
Agenda Item 8B

August 18, 2020

SUBJECT:

Authorization for the Administration to Proceed with the Issuance, Sale of Revenue Bonds, Series 2020, and Refund of Revenue Bonds Series 2010

RECOMMENDATION:

That the Board of Trustees authorize the Administration to proceed with the issuance, sale of Revenue Bonds Series 2020, and refund of Revenue Bonds Series 2010.

RATIONALE:

The Administration recommends the refund, issuance and sale of \$31.1 million Combined Fee Revenue Bonds, Series 2020. The Administration will use the Bond monies to 1) acquire, purchase, construct, improve, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, or facilities, of any nature, to wit: academic facilities, including classrooms, laboratories and related facilities, and administrative facilities and 2) refund the Series 2010 Revenue Bonds at a lower interest rate.

The College will use a portion of the 2020 issuance, \$18 million, along with the District's cash reserves \$14.2 million, to fund the cost of the \$32.2 million RELLIS Phase 2 building project. The College will use the remaining portion of the bond, \$13.1 million to refund the 2010 series bonds and pay bond issuance costs. In addition, the College will use cash reserves \$133,000 to fund the bond reserve fund.

The Bonds will be approved to be sold with the final "Pricing Certificate" to be signed by either the Chancellor or the Vice Chancellor Business and Finance/CFO if certain parameters set by the Board are met, at a later date. The Administration and Blinn's financial advisor plan to take bids on or about September 15, 2020 on the Bonds. However, timing is largely dependent on the response time from the rating company. The parameters that must be met are recommended to be:

- The refunding portion of the bond issue is not to exceed \$13,500,000;
- The new money portion of the bond issue is not to exceed \$19,000,000;
- The final maturity is not to exceed 10/1/2045;
- Present value savings must exceed 3% of refunded principal;
- Refunded savings are to be approximated equally each year from 2022 to 2032;
- The interest rate on the bonds must not exceed the usury rate.

BUDGETARY CONSIDERATIONS:

The Budget for Debt Service will increase for each of the next 25 years. The College District will apply its cash reserves to fund the Bond Reserve Fund.

RESOURCE PERSONNEL:

Steven Adams, CFA, Specialized Public Finance, Inc.

Richard O'Malley, Assistant Vice Chancellor, Facilities, Planning, and Construction

Vicki Ward, Assistant Vice Chancellor, Business and Finance

ATTACHMENTS:

Attachment A: Specialized Public Finance, Inc. – Pro Forma Debt Service Amortization
Schedule and Financing Timeline

Respectfully Submitted by:

A handwritten signature in black ink that reads "Richard Cervantes". The signature is written in a cursive style with a large initial 'R'.

Richard Cervantes, CPA

Vice Chancellor, Business and Finance/CFO

A handwritten signature in blue ink that reads "Mary Hensley". The signature is written in a cursive style with a large initial 'M'.

Mary Hensley, Ed.D.

Chancellor

Combined Fee Revenue and Refunding Bonds, Series 2020

Washington County Junior College District Blinn College

August 11, 2020



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Overview of the Plan of Finance

- The Blinn College District (“Blinn”) is considering issuing approximately \$31,000,000 Combined Fee Revenue and Combined Fee Revenue and Refunding Bonds, Series 2020 (the “Bonds”) and to pay a portion of the expansion of the RELLIS Campus and to refund the outstanding Combined Fee Revenue Bonds, Series 2010 (the Series 2010 Bonds”) for savings.
- The refunding portion of the Bonds will be approximately \$12,890,000 and used to refund the Series 2010 Bonds, which are callable on October 1, 2020.
- The Series 2010 Bonds have interest rates ranging from 4.00% to 4.375%. The estimated interest rate on the refunding portion of the Bonds is 1.72% (inclusive of 25 basis points cushion).
- The refunding is structured for approximately equal savings in each fiscal year (≈ \$178,500 per year 2022 through 2032) and Net Present Value Savings of \$1,762,419 (or 13.6% of the refunded bonds).
- In addition, Blinn is considering financing building costs in the amount of \$18,000,000 which will be used with approximately \$14,250,000 of cash, to pay for the expansion of the RELLIS campus.
 - The new money financing will have a term of 25 years and structured for level annual debt service payments.
 - Based on current interest rates (inclusive of 25 basis points cushion), the new money portion is estimated to have an interest rate of 2.26%.



