

# Bond Issuance

**Grosse Pointe Public School System  
Work Session**

**March 24, 2021**

**Safe - Warm - Dry – Connected**

# 2018 Ballot Proposal

## GROSSE POINTE PUBLIC SCHOOL SYSTEM Wayne County, State of Michigan

Shall the Grosse Pointe Public School System, County of Wayne, Michigan, borrow the principal sum of not to exceed **One Hundred Eleven Million Forty Thousand Dollars (\$111,040,000)** and issue its **general obligation unlimited tax bonds** for the purpose of defraying the cost of:

Lo

Authorized Uses of Bond Proceeds

- remodeling and/or constructing additions, primarily additions for secure vestibules, to existing School District buildings, including security, roof, energy conservation and mechanical systems improvements;
- equipping, furnishing, reequipping and refurnishing School District buildings;
- acquiring and installing technology infrastructure and instructional technology equipment; and
- improving and developing sites, including outdoor athletic facilities, paving, fencing, and drains, in the School District?

YES   
NO

Maximum amount to be borrowed

Authorizes bonds; Tax rate may fluctuate with changes in the tax base to meet debt service payments.

Bonds and interest are repaid through special tax levy. Forecast was for increase in debt levy from 2018 levy was 1.50 mills. Actual levy was 3.14 mills, 1.46 over 2018.

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**The debt millage levy required** to retire all bonds of the School District currently outstanding and proposed by this ballot proposal is estimated to be at or below **1.50 mills** higher than the debt millage levy for 2018. The estimated millage to be levied in 2019 to service this issue of bonds is 1.82 mills (\$1.82 per \$1,000 of taxable value) and the estimated simple average annual millage rate required to retire the bonds of this issue is 2.21 mills (\$2.21 per \$1,000 of taxable value). The bonds may be issued in **multiple series, payable in the case of each series in not to exceed 21 years** from the date of issue of such series.

State law requires this information in ballot.

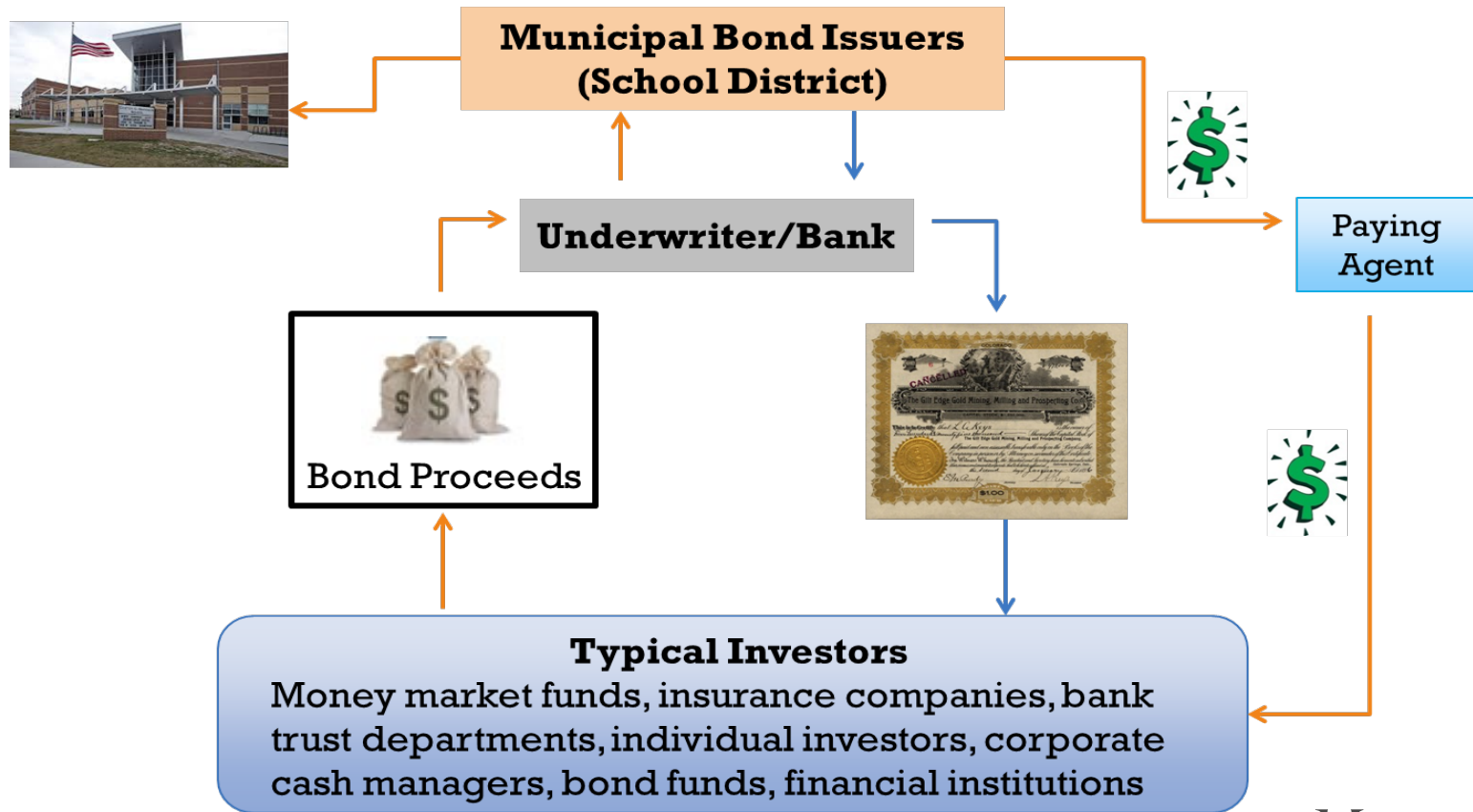
Bond issued in multiple series. Maximum number of years for repayment of each series.

