

City Schools of Decatur, Georgia

Financing Options Update



December 2025



Interest Rate Market Update

City Schools of Decatur, Georgia

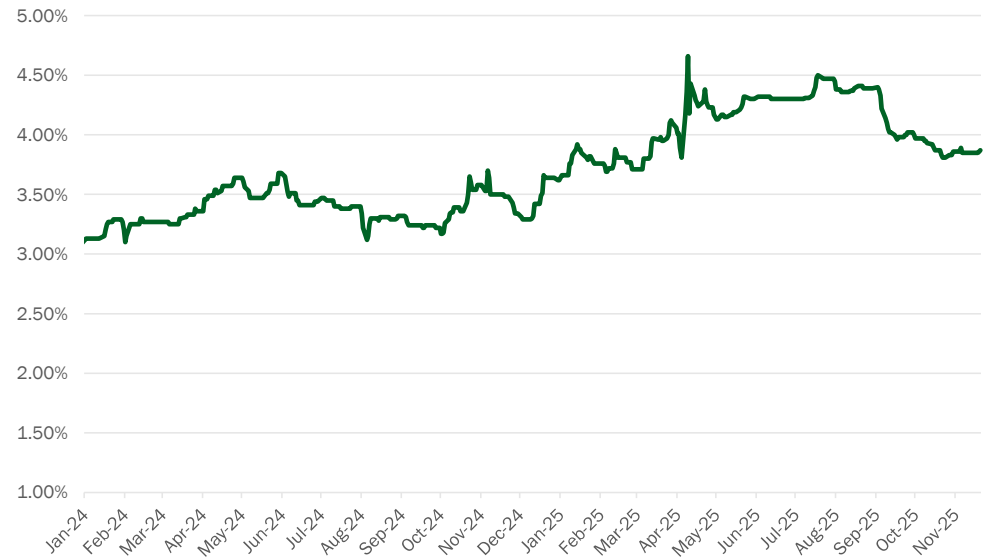
AAA Tax-Exempt 20-Year Interest Rate



20-Year AAA Tax-Exempt Rates (Since 2000)



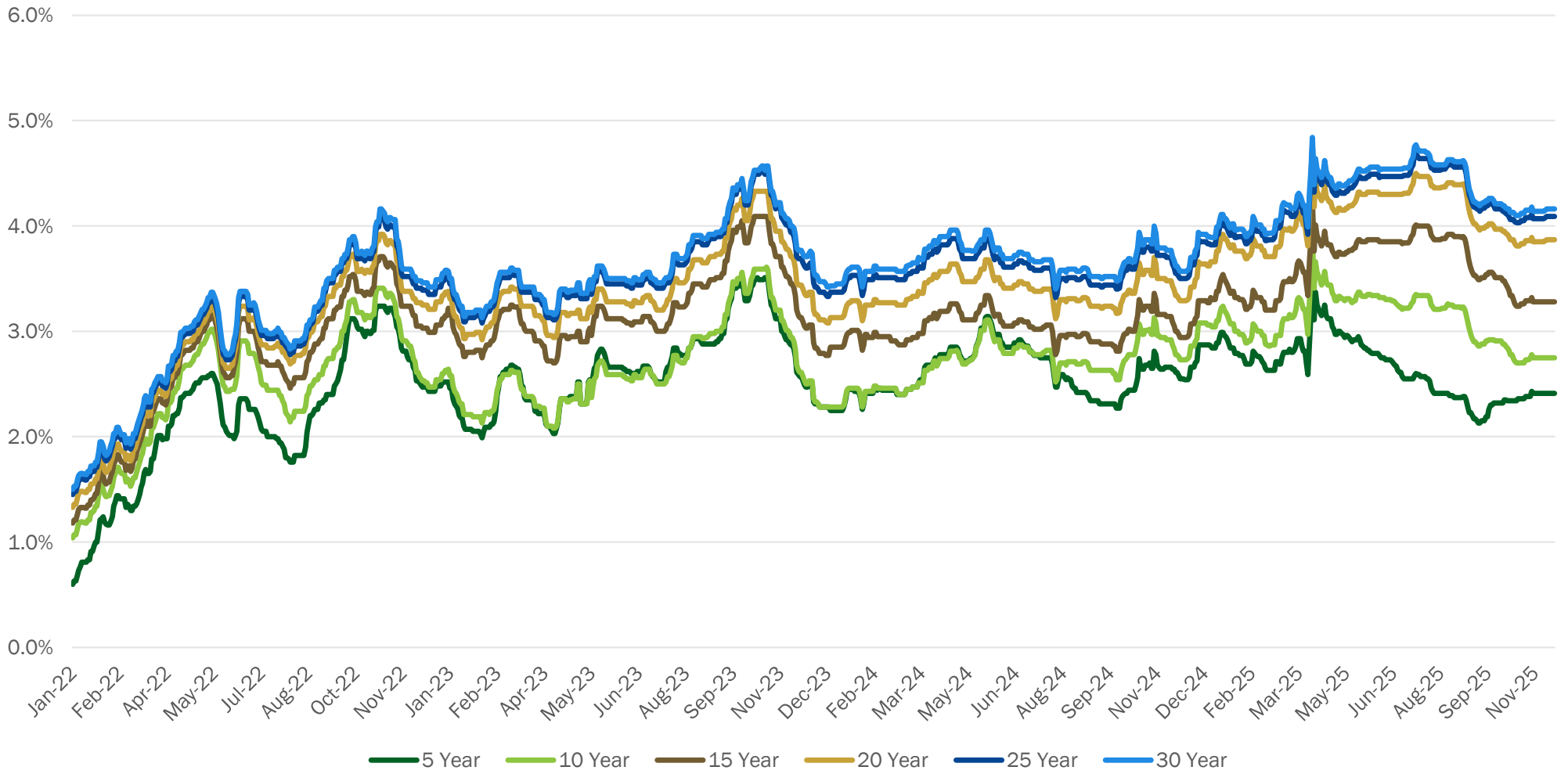
20-Year AAA Tax-Exempt Rates (Since January 2024)



