

Red Lodge Elementary and High School Districts ----- Bond Summary Information -----

Refinancing of 2007 General Obligation Bonds Results in Significant Savings for District Property Taxpayers

REFINANCING OF 2007 BONDS COMPLETE. On Thursday, February 2, the Board of Trustees adopted the final Bond Resolutions in the process of refinancing the District's 2007 General Obligation Bonds outstanding in the amount of \$2,760,000 for the Elementary and \$3,285,000 for the High School to take advantage of low interest rates. District officials were pleased to provide significant savings to local taxpayers. The 2007 Bonds were originally issued to construct and furnish the new high school and renovate the prior high school building for K-8 use.

SAVINGS FOR DISTRICT TAXPAYERS. The overall reduction in debt service from the refinancing Bond issuance totaled **\$576,527** (**\$255,568** in the Elementary and **\$320,959** in the High School) over the remaining term until the Bonds are paid on July 1, 2027. Property taxpayers will experience lower annual debt service levies over the 10 year term commencing in the 2017/18 fiscal year.

The true interest cost rate of the new refunding Bonds is **2.36%**. The Bonds that were refinanced had an average rate of **3.96% (Elementary) and 3.98% (High School)** and **so in all the District's rates were cut by approximately 40%**.

Yields to investors ranged from 1.10% in 2018 to 2.62% in the final maturity in 2027. The Bonds were offered locally to individual and institutional investors through D.A. Davidson & Co.

BOND CREDIT RATING AFFIRMED AT "A". As a part of the refinancing process, the Districts received an "A" credit rating with a stable outlook from Standard & Poor's Ratings Services (S&P). The credit rating helps secure low interest rates due to the District's strong credit quality as evaluated by S&P. The S&P rating report specifically indicates the favorable rating is due to the District's:

- Access to employment opportunities in the Billings area, reflected in good to strong income indicators and extremely strong wealth;
- Good financial performance, resulting in balanced budgets and very strong reserves, although small in absolute terms; and
- Low debt burden, coupled with rapid amortization.

The report indicated the preceding credit strengths are partly offset by the District's overall declining enrollment calculation (ANB) in the past five years, a primary revenue driver for state funding.

February 2, 2017