Refunding Summary of the Series 2010 Bonds

Fiscal Year	Series 2010 Debt Service	Series 2010 Unrefunded Debt Service	Proposed Series 2020 Refunding Debt Service	Closing Contribution of Existing D/S Funds	Refunding Savings
2020	\$ -	\$ -	\$ -	\$ -	\$ -
2021	1,524,513	1,259,506	93,217	167,500	4,290
2022	1,529,613	-	1,348,975	-	180,638
2023	1,410,413	-	1,232,950	-	177,463
2024	1,421,813	-	1,245,981	-	175,831
2025	1,436,113	-	1,257,388	-	178,725
2026	1,443,313	-	1,267,075	-	176,238
2027	1,453,413	-	1,275,013	-	178,400
2028	1,461,313	-	1,282,281	-	179,031
2029	1,476,813	-	1,297,588	-	179,225
2030	1,492,938	-	1,314,500	-	178,438
2031	1,499,606	-	1,319,200	-	180,406
2032	1,512,375	-	1,333,200	-	179,175
	\$ 17,662,231	\$ 1,259,506	\$ 14,267,367	\$ 167,500	\$ 1,967,858

Refunded Bonds				
Issue	Maturities	Interest Rates	Amount	Callable
Comb Fee Rev Bds, Ser 2010	2021-2031	4.00% - 4.375%	\$ 12,940,000	10/1/2020
Preliminary Summary of Results				
Par Amount of Refunding Bonds				\$ 12,890,000
Est. True Interest Cost (TIC)				1.72%
Total Gross Debt Service Savings				\$ 1,967,858
Net Present Value Savings (\$)				\$ 1,762,419
Net Present Value Savings (%)				13.620%
Notes:				
Assumes closing on October 13, 2020. Interest Rates as of July 17, 2020 (plus 25 bps as a cushion for unanticipated rate movement); Preliminary and subject to change.				



Projected Proforma Debt Service with New Money Portion

FYE 8/31	A Total Pledged Revenues (FY19)	B Existing Debt Service	Combined Fee Revenue Bonds, 2020				Est. Savings	G = B + F + Savings	K = A / G
			C Oct. 2020 Principal	D Rate	E TIC: 2.26% Interest	F Total D/S	Estimated Savings from the Refunding	Total Debt Service	Estimated Debt Service Coverage
2020	\$43,961,130	\$6,224,231	\$ -		\$ -	\$ -	\$ -	\$6,224,231	7.06 x
2021	43,961,130	8,613,969	-	-	168,594	168,594	(4,290)	8,778,273	5.01 x
2022	43,961,130	7,618,550	950,000	1.00%	356,523	1,306,523	(180,638)	8,744,435	5.03 x
2023	43,961,130	7,548,225	1,030,000	1.00%	346,623	1,376,623	(177,463)	8,747,385	5.03 x
2024	43,961,130	6,764,913	565,000	1.25%	337,941	902,941	(175,831)	7,492,023	5.87 x
2025	43,961,130	6,743,225	575,000	1.25%	330,816	905,816	(178,725)	7,470,316	5.88 x
2026	43,961,130	6,724,475	580,000	1.50%	322,873	902,873	(176,238)	7,451,110	5.90 x
2027	43,961,130	6,729,403	590,000	1.50%	314,098	904,098	(178,400)	7,455,101	5.90 x
2028	43,961,130	6,737,138	600,000	1.55%	305,023	905,023	(179,031)	7,463,129	5.89 x
2029	43,961,130	6,751,844	610,000	1.75%	295,035	905,035	(179,225)	7,477,654	5.88 x
2030	43,961,130	6,766,575	620,000	2.00%	283,498	903,498	(178,438)	7,491,635	5.87 x
2031	43,961,130	6,779,794	630,000	2.00%	270,998	900,998	(180,406)	7,500,385	5.86 x
2032	43,961,130	6,790,069	645,000	2.00%	258,248	903,248	(179,175)	7,514,141	5.85 x
2033	43,961,130	5,272,319	660,000	2.00%	245,198	905,198	-	6,177,516	7.12 x
2034	43,961,130	5,277,441	670,000	2.00%	231,898	901,898	-	6,179,338	7.11 x
2035	43,961,130	5,281,713	685,000	2.00%	218,348	903,348	-	6,185,060	7.11 x
2036	43,961,130	5,274,191	700,000	2.00%	204,498	904,498	-	6,178,688	7.11 x
2037	43,961,130	5,276,159	715,000	2.15%	189,811	904,811	-	6,180,971	7.11 x
2038	43,961,130	5,277,163	730,000	2.50%	173,000	903,000	-	6,180,163	7.11 x
2039	43,961,130	5,279,750	750,000	2.50%	154,500	904,500	-	6,184,250	7.11 x
2040	43,961,130	5,279,831	770,000	2.50%	135,500	905,500	-	6,185,331	7.11 x
2041	43,961,130	4,644,906	790,000	2.50%	116,000	906,000	-	5,550,906	7.92 x
2042	43,961,130	4,050,688	805,000	2.50%	96,063	901,063	-	4,951,750	8.88 x
2043	43,961,130	1,724,225	830,000	2.50%	75,625	905,625	-	2,629,850	16.72 x
2044	43,961,130	1,721,738	850,000	2.50%	54,625	904,625	-	2,626,363	16.74 x
2045	43,961,130	1,722,544	870,000	2.50%	33,125	903,125	-	2,625,669	16.74 x
2046	43,961,130	-	890,000	2.50%	11,125	901,125	-	901,125	48.78 x
		<u>\$146,875,075</u>	<u>\$18,110,000</u>		<u>\$5,529,580</u>	<u>\$23,639,580</u>	<u>(\$1,967,858)</u>	<u>\$168,546,797</u>	

