



**Randy L. Brown, Business Administrator**  
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To: Robert J. O'Donnell

From: Randy L. Brown  
Donna Watson

RE: Refunding Opportunity

Date: September 17, 2014

The administration is presenting a refunding opportunity including a timeline of the potential process from our financial advisor, NW Financial Group. Representatives from the firm will be present to discuss this opportunity, the timeline, next steps, and potential savings. The administration recommends pursuing this opportunity at this time as the potential savings exceed the targeted savings of three percent.

The CAC for Finance will review this information at a meeting just prior to the Board meeting. Comments and questions from the CAC will be provided to the Board at the meeting.



## MEMORANDUM

To: Robert O'Donnell, Randy Brown, Donna Watson and Board of School Directors,  
State College Area School District

From: Tom Beckett & Dave Eckhart, NW Financial Group, LLC.

Date: September 11, 2014

Re: Financing Analysis – Refunding of State College Area School District General  
Obligation Bonds, Series of 2009 and Series C of 2010

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We are extremely excited to begin work with the School District as your Financial Advisor. We value the confidence you have placed in us and will work hard to maintain that confidence. We have already begun the process of planning and evaluating your financing options for the State College High School project. As part of our work, we have examined the District's outstanding debt portfolio and have identified an opportunity to refund the District's General Obligation Bonds, Series 2009 and Series C of 2010.

This memo will provide you with information on the economics of the refunding; the schedule of events leading up to a refunding; an evaluation of methods of sale and a survey of economic forecasts of interest rates. We will also discuss the Reimbursement Resolution that will be presented for your approval at your next meeting.

### ***2009 Refunding***

The 2009 Bonds (the "2009 Bonds") were issued by the District to refund a portion of its previously issued Series 2003 Bonds, the proceeds of which funded construction of a new elementary school building. The 2009 Bonds also advance refunded the District's Series A of 2004 Bonds (the "2004 Bonds"). The 2004 Bonds refunded the District's Series of 2000 Bonds. A portion of the 2009 Bonds were advance refunded by the District's 2013 Bonds, but tax law limitations on advance refunding bonds resulted in \$3,960,000 of this issue remaining outstanding.

Due to currently low interest rates, and the passing of the September 1, 2014 call date on the 2009 Bonds, it makes economic sense to consider a refunding of the outstanding 2009 Bonds. Interest Rates ranged from 2.60% in 2015 to 4% in 2022 with an average coupon of 3.39%. Current yields on "AA-", Bank-qualified municipal bonds range from .28% in 2015 to 2.64% in 2022 with a True Interest Cost of 1.71%. Savings are projected to be \$171,600 (4.33% of the refunded bonds). We have not extended the final maturity of the 2009 Bonds and have amortized the refunding bonds to produce savings in FY15.

### *Series C of 2010*

The 2010 C Bonds (the "2010 C Bonds") were issued by the District to fund capital projects. Since the 2010 C Bonds are classified as "new money" bonds, they are eligible for an advance refunding.

Due to currently low interest rates, it makes economic sense to consider an advance refunding of the outstanding 2010 C Bonds. Interest Rates ranged from 2.50% in 2017 to 4.00% in 2028 with an average coupon of 3.97%. Current yields on AA-, Bank-qualified municipal bonds range from .28% in 2016 to 3.12% in 2028 with a True Interest Cost of 3.18%. Savings are projected to be \$212,558 (3.93% of the refunded bonds). We have not extended the final maturity of the 2010 C Bonds and have amortized the refunding bonds to produce savings in FY15 –FY2020.

Sources and Uses of Funds, debt service cash flows and refunding analysis for the proposed 2014 Bonds are included in Appendix A hereto.

### *Schedule*

It is important to close the proposed transaction prior to the end of the calendar year in order to ensure that these bonds are bank-qualified. In order to meet this deadline, we request that the Board adopt a parameters resolution at its meeting on November 10<sup>th</sup>. This will give us latitude to sell bonds prior to Thanksgiving. Given that the District's annual audit is expected in mid to late October it is likely that we would ask that the audit be accepted at the October 27<sup>th</sup> meeting. This will allow us to include audited financials in the 2014 Official Statement.

A preliminary schedule of time and events is included in Appendix B hereto.

### *Method of Sale*

We suggest a competitive sale of bonds for the following reasons:

- The District is a strong credit. The "AA-" represents a top tier credit rating and will command significant interest from investors.
- The municipal bond markets are strong with higher bond prices driving down interest rates. In these conditions, competitive bidders are more likely to submit aggressive (higher priced/lower rate) bids for your bonds because if they are too aggressive, the overall trend of the market may allow any unsold bond balances to be liquidated at a profit or breakeven.
- The size of the transaction is big enough to command the attention of the market.
- The Official Statement will contain very current financial and demographic information.
- The transaction is fairly simple.
- The 2014 Financing will allow the district to prepare the required disclosure information and assess the market acceptance for the District's bonds in advance of the financings related to the State High project.

### *Interest Rate Trends and Market Sentiment*

Municipal markets have rallied since the beginning of the calendar year with the benchmark Bond Buyer 11 Bond Index dropping from 4.75% at this time last year to 3.94% as of September 4<sup>th</sup>. We will have further updates for the Board when we meet on September 22.



### *Reimbursement Resolution*

We have suggested that the District pass a resolution that evidences the District's intent to reimburse itself for previously expended funds from the proceeds of a future financing. This is specifically to the State High project.

Although the plan of finance presented to the voters in May of 2014 anticipated the expenditure of up to \$10 million of District funds, we feel it important to preserve flexibility in when these funds are ultimately expended. The Reimbursement Resolution does this and in no way obligates the District to borrow more than it would otherwise borrow.

