

Report of the Superintendent to the School Board

ACTION ITEM

Subject: Board of Education Authorizes the Negotiation of the Terms of a Refinancing of the District's Existing Lease Purchase Transaction with Bank of America, the Present Owner of All of the District's Series 2015 Certificates of Participation – Action

A. Pertinent Facts:

With market analysis and advisory services provided by George K. Baum and Company acting as our Financial Advisor, over the last six weeks we have negotiated with Bank of America terms to refinance the existing lease purchase in order to allow time for collections of FEMA and SEMA obligations to fund the debt.

B. Alignment:

1. Indicator #3.4 Joplin Schools will demonstrate fiscal responsibility.

C. Data:

1. For the post-disaster rebuilding project, the existing lease purchase financing with Bank of America contains a due date of June 1, 2017, for payment in full. The current amount owed is approximately \$15 million. As FEMA obligations and grant revenues are received, they have been immediately paid to Bank of America.

Prior to June 1, 2017, we project a likelihood of receiving up to an additional \$500,000 or more, which will also be applied to reduce the debt. The original purpose of the financing was to provide Joplin Schools with the funds to pay contractors to complete the project so that we could then submit paid invoices and required reports to SEMA, FEMA, and the Economic Development Administration (EDA) in order to obtain cost reimbursements from funds obligated (committed) by those agencies for approved Joplin Schools projects.

2. With market analysis and advisory services provided by George K. Baum and Company acting as our Financial Advisor, over the last six weeks we have negotiated with Bank of America terms to refinance the existing lease purchase. The key elements negotiated include:
 - a. A fixed interest rate at closing based on the LIBOR monthly variable rate at that time (currently 2.16%) plus a 0.70% margin, plus a 0.35% call premium. Based on today's rates, the total would be 3.21%. The underlying LIBOR variable rate could change between now and the anticipated closing date at the end of May.
 - b. A three-year call provision to allow Joplin Schools to collect FEMA and SEMA obligations in order to make a payment at three years. Collected funds would be invested in a conservative fund as collected to generate interest earnings to help offset interest expense to a limited degree.

- c. The balance may be paid at any time after the three-year call, in whole but not in part, with no prepayment charge.
- d. Bank counsel fees will not exceed \$27,500. There will be no other bank closing fees.
- e. Interest payments will be made semiannually. Principal payments will be made annually. (See attached estimated debt service schedule.)

D. Stakeholder Voice:

1. Teacher and parent forums
2. Board Data Committee, CPA Review Committee, Board Finance, Salaries & Benefits Committee

E. Fiscal Note:

1. The 2017-2018 budget will include the Debt Service amounts for closing. The total annual interest costs should fit within the existing annual capital outlay budget.
2. The fiscal year 2016-2017 budget will be adjusted to include professional fees (Bank of America, \$27,500; Joplin Schools Bond Counsel Gilmore and Bell, \$37,500; Financial Advisor G.K. Baum, \$1,750 (estimated); and recording fees of \$500 (estimated).
3. The initial plan to meet principal payments in the first three years is to rely on reserves of the Operating Fund transfers to the Capital Projects fund. This would lower Operating Fund reserves by approximately \$1.3 million (2%) per year. The projected operating reserve balance after three years could be reduced to 10-12% of the annual operating budget. Projected collections of the balance of FEMA and SEMA by the end of three years should pay the debt down to \$0.

F. Recommendation:

1. The administration recommends that the Board of Education:
 - a. Approve the negotiation to refinance the existing lease purchase agreement with Bank of America.
 - b. Direct Bond Counsel Gilmore and Bell to prepare a resolution to adopt the transaction for the Board of Education meeting on April 25, 2017, with an anticipated closing on or about May 31, 2017.

Prepared by: Paul Barr, Chief Financial Officer



Reviewed by: Dr. Norm Ridder, Superintendent



Meeting Date: February 28, 2017

Joplin SD
 10 Year Fixed Rate
 3 Year Par Call

Debt Service Schedule

ESTIMATED

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/01/2017	-	-	-	-	-
09/01/2017	-	-	155,899.00	155,899.00	-
03/01/2018	1,330,000.00	3.210%	233,848.50	1,563,848.50	1,719,747.50
09/01/2018	-	-	212,502.00	212,502.00	-
03/01/2019	1,295,000.00	3.210%	212,502.00	1,507,502.00	1,720,004.00
09/01/2019	-	-	191,717.25	191,717.25	-
03/01/2020	1,335,000.00	3.210%	191,717.25	1,526,717.25	1,718,434.50
09/01/2020	-	-	170,290.50	170,290.50	-
03/01/2021	1,375,000.00	3.210%	170,290.50	1,545,290.50	1,715,581.00
09/01/2021	-	-	148,221.75	148,221.75	-
03/01/2022	1,420,000.00	3.210%	148,221.75	1,568,221.75	1,716,443.50
09/01/2022	-	-	125,430.75	125,430.75	-
03/01/2023	1,465,000.00	3.210%	125,430.75	1,590,430.75	1,715,861.50
09/01/2023	-	-	101,917.50	101,917.50	-
03/01/2024	1,515,000.00	3.210%	101,917.50	1,616,917.50	1,718,835.00
09/01/2024	-	-	77,601.75	77,601.75	-
03/01/2025	1,560,000.00	3.210%	77,601.75	1,637,601.75	1,715,203.50
09/01/2025	-	-	52,563.75	52,563.75	-
03/01/2026	1,610,000.00	3.210%	52,563.75	1,662,563.75	1,715,127.50
09/01/2026	-	-	26,723.25	26,723.25	-
03/01/2027	1,665,000.00	3.210%	26,723.25	1,691,723.25	1,718,446.50
Total	\$14,570,000.00	-	\$2,603,684.50	\$17,173,684.50	-

Yield Statistics

Bond Year Dollars	\$81,111.67
Average Life	5.567 Years
Average Coupon	3.2100000%
Net Interest Cost (NIC)	3.2100000%
True Interest Cost (TIC)	3.2105681%
Bond Yield for Arbitrage Purposes	3.2105681%
All Inclusive Cost (AIC)	3.3023818%

IRS Form 8038

Net Interest Cost	3.2100000%
Weighted Average Maturity	5.567 Years