



Jacksonville CUSD 117

Financing Update

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May 13, 2015

- Underwriter Selection
- Conduit Issuer
- Feasibility Study Results
- Market Update/Bank Qualification
- Remaining Timetable

Underwriter Selection

- PMA sent a Request for Proposal (RFP) to 13 firms on March 23rd
- Five proposals were received on April 15th
 - Bernardi Securities
 - Edward Jones
 - Incapital
 - Mesirow Financial
 - Robert W. Baird
- Primary evaluation criteria included:
 - Ability to price retail bonds (sold to individual investors)
 - Experience issuing bonds through conduit issuers
 - Experience underwriting bank qualified and non-bank qualified transactions for Illinois school districts
 - Fees

- PMA recommends that the Board approve the selection of the following underwriting syndicate (team):
 - Edward Jones – Co-senior manager (bookrunner) – 40% allocation
 - Has four brokerage offices in Jacksonville
 - Only sells bonds to retail investors
 - Has extensive experience selling bonds through conduit issuers
 - Mesirow Financial – Co-senior manager – 40% allocation
 - Will focus primarily on selling bonds to institutions
 - Extensive Illinois K-12 bond underwriting experience
 - Incapital – Co-manager – 20% allocation
 - Only sells bonds to retail investors
- This combined financing team will enable the District to reach both retail and institutional investors while achieving the lowest cost of financing

- Underwriter fees were submitted on a “per bond” basis (\$1,000 per par amount of bonds sold)
 - Mesirow’s fees were the most competitive of the three firms that focus primarily on institutional investors
 - Maximum of \$4.05 per bond
 - Edward Jones’ and Incapital’s fees will average approximately \$16.57 per bond
 - For retail bonds only
- The bond sale will likely begin with a retail order period, followed by an institutional order period
 - Jacksonville residents will be given first priority for retail orders, followed by Illinois residents and then out-of-state buyers
 - The sale approach will be fluid so that the District can achieve the lowest overall financing cost (eg: possibly shifting more bonds to institutional buyers)