**Appendix A**  
**Refunding Analysis**

SOURCES AND USES OF FUNDS

State College Area School District  
 General Obligation Refunding Bonds, Series of 2014  
 (Bank Qualified)  
 \*Preliminary\*

Dated Date                    12/18/2014  
 Delivery Date                12/18/2014

Sources:	Refunding of Series of 2009	Refunding of Series C of 2010	Total
<hr/>			
Bond Proceeds:			
Par Amount	3,875,000.00	5,545,000.00	9,420,000.00
Premium	179,479.80	132,712.75	312,192.55
	<hr/>	<hr/>	<hr/>
	4,054,479.80	5,677,712.75	9,732,192.55
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Uses:	Refunding of Series of 2009	Refunding of Series C of 2010	Total
<hr/>			
Refunding Escrow Deposits:			
Cash Deposit	0.61	0.96	1.57
SLGS Purchases	4,008,881.00	5,611,124.00	9,620,005.00
	<hr/>	<hr/>	<hr/>
	4,008,881.61	5,611,124.96	9,620,006.57
Delivery Date Expenses:			
Cost of Issuance	24,681.53	35,318.47	60,000.00
Underwriter's Discount	19,375.00	27,725.00	47,100.00
	<hr/>	<hr/>	<hr/>
	44,056.53	63,043.47	107,100.00
Other Uses of Funds:			
Additional Proceeds	1,541.66	3,544.32	5,085.98
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	4,054,479.80	5,677,712.75	9,732,192.55
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SUMMARY OF REFUNDING RESULTS

State College Area School District  
General Obligation Refunding Bonds, Series of 2014  
(Bank Qualified)  
\*Preliminary\*

Dated Date	12/18/2014
Delivery Date	12/18/2014
Arbitrage yield	2.693859%
Escrow yield	0.056132%
Value of Negative Arbitrage	139,023.67
Bond Par Amount	9,420,000.00
True Interest Cost	2.940697%
Net Interest Cost	3.000315%
Average Coupon	3.341752%
Average Life	8.242
Par amount of refunded bonds	9,360,000.00
Average coupon of refunded bonds	3.931391%
Average life of refunded bonds	8.232
PV of prior debt to 12/18/2014 @ 2.693859%	10,232,725.56
Net PV Savings	384,214.87
Percentage savings of refunded bonds	4.104860%
Percentage savings of refunding bonds	4.078714%

**BOND SUMMARY STATISTICS**

State College Area School District  
 General Obligation Refunding Bonds, Series of 2014  
 (Bank Qualified)  
 \*Preliminary\*

Dated Date	12/18/2014
Delivery Date	12/18/2014
Last Maturity	03/01/2028
Arbitrage Yield	2.693859%
True Interest Cost (TIC)	2.940697%
Net Interest Cost (NIC)	3.000315%
All-In TIC	3.030168%
Average Coupon	3.341752%
Average Life (years)	8.242
Duration of Issue (years)	7.059
Par Amount	9,420,000.00
Bond Proceeds	9,732,192.55
Total Interest	2,594,541.95
Net Interest	2,329,449.40
Total Debt Service	12,014,541.95
Maximum Annual Debt Service	1,861,406.26
Average Annual Debt Service	910,001.07
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	5.000000
Total Underwriter's Discount	5.000000
Bid Price	102.814146

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	9,420,000.00	103.314	3.342%	8.242	3,739.85
	9,420,000.00			8.242	3,739.85

	TIC	All-In TIC	Arbitrage Yield
Par Value	9,420,000.00	9,420,000.00	9,420,000.00
+ Accrued Interest			
+ Premium (Discount)	312,192.55	312,192.55	312,192.55
- Underwriter's Discount	(47,100.00)	(47,100.00)	
- Cost of Issuance Expense		(60,000.00)	
- Other Amounts			
Target Value	9,685,092.55	9,625,092.55	9,732,192.55
Target Date	12/18/2014	12/18/2014	12/18/2014
Yield	2.940697%	3.030168%	2.693859%



SUMMARY OF BONDS REFUNDED

State College Area School District  
 General Obligation Refunding Bonds, Series of 2014  
 (Bank Qualified)  
 \*Preliminary\*

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
General Obligation Bonds, Series of 2009:					
BOND	03/01/2015	2.600%	1,080,000.00	01/17/2015	100.000
	03/01/2016	3.000%	450,000.00	01/17/2015	100.000
	03/01/2017	3.200%	465,000.00	01/17/2015	100.000
	03/01/2018	3.500%	480,000.00	01/17/2015	100.000
	03/01/2019	3.600%	495,000.00	01/17/2015	100.000
	03/01/2020	3.750%	515,000.00	01/17/2015	100.000
	03/01/2021	4.000%	235,000.00	01/17/2015	100.000
	03/01/2022	4.000%	240,000.00	01/17/2015	100.000
			3,960,000.00		
General Obligation Bonds, Series C of 2010:					
BOND	05/15/2016	4.000%	10,000.00	11/15/2015	100.000
	05/15/2017	2.500%	10,000.00	11/15/2015	100.000
	05/15/2018	2.500%	10,000.00	11/15/2015	100.000
	05/15/2019	2.750%	10,000.00	11/15/2015	100.000
	05/15/2020	3.000%	10,000.00	11/15/2015	100.000
	05/15/2021	3.125%	10,000.00	11/15/2015	100.000
	05/15/2022	3.250%	10,000.00	11/15/2015	100.000
	05/15/2023	3.500%	160,000.00	11/15/2015	100.000
	05/15/2024	3.500%	45,000.00	11/15/2015	100.000
	05/15/2025	3.750%	60,000.00	11/15/2015	100.000
	05/15/2026	4.000%	1,555,000.00	11/15/2015	100.000
	05/15/2027	4.000%	1,720,000.00	11/15/2015	100.000
	05/15/2028	4.000%	1,790,000.00	11/15/2015	100.000
			5,400,000.00		
			9,360,000.00		