AAA Tax-Exempt Interest Rates (January 2022 to Present)



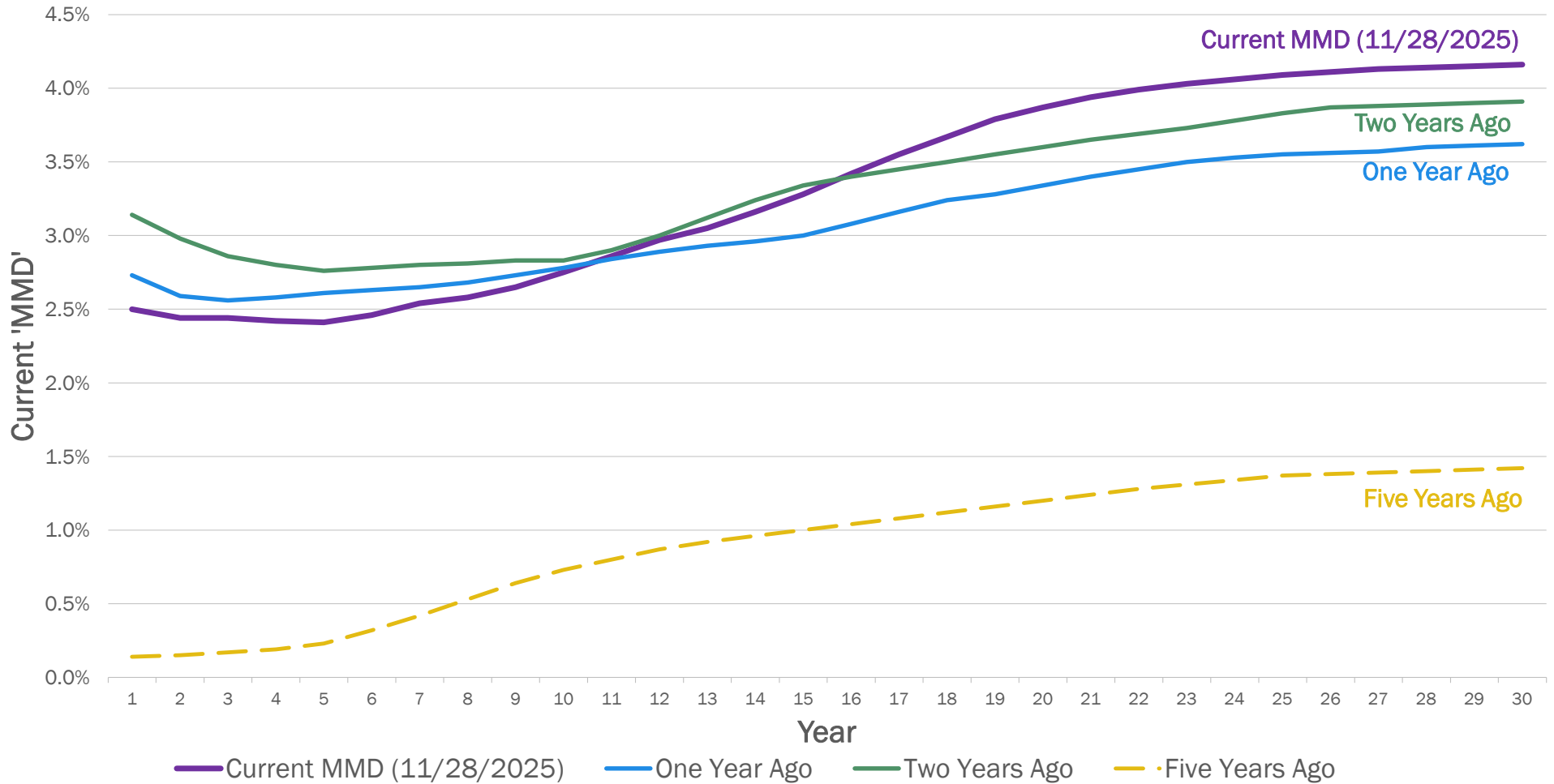
AAA Tax-Exempt Rates (Since January 2022)



