FINANCIAL S&LUTIONS

MEMORANDUM

TO: OLEY VALLEY SCHOOL DISTRICT

FROM: FINANCIAL S&LUTIONS LLC

SUBJECT: ADVANCE REFUNDING OPPORTUNITY – SERIES A OF 2012 BONDS

DATE: SEPTEMBER 11, 2017

CC: STEVENS & LEE P.C.
BRUMBACH, MANCUSO & FEGLEY

Current Outstanding Debt:

- The Oley Valley School District (the "School District") issued its General Obligation Bonds, Series A of 2012 (the "2012 A Bonds") in April of 2012 in the par amount of $8,535,000.

- The 2012 A Bonds were used to (i) currently refund a portion of the outstanding 2002 A Bonds; (ii) currently refund all of the outstanding 2002 AA Bonds; (iii) partially terminate the outstanding swap; and (iv) pay the costs of issuing the 2012 Bonds.

- The 2012 A Bonds principal is scheduled to amortize on May 15th of each year from May 15, 2018 through May 15, 2028.

- The 2012 A Bonds have a remaining par amount of $7,175,000 with an average interest rate equal to 3.412%.

- The final maturity of the 2012 A Bonds is May 15, 2028.

- The 2012 A Bonds have an optional redemption date of May 15, 2019 at 100% of par.

Oley Valley School District Current Outstanding Debt Profile

Series	Mode	Outstanding Par	Final Maturity	Average Cost	Call Date
1993	Fixed	129,346	5/15/2018	6.10%	Non-callable
2012 A	Fixed	7,175,000	5/15/2028	3.41%	5/15/2019
2012 B	Variable-Swapped	15,740,000	5/15/2027	3.95%	Make Whole
		23,044,346	**Weighted Avg.**	**3.79%**	

Advance Refunding Opportunity - General Obligation Bonds, Series of 2017

- The School District has the opportunity to realize significant savings by advantage of the current low interest rate environment.

- The School District could advance refund a portion of its outstanding 2012 A Bonds by issuing approximately $7,100,000 of traditional fixed rate bonds - General Obligation Bonds, Series of 2017 (the "2017 Bonds").

- The 2017 Bonds we used to (i) advance refund a portion of the School District's outstanding 2012 A Bonds; and (ii) pay the costs of issuing the 2017 Bonds.

- Based on current market conditions and the School District's strong credit rating – A+ (Sable Outlook) from S&P, the School District could realize the following net savings based on current market conditions:

- **Level Savings Scenario** – the School District could realize $239,572 of net savings over the life of the 2017 Bonds – average net savings of $21,779 annually through the final maturity of the 2017 Bonds (May 2028).

    - The net savings of $239,572 over the life of the 2017 Bonds equals a present value of approximately $218,578 or 3.08%.

- **Upfront Savings Scenario** – the School District could realize $218,684 of net savings in the first three (3) fiscal years of the 2017 Bonds – approximately $129,933 in FY 2018, $61,741 in FY 2019 and $21,842 in FY 2020 the remaining years of the 2017 Bonds would be plus(+) or minus (-) one bond for the remaining term of the 2017 Bonds (through May 2028).

    - The net savings of $218,684 over the life of the 2017 Bonds equals a present value of approximately $216,753 or 3.08%.

- In each scenario the 2017 Bonds would have a final maturity of May 15, 2028 matching the current term of the outstanding 2012 Bonds – **no extension of term**.

- The 2017 Bonds could be sold with a 5.5 year par call option – the School District would have the ability to refund the 2017 Bonds (without penalty) beginning in 5.5 years (May 15, 2023) if it so chooses.

Oley Valley School District Estimated Refunded Debt Profile (Upfront Savings Scenario)					
Series	**Mode**	**Outstanding Par**	**Final Maturity**	**Average Cost**	**Call Date**
1993	Fixed	129,346	5/15/2018	6.10%	Non-callable
2012 A	Fixed	535,000	5/15/2019	2.13%	5/15/2019
2012 B	Variable-Swapped	15,740,000	5/15/2027	3.95%	Make Whole
2017	Fixed	7,100,000	5/15/2028	2.33%	5/15/2023
		23,504,346	**Weighted Avg.**	**3.43%**	

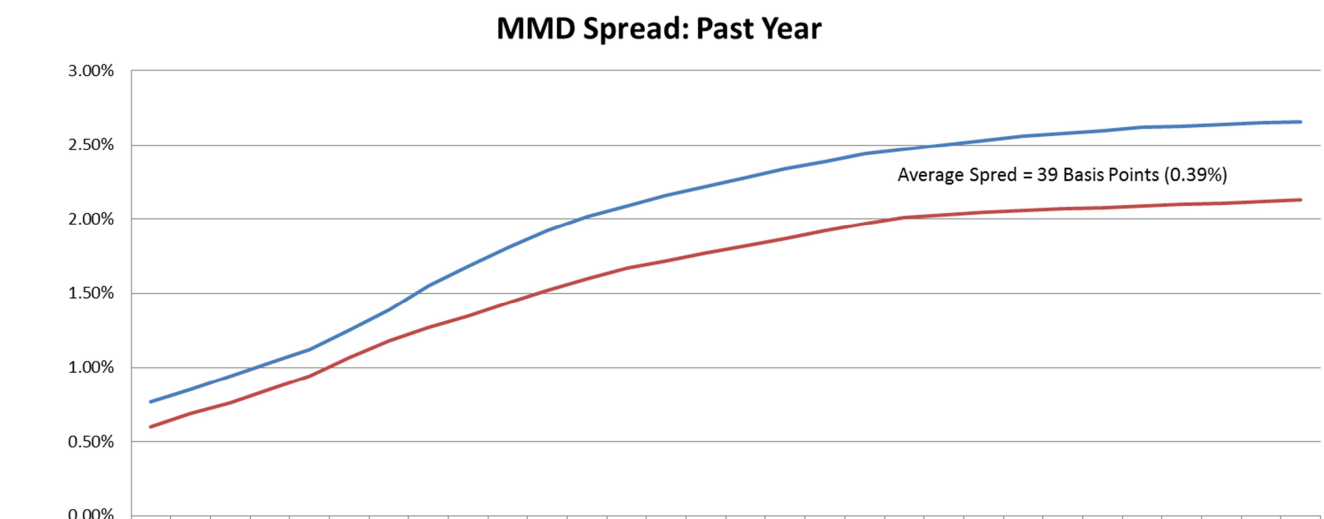
NOTE: All savings numbers are estimates based on current market rates. The actual amount of savings realized by the School District will not be known until the 2017 Bonds are actually priced.

