

Freeport Area School District

Financing Discussion

May 12, 2022

Prepared by:

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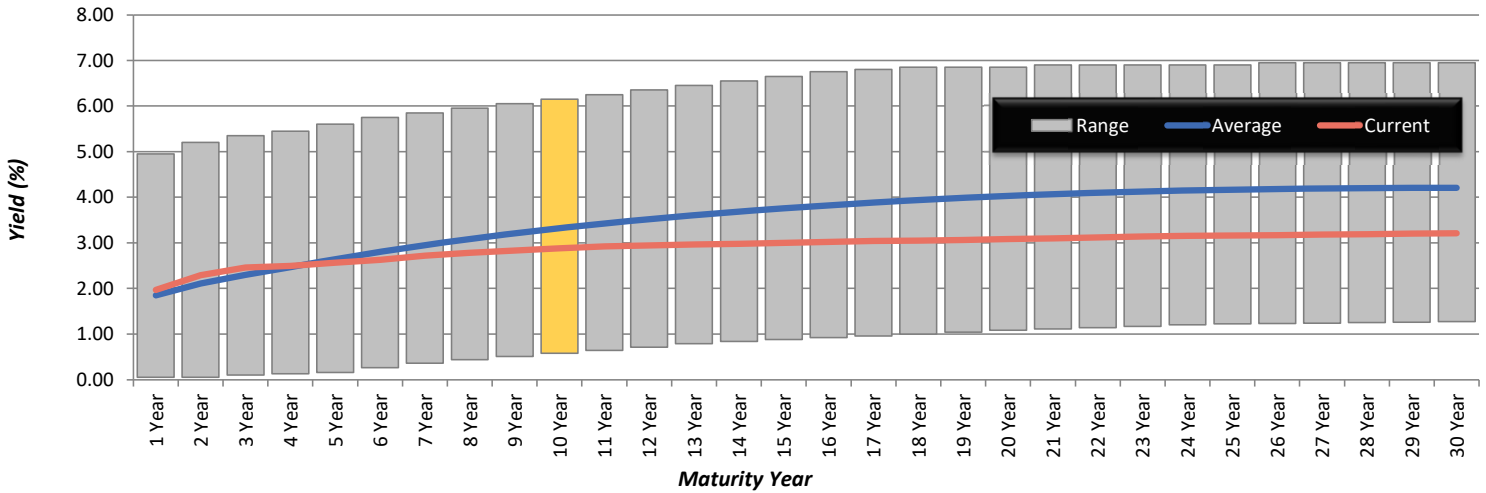
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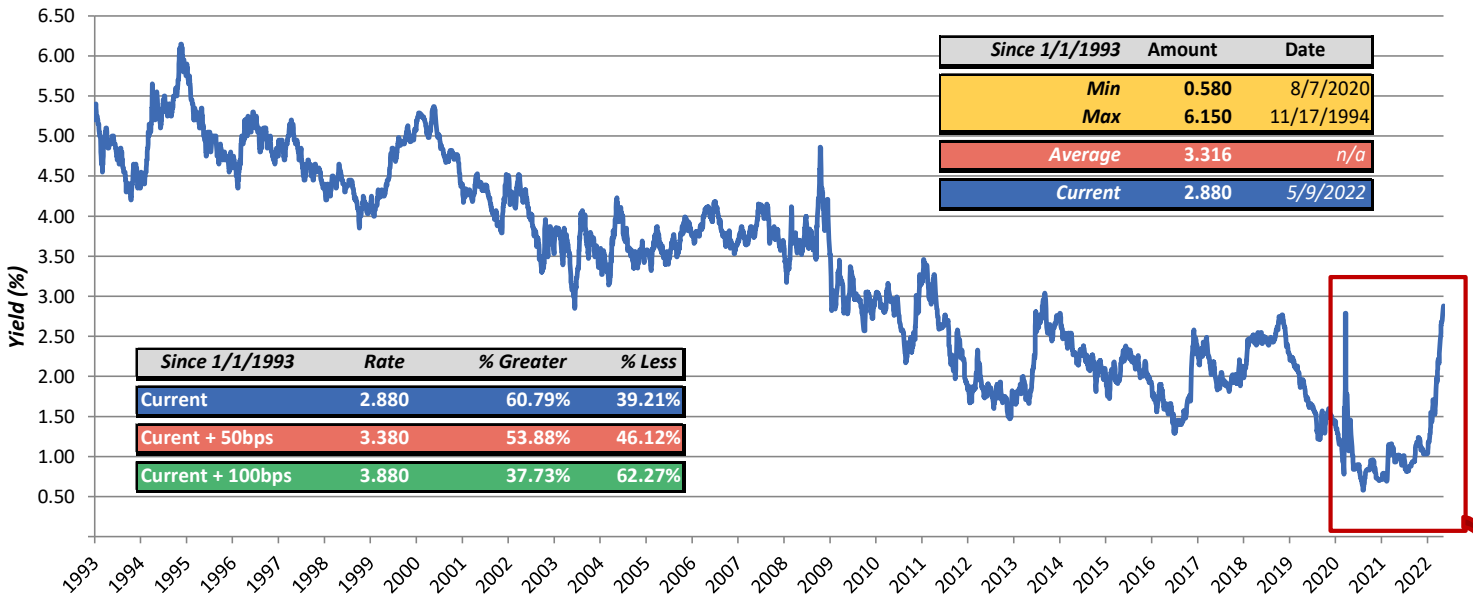
MUNICIPAL MARKET UPDATE

