels in a volatile interest rate environment.

## HISTORICAL MMD CURVE ILLUSTRATION - SINCE JANUARY 1, 2005



## SPOT ANALYSIS - 10 YEAR MMD - SINCE JANUARY 1, 2005



**WARREN COUNTY SCHOOL DISTRICT  
SUMMARY OF OUTSTANDING INDEBTEDNESS**

Debt Service Requirements							
1 Fiscal Year Ended	2 G.O. Bonds Series of 2010	3 QZAB Series of 2011 (1)	4 QZAB Series of 2012(2)	5 G.O. Bonds Series of 2013	6 G.O. Bonds Series A of 2013	7 G.O. Bonds Series of 2014	8 Total Debt Service
6/30/2015	1,472,056	865,527	70,998	295,980	884,550	401,985	3,991,096
6/30/2016	1,223,906	1,024,681	72,999	295,905	868,350	406,940	3,892,781
6/30/2017	1,232,706	984,100	40,000	295,830	862,875	406,850	3,822,361
6/30/2018	1,230,322	988,700	40,000	295,755	862,750	406,760	3,824,287
6/30/2019	1,230,388	1,777,800	180,000	295,680		406,670	3,890,538
6/30/2020	723,753	1,315,700	1,215,000	295,583		406,580	3,956,616
6/30/2021	716,550	762,100	1,825,000	295,463		406,460	4,005,573
6/30/2022	717,706	789,000	1,764,254	295,343		406,310	3,972,612
6/30/2023	722,381	720,000	1,802,781	295,223		406,160	3,946,544
6/30/2024	716,016	702,000	1,797,494	295,103		425,710	3,936,322
6/30/2025		684,000	2,559,846	294,983		449,535	3,988,363
6/30/2026		666,000	2,016,867	792,273		487,273	3,962,412
6/30/2027		648,000	639,871	1,397,523		1,062,210	3,747,604
6/30/2028		630,000	599,733	1,363,323		1,133,010	3,726,066
6/30/2029		612,000	559,595	1,329,123		1,194,910	3,695,628
6/30/2030		594,000	514,639	1,294,923		1,267,710	3,671,271
6/30/2031			479,501	1,260,723		1,777,110	3,517,333
6/30/2032			439,363	1,231,448		1,827,595	3,498,405
6/30/2033			399,225	1,197,098		1,887,285	3,483,607
6/30/2034			359,087	1,162,461		1,490,295	3,011,843
6/30/2035							
6/30/2036							
6/30/2037							
<b>TOTAL</b>	9,985,784	13,763,608	17,376,251	14,279,736	3,478,525	16,657,358	75,541,262

Local Effort Requirements							
9 Fiscal Year Ended	10 G.O. Bonds Series of 2010	11 QZAB Series of 2011 (1)	12 QZAB Series of 2012(2)	13 G.O. Bonds Series of 2013	14 G.O. Bonds Series A of 2013	15 G.O. Bonds Series of 2014	16 Total Local Effort
6/30/2015	1,120,738	865,527	70,998	295,980	665,504	401,985	3,420,733
6/30/2016	931,811	1,024,681	72,999	295,905	653,316	406,940	3,385,652
6/30/2017	938,511	723,015	28,176	213,054	649,197	382,831	2,934,783
6/30/2018	936,696	726,395	28,176	213,000	649,103	382,747	2,936,115
6/30/2019	936,746	1,306,144	126,790	212,946		382,662	2,965,287
6/30/2020	551,024	966,641	855,832	212,875		382,577	2,968,949
6/30/2021	545,540	559,913	1,285,510	212,789		382,464	2,986,215
6/30/2022	546,420	579,676	1,242,721	212,703		382,323	2,963,842
6/30/2023	549,979	528,982	1,269,859	212,616		382,182	2,943,618
6/30/2024	545,133	515,757	1,266,135	212,530		400,578	2,940,132
6/30/2025		502,533	1,803,127	212,443		422,996	2,941,099
6/30/2026		489,308	1,420,659	570,586		458,506	2,939,059
6/30/2027		476,084	450,718	1,006,481		999,501	2,932,784
6/30/2028		462,859	422,445	981,850		1,066,122	2,933,276
6/30/2029		449,635	394,173	957,220		1,124,367	2,925,394
6/30/2030		436,410	362,506	932,589		1,192,869	2,924,375
6/30/2031			337,755	907,959		1,672,196	2,917,910
6/30/2032			309,482	886,875		1,719,701	2,916,059
6/30/2033			281,209	862,137		1,775,867	2,919,213
6/30/2034			252,937	837,192		1,402,314	2,492,443
6/30/2035							
6/30/2036							
6/30/2037							
<b>TOTAL</b>	7,602,598	10,613,558	12,282,205	10,449,729	2,617,119	15,721,729	59,286,939

