



April 5

2021

**REPORT OF THE SPECIAL MEETING
OF THE BUDGET, FINANCE AND GROWTH COMMITTEE**

The Budget, Finance and Growth Committee met on Thursday, March 25, 2021, at 10:30 AM via the Blue Jeans Video Conferencing Tool.

The public viewed the meeting via Video Conference.

ATTENDEES

Finance Committee Members

Chairperson Eve Bolton, Melanie Bates

Administrators

Jennifer Wagner, Treasurer/CFO; Kevin Ashley, Director of Finance Reporting; Stephanie Scott, Assistant General Counsel

Rockmill Financial Consulting

David J. Conley, President

Dinsmore

Brenda A. Wehmer, Partner

Refunding of 2014 Certificates of Participation (COPS)

Treasurer Wagner reported to the Committee that on February 22, 2021, the Board passed a resolution authorizing her to take advantage of current interest rates to refinance a portion of CPS' debt portfolio.

She then introduced David Conley, CPS' financial advisor, who presented the information regarding the \$72,490,000 in Certificates of Participation (COPS) the District issued in 2014.

\$72,490,000									
2014 CERTIFICATES OF PARTICIPATION									
(Cincinnati City School District School Improvement Project)									
Evidencing Interest in Base Rent to be Paid by									
Cincinnati City School District									
Hamilton County, Ohio									
Dated: November 6, 2014					Due: December 15, as shown below				
MATURITY SCHEDULE									
Maturity Date	Principal Amount*	Interest Rate	Price	CUSIP**	Maturity Date	Principal Amount*	Interest Rate	Price	CUSIP**
2017	\$800,000	4.000%	109.319%	172253 BB1	2026	\$4,165,000	5.000%	115.624%	172253 BL9
2018	835,000	4.000	110.978	172253 BC9	2027	6,335,000	5.000	114.878	172253 BM7
2019	870,000	5.000	116.879	172253 BD7	2028	2,000,000	3.375	97.201	172253 CN4
2020	910,000	5.000	117.923	172253 BE5	2028	4,655,000	5.000	114.230	172253 BN5
2021	955,000	5.000	118.546	172253 BF2	2029	6,960,000	5.000	113.770	172253 BP0
2022	4,585,000	5.000	118.646	172253 BG0	2030	2,000,000	3.500	97.231	172253 CP9
2023	4,815,000	5.000	118.993	172253 BH8	2030	5,325,000	5.000	113.312	172253 BQ8
2024	5,010,000	5.000	119.054	172253 BJ4	2031	7,665,000	5.000	112.765	172253 BR6
2025	5,235,000	5.000	116.944	172253 BK1	2032	500,000	3.625	97.082	172253 CQ7
2026	1,325,000	3.250	97.740	172253 CM6	2032	7,545,000	5.000	112.221	172253 BS4

(Plus accrued interest from November 6, 2014)

He reported that interest rates increased over the last few weeks. This provided CPS with the opportunity to target the bonds with the highest interest rates—the 5 percent ones—instead of all the bonds. He explained that this “cherry picking” is known as a partial refunding and is a very common practice.

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Certificates of Participation, 2014COPS:					
Bond Component, BOND	12/15/2025	5.000%	5,235,000.00	12/15/2024	100.000
	12/15/2026	5.000%	4,165,000.00	12/15/2024	100.000
Bond Component, BIFURCAT	12/15/2026	3.250%	1,325,000.00	12/15/2024	100.000
Bond Component, BOND	12/15/2027	5.000%	6,335,000.00	12/15/2024	100.000
	12/15/2028	5.000%	4,655,000.00	12/15/2024	100.000
Bond Component, BIFURCAT	12/15/2028	3.375%	2,000,000.00	12/15/2024	100.000
Bond Component, BOND	12/15/2029	5.000%	6,960,000.00	12/15/2024	100.000
	12/15/2030	5.000%	5,325,000.00	12/15/2024	100.000
Bond Component, BIFURCAT	12/15/2030	3.500%	2,000,000.00	12/15/2024	100.000
Bond Component, BOND	12/15/2031	5.000%	7,665,000.00	12/15/2024	100.000
	12/15/2032	5.000%	7,545,000.00	12/15/2024	100.000
Bond Component, BIFURCAT	12/15/2032	3.625%	500,000.00	12/15/2024	100.000
			53,710,000.00		

