

Piedmont USD BAN Repayment Options

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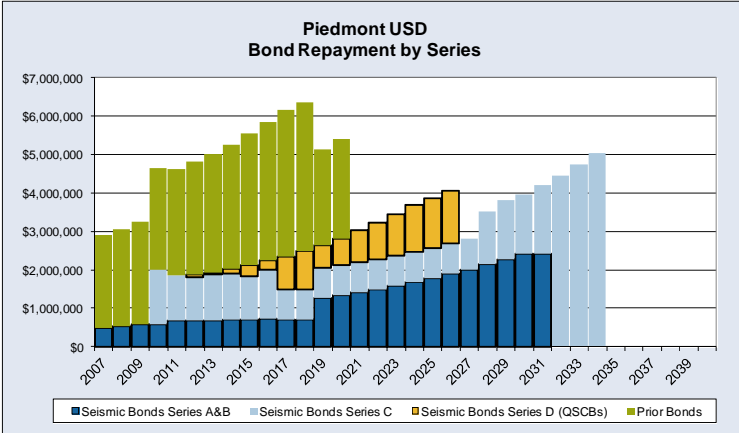
Seismic Bonds – Issuance Schedule

- The District received voter approval in 2006 and has issued bonds timed to meet the construction program's cash needs.

Series	Issue Date	Issue Amount	True Interest Cost	Final Maturity
A	8/2006	\$10,000,000	4.95%	8/2025
B	8/2006	\$4,999,934	4.95%	8/2031
C	10/2009	\$19,000,000	4.50%	8/2034
2010 BAN	6/2010	\$11,997,665	3.54%	5/2015
D (QSCB)	5/2011	<u>\$10,000,000</u>	0.49%	5/2026
E (BAN Pay-off)	?		?	
		\$55,997,600		

Bond Repayment Schedules

- The combined debt service for the Seismic bonds is structured to stay under \$60 per \$100,000 AV. The Prior Bonds are in addition to that and will be paid off by 2020.



BAN – Background

- A Bond Anticipation Note (BAN) is a short-term note that carries the commitment that a long-term bond will be issued within 5 years to pay-off the note.
- The District issued a BAN in 2010 to support the Seismic Safety Bond Program (SSBP) for the following reasons:
 - BAN does not count against the District's debt limit.
 - The District applied for State matching funds to pay for part of the seismic project, but did not know when those funds would be available.
 - The net cost of a BAN and the future bond was less than the cost of a long-term bond, given the repayment structure.
- Specific features of the District's BAN are:
 - Matures in 2015 but can be paid off as early as 2013, with no penalty
 - Interest is accrued at an annual rate of 3.74%
 - Interest will be paid at maturity, or when paid-off, from premium on the long-term bonds and/or District funds on hand.
 - BAN repayment is \$12 M of original principal plus accrued interest. If paid on May 1, 2013, the total due is \$13.6 M.

BAN Repayment Options

- The District has approximately \$4.5 M available from State funds and project savings upon completion of the SSBP.
- The District also has submitted a \$1.4 M application for additional seismic funding that is pending approval.
- If the District were to apply \$2 M of its available remaining funds toward BAN repayment, here are three potential options:

Option	Description	Pros	Cons
1	Apply \$2 M to BAN repayment, issue \$10 M in bonds, leaving \$2 M of Seismic Bond authorization unissued.	Authorization preserved if needed in the future.	Can only be used for Seismic projects; issuance costs when ultimately issued.
2	Hold \$2 M in a special reserve for capital projects.	Can be used on any capital project and for cash flow.	Cost of paying off the BAN is not offset at all.
3	Apply the \$2 M to BAN repayment and issue full \$12 M in authorization.	Lowest net cost	No reserve for other needs.

BAN Repayment Options – The Numbers

- The financial implications of each option are as follows:

	Option 1	Option 2	Option 3
Amount needed to pay off BAN on May 1, 2013:	\$ 13,627,480	\$ 13,627,480	\$ 13,627,480
Bonds Issued	10,000,000	12,000,000	12,000,000
Funds on hand	2,000,000	-	1,627,480
Add'l amount generated from sale of bonds at higher interest rates	1,627,480	1,627,480	-
	13,627,480	13,627,480	13,627,480
<u>Net Cost:</u>			
Principal & Interest Repayment	59,745,000	54,755,000	45,015,000
Use of Funds on Hand	2,000,000	-	1,627,480
Total Cost	61,745,000	54,755,000	46,642,480
Cost of Funds:	6.41%	5.43%	5.39%
Final Maturity	2043	2043	2041

What's Next

- Monitor CAB discussions at the State level.
- Continue evaluating various options to pay-off BAN.
- Get direction on amount of funds on hand, if any, to apply towards BAN repayment.