Tax-Exempt Interest Rates – Historical 30 Year ‘MMD’



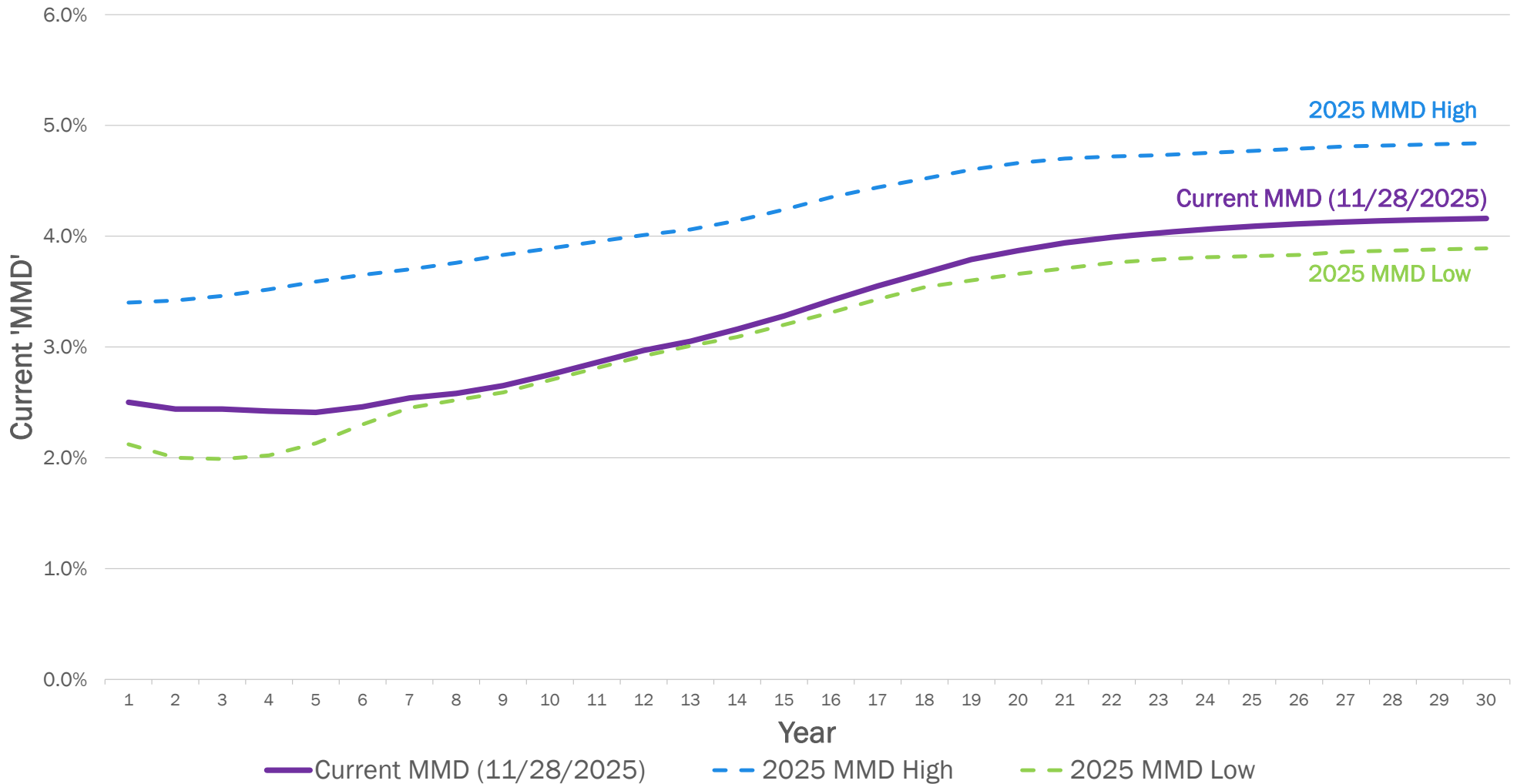
Historical 30 Year 'MMD'



