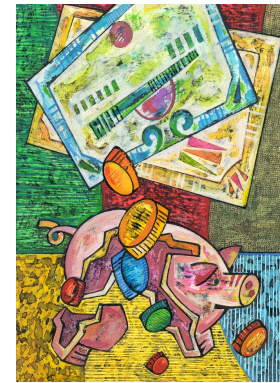


Coronado Unified School District

Financial Stewardship: Managing the District's Debt Portfolio



Presented by Lori Raineri and Keith Weaver
January 15, 2015

Role of Financial Advisor

- ***Fiduciary* duty to the District**
- **Provide *independent* financial analysis and advice**
- ***Represent* District to the bond market**
 - Assist with disclosure
 - » Initial, Continuing, and Material Events
 - Bond sales
 - » Competitive bidding
 - » Negotiations
- **Activities *regulated* by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a result of the Dodd-Frank Act of 2010.**



Agenda

- **Review of District's outstanding debt**

- **Refinancing opportunity**

- **Refinancing process and next steps**



District's Outstanding Debt

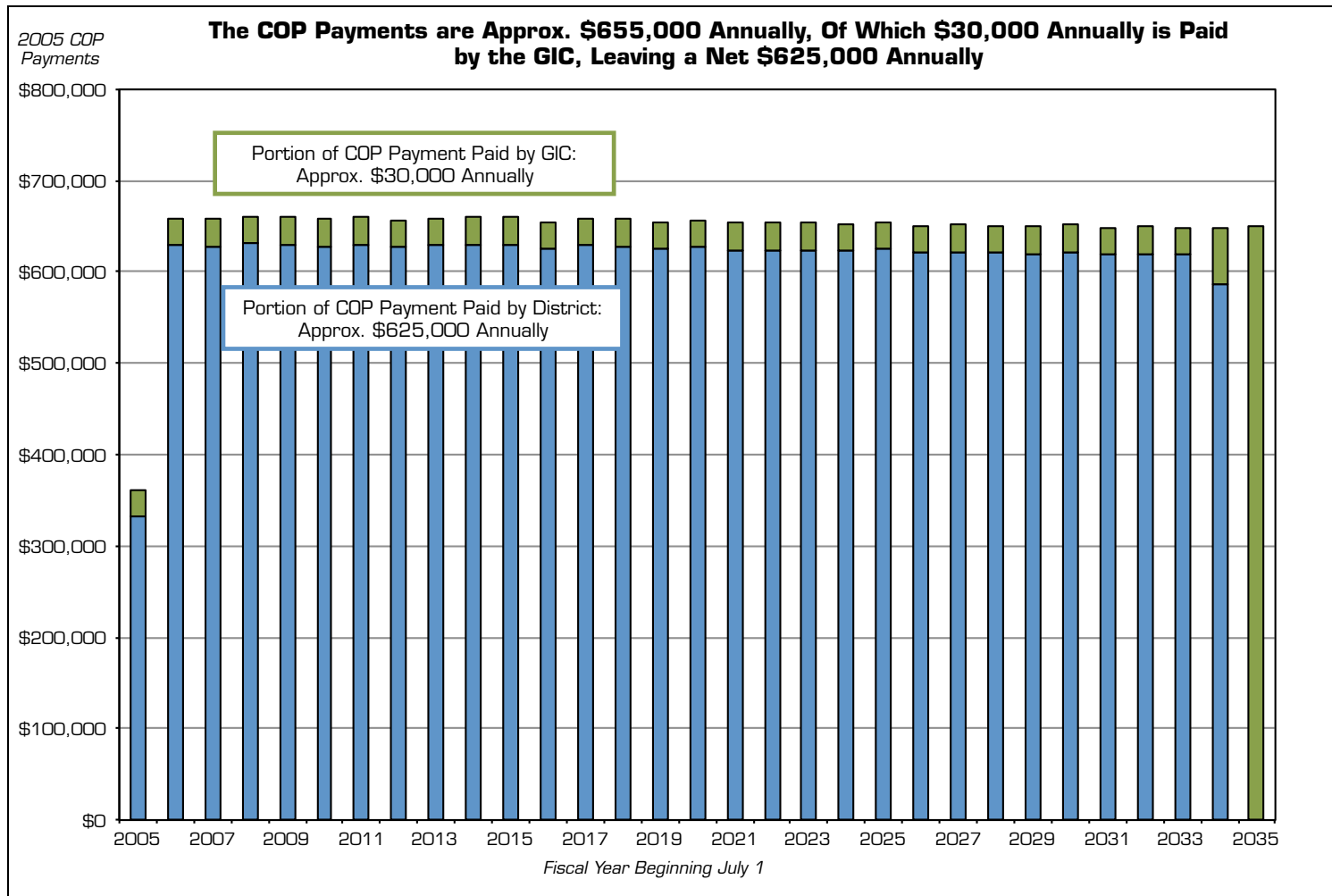
Summary of Outstanding Debt

<u>Sale Date</u>	<u>Bonds Issued for Facilities</u>	<u>Description</u>	<u>Bonds Issued for Refinancing</u>	<u>Call Date (Opportunity to Repay)</u>
2000	\$9,500,000	"Measure KK" Series A		Refinanced
2003	\$7,500,000	"Measure KK" Series B		Refinanced
2005	\$11,085,000	Certificates of Participation		Nov. 1, 2014
2012		"Measure KK" Refinancing	\$12,100,000	Aug. 1, 2022
Total	<u>\$28,085,000</u>		<u>\$12,100,000</u>	

