

March 11, 2025

# Beverly Hills Unified School District

## Potential Bond Refinancing



# Potential Bond Refinancing

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Under current market interest rates, the District may be able to refinance its 2008 Election, Series 2015 bonds (the “Prior Bonds”)

- ◆ The total estimated savings for taxpayers is approximately **\$1.1 million** over the life of the refinancing (after all costs are paid from proceeds) <sup>(1)</sup>
  - Savings would be generated for the District’s taxpayers by replacing the higher interest rate Prior Bonds with lower interest rate refunding bonds
  - The savings are subject to market fluctuations in interest rates until the refinancing is sold
- ◆ All financing costs (with the exception of credit ratings) are contingent upon the successful issuance of the refinancing and are paid only from bond proceeds, not the General Fund

The District has refinanced bonds three times since 2012, saving taxpayers over \$11.1 million

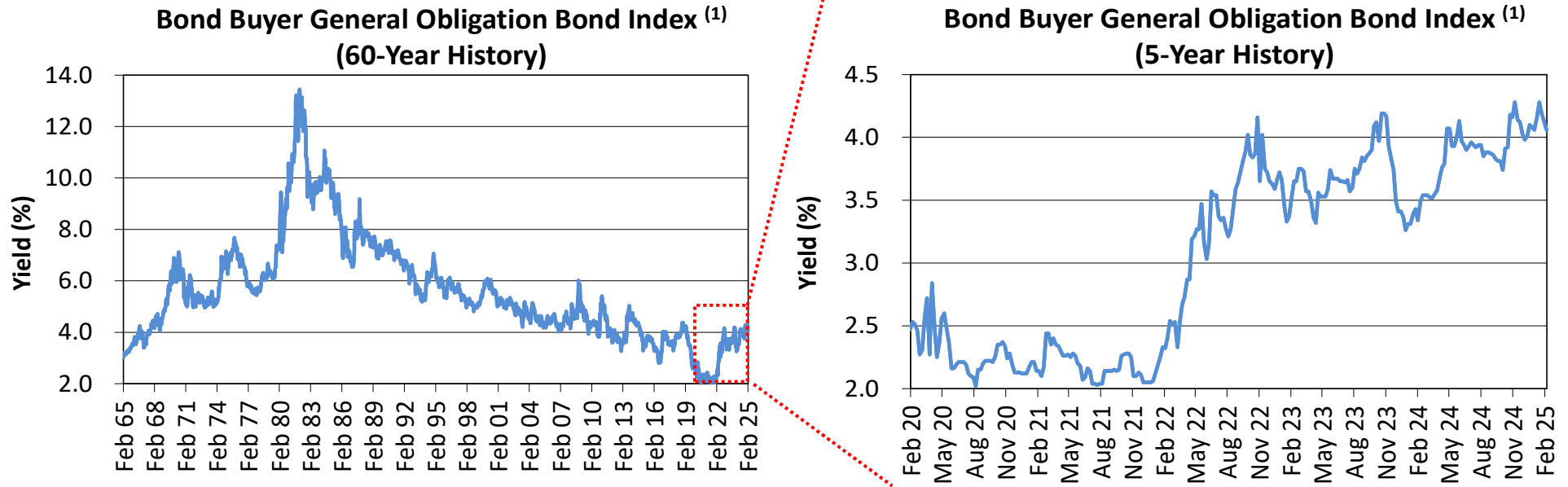
- ◆ Refinancing taxpayer debt is generally considered to be fiscally prudent

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(1) The savings are subject to market fluctuations in interest rates until the refinancing is sold.



# Interest Rates



- ◆ Interest rates hit all-time lows in 2020-2021 during the pandemic
- ◆ In 2022 and 2023, the Federal Reserve increased interest rates to combat inflation
- ◆ In 2024, the Fed began the process of cutting rates, with three consecutive cuts in September, November, and December
  - More rate cuts are expected in 2025
  - Upcoming Fed meetings: March 20, May 1, June 12

(1) Index reflects average yield to maturity of 20 general obligation bonds with 20-year maturities rated 'Aa2' by Moody's Investors Service and 'AA' by Standard and Poor's. Source: The Bond Buyer & Bloomberg.

# Refinancing Summary <sup>(1)</sup>

Under current interest rates, a refinancing of the Prior Bonds produces savings at the 3% present value industry benchmark

Debt Service Comparison <sup>(1)</sup>			
Date	Current Payments	Estimated New Payments	Estimated Savings
8/1/2025	\$ 666,613	\$ 663,842	\$ 2,771
8/1/2026	6,473,225	6,311,000	162,225
8/1/2027	7,176,225	7,018,750	157,475
8/1/2028	7,736,225	7,574,250	161,975
8/1/2029	6,737,450	6,577,750	159,700
8/1/2030	5,780,100	5,619,750	160,350
8/1/2031	1,891,000	1,730,000	161,000
8/1/2032	1,981,200	1,821,750	159,450
Total	\$ 38,442,038	\$ 37,317,092	\$ 1,124,946

Estimated Refinancing Results <sup>(1)</sup>	
Debt Service Savings:	\$ 1,124,946
Present Value Savings:	\$ 1,008,775
Present Value Savings %:	3.01%
Interest Rate of Prior Bonds:	3.73%
Interest Rate of Refunding Bonds:	2.89%
Call Date of Prior Bonds:	8/1/2025
Escrow Yield: <sup>(2)</sup>	4.41%
Refunding Bond Yield:	2.60%
Escrow Positive Arbitrage:	\$ 140,931

(1) Reflects interest rates provided by Piper Sandler and reviewed as of February 2025. Results are subject to market fluctuations until refinancing is sold. Includes all estimated financing costs. Assumes refinancing of all callable bonds.

(2) Assumes investment in State and Local Government Series securities. Subject to District determination.



# Interest Rate and Timing Sensitivity

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The savings on the refinancing are extremely sensitive to changes in interest rates

- ◆ Every **increase** in interest rates by 0.1% **decreases** the savings by ~\$120,000
- ◆ Every **decrease** in interest rates by 0.1% **increases** the savings by ~\$120,000

Rates	Savings
+0.1%	\$ 1,003,279
<b>Current Rates</b>	\$ 1,124,946
-0.1%	\$ 1,253,671

The next steps for the refinancing include:

- ◆ Request an updated credit rating from Standard & Poor's
- ◆ Market the bonds to investors
- ◆ Sell the bonds to investors by May or June, depending on market conditions
- ◆ Close the financing; savings realized by taxpayers on future property taxes