



# Meadows Union School District

*Imperial County*

## Summary of the 2018 Certificates of Participation Issuance (COPs)

*October 9<sup>th</sup>, 2018*

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**CFW**  
*Planning and Financing Better  
Schools for California Students*

# COP Issuance Overview

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- The total cost of the Gymnasium Project is \$7.4 million, funded as follows:

Funding Source	Amount
Available Bond Funds - 2016 Measure "R"	\$5.7 million
Additional Funding from COP	\$1.7 million
Total	\$7.4 million

- The District is eligible for approximately \$2 million of State Aid grants, however this may not be received for up to 36 months or longer
- In order to complete the project now, the District issued a COP that can be repaid in the future from these State Aid grants

# District Credit Ratings

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- As part of the bond issuance process, the District requested a COP credit rating from S&P to enable investors to evaluate the credit strength of bonds
- On August 23<sup>rd</sup>, 2018, CFW and the District's staff and CFW staff conducted a conference call with analysts from S&P to provide an overview of the economic profile of the District and its service area
- During the call, the District was able to reflect their improved financials and pragmatic reserves, 17.4% and 15.3% of operating expenditures in 2017 and 2018 respectively, which were credited for their rating
- S&P assigned the District's COP rating of "A-" with a ***Stable*** outlook citing positive factors, including good financial management policies
- The District's high quality rating "A-" translates to a lower interest rate

# Summary of the COP Sale

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- On September 18<sup>th</sup>, the District's Staff, CFW, and representatives from Oppenheimer & Co. (the District's underwriter) conducted a pre-pricing call to establish preliminary parameters of the bonds and to review market conditions
- On September 20<sup>th</sup>, the parties conducted a pricing phone call during which the District successfully sold an aggregate of \$2.385 million in Certificates of Participating (2018 Finance Project)
- The 2018 Certificates of Participation were priced with a term of 30 Years, but structured that they are redeemable at any time given state aid grants are received. Also, they are optionally redeemable on any date on or after August 1, 2021
- The arbitrage yield (Interest Rate for the COPs) is 4.01%
- The True Interest Cost (TIC or Total Borrowing Cost) for the COPs is 4.11%

# Final Structure Numbers

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2018 Certificates of Participation	
	Final Numbers
Par Amount	\$2,385,000
Project Fund	\$1,701,198
Total Repayment <sup>(a)</sup>	\$3,807,050
Repayment Ratio	1.60
Avg Interest Rate	4.01 %
Total Cost of Issuance (COI) <sup>(b)</sup>	\$175,000

<sup>(a)</sup>Net of capitalized interest

<sup>(b)</sup>Includes all professional fee; does not include Underwriters Discount

# Breakdown of COI

Type	Fees
Financial Advisor	\$75,000
Bond/Disclosure Counsel	\$50,000
Rating Fees	\$12,500
Title Insurance	\$10,000
Miscellaneous Expenses	\$8,000
Paying Agent/COI Agent	\$6,000
Conduit Issuer & Issuer Counsel	\$5,000
<b>Sub-total paid COI</b>	<b>\$166,500</b>
Contingency	\$8,500
<b>Total COI</b>	<b>\$175,000</b>
Underwriter Discount @ 1.26% of Par	\$30,000
<b>TOTAL COST and EXPENSES TO ISSUE COP</b>	<b>\$205,000</b>

Note: Unused Contingency will be deposited into Debt Service Fund

# State Aid – UPDATE

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- As of September 12<sup>th</sup>, the School Facility Program (SFP) for the New Construction component has received requests for funding that has exceeded available bond authority
- As a result of reaching this limit in applications, all school districts that chose to submit an *Application for Funding (Form SAB 50-04)* for New Construction must also submit a school board resolution pursuant to SFP regulations
- Although the SFP has reached a limit in applications for new construction, districts throughout the State will continue to submit applications based on the following:
  - Of the existing applications pending to be processed at the State, many were submitted up to 5 years ago
  - Some applications will drop out or not be able to recertify which creates new capacity
  - The new governor is expected to accelerate the SFP once elected and propose a 2020 state-wide bond to fund the pending state aid applications

# The Look Ahead

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- Approximately \$1.7 million in COP proceeds have been deposited with the County, and are available to fund the District's gymnasium project
- CFW will include 2018 Certificates of Participation information in future continuing disclosure filings with the Electronic Municipal Market Access (EMMA) database
- The finance team will continue to monitor opportunities to refinance outstanding bonds that would generate tax payer savings
- Provide Staff and Board with annual updates on Bond Program, the SFP Program, and the status of the District's State Aid application

# Questions?

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# General Information Exclusion Disclosure

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