Bond proceeds may be used for capital improvements only – no repairs or maintenance or salaries.

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*(Under State law, bond proceeds may not be used to pay teacher or administrator salaries, routine maintenance or repair costs or other School District operating expenses.)*

# Basic Bond Issuance Flow Chart



# Key Participants



- The main team that will work with the district on the **financing** of the debt include:

School's Bond Finance Team

Municipal Advisor

Bond Counsel

Bond Underwriter

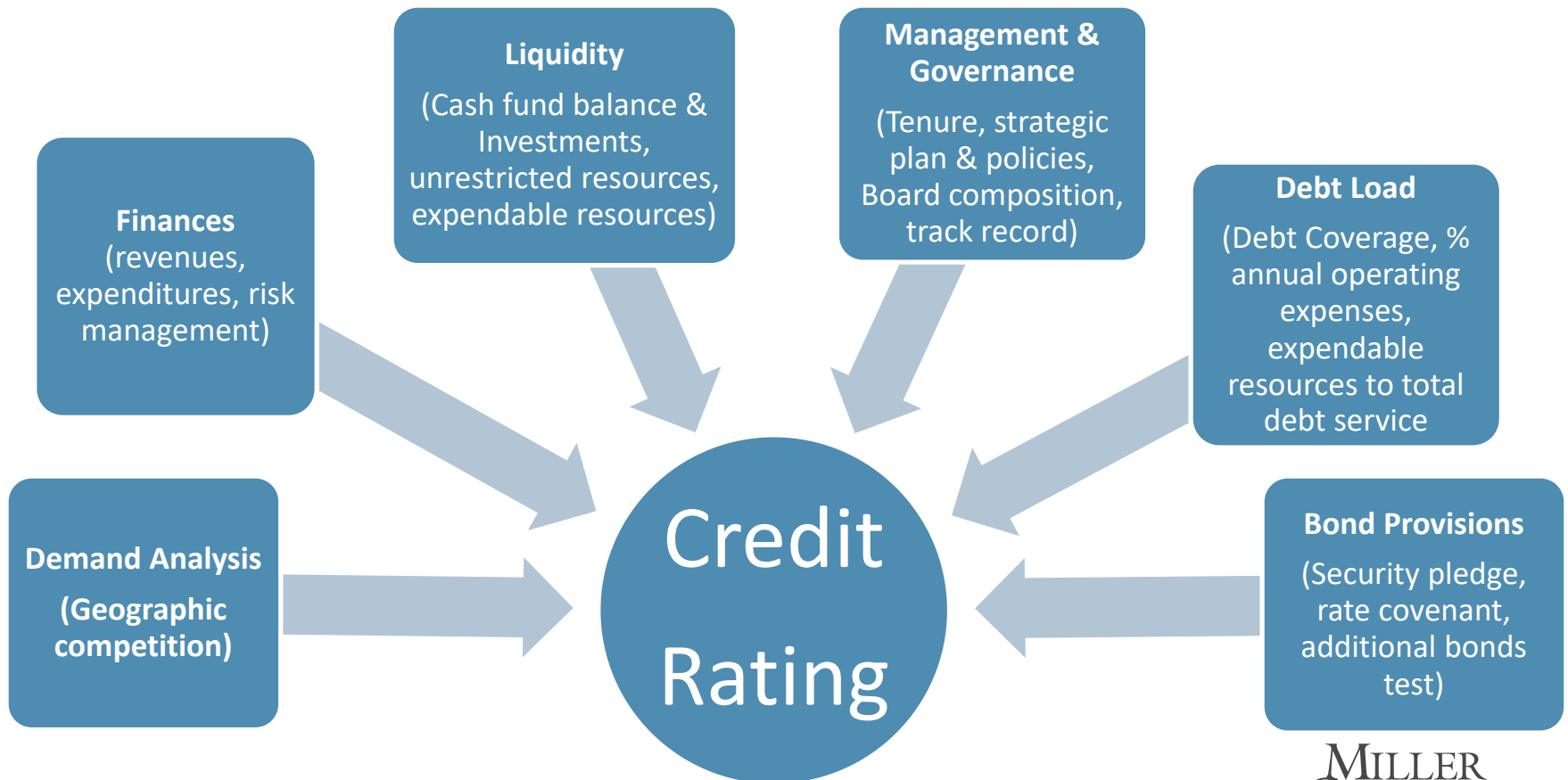
- ✓ Works closely with district
- ✓ Advises district on all facets of bond financings including
  - Bond terms, sizing and structure
  - Millage projections
  - Assists in preparing offering documents
  - Assists with bond rating process
- ✓ Serves in a fiduciary capacity to always look out for the best interest of the district
- ✓ Does not underwrite/buy the bonds
- ✓ Works closely with and represents the interests of the district
- ✓ Reviews and provides counsel for compliance with state and federal laws
- ✓ Prepares legal documents on behalf of district
- ✓ Provides approving legal opinion on the bonds
- ✓ Reviews official statement and purchase contract
- ✓ Underwrites/purchases the bonds for sale to ultimate investors
- ✓ Stands between the district and the investors
- ✓ Owes the district and investors a duty of fair dealing

## Process:

- Determine Projects and draw schedule for that Series
- Bond Authorizing Resolution
- Prepare Preliminary Official Statement/Due Diligence Call
- Apply for Ratings
- Post Preliminary Official Statement
- Sale of Bonds

# BOND PROCESS: Credit Quality

- Vary based on security type – all rating agencies provide information on their Rating Criteria



# Municipal Bond Ratings



- What is a rating?** A rating is an alphabetic and/or numeric symbol used to give relative indications of credit quality. Unless a school cannot achieve an investment grade rating, a rating is required for the sale of any public sale of a major issue. Public bond sales over \$1 million are typically rated.
- Who are the ratings providers?** The three major ratings agencies are Moody's Investors Service, Inc. ("Moody's"), Standard and Poor's ("S&P"), and Fitch Ratings ("Fitch"). Additionally, recently Kroll Bond Rating Agency ("KBRA") has begun providing municipal bond ratings.
- What do rating agencies look for?** History of strong management, diverse economy, sound financial position including fund balance and balanced operations, stable enrollment, manageable debt burden (including pension and OPEB liabilities).

