

Thursday, June 6, 2024, 8:00 AM – 10:00 AM

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# Capital Financing and Debt Capacity Overview 2024

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# *Presentation Overview*

## **Part 1**

- ✓ Discussion of municipal bond market rates, trends and expectations

## **Part 2**

- ✓ Difficulties Presented by current market conditions

## **Part 3**

- ✓ Debt Management

## **Part 4**

- ✓ Debt Issuance

## **Part 5**

- ✓ SEC Regulation Update – Note Market



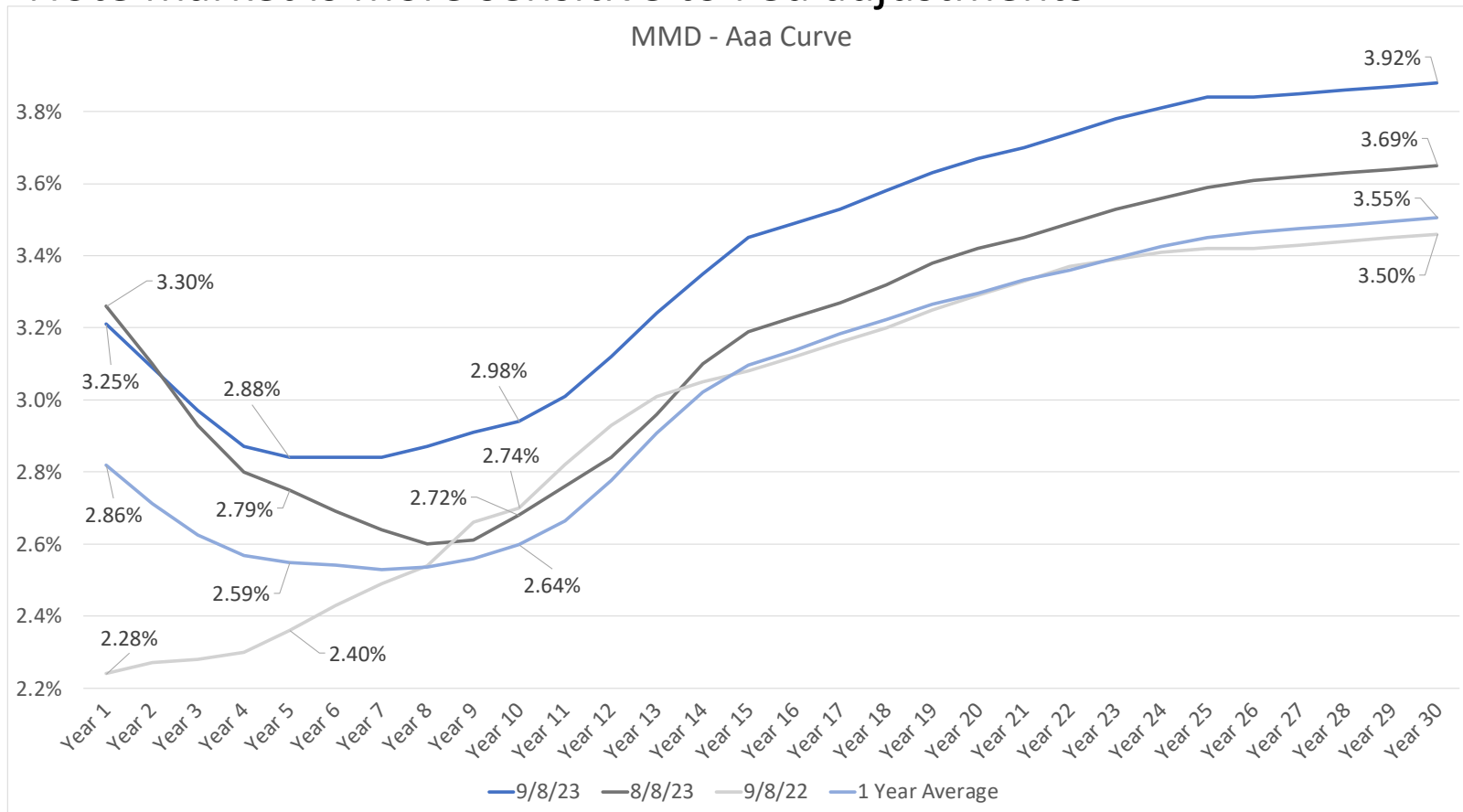
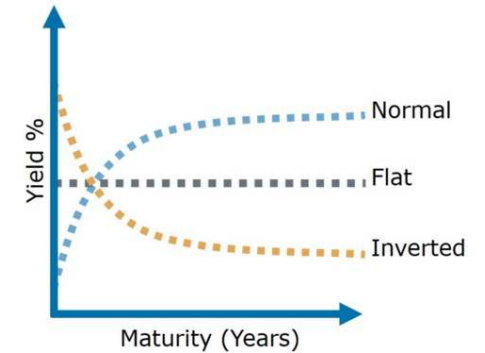
# Part 1

## Municipal bond market rates, trends and expectations

# Debt Market Outlook

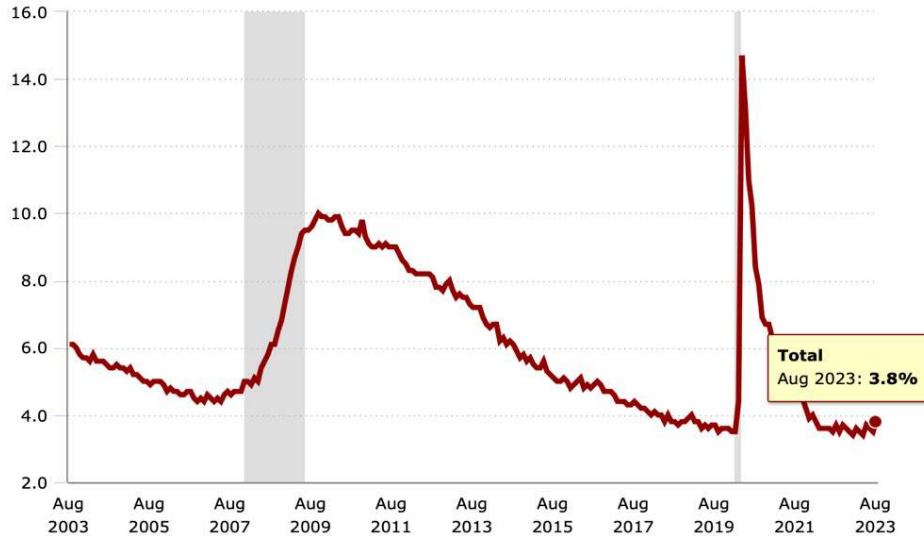
## Federal Reserve Outlook:

- Fed will continue raising rates until inflation slows
- FOMC Schedule: Nov 1, Dec 13, Jan 31
- CPI Inflation: Oct 12, Nov 14, Dec 12
- The average time from last rate hike to first rate cut is 5.8 months
- Note market is more sensitive to Fed adjustments



