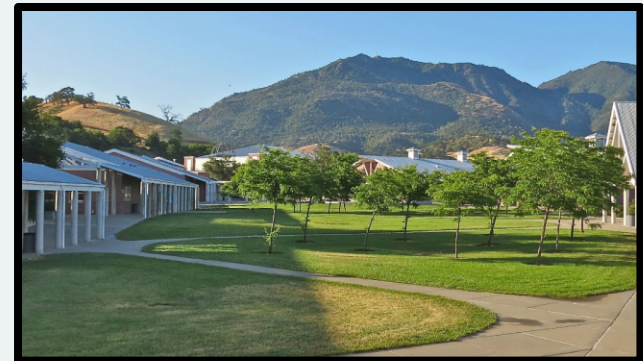




Isom Advisors A Division of
URBAN FUTURES | Incorporated

Financing Update: 2021 General Obligation Refunding Bonds

by
Isom Advisors,
a Division of Urban Futures, Inc.



August 2021

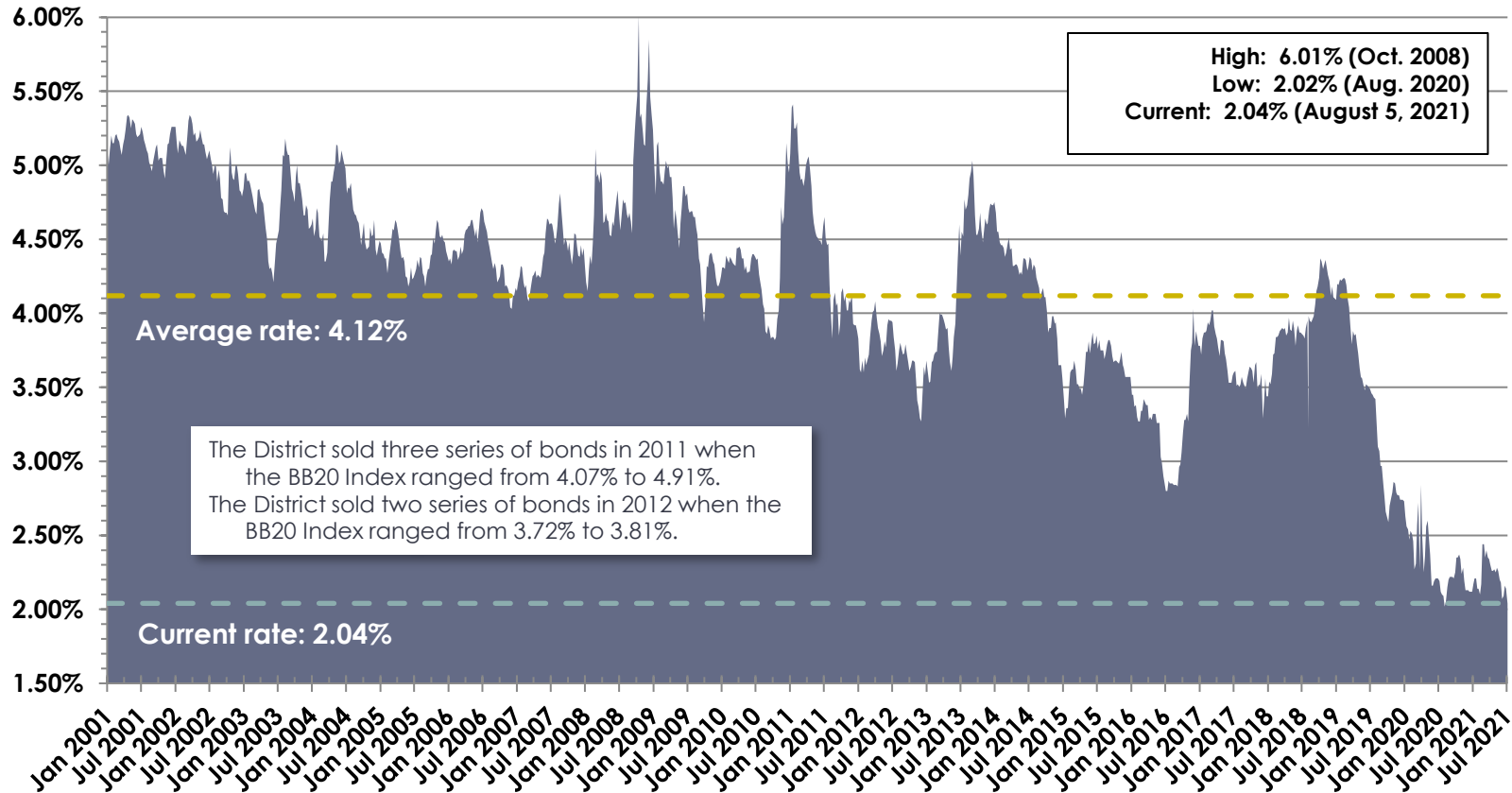


Interest Rate Environment

Interest rates are near all-time lows

Mt. Diablo Unified School District

Bond Buyer 20 GO Bond Index (January 2001 to present)



1. The Bond Buyer 20 is an index of 20 high-grade municipal bonds that serves as barometer for municipal interest rates.

Source: The Bond Buyer.

2021 Refunding Overview (Current Ref)



Executive Summary of Current Refunding

Mt. Diablo Unified School District

- ❖ In 2011, the Mount Diablo Unified School District issued General Obligation (“GO”) refunding bonds with a par amount of approximately \$37.8 million (General Obligation Refunding Bonds, Series 2011) as well as the 2011 GO Refunding Bonds, Series B, with a par amount of \$43.7 million.
- ❖ In 2011, the District also issued its GO Bonds with a par amount of approximately \$7.1 million (General Obligation Bonds, 2010 Election, 2011 Series D).
- ❖ There is an opportunity to refund the 2011 GO Refunding Bonds and the 2011 GO Bonds to lower the debt service (principal and interest) payments and save District property taxpayers money.
- ❖ **Potential District taxpayer savings of \$3.9 million depending on interest rates and chosen structure at the time of the pricing.**
- ❖ The present value percentage savings is estimated to be over 11.7% - *well above the industry recommended threshold of 3.0%*.
 - Savings estimate is net of all estimated professional expenses.



2021 Refunding Overview (Adv. Ref.)

Executive Summary of Advance Refunding

Mt. Diablo Unified School District

- ❖ In 2012, the District sold its 2010 Election GO Bonds, Series E for approximately \$150 million and its 2012 GO Refunding Bonds, Series B2 for approximately \$40.5 million.
