

# Grove City Area School District

## *New Money Analysis*

**August 7, 2017**

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&  
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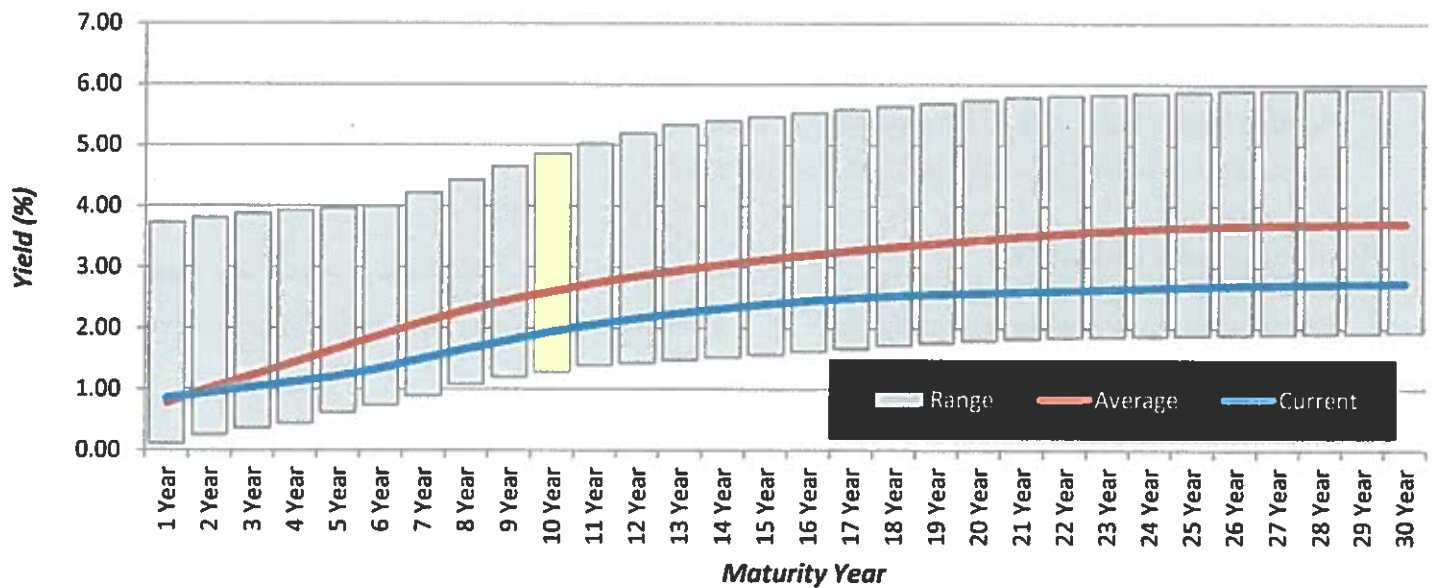
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**MMD YIELD CURVE**