<u>Long-Term Municipal Ratings</u>	Investment Grade	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch</u>
		Aaa	AAA	AAA
Aa	AA	AA		
A	A	A		
Baa	BBB	BBB		
Non-Investment Grade	Ba	BB	BB	
B	B	B		
Caa	CCC	CCC		
Ca	CC	CC		
C	C	C		

# Financing Schedule



DRAFT FINANCING TIMETABLE																											
2021 SCHOOL BUILDING AND SITE BONDS																											
MAY							JUNE							JULY							AUGUST						
S	M	T	W	T	F	S	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	1	2	3	4	5	6	7			
2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10	8	9	10	11	12	13	14
9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17	15	16	17	18	19	20	21
16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28
23	24	25	26	27	28	29	27	28	29	30				25	26	27	28	29	30	31	29	30	31				
30	31																										

DATE	✓ ACTION REQUIRED	RESPONSIBLE PARTY
	PFM provides Bond Counsel with bond specifications	PFM
	Bond Authorizing Resolution circulated	BC
	<b>School Board adopts Bond Authorizing Resolution</b>	<b>SD</b>
Thu, May 27, 2021	Draft of Preliminary Official Statement circulated for review and comment	
Thu, Jun 03, 2021	Due diligence call to review Preliminary Official Statement - comments due on Preliminary Official Statement	All Parties
Fri, Jun 04, 2021	PFM submits credit packages to rating agency(ies) and insurance companies	PFM
Fri, Jun 04, 2021	Updated Preliminary Official Statement circulated	
week of Jun 16, 2021	Rating Call	SD / PFM
Tue, Jun 29, 2021	Preliminary Official Statement printed and mailed	
Wed, Jul 07, 2021	Bond rating released	PFM
<b>Thu, Jul 15, 2021</b>	<b>Bond Pricing/Sale</b>	<b>All parties</b>
Fri, Jul 16, 2021	Draft of Official Statement Circulated for review and comment	
Sat, Jul 24, 2021	Draft closing memo & Draft Security Report distributed	
Thu, Jul 22, 2021	Print and Mail Final Official Statement	
Mon, Jul 26, 2021	Final closing memo distributed	
<b>Tue, Aug 03, 2021</b>	<b>Tentative bond closing - via phone and wire</b>	<b>All parties</b>
Wed, Aug 18, 2021	Closing transcripts and security report filed with Department of Treasury	BC



# Structure Behind the Bonds



## 2018 BOND AUTHORIZATION

	<u>Series 2019</u>	<u>Series 2021</u>	<u>Totals</u>
Bond Amount	58,465,000	43,085,000	101,550,000
Excess Premium to Constr. Fund	9,489,110[1]	0	9,489,110
Total Proceeds	67,954,110	43,085,000	111,039,110
Total Issued to Date	67,954,110	111,039,110	
Balance to Issue	111,040,000	43,085,890	890
Bond Amount	58,465,000	43,085,000	101,550,000
Net Premium from Purchaser	9,582,011	0	9,582,011
Total Bond Proceeds	68,047,011	43,085,000	111,132,011
Less Underwriter Discount	(92,902)[1]	(193,883)	(286,784)
Less Bond Insurance	0	0	0
Less Other Issuance Costs	(178,565)	(162,365)	(340,930)
Deposit to Debt Fund	(1,845,000)		(1,845,000)
Net Construction Proceeds	65,930,545	42,728,752	108,659,297
Plus Projected Interest Earned	852,161 [2]	0 [2]	852,161
Total Available for Projects	66,782,706	42,728,752	109,511,459

