



HIGHMARK CHARTER SCHOOL

Bond Refinancing Discussion

January 2022

INTRODUCTION:

Lewis Young Robertson & Burningham ("LYRB") is a registered municipal advisor. In such capacity, we have a strict fiduciary responsibility to our clients. We advise on facility financing solutions to achieve the most efficient and low cost borrowing, often through tax-exempt municipal bond financings. We protect our client's best interests, provide independent analysis and advise on financing options / structures to meet the client's financing objectives. We are not a source of funding, but an advisor to create a financing solution. To this end, we advise our clients through the financing process by developing a plan of finance, structuring the transaction (i.e. method of sale, bond structure, pricing, etc.) and then execute to get the most efficient transaction available.

With this focused approach, we analyzed HighMark's existing USDA financings and believe there is an opportunity to refund some or all of the debt obligations for economic benefit. The information below outlines certain considerations to initiate the discussion.

FINANCING OPTIONS:

There are 2 standard financing methods available to HighMark to refinance the bonds:

- ☐ Direct placement:
 - Purchased by single purchaser via term sheet, often a bank
 - Typically lower costs of issuance, but higher interest rate
 - Shorter process with fewer requirements
 - Up to 25-yr amortization with shorter commitment to fixed interest rate (10-yrs), but does have more flexible redemption provisions
- ☐ Public Offering:
 - Bonds sold to public via underwriter
 - Higher costs of issuance with lower interest rate
 - Longer process with more parties involved
 - Fixed rate for life of bonds with industry standard longer redemption provisions
- ☐ LYRB's role
 - Analyze options
 - Per HighMark's direction of financing objectives, advise on best financing method
 - Manage finance team
 - Oversee bond pricing
 - See that business points reported accurately in the documents
 - See to the closing on the bonds



SUMMARY OF OPTIONS:

The following summary outlines certain points of the refunding analysis comparing the direct placement refunding vs. a public offering

	BANK PLACEMENT	PUBLIC BOND ISSUANCE
OVERVIEW		
Process	Obtain term sheets from potential banks at the beginning of the process; select best solution; proceed to closing.	Prepare legal documents and disclosure documents in advance of public offering to price at the end of the process.
Estimated Timeline*	60-90 days	90+ days
Investors	Single Bank	Public offering, potentially multiple investors
Banking Relationship	Partial relationship likely required	none

ORIGINAL BONDS	
Annual Debt Service	2013A: \$332,000 2013B: \$46,000 2013C: \$328,000
Rates	2013A: \$3.9M @ 6.125% 2013B: \$455K @ 8.38% 2013C: \$5.5M @ 3.5%
Existing Debt Service Reserve Fund (DSRF)	~\$706,000

ESTIMATED TERMS			
Estimated Interest Rate	3.25%	3.65%	3.72%
Amortization	9/15/2043 & 9/15/2047 (matches individual existing bonds)	9/15/2043 & 9/15/2047 (matches individual existing bonds)	9/15/2048 (maximizes savings by lengthening debt service)
Fixed Rate Term	9/15/2031* (would reset at this point)	9/15/2047	9/15/2048
Call Date	9/15/2022 (very flexible)	9/15/2031 (standard, but flexible)	9/15/2031 (standard, but flexible)
Mandatory Put	9/15/2031*	None	None

SAVINGS SUMMARY			
New Par Amount	\$9,915,000	\$10,725,000	\$10,680,000
Premium	\$0	\$0	\$0
Annual debt service	\$540K thru 2031	\$705K thru 2043 / \$380K thereafter	\$66,000 thru 2048
	Open to market rates at this point		
Total debt service	TBD	\$17.1M	\$15.83M
Gross savings (\$)	TBD	(\$105,000)	(\$923,000)
PV Savings (\$)	TBD	\$23,000	(\$5,000)
PV Savings (%)	TBD	0.243%	(0.051%)
Annual Savings	\$165,000 through 2031*	\$0,000 thru 2043 / (\$50K) thereafter	\$50,000 thru 2043 / (\$330K) thereafter