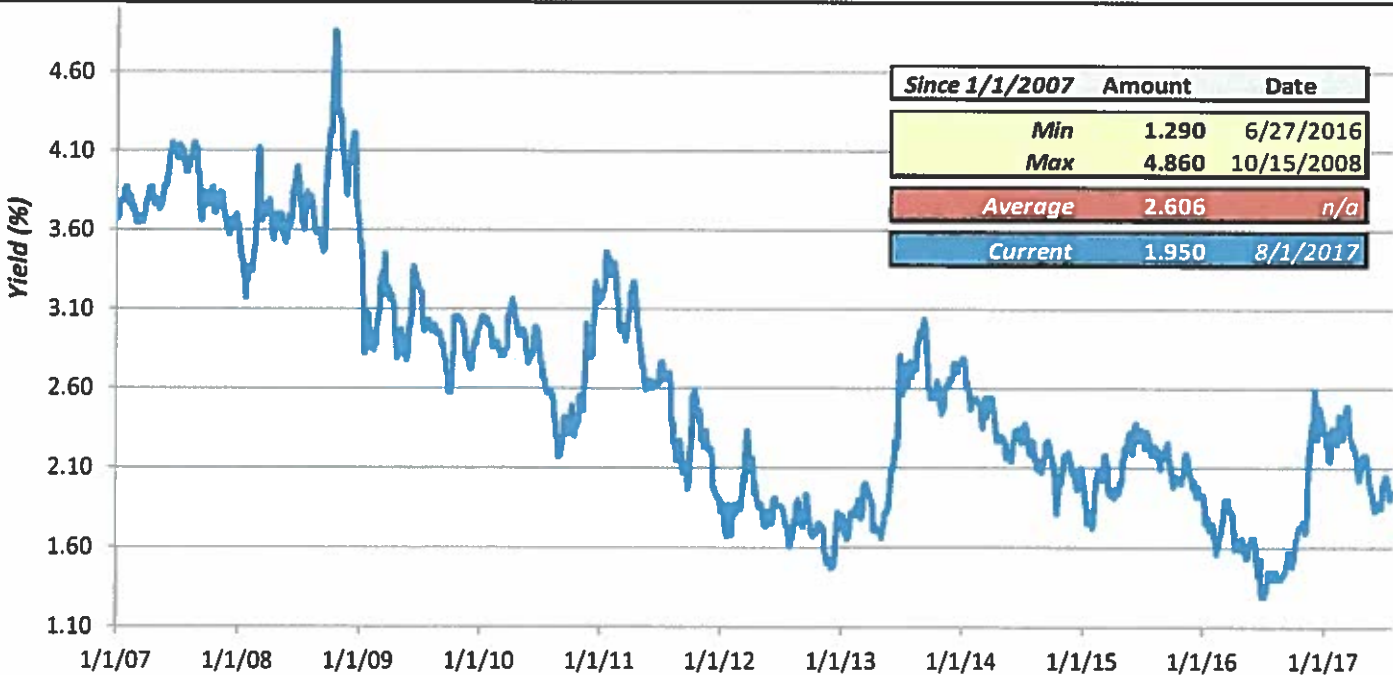
The MMD Yield Curve is a high grade municipal yield curve published daily by Municipal Market Data. It is one of the most commonly used benchmarks in municipal finance. The yields within the curve reflect the current yields for each maturity year at which bondholders would be likely to sell high quality (AAA rated) general obligation backed bonds. The yield curve is typically influenced by new issuances in the primary market as well as post-issuance trading in the secondary market.

Municipal bonds typically trade at a "spread to MMD", meaning the difference between the yield in a specific year of a bond issue and the respective yield in the MMD Yield Curve. While these spreads vary over time, they can be a meaningful and powerful tool in trying to compare relative yield levels in a volatile interest rate environment.

**HISTORICAL MMD CURVE ILLUSTRATION - SINCE JANUARY 1, 2007**



**SPOT ANALYSIS - 10 YEAR MMD - SINCE JANUARY 1, 2007**



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**Grove City Area School District**

**Topics for Discussion**

**August 7, 2017**

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**I) The Project**

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- The District has asked PFM Financial Advisors LLC to prepare schedules for \$36,950,000 to consolidate the Highland Primary Center and Hillview Elementary School.
- District submitted PlanCon Part A for this project prior to the moratorium deadline

**II) Approaches to New Money Financing**

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- **Interim Funding** – short term borrowing prior to permanent financing
- **Current Funding** – wait for construction bids
- **Advance Funding** – borrow all (or a portion) prior to construction bids
- **Multiple Financing** – spread borrowings over different calendar years, taking advantage of IRS limits and staggering impact vs. increased costs of issuance

**III) Reimbursement Resolution**

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- A reimbursement resolution allows the issuer to pay itself back from the bond proceeds for costs related to the project
- A project may incur significant expenses prior to the financing
  - Feasibility studies
  - Traffic studies
  - Architect Fees
  - Legal Fees

**IV) Borrowing Laws-Federal Tax Laws**

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The Internal Revenue Code (the "Code") permits the Issuer to borrow funds at a tax-exempt interest rate and invest the proceeds at an unlimited yield during the period of project construction, but not more than 3 years, if the reasonable expectations of the Issuer are to meet the following 3 tests:

1. Expenditure Test – spend 85% of the proceeds within 3 years;
2. Time Test – incur within 6 months a substantial binding obligation to expend at least 5% of the proceeds;
3. Due Diligence Test – proceed with due diligence to complete the capital project and expend the proceeds for the capital project.

