Reed Union School District

Bond Refinancing Results

October 25, 2016

Board Members:

A.J. Brady,
President

Susan Peitz,
Vice President

Nancy O'Neill,
Clerk

Howard Block,
Member

Dana Steele,
Member

Dr. Nancy Lynch,
Superintendent

Loreen Farrell,
Business Manager

Trading at the Top of the Class

The Reed Union School District sold $7.5 million of General Obligation Bonds at approximately the same interest rates as the highest grade AAA rated General Obligation Bonds. As further discussed in ***Chart 1*** on the following page, the current interest rate on an 8 year AAA rated General Obligation Bond is 1.48%. The District's bond sale achieved a yield of 1.52% (for comparison purposes, the yield excludes costs of issuance). The AAA yields are based on traditional AAA credits that form the baseline for establishing interest rates on all other state and local government debt. In 2020 and 2021, the District may have the opportunity to refinance the un-refunded bonds issued in 2011 as well as the bonds issued in 2012.

AAA Credit Rating

As part of the refinancing, the District received a credit rating from Standard & Poor's Rating Services. This is the first rating the District received since 2012. The District's credit rating is AAA by Standard and Poor's, and is above the credit rating of the United States of America. The rating reflects a very wealthy tax base, a very strong financial position supported by the community's parcel tax and generous contributions from its Foundation.

The Foundation for Reed Schools

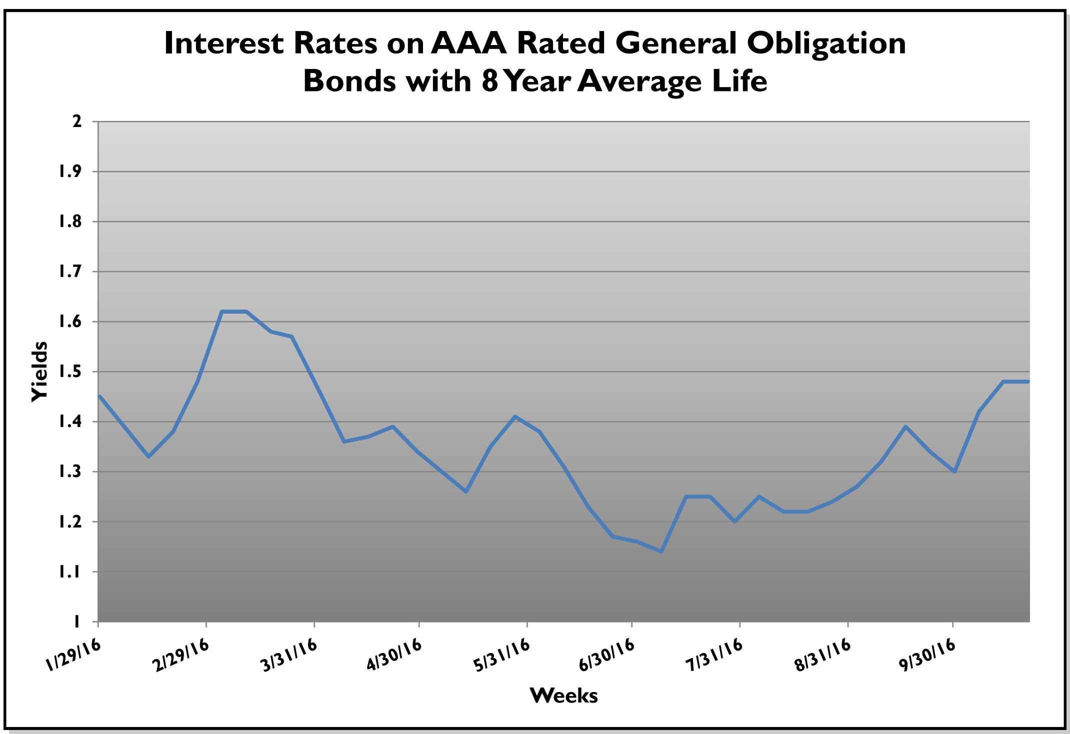
Reed School • Bel Aire School • Del Mar School

Capitol | PFG

Bond Market Conditions 2016

As shown in ***Chart I*** below, the early part of 2016 commenced with low interest rates that continued to decline into July. During the summer months, interest rates steadily increased. During the remainder of 2016 Capitol PFG projects interest rates in the municipal markets to continue it rise in part due to a heavy supply of new municipal bond issuances. This week new bond issuance exceeded $16 billion, which was 2 times the average weekly supply. Despite these headwinds the District attracted nearly $18 million in orders for its $7.5 million issue. The overwhelming demand was due to the reputation of the community and the District's AAA credit rating. This demand enabled the District to reduce costs and exceed the savings estimate provided to the Board on October 18, 2016.

Chart I



Bond Sale Results Statistics

The District refinanced callable bonds issued in 2011 for a savings of $453,000. Approximately $442,000 of the savings will be taken in 2028, the final maturity of the bonds. The purpose of the refinancing was to accelerate the debt repayment without increasing costs to the taxpayers. This goal was met by replacing the 3.81% interest rate on the 2011 bonds with an all inclusive interest rate of 1.79% includes all costs of issuance on the new bonds. ***Chart 2*** illustrates the new debt service and related savings.

Table 1 shows that investors paid the District over $1.3 million to purchase $7.5 million of bonds. Proceeds from the sale will fund an escrow that will be used to prepay the bonds and pay costs of issuance.

Estimated Bond Sizing	
Sources of Funds	
Par Amount of Bonds	$7,500,000
Bond Premium	$1,319,718
Total Sources of Funds	**$8,819,718**
Uses of Funds	
Escrow Deposits	$8,662,732
Costs of Issuance	$119,486
Underwriter's Discount	$37,500
Total Uses of Funds	**$8,819,718**

Chart 2