Tax-Exempt Interest Rates – AAA MMD Yield Curve



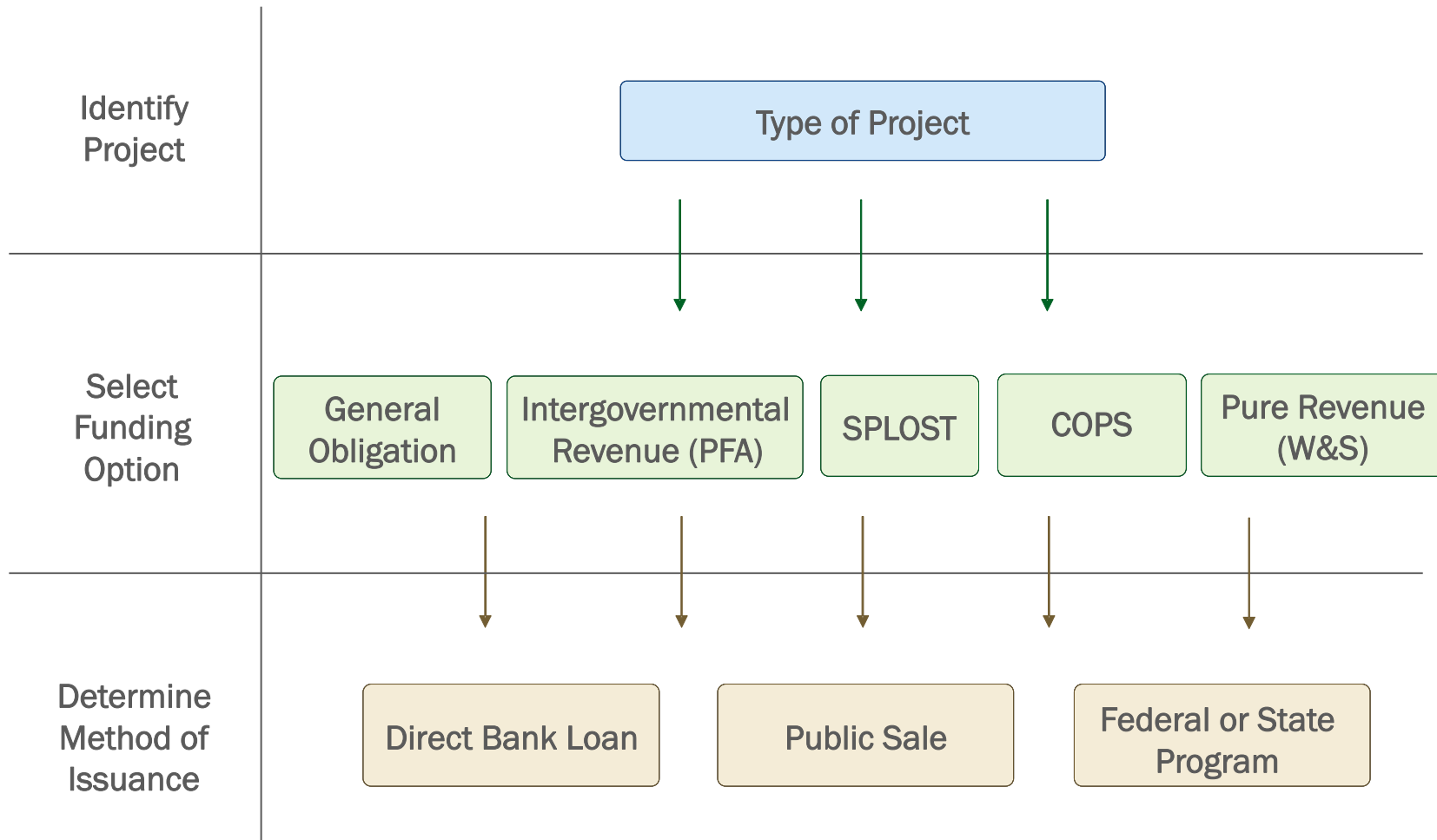
AAA MMD Yield Curve



Issuing Debt in Georgia

City Schools of Decatur, Georgia

Evaluating Financing Options / Method of Sale



First, the District would identify the project, then the District and Davenport would select the Financing Options and then the Method of Sale. Each type of Financing Option can be sold with either method of sale and vice versa.