	BANK PLACEMENT	PUBLIC BOND ISSUANCE
Pros:	Lower Rate	Fixed rate for life of bonds
	Term Sheet with fixed interest rate provided before work begins	28 years+ amortization
	No reserve fund (existing funds could be released to pay down bonds)	Can extend amortization to reduce debt service further
	Fewer logistical items hence lower costs of issuance	
Cons:	Mandatory put in year 10 or sooner (i.e. forced refinancing / balloon payment)	Higher rate
	Limited to 25-year amortization	Market rate exposure until pricing
	Market risk at time of refinancing	Higher costs of issuance
	Requires some form of banking relationship	Requires DSRF (released to make final payment)

Fiscal Year	Old Debt Service	Direct Placement	Public Offering - Level D/S	Public Offering - Level Savings	Public Offering - Partial Refunding
3/15/2023	\$707,407.22	\$543,981.24	\$657,193.75	\$702,831.25	\$652,792.38
3/15/2024	707,407.22	539,400.00	657,112.50	710,943.75	659,673.63
3/15/2025	707,407.21	541,762.50	657,550.00	709,043.75	658,617.38
3/15/2026	707,407.22	538,881.25	657,562.50	706,718.75	657,348.63
3/15/2027	707,407.21	540,756.25	662,043.75	708,862.50	655,867.38
3/15/2028	707,407.21	542,306.25	660,993.75	705,475.00	654,173.62
3/15/2029	707,407.23	533,693.75	659,518.75	701,662.50	652,267.38
3/15/2030	707,407.21	539,837.50	662,512.50	712,106.25	659,936.13
3/15/2031	707,407.23	545,493.75	659,975.00	706,806.25	657,179.88
3/15/2032	707,407.22	7,682,850.00	661,906.25	705,975.00	654,211.13
3/15/2033	707,407.22	0	663,200.00	704,506.25	655,923.63
3/15/2034	707,407.22	0	663,200.00	704,506.25	655,923.63
3/15/2035	707,407.22	0	658,962.50	702,400.00	652,317.38
3/15/2036	707,407.21	0	659,193.75	709,443.75	658,286.13
3/15/2037	707,407.21	0	659,193.75	709,443.75	658,286.13
3/15/2038	707,407.22	0	658,787.50	710,531.25	658,723.63
3/15/2039	707,407.21	0	658,787.50	710,531.25	658,723.63
3/15/2040	707,407.21	0	657,743.75	710,768.75	658,736.13
3/15/2041	707,407.21	0	657,743.75	710,768.75	658,736.13
3/15/2042	707,407.22	0	665,850.00	705,262.50	653,429.88
3/15/2043	707,407.22	0	665,850.00	705,262.50	653,429.88
3/15/2044	707,407.21	0	658,212.50	704,012.50	652,804.88
3/15/2045	707,407.21	0	658,212.50	704,012.50	652,804.88
3/15/2046	707,407.21	0	664,831.25	706,806.25	656,648.63
3/15/2047	707,407.21	0	664,831.25	706,806.25	656,648.63
3/15/2048	707,407.21	0	660,600.00	703,643.75	654,961.13
3/15/2049	707,407.21	0	660,600.00	703,643.75	654,961.13
3/15/2050	707,407.22	0	660,625.00	709,418.75	657,742.38
3/15/2051	707,407.22	0	660,625.00	709,418.75	657,742.38
3/15/2052	707,407.21	0	660,625.00	704,131.25	654,992.38
3/15/2053	707,407.21	0	659,800.00	704,131.25	654,992.38
3/15/2054	707,407.22	0	659,800.00	707,781.25	340,712.46
3/15/2055	333,487.23	0	663,018.75	382,275.00	329,911.13
3/15/2056	329,911.13	0	660,281.25	378,037.50	329,911.13
3/15/2057	329,911.13	0	661,587.50	378,037.50	329,911.13
3/15/2058	329,911.13	0	661,587.50	378,268.75	329,911.13
3/15/2059	329,911.13	0	661,831.25	377,862.50	329,911.12
3/15/2060	59,386.12	0	665,906.25		