Assumptions:

Interest Rates as of July 17, 2020 (plus 25 bps cushion); preliminary and subject to change.
Total Pledged Revenues reflect those included within the FY2019 Audited Financial Statements.



Example Sources and Uses of Funds

- Proceeds from the bond issuance will fund \$18,000,000 of the RELLIS Campus project.

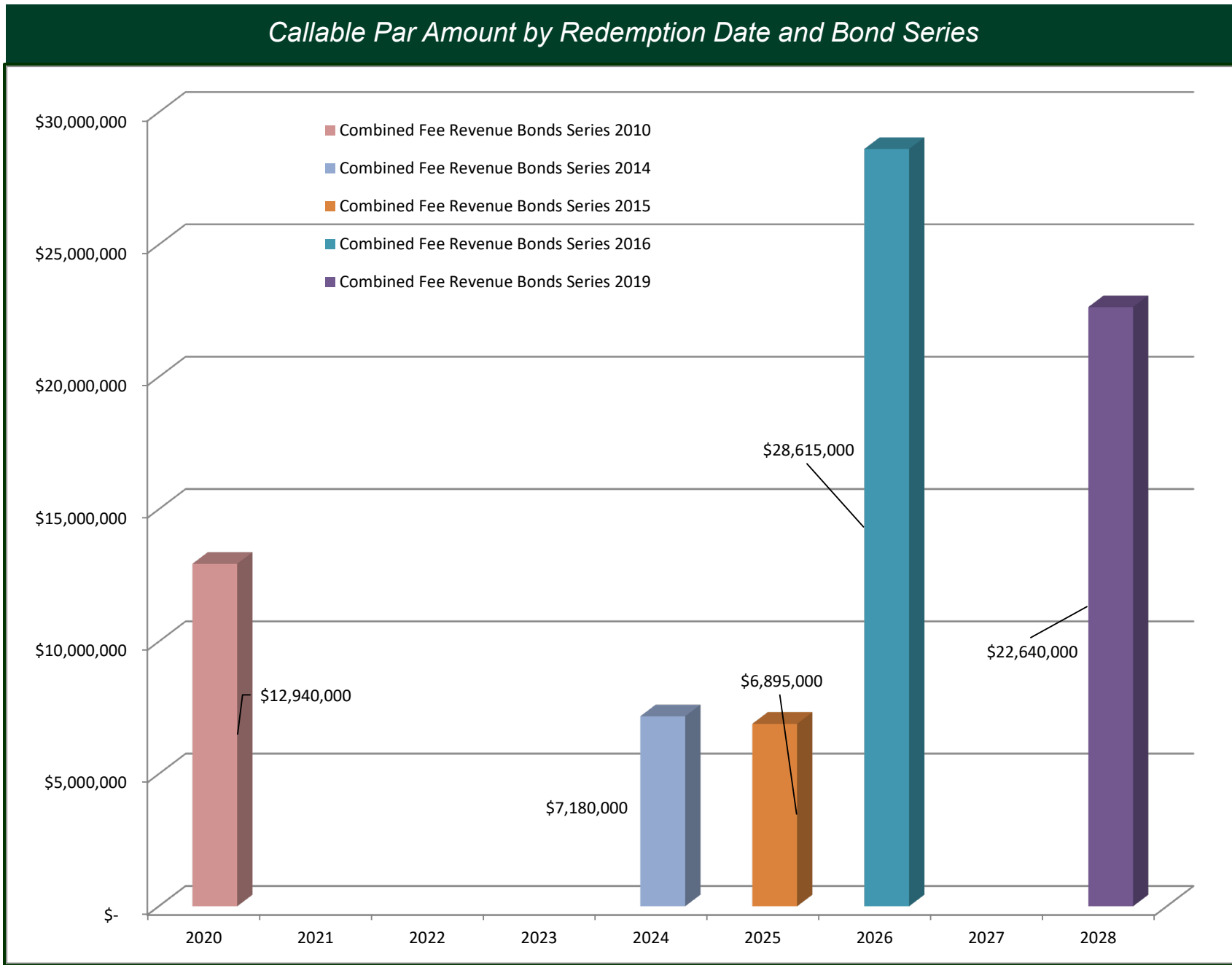
Estimated Sources and Uses of Funds			
	New Money	Refunding	Total
Par Amount of Bonds	\$18,110,000	\$12,890,000	\$31,000,000
Transfers from Prior Debt Service Funds	-	167,500	167,500
Planned Issuer Equity Contribution - DSRF	77,941	55,475	133,416
Cash on Hand	14,250,000	-	14,250,000
Total Sources	\$32,437,941	\$13,112,975	\$45,550,916
Costs of Issuance	\$107,197	\$73,303	\$180,500
Deposit to the Debt Service Reserve Fund	77,941	55,475	133,416
Deposit to the Project Construction Fund	32,250,000	-	32,250,000
Deposit to Current Refunding Fund	-	12,984,168	12,984,168
Rounding Amount	2,803	29	2,832
Total Uses	\$32,437,941	\$13,112,975	\$45,550,916