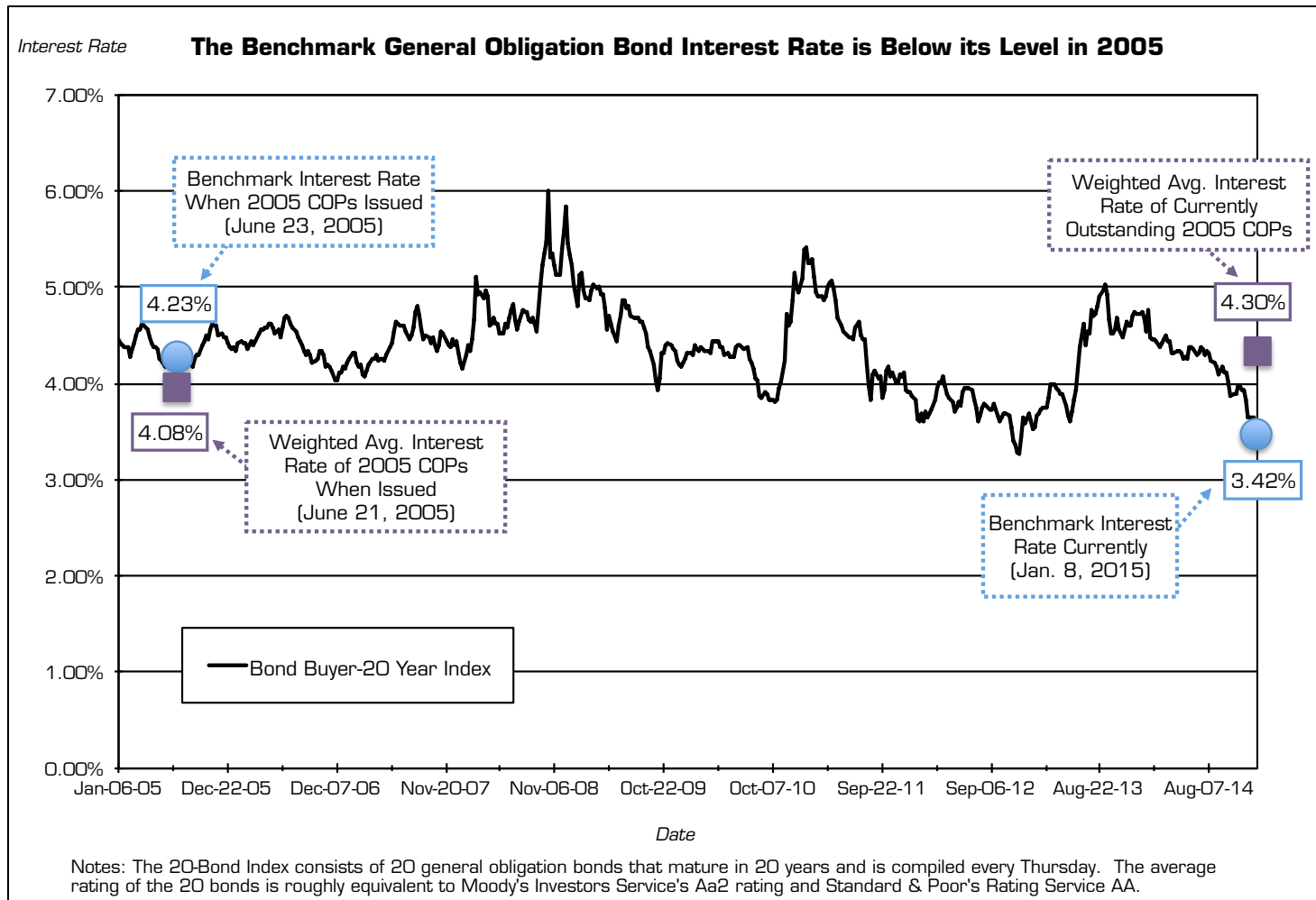
Review of 2005 COPs

- **Issued in 2005 in the amount of \$11,085,000**
- **Financed 7 facilities projects at: High School, Palm Academy, Child Development Center, District Office, Maintenance & Operations Facility, and Pool Facility.**
- **Has no call premium or penalty to repay/refinance**
- **Cash reserve account is invested with Union Bank in a Guaranteed Investment Contract (GIC)**
 - **Earns 4.47% annual interest**