**NEXT STEPS:**

To pursue the refunding, the following steps are suggested:

- ☐ Engage financial advisor
- ☐ Establish financing goals
- ☐ Develop finance plan
- ☐ Engage finance team
- ☐ Execute transaction



\$ __, __, 000¹
**UTAH CHARTER SCHOOL FINANCE AUTHORITY
 (HIGHMARK CHARTER SCHOOL UTAH)
 CHARTER SCHOOL REVENUE BONDS, SERIES 2022**

PRELIMINARY CALENDAR OF EVENTS
 (January 2022)

FEBRUARY						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

MARCH						
S	M	T	W	T	F	S
		1	3	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

APRIL						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

MAY						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Board Meeting
 Holiday
 Bond Closing

WEEK	EVENT	RESPONSIBILITY	STATUS
1-3	Collect necessary data for Utah Charter School Finance Authority application, bond documents and for rating presentation	HCS, FA	
1	Distribute Bond & Disclosure Counsel, Borrower's Counsel, and Underwriter request for proposals	HCS, FA	
3	Receive Bond & Disclosure Counsel, Borrower's Counsel, and Underwriter proposals	HCS, FA	
4	Select finance team	HCS, FA	
4-5	Complete final UCSFA application	HCS, FA, B	
4-5	Submit application to UCSFA	HCS, FA	
5-6	Distribute drafts of the following documents: 1) Loan Agreement 2) Indenture of Trust; 3) Preliminary Limited Offering Memorandum; and 4) related pertinent documents	BC, B	
6-7	Document review meeting / conference call at offices of Bond Counsel to discuss: 1) timeline 2) major documents; and 3) strategy and goals	ALL HANDS	
7-8	Disseminate credit package to [S&P]	LYRB	
8-9	UCSFA Board Meeting to consider the following: 1) Approve HCS's applications; and 2) Adoption of	UCSFA, IC, HCS, FA, B, BC	

¹ Preliminary, subject to change.



WEEK	EVENT	RESPONSIBILITY	STATUS
	Resolution approving issuance of the Charter School Revenue Bonds, Series 2022		
9	Conference call with [S&P]	HCS, FA	
9-10	Publish: 1) Notice of Bonds to be issued (30-day contestability period begins); and 2) Notice of Public Hearing	BC	
10-11	TEFRA Hearing	UCSFA	
10-11	HCS Board meeting to approve resolution approving bond documents and related actions	HCS, FA, BC, B	
11	Receive bond rating	HCS, FA	
12	Final due diligence conference call at [___ MT]	ALL HANDS	
12-13	Preliminary Limited Offering Memorandum distributed electronically	UW	
13-14	Price the bonds	HCS, FA, UW	
14-15	Final Limited Offering Memorandum distributed, if needed	BC	
14-15	Distribution of draft Closing Memo	FA	
14-15	Distribution of draft Closing Documents	BC	
15-16	Pre-Closing at noon at the offices of Bond Counsel	ALL HANDS	
15-16	30-day contestability period ends		
15-16	Closing at [9:00 AM MT] at the Offices of Bond Counsel: Delivery of Bond Proceeds	ALL HANDS	

LEGEND

- B: Borrower's Counsel, TBD
- BC: Bond & Disclosure Counsel, TBD
- FA: Financial Advisor, Lewis Young Robertson & Burningham (David Robertson)
- HCS: HighMark Charter School Officials
- IC: Issuer's Counsel TBD
- T: Trustee, TBD
- UCSFA: Utah Charter School Finance Authority (State Treasurer's Office and Related)
- UW: Underwriter, TBD



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S	M	T	W	T	F	S	S	M	T	W	T	F	S
					1	2	1	2	3	4	5	6	7
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