

# MEMORANDUM

**To:** John Gardner, Chief Financial Officer  
Horry County School District

**From:** Brian Nurick, Managing Director

**Date:** April 30, 2020

**RE:** \$36,000,000 Horry County School District General Obligation Refunding Bonds

On March 9, 2020 we discussed with the Finance Committee the opportunity to refinance the outstanding Series 2012 General Obligation Bonds to achieve an interest cost savings. Since that time, the municipal bond market has seen periods in which the market has functioned properly and not so properly. As we move forward with this refinancing, we are recommending we request two types of bids from commercial banks to position the District to receive the best result possible.

## Taxable Advance Refunding

Under this structure, the District would accept bids for a taxable rate of interest on the new bonds and close the transaction within a standard three weeks from the bid date. The proceeds from the sale would be placed in an irrevocable escrow fund and be utilized to defease and discharge the Series 2012 refunded bonds on the call date of March 1, 2022. The two most notable points under this structure is the interest rate is taxable and the proceeds are being used to fund an irrevocable escrow fund.

## Delayed Delivery Tax-Exempt Refunding

Under this structure, the District would accept bids for a tax-exempt rate of interest on the new bonds and delay the closing of the transaction to the call date of March 1, 2022 or slightly less than two years from the bid date. Because the Series 2012 refunded bonds would be discharged on the call date, under the Internal Revenue Service Tax Code, the rate of interest on the new bonds is eligible to be tax-exempt. Due to the long closing period, certain terms and conditions would be specified in the term sheet and specific to each commercial bank.

Depending on market conditions on the day of bid, either form of transaction will produce different results and conditions. It is important to note, some commercial banks have a desire for taxable municipal bonds, while some do not. Further, some commercial banks have the ability to lock in a fixed interest rate two years in advance, while some do not. Thus, allowing the District to request bids utilizing both financing options eliminates the need to choose upfront one form over another, especially during this difficult market climate.

Bond Counsel will be preparing two Request for Proposals for review, so everyone has an opportunity to see the differences in the bidding parameters.

Please advise if we can answer any questions.