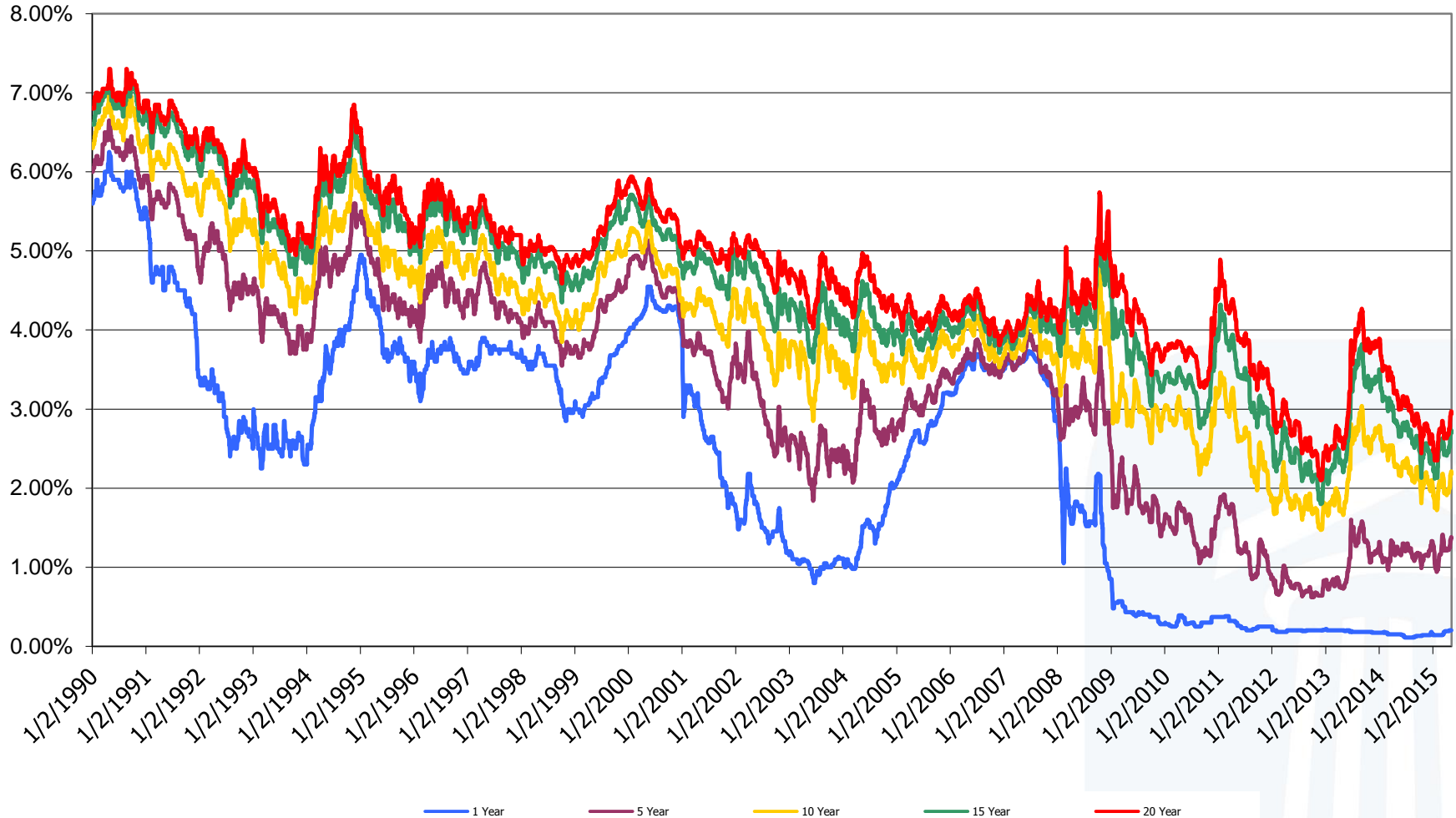
Conduit Issuer

- Underwriters were asked in the RFP to provide their thoughts regarding the use of a conduit issuer for the District's bond sale
 - Illinois Finance Authority (IFA) or the Western Illinois Economic Development Authority (WIEDA)
- For bonds issued through the IFA or WIEDA, the interest income earned by investors is exempt from both federal and state income taxes
