

## EXECUTIVE SUMMARY

### **Resolution No. 17-02 – Certificates of Participation, Series 2017B - Refunding Certificates of Participation, Series 2009A - BAB**

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At the present time, market conditions are favorable for the District to prudently refund all or a portion of the outstanding Certificates of Participation (COPs), Series 2009A – Build America Bonds (BAB) with an aggregate principal amount not to exceed \$75,000,000.

The District was originally considering to bring this item to the December 19, 2017 Regular School Board Meeting and the planned bond sale would have occurred in January 2018. However, the proposed Tax Cut and Job Act (TCJA) has a provision included in both the House and Senate Bills that, if passed into law, would repeal tax-exempt advance refunding of bonds, effective December 31, 2017. This would prevent the District from refunding bonds on an advance basis to obtain savings.

The TCJA caused a paradigm in our initial planning: Do we move forward with our original plan and hope that the repeal of the advance refunding is taken out before it becomes law or expedite the plan to issue the bonds in December 2017, rather than January 2018? Since the District had already commenced the refunding process, staff decided it would be prudent and beneficial for the District to sell the bonds in December 2017 to avoid any potential impacts TCJA may have on savings for the District.

If the market continues at the current levels during the time of pricing (between December 14 - 18), the District would realize substantial savings. Based on a recent analysis, the potential refunding is expected to realize Net Present Value (NPV) debt service dollar savings estimated at \$6,085,000. In accordance with the District's Debt Management Policy, the minimum NPV savings requirement is three (3) percent. This proposed refunding (COPs, Series 2017B) would generate approximately 9.52% NPV savings, far exceeding the minimum three (3) percent requirement.

The COPs, Series 2009A – BAB are subsidized by the Federal Government. Therefore, this advance refunding will be structured as a "crossover" refunding to maintain the federal subsidy. If this structure is not used, the District would forfeit the subsidy.

The proceeds of the refunding certificates (COPs, Series 2017B) would be placed in escrow and used to make debt service payments on the refunding certificates (COPs, Series 2017B) until the call date, July 1, 2019, of the original certificates (COPs, Series 2009A – BAB).

On the call date, July 1, 2019, the refunding certificates (COPs, Series 2017B) 'cross over' and are then used to pay the principal in order to extinguish the original certificates (COPs, Series 2009A – BAB).

Since the opportunity for advance refundings could vanish with the approval of TCJA, the refunding proposal of COPs, Series 2017B was brought before the Financial Advisory Committee on November 29, 2017. A motion was passed unanimously for the District to proceed with the refunding. In addition, staff, along with the District's Financial Advisors and Special Tax Counsel, recommend moving forward with this approach, to avoid the risk that the TCJA may eliminate all advance refundings after December 31, 2017.