<b>Principal *:</b>	7,675,000	16,200,000	23,180,000	9,695,000	2,485,000	9,980,000	69,215,000
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<b>PE%:</b>	33.23%	36.94%	41.16%	38.96%	34.48%	8.22%
<b>PE% Status:</b>	Temporary	Estimated	Estimated	Estimated	Temporary	Estimated
<b>AR%:</b>	71.82%	71.82%	71.82%	71.82%	71.82%	71.82%
<b>Call Date:</b>	10/1/2015	Non-Callable	Non-Callable	5/15/2018	Non-Callable	5/15/2019
<b>Purpose:</b>	Cur Ref 03 & 04	New Money	New Money	New Money	Cur Ref 08	New Money



<b>2015 Reimbursement</b>	229,627	20,988	82,818		23,732	357,165
<b>2016 Reimbursement</b>	271,851	21,579	82,797		24,024	400,252

\* Outstanding as of May 26, 2015

(1) QZAB debt service is net of Fed. Reimbursement Subsidy 5.138% & est. sinking fund earnings of 2.00%

(1A) Assumes Fed. Reimbursement Subsidy for 9/1/13 payments reduced by 8.70% (\$36,207.49 per payment)

(1B) Assumes Fed. Reimbursement Subsidy for 3/1/14 & 9/1/14 payments reduced by 7.20% (\$29,964.82 per payment)

(1C) Assumes Fed. Reimbursement Subsidy for 3/1/15 & 9/1/15 payments reduced by 7.30% (\$30,380.99 per payment)

(2) QZAB debt service is net of Fed. Reimbursement Subsidy 4.185% & sinking fund earnings of 3.14%

(1A) Assumes Fed. Reimbursement Subsidy for 11/1/13 & 5/1/14 payments reduced by 7.20% (\$34,922.99 per payment)

(1B) Assumes Fed. Reimbursement Subsidy for 5/1/2015 & 11/1/2015 payments reduced by 7.30% (\$32,999.10 per payment)

(3) Assumes that receipt of state reimbursement on highlighted bonds is delayed from FY11/12 through and including FY15/16 (Approx. \$868,475)

<b>WARREN COUNTY SCHOOL DISTRICT</b> <b>Series of 2015</b> <b>Comparison of QZAB vs. Tax Exempt Bond Issue</b>
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	OPTION 1	OPTION 2	
	Est. Tax Exempt Bond Issue	Est. Taxable QZAB	Est. Benefit Of QZAB
Estimated Project Proceeds Available to District:	8,212,326	8,211,200	
Borrowing Amount:	8,455,000	8,449,000	
PLUS: Estimated Interest:	6,376,914	4,431,618	
LESS: Estimated Sinking Fund Earnings:	0	(190,400)	
LESS: Estimated State Aid:	0	0	
Total Local Effort (Principal + Interest):	14,831,914	12,690,218	2,141,696
<b>Assumptions</b>			
Est. Final Maturity:	9/1/2036	9/1/2036	
Est. Interest Rate:	3.90%	2.50%	
Est. Subsidy:	0.00%	0.00%	
Est. Sinking Fund Investment Rate:	0.00%	2.00%	

\* Assumes a bid price of 100.00%

**WARREN COUNTY SCHOOL DISTRICT  
QUALIFIED ZONE ACADEMY BOND PROGRAM  
SERIES OF 2015**

**Estimated:**

Dated: 9/22/2015  
Settlement: 9/22/2015  
Maximum Maturity: 28 years (9/1/2043)  
Actual Final Maturity: 9/1/2036  
Par Amount: \$8,449,000  
Bid Price: 100.0000%  
Proceeds: \$8,449,000  
First Interest Payment: 3/1/2016  
Principal Due: September 1  
Taxable Coupon: 2.500%  
Tax Credit Rate: 4.620%  
Assumed Investment Rate: 2.000% <sup>(1)</sup>