2005 COP Payments

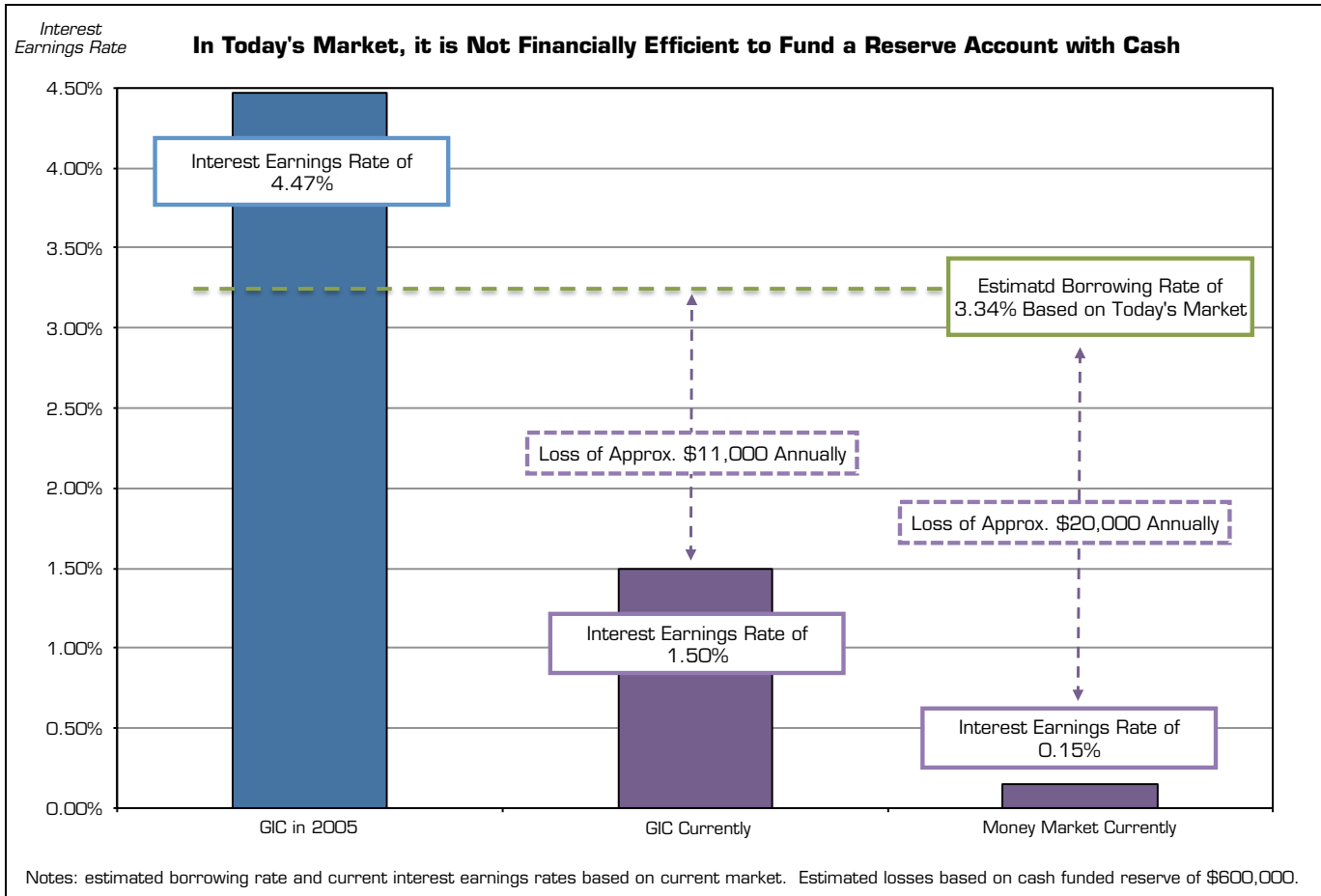


Benchmark Interest Rate is Low



Reserve Account Options

Cash Option



