PIEDMONT UNIFIED SCHOOL DISTRICT

M E M O R A N D U M

TO: Board of Education

FROM: Randall Booker, Superintendent
Ruth Alahydoian, Chief Financial Officer

DATE: March 24, 2021

RE: **INFORMATION ITEM - RESULTS OF THE SALE OF MEASURE H1 GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2021C**

I. SUMMARY

On February 10, 2021, the Board authorized the sale of $10 million of Measure H1 bonds by competitive sale. The sale was held on February 25, 2021, with the lowest bidder being Fidelity Capital Markets. The funds were wired to the District on March 10, 2021.

This information item satisfies the Ed Code requirement that the results of the sale, including the final costs of issuance, be presented to the Board at a public meeting as soon as possible after the sale. The District's financial advisor, Blake Boehm from KNN Public Finance, has prepared the report and will be available to present the results of the sale.

II. DETAILS OF BOND SALE

On the morning of February 25, 2021, bond underwriters or syndicates of underwriters were invited to bid on an electronic bidding platform to purchase $10 million of the District's Measure H1 general obligation bonds. The bonds will be repaid over 25 years, with repayment structured to keep the annual payments of interest and principal within the tax rate promised to voters.

The bond rating from S&P Global Rating is AA+. The rating is the highest possible rating for a non-basic aid community in California. It reflects the economic strength of the taxpaying community that will repay the bonds and the overall health of the District's governance, management and finances.

The bonds were awarded to the bidder providing the lowest true interest cost (TIC), which represents the interest to be repaid by taxpayers. The bids also include a premium to cover the costs of the sale so that the net amount received by the District is $10 million. Of the seven bids received, Fidelity Capital Markets had the lowest TIC at 2.1268%.

The costs of issuance total $146,440, not including the compensation to the underwriters. Costs include fees paid to the bond counsel, financial advisor, rating agency and other miscellaneous costs related to the bond sale. These costs, as well as any underwriting costs or commissions are included in the TIC because they are paid from premium generated when the underwriters sell the bonds to investors. The competitive sale ensures that the bonds were sold at the lowest possible cost.

III. <u>TAX RATE IMPACT</u>

The total tax rate to repay the Measure H1 bonds is expected to be under $47 per $100,000 of assessed value for the remainder of the bond repayment term (through 2046 for Series 2017 and Series 2021, through 2049 for Series 2019).

Combined with the Seismic Bonds the tax rate is expected to be $101 per $100,000 of assessed value. The tax rate will increase for a few years because the Seismic Bonds that were capital appreciation bonds were refinanced with current interest bonds. This reduces the overall cost but bumps up the payments for a few years.

IV. <u>WHAT'S NEXT</u>

The District received $10 million on March 10, 2021. The costs of issuance were paid from premium rather than the bond funds. The District expects to complete the Theater building by the end of this year and expend all funds by June 30, 2022.

V. <u>RECOMMENDATION</u>

No action required. Information only.