

PUBLIC SCHOOLS OF THE CITY OF ANN ARBOR SELLS 2003 REFINANCING BONDS

The Public Schools of the City of Ann Arbor announces the successful sale of its \$26,610,000 refinancing bonds. These Bonds are being issued for the purpose of refinancing the School District's outstanding 1995 School Building and Site bonds. This refinancing will reduce cumulative interest expenses by approximately \$3,170,871- a cost savings for the taxpayers realized through lower debt payments over the next 11 years. (For comparison purposes, this calculates to a Net Present Value- NPV- of \$2,194,096.)

The District received very high ratings of 'Aa2' from Moody's and 'AA' from Standard and Poors. Both of these ratings are fully 8 levels above the 'Investment Grade' ranking and only 3 levels from the top, especially noteworthy in light of the State's present financial situation. In stating their rationale for this highly favorable assessment, Moody's noted that, "The initial Aa2 underlying rating reflects the district's sound finances, with strong balances; low debt burden with limited needs. . ." and, "Moody's expect the district's finances to remain sound as a result of strong General Fund reserves and conservative financial management, illustrated by a history of better than budgeted financial results." Paul Stauder of Stauder Barch & Associates remarked, "Very impressive." "There are only a handful of Michigan districts in the double A (AA) rating category."

These high ratings along with the reputation of the Ann Arbor community have resulted in good bond sales. Brenda L. Palmer, Vice President of AG Edwards states, "The Public Schools of the City of Ann Arbor Bonds were very well received by the bond market. We saw high levels of demand. The bond sale was well timed to take advantage of low interest rates."

For more than 4 years, the AAPS Business Services Divison, Stauder Barch & Associates and AG Edwards & Sons, Inc. have been periodically reassessing market conditions and bond timing to optimize possible savings from refinancing. As the District has proceeded with the refinancing, Bond Counsel Amanda Van Dusen of Miller Canfield Paddock & Stone prepared the refinancing documents to expedite the process. With the valuable assistance of these advisors, the district was able to achieve significant savings despite the already low 4.9% interest rate of the 1995 bond.

Although refinancing does not impact the School District's General Operating Budget, it does benefit the District by reducing the debt level. This affords the Ann Arbor Public Schools greater flexibility and the ability to address and meet anticipated bond/ sinking fund initiatives in the future.

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