



# **Southern Lehigh School District**

**Refunding General Obligation Bonds, Series of 2010**

**Analysis of  
Results of Bank Loan Request for Proposals  
And  
Competitive Internet Bond Sale**

**August 8, 2016**

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**Southern Lehigh School District  
Discussion of Refinance of General Obligation Bonds, Series of 2010  
August 8, 2016**

1. On July 11, 2016, the Southern Lehigh School District (the “District”) authorized the refinance of the General Obligation Bonds, Series of 2010, so long as the net present value savings were at least three percent of refunded principal, or **\$264,741**.
2. Concord solicited twenty three banks and received eleven proposals from ten banks.
  - a. The best bank proposal was from PNC Bank
3. The PNC Bank proposal was then compared to what was available in the current bond market. Available interest rates in the bond market were lower than the PNC Bank proposal and therefore, it was determined a bond issue would produce more savings.
4. This morning, a competitive internet bond sale was held, and six underwriting firms made 27 bids.
  - a. The best bid was from Janney Montgomery Scott.
5. The Janney Montgomery Scott bid produces **\$497,113** of net present value savings, well in excess of the threshold set by the Board.
6. Attached are the analysis and results.
7. The Refinance of the General Obligation Bonds, Series of 2011 will next be pursued.



**Southern Lehigh School District  
 General Obligation Note, Series of 2016  
 Summary of Bank Proposals Received  
 July 28, 2016**

**Fixed Rate Proposals**

	All-In	
<u>Institution</u>	<u>Rate</u>	<u>Conditions</u>
1 PNC Bank	1.46	Not a commitment; yield maintenance provision
2 QNB Bank	1.56	
3 TD Bank	1.59	Not a commitment
4 BB&T	1.71	
5 Bank of America/Merril Lynch	1.76	Not a commitment; non callable
6 M&T Bank	1.78	Not a commitment; 103% prepayment first three years; depository relationship
7 Capital One Public Funding	1.97	No call in whol until 9/1/19; partial prepayment allow earlier w/non-borrowed funds
8 Lafayette Ambassador Bank	2.00	
9 Univest Bank	2.00	Depository relationship
10 Bank of America/Merril Lynch	2.02	Not a commitment
11 Emabassy Bank	2.88	Subject to Final Board approval

**Comparison of Refunding Savings**

**Best Bank Loan Financing Proposals vs. Current Competitive and Negotiated Bond Market**

	<u>Net Present</u>	<u>True Interest</u>
	<u>Value Savings</u>	<u>Cost</u>
12 Bond Issue - Based on Competitive Internet Sale of August 8, 2016	497,113.73	1.24
13 Bank Loan - Based on PNC Bank Proposal	372,320.50	1.59

**Southern Lehigh School District  
List of Participating Underwriters and  
Syndicate Members with home office location in parentheses  
Competitive Bond Sale - Series of 2016  
August 8, 2016**

<u>Bidder</u>	<u>True Interest Cost</u>	<u>Interest Rate Range</u>	<u>Count</u>	<u>Cumulative Improvement</u>
1. Janney Montgomery (PHL)	1.052404%	0.600% - 3.000%	8	0.218589%
2. Piper Jaffray (MN)	1.058680	3.000% - 3.000%	2	0.002636%
3. FTN Financial (TN)	1.098570	2.000% - 3.000%	6	0.088411%
4. Robert Baird (MO)	1.136833	2.000% - 3.000%	1	--
5. UBS Securities (NYC)	1.172551	2.000% - 2.000%	7	0.506913%
6. Mesirow Financial (CHI)	1.230794	3.000% - 3.000%	5	0.075597%
Total			29	

\*Based on Preliminary Issue Size of \$9,275,000\* years 2017 through 2022

1. Janney Montgomery Scott Bid Alone
2. Piper Jaffray Syndicate included: Cantor Fitzgerald
3. FTN Financial Bid Alone
4. Robert Baird Syndicate included: WNJ Capital (PHL), C.L. King & Associates (NJ), Edward Jones (MO), Vining-Sparks (IL), Loop Capital Markets (NYC), Crews Associates (AR), Northland Securities, Inc. (MN), R. Seelaus & Co (MA), Duncan-Williams (TN), Oppenheimer & Co. (CT), SumRidge Partners (NJ), W. H. Mell Associates, First Empire Securities, Alamo Capital (CA), Sierra Pacific Securities, Rafferty Capital Markets, Wayne Hummer & Co, SAMCO Capital Markets (TX), Isaak Bond Investments (CO), Cronin & Co (MN), Coastal Securities (TX), IFS Securities, FMS Bonds Inc.
5. UBS Securities Syndicate included: Roosevelt & Cross (NYC)
6. Mesirow Financial Bid Alone