May 9, 2022

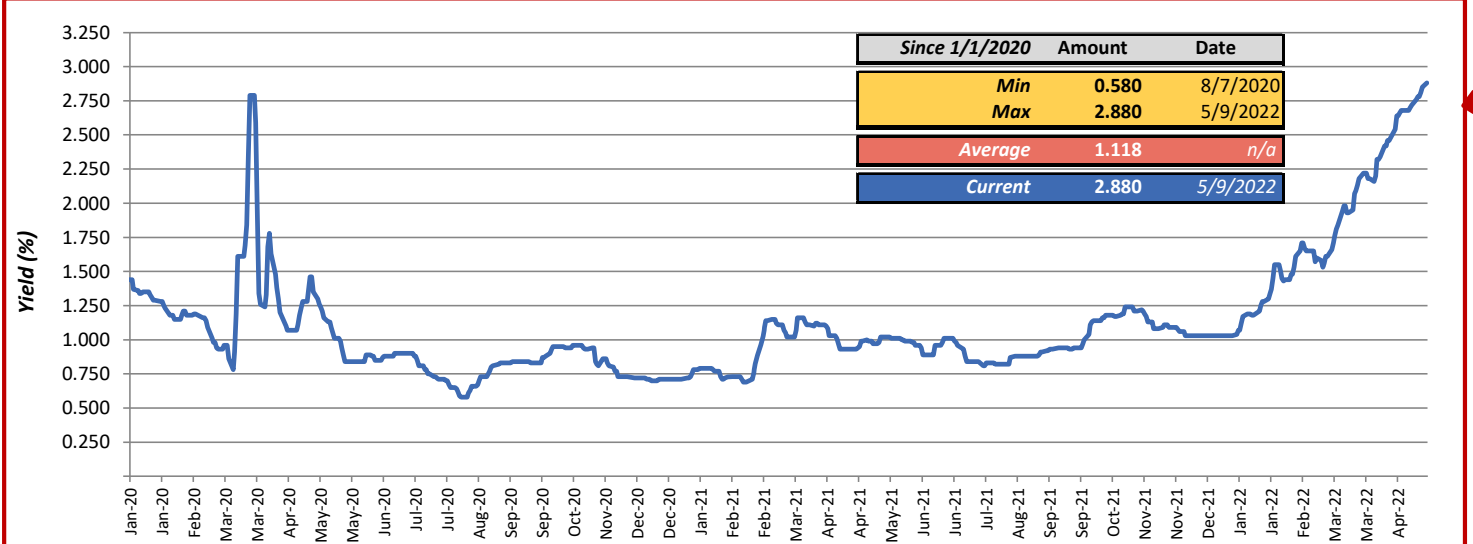
HISTORICAL MMD CURVE ILLUSTRATION - SINCE JANUARY 1, 1993