# Debt Market Outlook – Fed Goals

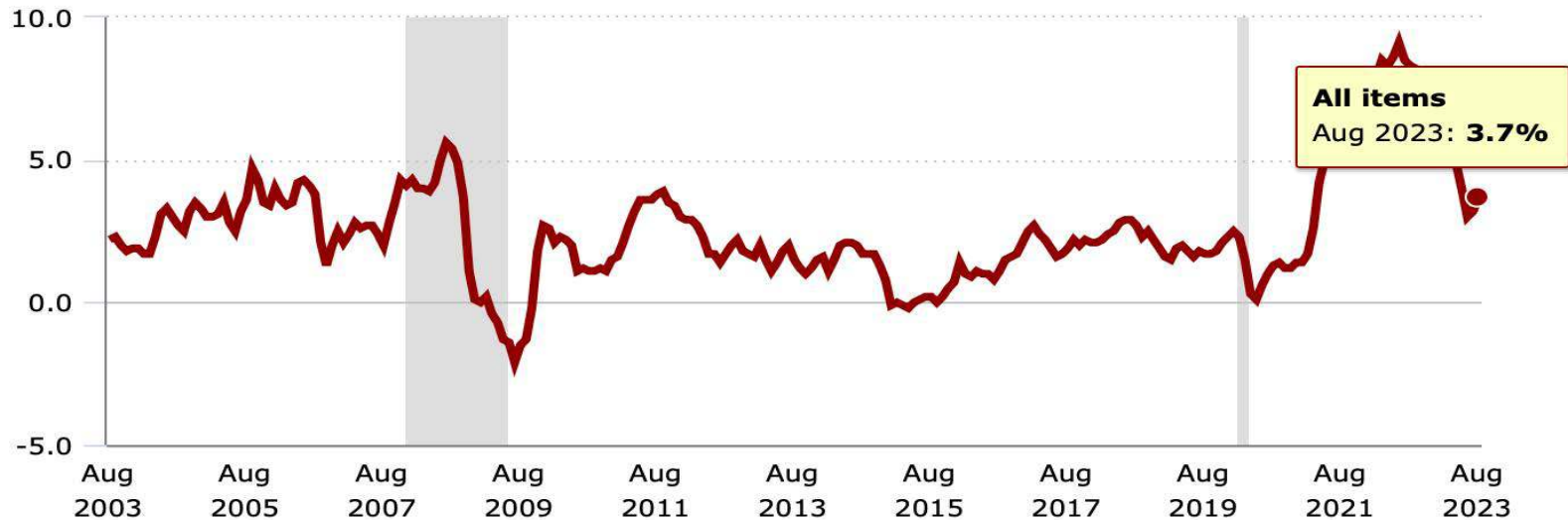
## Unemployment Rate



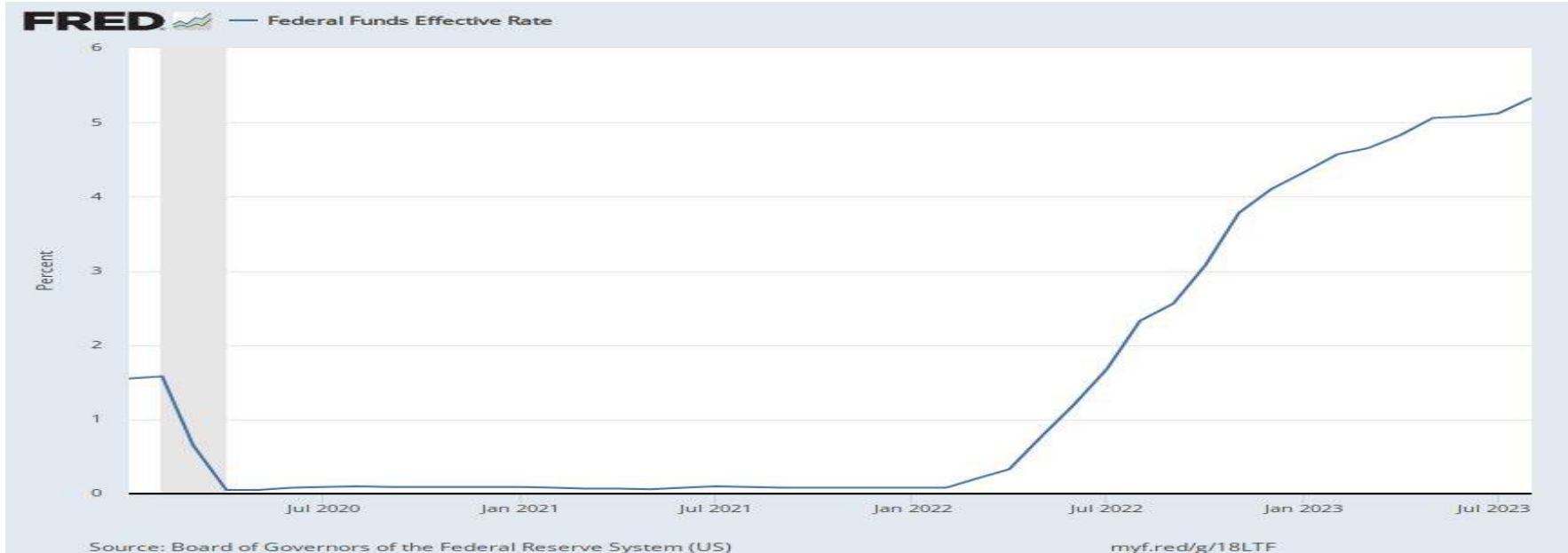
## Job Openings



## CPI - Inflation



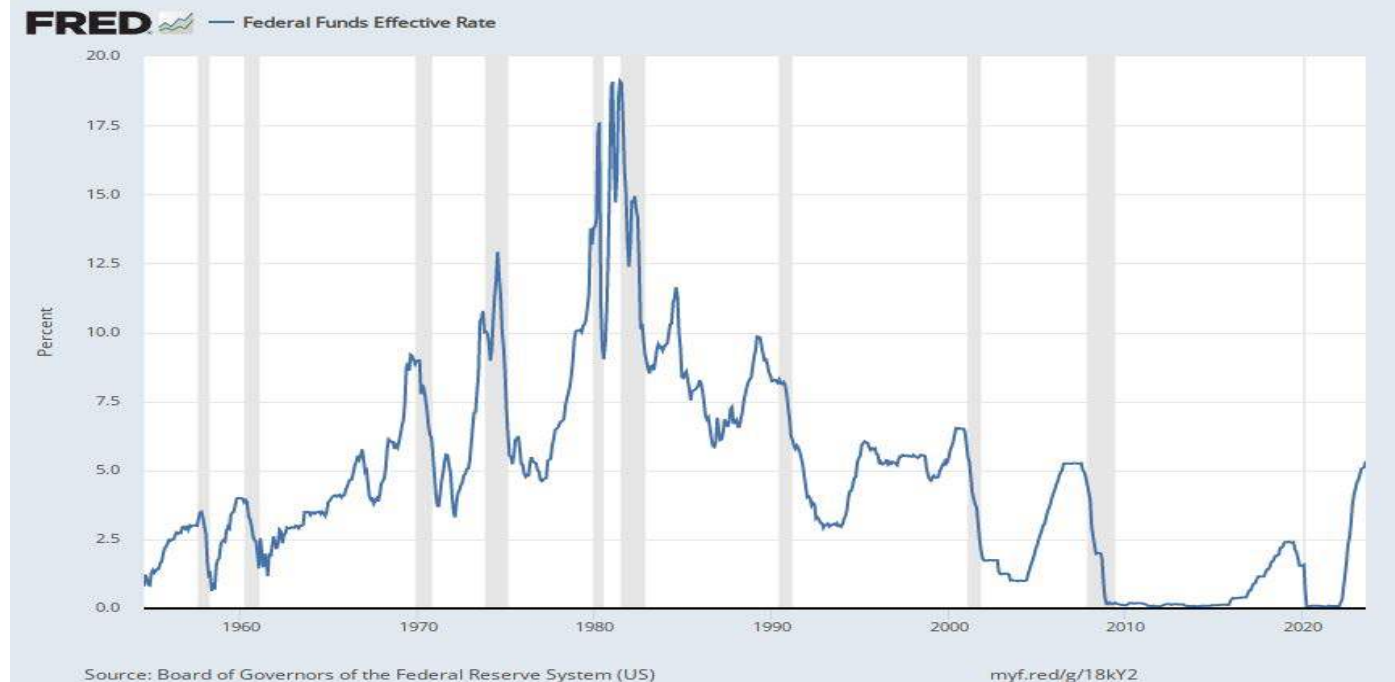
## Debt Market Outlook



# Debt Market Outlook



## Debt Market

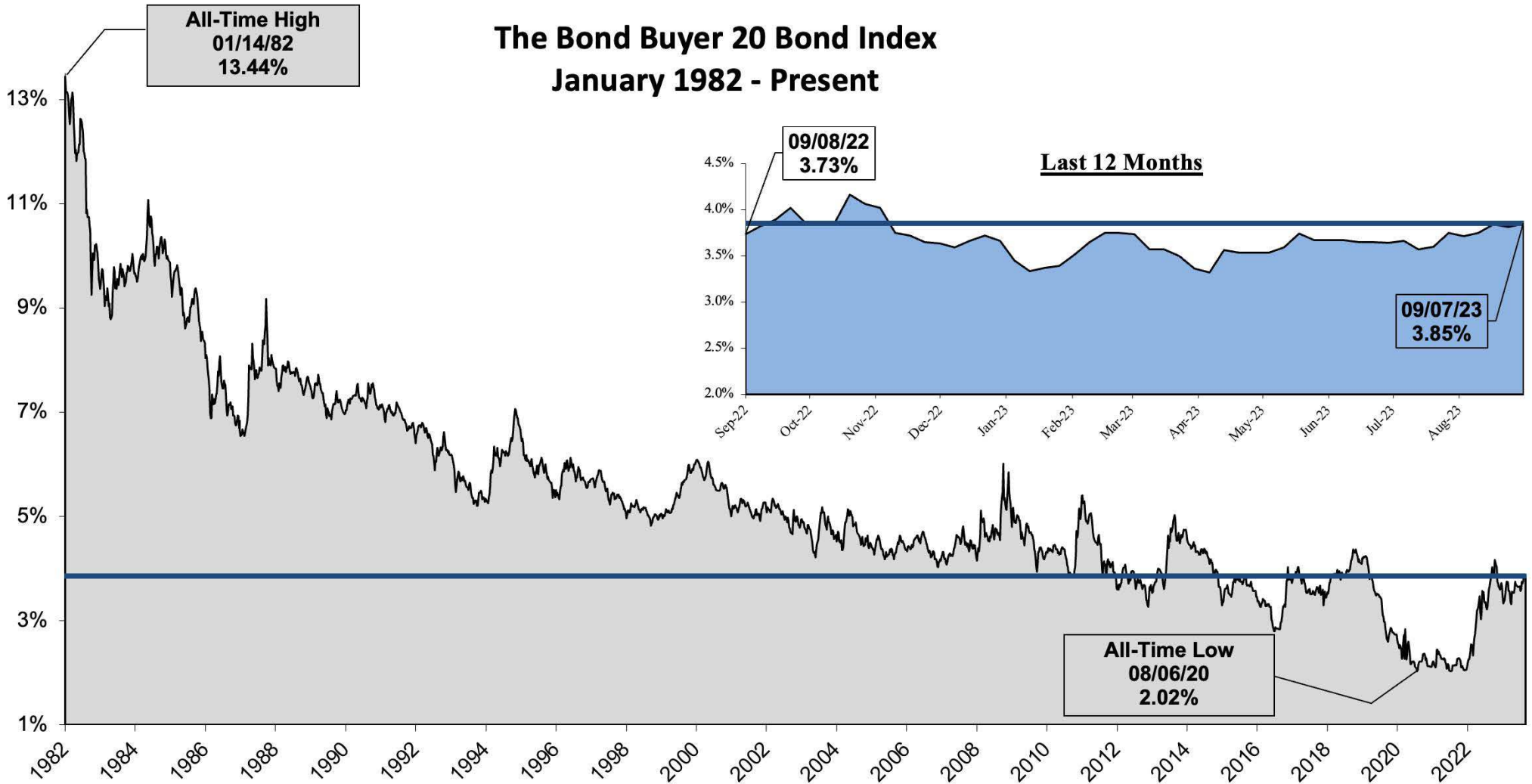


Duration between last Fed rate hike and first rate cut (months)





# Debt Market Outlook



# Part 2

## Difficulties Presented by current market conditions

## Debt Issuance: Difficulties Presented by Current Market Conditions

- Refundings are currently unlikely
- Volatility makes planning quite challenging
- Structuring - Likely need to capitalize interest