**Southern Lehigh School District  
Proposed Refunding of Certain Refundable School District Obligations**

Bonds Being Refunded	Series of 2010
Principal Amount of Bonds to be Refunded	9,865,000
Interest Rate Ranges	2.00% - 3.00%
Proposed Amount of Series of 2016 Bond Issue	9,295,000
Interest Rate/Yield Ranges	0.60% - 1.20%
Underwriters Bond Discount	23,237.50
Issuance Costs	<u>70,650.00</u>
Total Cost	93,887.50
Local share of costs	83,986.77
Cost of Call of Series of 2010	9,873,511.71
Annual Debt Service Savings	
Fiscal Year	
2017	25,363.94
2018	80,152.52
2019	80,613.21
2020	82,018.77
2021	79,036.01
2022	77,652.26
2023	81,985.22
2024	9,079.65
Total	515,901.57
Present Value	497,113.73
Present Value of Savings as a percent of Local Effort Refunded Principal	5.63%



**Southern Lehigh School District  
General Obligation Bonds, Series of 2016  
Composition of the Issue**

Dated Date	9/13/2016
Settlement Date	9/13/2016
Yield of Issue	0.989

Series of 2016

**Sources**

Gross Bonds Sold	9,295,000.00
Premium	<u>678,363.95</u>
	9,973,363.95

**Uses**

Underwriters Discount	23,237.50
Costs of Issuance	70,650.00
Cost of the Call of Series of 2010	9,873,511.71
Miscellaneous	<u>5,964.74</u>
Total	9,973,363.95

**Present Value of the Savings 497,113.73**

Savings as % of Local Effort Refunded Principal 5.63%

Estimated Cost of Issuance

Legal Fee	27,750.00
Financial Advisor	18,500.00
Preparation of POS/OS (Concord)	3,500.00
Paying Agent Fee	750.00
Bond Redemption Fee	500.00
Cusip	500.00
Muni Auction	3,000.00
Misc	4,000.00
Rating	<u>12,150.00</u>
Total	70,650.00

**Southern Lehigh School District  
General Obligation Bonds, Series of 2010**

	1	2	3	4	5	6	7	8
<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>	<u>State Aid</u>	<u>Local Effort</u>	
9/1/2016								
3/1/2017			128,325.63	128,325.63	128,325.63	13,532.34	114,793.28	
9/1/2017	260,000	2.000	128,325.63	388,325.63				
3/1/2018			125,725.63	125,725.63	514,051.25	54,208.32	459,842.93	
9/1/2018	1,835,000	2.200	125,725.63	1,960,725.63				
3/1/2019			105,540.63	105,540.63	2,066,266.25	217,894.26	1,848,371.99	
9/1/2019	1,890,000	2.375	105,540.63	1,995,540.63				
3/1/2020			83,096.88	83,096.88	2,078,637.50	219,198.85	1,859,438.65	
9/1/2020	1,925,000	2.625	83,096.88	2,008,096.88				
3/1/2021			57,831.25	57,831.25	2,065,928.13	217,858.61	1,848,069.52	
9/1/2021	1,975,000	2.750	57,831.25	2,032,831.25				
3/1/2022			30,675.00	30,675.00	2,063,506.25	217,603.21	1,845,903.04	
9/1/2022	2,035,000	3.000	30,675.00	2,065,675.00				
3/1/2023			150.00	150.00	2,065,825.00	217,847.73	1,847,977.27	
9/1/2023	10,000	3.000	150.00	10,150.00				
3/1/2024			0.00	0.00	10,150.00	1,070.35	9,079.65	
9/1/2024								
Totals	9,930,000		1,062,690.00	10,992,690.00	10,992,690.00	1,159,213.68	9,833,476.32	
				10,992,690.00				
PE% =	28.34%							
AR% =	37.21%							



**Southern Lehigh School District  
General Obligation Bonds, Series of 2010  
Bonds to be Refunded**

	9	10	11	12	13	14	15	16
<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>	<u>State Aid</u>	<u>Local Effort</u>	
9/1/2016								
3/1/2017			127,675.63	127,675.63	127,675.63	13,463.80	114,211.83	
9/1/2017	195,000	2.000	127,675.63	322,675.63				
3/1/2018			125,725.63	125,725.63	448,401.25	47,285.32	401,115.93	
9/1/2018	1,835,000	2.200	125,725.63	1,960,725.63				
3/1/2019			105,540.63	105,540.63	2,066,266.25	217,894.26	1,848,371.99	
9/1/2019	1,890,000	2.375	105,540.63	1,995,540.63				
3/1/2020			83,096.88	83,096.88	2,078,637.50	219,198.85	1,859,438.65	
9/1/2020	1,925,000	2.625	83,096.88	2,008,096.88				
3/1/2021			57,831.25	57,831.25	2,065,928.13	217,858.61	1,848,069.52	
9/1/2021	1,975,000	2.750	57,831.25	2,032,831.25				
3/1/2022			30,675.00	30,675.00	2,063,506.25	217,603.21	1,845,903.04	
9/1/2022	2,035,000	3.000	30,675.00	2,065,675.00				
3/1/2023			150.00	150.00	2,065,825.00	217,847.73	1,847,977.27	
9/1/2023	10,000	3.000	150.00	10,150.00				
3/1/2024			0.00	0.00	10,150.00	1,070.35	9,079.65	
9/1/2024								
Totals	9,865,000		1,061,390.00	10,926,390.00	10,926,390.00	1,152,222.13	9,774,167.87	