- ❖ There is an opportunity to refinance the 2012 Bonds for taxpayer savings.
- ❖ In 2017, changes to the tax law removed the ability to advance refund bonds on a tax-exempt basis; however, due to very low interest rates, the District can advance refund the 2012 Bonds on a taxable basis and achieve significant savings.
- ❖ **Potential District taxpayer savings of \$37.0 million depending on interest rates and chosen structure at the time of the pricing.**
- ❖ The present value percentage savings is estimated to be over 24.8%, net of all estimated professional fees.



Refunding of Prior Bonds

Refunding Candidates

Mt. Diablo Unified School District

- ❖ Today's low interest rates provide many opportunities to refinance bonds for taxpayer savings.
- ❖ There are currently three series of bonds that can be refinanced on a tax-exempt basis and four series of bonds that can be refinanced on a taxable basis.
 - The table below summarizes only the bonds that can be refunded in 2021 and 2022.

Tax-Exempt Refunding Candidates

Series	Originally Sold	Original Par	Outstanding Par	Par Refunded	Call Date
2010 Elec, Ser D	2011	\$7,133,582	\$5,665,000	\$4,440,000	Oct. 2021
2002 Elec, 2011 GO Ref. A	2011	\$37,790,000	\$18,895,000	\$15,035,000	Oct. 2021
2002 Elec, 2011 GO Ref. B	2011	\$43,700,000	\$20,695,000	\$10,815,000	Oct. 2021
				\$30,290,000	

Taxable Refunding Candidates

Series	Originally Sold	Original Par	Outstanding Par	Par Refunded	Call Date
2010 Elec, Ser E	2012	\$149,995,000	\$134,250,000	\$128,025,000	Aug. 2022
2002 Elec, 2012 GO Ref. B2	2012	\$40,540,000	\$39,955,000	\$39,955,000	Jul. 2022
				\$167,980,000	

Outstanding Par as of 6/30/2020 audit

- ❖ Additionally, two series of bonds with call dates in 2023 and 2025 can be advance refunded on a taxable basis, however negative arbitrage in the escrow makes these much less efficient to refinance now.