SAVINGS

State College Area School District  
 General Obligation Refunding Bonds, Series of 2014  
 (Bank Qualified)  
 \*Preliminary\*

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 12/18/2014 @ 2.6938590%
06/30/2015	1,251,765.00	1,039,810.57	211,954.43	210,223.33
06/30/2016	775,450.00	735,356.26	40,093.74	37,887.15
06/30/2017	776,550.00	736,156.26	40,393.74	37,141.85
06/30/2018	776,420.00	737,056.26	39,363.74	35,210.66
06/30/2019	774,370.00	737,506.26	36,863.74	32,033.07
06/30/2020	776,275.00	742,506.26	33,768.74	28,477.69
06/30/2021	476,662.50	466,906.26	9,756.24	7,364.15
06/30/2022	471,950.00	461,506.26	10,443.74	7,741.93
06/30/2023	372,025.00	370,906.26	1,118.74	(605.30)
06/30/2024	251,425.00	248,506.26	2,918.74	1,344.56
06/30/2025	264,850.00	260,706.26	4,143.74	2,191.66
06/30/2026	1,757,600.00	1,757,306.26	293.74	(6,780.56)
06/30/2027	1,860,400.00	1,858,906.26	1,493.74	(6,135.14)
06/30/2028	1,861,600.00	1,861,406.26	193.74	(6,966.17)
	12,447,342.50	12,014,541.95	432,800.55	379,128.89

Savings Summary

Dated Date	12/18/2014
Delivery Date	12/18/2014
PV of savings from cash flow	379,128.89
Plus: Refunding funds on hand	5,085.98
	384,214.87
Net PV Savings	384,214.87

BOND PRICING

State College Area School District  
 General Obligation Refunding Bonds, Series of 2014  
 (Bank Qualified)  
 \*Preliminary\*

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price
Bond Component:								
	03/01/2015	980,000	2.000%	0.280%	100.348			
	03/01/2016	460,000	2.000%	0.410%	101.905			
	03/01/2017	470,000	3.000%	0.690%	105.040			
	03/01/2018	485,000	3.000%	0.990%	106.320			
	03/01/2019	500,000	3.000%	1.310%	106.887			
	03/01/2020	520,000	3.000%	1.650%	106.702			
	03/01/2021	260,000	4.000%	1.950%	110.093 C	2.247%	03/01/2020	100.000
	03/01/2022	265,000	4.000%	2.190%	108.852 C	2.642%	03/01/2020	100.000
	03/01/2023	185,000	4.000%	2.380%	107.880 C	2.913%	03/01/2020	100.000
	03/01/2024	70,000	4.000%	2.500%	107.272 C	3.086%	03/01/2020	100.000
	03/01/2025	85,000	4.000%	2.600%	106.768 C	3.216%	03/01/2020	100.000
	03/01/2026	1,585,000	4.000%	2.690%	106.317 C	3.320%	03/01/2020	100.000
	03/01/2027	1,750,000	3.000%	2.990%	100.045 C	2.995%	03/01/2020	100.000
	03/01/2028	1,805,000	3.125%	3.120%	100.020 C	3.123%	03/01/2020	100.000
		9,420,000						

Dated Date	12/18/2014	
Delivery Date	12/18/2014	
First Coupon	03/01/2015	
Par Amount	9,420,000.00	
Premium	312,192.55	
Production	9,732,192.55	103.314146%
Underwriter's Discount	(47,100.00)	(0.500000%)
Purchase Price	9,685,092.55	102.814146%
Accrued Interest		
Net Proceeds	9,685,092.55	

**BOND DEBT SERVICE**

State College Area School District  
 General Obligation Refunding Bonds, Series of 2014  
 (Bank Qualified)  
 \*Preliminary\*

Dated Date           12/18/2014  
 Delivery Date       12/18/2014

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2015	980,000	2.000%	59,810.57	1,039,810.57	
06/30/2015					1,039,810.57
09/01/2015			137,678.13	137,678.13	
03/01/2016	460,000	2.000%	137,678.13	597,678.13	
06/30/2016					735,356.26
09/01/2016			133,078.13	133,078.13	
03/01/2017	470,000	3.000%	133,078.13	603,078.13	
06/30/2017					736,156.26
09/01/2017			126,028.13	126,028.13	
03/01/2018	485,000	3.000%	126,028.13	611,028.13	
06/30/2018					737,056.26
09/01/2018			118,753.13	118,753.13	
03/01/2019	500,000	3.000%	118,753.13	618,753.13	
06/30/2019					737,506.26
09/01/2019			111,253.13	111,253.13	
03/01/2020	520,000	3.000%	111,253.13	631,253.13	
06/30/2020					742,506.26
09/01/2020			103,453.13	103,453.13	
03/01/2021	260,000	4.000%	103,453.13	363,453.13	
06/30/2021					466,906.26
09/01/2021			98,253.13	98,253.13	
03/01/2022	265,000	4.000%	98,253.13	363,253.13	
06/30/2022					461,506.26
09/01/2022			92,953.13	92,953.13	
03/01/2023	185,000	4.000%	92,953.13	277,953.13	
06/30/2023					370,906.26
09/01/2023			89,253.13	89,253.13	
03/01/2024	70,000	4.000%	89,253.13	159,253.13	
06/30/2024					248,506.26
09/01/2024			87,853.13	87,853.13	
03/01/2025	85,000	4.000%	87,853.13	172,853.13	
06/30/2025					260,706.26
09/01/2025			86,153.13	86,153.13	
03/01/2026	1,585,000	4.000%	86,153.13	1,671,153.13	
06/30/2026					1,757,306.26
09/01/2026			54,453.13	54,453.13	
03/01/2027	1,750,000	3.000%	54,453.13	1,804,453.13	
06/30/2027					1,858,906.26
09/01/2027			28,203.13	28,203.13	
03/01/2028	1,805,000	3.125%	28,203.13	1,833,203.13	
06/30/2028					1,861,406.26
	9,420,000		2,594,541.95	12,014,541.95	12,014,541.95