AR% 72.82% (2014-15)  
PE% 0.00% Estimated  
1 Mill = \$420,000 Estimated

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	<b>BANK TAX CREDIT</b>	<b>BONDHOLDER INFORMATION</b>			<b>ESTIMATED SINKING FUND INFORMATION</b>				<b>ISSUER NET PAYMENT STRUCTURE</b>				<b>TOTAL LOCAL EFFORT</b>	
Loan Payment Date	Bondholder Tax Credit Rate	Principal	Taxable Coupon	Interest	Gross Principal Sinking Fund Required	Less: Sinking Fund Income	Net Sinking Fund Deposit	Principal Sinking Fund Balance	(5+8) Semi-Annual Net Payments	Annual Net Payments	Less: State Aid	Annual Estimated Local Effort	Existing Local Effort	Total Local Effort
					2.000% [1]									
3/1/2016				101,505.35					101,505.35	101,505.35		101,505.35	2,927,449.38	3,028,954.73
9/1/2016	4.620		2.500	105,612.50	5,000		5,000.00	5,000.00	110,612.50			110,612.50		
3/1/2017				105,612.50				5,000.00	105,612.50	216,225.00		216,225.00	2,922,425.06	3,138,650.06
9/1/2017	4.620		2.500	105,612.50	5,000	(100.00)	4,900.00	10,000.00	110,512.50			105,612.50		
3/1/2018				105,612.50				10,000.00	105,612.50	216,125.00		216,125.00	2,923,748.33	3,139,873.33
9/1/2018	4.620		2.500	105,612.50	5,000	(200.00)	4,800.00	15,000.00	110,412.50			105,612.50		
3/1/2019				105,612.50				15,000.00	105,612.50	216,025.00		216,025.00	2,952,404.51	3,168,429.51
9/1/2019	4.620		2.500	105,612.50	5,000	(300.00)	4,700.00	20,000.00	110,312.50			105,612.50		
3/1/2020				105,612.50				20,000.00	105,612.50	215,925.00		215,925.00	2,955,197.49	3,171,122.49
9/1/2020	4.620		2.500	105,612.50	5,000	(400.00)	4,600.00	25,000.00	110,212.50			105,612.50		
3/1/2021				105,612.50				25,000.00	105,612.50	215,825.00		215,825.00	2,972,021.85	3,187,846.85
9/1/2021	4.620		2.500	105,612.50	5,000	(500.00)	4,500.00	30,000.00	110,112.50			105,612.50		
3/1/2022				105,612.50				30,000.00	105,612.50	215,725.00		215,725.00	2,949,796.23	3,165,521.23
9/1/2022	4.620		2.500	105,612.50	5,000	(600.00)	4,400.00	35,000.00	110,012.50			105,612.50		
3/1/2023				105,612.50				35,000.00	105,612.50	215,625.00		215,625.00	2,929,653.26	3,145,278.26
9/1/2023	4.620		2.500	105,612.50	5,000	(700.00)	4,300.00	40,000.00	109,912.50			105,612.50		
3/1/2024				105,612.50				40,000.00	105,612.50	215,525.00		215,525.00	2,926,261.46	3,141,786.46
9/1/2024	4.620		2.500	105,612.50	5,000	(800.00)	4,200.00	45,000.00	109,812.50			105,612.50		
3/1/2025				105,612.50				45,000.00	105,612.50	215,425.00		215,425.00	2,926,517.22	3,141,942.22
9/1/2025	4.620		2.500	105,612.50	5,000	(900.00)	4,100.00	50,000.00	109,712.50			105,612.50		
3/1/2026				105,612.50				50,000.00	105,612.50	215,325.00		215,325.00	2,924,810.11	3,140,135.11
9/1/2026	4.620		2.500	105,612.50	5,000	(1,000.00)	4,000.00	55,000.00	109,612.50			105,612.50		
3/1/2027				105,612.50				55,000.00	105,612.50	215,225.00		215,225.00	2,921,438.49	3,136,663.49
9/1/2027	4.620		2.500	105,612.50	5,000	(1,100.00)	3,900.00	60,000.00	109,512.50			105,612.50		
3/1/2028				105,612.50				60,000.00	105,612.50	215,125.00		215,125.00	2,922,237.69	3,137,362.69
9/1/2028	4.620		2.500	105,612.50	5,000	(1,200.00)	3,800.00	65,000.00	109,412.50			105,612.50		
3/1/2029				105,612.50				65,000.00	105,612.50	215,025.00		215,025.00	2,914,669.63	3,129,694.63
9/1/2029	4.620		2.500	105,612.50	5,000	(1,300.00)	3,700.00	70,000.00	109,312.50			105,612.50		
3/1/2030				105,612.50				70,000.00	105,612.50	214,925.00		214,925.00	2,913,974.94	3,128,899.94
9/1/2030	4.620		2.500	105,612.50	5,000	(1,400.00)	3,600.00	75,000.00	109,212.50			105,612.50		
3/1/2031				105,612.50				75,000.00	105,612.50	214,825.00		214,825.00	2,909,564.08	3,124,389.08
9/1/2031	4.620		2.500	105,612.50	5,000	(1,500.00)	3,500.00	80,000.00	109,112.50			105,612.50		
3/1/2032				105,612.50				80,000.00	105,612.50	214,725.00		214,725.00	2,907,950.10	3,122,675.10
9/1/2032	4.620		2.500	105,612.50	5,000	(1,600.00)	3,400.00	85,000.00	109,012.50			105,612.50		
3/1/2033				105,612.50				85,000.00	105,612.50	214,625.00		214,625.00	2,911,354.93	3,125,979.93
9/1/2033	4.620		2.500	105,612.50	165,000	(1,700.00)	163,300.00	250,000.00	268,912.50			105,612.50		
3/1/2034				105,612.50				250,000.00	105,612.50	374,525.00		374,525.00	2,485,210.69	2,859,735.69
9/1/2034	4.620		2.500	105,612.50	2,650,000	(5,000.00)	2,645,000.00	2,900,000.00	2,750,612.50			105,612.50		
3/1/2035				105,612.50				2,900,000.00	105,612.50	2,856,225.00		2,856,225.00		2,856,225.00
9/1/2035	4.620		2.500	105,612.50	2,705,000	(58,000.00)	2,647,000.00	5,605,000.00	2,752,612.50			105,612.50		
3/1/2036				105,612.50				5,605,000.00	105,612.50	2,858,225.00		2,858,225.00		2,858,225.00
9/1/2036	4.620	8,449,000	2.500	105,612.50	2,844,000	(112,100.00)	2,731,900.00	8,449,000.00	2,837,512.50			2,837,512.50		
3/1/2037								8,449,000.00		2,837,512.50		2,837,512.50		2,837,512.50
TOTALS		8,449,000		4,431,617.85	8,449,000.00	(190,400.00)	8,258,600.00		12,690,217.85	12,690,217.85	0.00	12,690,217.85	55,196,685.45	67,886,903.30