Savings Options

The District has options to pass on savings to taxpayers

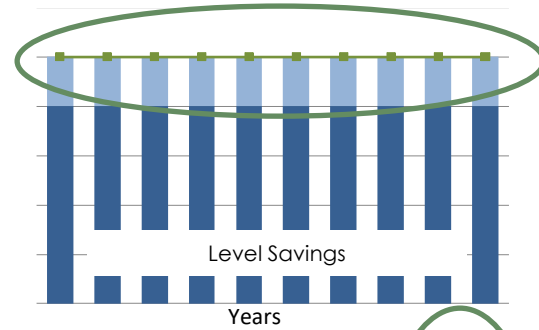
Mt. Diablo Unified School District

The options below illustrate the three most common refunding structures:

1

Level Savings

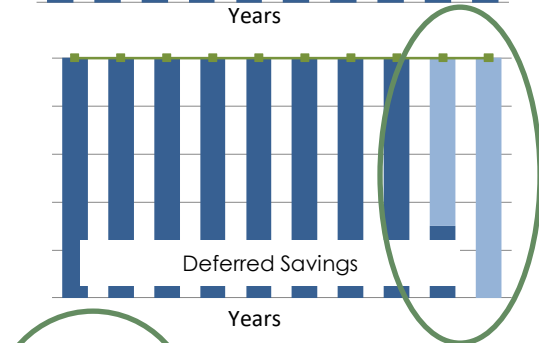
Debt service savings are approximately level in each year. Most common refunding structure.



2

Deferred Savings

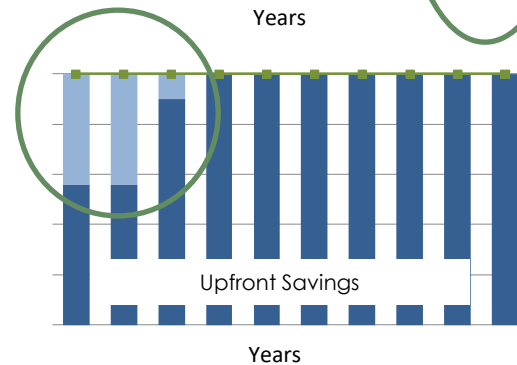
Deferred savings shortens the maturity of the bonds so that debt service savings are realized in the final years. Interest cost is the lowest of the three options, but the savings are not realized until later years.



3

Upfront Savings

Upfront savings provides near term debt service savings by deferring principal amortization. Interest cost is the highest of the three options, but the savings are immediate.





Refunding of Prior Bonds

Significant Taxpayer Savings from Refinancing Bonds

Mt. Diablo Unified School District

- ❖ The table below summarizes the results of refunding the prior bonds. This assumes structure 1 from the prior page, or level savings.

	2021 Refunding Bonds		
	Tax-Exempt	Taxable	Combined
Par Refunded	\$30,290,000	\$128,025,000	\$158,315,000
Call Date	2021	2022	--
2021 Ref. Bonds Par	\$28,225,000	\$177,120,000	\$205,345,000
Avg Rate of Refunded Bonds	5.12%	4.80%	4.82%
Avg Rate of 2021 Ref. Bonds	0.61%	2.12%	2.03%
Total Savings	\$3,902,239	\$37,005,373	\$40,907,612
Net Present Value Savings \$	\$3,543,051	\$31,809,228	\$35,352,278
Net Present Value Savings %	11.70%	24.85%	22.33%
Escrow Negative Arbitrage	\$0	\$2,458,597	\$2,458,597

Preliminary; subject to change based on market conditions at the time of sale.

- ❖ Deferring savings has the benefit of shortening the final payment and further increasing savings.
- ❖ By deferring savings (structure 2), the District could reduce the final payment by 2.5 years and increase total savings to \$46.3 million.

Proposed Timeline

Timeline – 2021 Refunding



Preliminary Financing Schedule

Mt. Diablo Unified School District

Task	Responsible Party	Date
Kick off proposed 2021 Refunding Bonds	District/Financial Advisor	August
Distribute draft legal documents	Bond Counsel	August
Board Meeting to approve Resolution allowing for refunding and supporting legal documents	District	August 25
Conference call with rating agencies	Finance Team	September
Receive ratings	Finance Team	September
Distribute Preliminary Official Statement; conduct due diligence	Finance Team	September
Price the Refunding Bonds; set interest rates	Finance Team	Mid-September
Close transaction	District/ Finance Team	October

Preliminary; subject to change based on market conditions at the time of sale.

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