PFA Bond vs. Certificates of Participation

City Schools of Decatur, Georgia

PFA Bond vs. COPS Comparison



	PFA Bond	COPS
Issuer	Public Facilities Authority	Typically GMA*
Obligor	Decatur Schools	Decatur Schools
Security	Intergovernmental Contract backed by Full Faith & Credit	Collateral & Annual Appropriations of the School Board
Project Eligibility	As Defined by the PFA's Authorizing Legislation	General Public Purpose Projects; Combined annual payments cannot exceed 7.5% of most recent local M&O Revenues*
Referendum Required?	No	No
Validation Required?	Yes	No
Subject to Millage Rate Cap	Yes; Would have to come from M&O Millage	Yes; Would have to come from M&O Millage
Interest Rate / Credit Implications	Same Credit Rating as GO, interest rate approximately equal to GO Bond	Lower Credit Quality due to appropriation risk. Typically credit rating one notch below GO Rating resulting in higher interest rates.

*Note: Ultimately, Bond Counsel will need to determine issuer, project eligibility & sufficiency test.

Credit Rating Differential



City Schools of Decatur				
Moody's	S&P			
Aaa	AAA	Top Tier "Highest Possible Rating"		
Aa1	AA+	2nd Tier "Very Strong"	(Highest)	Considered Investment Grade
Aa2	AA		(Middle)	
Aa3	AA-		(Lowest)	
A1	A+	3rd Tier "Strong"	(Highest)	
A2	A		(Middle)	
A3	A-		(Lowest)	
Baa1	BBB+	4th Tier "Adequate Capacity to Repay"	(Highest)	
Baa2	BBB		(Middle)	
Baa3	BBB-		(Lowest)	
BB, B, CCC, CC, C, D		5th - 10th Tiers "Below Investment Grade"		
PFA Rating	COPS Rating			

Note: Moody's upgraded the School District to Aa1 during its most recent review and S&P assigned an issuer rating AA+ .

The School District does have the benefit of the State-Aid Intercept Program as well.

Excerpt of Ratings Commentary



Moody's

- Moody's Ratings (Moody's) has upgraded Decatur City School System, GA's issuer rating to Aa1 from Aa2. Concurrently, we upgraded the rating on the school system's outstanding certificates of participation (COPs) to Aa2 from Aa3. We also assigned a Aa1 underlying rating and Aa1 enhanced rating to the anticipated \$21.8 million Revenue Bonds (City Schools of Decatur ECLC Project), Series 2025A and \$12.9 million Revenue Bonds (City Schools of Decatur DHS Project), Series 2025B, both of which are being issued through the City of Decatur Public Facilities Authority, GA.
 - The Aa1 rating on the GOLT-backed revenue bonds is placed at the same level as the issuer rating because the school system has pledged its full faith and credit for the payment of annual contract payments that are to equal annual debt service requirements. While the school system anticipates using its special purpose local option sales tax for repayment of the bonds, its pledge is ultimately backed by an ad valorem tax that can be levied up to 25 mills.
 - The Aa2 rating on the COPs is one notch below the issuer rating to reflect the risk of annual non-appropriation, which is mitigated by the more essential nature of the pledged assets (three elementary school buildings).

PFA Bond vs. COPS Analysis

Key Assumptions



Key Assumptions		
Variable	Intergovernmental Revenue Bond (Public Facilities Authority)	Certificates of Participation
Security	Full Faith and Credit	Annual Appropriations
Project Fund	\$35,000,000	
Cost of Issuance	\$600,000	
Underwriter's Discount	\$5 per Bond	
Interest Rate	Current Public Market Rates (November 28, 2025)	
All-In TIC	4.26%	4.41%
Tax Status	Tax-Exempt	
Term	30 Years	
Debt Service Structure	Level Debt Service	
Call Provision	Standard 10-Year Call Provision	
Payment Dates	Semi-Annual Interest Payments, commencing November 1, 2026 Annual Principal Payments, commencing May 1, 2028	
Closing Date	February 1, 2026	

The only assumption that differs from the PFA vs. COPS analysis is the security structure.