Targeted 5.00% coupons for maximum savings

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Certificates of Participation, 2014COPS:					
Bond Component, BOND	12/15/2026	5.000%	4,165,000.00	12/15/2024	100.000
	12/15/2027	5.000%	6,335,000.00	12/15/2024	100.000
	12/15/2028	5.000%	4,655,000.00	12/15/2024	100.000
	12/15/2029	5.000%	6,960,000.00	12/15/2024	100.000
	12/15/2030	5.000%	5,325,000.00	12/15/2024	100.000
	12/15/2031	5.000%	7,665,000.00	12/15/2024	100.000
	12/15/2032	5.000%	7,545,000.00	12/15/2024	100.000
			42,650,000.00		

Deemed a "Partial" Refunding

Brenda Wehmer, CPS’ bond counsel, was introduced and informed the Committee that a typographical error was discovered on the 2014 marketing document (Offering Circular) used by potential investors to make their financial decisions. The error indicated only a full refunding was allowable instead of a partial refunding as CPS was preparing to do. However, all other primary legal documents have the correct language allowing the District to refund all or part of the bonds.

Optional Prepayment

The Certificates maturing on or after December 15, 2025 are subject to prepayment, in whole, but not in part, prior to stated maturity, on any Payment Date on and after December 15, 2024 at a prepayment price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption.

Intended language as reflected in ALL the other 2014 deal documents
 → in whole, or in part, prior to stated maturity,

The Committee discussed the situation and any potential jeopardy to the District. Mr. Conley shared that an investor who owns one of the COPS as an investment could claim that he purchased based on the information provided in the Offering Circular and that they were misled and were financially harmed if their investment earnings were reduced by the early partial refund. The value of that harm is undetermined at this time as it depends on the re-investment interest rates.

Mr. Conley repeated that the refunding transaction is voluntary, and is not required to be done by the District. He shared the following options to the Committee:

- Option 1 – not do any refunding (partial or full);
- Option 2 – proceed with partial refunding, with possibility of future liability; or
- Option 3 – proceed with full refunding, with a slightly smaller savings to the District but without the risk of future liability.

*	Option 1 Do not refund/refinance	Option 2 Refund partial 2014 COPS	Option 3 Refund all 2014 COPS
Par Amount of Bonds Refunded	\$53,710,000.00	\$42,650,000.00	\$53,710,000.00
Cash Savings	0	\$ 2,151,957.47	\$ 2,249,863.84
Net Present Value of Cash Savings	0	\$ 2,154,675.18	\$ 2,041,903.16
% Savings of bonds	0	5.0511993%	3.801719%
Estimated Annual Savings	0	\$199,456.90	\$187,488.65

* The savings reflected above are based on market conditions on March 24, 2021 and may change before actual rates are set.

The Committee discussed the options.

Committee Chair Bolton questioned if some sort of correction is required. Ms. Wehmer said that it would be a voluntary disclosure and not amending but pointing out the inconsistencies in the documents.

Both Committee Chair Bolton and Committee member Bates agreed that CPS would want to be fully transparent.

The Committee recommended moving forward with Option 3 for the full refunding as the \$134K reduction in estimated savings over the 12-year period outweighs the larger savings that are estimated with the liability risk.

The Committee inquired whether any additional full Board action was required since this action was approved by resolution in February 2021.

Ms. Wehmer reported the resolution does not need to be revised, as it authorized the amendment to the lease agreement.

ACTION: No further action is required by the full Board; however, the Committee will report via the minutes and Treasurer Wagner and Assistant General Counsel will prepare a memo to update the Board.

The meeting adjourned at 11:37 AM.

Finance Committee

Eve Bolton, Chair
Melanie Bates
Ryan Messer, *absent*

Staff Liaisons

Jennifer Wagner, CFO/Treasurer
Laura Mitchell, Superintendent, *absent*