Volatility requires that good communication among financing team members is paramount throughout process to ensure a successful outcome

# Refundings

- Lack of ability to do advance refundings
  - Congress eliminated the ability to do advance refundings in 2018
  - As a result, only current refundings can be done for tax-exempt debt, or the refunding bonds have to be issued as taxable with higher rates
- High rates make refundings at sufficient savings levels unlikely
  - Industry standards recommend refundings be done only when present value saving total 3% of par or better
- Original issues done with shorter calls are more likely to be beneficial
- Higher investment rates do help escrow earn more, but escrows cannot be longer than 90 days, so not much time for earnings to accumulate

# Volatility Makes Planning Difficult

- For voted issues:
  - Ballot millage calculations may require extra conservatism,
  - Maintaining ballot millage over life of bonds requires careful consideration of AV growth
- Debt service calculations likely to change from beginning of planning process to actual pricing of bonds

# Part 3

## Debt Management



# Debt Management Policies

A good set of debt management policies should address these topics at a minimum:

- Revenues committed to fund capital projects
- Enhance year-to-year financial stability
- Annual preparation of Capital Improvements Plan (CIP)
- Credit rating monitoring and maintenance
- Bond and Note Retirement
- Arbitrage compliance
- Bank Qualified Status
- Investment of bond proceeds
- Bond retirement fund
- Debt service reserve funds
- Refunding criteria
- Reserve millage
- Debt limitations compliance



# Debt Limitations

**Ohio political subdivisions are subject to two different debt limitations:**

- Direct Debt Limit
- 10 Mill Indirect Debt Limit
- The more restrictive of the two limitations is the one that cannot be exceeded

## **Direct Debt Limit**

- Considers total outstanding debt of the subdivision
- Differentiates between voted and unvoted debt
- Is a limitation on total debt outstanding

## **10 Mill Indirect Debt Limit**

- Considers outstanding, unvoted debt of all overlapping subdivisions
- Requires that no one taxpayer is burdened with unvoted debt in excess of 10 mills
- Is a limitation on the annual debt service of all overlapping entities in terms of required millage to support that debt service





# County Debt Limitations

## Direct Debt Limit

The Ohio Revised Code defines a county's direct debt limit as:

- The principal amount of both voted and unvoted general obligation debt of a county, excluding "exempt debt," may not exceed a sum equal to 3% of the first \$100,000,000 of tax valuation plus 1-1/2% of the next \$200,000,000 of tax valuation plus 2-1/2% of the tax valuation in excess of \$300,000,000.
- Debt issuance capacity is determined by the maximum allowable reduced by the amount outstanding in each category.
- Exempt debt is typically self-supporting debt that pledges non-property tax revenues to debt service, e.g., sales tax, water/sewer system revenues, special assessments, etc.
- Lease–purchase debt is typically “exempt” as it does not meet the strict definition of “debt.”

## 10 Mill Indirect Debt Limit

All political subdivisions in Ohio calculate the 10 mill limit the same way.



# Erie County Direct Debt Limitations

## ERIE COUNTY

### Direct Debt Limitations

Total Debt: \$40,195,892

Assessed Valuation (2023 - 2024) \$2,697,096,870

|                                   | <b>Total</b> | <b>Unvoted<br/>(Limited)</b> | <b>Limited &amp;<br/>Unlimited</b> |
|-----------------------------------|--------------|------------------------------|------------------------------------|
| Revenue                           | \$36,099,823 | N/A                          | N/A                                |
| Limited Tax                       | \$4,096,069  | \$4,075,014                  | \$4,075,014                        |
| Unlimited Tax                     | \$0          | N/A                          | \$0                                |
| Total Subject to Limitation       |              | \$4,075,014                  | \$4,075,014                        |
| G.O. Debt Exempt From Limitations |              | \$21,055                     | \$21,055                           |
| Maximum Allowable                 |              | \$26,970,969                 | \$65,927,422                       |
| Balance of Limitation             |              | \$22,895,955                 | \$61,852,408                       |

**Source: ofin<sup>2024</sup> by OMAC**



# Erie County Indirect Debt Limitations

## ERIE COUNTY

### Indirect 10 Mill Limitation Breakdown

Year in which the millage for debt service calculates to the highest: 2025

| Subdivision                                  | Assessed Valuation |           |           | Total Debt   | Required Tax   |
|--|--------------------|-----------|-----------|--|----------------|
|  | (2023 - 2024)      | Principal | Interest  | Service (2025)   | Rate (Millage) |
| ERIE COUNTY                                  | \$2,697,096,870    | \$885,828 | \$119,530 | \$1,005,358  | 0.37276        |
| HURON CITY                                   | \$265,285,870      | \$595,000 | \$311,474 | \$906,474  | 3.41697        |
| HURON TOWNSHIP                               | \$498,777,410      | \$0       | \$0       | \$0  | 0              |
| HURON CITY SCHOOL DISTRICT                   | \$443,313,400      | \$0       | \$0       | \$0  | 0              |
| EHOVE CAREER CENTER JT. VOC. SCHOOL DISTRICT | \$4,367,060,820    | \$120,000 | \$3,225   | \$123,225  | 0.02822        |
| ERIE COUNTY METRO PARK DISTRICT              | \$2,697,096,870    | \$0       | \$0       | \$0  | 0              |
| ERIE-LORAIN COUNTY HEALTH DISTRICT           | \$2,884,449,430    | \$0       | \$0       | \$0  | 0              |
| ERIE-OTTAWA MENTAL HEALTH DISTRICT           | \$5,138,047,570    | \$0       | \$0       | \$0  | 0              |
| HURON PUBLIC LIBRARY DISTRICT                | \$443,313,400      | \$0       | \$0       | \$0  | 0              |
|  |                    |           |           | Total  | 3.81794        |
|  |                    |           |           | Allowable  | 10.00000       |
|  |                    |           |           | Balance of 10 Mill Limitation:                             | 6.18206        |
|  |                    |           |           | One mill reserve for emergencies:                          | 1.00000        |
|  |                    |           |           | Net Balance of 10 Mill Limitation:                         | 5.18206        |
|  |                    |           |           | Maximum Available Debt Service(5.18206*2,697,096,870/1000) | \$13,976,518   |
|  |                    |           |           | Maximum Debt Par Amount at 5% for 20 Years                 | \$170,095,000  |

Source: ofin<sup>2024™</sup> by OMAC



# Township Debt Limitations

## Home Rule

- Population over 15,000 can adopt Home Rule Government
- Allows for an unvoted debt limitation up to 5.5% of assessed valuation

## Statutory Township

- Townships can receive voter approval for projects backed by property tax
- No unvoted debt limitation available with exceptions
  - Three common exceptions used
    - Financing the construction or purchase of equipment, buildings and sites
      - Maximum debt service equal to 1/10<sup>th</sup> of annual township revenue
    - Financing fire apparatus and appliances, buildings or sites
      - Limited to the greater of \$150,000 or 2.0% of the townships assessed valuation
    - Financing sources of water supply and materials
      - Limited to the greater of \$150,000 or 2.0% of the townships assessed valuation
  - Financing energy conservation measures

# Copley Township Debt Limitations

## COPLEY TOWNSHIP

### Direct Debt Limitations

#### Home Rule Township

Total Debt: \$20,075,000

Assessed Valuation (2023 - 2024) \$798,831,220

|   | Total Debt   | Unvoted<br>(Limited) | Limited &<br>Unlimited |
|---|--------------|----------------------|------------------------|
| Revenue                                   | \$0          | N/A                  | N/A                    |
| Limited Tax                               | \$0          | \$0                  | \$0                    |
| Unlimited Tax                             | \$20,075,000 | N/A                  | \$20,075,000           |
| Total Subject to Limitation               |              | \$0                  | \$20,075,000           |
| G.O. Debt Exempt From Limitations         |              | \$0                  | \$0                    |
| Maximum Allowable (5% Unvoted; 10% Voted) |              | \$43,935,717         | \$83,877,278           |
| Balance of Limitation                     |              | \$43,935,717         | \$63,802,278           |

**Source: ofin<sup>2024™</sup> by OMAC**



# Municipality Debt Limitations

## Direct Debt Limit

- The Ohio Revised Code restricts unvoted debt issuance by municipalities to 5.5% of total assessed valuation.
- Voted debt by by municipalities to 10.5% of total assessed valuation.
- Debt issuance capacity is determined by the maximum allowable reduced by the amount outstanding in each category.
- Exempt debt is typically self-supporting debt that pledges non-property tax revenues to debt service, e.g., income taxes, water/sewer system revenues, special assessments, etc.
- Lease–purchase debt is typically “exempt” as it does not meet the strict definition of “debt.”

## 10 Mill Indirect Debt Limit

All political subdivisions in Ohio calculate the 10 mill limit the same way.

# City of Sandusky Direct Debt Limitations

## City of Sandusky

### Direct Debt Limitations

Total Debt: \$21,515,000

Assessed Valuation (2023 - 2024) \$545,125,240

|                              | Total        | Unvoted<br>(Limited) | Limited &<br>Unlimited |
|------------------------------|--------------|----------------------|------------------------|
| Revenue                      | \$6,555,000  | N/A                  | N/A                    |
| Limited Tax                  | \$14,960,000 | \$14,095,000         | \$14,095,000           |
| Unlimited Tax                | \$0          | N/A                  | \$0                    |
| Total Subject to Limitation  |              | \$14,095,000         | \$14,095,000           |
| G.O. Debt Exempt From Limita |              | \$865,000            | \$865,000              |
| Maximum Allowable            |              | \$29,981,888         | \$57,238,150           |
| Balance of Limitation        |              | \$15,886,888         | \$43,143,150           |

**Source: ofin <sup>2024</sup> by OMAC**



# School District Debt Limitations

## Direct Debt Limit

- The Ohio Revised Code restricts unvoted debt issuances by school districts to 1/10 of 1% of total assessed valuation.
- Voted debt by schools is limited to 9% of assessed valuation, unless special needs approval is provided by the Ohio Department of Education and Workforce.
- Debt issuance capacity is determined by the maximum allowable reduced by the amount outstanding in each category.
- Lease–purchase debt is typically “exempt” as it does not meet the strict definition of “debt.”

