

February 4, 2021

Mountain View Whisman School District

Bond Refinancing Overview



General Obligation Bond Refinancing Overview

The District has two series of bonds that may be candidates for a bond refinancing (“Prior Bonds”):

- ◆ Election of 2012, Series A
- ◆ Election of 2012, Series B

Under current interest rates, the total estimated savings from refinancing a portion of the Prior Bonds is approximately **\$3.4 million**

- ◆ Similar to refinancing a home mortgage, savings would be generated for the District’s taxpayers by replacing the higher interest rate Prior Bonds with lower interest rate refunding bonds
 - The refinancing would NOT extend the original financing terms
 - Taxpayers would see the benefit of the refinancing in the form of lower tax rates
- ◆ In order to comply with IRS rules, the refinancing would be issued as taxable
 - Taxable bonds carry a higher interest rate than tax-exempt bonds, however, the potential savings are still above industry benchmarks
- ◆ All financing costs (except for credit ratings) are contingent upon the issuance of the refinancing and would be paid from bond proceeds, not the General Fund



Bond Refinancing History

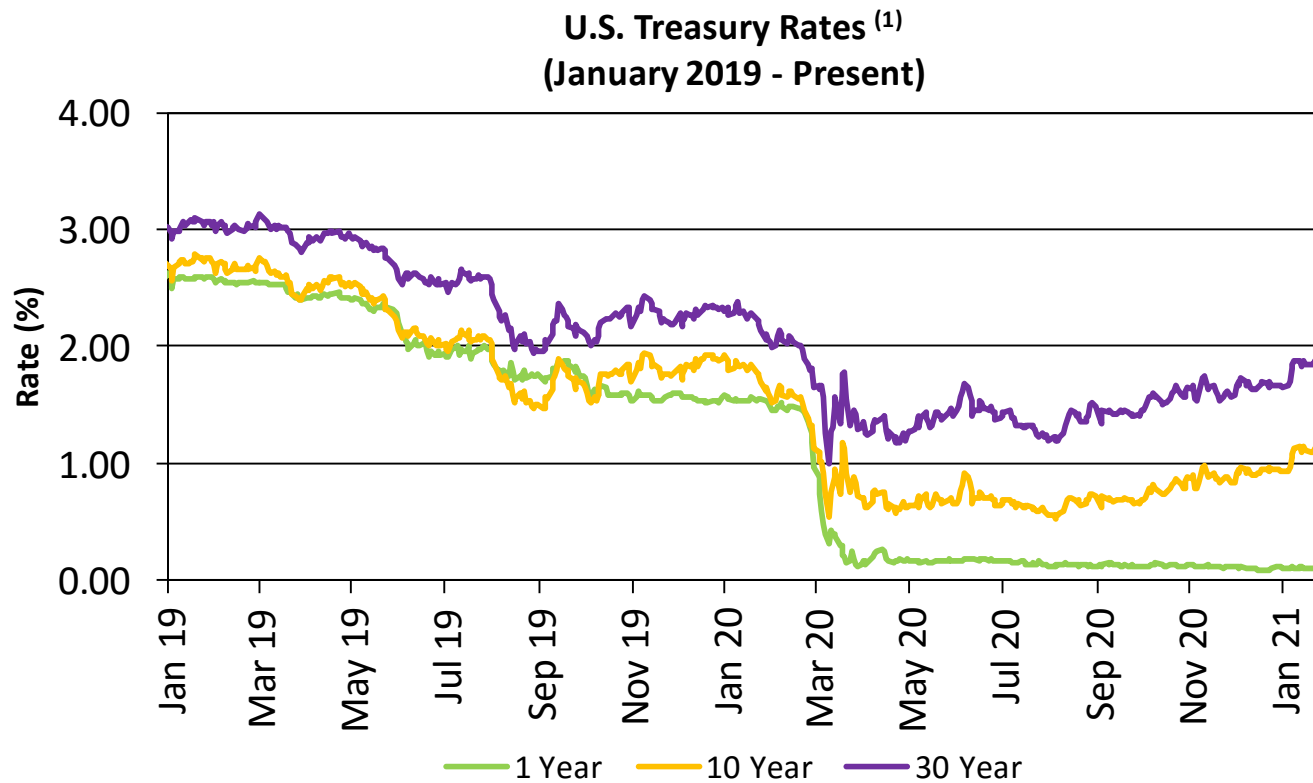
The District has a history of refinancing bonds for taxpayer savings

- ◆ 2010 Refunding Bonds
 - \$120,318 in taxpayer savings
- ◆ 2012 Refunding Bonds
 - \$1,457,871 in taxpayer savings
- ◆ 2015 Refunding Bonds
 - \$840,128 in taxpayer savings
- ◆ 2016 Refunding Bonds
 - \$766,079 in taxpayer savings
- ◆ 2020 Refunding Bonds
 - \$2,412,538 in taxpayer savings
- ◆ Total taxpayer savings since 2010: \$5,596,934



Interest Rates

Interest rates are near all time lows as a result of COVID-19 and global uncertainty



(1) Source: U.S. Department of the Treasury.