PRIOR BOND DEBT SERVICE

State College Area School District  
 General Obligation Refunding Bonds, Series of 2014  
 (Bank Qualified)  
 \*Preliminary\*

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2015	1,080,000	2.600%	64,696.25	1,144,696.25	
05/15/2015			107,068.75	107,068.75	
06/30/2015					1,251,765.00
09/01/2015			50,656.25	50,656.25	
11/15/2015			107,068.75	107,068.75	
03/01/2016	450,000	3.000%	50,656.25	500,656.25	
05/15/2016	10,000	4.000%	107,068.75	117,068.75	
06/30/2016					775,450.00
09/01/2016			43,906.25	43,906.25	
11/15/2016			106,868.75	106,868.75	
03/01/2017	465,000	3.200%	43,906.25	508,906.25	
05/15/2017	10,000	2.500%	106,868.75	116,868.75	
06/30/2017					776,550.00
09/01/2017			36,466.25	36,466.25	
11/15/2017			106,743.75	106,743.75	
03/01/2018	480,000	3.500%	36,466.25	516,466.25	
05/15/2018	10,000	2.500%	106,743.75	116,743.75	
06/30/2018					776,420.00
09/01/2018			28,066.25	28,066.25	
11/15/2018			106,618.75	106,618.75	
03/01/2019	495,000	3.600%	28,066.25	523,066.25	
05/15/2019	10,000	2.750%	106,618.75	116,618.75	
06/30/2019					774,370.00
09/01/2019			19,156.25	19,156.25	
11/15/2019			106,481.25	106,481.25	
03/01/2020	515,000	3.750%	19,156.25	534,156.25	
05/15/2020	10,000	3.000%	106,481.25	116,481.25	
06/30/2020					776,275.00
09/01/2020			9,500.00	9,500.00	
11/15/2020			106,331.25	106,331.25	
03/01/2021	235,000	4.000%	9,500.00	244,500.00	
05/15/2021	10,000	3.125%	106,331.25	116,331.25	
06/30/2021					476,662.50
09/01/2021			4,800.00	4,800.00	
11/15/2021			106,175.00	106,175.00	
03/01/2022	240,000	4.000%	4,800.00	244,800.00	
05/15/2022	10,000	3.250%	106,175.00	116,175.00	
06/30/2022					471,950.00
11/15/2022			106,012.50	106,012.50	
05/15/2023	160,000	3.500%	106,012.50	266,012.50	
06/30/2023					372,025.00
11/15/2023			103,212.50	103,212.50	
05/15/2024	45,000	3.500%	103,212.50	148,212.50	
06/30/2024					251,425.00
11/15/2024			102,425.00	102,425.00	
05/15/2025	60,000	3.750%	102,425.00	162,425.00	
06/30/2025					264,850.00
11/15/2025			101,300.00	101,300.00	
05/15/2026	1,555,000	4.000%	101,300.00	1,656,300.00	
06/30/2026					1,757,600.00
11/15/2026			70,200.00	70,200.00	
05/15/2027	1,720,000	4.000%	70,200.00	1,790,200.00	

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PRIOR BOND DEBT SERVICE

State College Area School District  
General Obligation Refunding Bonds, Series of 2014  
(Bank Qualified)  
\*Preliminary\*

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/30/2027					1,860,400.00
11/15/2027			35,800.00	35,800.00	
05/15/2028	1,790,000	4.000%	35,800.00	1,825,800.00	
06/30/2028					1,861,600.00
	9,360,000		3,087,342.50	12,447,342.50	12,447,342.50

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ESCROW REQUIREMENTS

State College Area School District  
General Obligation Refunding Bonds, Series of 2014  
(Bank Qualified)  
\*Preliminary\*

Period Ending	Interest	Principal Redeemed	Total
01/17/2015	48,881.61	3,960,000.00	4,008,881.61
05/15/2015	107,068.75		107,068.75
11/15/2015	107,068.75	5,400,000.00	5,507,068.75
	263,019.11	9,360,000.00	9,623,019.11

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ESCROW DESCRIPTIONS

State College Area School District  
General Obligation Refunding Bonds, Series of 2014  
(Bank Qualified)  
\*Preliminary\*

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Dec 18, 2014:						
SLGS	Certificate	01/17/2015	01/17/2015	4,008,881		
SLGS	Certificate	05/15/2015	05/15/2015	107,060	0.020%	0.020%
SLGS	Certificate	11/15/2015	11/15/2015	5,504,064	0.060%	0.060%
				9,620,005		

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SLGS Summary

SLGS Rates File 09SEP14  
Total Certificates of Indebtedness 9,620,005.00



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ESCROW COST

State College Area School District  
General Obligation Refunding Bonds, Series of 2014  
(Bank Qualified)  
\*Preliminary\*

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	01/17/2015	4,008,881		4,008,881.00
SLGS	05/15/2015	107,060	0.020%	107,060.00
SLGS	11/15/2015	5,504,064	0.060%	5,504,064.00
		9,620,005		9,620,005.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
12/18/2014	9,620,005	1.57	9,620,006.57
	9,620,005	1.57	9,620,006.57

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ESCROW CASH FLOW

State College Area School District  
General Obligation Refunding Bonds, Series of 2014  
(Bank Qualified)  
\*Preliminary\*