**GROVE CITY AREA SCHOOL DISTRICT  
SUMMARY OF OUTSTANDING INDEBTEDNESS**

**Debt Service Requirements**

1	2	3	4
Fiscal Year Ended	G.O. Bonds Series of 2013	Mercer County Career Center	
		Rev. Bonds Series of 2014	Total Debt Service
6/30/2018	976,000	177,719	1,153,719
6/30/2019	977,600	176,968	1,154,568
6/30/2020	978,800	177,097	1,155,897
6/30/2021	974,650	176,836	1,151,486
6/30/2022		178,003	178,003
6/30/2023		177,225	177,225
6/30/2024		178,029	178,029
6/30/2025		177,427	177,427
6/30/2026		177,446	177,446
6/30/2027		177,327	177,327
6/30/2028		176,869	176,869
6/30/2029		176,976	176,976
6/30/2030			
6/30/2031			
<b>Totals</b>	<b>3,907,050</b>	<b>2,127,922</b>	<b>6,034,972</b>

**Local Effort Requirements**

5	6	7	8
Fiscal Year Ended	G.O. Bonds Series of 2013	Rev. Bonds Series of 2014	Total Local Effort
6/30/2018	837,847	113,411	951,257
6/30/2019	839,220	112,932	952,152
6/30/2020	840,250	113,013	953,264
6/30/2021	836,688	112,847	949,535
6/30/2022		113,592	113,592
6/30/2023		113,095	113,095
6/30/2024		113,609	113,609
6/30/2025		113,224	113,224
6/30/2026		113,236	113,236
6/30/2027		113,160	113,160
6/30/2028		112,868	112,868
6/30/2029		112,937	112,937
6/30/2030			
6/30/2031			
<b>Totals</b>	<b>3,354,005</b>	<b>1,357,924</b>	<b>4,711,929</b>

<b>Principal*:</b>	<b>3,755,000</b>	<b>1,769,662</b>	<b>5,524,662</b>
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<b>PE%:</b>	23.42%	59.87%
<b>PE% Status:</b>	Temp.	Temp.
<b>AR% (16-17):</b>	60.44%	60.44%
<b>Call Date:</b>	5/15/2018	5/1/2019
<b>Purpose:</b>	Adv Ref 2009	Adv Ref portion of 2009



\* Outstanding as of August 1, 2017

# **GROVE CITY AREA SCHOOL DISTRICT**

## **Ungrandfathered Millage Strategies**

- 1. Fit millage impact under Act 1 Allowable Index Increase (the "Index")**
  - a. Increase up to the Index every year starting in 2016-2017 to phase in ungrandfathered millage gradually*
  - b. The District's 2017-2018 Allowable Index Increase = 3.40%*
  - c. Seek exceptions and increase beyond the Index if possible*
  
- 2. Use estimated interest earnings from construction fund toward project**
  - a. Input needed from architect to determine approximate interest earnings which would then be used to downsize the bond issue*
  
- 3. Contribute cash or refunding savings towards Project**
  - a. Either temporarily or permanently contribute a portion of existing reserves to help decrease the size of the issue.*
  
- 4. Break borrowing into smaller portions**
  - a. The District will have the ability to phase debt service into the budget more slowly*
  - b. \$10,000,000 per calendar will allow for bank qualified borrowings (i.e. lower interest rates) and 5 year call features*
  
- 5. Indirect Cost Savings**
  - a. Utilize potential operational or capital expenditure savings to reduce millage impact*
  