 - Financing through either the IFA or the WIEDA may generate additional bond proceeds

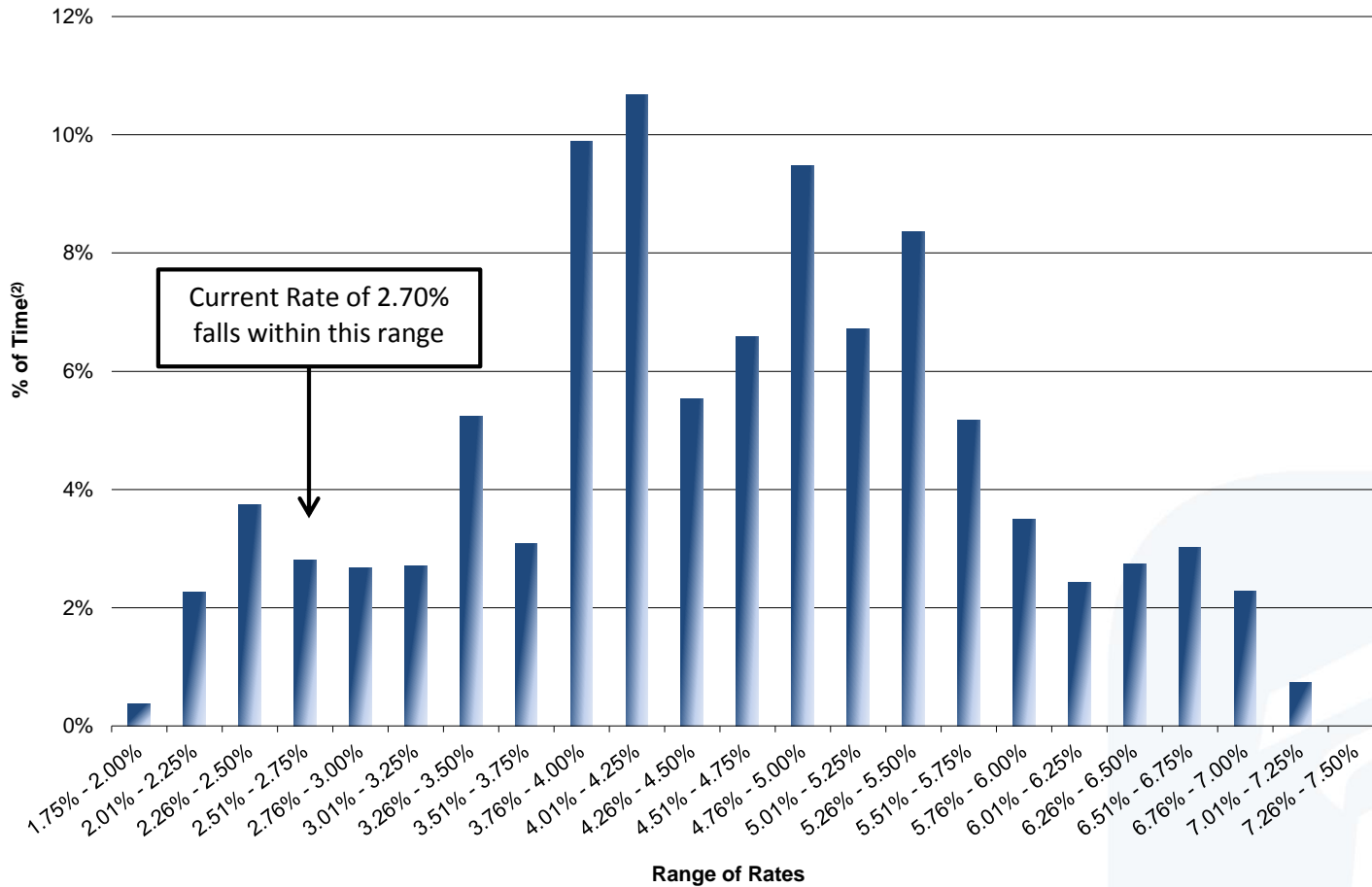
- Based on feedback from the underwriters, PMA recommends that the District proceed with the sale of its bonds through a conduit issuer
- WIEDA has lowered its fees to beat the IFA's costs