Credit Ratings

The 3 major credit rating agencies are:

- ◆ Moody's
- ◆ Standard & Poor's ("S&P")
- ◆ Fitch

The rating criteria is generally:

- ◆ 30% local economy/tax base
- ◆ 30% district finances
- ◆ 20% district debt/pension
- ◆ 20% district management

District's GO ratings:

- ◆ Moody's: Aaa (April 2020)
- ◆ S&P: AA+ (April 2020)
- ◆ Fitch: N/A

	Moody's	S&P	Fitch	Rating Description
Investment grade	Aaa	AAA	AAA	Prime
	Aa1	AA+	AA+	High grade
	Aa2	AA	AA	
	Aa3	AA-	AA-	
	A1	A+	A+	Upper medium grade
	A2	A	A	
	A3	A-	A-	
	Baa1	BBB+	BBB+	Lower medium grade
	Baa2	BBB	BBB	
	Baa3	BBB-	BBB-	
Non-investment grade	Ba1	BB+	BB+	Speculative
	Ba2	BB	BB	
	Ba3	BB-	BB-	
	B1	B+	B+	Highly speculative
	B2	B	B	
	B3	B-	B-	
	Caa1 & below	CCC+ & below	CCC & below	Extremely speculative/ Default



Refinancing Summary

Under current rates, savings are above the 3% present value benchmark

Debt Service Comparison ⁽¹⁾

Date	Current Payments ⁽²⁾	Estimated New Payments	Estimated Savings
9/1/2021	\$ 2,897,250	\$ 2,889,085	\$ 8,165
9/1/2022	2,897,250	2,726,834	170,416
9/1/2023	2,897,250	2,729,322	167,928
9/1/2024	2,897,250	2,730,879	166,371
9/1/2025	2,897,250	2,730,164	167,086
9/1/2026	2,897,250	2,729,794	167,456
9/1/2027	2,897,250	2,730,377	166,874
9/1/2028	6,417,250	6,251,227	166,023
9/1/2029	6,811,250	6,643,517	167,733
9/1/2030	2,516,750	2,347,738	169,012
9/1/2031	2,516,750	2,348,375	168,375
9/1/2032	2,516,750	2,348,561	168,189
9/1/2033	2,516,750	2,347,711	169,039
9/1/2034	2,516,750	2,346,087	170,663
9/1/2035	2,516,750	2,348,669	168,081
9/1/2036	2,516,750	2,350,329	166,421
9/1/2037	2,516,750	2,346,035	170,715
9/1/2038	6,406,750	6,240,878	165,873
9/1/2039	18,290,600	18,124,980	165,620
9/1/2040	19,180,375	19,013,083	167,293
9/1/2041	20,086,800	19,962,780	124,020
9/1/2042	8,632,000	8,511,650	120,350
Total	\$ 126,239,775	\$ 122,798,075	\$3,441,700

Estimated Refinancing Results ⁽¹⁾

	2012A	2012B	Total
Debt Service Savings:	\$ 850,535	\$ 2,591,165	\$ 3,441,700
Present Value Savings (\$):	\$ 678,784	\$ 2,063,340	\$ 2,742,124
Present Value Savings (%):	5.33%	3.47%	3.80%
Interest Rate of Prior Bonds:	3.50%	4.06%	3.96%
Interest Rate of Refunding:	2.57%	2.49%	2.50%
Decrease in Interest Cost:	0.93%	1.57%	1.46%
Call Date:	9/1/2023	9/1/2026	-
Escrow Yield ⁽³⁾:	0.17%	0.54%	0.51%
Refunding Bond Yield:	2.45%	2.45%	2.45%
Escrow Negative Arbitrage:	\$ (749,064)	\$ (6,495,241)	\$ (7,244,306)
Principal of Refunded Bonds:	\$ 12,730,000	\$ 59,390,000	\$ 72,120,000
Principal of Refunding Bonds:	\$ 14,105,000	\$ 72,620,000	\$ 86,725,000

Rates	Savings
+0.1%	\$ 4,957,955
Current Rates	\$ 3,441,700
-0.1%	\$ 1,845,820

(1) Reflects generic interest rates provided by RBC Capital Markets as of January 15, 2021. Refinancing results are subject to market fluctuations until Refunding Bonds are sold. Includes all estimated financing costs.

(2) Assumes refinancing of the 2038-2040 maturities of the 2012A Bonds and 2028-2029 and 2039-2042 maturities of the 2012B Bonds.

(3) Subject to bid. Assumes usage of State and Local Government Series Securities. Subject to District determination.



Legal Documentation

Following is a summary of legal documents before the Board:

- ◆ **Authorizing resolution**

- Approves the issuance of the refinancing
- Specifies the terms and parameters of the refinancing
- Authorizes the District administration to take the necessary steps to issue the refinancing

- ◆ **Approves the form of other legal documents**

- Preliminary official statement
 - Offering document circulated to prospective investors describing the District and the refinancing
- Bond purchase agreement
 - Agreement in which the underwriter agrees to purchase the District's refinancing under certain conditions and parameters
- Continuing disclosure certificate
 - Agreement outlining the District's duties to provide ongoing information to the investing community on its finances, tax base information and listed events
- Escrow agreement
 - Agreement outlining the escrow agent's duties related to monies deposited in the escrow fund and utilized to redeem the Prior Bonds



Potential Next Steps

- ◆ February 4: District Board adopts issuance resolution for refinancing
- ◆ February 19: District provides presentation to Moody's for updated credit rating
- ◆ March 2: Bond counsel finalizes offering document and circulates to investors
- ◆ March 9: Underwriter sells bonds to investment community
- ◆ April 6: Closing