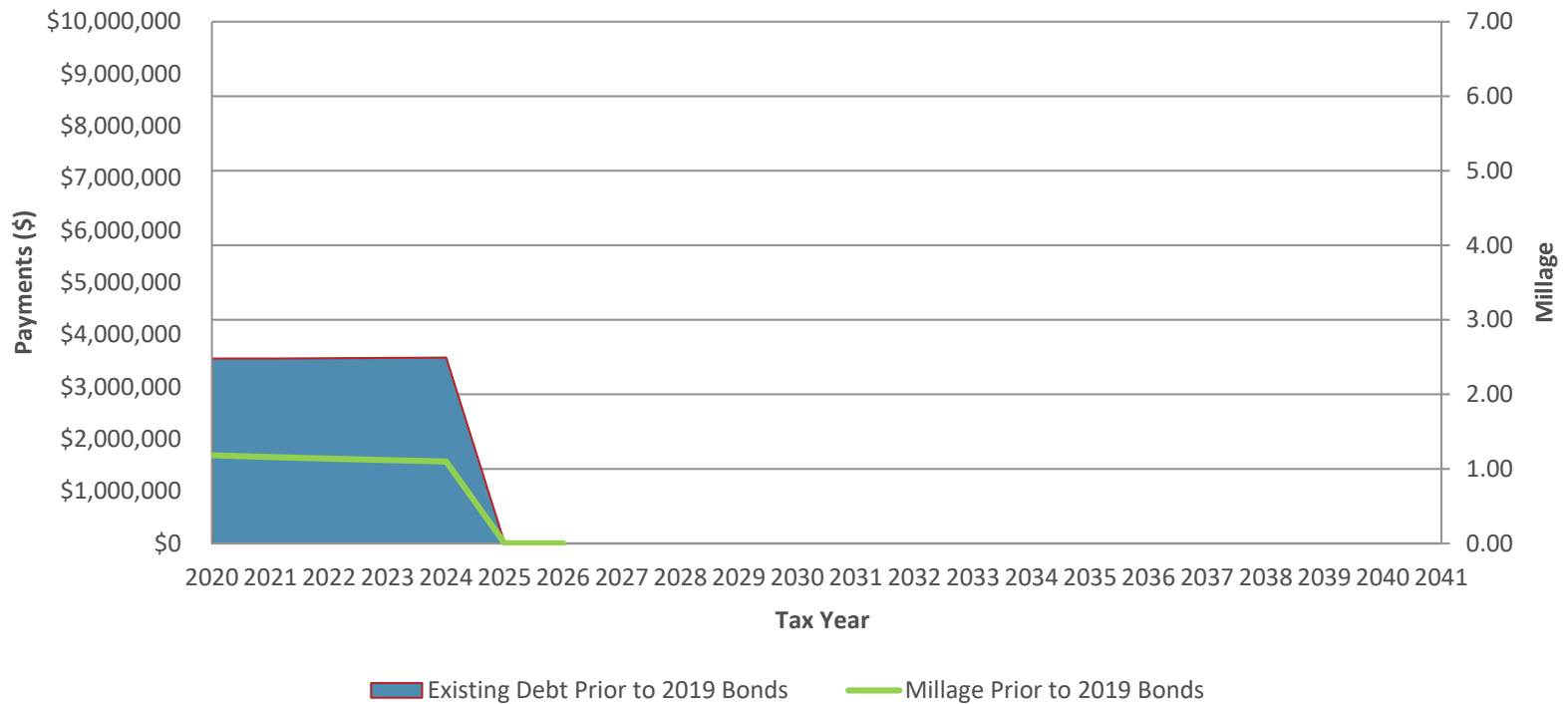
[1] Premium used for underwriter discount. Excess reduces voted par.