PFA Bond vs. COPS Analysis

Estimated Debt Service / Sources & Uses Comparison



Intergovernmental Revenue Bond (Public Facilities Authority)				Certificates of Participation			Differential
FY	Principal	Interest	Total	Principal	Interest	Total	
2027	\$0	\$1,914,273	\$1,914,273	\$0	\$1,951,031	\$1,951,031	(\$36,758)
2028	590,000	1,531,419	2,121,419	600,000	1,560,825	2,160,825	(39,406)
2029	620,000	1,501,919	2,121,919	630,000	1,530,825	2,160,825	(38,906)
2030	655,000	1,470,919	2,125,919	660,000	1,499,325	2,159,325	(33,406)
2031	685,000	1,438,169	2,123,169	695,000	1,466,325	2,161,325	(38,156)
2032	720,000	1,403,919	2,123,919	730,000	1,431,575	2,161,575	(37,656)
2033	755,000	1,367,919	2,122,919	765,000	1,395,075	2,160,075	(37,156)
2034	795,000	1,330,169	2,125,169	805,000	1,356,825	2,161,825	(36,656)
2035	835,000	1,290,419	2,125,419	845,000	1,316,575	2,161,575	(36,156)
2036	875,000	1,248,669	2,123,669	885,000	1,274,325	2,159,325	(35,656)
2037	920,000	1,204,919	2,124,919	930,000	1,230,075	2,160,075	(35,156)
2038	965,000	1,158,919	2,123,919	980,000	1,183,575	2,163,575	(39,656)
2039	1,010,000	1,110,669	2,120,669	1,025,000	1,134,575	2,159,575	(38,906)
2040	1,065,000	1,060,169	2,125,169	1,080,000	1,083,325	2,163,325	(38,156)
2041	1,115,000	1,006,919	2,121,919	1,130,000	1,029,325	2,159,325	(37,406)
2042	1,160,000	962,319	2,122,319	1,175,000	984,125	2,159,125	(36,806)
2043	1,205,000	915,919	2,120,919	1,225,000	937,125	2,162,125	(41,206)
2044	1,255,000	867,719	2,122,719	1,275,000	888,125	2,163,125	(40,406)
2045	1,305,000	817,519	2,122,519	1,325,000	837,125	2,162,125	(39,606)
2046	1,360,000	765,319	2,125,319	1,375,000	784,125	2,159,125	(33,806)
2047	1,410,000	710,919	2,120,919	1,430,000	729,125	2,159,125	(38,206)
2048	1,470,000	654,519	2,124,519	1,490,000	670,138	2,160,138	(35,619)
2049	1,530,000	593,881	2,123,881	1,555,000	608,675	2,163,675	(39,794)
2050	1,590,000	530,769	2,120,769	1,615,000	544,531	2,159,531	(38,763)
2051	1,660,000	465,181	2,125,181	1,685,000	477,913	2,162,913	(37,731)
2052	1,725,000	396,706	2,121,706	1,755,000	406,300	2,161,300	(39,594)
2053	1,795,000	325,550	2,120,550	1,830,000	331,713	2,161,713	(41,163)
2054	1,875,000	249,263	2,124,263	1,910,000	253,938	2,163,938	(39,675)
2055	1,955,000	169,575	2,124,575	1,990,000	172,763	2,162,763	(38,188)
2056	2,035,000	86,488	2,121,488	2,075,000	88,188	2,163,188	(41,700)
Total	\$34,935,000	\$28,551,030	\$63,486,030	\$35,470,000	\$29,157,488	\$64,627,488	(\$1,141,458)
Sources				Sources			
	Par Amount		\$34,935,000		Par Amount	\$35,470,000	
	Premium		839,932		Premium	311,534	
	Total Sources		\$35,774,932		Total Sources	\$35,781,534	
Uses				Uses			
	Project Fund		\$35,000,000		Project Fund	\$35,000,000	
	Cost of Issuance		600,000		Cost of Issuance	600,000	
	Underwriter's Discount		174,675		Underwriter's Discount	177,350	
	Additional Proceeds		257		Additional Proceeds	4,184	
	Total Uses		\$35,774,932		Total Uses	\$35,781,534	
All-In True Interest Cost: 4.26%				All-In True Interest Cost: 4.41%			

Based on current market rates and potential pricing differentials, a PFA Bond results in approximately \$1.15 million lower debt service compared to a COPS transaction.

Necessary Items to Complete Transition to COPS

- Based upon preliminary conversations with Staff and the Legal Team, below are a series of items that would need to occur in order for the District to be able to pivot to a COPS transaction.
 - Identify the collateral and perform the necessary real estate due diligence (i.e. survey, title insurance, environmental, legal description, etc.).
 - Perform the necessary steps (i.e. public hearing, advertisements, etc.) in order to be able to be able to transfer the collateral to the third party issuer.
 - Redraft and/or Development the legal documents (Preliminary Official Statement, Installment Sale Agreement, etc.).
 - Follow Up discussions with the Rating Agencies to provide a rating for the alternative deal structure. This would likely lead to a duplication of costs.
 - Develop Plan of Finance to ensure compliance with the legal sizing limitations (7.5% test).