Date	Principal	Interest	Net Escrow Receipts
01/17/2015	4,008,881.00		4,008,881.00
05/15/2015	107,060.00	8.68	107,068.68
11/15/2015	5,504,064.00	3,003.86	5,507,067.86
	9,620,005.00	3,012.54	9,623,017.54

Escrow Cost Summary

Purchase date	12/18/2014
Purchase cost of securities	9,620,005.00

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ESCROW SUFFICIENCY

State College Area School District  
General Obligation Refunding Bonds, Series of 2014  
(Bank Qualified)  
\*Preliminary\*

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
12/18/2014		1.57	1.57	1.57
01/17/2015	4,008,881.61	4,008,881.00	(0.61)	0.96
05/15/2015	107,068.75	107,068.68	(0.07)	0.89
11/15/2015	5,507,068.75	5,507,067.86	(0.89)	
	9,623,019.11	9,623,019.11	0.00	

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SOURCES AND USES OF FUNDS

State College Area School District  
Refunding of Series of 2009  
(Bank Qualified)  
\*Preliminary\*

Dated Date 12/18/2014  
Delivery Date 12/18/2014

Sources:

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Bond Proceeds:

Par Amount 3,875,000.00  
Premium 179,479.80

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4,054,479.80

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Uses:

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Refunding Escrow Deposits:

Cash Deposit 0.61  
SLGS Purchases 4,008,881.00

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4,008,881.61

Delivery Date Expenses:

Cost of Issuance 24,681.53  
Underwriter's Discount 19,375.00

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44,056.53

Other Uses of Funds:

Additional Proceeds 1,541.66

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4,054,479.80

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SUMMARY OF REFUNDING RESULTS

State College Area School District  
Refunding of Series of 2009  
(Bank Qualified)  
\*Preliminary\*

Dated Date	12/18/2014
Delivery Date	12/18/2014
Arbitrage yield	2.693859%
Escrow yield	
Value of Negative Arbitrage	8,632.11
Bond Par Amount	3,875,000.00
True Interest Cost	1.716764%
Net Interest Cost	1.786276%
Average Coupon	3.210599%
Average Life	2.901
Par amount of refunded bonds	3,960,000.00
Average coupon of refunded bonds	3.650518%
Average life of refunded bonds	2.845
PV of prior debt to 12/18/2014 @ 2.693859%	4,098,344.94
Net PV Savings	171,655.95
Percentage savings of refunded bonds	4.334746%
Percentage savings of refunding bonds	4.429831%

BOND SUMMARY STATISTICS

State College Area School District  
 Refunding of Series of 2009  
 (Bank Qualified)  
 \*Preliminary\*

Dated Date	12/18/2014
Delivery Date	12/18/2014
Last Maturity	03/01/2022
Arbitrage Yield	2.693859%
True Interest Cost (TIC)	1.716764%
Net Interest Cost (NIC)	1.786276%
All-In TIC	1.938277%
Average Coupon	3.210599%
Average Life (years)	2.901
Duration of Issue (years)	2.800
Par Amount	3,875,000.00
Bond Proceeds	4,054,479.80
Total Interest	360,895.83
Net Interest	200,791.03
Total Debt Service	4,235,895.83
Maximum Annual Debt Service	1,001,595.83
Average Annual Debt Service	588,091.98
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	5.000000
Total Underwriter's Discount	5.000000
Bid Price	104.131737

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	3,875,000.00	104.632	3.211%	2.901	1,052.70
	3,875,000.00			2.901	1,052.70

	TIC	All-In TIC	Arbitrage Yield
Par Value	3,875,000.00	3,875,000.00	3,875,000.00
+ Accrued Interest			
+ Premium (Discount)	179,479.80	179,479.80	179,479.80
- Underwriter's Discount	(19,375.00)	(19,375.00)	
- Cost of Issuance Expense		(24,681.53)	
- Other Amounts			
Target Value	4,035,104.80	4,010,423.27	4,054,479.80
Target Date	12/18/2014	12/18/2014	12/18/2014
Yield	1.716764%	1.938277%	2.693859%

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SAVINGS

State College Area School District  
Refunding of Series of 2009  
(Bank Qualified)  
\*Preliminary\*

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 12/18/2014 @ 2.6938590%
06/30/2015	1,144,696.25	1,001,595.83	143,100.42	142,326.05
06/30/2016	551,312.50	546,900.00	4,412.50	4,366.73
06/30/2017	552,812.50	547,700.00	5,112.50	4,884.07
06/30/2018	552,932.50	548,600.00	4,332.50	4,034.35
06/30/2019	551,132.50	549,050.00	2,082.50	1,903.61
06/30/2020	553,312.50	549,050.00	4,262.50	3,733.51
06/30/2021	254,000.00	248,600.00	5,400.00	4,576.43
06/30/2022	249,600.00	244,400.00	5,200.00	4,289.54
	4,409,798.75	4,235,895.83	173,902.92	170,114.29

Savings Summary

Dated Date	12/18/2014
Delivery Date	12/18/2014
PV of savings from cash flow	170,114.29
Plus: Refunding funds on hand	1,541.66
Net PV Savings	171,655.95

BOND PRICING

State College Area School District  
 Refunding of Series of 2009  
 (Bank Qualified)  
 \*Preliminary\*

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price
Bond Component:								
	03/01/2015	980,000	2.000%	0.280%	100.348			
	03/01/2016	460,000	2.000%	0.410%	101.905			
	03/01/2017	470,000	3.000%	0.690%	105.040			
	03/01/2018	485,000	3.000%	0.990%	106.320			
	03/01/2019	500,000	3.000%	1.310%	106.887			
	03/01/2020	515,000	3.000%	1.650%	106.702			
	03/01/2021	230,000	4.000%	1.950%	110.093 C	2.247%	03/01/2020	100.000
	03/01/2022	235,000	4.000%	2.190%	108.852 C	2.642%	03/01/2020	100.000
		3,875,000						