PE% = 28.34%  
AR% = 37.21%

Call Requirements	
Principal	9,865,000.00
Accrued Interest	8,511.71
Total	9,873,511.71



**Southern Lehigh School District  
General Obligation Bonds, Series of 2010  
Bonds Outstanding After Refunding**

	17	18	19	20	21	22	23	24
<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>	<u>State Aid</u>	<u>Local Effort</u>	
9/1/2016								
3/1/2017			650.00	650.00	650.00	68.54	581.46	
9/1/2017	65,000	2.000	650.00	65,650.00				
3/1/2018			0.00	0.00	65,650.00	6,923.00	58,727.00	
9/1/2018	0	2.200	0.00	0.00				
3/1/2019			0.00	0.00	0.00	0.00	0.00	
9/1/2019	0	2.375	0.00	0.00				
3/1/2020			0.00	0.00	0.00	0.00	0.00	
9/1/2020	0	2.625	0.00	0.00				
3/1/2021			0.00	0.00	0.00	0.00	0.00	
9/1/2021	0	2.750	0.00	0.00				
3/1/2022			0.00	0.00	0.00	0.00	0.00	
9/1/2022	0	3.000	0.00	0.00				
3/1/2023			0.00	0.00	0.00	0.00	0.00	
9/1/2023	0	3.000	0.00	0.00				
3/1/2024			0.00	0.00	0.00	0.00	0.00	
9/1/2024								
Totals	65,000		1,300.00	66,300.00	66,300.00	6,991.54	59,308.46	
PE% =	28.34%							
AR% =	37.21%							

**Southern Lehigh School District  
General Obligation Bonds, Series of 2016  
Refunds General Obligation Bonds, Series of 2010**

	25	26	27	28	29	30	31	32	33	34	35	36	37
<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>Price</u>	<u>Proceeds</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>	<u>State Aid</u>	<u>Local Effort</u>	<u>Existing Local Effort</u>	<u>SAVINGS</u>	
2/1/2017						99,321.67	99,321.67	99,321.67	10,473.78	88,847.89	114,211.83	25,363.94	
8/1/2017	100,000	0.60	0.60	1.00000	100,000.00	129,550.00	229,550.00						
2/1/2018						129,250.00	129,250.00	358,800.00	37,836.59	320,963.41	401,115.93	80,152.52	
8/1/2018	1,735,000	2.00	0.65	1.02522	1,778,756.70	129,250.00	1,864,250.00						
2/1/2019						111,900.00	111,900.00	1,976,150.00	208,391.22	1,767,758.78	1,848,371.99	80,613.21	
8/1/2019	1,790,000	3.00	0.75	1.06405	1,904,649.50	111,900.00	1,901,900.00						
2/1/2020						85,050.00	85,050.00	1,986,950.00	209,530.12	1,777,419.88	1,859,438.65	82,018.77	
8/1/2020	1,835,000	3.00	0.90	1.07995	1,981,708.25	85,050.00	1,920,050.00						
2/1/2021						57,525.00	57,525.00	1,977,575.00	208,541.49	1,769,033.51	1,848,069.52	79,036.01	
8/1/2021	1,890,000	3.00	1.05	1.09258	2,064,976.20	57,525.00	1,947,525.00						
2/1/2022						29,175.00	29,175.00	1,976,700.00	208,449.22	1,768,250.78	1,845,903.04	77,652.26	
8/1/2022	1,945,000	3.00	1.20	1.10194	2,143,273.30	29,175.00	1,974,175.00						
2/1/2023						0.00	0.00	1,974,175.00	208,182.95	1,765,992.05	1,847,977.27	81,985.22	
8/1/2023						0.00	0.00						
2/1/2024						0.00	0.00	0.00	0.00	0.00	9,079.65	9,079.65	
Totals	9,295,000					9,973,363.95	1,054,671.67	10,349,671.67	10,349,671.67	1,091,405.38	9,258,266.29	9,774,167.87	515,901.57
											9,774,167.87	515,901.57	

PE% = 28.34%  
AR% = 37.21%

<b>Calculation of Purchase Price</b>	
Bonds	9,295,000.00
Premium	678,363.95
Underwriter Discount	<u>23,237.50</u>
Purchase Price	9,950,126.45

Present Value of Savings 497,113.73  
Savings as a Percent of Refunded Principal 5.63%

Refunded Series of 2010 Bonds WAM 3.961700  
Proposed Series of 2016 WAM 3.942427  
Difference 0.019273