## 10 Mill Indirect Debt Limit

All political subdivisions in Ohio calculate the 10 mill limit the same way.



# Perkins Local School District Debt Limitations

## Perkins Local School District

### Direct Debt Limitations

Total Debt: \$0

Assessed Valuation (2023 - 2024) \$598,748,710

|                                   | <b>Total</b> | <b>Unvoted<br/>(Limited)</b> | <b>Limited &amp;<br/>Unlimited</b> |
|-----------------------------------|--------------|------------------------------|------------------------------------|
| Revenue                           | \$0          | N/A                          | N/A                                |
| Limited Tax                       | \$0          | \$0                          | \$0                                |
| Unlimited Tax                     | \$0          | N/A                          | \$0                                |
| Total Subject to Limitation       |              | \$0                          | \$0                                |
| G.O. Debt Exempt From Limitations |              | \$0                          | \$0                                |
| Maximum Allowable                 |              | \$598,749                    | \$53,887,384                       |
| Balance of Limitation             |              | \$598,749                    | \$53,887,384                       |

Source: *ofin* <sup>2024</sup> by OMAC



# Part 4

## Debt Issuance



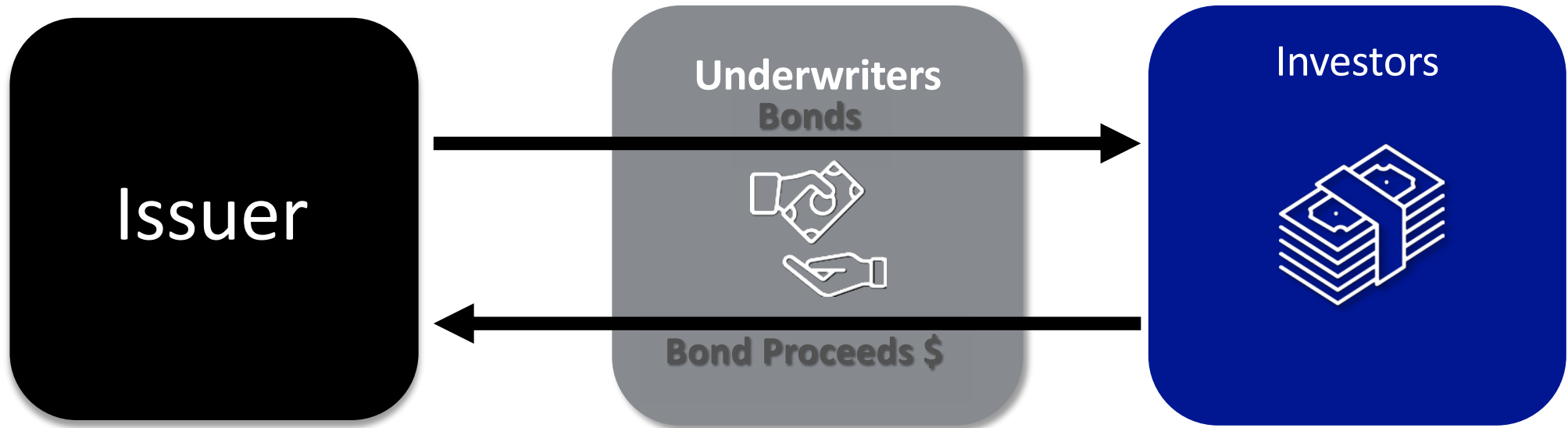
# Debt Issuance Policies

A good set of debt management policies should address these topics at a minimum:

- Reliance on current revenues to finance operations
- Reliance on current revenues vs. debt to finance capital improvements
- Promote economic development
- Use of outside funding sources for capital projects
- Parameters for annual note issues
- Selection of outside service providers for debt issues
- Bond structuring considerations
- Use of variable rate debt
- Debt not to exceed useful life of assets
- Credit enhancement considerations
- Use of derivative products
- Method of sale

## Debt Issue Flow of Funds

- In order for the school district to acquire the funds to pay for project costs, a bond underwriter is utilized to solicit investors to purchase the district's bonds and return the sale proceeds to the district.
- An underwriter has a duty to sell municipal securities **to investors at prices that are fair and reasonable.**
- The bond underwriter **does not have** a federal fiduciary duty to the district, therefore, **is not required to act in the issuer's best interests.**



# Methods of Sale



## *Direct Placement*

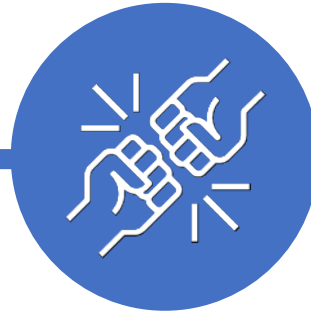
Sell directly to one investor

**Pros:**

Quickly issue debt; Lower cost of issuance

**Cons:**

Higher interest rate costs;  
Maturity length restrictions



## *Competitive Public Sale*

Auction a pre-defined bond to the

**Pros:**

Competition lowers interest rate

**Cons:**

Prefers simplified structure



## *Negotiated Public Sale*

Work directly with an investment bank to sell

**Pros:**

More flexible Structuring, if needed

**Cons:**

Interest rates determined by bond underwriter

## Direct Placement

- Term sheet used to receive bank loan rates
- Often utilized for lower par value projects
- Interest rates are typically higher than public sales
- Cost of issuance as generally lower than full public sales
- Generally limited to 20 years or less
- No official statement or rating required
- Can allow for a shorter issuance timeline

## Direct Placement

### South Euclid-Lyndhurst CSD Final Bid Results - 2023 TAN and/or ELP



Pricing Date: Wednesday, June 21, 2023  
 Dated: Tuesday, July 11, 2023  
 Par: \$9,625,000  
 Bank Qualified: Yes  
 Rating: None  
 Underlying Rating: None

| Bidder                     | Security                 | Par         | Maturity | TIC (Fee Adjusted) | Annual Debt Service |        |
|----------------------------|--------------------------|-------------|----------|--------------------|---------------------|--------|
| Capital One Public Funding | Equipment Lease-Purchase | \$9,625,000 | 20 Years | 4.600%             | \$759,127           | Winner |
| Flagstar Public Funding    | Equipment Lease-Purchase | \$9,625,000 | 15 Years | 4.731%             | \$923,493           |        |
| First National Bank        | Equipment Lease-Purchase | \$9,625,000 | 10 Years | 4.990%             | \$1,265,609         |        |
| Capital One Public Funding | Tax Anticipation Note    | \$4,000,000 | 10 Years | 4.370%             | \$509,304           |        |
| Flagstar Public Funding    | Tax Anticipation Note    | \$4,000,000 | 10 Years | 4.500%             | \$512,754           |        |
| Key Bank                   | Tax Anticipation Note    | \$4,000,000 | 10 Years | 6.150%             | \$559,676           |        |

- The difference in first to second bid would cost \$164,366 annually. This represents an increase of 22% in annual debt service.
- The difference in first to second bid would cost \$506,482 annually. This represents an increase of 67% in annual debt service.
- In an effort to minimize borrowing costs the District also took bids on Tax Anticipation Notes to offer bidders the most options possible. The winning bid utilized 100% Equipment Lease-Purchase which preserves the Districts ability to issue a future Tax Anticipation Note.



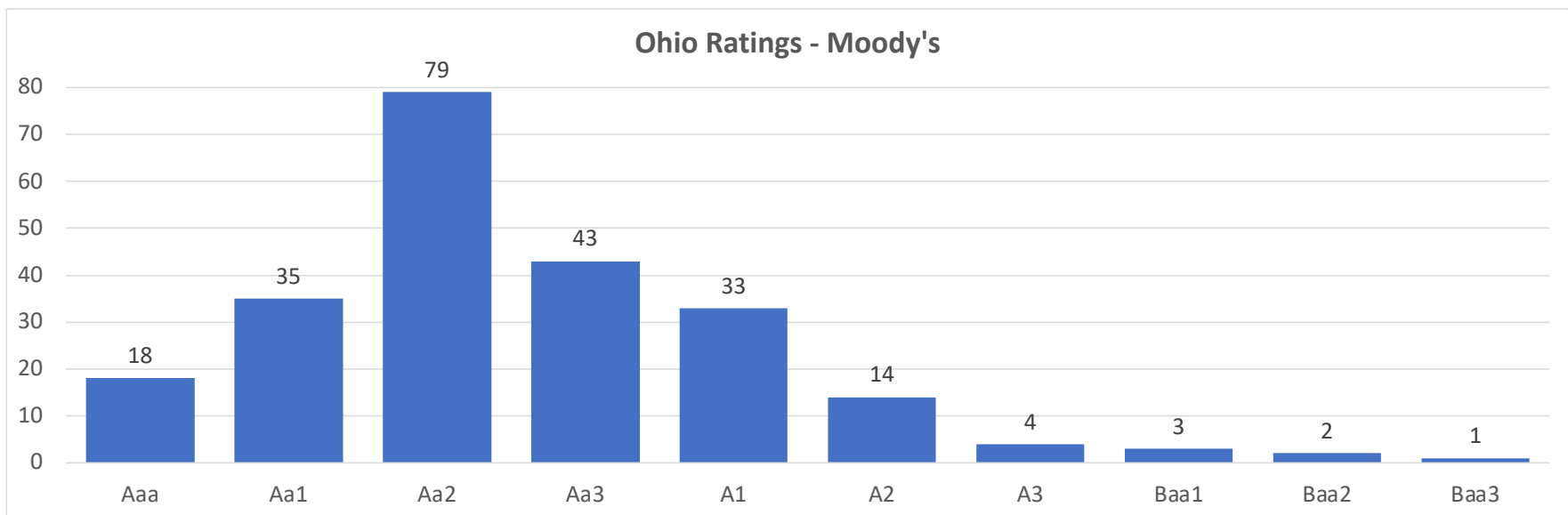
# Competitive Sale

GFOA recommended sales method when:

- High rating (A or better)
- Issuer is known in marketplace
- Nothing unusual about structure
- Market conditions are relatively stable
- Receives best deal entire market can provide
- Due to competition generally results in lower interest rates

|  | MOODY'S | S&P Global | FitchRatings |
|--|---------|------------|--------------|
|  | Aaa     | AAA        | AAA          |
|  | Aa1     | AA+        | AA+          |
|  | Aa2     | AA         | AA           |
|  | Aa3     | AA-        | AA-          |
|  | A1      | A+         | A+           |
|  | A2      | A          | A            |
|  | A3      | A-         | A-           |
|  | Baa1    | BBB+       | BBB+         |
|  | Baa2    | BBB        | BBB          |
|  | Baa3    | BBB-       | BBB-         |
|  | Ba1     |            |              |
|  | Ba      |            |              |

Better (Lower) Interest Rates ↑





# Competitive Note Sale

## City of Wooster Final Bid Results - 2023 Notes



Pricing Date: Tuesday, May 23, 2023  
 Dated: Thursday, June 8, 2023  
 Due: Friday, June 7, 2024  
 Settle: Thursday, June 8, 2023  
 Par: \$4,750,000  
 Bank Qualified: No  
 Rating: SP-1+  
 Underlying Rating: AA

| Bidder                    | Coupon | Premium     | NIC    |        |
|---------------------------|--------|-------------|--------|--------|
| KeyBanc Capital Markets   | 4.500% | \$30,732.50 | 3.851% | Winner |
| BNYMellon Capital Markets | 4.750% | \$40,496.12 | 3.895% |        |
| Piper Sandler             | 6.000% | \$98,562.50 | 3.919% |        |
| Oppenheimer               | 5.000% | \$47,405.00 | 3.999% |        |
| Fidelity Capital Markets  | 4.250% | \$5,937.50  | 4.125% |        |
| Jefferies LLC             | 5.000% | \$33,630.00 | 4.290% |        |

- The difference in first to second bid would cost \$2,078 of added borrowing cost. This represents an increase of 1.1% in total interest paid.
- The difference in first to last bid would cost \$20,786 of added borrowing cost. This represents an increase of 11.3% in total interest paid.



# Competitive Bond Sale

## Copley Township Final Bid Results 2023 Bonds



Pricing Date: April 12, 2023  
Dated: April 26, 2023  
Call: June 1, 2028  
Final Maturity: December 1, 2048  
Par: \$20,500,000  
Bank Qualified: No  
Rating: Aa3

| Bidder                      | TIC    |        |
|-----------------------------|--------|--------|
| UBS Financial Services Inc. | 3.785% | Winner |
| Robert W. Baird & Co., Inc. | 3.814% |        |
| KeyBanc Capital Markets     | 3.952% |        |

- Going from the first to second bid would cost \$52,620 of added debt service. This represents an increase of 0.4% over total interest paid.
- Going from the first to last bid would cost \$620,794 of added debt service. This represents an increase of 4.9% over total interest paid.



# Competitive Bond Sale

Willoughby  
Final Bid Results  
2023 Bonds



Pricing Date: July 27, 2023  
 Dated: August 9, 2023  
 Call: December 1, 2028  
 Final Maturity: December 1, 2048  
 Par: \$16,855,000  
 Security: General Obligation  
 Bank Qualified: No  
 Rating: Aa2

| Bidder                       | TIC    |        |
|------------------------------|--------|--------|
| Robert W. Baird & Co., Inc.  | 3.919% | Winner |
| BNYMellon Capital Markets    | 3.959% |        |
| Loop Capital Markets, LLC    | 3.964% |        |
| Fidelity Capital Markets     | 3.996% |        |
| Fifth Third Securities, Inc. | 4.022% |        |
| StoneX Financial Inc.        | 4.030% |        |
| KeyBanc Capital Markets      | 4.079% |        |
| TD Securities                | 4.085% |        |

- The difference in first to second bid would cost \$132,918 of added borrowing cost. This represents an increase of 1.3% in total interest paid.
- The difference in first to last bid would cost \$446,650 of added borrowing cost. This represents an increase of 4.3% in total interest paid.



## Competitive Bond Sale

### Underwriter Cost Comparison

- Greene County \$20.20
- Comparison \$4.50

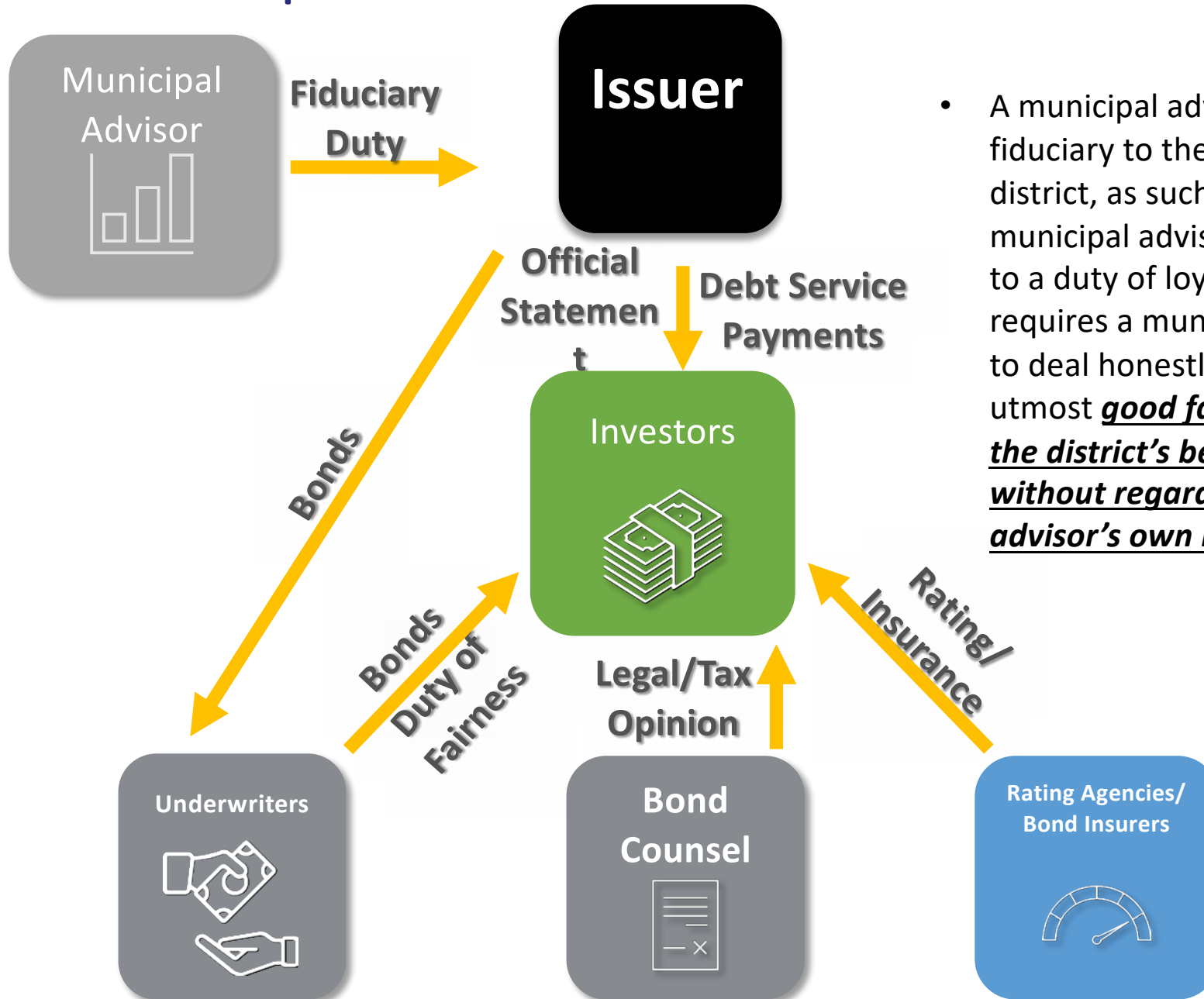
| Negotiated Scale Comparison    |                |   |             |
|--------------------------------|----------------|---|-------------|
| Sale Type Details              |                |   |             |
| Issuer                         | Greene County  | Comparison Sale                           |             |
| Sale Type                      | Competitive    | Negotiated                                |             |
| Sale Date                      | 4/28/22        | 4/29/22<br><i>(Adjusted to 4/28/2022)</i> |             |
| Credit Rating                  | Aa1            | AAA                                       |             |
| Call Feature                   | 12/1/27        | 12/1/31                                   |             |
| Bank Qualified                 | No             | No  |             |
| Security Details               | Rev Tax-Exempt | Rev Tax-Exempt                            |             |
| Bid Comparison                 |                |   | Difference  |
| TIC                            | 3.97%          | 4.31%                                     | 0.34%       |
| PAR                            | \$30,195,000   | \$30,000,000                              |             |
| Bond Retirement Fund           | \$2,758        | \$2,146,183                               |             |
| Total Debt Service             | \$52,345,013   | \$57,604,556                              |             |
| Net Borrowing Cost             | \$22,147,256   | \$25,458,373                              | \$3,311,117 |
| Annual Debt Service Comparison |                |   | Difference  |
| Average Debt Service           | \$1,688,549    | \$1,858,211                               | \$169,663   |