SPOT ANALYSIS - 10 YEAR MMD - SINCE JANUARY 1, 1993



SPOT ANALYSIS - 10 YEAR MMD - SINCE JANUARY 1, 2020



Freeport Area School District

Topics for Discussion

I) Approaches to New Money Financing

- **Interim Funding** – short term borrowing prior to permanent financing
- **Current Funding** – wait for construction bids
- **Advance Funding** – borrow all (or a portion) prior to construction bids
- **Multiple Financing** – spread borrowings over different calendar years, taking advantage of IRS limits and staggering impact vs. increased costs of issuance

II) Reimbursement Resolution

- A reimbursement resolution allows the issuer to pay itself back from the bond proceeds for costs related to the project
- A project may incur significant expenses prior to the financing
 - Feasibility studies
 - Traffic studies
 - Architect Fees
 - Legal Fees

III) Borrowing Laws-Federal Tax Laws

The Internal Revenue Code (the “Code”) permits the Issuer to borrow funds at a tax-exempt interest rate and invest the proceeds at an unlimited yield during the period of project construction, but not more than 3 years, if the reasonable expectations of the Issuer are to meet the following 3 tests:

1. Expenditure Test – spend 85% of the proceeds within 3 years;
2. Time Test – incur within 6 months a substantial binding obligation to expend at least 5% of the proceeds;
3. Due Diligence Test – proceed with due diligence to complete the capital project and expend the proceeds for the capital project.

**FREEPORT AREA SCHOOL DISTRICT
SUMMARY OF OUTSTANDING INDEBTEDNESS**

Debt Service Requirements					
1 Fiscal Year Ended	2 G.O. Note Series of 2014 [2]	3 G.O. Note Series A of 2014 [2]	4 G.O. Bonds Series of 2015	5 G.O. Bonds Series of 2020	6 Total Debt Service
6/30/2022	2,834,467	239,517	43,213	223,073	3,340,268
6/30/2023	2,835,767	239,317	42,460	226,923	3,344,466
6/30/2024	2,833,467	239,117	41,708	230,673	3,344,963
6/30/2025	2,837,400	238,917	40,955	209,573	3,326,844
6/30/2026	2,837,333	238,717	39,993	213,773	3,329,815
6/30/2027	2,838,183	238,517	39,030	218,010	3,333,740
6/30/2028	2,839,750	238,317	38,068	217,171	3,333,305
6/30/2029		3,040,617	7,105	166,705	3,214,427
6/30/2030		3,044,417	6,968	166,625	3,218,009
6/30/2031			61,830	3,207,025	3,268,855
6/30/2032				3,270,393	3,270,393
6/30/2033				3,269,160	3,269,160
6/30/2034					
TOTAL	19,856,367	7,757,450	361,328	11,619,101	39,594,245

Local Effort Requirements					
7 Fiscal Year Ended	8 G.O. Note Series of 2014 [2]	9 G.O. Note Series A of 2014 [2]	10 G.O. Bonds Series of 2015	11 G.O. Bonds Series of 2020	12 Total Local Effort
6/30/2022	2,624,712	232,382	39,819	205,554	3,102,466
6/30/2023	2,624,169	232,188	39,125	209,101	3,104,583
6/30/2024	2,620,237	231,994	38,432	212,557	3,103,219
6/30/2025	2,621,975	231,799	37,739	193,114	3,084,627
6/30/2026	2,619,949	231,605	36,852	196,984	3,085,390
6/30/2027	2,618,688	231,411	35,965	200,889	3,086,952
6/30/2028	2,618,002	231,217	35,078	200,116	3,084,413
6/30/2029		2,922,512	6,547	153,613	3,082,672
6/30/2030		2,925,016	6,420	153,539	3,084,976
6/30/2031			56,974	2,955,162	3,012,136
6/30/2032				3,013,553	3,013,553
6/30/2033				3,012,417	3,012,417
6/30/2034					
TOTAL	18,347,732	7,470,125	332,951	10,706,598	36,857,406