Parameters for a Delegated Sale

- The timing of when Blinn College District and its financial advisor can get the Bonds into the market is fluid due to the timing of receiving a rating and preparing the offering documents. Consequently, staff is considering a delegated sale.
- At the August Board meeting the Board could authorize the sale of the Bonds as a delegated sale. Certain parameters must be set forth in the Bond Resolution and met before the “Pricing Certificate” could be signed.
- The recommended parameters are:
 - The refunding portion of the bond issue is not to exceed \$13,500,000;
 - The new money portion of the bond issue is not to exceed \$19,000,000;
 - The final maturity will not exceed 10/1/2045;
 - Present value savings must exceed 3% of refunded principal;
 - Refunded savings are to be approximated equally each year;
 - The interest rate on the bonds must not exceed usury rate.
- Once the bids are received on the Bonds, and they meet these parameters, the final “Pricing Certificate” may be signed by either the President/CEO or the Vice Chancellor Business and Finance/CFO.



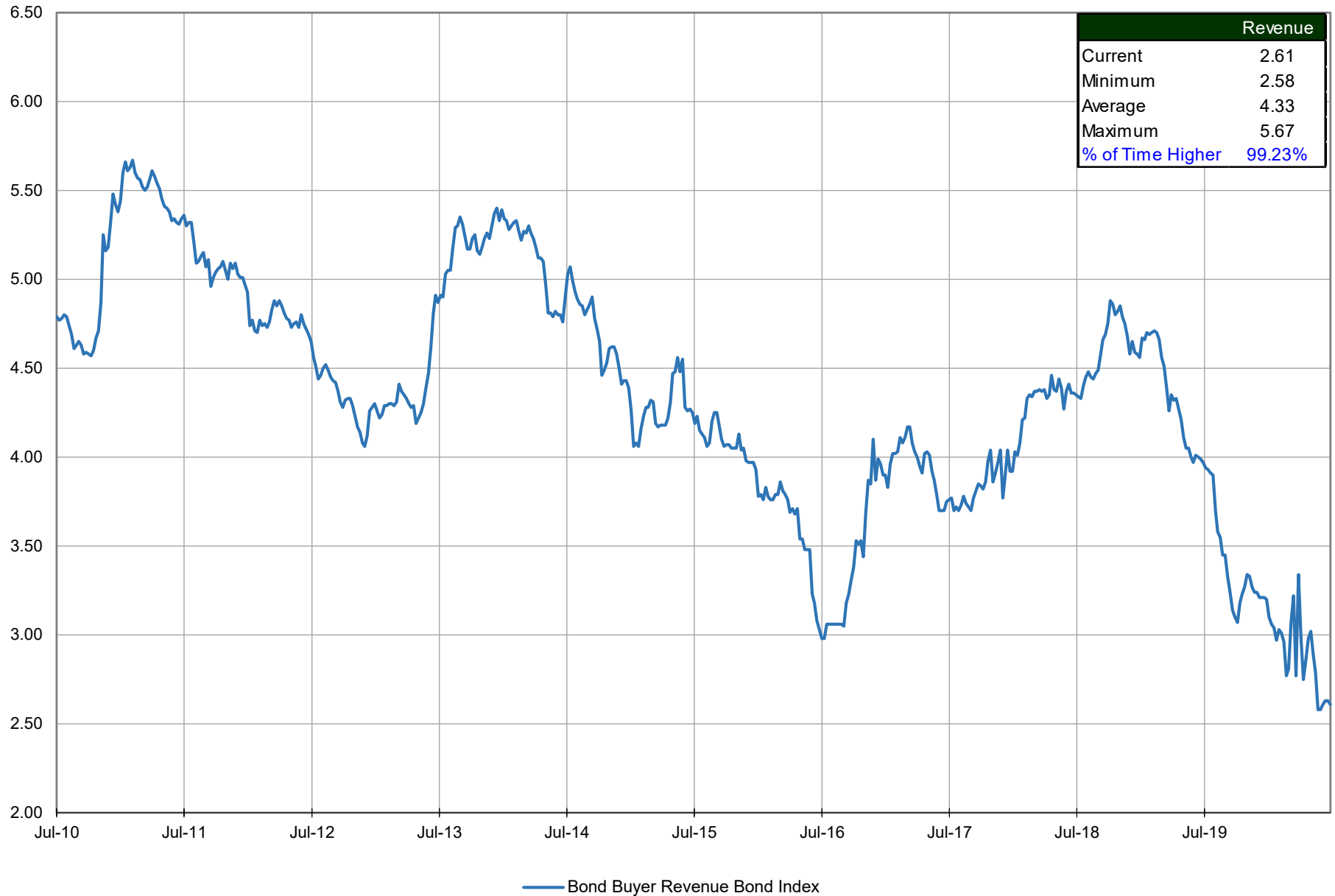
Callable Par Amount by Redemption Date and Bond Series





Historical Municipal Interest Rates

Ten-Year History of The Bond Buyer's Revenue Bond Index





Example Financing Timeline

August							September							October						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
						1			1	2	3	4	5					1	2	3
2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10
9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17
16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24
23	24	25	26	27	28	29	27	28	29	30				25	26	27	28	29	30	31
30	31																			

Denotes Board Meeting
 Denotes Closing Date

Date	Task
Tuesday, August 18, 2020	Board Meeting – Board will approve the sale of new money and refunding bonds as a “delegated sale” pursuant to certain parameters. (5:30 pm)
Week of: Monday, August 24, 2020	Distribute the Preliminary Official Statement (“POS”) for comments to the working group and rating agency.
Tuesday, September 1, 2020	Rating conference call with Moody’s Investors Service (“Moody’s”).
Wednesday, September 9, 2020	Receive Ratings from Moody’s. SPFI to post POS for potential investors.
Tuesday, September 15, 2020 (est)	Competitive Sale - Receive bids on the Bonds from Broker/Dealers. Bids are tabulated and verified by SPFI. (9:00 am) Board Meeting - The Board will consider the Sale of the Series 2020 Bonds and awarding the bonds to the winning bidder (6:00 pm).
Tuesday, October 13, 2020	Closing - The Bonds close. Bond proceeds are delivered to the project fund and escrow fund to redeem the Series 2010 Bonds.