<sup>(1)</sup> For these purposes, investment rate is estimated. Investment contract will not be locked in prior to closing.

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# WARREN COUNTY SCHOOL DISTRICT

***Estimated Schedule : \$8,449,000 2015 QZAB***

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## **Financing & Legal Team and District's Business Office:**

- Proceed with preparation of financial and legal documents
- Proceed with Moody's credit rating process (current rating from Moody's is "A2")
- Selection of underwriter

## **August 3<sup>rd</sup>**

- Federal determination of QZAB maximum final maturity (and permitted sinking fund yield) for QZABs priced in August

## **August 10<sup>th</sup> Board Meeting**

- Parameters Bond Sale
- Official vote on Debt Resolution
- Documents, including Bond Purchase Agreement, will reflect a maximum not-to-exceed amount and interest rate

## **Mid-August (after August 10<sup>th</sup>)**

- Bond Pricing
- Federal determination of bondholder's tax credit rate
- District locks-in interest rate
- Provide final results to District Business Office

## **Mid-Late September**

- Settlement of 2015 QZABs – proceeds available for District's capital project

## **Sample Motion**

Resolved: The Board of School Directors of the Warren County School District does hereby authorize the Administration to work with Public Financial Management, Inc. as Independent Financial Advisor, Knox McLaughlin Gornall & Sennett, P.C. as Bond Counsel and the local Solicitor to issue Qualified Zone Academy Bonds, Series of 2015 in the amount of \$8,449,000 for the purpose of funding new money needs of the District.