### Yield Spread Comparison

| Count of Positive Yield Spread |                                |       |              |           |                            |       |              |           |            |
|--------------------------------|--------------------------------|-------|--------------|-----------|----------------------------|-------|--------------|-----------|------------|
| Issuer                         | GREENE CNTY OHIO SALES TAX RCP |       |              |           | Comparison Negotiated Sale |       |              |           |            |
| Count                          | 0                              |       |              |           | 22                         |       |              |           |            |
| Transaction Details            |                                |       |              |           |                            |       |              |           |            |
| Sale Date                      | 4/28/22                        |       |              |           | 4/29/22                    |       |              |           |            |
| Call Feature                   | 12/1/27                        |       |              |           | 12/1/31                    |       |              |           |            |
| Underwriter                    | ROBERT W BAIRD & CO, INC       |       |              |           | KEYBANC CAPITAL MARKETS    |       |              |           |            |
| Credit Rating                  | Aa1                            |       |              |           | AAA                        |       |              |           |            |
| Bank Qualified                 | No                             |       |              |           | No                         |       |              |           |            |
| Security Details               | REV TAX-EXEMPT                 |       |              |           | REV TAX-EXEMPT             |       |              |           |            |
| Par Amount                     | \$30,195,000                   |       |              |           | \$85,000,000               |       |              |           |            |
| Maturity                       | Coupon                         | Yield | Pricing Date | Spread to | Coupon                     | Yield | Pricing Date | Spread to | MMD Spread |
|                                |                                |       | MMD          | MMD       |                            |       | MMD          | MMD       | Difference |
| 2022                           |                                |       |              |           | 5.00%                      | 1.90% | 1.63%        | 0.27%     |            |
| 2023                           | 8.00%                          | 2.25% | 1.94%        | 0.31%     | 5.00%                      | 2.18% | 1.94%        | 0.24%     | -0.07%     |
| 2024                           | 8.00%                          | 2.45% | 2.20%        | 0.25%     | 5.00%                      | 2.35% | 2.22%        | 0.13%     | -0.12%     |
| 2025                           | 8.00%                          | 2.55% | 2.34%        | 0.21%     | 5.00%                      | 2.45% | 2.36%        | 0.09%     | -0.12%     |
| 2026                           | 8.00%                          | 2.65% | 2.37%        | 0.28%     | 3.00%                      | 2.50% | 2.39%        | 0.11%     | -0.17%     |
| 2027                           | 8.00%                          | 2.75% | 2.43%        | 0.32%     | 5.00%                      | 2.57% | 2.45%        | 0.12%     | -0.20%     |
| 2028                           | 4.00%                          | 2.80% | 2.48%        | 0.32%     | 5.00%                      | 2.66% | 2.50%        | 0.16%     | -0.16%     |
| 2029                           | 3.00%                          | 3.00% | 2.55%        | 0.45%     | 5.00%                      | 2.77% | 2.57%        | 0.20%     | -0.25%     |
| 2030                           | 3.00%                          | 3.10% | 2.60%        | 0.50%     | 5.00%                      | 2.85% | 2.62%        | 0.23%     | -0.27%     |
| 2031                           | 3.13%                          | 3.15% | 2.65%        | 0.50%     | 5.00%                      | 2.93% | 2.67%        | 0.26%     | -0.24%     |
| 2032                           | 3.13%                          | 3.20% | 2.70%        | 0.50%     | 5.00%                      | 2.97% | 2.72%        | 0.25%     | -0.25%     |
| 2033                           | 3.25%                          | 3.35% | 2.74%        | 0.61%     | 5.00%                      | 3.05% | 2.76%        | 0.29%     | -0.32%     |
| 2034                           | 3.38%                          | 3.45% | 2.77%        | 0.68%     | 5.00%                      | 3.09% | 2.78%        | 0.31%     | -0.37%     |
| 2035                           | 3.50%                          | 3.55% | 2.80%        | 0.75%     | 5.00%                      | 3.15% | 2.80%        | 0.35%     | -0.40%     |
| 2036                           | 3.50%                          | 3.60% | 2.82%        | 0.78%     | 5.00%                      | 3.15% | 2.82%        | 0.33%     | -0.45%     |
| 2037                           | 3.63%                          | 3.65% | 2.84%        | 0.81%     | 5.00%                      | 3.17% | 2.84%        | 0.33%     | -0.48%     |
| 2038                           | 3.63%                          | 3.70% | 2.86%        | 0.84%     | 5.00%                      | 3.21% | 2.86%        | 0.35%     | -0.49%     |
| 2039                           | 3.75%                          | 3.75% | 2.88%        | 0.87%     | 5.00%                      | 3.26% | 2.88%        | 0.38%     | -0.49%     |
| 2040                           | 3.75%                          | 3.80% | 2.89%        | 0.91%     | 5.00%                      | 3.30% | 2.89%        | 0.41%     | -0.50%     |
| 2041                           |                                |       |              |           | 5.00%                      | 3.31% | 2.90%        | 0.41%     |            |
| 2042                           | 4.00%                          | 3.80% | 2.92%        | 0.88%     | 5.00%                      | 3.33% | 2.92%        | 0.41%     | -0.47%     |
| 2043                           |                                |       |              |           |                            |       |              |           |            |
| 2044                           | 4.00%                          | 3.90% | 2.96%        | 0.94%     | 5.00%                      | 3.37% | 2.96%        | 0.41%     | -0.53%     |
| 2045                           |                                |       |              |           |                            |       |              |           |            |
| 2046                           |                                |       |              |           |                            |       |              |           |            |
| 2047                           | 4.00%                          | 4.00% | 3.00%        | 1.00%     | 5.00%                      | 3.43% | 3.00%        | 0.43%     | -0.57%     |
| 2048                           |                                |       |              |           |                            |       |              |           |            |
| 2049                           |                                |       |              |           |                            |       |              |           |            |
| 2050                           |                                |       |              |           |                            |       |              |           |            |
| 2051                           |                                |       |              |           |                            |       |              |           |            |
| 2052                           | 4.00%                          | 4.05% | 3.05%        | 1.00%     | 5.00%                      | 3.51% | 3.05%        | 0.46%     | -0.54%     |
| 2053                           |                                |       |              |           |                            |       |              |           |            |
| 2054                           |                                |       |              |           |                            |       |              |           |            |
| 2055                           |                                |       |              |           |                            |       |              |           |            |
| 2056                           |                                |       |              |           |                            |       |              |           |            |
| 2057                           |                                |       |              |           |                            |       |              |           |            |
| 2058                           |                                |       |              |           | 5.00%                      | 3.63% | 3.05%        | 0.58%     |            |



# Roles and Responsibilities



- A municipal advisor is a fiduciary to the school district, as such, the municipal advisor is subject to a duty of loyalty which requires a municipal advisor to deal honestly and with the utmost **good faith and act in the district's best interests without regard to the advisor's own interests.**

# Activities and Time Frame



**Pre-election**

- Issuer Staff
- Municipal Advisor
- Bond Counsel

**Weeks 1 thru 5**

- Issuer Staff
- Municipal Advisor
- Bond Counsel

**Weeks 6-7**

- Issuer Staff
- Municipal Advisor

**Week 8**

- Issuer Staff
- Municipal Advisor
- Underwriter

**Week 10**

- Issuer Staff
- Underwriter

# Structuring Variables

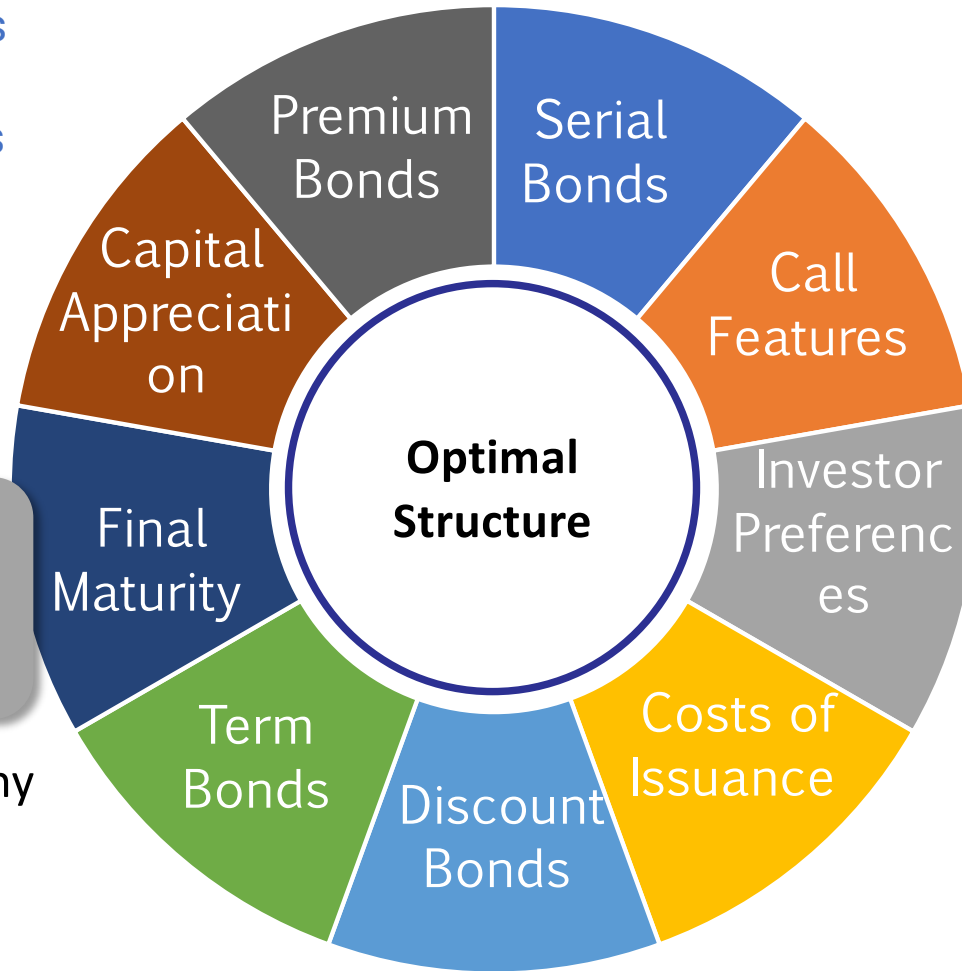
Municipal Advisor works to balance the needs & preferences of investors & underwriters while protecting the best interest of the issuers.