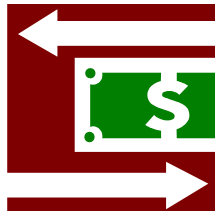
Surety Bond Option

\$17,000



Reserve Account Recommendation

*Liquidate
“Guaranteed
Investment
Contract”*



Cash from GIC



*Reduce
Borrowing Amount*



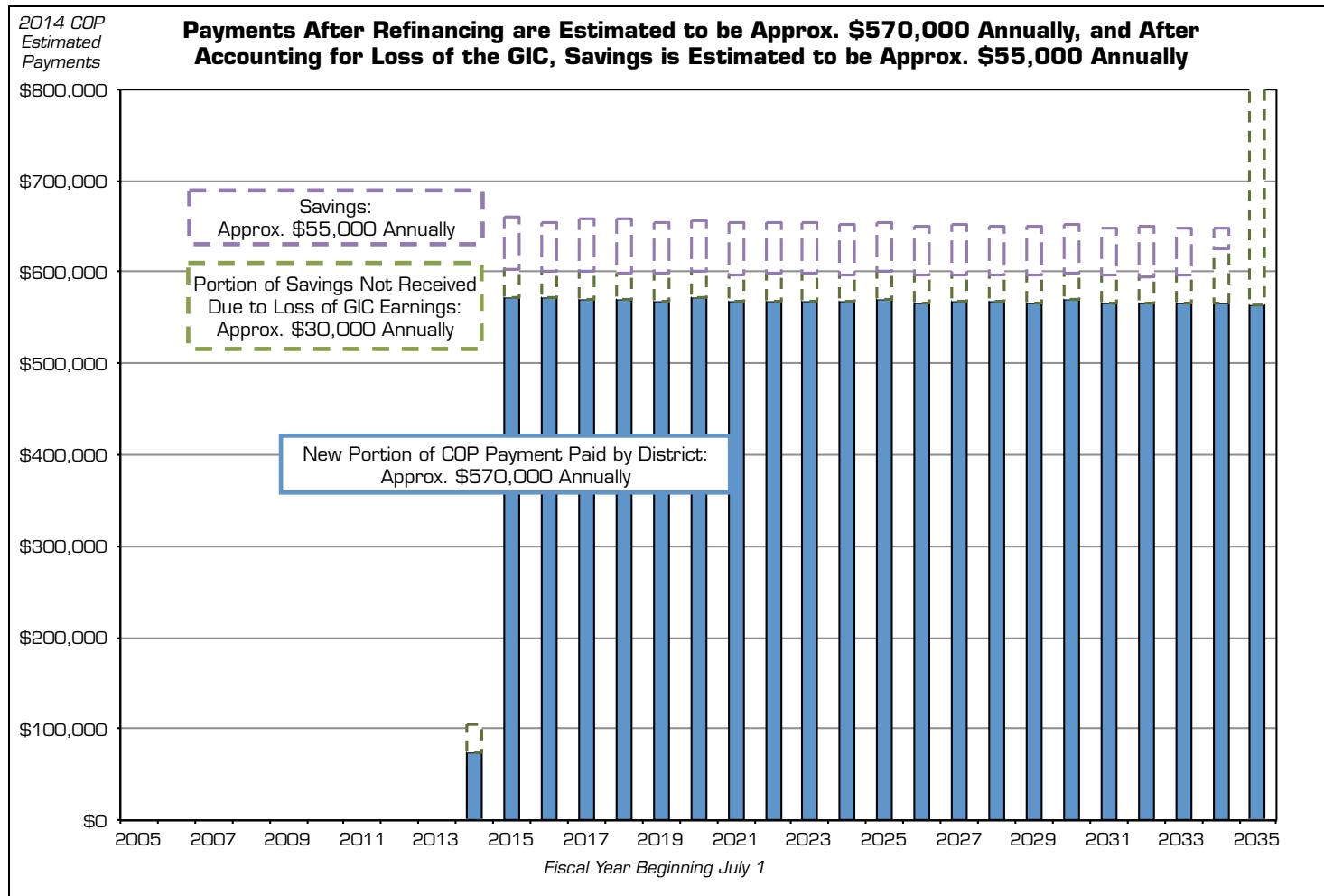
New Reserve Account