- The School District can choose to wait to execute the refunding until the call date to the 2012 A Bonds is closer.

- Assuming the tax-exempt interest rates (MMD) are the same on May15, 2019 as they are today, the School District would realize approximately $323,699 of total net savings by waiting until the call date in 2019 to execute the refunding of the 2012 A Bonds.

- The present value of 1 basis point for this transaction is $4,802. Tax-exempt interest rates (MMD) would need to increase 21.87 basis points (0.2187%) between now and May 15, 2019 in order for the additional savings to be realized by waiting to be eliminated.

- As an example, tax-exempt interest rates (MMD) have increased an average of 39 basis points (0.39%) when you compare MMD on September 7, 2016 to MMD on September 7, 2017 – see chart below:



	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
09/07/17	0.77	0.85	0.94	1.03	1.12	1.25	1.39	1.55	1.68	1.81	1.92	2.02	2.09	2.16	2.22	2.28	2.34	2.39	2.44	2.47	2.50	2.53	2.56	2.58	2.60	2.62	2.63	2.64	2.65	2.66
09/07/16	0.60	0.69	0.76	0.85	0.94	1.07	1.18	1.27	1.35	1.44	1.52	1.60	1.67	1.72	1.77	1.82	1.87	1.92	1.97	2.01	2.03	2.05	2.06	2.07	2.08	2.09	2.10	2.11	2.12	2.13

- No one can predict how and when interest rates will move. The consensus among economists polled by Bloomberg is that rates will continue to rise and the 10 year treasury will increase to 2.86% in the 3rd Quarter of 2018 – that is an increase of 74 basis points (0.74%) from today's rate of 2.12% - see chart below - Source: Bloomberg as of September 6, 2017:

	3Q'17	4Q'17	1Q'18	2Q'18	3Q'18
PNC Forecast	2.37%	2.59%	2.75%	2.80%	2.86%
Bloomberg Average Forecast	2.39%	2.54%	2.67%	2.78%	2.86%
Implied Forward Yield	2.12%	2.15%	2.19%	2.22%	2.25%
High Forecast	2.65%	3.05%	3.15%	3.30%	3.50%
Low Forecast	2.10%	1.90%	2.00%	1.95%	1.90%
Responses	56	57	56	57	51

ESTIMATED DEBT SERVICE SAVINGS COMPARISON

		LEVEL SAVINGS		UPFRONT SAVINGS	
FISCAL YEAR	CURRENT DEBT SERVICE	EST. REFUNDED DEBT SERVICE	ESTIMATED NET SAVINGS	EST. REFUNDED DEBT SERVICE	ESTIMATED NET SAVINGS
2018	2,772,049.00	2,752,038.42	20,010.58	2,642,115.81	129,933.19
2019	2,640,610.50	2,616,529.26	24,081.24	2,578,869.26	61,741.24
2020	2,636,268.88	2,616,287.62	19,981.26	2,614,427.62	21,841.26
2021	2,628,657.14	2,609,438.38	19,218.76	2,627,678.38	978.76
2022	2,627,700.26	2,605,512.76	22,187.50	2,628,452.76	(752.50)
2023	2,627,350.88	2,604,313.38	23,037.50	2,626,853.38	497.50
2024	2,629,277.76	2,605,740.26	23,537.50	2,627,880.26	1,397.50
2025	2,626,826.26	2,604,401.26	22,425.00	2,626,141.26	685.00
2026	2,626,356.26	2,605,393.76	20,962.50	2,626,733.76	(377.50)
2027	2,625,492.76	2,603,002.76	22,490.00	2,623,922.76	1,570.00
2028	2,590,625.00	2,568,985.00	21,640.00	2,589,455.00	1,170.00
	29,031,214.70	**28,791,642.86**	**239,571.84**	**28,812,530.25**	**218,684.45**

***2017 Bond estimated debt service requirements are based on current market rates and are subject to change.**

****Estimated savings are net of all estimated costs and expenses associated with issuing the 2017 Bonds.**

Month	Projected Financing Timeline
September	Discussions on Potential Refunding Opportunity
	Board Meeting to Approve Refunding - Parameters
	Work on gathering information for Appendix A
	Finalize Financing Team
	Begin Drafting Bond Documents
	Rating Agency Call / Presentation
	Print and Post Preliminary Official Statement
October	Finalize Bond Pricing
	Finalize all Bond Documents
	Closing

Estimated Sources	
Bond Par Amount	7,100,000.00
Net Premium (Discount)	(20,249.05)
Total Estimated Sources	7,079,750.95
Estimated Uses	
2012 A Bond Refunding	6,947,102.79
Estimated Costs of Issuance	70,300.00
Estimated Underwriter's Discount	46,150.00
Estimated Bond Insurance	14,276.44
Rounding	1,921.72
Total Estimated Uses	7,079,750.95