- 6. Consider wrap around payment structure for borrowing(s)**
  
- 7. Capitalize Interest**
  - a. The use of District cash to phase the millage impact into the budget gradually*
  - b. Increases the size of the bond issue*
  
- 8. Debt Restructuring**
  - a. Restructure a portion of outstanding debt to create capacity for new ungrandfathered debt*
  
- 9. Consider using Capital Appreciation Bonds to reduce millage impact**
  - a. Tends to increase interest expense*
  
- 10. Debt Act Referendum (Electoral Debt)**
  - a. Voters vote on debt service millage for specific project*
  
- 11. Act 1 Referendum**
  - a. Voters vote on property tax increase beyond the Index – not specific project*

**GROVE CITY AREA SCHOOL DISTRICT  
SUMMARY OF NEW MONEY PLAN**

**SCENARIO 3 - ASSUMES A \$38,950,000 PROJECT WITH \$6,965,000 CASH CONTRIBUTION TO DOWNSIZE BORROWING**

**ESTIMATED**  
For Illustrative Purposes Only

	1	2	3	4	5	6	7	8	9
<b>STEP-1</b>									
Principal	\$9,985,000	\$9,985,000	\$9,985,000	\$29,985,000					
District Cash Contribution	\$0	\$6,965,000	\$0	\$8,965,000					
Term	Wrap	Wrap	Wrap	Wrap					
Bank Qualified?	BQ	BQ	BQ						
Settlement	12/29/2017	8/1/2018	8/1/2019						
					Fiscal Year	Millage Rate	2017-2018 Act 1 Index	Incremental Millage	Est. Project Millage
					6/30/2018	62.00	3.40%	0.00	
					6/30/2019	64.11	3.40%	2.11	0.44
					6/30/2020	66.29	3.40%	2.18	0.44
					6/30/2021	68.54	3.40%	2.25	0.45
					6/30/2022	70.87	3.40%	2.33	0.43

Assumes future Act 1 index levels are equal to 2017-2018 published values.



	10	11	12	13	14	15	16	17	18	19	20	21	22	23
<b>Fiscal Year</b>														
Existing Local Effort	951,257	952,152	953,047	953,942	954,837	955,732	956,627	957,522	958,417	959,312	960,207	961,102	962,000	962,900
Proposed Debt Service	475,535	397,579	393,910	389,374	384,838	380,302	375,766	371,230	366,694	362,158	357,622	353,086	348,550	344,014
Total New Debt Service	717,837	1,030,193	1,178,730	1,840,172	1,841,956	1,843,740	1,845,524	1,847,308	1,849,092	1,850,876	1,852,660	1,854,444	1,856,228	1,858,012
Proposed Debt Service	242,102	393,910	605,831	602,876	605,634	608,392	611,150	613,908	616,666	619,424	622,182	624,940	627,698	630,456
Proposed Debt Service	242,102	393,910	605,831	602,876	605,634	608,392	611,150	613,908	616,666	619,424	622,182	624,940	627,698	630,456
Total Debt Service	1,668,799	1,983,457	2,183,264	2,183,764	2,184,264	2,184,764	2,185,264	2,185,764	2,186,264	2,186,764	2,187,264	2,187,764	2,188,264	2,188,764
Gross Millage Equivalent <sup>1)</sup>	3.89	1.70	0.79											
Less: State Reimbursement	(65,061)	(63,367)	(106,854)	(166,830)	(166,874)	(166,918)	(166,962)	(167,006)	(167,050)	(167,094)	(167,138)	(167,182)	(167,226)	(167,270)
Less: Capitalized Interest	(60,000)	(265,000)	(315,000)											
Less: Annual Budgeted District Funds <sup>2)</sup>	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Less: Indirect Cost (Savings) <sup>3)</sup>	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Estimated Local Effort	951,257	1,032,729	1,113,060	1,193,391	1,273,722	1,354,053	1,434,384	1,514,715	1,595,046	1,675,377	1,755,708	1,836,039	1,916,370	1,996,701
Estimated Net Millage Equivalent <sup>1)</sup>	0.44	0.44	0.45	0.43										
<b>TOTAL</b>	<b>4,711,929</b>	<b>17,040,835</b>	<b>16,572,351</b>	<b>16,572,351</b>	<b>16,572,351</b>	<b>16,572,351</b>	<b>16,572,351</b>	<b>16,572,351</b>	<b>16,572,351</b>	<b>16,572,351</b>	<b>16,572,351</b>	<b>16,572,351</b>	<b>16,572,351</b>	<b>16,572,351</b>