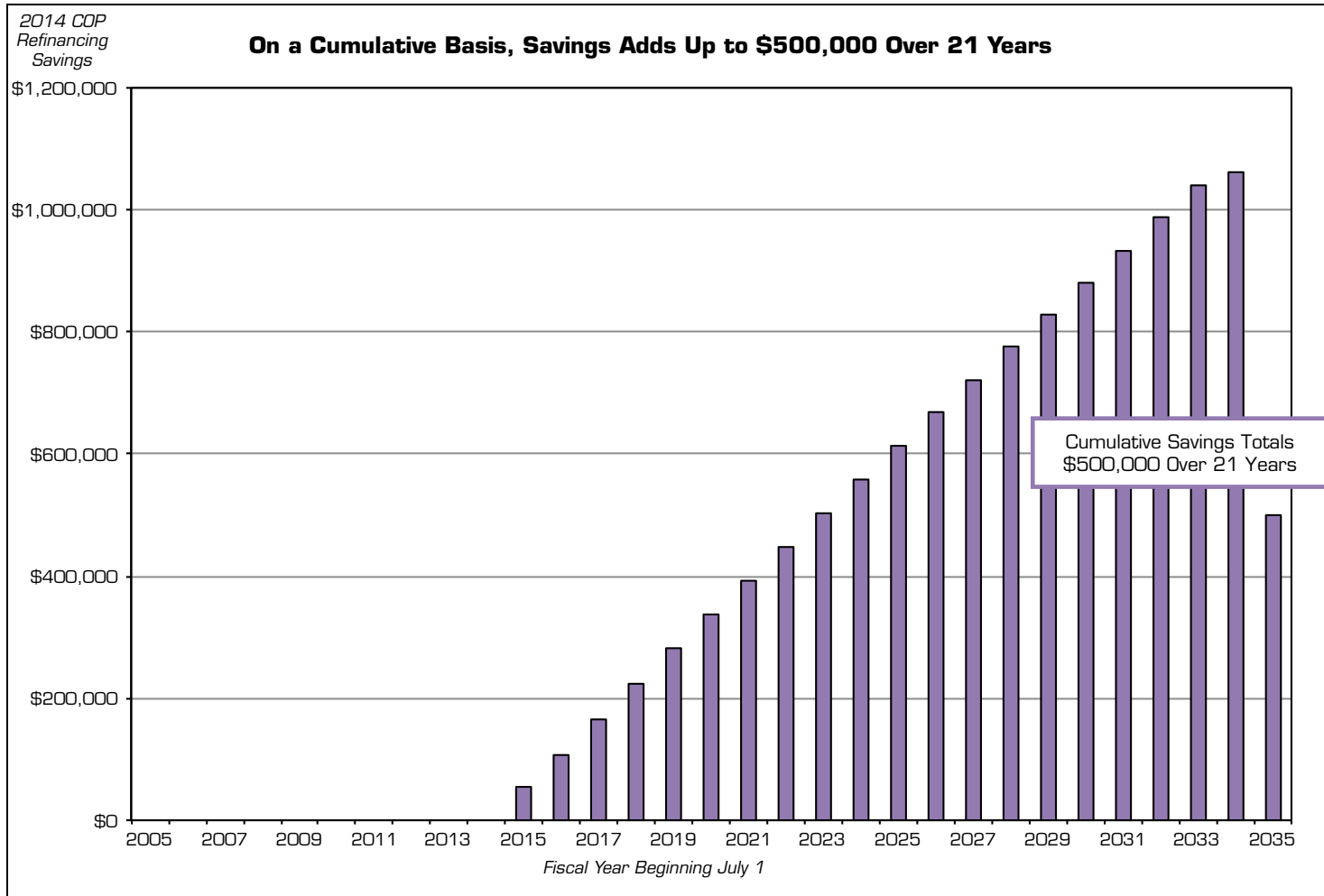
*Purchase
Surety Bond*



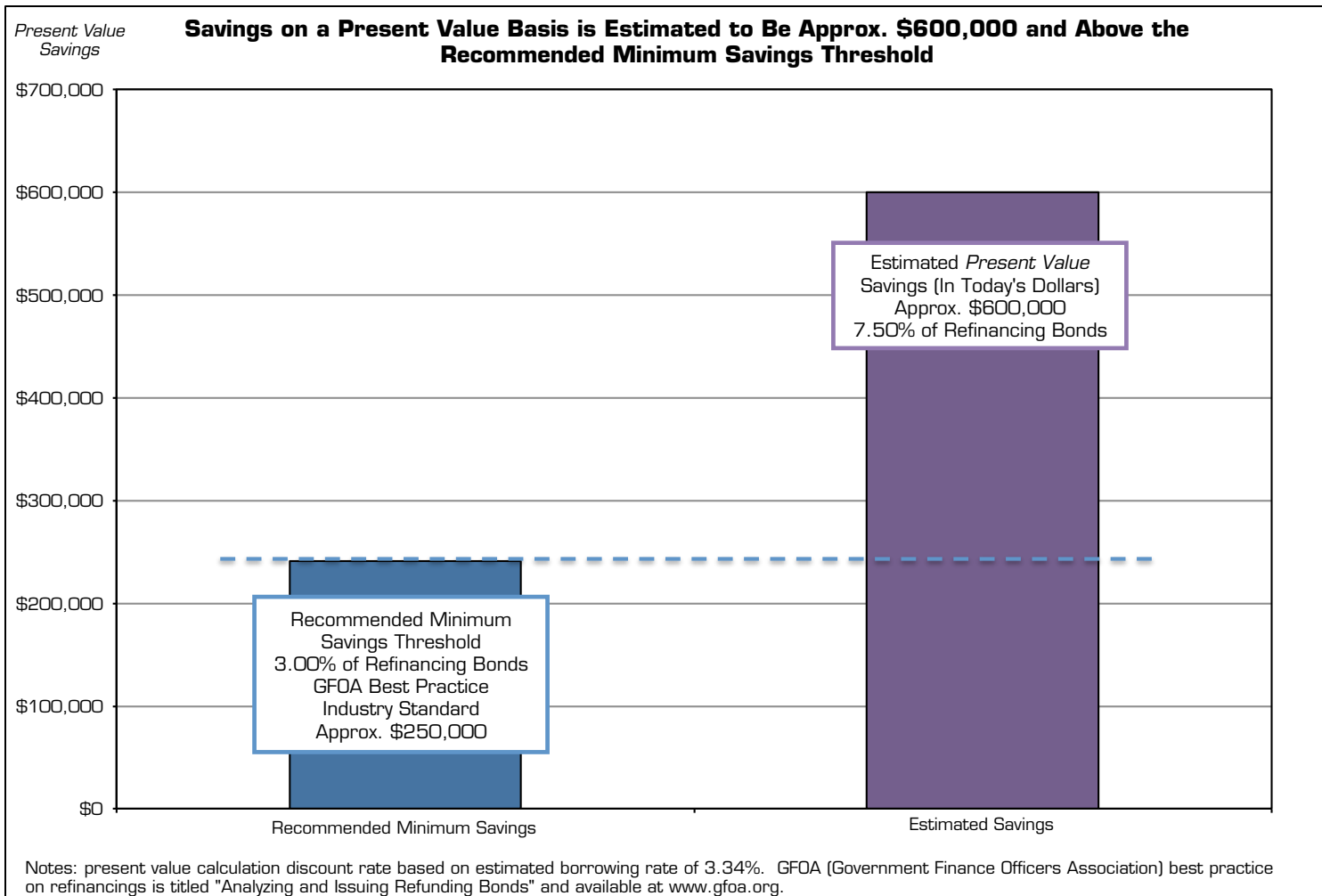
Savings is \$55,000 Annually (9%)