**Issuer**

Municipal Advisor



- Operational Philosophy
- Future Capital Plans
- Cost Effectiveness



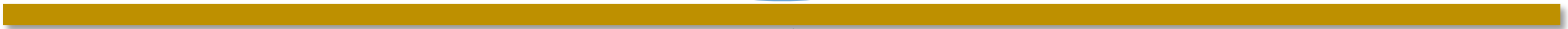
Underwriters



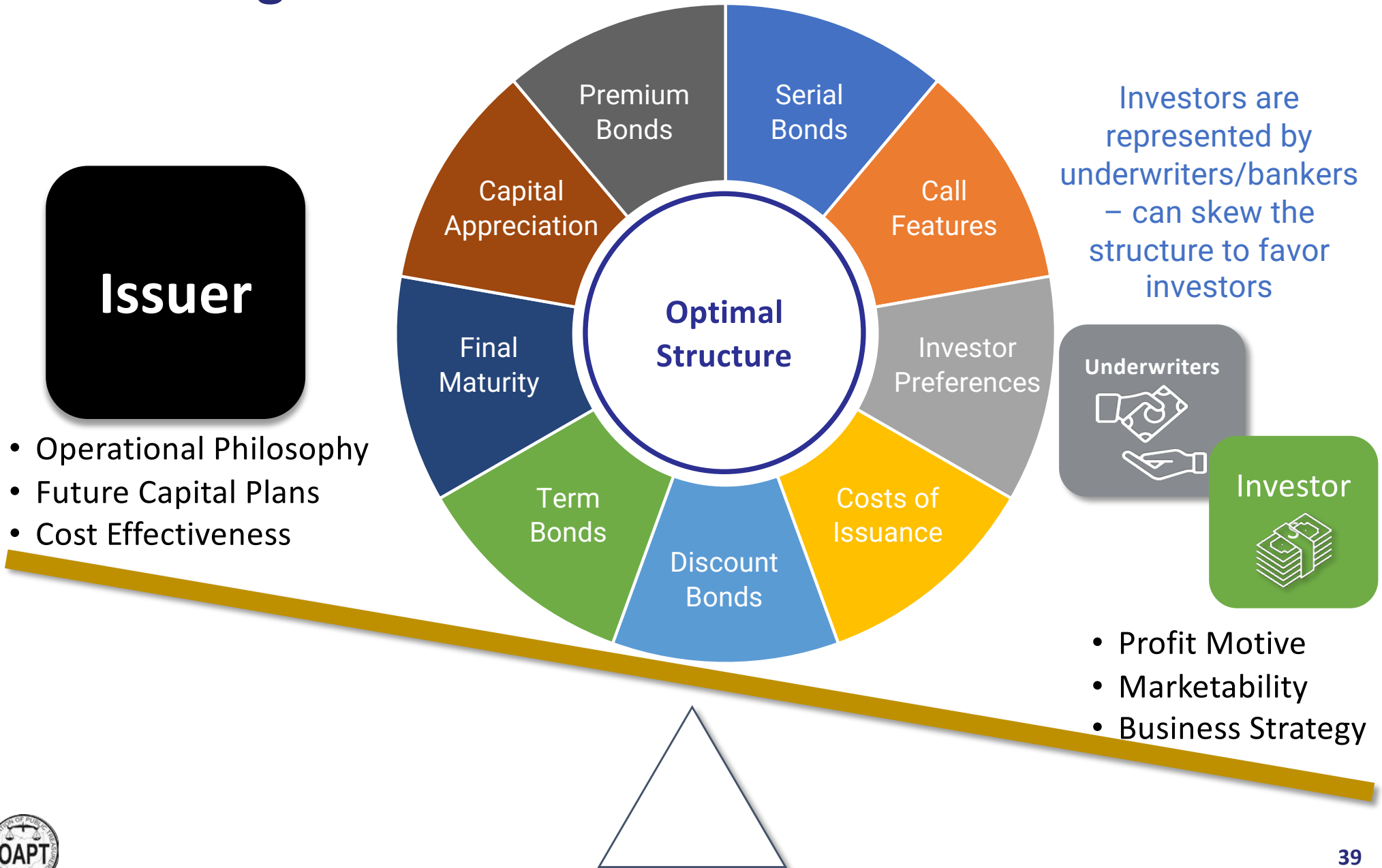
Investor



- Profit Motive
- Marketability
- Business Strategy



# Structuring Variables – Without an MA





# Costs of Issuance

*Without a Municipal Advisor*

**ISSUER**

**\$28,766,940**  
**37 Year**  
**Bond Issue**

*With a Municipal Advisor*

**ISSUER**

Municipal  
Advisor



Underwriter Fee (\$8/\$1,000) \$230,136

Municipal Advisor Fee \$0

Interest Rate 4.54%

Total Interest Cost \$28,934,467

Underwriter Fee (\$4/\$1,000) \$115,068

Municipal Advisor Fee \$50,000

Interest Rate 4.49%

Total Interest Cost \$28,580,410

|                                 | Present    | <u>Difference</u>           |
|---------------------------------|------------|-----------------------------|
| <u>Value Difference</u>         |            |                             |
| Underwriter Fee (\$4/\$1,000)   |            | \$115,068 Municipal         |
| Advisor Fee                     | (\$50,000) |                             |
| Interest Rate                   | 0.05%      |                             |
| Total Interest Cost (\$389,569) |            | <u>\$190,020</u> Total Cost |
| Difference with MA on Team      |            | \$255,087                   |



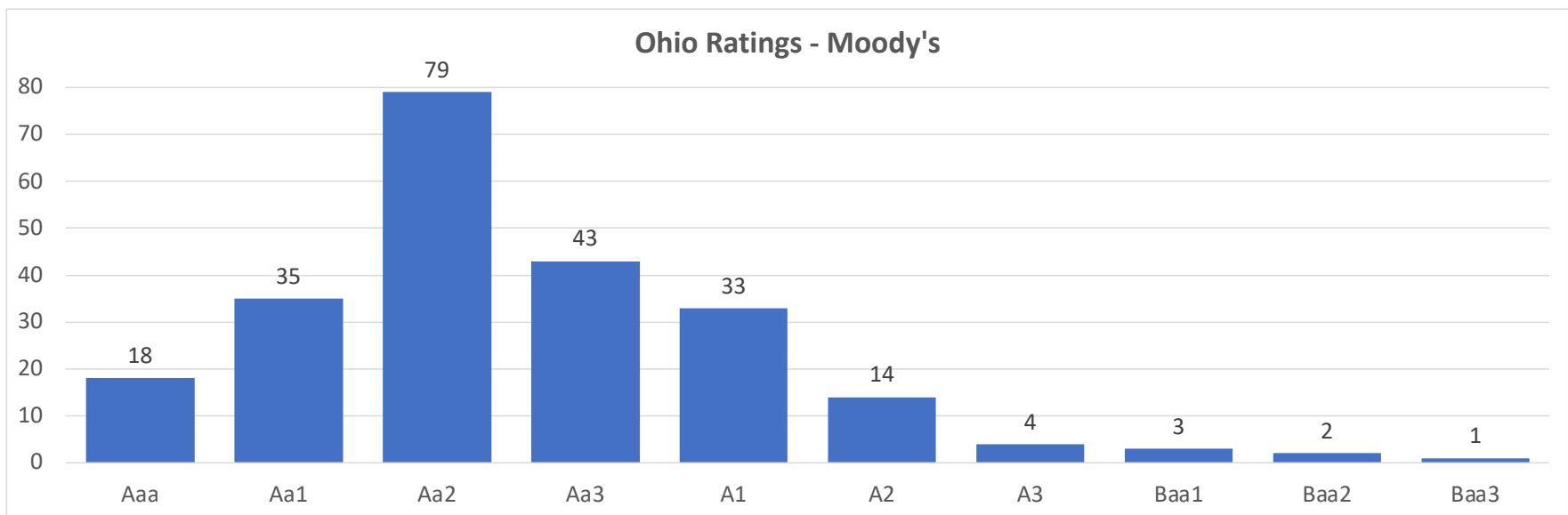
# Negotiated Sale

GFOA recommended sales method when:

- Low credit rating (Baa/BBB or worse)
- Issuer is not known in marketplace
- Unusual structure (PCABs)
- Unstable market conditions
- Results in best pricing selected underwriter can provide, particularly if an RFP process is used to solicit underwriters

|  | MOODY'S | S&P Global | FitchRatings |
|--|---------|------------|--------------|
|  | Aaa     | AAA        | AAA          |
|  | Aa1     | AA+        | AA+          |
|  | Aa2     | AA         | AA           |
|  | Aa3     | AA-        | AA-          |
|  | A1      | A+         | A+           |
|  | A2      | A          | A            |
|  | A3      | A-         | A-           |
|  | Baa1    | BBB+       | BBB+         |
|  | Baa2    | BBB        | BBB          |
|  | Baa3    | BBB-       | BBB-         |
|  | Ba1     |            |              |
|  | Ba      |            |              |