Dated Date	12/18/2014	
Delivery Date	12/18/2014	
First Coupon	03/01/2015	
Par Amount	3,875,000.00	
Premium	179,479.80	
Production	4,054,479.80	104.631737%
Underwriter's Discount	(19,375.00)	(0.500000%)
Purchase Price	4,035,104.80	104.131737%
Accrued Interest		
Net Proceeds	4,035,104.80	



**BOND DEBT SERVICE**

State College Area School District  
 Refunding of Series of 2009  
 (Bank Qualified)  
 \*Preliminary\*

Dated Date           12/18/2014  
 Delivery Date       12/18/2014

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2015	980,000	2.000%	21,595.83	1,001,595.83	
06/30/2015					1,001,595.83
09/01/2015			43,450.00	43,450.00	
03/01/2016	460,000	2.000%	43,450.00	503,450.00	
06/30/2016					546,900.00
09/01/2016			38,850.00	38,850.00	
03/01/2017	470,000	3.000%	38,850.00	508,850.00	
06/30/2017					547,700.00
09/01/2017			31,800.00	31,800.00	
03/01/2018	485,000	3.000%	31,800.00	516,800.00	
06/30/2018					548,600.00
09/01/2018			24,525.00	24,525.00	
03/01/2019	500,000	3.000%	24,525.00	524,525.00	
06/30/2019					549,050.00
09/01/2019			17,025.00	17,025.00	
03/01/2020	515,000	3.000%	17,025.00	532,025.00	
06/30/2020					549,050.00
09/01/2020			9,300.00	9,300.00	
03/01/2021	230,000	4.000%	9,300.00	239,300.00	
06/30/2021					248,600.00
09/01/2021			4,700.00	4,700.00	
03/01/2022	235,000	4.000%	4,700.00	239,700.00	
06/30/2022					244,400.00
	3,875,000		360,895.83	4,235,895.83	4,235,895.83

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SOURCES AND USES OF FUNDS

State College Area School District  
Refunding of Series C of 2010  
(Bank Qualified)  
\*Preliminary\*

Dated Date 12/18/2014  
Delivery Date 12/18/2014

Sources:

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Bond Proceeds:

Par Amount	5,545,000.00
Premium	132,712.75

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5,677,712.75

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Uses:

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Refunding Escrow Deposits:

Cash Deposit	0.96
SLGS Purchases	5,611,124.00

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5,611,124.96

Delivery Date Expenses:

Cost of Issuance	35,318.47
Underwriter's Discount	27,725.00

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63,043.47

Other Uses of Funds:

Additional Proceeds	3,544.32
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5,677,712.75

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SUMMARY OF REFUNDING RESULTS

State College Area School District  
Refunding of Series C of 2010  
(Bank Qualified)  
\*Preliminary\*

Dated Date	12/18/2014
Delivery Date	12/18/2014
Arbitrage yield	2.693859%
Escrow yield	0.059727%
Value of Negative Arbitrage	130,391.56
Bond Par Amount	5,545,000.00
True Interest Cost	3.178105%
Net Interest Cost	3.205840%
Average Coupon	3.363955%
Average Life	11.975
Par amount of refunded bonds	5,400,000.00
Average coupon of refunded bonds	3.979501%
Average life of refunded bonds	12.182
PV of prior debt to 12/18/2014 @ 2.693859%	6,134,380.62
Net PV Savings	212,558.92
Percentage savings of refunded bonds	3.936276%
Percentage savings of refunding bonds	3.833344%

**BOND SUMMARY STATISTICS**

State College Area School District  
 Refunding of Series C of 2010  
 (Bank Qualified)  
 \*Preliminary\*

Dated Date	12/18/2014
Delivery Date	12/18/2014
Last Maturity	03/01/2028
Arbitrage Yield	2.693859%
True Interest Cost (TIC)	3.178105%
Net Interest Cost (NIC)	3.205840%
All-In TIC	3.242229%
Average Coupon	3.363955%
Average Life (years)	11.975
Duration of Issue (years)	9.940
Par Amount	5,545,000.00
Bond Proceeds	5,677,712.75
Total Interest	2,233,646.12
Net Interest	2,128,658.37
Total Debt Service	7,778,646.12
Maximum Annual Debt Service	1,861,406.26
Average Annual Debt Service	589,167.39
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	5.000000
Total Underwriter's Discount	5.000000
Bid Price	101.893377

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	5,545,000.00	102.393	3.364%	11.975	2,687.15
	5,545,000.00			11.975	2,687.15

	TIC	All-In TIC	Arbitrage Yield
Par Value	5,545,000.00	5,545,000.00	5,545,000.00
+ Accrued Interest			
+ Premium (Discount)	132,712.75	132,712.75	132,712.75
- Underwriter's Discount	(27,725.00)	(27,725.00)	
- Cost of Issuance Expense		(35,318.47)	
- Other Amounts			
Target Value	5,649,987.75	5,614,669.28	5,677,712.75
Target Date	12/18/2014	12/18/2014	12/18/2014
Yield	3.178105%	3.242229%	2.693859%

SAVINGS

State College Area School District  
 Refunding of Series C of 2010  
 (Bank Qualified)  
 \*Preliminary\*

