

## Salina Unified School District No. 305

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### Media Release

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## Salina USD 305 Refinances Bonds, Saves District Taxpayers \$4 Million

Through a strategic, board-approved move to refinance bonds, Salina Public Schools (SPS) is positioned to bring substantial savings of \$4,044,164 back to the District's taxpayers. In addition, the District's outstanding bonds will be paid off two years ahead of schedule, with the final payment occurring in 2031.

What is unique about this bond refinancing is that the District is capturing a savings despite interest rates being higher than recent years. The bond refinancing is accomplished by buying taxable bonds back from the existing investors at a discounted price and then refinancing these bonds with new tax-exempt refunding bonds. Salina Public Schools is not only the first school district in Kansas to use this refinancing approach, but is also one of the first in the country to benefit from this relatively new technique.

The District has always looked for opportunities to lower the interest expense and generate a savings for the taxpayers in the District. Since 2001, the District has completed twelve different bond refinancings that have resulted in significant savings for the taxpayers in the District and the cumulative savings now totals \$16,291,185.

"We've identified a unique opportunity in the bond market that allows us to achieve this savings even though interest rates are no longer at the record low levels from a couple of years ago," said Linn Exline, Superintendent. "This is a good opportunity to save dollars in a way that doesn't affect people or services."

The bonds being refinanced are primarily related to the 2014 bond election that funded construction and renovation of schools throughout the District. The bond refinancings and resulting savings have allowed the District to set the mill levy for the repayment of the bonds well below the estimated mill levy shared with voters during the bond election campaign.

A key factor in capturing a savings is that the District benefits from being one of the highest rated school districts in Kansas. Moody's Investors Service assigned a bond rating of "Aa3" to the District. The strong credit rating is a result of the District's cash reserves, financial management and its moderately sized tax base serving as economic center for the region.

Maintaining a favorable bond rating is important for the District as it helps to lower the interest rate on the bonds and, in turn, reduces the interest expense for the taxpayers in the District. In Kansas and nationally, there are very few school districts that achieve a bond rating in the "Aa" category and Salina USD 305 has maintained its rating in the "Aa" category for over a decade.

"The District should be very proud of its financial management over the years," said Greg Vahrenberg, Managing Director at Raymond James & Associates. "When you look back at the bond elections in 1998 and 2014, in each case the actual mill levy was significantly lower than presented to voters during the bond election campaigns. A significant factor in keeping the mill levy lower has been capturing a savings when

opportunities present themselves. Capturing a cumulative savings of \$16 Million results in a significant amount of money staying in the community rather than being paid out as interest to bond investors. Not many school districts can say that the mill levy declined to nearly half of its original projection, a savings of over \$16 Million was captured and the bonds will be paid off several years sooner than planned.”

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