Better (Lower) Interest Rates ↑



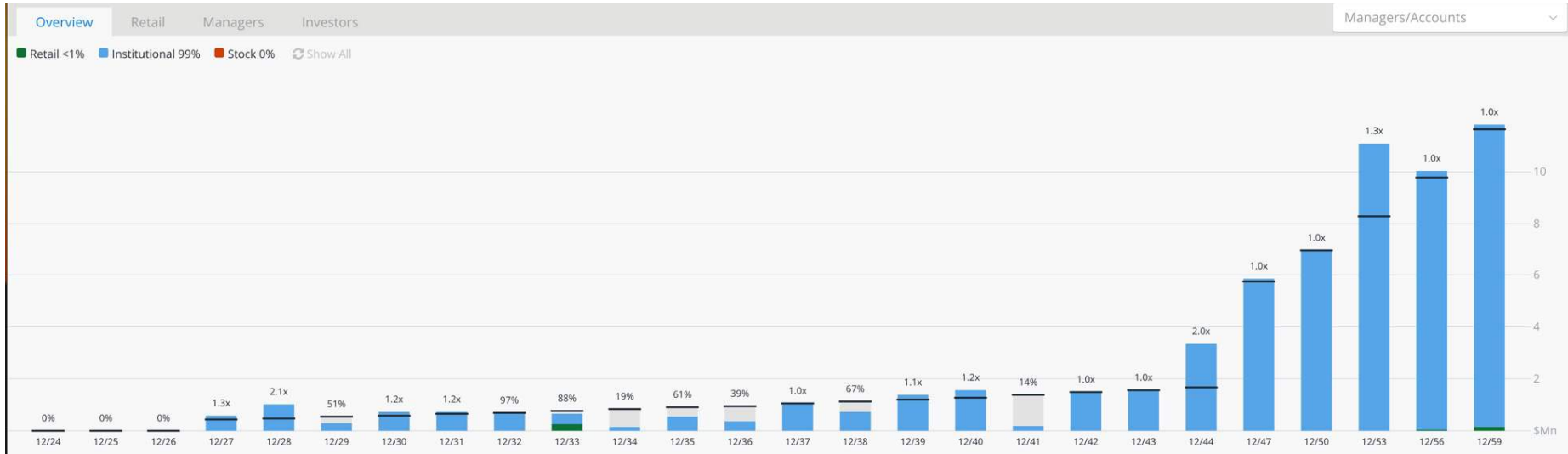
# Negotiated Note Sale

|                            |                       |                        |                     |
|----------------------------|-----------------------|------------------------|---------------------|
| <b>Pricing Date:</b>       | 6/6/2023              | <b>CUSIP No.:</b>      | 2906416N4           |
| <b>Dated Date:</b>         | 6/27/2023             | <b>Bond Counsel:</b>   | Squire Patton Boggs |
| <b>Maturity Date:</b>      | 6/27/2024             | <b>Bank Qualified:</b> | Yes                 |
| <b>Settlement Date:</b>    | 6/27/2024             | <b>OS:</b>             | No                  |
| <b>Days Outstanding:</b>   | 360                   | <b>NPA:</b>            | Yes                 |
| <b>2022 Note Maturity:</b> | 6/28/2023             |                        |                     |
| <hr/>                      |                       |                        |                     |
| <b>Par Amount:</b>         | \$ 5,830,000.00       | <b>Coupon:</b>         | <b>4.500%</b>       |
| <b>Interest Payment:</b>   | \$ 262,350.00         | <b>Yield:</b>          | <b>3.850%</b>       |
| <b>Total Payment:</b>      | \$ 6,092,350.00       | <b>Price:</b>          | 100.6259            |
| <b>Excess Premium:</b>     | <b>\$ 4,300.00</b>    | <b>Truncate:</b>       | 100.625             |
|                            | <b>Back to Issuer</b> | <b>Average Life:</b>   | 1.0000              |
|                            |                       | <b>NIC:</b>            | 4.4262%             |
|                            |                       | <b>Yield:</b>          | 3.8509%             |

| <b>2023 Investors:</b>       | <b>2023 Orders:</b>    | <b>2023 Allotments:</b> |
|------------------------------|------------------------|-------------------------|
| Johnson Investment Council   | \$3,000,000.00         | \$1,500,000.00          |
| Tolleson Wealth Management   | \$500,000.00           | \$500,000.00            |
| Allspring Global Investments | \$5,830,000.00         | \$3,080,000.00          |
| Cypress Wealth Advisers      | \$750,000.00           | \$750,000.00            |
| <b>TOTAL:</b>                | <b>\$10,080,000.00</b> | <b>\$5,830,000.00</b>   |



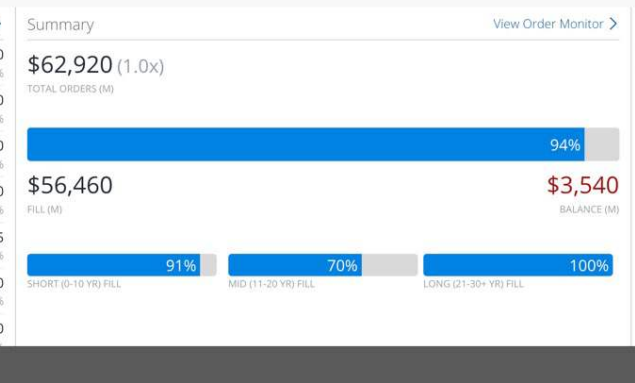
## Negotiated Bond Sale



Recent Orders [View All \(72\)](#)

| Order Name                  | Amount | Term             | Rate   |
|-----------------------------|--------|------------------|--------|
| US Bancorp                  | 580    | 2023: 12/01/2032 | 5.000% |
| Edward D. Jones             | 100    | 2023: 12/01/2053 | 4.375% |
| Essex Advisory LLC          | 250    | 2023: 12/01/2059 | 4.500% |
| Ellsworth Advisors          | 530    | 2023: 12/01/2037 | 5.000% |
| CL King & Associates        | 2,555  | 2023: 12/01/2059 | 4.500% |
| Institutional Bond Network  | 1,500  | 2023: 12/01/2053 | 4.375% |
| Old Orchard Capital Mgmt LP | 2,000  | 2023: 12/01/2053 | 4.375% |

Market details for Tuesday, August 15th, 2023



### 2023: 12/01/2059, 4.500%

| Series | Par (\$M) |
|--------|-----------|
| 2023   | 11,615    |

| Orders (\$M) | Subscription |
|--------------|--------------|
| 11,815       | 1.0x         |

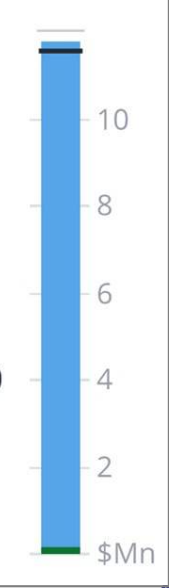
Coupon **4.500%** Yield/Price **4.610%**

Call Feature

Optional call in 12/01/2031 @ 100.00

Insurance

Ohio School District Credit Enhancement




## Recommended Debt Issuance Policies

The Policy should provide guidance regarding the issuance process, which may differ for each type of debt. These practices include:

- **Selection and use of professional service providers**, including an independent municipal advisor, to assist with determining the method of sale and the selection of other financing team members,
- **Criteria for determining the sale method** (competitive, negotiated, private placement) and investment of proceeds,
- **Use of comparative bond pricing services** or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results,
- **Criteria for issuance of refunding bonds**, and
- **Use of credit ratings & credit enhancement**, minimum bond ratings, determination of the number of ratings, and selection of rating services.

# How a Municipal Advisor assists with policy compliance

**The industry standard for best practices recommend that governments hire a municipal advisor (MA) for their transactions, unless they have sufficient in-house expertise to understand all facets of the bond transaction because:**

- The MA has a federal fiduciary duty to put the best interest of the Issuer before the MA's own, unlike the bond underwriter who has a duty first to investors, then to the issuer.
- Most fiscal officers do not have the daily experience with public finance markets to adequately assess whether the debt issue's structure and interest rate pricing is the best available in the market while a good MA can provide that expertise with the best interests of the Issuer in mind.

### **Services the Municipal Advisor typically provides:**

1. Assistance with the selection of other professionals required to execute the debt issuance
2. Temporary staffing assistance to the finance office during the preparation of the Official Statement
3. Objective advice regarding financing plan options and structuring ideas
4. Rating campaign strategy assistance and preparation for rating presentations
5. Unbiased market assessments and bond pricing analyses
6. Development of an investment strategy for bond proceeds and the selection of investment advisors
7. On-going market surveillance and notice of refinancing opportunities



# Part 5

## SEC Regulation Update – Note Market



# SEC Regulation Update – Note Market

## SEC charges four underwriters in first of its kind disclosure case

By [Connor Hussey](#) September 13, 2022, 12:28 p.m. EDT 4 Min Read

The charges represent a first of its kind for the Commission in addressing limited offering exemptions, or underwriters who fail to meet the legal requirements that would exempt them from obtaining disclosures for investors in certain municipal securities offerings.

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## SEC charges seventh firm for violating limited offering exemption

By [Connor Hussey](#) July 20, 2023, 1:17 p.m. EDT 2 Min Read

SEC Rule 15c2-12 includes an exemption for underwriters engaged in limited offerings, where they do not have to provide continuing disclosures for the sale of securities that remain in denominations of at least \$100,000 and sold to no more than 35 persons who are capable of evaluating the merits and risks of the prospective investment.





# SEC Regulation Overview – Note Market

What this new SEC focus means for the short-term market

- Option 1: Sell 9-month BAN
  - No Official Statement/Disclosure documentation
- Option 2: Sell 12-month BAN
  - Official Statement/Disclosure documentation
  - or
  - Underwriting firm receives sign off from investors
- Option 3: Sell Direct Placement
  - No Official Statement/Disclosure documentation