Based upon the above facts on hand, this process could take +/- 45-60 days

Bank Loan vs. Public Sale

City Schools of Decatur, Georgia

Bank Loan vs. Public Sale Comparison



	Direct Bank Loan	Public Market Issuance
Credit Rating Requirement	Credit rating not required to seek financing.	Credit rating conventionally required to seek financing.
Offering Document	No formal offering document required. Approximately 5 page RFP distributed to financial institutions instead.	Comprehensive 100+ page formal offering document required to be prepared by bond/disclosure counsel and distributed.
Offering Type	Competitive RFP Process	Either Competitively Bid on by Underwriters or Negotiated where Underwriter's are hired through RFP process.
Purchasers	Single institution purchases Bond for its own account. May be local, regional, or national lender.	Single underwriter who in turn sells to multiple purchasers including insurance companies, pension funds, individual investors, etc.
Timing Flexibility	Shorter timeline – financing completed over the course of 30-45 days.	Longer timeline – financing completed over the course of 45-60 days.
Interest Rates	Typically a single fixed rate for all maturities. Fixed rate could be limited to 15-20 years.	Individually fixed rates for each maturity. Fixed Rate until final maturity on all bonds.
Structuring Flexibility	Somewhat flexible	Complete flexibility
Term Limitations	Typically up to 20 years	Typically up to 30 years
Prepayment	More flexibility with the possibility of prepayment without penalty.	Some flexibility with 10 year call protection period being industry standard.

Cost of Issuance Comparison



	Direct Bank Loan	Public Market Issuance
Financial Advisor	Yes	Yes
Bond Counsel	Yes	Yes
Local Counsel	Yes	Yes
Disclosure Counsel (OS Prep)	No	Yes
Rating Agency(s)	No	Yes
Paying Agent	No	Yes (Minimal)
Printer	No	Yes (Minimal)
CUSIPs	No	Yes (Minimal)
Underwriter's Discount	No	Yes

In addition to the factors previously discussed, as shown in the chart, there are less upfront costs of issuance for a Direct Bank Loan when compared to a Public Market Issuance.

However, the interest rates often differ significantly.

The question Davenport helps answer is does the difference in the up front issuance costs get made up for in lower interest costs by receiving lower rates in the public market, or vice versa.

General Direct Bank Loan Steps



	Task / Deliverable
Completed	Davenport evaluates scenarios for possible financing
Completed	Davenport and Staff finalize financing scenarios
Completed	Davenport drafts Plan of Finance and presents to Staff with intention of Presenting to the Board of Education
Completed	Board of Education to engage with Public on the project, as necessary
Completed	Board of Education gives approval to move forward with Plan of Finance
Completed	Board of Education / PFA adopts Bond Resolution, Begin Validation Process
In Process	Validation Hearings
Step 8	Davenport distributes initial draft of financing schedule and Request for Proposal to working group
Step 9	Davenport distributes RFP to local, regional and national banking institutions
Step 10	Davenport responds to questions from banking institutions
Step 11	RFP response due back to School District
Step 12	Bond Documents are distributed to working group
Step 13	Davenport to negotiate with banks and final bond documents to be distributed
Step 14	PFA / School District - Davenport presents RFP results/recommendation and PFA / School District adopts resolutions
Step 15	Closing

General Public Market Steps



	Task / Deliverable
Completed	Davenport evaluates scenarios for possible financing
Completed	Davenport and Staff finalize financing scenarios
Completed	Davenport drafts Plan of Finance and presents to Staff with intention of Presenting to the Board of Education
Completed	Board of Education to engage with Public on the project, as necessary
Completed	Board of Education gives approval to move forward with Plan of Finance
Completed	Davenport distribute initial draft of financing schedule
Completed	Draft of Preliminary Official Statement, Bond Resolution
Completed	Board of Education / PFA adopts Bond Resolution, Begin Validation Process
In Process	Validation Hearings
Completed	Draft of Credit Presentation
Completed	Rating Agency Meetings
Completed	Ratings Back
Step 13	Bond Sale
Step 14	PFA / Board of Education Meeting –Bond sale results presented by the Davenport and approval of final resolutions
Step 15	Closing

Bank Loan vs. Public Sale Analysis

Key Assumptions



Key Assumptions		
Variable	Bank Loan	Public Sale
Bond Type	Intergovernmental Revenue Bond (Public Facilities Authority)	
Security	Full Faith and Credit	
Project Fund	\$35,000,000	
Cost of Issuance	\$300,000	\$600,000
Underwriter's Discount	None	\$5 per Bond
Interest Rate	4.25%	Current Public Market Rates (November 28, 2025)
All-In TIC	4.34%	3.90%
Tax Status	Tax-Exempt	
Term	20 Years	
Debt Service Structure	Level Debt Service	
Call Provision	Callable Anytime	Standard 10-Year Call Provision
Payment Dates	Semi-Annual Interest Payments, commencing November 1, 2026 Annual Principal Payments, commencing May 1, 2028	
Closing Date	February 1, 2026	

Davenport is using 4.25% for the Direct Bank Loan for this analysis. We think this is on the more aggressive side and is based upon recent bank deals.

Due to typical bank amortization limitations, we ran the analysis at 20 Years.