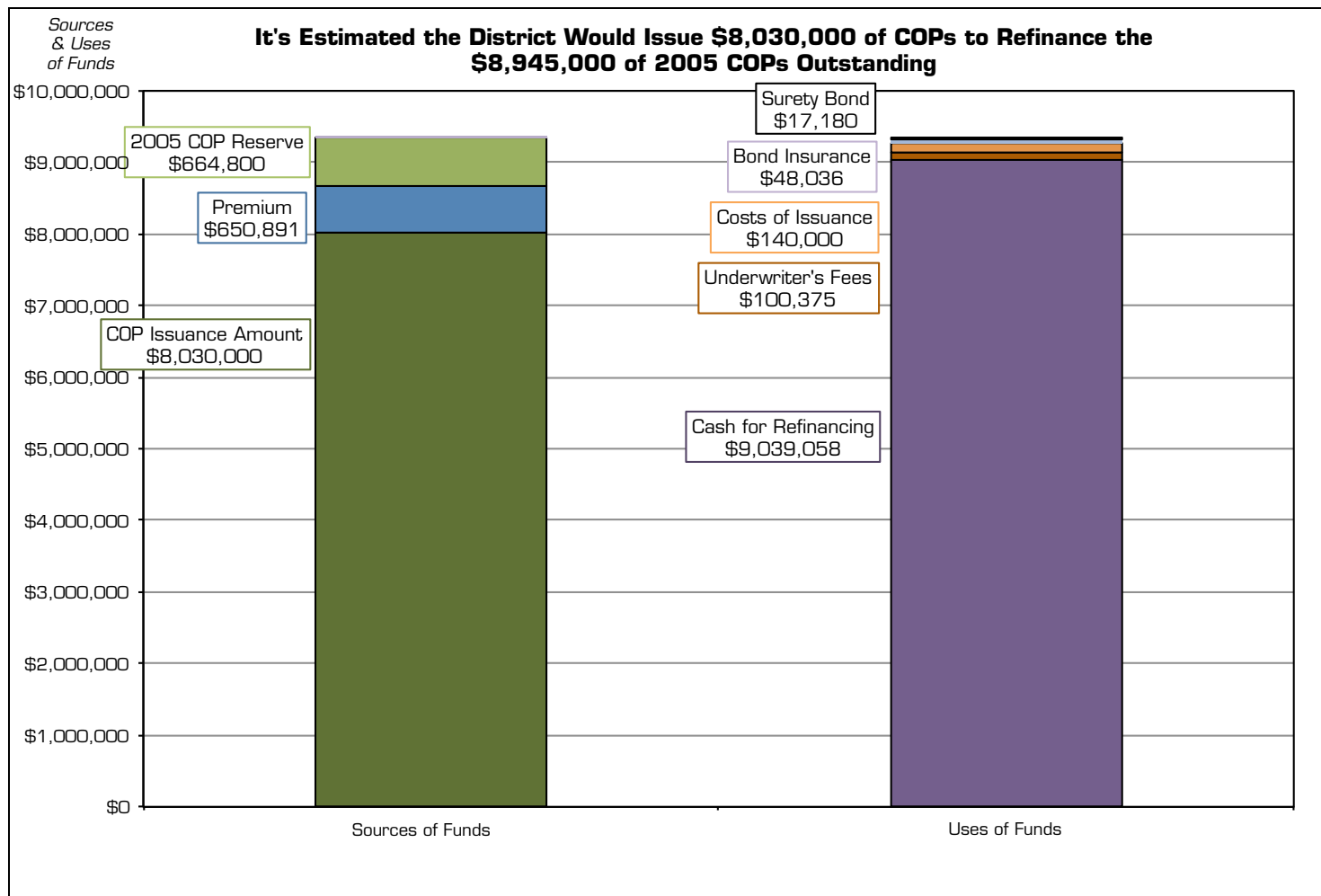
9% Annual Savings Totals \$500,000



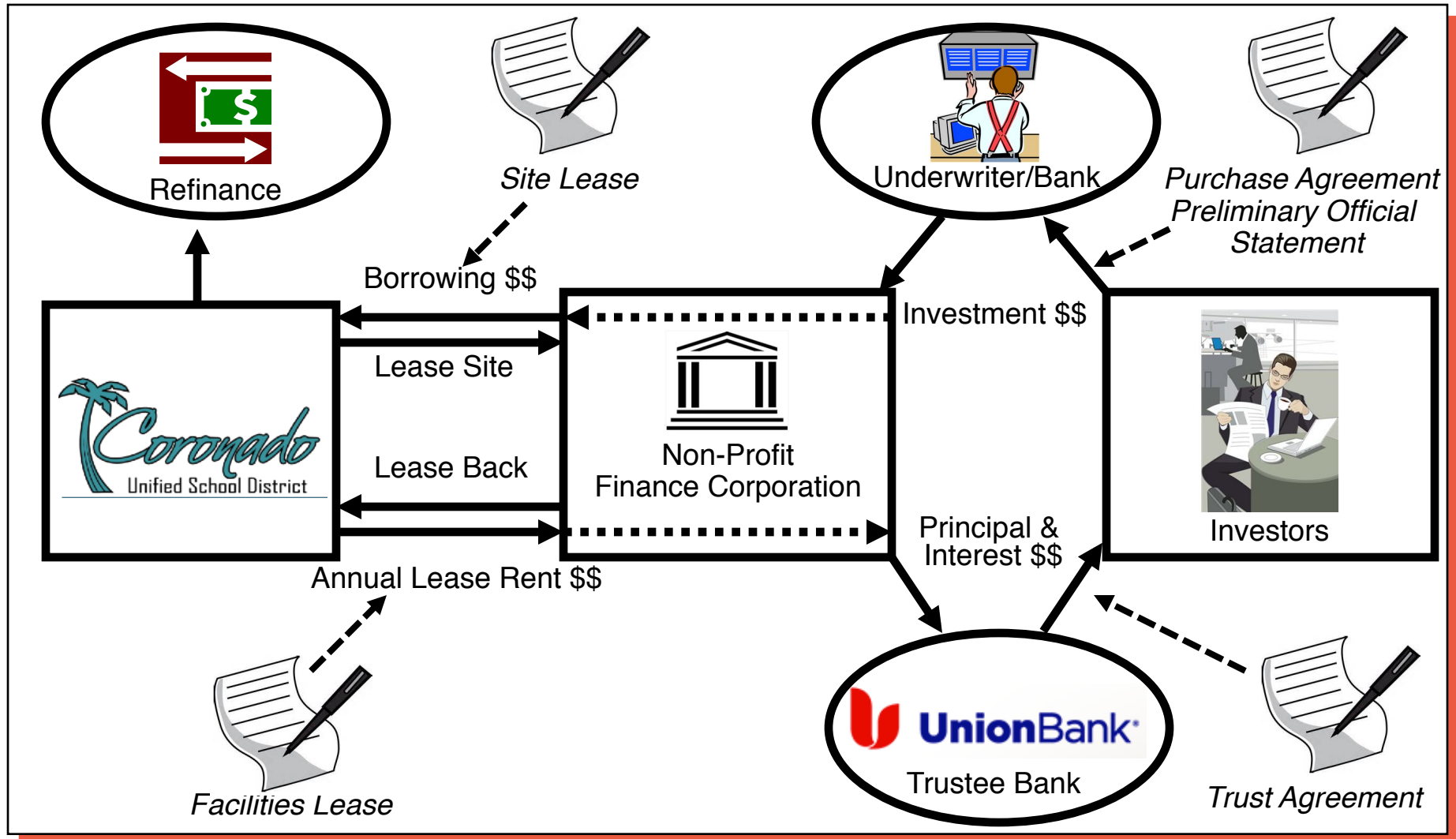
Present Value Savings ‘In Today’s Dollars’



Sources and Uses of Refinancing Funds



Legal Structure of Financing



Primary Legal Documents

- ***Board Resolution:*** authorizes financing within parameters and signing of documents in substantially the same form.
- ***Site Lease:*** District leases a school to Non-Profit Finance Corp. for \$8 million.
- ***Facilities Lease:*** Non-Profit Finance Corp. leases the school back to District in exchange for principal and interest payments over 21 years.
- ***Purchase Agreement:*** underwriter purchases the COPs from the Corp. and resells them to investors.
- ***Preliminary Official Statement:*** discloses important information about the District and financing to investors.
- ***Trust Agreement:*** a Trustee Bank, Union Bank, is assigned responsibility for the principal and interest payments.

School Subject to Lease

- A school, Coronado Middle School, will be subject to the lease agreement.
 - This is the same school used for the 2005 COPs.
 - The school will now serve as security for the 2015 COPs.
 - In a worst case scenario, if the District defaults on payments or other covenants, the Trustee Bank has the option to take possession of the school and sell, lease, or otherwise dispose of it.

- In practice, investors will be counting on the District, in good faith, to live up to its obligation to make payments on time and in full.



Recommended Method of Sale

■ Two methods of selling bonds to underwriters/banks:

– Competitive



– Negotiated



■ Recommendation for the refinancing:

– Use a competitive bidding process to set interest rates.

» Recommended as a best practice by the Government Finance Officers Association.

» Academic research supports the value of this approach.

County Superintendent of Schools Review

- **The District must notify the County Superintendent of Schools and County Auditor regarding the financing.**
 - Per Education Codes 42133(a) & 17150.1(a)
 - At least 30 days in advance of Board approval
 - » Notification was provided January 5th
- **As always, the District welcomes the County Superintendent of School's review and feedback – they are a valuable resource for the District.**
- **The financing cannot proceed unless the County Superintendent of Schools determines that repayment is probable. The County Superintendent of Schools and County Auditor may also comment publicly to the Board regarding the capability of the District to repay the financing.**



Next Steps

■ Tonight's Board meeting:

- Information only.

■ February 19th Board meeting:

- Board will be asked to consider adoption of resolution authorizing refinancing and approving legal documents.

■ March 4th:

- Sale of bonds and interest rates determined.

■ Late March/Early April:

- Financing closes, cash received, and 2005 COPs repaid.

■ April 16th Board meeting:

- Sale results presented to Board.

■ Ongoing Administration

