



A QUICK LOOK AT MANAGING DEBT: Existing and Proposed

The annual debt service of your district may represent an average of 10% of annual budgetary needs (revenues). With the ongoing changes in federal law, the ever-changing market interest rates and the capital needs of school districts, an ongoing review of existing debt is essential. This review should provide for any refunding savings opportunities as well.

Existing Debt

A thorough analysis and profile of existing debt should be completed, establishing aggregate annual net debt service taking into consideration the current annual state subsidy.

REFUNDING OPPORTUNITIES

There are different types of refundings, however, they are typically utilized for interest costs savings.

- **Tax Exempt Refunding**

Under prevailing federal law, tax-exempt refunding bonds may be issued if the closing date of the refunding issue falls within 90 days of

the optional redemption date of the series of bonds being refunded.

- **Taxable Refunding**

If the optional redemption date is more than 90 days away from the closing date of a potential refunding issue, the refunding issue must utilize taxable bonds (thus taxable bond rates) for refunding calculations. Recently, many districts have realized significant savings using this option.

- **New Capital Needs**

When examining the budgetary requirements for new money, a complete analysis of existing debt (including bank loans and leases) is required. After an analysis for any refunding opportunities is complete, the structure of the new debt should take into account the profile of existing debt. With an accurate existing profile in hand, new debt may be integrated into this profile to minimize the new annual debt service payment. This methodology is referred to as a “wrap-around” structure.

If existing debt has high annual debt service amounts and new capital is needed, all or some part of the “old” existing debt may often be restructured so as to allow a larger portion of the current revenue (already in your budget) to be applied to the new capital debt service payments.

The Right Partner to Realize Your Vision

While debt management can be complicated, it doesn't need to be. At Piper Sandler our nationally ranked education public finance teams are committed to providing tailored financial solutions that work best for your district. Contact a Piper Sandler representative for best-in-class services to help you achieve your goals at pipersandler.com or (717) 412-1027.