Principal [3]:	15,090,000	5,860,000	280,000	9,835,000	31,065,000
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PE%:	13.32%	6.69%	13.32%	13.32%
PE% Status:	Temp	Temp	Temp	Est
AR% ('21-'22):	58.96%	58.96%	58.96%	58.96%
Call Date:	Anytime	Anytime	8/1/2020	10/1/2025

Purpose: New Money New Money New Money Cur Ref 2015

Notes

- [1] Assumes budgeted debt service at 3.850%
 - [2] Assumes budgeted debt service at 4.000%
 - [3] Outstanding as of May 10, 2022
- PFM is the program administrator for the Emmaus Bond Pool program.

FREEPORT AREA SCHOOL DISTRICT
PROJECTED BORROWING BASE AND CAPACITY

Prepared: 5/12/2022

		1	2	3	4	5	6	7		
		Estimated	Projected	Projected	Projected	Projected	Projected	Projected		
		FY 2021/2022	FY 2022/2023	FY 2023/2024	FY 2024/2025	FY 2025/2026	FY 2026/2027	FY 2027/2028		
Revenues less exceptions	Year 1	31,112,141	31,993,456	32,038,401	32,679,169	34,063,658	34,744,931	35,439,830		
	Year 2	31,993,456	32,038,401	32,679,169	34,063,658	34,744,931	35,439,830	36,148,626		
	Year 3	<u>32,038,401</u>	<u>32,679,169</u>	<u>34,063,658</u>	<u>34,744,931</u>	<u>35,439,830</u>	<u>36,148,626</u>	<u>36,871,599</u>		
		95,143,998	96,711,026	98,781,228	101,487,758	104,248,419	106,333,387	108,460,055		
A. Borrowing Base (3 Yr. Avg.)		31,714,666	32,237,009	32,927,076	33,829,253	34,749,473	35,444,462	36,153,352		
Limit		225%	225%	225%	225%	225%	225%	225%		
B. Non-Electoral Debt Limit (A x 225%)		71,357,999	72,533,270	74,085,921	76,115,819	78,186,314	79,750,040	81,345,041		
Less: G.O. Debt Outstanding as of:		6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026	6/30/2027	6/30/2028		
G.O. Bonds, Series of 2014 (last maturity 2028)		15,090,000	12,820,000	10,460,000	8,000,000	5,440,000	2,775,000	0		
G.O. Bonds, Series A of 2014(last maturity 2030)		5,860,000	5,855,000	5,850,000	5,845,000	5,840,000	5,835,000	5,830,000		
G.O. Bonds, Series of 2015 (last maturity 2031)		280,000	245,000	210,000	175,000	140,000	105,000	70,000		
G.O. Bonds, Series of 2020 (last maturity 2033)		9,835,000	9,775,000	9,710,000	9,665,000	9,615,000	9,560,000	9,505,000		
C. Total G.O. Debt Outstanding		31,065,000	28,695,000	26,230,000	23,685,000	21,035,000	18,275,000	15,405,000		
D. Remaining Borrowing Capacity										
With Out Subsidized Debt Exclusions (B-C)		40,292,999	43,838,270	47,855,921	52,430,819	57,151,314	61,475,040	65,940,041		
Less: Subsidized Debt										
		PE	AR (21-22) %							
G.O. Bonds, Series of 2014 (last maturity 2028)		13.32%	58.96%	1,185,089	1,006,815	821,473	628,278	427,229	217,934	0
G.O. Bonds, Series A of 2014(last maturity 2030)		6.69%	58.96%	231,143	230,946	230,749	230,552	230,354	230,157	229,960
G.O. Bonds, Series of 2015 (last maturity 2031)		13.32%	58.96%	21,990	19,241	16,492	13,744	10,995	8,246	5,497
G.O. Bonds, Series of 2020 (last maturity 2033)		13.32%	58.96%	772,389	767,677	762,572	759,038	755,111	750,792	746,473
E. Total Subsidized Debt				2,210,611	2,024,679	1,831,286	1,631,611	1,423,689	1,207,129	981,930
F. Net G.O. Debt Outstanding (C-E)				28,854,389	26,670,321	24,398,714	22,053,389	19,611,311	17,067,871	14,423,070
G. REMAINING BORROWING CAPACITY										
WITH SUBSIDIZED DEBT EXCLUSIONS (B-F)		42,503,609	45,862,949	49,687,207	54,062,430	58,575,004	62,682,170	66,921,971		