[2] Amounts are estimated

# Structure Behind the Bonds



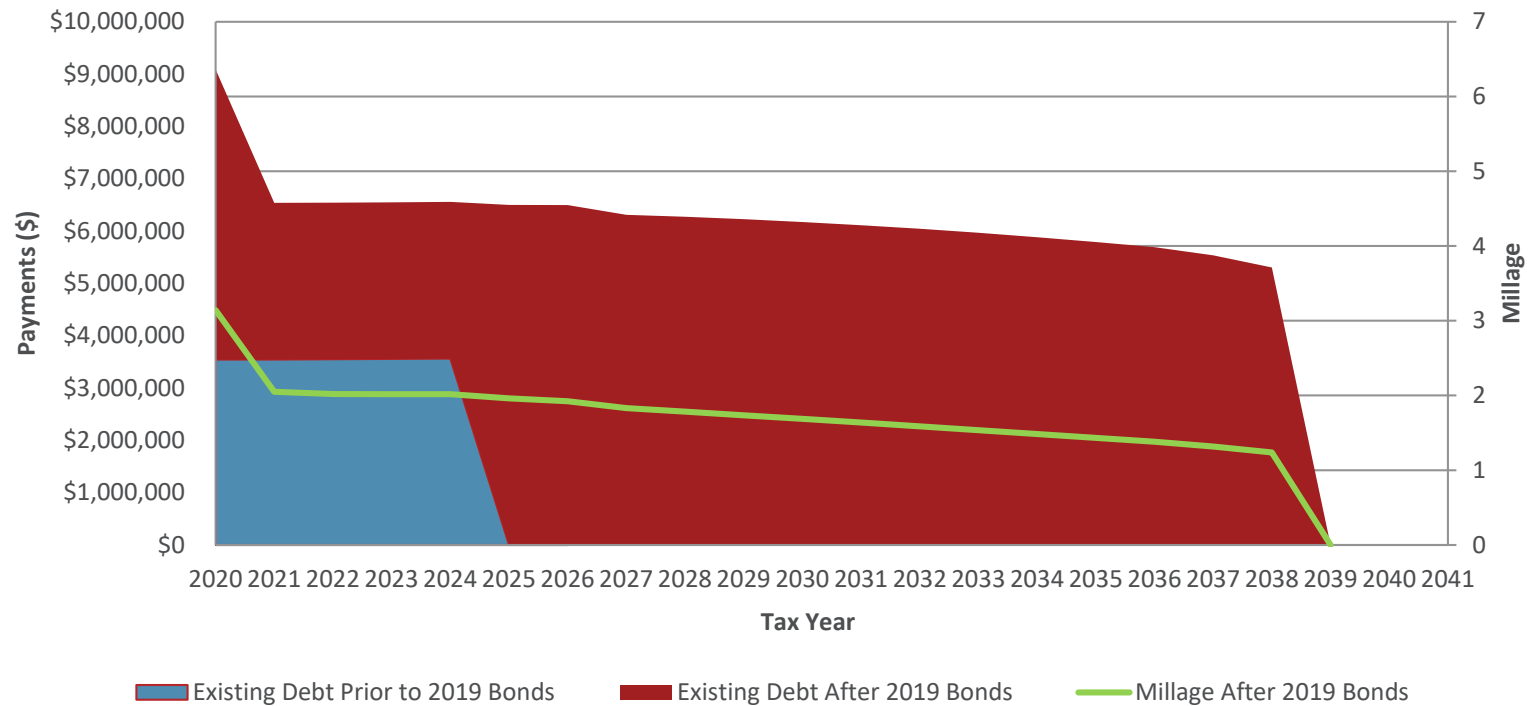
## Grosse Pointe Public School System Debt Service and Millage Prior to 2019 Bonds