<sup>1)</sup> 1 Mill = \$184,500  
 PE% = 15.00% Placeholder Only - To be determined by PlanCon process  
 AR% = 80.44%  
 Eff % = 8.07%  
 - Does not include pre-construction spending  
 \*Local Effort in Steps 1-3 estimated based on estimated interest rates. Actual rates to be determined at the time of pricing.  
 \*\*Local Effort includes the District's pro-rata share of Mercer County Career Center.  
 \*\*\*Assumes District will use \$500,000 budgeted funds annually for debt service and the funds will no longer be available to fund reserves.  
 \*\*\*\*Example: 5% annual energy savings realized per year

**GROVE CITY AREA SCHOOL DISTRICT  
SUMMARY OF NEW MONEY PLAN**

**SCENARIO 4 - ASSUMES A \$36,950,000 PROJECT WITH \$5,015,000 CASH CONTRIBUTION TO DOWNSIZE BORROWING**

**ESTIMATED**  
For Illustrative Purposes Only

	1	2	3	4	5	6	7	8	9
<b>STEP 1</b>	<b>STEP 2</b>	<b>STEP 3</b>	<b>STEP 3</b>	<b>Total</b>	<b>Fiscal Year</b>	<b>Millage Rate</b>	<b>2017-2018 Act 1 Index</b>	<b>Incremental Millage</b>	<b>Est. Project Millage</b>
Principal	\$9,985,000	\$11,845,000	\$9,995,000	\$31,935,000	6/30/2018	62.00	3.40%	0.00	0.58
District Cash Contribution	\$0	\$5,015,000	\$0	\$5,015,000	6/30/2019	64.11	3.40%	2.11	0.58
Term	Wrap	Wrap	Wrap	Wrap	6/30/2020	66.29	3.40%	2.18	0.58
Bank Qualified?	BQ	Non-BQ	BQ		6/30/2021	68.54	3.40%	2.25	0.58
Settlement	12/29/2017	8/1/2018	8/1/2019		6/30/2022	70.87	3.40%	2.33	0.61

Assumes future Act 1 Index levels are equal to 2017-2018 published values.