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 12/18/2014 @ 2.6938590%
06/30/2015	107,068.75	38,214.74	68,854.01	67,897.29
06/30/2016	224,137.50	188,456.26	35,681.24	33,520.42
06/30/2017	223,737.50	188,456.26	35,281.24	32,257.79
06/30/2018	223,487.50	188,456.26	35,031.24	31,176.31
06/30/2019	223,237.50	188,456.26	34,781.24	30,129.45
06/30/2020	222,962.50	193,456.26	29,506.24	24,744.18
06/30/2021	222,662.50	218,306.26	4,356.24	2,787.72
06/30/2022	222,350.00	217,106.26	5,243.74	3,452.39
06/30/2023	372,025.00	370,906.26	1,118.74	(605.30)
06/30/2024	251,425.00	248,506.26	2,918.74	1,344.56
06/30/2025	264,850.00	260,706.26	4,143.74	2,191.66
06/30/2026	1,757,600.00	1,757,306.26	293.74	(6,780.56)
06/30/2027	1,860,400.00	1,858,906.26	1,493.74	(6,135.14)
06/30/2028	1,861,600.00	1,861,406.26	193.74	(6,966.17)
	8,037,543.75	7,778,646.12	258,897.63	209,014.60

Savings Summary

Dated Date	12/18/2014
Delivery Date	12/18/2014
PV of savings from cash flow	209,014.60
Plus: Refunding funds on hand	3,544.32
	212,558.92
Net PV Savings	212,558.92

BOND PRICING

State College Area School District  
 Refunding of Series C of 2010  
 (Bank Qualified)  
 \*Preliminary\*

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price
Bond Component:								
	03/01/2015		2.000%	0.280%	100.348			
	03/01/2016		2.000%	0.410%	101.905			
	03/01/2017		3.000%	0.690%	105.040			
	03/01/2018		3.000%	0.990%	106.320			
	03/01/2019		3.000%	1.310%	106.887			
	03/01/2020	5,000	3.000%	1.650%	106.702			
	03/01/2021	30,000	4.000%	1.950%	110.093 C	2.247%	03/01/2020	100.000
	03/01/2022	30,000	4.000%	2.190%	108.852 C	2.642%	03/01/2020	100.000
	03/01/2023	185,000	4.000%	2.380%	107.880 C	2.913%	03/01/2020	100.000
	03/01/2024	70,000	4.000%	2.500%	107.272 C	3.086%	03/01/2020	100.000
	03/01/2025	85,000	4.000%	2.600%	106.768 C	3.216%	03/01/2020	100.000
	03/01/2026	1,585,000	4.000%	2.690%	106.317 C	3.320%	03/01/2020	100.000
	03/01/2027	1,750,000	3.000%	2.990%	100.045 C	2.995%	03/01/2020	100.000
	03/01/2028	1,805,000	3.125%	3.120%	100.020 C	3.123%	03/01/2020	100.000
		5,545,000						

Dated Date	12/18/2014	
Delivery Date	12/18/2014	
First Coupon	03/01/2015	
Par Amount	5,545,000.00	
Premium	132,712.75	
Production	5,677,712.75	102.393377%
Underwriter's Discount	(27,725.00)	(0.500000%)
Purchase Price	5,649,987.75	101.893377%
Accrued Interest		
Net Proceeds	5,649,987.75	

**BOND DEBT SERVICE**

State College Area School District  
 Refunding of Series C of 2010  
 (Bank Qualified)  
 \*Preliminary\*

Dated Date           12/18/2014  
 Delivery Date       12/18/2014

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2015			38,214.74	38,214.74	
06/30/2015					38,214.74
09/01/2015			94,228.13	94,228.13	
03/01/2016			94,228.13	94,228.13	
06/30/2016					188,456.26
09/01/2016			94,228.13	94,228.13	
03/01/2017			94,228.13	94,228.13	
06/30/2017					188,456.26
09/01/2017			94,228.13	94,228.13	
03/01/2018			94,228.13	94,228.13	
06/30/2018					188,456.26
09/01/2018			94,228.13	94,228.13	
03/01/2019			94,228.13	94,228.13	
06/30/2019					188,456.26
09/01/2019			94,228.13	94,228.13	
03/01/2020	5,000	3.000%	94,228.13	99,228.13	
06/30/2020					193,456.26
09/01/2020			94,153.13	94,153.13	
03/01/2021	30,000	4.000%	94,153.13	124,153.13	
06/30/2021					218,306.26
09/01/2021			93,553.13	93,553.13	
03/01/2022	30,000	4.000%	93,553.13	123,553.13	
06/30/2022					217,106.26
09/01/2022			92,953.13	92,953.13	
03/01/2023	185,000	4.000%	92,953.13	277,953.13	
06/30/2023					370,906.26
09/01/2023			89,253.13	89,253.13	
03/01/2024	70,000	4.000%	89,253.13	159,253.13	
06/30/2024					248,506.26
09/01/2024			87,853.13	87,853.13	
03/01/2025	85,000	4.000%	87,853.13	172,853.13	
06/30/2025					260,706.26
09/01/2025			86,153.13	86,153.13	
03/01/2026	1,585,000	4.000%	86,153.13	1,671,153.13	
06/30/2026					1,757,306.26
09/01/2026			54,453.13	54,453.13	
03/01/2027	1,750,000	3.000%	54,453.13	1,804,453.13	
06/30/2027					1,858,906.26
09/01/2027			28,203.13	28,203.13	
03/01/2028	1,805,000	3.125%	28,203.13	1,833,203.13	
06/30/2028					1,861,406.26
	5,545,000		2,233,646.12	7,778,646.12	7,778,646.12

**Appendix B**  
**Series of 2014 Financing Schedule**



STATE COLLEGE AREA SCHOOL DISTRICT  
 REFUNDING SERIES 2014 – FINANCING SCHEDULE



SEPTEMBER						
SU	MO	TU	WE	TH	FR	SA
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