Bank Loan vs. Public Sale Analysis

Estimated Debt Service / Sources & Uses Comparison



Bank Loan Scenario			
FY	Principal	Interest	Total
2027	\$0	\$1,875,313	\$1,875,313
2028	1,245,000	1,500,250	2,745,250
2029	1,300,000	1,447,338	2,747,338
2030	1,355,000	1,392,088	2,747,088
2031	1,410,000	1,334,500	2,744,500
2032	1,470,000	1,274,575	2,744,575
2033	1,535,000	1,212,100	2,747,100
2034	1,600,000	1,146,863	2,746,863
2035	1,665,000	1,078,863	2,743,863
2036	1,735,000	1,008,100	2,743,100
2037	1,810,000	934,363	2,744,363
2038	1,885,000	857,438	2,742,438
2039	1,965,000	777,325	2,742,325
2040	2,050,000	693,813	2,743,813
2041	2,140,000	606,688	2,746,688
2042	2,230,000	515,738	2,745,738
2043	2,325,000	420,963	2,745,963
2044	2,420,000	322,150	2,742,150
2045	2,525,000	219,300	2,744,300
2046	2,635,000	111,988	2,746,988
Total	\$35,300,000	\$18,729,750	\$54,029,750
Sources			
Par Amount			\$35,300,000
Premium			0
Total Sources			\$35,300,000
Uses			
Project Fund			\$35,000,000
Cost of Issuance			300,000
Underwriter's Discount			0
Additional Proceeds			0
Total Uses			\$35,300,000
All-In True Interest Cost: 4.34%			

Public Sale Scenario			
Principal	Interest	Total	
\$0	\$1,907,563	\$1,907,563	
1,100,000	1,526,050	2,626,050	
1,155,000	1,471,050	2,626,050	
1,215,000	1,413,300	2,628,300	
1,275,000	1,352,550	2,627,550	
1,340,000	1,288,800	2,628,800	
1,405,000	1,221,800	2,626,800	
1,475,000	1,151,550	2,626,550	
1,550,000	1,077,800	2,627,800	
1,625,000	1,000,300	2,625,300	
1,710,000	919,050	2,629,050	
1,795,000	833,550	2,628,550	
1,885,000	743,800	2,628,800	
1,975,000	649,550	2,624,550	
2,075,000	550,800	2,625,800	
2,160,000	467,800	2,627,800	
2,245,000	381,400	2,626,400	
2,335,000	291,600	2,626,600	
2,430,000	198,200	2,628,200	
2,525,000	101,000	2,626,000	
\$33,275,000	\$18,547,513	\$51,822,513	
Sources			
Par Amount			\$33,275,000
Premium			2,494,326
Total Sources			\$35,769,326
Uses			
Project Fund			\$35,000,000
Cost of Issuance			600,000
Underwriter's Discount			166,375
Additional Proceeds			2,951
Total Uses			\$35,769,326
All-In True Interest Cost: 3.90%			

Differential
\$-32,250
119,200
121,288
118,788
116,950
115,775
120,300
120,313
116,063
117,800
115,313
113,888
113,525
119,263
120,888
117,938
119,563
115,550
116,100
120,988
\$2,207,238

Based on current market rates and recent results, a Public Sale is producing roughly \$2.2 million in lower debt service in comparison to a direct bank loan.

Public market rates would have to increase roughly 0.48% to breakeven.

Key Considerations / Observations

- While certain banks may be able to extend beyond 20 years, most have a 20 year cap on the amortization schedule. In fact, only a handful are able to go 20 years. Most banks are in the 10-15 year range.
 - This could put more pressure on the District’s annual cash flow.
- In today’s interest rate environment, the Public Market is outperforming Direct Bank Loans.
- Direct Bank Loans would still need to be issued as a PFA Bond or Lease Purchase (COPS).
- If issued as a PFA Bond, issuing a bank loan does not absolve the need for validation.
- If a Bank Loan is pursued, it could be completed in approximately 30 days once validation is completed.
 - 2 weeks for marketing, 1 week for drafting pricing documents, 1 week for closing.

Questions?

City Schools of Decatur, Georgia

Contact Information

Richmond — Headquarters

One James Center
901 East Cary Street,
Suite 1100,
Richmond, Virginia 23219

Courtney Rogers

Senior Vice President

804-697-2902

crogers@investdavenport.com

Ricardo Cornejo

First Vice President

404-865-4040

rcornejo@investdavenport.com

Doug Gebhardt

First Vice President

404-825-9467

dgebhardt@investdavenport.com

Atlanta Office

515 East Crossville Road
Suite 380
Roswell, Georgia 30075

Christopher Holt

Vice President

404-922-7301

cholt@investdavenport.com

Miller Levitt

Analyst

404-445-8042

mlevitt@investdavenport.com

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