Assumptions:

- No Additional Debt
- Projected revenue growth of 2.000% per year
- 2023 projected revenue reflective of proposed 2022-2023 budget

FREEPORT AREA SCHOOL DISTRICT
SUMMARY OF NEW MONEY SCENARIO
ESTIMATED - For Illustrative Purposes

	1	2	3	4	
	2023 NEW MONEY	2025 NEW MONEY	2026 NEW MONEY	2027 NEW MONEY	TOTAL
Bond Proceeds	\$9,995,000	\$20,000,000	\$20,000,000	\$16,045,000	\$66,040,000
District Cash	\$563,522	\$0	\$0	\$0	\$563,522
Available for Project	\$10,558,522	\$20,000,000	\$20,000,000	\$16,045,000	\$66,603,522
Settlement	October, 2023	June, 2025	June, 2026	June, 2027	NA
Structure	Wrap	Wrap	Wrap	Wrap	Wrap

	5	6	7	8	9	10	11	12	13	14	15
Fiscal Year Ending	Existing Local Effort	Proposed Local Effort [1][2]	Total Local Effort	Proposed Local Effort [1][2]	Total Local Effort	Proposed Local Effort [1][2]	Total Local Effort	Proposed Local Effort [1][2]	Total Local Effort	Equalized Annual Effort Increase	
6/30/2022	3,102,466		3,102,466		3,102,466		3,102,466		3,102,466		
6/30/2023	3,104,583		3,104,583		3,104,583		3,104,583		3,104,583	424,299	
6/30/2024	3,103,219	224,888	3,328,107		3,328,107		3,328,107		3,328,107	424,299	
6/30/2025	3,084,627	454,775	3,539,402		3,539,402		3,539,402		3,539,402	424,299	
6/30/2026	3,085,390	454,550	3,539,940	750,000	4,289,940		4,289,940		4,289,940	424,299	
6/30/2027	3,086,952	454,325	3,541,277	904,888	4,446,165	750,000	5,196,165		5,196,165	424,299	
6/30/2028	3,084,413	454,100	3,538,513	904,663	4,443,176	904,888	5,348,063	601,688	5,949,751	424,299	
6/30/2029	3,082,672	453,875	3,536,547	904,438	4,440,985	904,663	5,345,647	726,913	6,072,560	424,299	
6/30/2030	3,084,976	453,650	3,538,626	904,213	4,442,838	904,438	5,347,276	726,688	6,073,963		
6/30/2031	3,012,136	453,425	3,465,561	903,988	4,369,549	904,213	5,273,761	770,450	6,044,211		
6/30/2032	3,013,553	453,200	3,466,753	903,763	4,370,516	903,988	5,274,503	768,200	6,042,703		
6/30/2033	3,012,417	452,975	3,465,392	903,538	4,368,930	903,763	5,272,692	770,838	6,043,530		
6/30/2034		927,750	927,750	1,827,050	2,754,800	1,832,163	4,586,963	1,457,500	6,044,463		
6/30/2035		926,150	926,150	1,828,288	2,754,438	1,828,288	4,582,725	1,462,400	6,045,125		
6/30/2036		928,650	928,650	1,827,500	2,756,150	1,827,500	4,583,650	1,460,613	6,044,263		
6/30/2037		925,025	925,025	1,829,575	2,754,600	1,829,575	4,584,175	1,457,250	6,041,425		
6/30/2038		925,500	925,500	1,829,400	2,754,900	1,829,400	4,584,300	1,462,088	6,046,388		
6/30/2039		924,850	924,850	1,831,863	2,756,713	1,831,863	4,588,575	1,455,125	6,043,700		
6/30/2040		928,075	928,075	1,831,850	2,759,925	1,831,850	4,591,775	1,451,475	6,043,250		
6/30/2041		924,950	924,950	1,834,250	2,759,200	1,834,250	4,593,450	1,450,913	6,044,363		
6/30/2042		925,700	925,700	1,833,950	2,759,650	1,833,950	4,593,600	1,448,325	6,041,925		