OCTOBER						
SU	MO	TU	WE	TH	FR	SA
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

NOVEMBER						
SU	MO	TU	WE	TH	FR	SA
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

DECEMBER						
SU	MO	TU	WE	TH	FR	SA
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Week of	Task	Responsibility
<b>September 8</b>		
9/9	Conference Call to review Board Presentation and Schedule	FA, I, BC
9/11	Financing Memo and Presentation, Reimbursement Resolution distributed to Board leadership	FA, I, BC
<b>September 15</b>		
<b>September 22</b>		
9/22	School Board Meeting, Presentation of Plan of Finance – Refunding Series 2014, Introduction of Reimbursement Resolution	FA, I
	Begin first draft of POS, Invitation to Bid, Form of Bid	FA/BC
9/26	High School Financing analysis distributed to Board leadership	FA
<b>September 29</b>		
<b>October 6</b>		
10/6	Board Work Session to review preliminary High School Financing Options	
<b>October 13</b>		
10/13	Board Meeting, Reimbursement Resolution Approved	
10/16	Final audit due	I
	Send audit package to rating agency with POS and draft audit	FA
10/16	Draft Documents circulated to Board leadership (Parameters Resolution, POS, Invitation to Bid, Form of Bid)	BC, FA


STATE COLLEGE AREA SCHOOL DISTRICT  
 REFUNDING SERIES 2014 – FINANCING SCHEDULE



<b>October 20</b>			
		Rating Call / Presentation	I, FA, BC
<b>October 27</b>			
	10/27	Board approves audit, Introduction of Parameters Resolution	FA, BC
<b>November 3</b>			
		Rating received, Publish POS, Notice of Sale, Form of Bid	FA,BC
<b>November 10</b>			
	11/10	Board Meeting to approve Parameters Resolution	All
<b>November 17</b>			
		Bonds sold via competitive bid	I,BC,FA
		SLGS Subscribed for	PA
		Proceedings sent to DCED	BC
		Refunding Escrow Verification	V,FA
<b>November 24</b>			
<b>December 1</b>			
<b>December 8</b>			
<b>December 15</b>			
	12/18	Bond Closing	All

**Legend:**

<b>I</b>	Issuer – State College Area School District	<b>U</b>	Underwriter – TBD
<b>S</b>	Solicitor	<b>PA</b>	Paying Agent
<b>FA</b>	Financial Advisor – NW Financial		
<b>BC</b>	Bond Counsel – Clark Hill		



# State College Area School District General Obligation Bond Refunding

September 22, 2014

# Agenda

- Introduction
- Refunding Opportunity
  - Savings
  - Schedule
  - Method of Sale
  - Rate Outlook
- Reimbursement Resolution for State High Project
- Questions

## Refunding

- Series 2009
  - \$3,960,000 Outstanding maturing March '15-'22.
  - 3.39% Average Interest Rate.
  - Current yields range from **.28%** in 2015 to **2.64%** in 2022 with a True Interest Cost of **1.71%**.
  - Savings are projected to be **\$171,600 (4.33%** of the refunded bonds).
  - No extension of maturity.

## Refunding

- Series 2010 C
  - \$5,400,000 Outstanding maturing March '16-'28.
  - 3.97% Average Interest Rate .
  - Current yields range from **.28%** in 2015 to **3.12%** in 2028 with a True Interest Cost of **3.17%**.
  - Savings are projected to be **\$212,600 (3.93%** of the refunded bonds).
  - No extension of maturity.

# Sources & Uses, Series of 2014 GO Bonds

## SOURCES AND USES OF FUNDS

State College Area School District  
 General Obligation Refunding Bonds, Series of 2014  
 (Bank Qualified)  
 \*Preliminary\*

Dated Date 12/18/2014  
 Delivery Date 12/18/2014

Sources:	Refunding of Series of 2009	Refunding of Series C of 2010	Total
Bond Proceeds:			
Par Amount	3,875,000.00	5,545,000.00	9,420,000.00
Premium	179,479.80	132,712.75	312,192.55
	<u>4,054,479.80</u>	<u>5,677,712.75</u>	<u>9,732,192.55</u>
Uses:	Refunding of Series of 2009	Refunding of Series C of 2010	Total
Refunding Escrow Deposits:			
Cash Deposit	0.61	0.96	1.57
SLGS Purchases	<u>4,008,881.00</u>	<u>5,611,124.00</u>	<u>9,620,005.00</u>
	4,008,881.61	5,611,124.96	9,620,006.57
Delivery Date Expenses:			
Cost of Issuance	24,681.53	35,318.47	60,000.00
Underwriter's Discount	<u>19,375.00</u>	<u>27,725.00</u>	<u>47,100.00</u>
	44,056.53	63,043.47	107,100.00
Other Uses of Funds:			
Additional Proceeds	1,541.66	3,544.32	5,085.98
	<u>4,054,479.80</u>	<u>5,677,712.75</u>	<u>9,732,192.55</u>



## Key Dates, Series of 2014 GO Bonds

- Final Audit due October 16
- Draft Financing Documents October 16
- Rating Agency October 20
- Introduce Parameters  
Resolution, approve Audit October 27
- Publish POS, Sale Notice November 3
- Board approves Resolution November 10
- Bonds Sold November 17
- Closing December 18





## Method of Sale, Series of 2014 GO Bonds

### Competitive Sale

- The District is a strong “AA-” credit.
- The municipal bond markets are strong
- The size of the transaction is big enough to command the attention of the market.
- Current financial and demographic information.
- The transaction is fairly simple.

# Interest Rate Trend, Series of 2014 GO Bonds



## Reimbursement Resolution

- For expenses related to State High Project
- Preserves flexibility in when you spend the District's contribution.
- Declares intent to reimburse
- Non-binding.