	10	11	12	13	14	15	16	17	18	19	20	21	22	23
<b>Fiscal Year Ending</b>	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026	6/30/2027	6/30/2028	6/30/2029	6/30/2030	6/30/2031
<b>Existing Local Effort</b>	851,257	852,152	853,047	853,942	854,837	855,732	856,627	857,522	858,417	859,312	860,207	861,102	862,000	862,895
<b>Proposed Debt Service</b>	475,628	397,819	387,606	378,393	369,180	359,967	350,754	341,541	332,328	323,115	313,902	304,689	295,476	286,263
<b>Proposed Debt Service</b>	305,170	495,307	495,253	738,909	627,182	733,007	735,726	738,445	741,164	743,883	746,602	749,321	752,040	754,759
<b>Total New Debt Service</b>	780,995	1,233,147	1,231,332	1,868,688	1,985,811	2,079,006	2,082,532	2,086,058	2,089,584	2,093,110	2,096,636	2,100,162	2,103,688	2,107,214
<b>Total Debt Service</b>	1,733,147	2,085,362	2,231,332	2,887,376	3,071,622	3,158,032	3,165,064	3,172,096	3,179,128	3,186,160	3,193,192	3,200,224	3,207,256	3,214,288
<b>Gross Millage Equivalent<sup>1)</sup></b>	4.24	1.81	0.76											
<b>Less: State Reimbursement</b>	(70,805)	(102,605)	(116,208)	(178,265)	(178,230)	(178,464)	(178,537)	(178,448)	(178,641)	(178,656)	(178,672)	(178,688)	(178,704)	(178,720)
<b>Less: Capitalized Interest - District Cash</b>	(90,000)	(300,000)	(325,000)											
<b>Less: Estimated Net Local Effort</b>	851,257	1,050,342	1,170,124	1,388,934	1,591,644	1,794,354	1,997,064	2,199,774	2,402,484	2,605,194	2,807,904	3,010,614	3,213,324	3,416,034
<b>Estimated Net Local Effort</b>	851,257	1,050,342	1,170,124	1,388,934	1,591,644	1,794,354	1,997,064	2,199,774	2,402,484	2,605,194	2,807,904	3,010,614	3,213,324	3,416,034
<b>Less: Est. Indirect Cost (Savings)<sup>2)</sup></b>	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
<b>Estimated Net Local Effort</b>	851,257	1,060,342	1,178,124	1,398,934	1,599,644	1,796,354	1,999,064	2,201,774	2,404,484	2,607,194	2,809,904	3,012,614	3,215,324	3,418,034
<b>Estimated Net Millage Equivalent<sup>3)</sup></b>	0.58	0.50	0.58	0.61										
<b>Less: State Reimbursement</b>	(70,805)	(102,605)	(116,208)	(178,265)	(178,230)	(178,464)	(178,537)	(178,448)	(178,641)	(178,656)	(178,672)	(178,688)	(178,704)	(178,720)
<b>Less: Estimated Net Local Effort</b>	851,257	1,060,342	1,178,124	1,398,934	1,599,644	1,796,354	1,999,064	2,201,774	2,404,484	2,607,194	2,809,904	3,012,614	3,215,324	3,418,034
<b>Estimated Net Millage Equivalent<sup>3)</sup></b>	0.58	0.50	0.58	0.61										
<b>TOTAL</b>	<b>4,711,929</b>	<b>17,289,483</b>	<b>20,985,816</b>	<b>16,823,171</b>	<b>64,989,070</b>	<b>69,610,989</b>	<b>69,610,989</b>	<b>69,610,989</b>	<b>69,610,989</b>	<b>69,610,989</b>	<b>69,610,989</b>	<b>69,610,989</b>	<b>69,610,989</b>	<b>69,610,989</b>

<sup>1)</sup> 1 Mill = \$164,500  
 PE% = 15.00%  
 AR% = 60.44%  
 EIT % = 9.07%

- Does not include pre-construction spending  
 \*Local Effort in Steps 1-3 estimated based on estimated interest rates. Actual rates to be determined at the time of pricing.  
 \*\*Local Effort includes the District's pro-rata share of Mercer County Career Center.  
 \*\*\*Assumes District will use \$500,000 budgeted funds annually for debt service and the funds will no longer be available to fund reserves.  
 \*\*\*\*Example: 5% annual energy savings realized per year

# Grove City Area School District

## Sample Motion – New Money

Resolved: The Board of School Directors of the Grove City Area School District does hereby authorize the Administration to work with PFM Financial Management LLC, as Independent Financial Advisor, Dinsmore & Shohl LLP, as Bond Counsel, and the Solicitor to proceed with the issuance of General Obligation Bonds, Series of 2017, via a competitive internet auction, the proceeds of which will be used towards funding the Hillview Elementary School Project.

## Sample Timeline

<b>February 13, 2017</b>	Initial presentation to the Board
<b>August 7, 2017</b>	Board Update & Discussion
<b>October 2, 2017 (or later)</b>	Authorization for the Finance Team to Proceed
<b>October 9, 2017 (or later)</b>	Adopt Parameters Resolution (Columbus Day)
<b>October 10, 2017 (or later)</b>	Sale (Lock-in Rates)
<b>November 14, 2017 (or later)</b>	Settlement