6/30/2043		925,100	925,100	1,830,950	2,756,050	1,830,950	4,587,000	1,453,488	6,040,488		
6/30/2044		923,150	923,150	1,830,138	2,753,288	1,830,138	4,583,425	1,456,175	6,039,600		
6/30/2045		924,850	924,850	1,831,288	2,756,138	1,831,288	4,587,425	1,456,388	6,043,813		
6/30/2046		929,975	929,975	1,829,288	2,759,263	1,829,288	4,588,550	1,454,125	6,042,675		
6/30/2047		928,300	928,300	1,829,025	2,757,325	1,829,025	4,586,350	1,454,275	6,040,625		
6/30/2048		930,050	930,050	1,830,275	2,760,325	1,830,275	4,590,600	1,446,838	6,037,438		
6/30/2049											
6/30/2050											
TOTAL	36,857,406	18,207,838	55,065,244	34,534,175	89,599,419	33,635,750	123,235,169	26,191,750	149,426,919	2,970,093	

[1] Estimated based on current market rates. Actual rates to be determined at time of pricing.

[2] Assumes no state reimbursement.

Freeport Area School District

Ungrandfathered Millage Strategies

- 1. Fit millage impact under Act 1 Allowable Index Increase (the “Index”)**
 - a. Increase up to the Index every year starting in 2022-2023 to phase in ungrandfathered millage gradually*
 - b. The District’s 2022-2023 Allowable Index Increase = 4.50%*
 - c. Seek exceptions and increase beyond the Index if possible*

- 2. Use estimated interest earnings from construction fund toward project**
 - a. Input needed from architect to determine approximate interest earnings which would then be used to downsize the bond issue*

- 3. Contribute cash or refunding savings towards Project**
 - a. Either temporarily borrow or permanently contribute a portion of existing reserves to help phase in borrowing capacity and millage impact*

- 4. Break borrowing into smaller portions**
 - a. The District will have the ability to phase debt service into the budget more slowly*
 - b. \$10,000,000 per calendar will allow for bank qualified borrowings (i.e. lower interest rates) and 5 year call features*

- 5. Indirect Cost Savings**
 - a. Utilize potential operational or capital expenditure savings to reduce millage impact*

- 6. Consider wrap around payment structure for borrowing(s)**

- 7. Capitalize Interest**
 - a. The use of bond proceeds to phase the millage impact into the budget gradually*
 - b. Increases the size of the bond issue*

- 8. Debt Restructuring**
 - a. Restructure a portion of outstanding debt to create capacity for new ungrandfathered debt*

- 9. Consider using Capital Appreciation Bonds to reduce millage impact**
 - a. Tends to increase interest expense*

- 10. Debt Act Referendum (Electoral Debt)**
 - a. Voters vote on debt service millage for specific project*

- 11. Act 1 Referendum**
 - a. Voters vote on property tax increase beyond the Index – not specific project*



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