Market Update/Bank Qualification

HISTORICAL INTEREST RATE COMPARISON MMD "AAA" Bond Index - Day to Day Comparison



Time Distribution of Rates⁽¹⁾



⁽¹⁾Current Rate is the MMD 15-year rate as of 05/08/15.

⁽²⁾Data encompasses MMD 15-year rates between 01/02/90 and 05/08/15. Past performance does not guarantee future results.

Source: The Municipal Market Data "MMD" is a AAA municipal bond market index produced by TM3.

- Bonds are designated as Bank Qualified (“BQ”) if the District does not expect to issue more than \$10 million of tax-exempt securities in a single *calendar* year
- Allows a financial institution to deduct 80% of its interest expense allocable to the purchase of tax-exempt securities, essentially providing banks a double tax benefit
- Typically banks will buy the bonds at lower interest rates (currently estimated between 0.20% and 0.40%)
- Given the anticipated greater benefit from selling bonds through a conduit issuer, PMA recommends that all of the District’s bonds be sold in June 2015

- The feasibility study was completed by PGAV on May 5th
- Projected sales tax receipts to the District in the first full year (2016) is \$2,649,821
- This is higher than what had been estimated in the fall of 2014 (\$2,200,000)

| Fiscal Year | Estimated CSFT Revenue (1% Growth) | \$24 million | | \$30 million | | \$32 million | | Additional Revenue Needed for 1.25x Coverage | 1.0x CSFT over 25 years \$42.4 Million Proceeds | |
|-------------|---------------------------------------|------------------------|-------------------------------|------------------------|-------------------------------|------------------------|-------------------------------|--|--|-------------------------------|
| | | Estimated Debt Service | Estimated Excess CSFT Revenue | Estimated Debt Service | Estimated Excess CSFT Revenue | Estimated Debt Service | Estimated Excess CSFT Revenue | | Estimated Debt Service | Estimated Excess CSFT Revenue |
| | | (1) | | (1) | | (1) | | | (1) | |
| 2017 | \$ 2,649,821 | \$ 1,442,273 | \$ 1,207,548 | \$ 1,781,806 | \$ 868,015 | \$ 1,906,630 | \$ 743,191 | \$ 662,455 | \$ 2,551,749 | \$ 98,072 |
| 2018 | 2,676,319 | 1,511,516 | 1,164,804 | 1,882,871 | 793,449 | 2,011,087 | 665,233 | 669,080 | 2,676,166 | 153 |
| 2019 | 2,703,082 | 1,528,046 | 1,175,037 | 1,902,168 | 800,915 | 2,029,691 | 673,392 | 675,771 | 2,701,151 | 1,931 |
| 2020 | 2,730,113 | 1,542,753 | 1,187,360 | 1,924,190 | 805,923 | 2,050,908 | 679,206 | 682,528 | 2,727,983 | 2,131 |
| 2021 | 2,757,414 | 1,555,693 | 1,201,721 | 1,943,914 | 813,500 | 2,069,727 | 687,687 | 689,354 | 2,756,677 | 738 |
| 2022 | 2,784,989 | 1,571,881 | 1,213,108 | 1,961,345 | 823,644 | 2,091,163 | 693,826 | 696,247 | 2,782,146 | 2,843 |
| 2023 | 2,812,838 | 1,590,440 | 1,222,398 | 1,980,512 | 832,327 | 2,109,075 | 703,763 | 703,210 | 2,808,030 | 4,809 |
| 2024 | 2,840,967 | 1,606,534 | 1,234,433 | 2,001,674 | 839,293 | 2,133,867 | 707,100 | 710,242 | 2,839,739 | 1,228 |
| 2025 | 2,869,376 | 1,620,147 | 1,249,230 | 2,019,681 | 849,695 | 2,155,252 | 714,124 | 717,344 | 2,866,979 | 2,398 |
| 2026 | 2,898,070 | 1,636,587 | 1,261,484 | 2,039,921 | 858,149 | 2,173,632 | 724,438 | 724,518 | 2,895,284 | 2,787 |
| 2027 | 2,927,051 | 1,654,787 | 1,272,264 | 2,061,086 | 865,965 | 2,197,787 | 729,264 | 731,763 | 2,922,881 | 4,170 |
| 2028 | 2,956,321 | 1,670,465 | 1,285,856 | 2,084,131 | 872,191 | 2,218,576 | 737,745 | 739,080 | 2,951,178 | 5,143 |
| 2029 | 2,985,885 | 1,688,247 | 1,297,638 | 2,103,406 | 882,479 | 2,240,498 | 745,387 | 746,471 | 2,984,344 | 1,541 |
| 2030 | 3,015,743 | 1,701,547 | 1,314,196 | 2,121,193 | 894,550 | 2,264,611 | 751,133 | 753,936 | 3,013,044 | 2,699 |
| 2031 | 3,045,901 | 1,721,272 | 1,324,629 | 2,144,781 | 901,120 | 2,283,998 | 761,903 | 761,475 | 3,045,144 | 757 |
| 2032 | 3,076,360 | 1,736,872 | 1,339,488 | 2,163,643 | 912,717 | 2,308,661 | 767,699 | 769,090 | 3,075,094 | 1,266 |
| 2033 | 3,107,124 | 1,753,347 | 1,353,777 | 2,187,781 | 919,343 | 2,334,236 | 772,888 | 776,781 | 3,102,619 | 4,505 |
| 2034 | 3,138,195 | 1,770,422 | 1,367,773 | 2,211,668 | 926,527 | 2,353,761 | 784,434 | 784,549 | 3,137,444 | 751 |
| 2035 | 3,169,577 | 1,787,886 | 1,381,691 | 2,230,998 | 938,579 | 2,378,912 | 790,665 | 792,394 | 3,169,312 | 265 |
| 2036 | 3,201,272 | 1,806,730 | 1,394,542 | 2,255,904 | 945,368 | 2,404,172 | 797,101 | 800,318 | 3,199,726 | 1,546 |
| 2037 | 3,233,285 | 1,825,933 | 1,407,353 | 2,274,959 | 958,326 | 2,428,247 | 805,039 | 808,321 | 3,232,034 | 1,252 |
| 2038 | 3,265,618 | 1,846,815 | 1,418,803 | 2,300,072 | 965,547 | 2,447,964 | 817,654 | 816,405 | 3,263,531 | 2,087 |
| 2039 | 3,298,274 | 1,863,192 | 1,435,082 | 2,319,609 | 978,666 | 2,477,028 | 821,246 | 824,569 | 3,297,283 | 991 |
| 2040 | 3,331,257 | 1,880,991 | 1,450,266 | 2,344,725 | 986,532 | 2,501,040 | 830,217 | 832,814 | 3,329,510 | 1,747 |

(1) Rates based upon the "AAA" MMD index for April 29, 2015 and recent bond sales which PMA believes to be accurate and reliable plus 0.25%. Estimated TIC: 4.10%.

Financing Timetable

Board Meeting

May 13

Board approves underwriting syndicate

Board approves financing structure (Non BQ)

Board approves WIEDA as conduit issuer

Submit WIEDA application

May 20*

Rehearse credit rating presentation

May 27

Receive approval from WIEDA

June 1*

*Preliminary

| | |
|--|---------|
| Board of Education Meeting Board adopts parameters resolution | May 20 |
| Deliver rating presentation/hold due diligence call | June 3 |
| Receive credit rating | June 10 |
| Bonds sold; delegates approve results | June 23 |
| Bond issue closes; proceeds wired to the District | July 16 |

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