# Structure Behind the Bonds



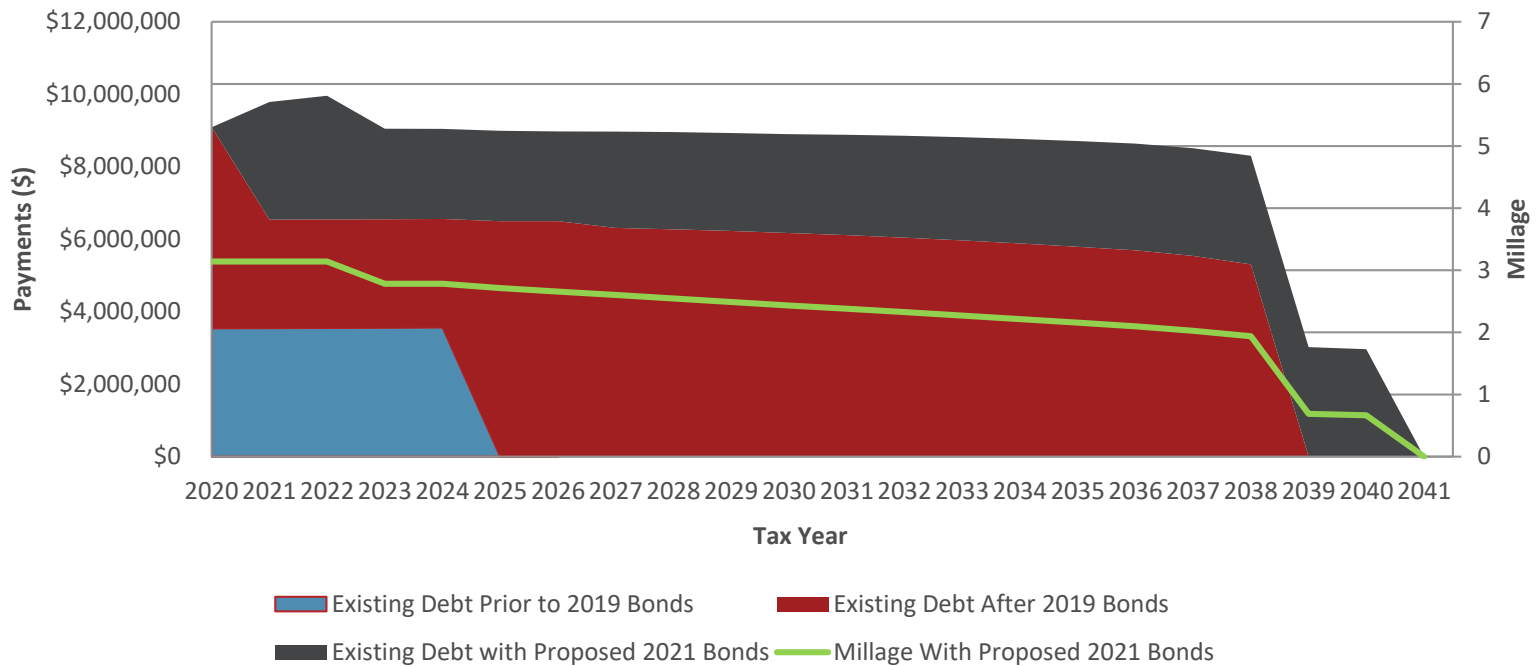
## Grosse Pointe Public School System Debt Service and Millage After 2019 Bonds



# Structure Behind the Bonds



## Grosse Pointe Public School System Debt Service and Millage with Proposed 2021 Series



## Process: Post Pricing

- Execute Order Awarding Sale; Bond Purchase Agreement, if applicable
- Prepare and Print Final Official Statement
- Delivery of Bonds
- Deposit proceeds in separate Capital Projects Fund

# Post Issuance Compliance

- Tax Compliance
- Continuing Disclosure
- Audit of Proceeds

# Federal Tax Law

For each Series

- Useful life – match up with bond term
- At least 85% spent within three years
- 5% committed within six months
- Diligence in spending
- Reimbursement of pre-issuance expenses
- Private use; change in use restrictions

# Federal Securities Law

- Disclosure:

- What affects investor's decision to buy the bonds and the price at which to buy
- Include all information necessary to inform investor
- Accurate; not misleading
- Nothing relevant omitted
- Materiality standard

- Continuing Disclosure

- Annual updates
- Material Events (rating changes, refundings, signs of distress, other financial obligations)



## Tax Levies

- Tax bill: December 1
- Must deliver bonds before November 30 for December 1 levy
- Bond payments:
  - May 1 – Principal and Interest
  - November 1 - Interest
- How is levy calculated?

# Disclosures



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# Presentation Participants



**Miller, Canfield, Paddock and Stone, P.L.C.**  
(313) 963-6420

**Amanda Van Dusen**

(313) 496-7512

[vandusen@millercanfield.com](mailto:vandusen@millercanfield.com)

**Thomas D. Colis**

(313) 496-7677

[colis@millercanfield.com](mailto:colis@millercanfield.com)



**PFM Financial Advisors LLC**  
(734) 994-9700

**Paul R. Stauder**

(734) 794-2530

[stauderp@pfm.com](mailto:stauderp@pfm.com)