SMART Debt Refinancing Update
November 4, 2020
Background

• SMART bonds first issued in 2011 to provide for construction of the initial 43 miles of service

• Prior to new sale, SMART’s outstanding debt: $136.9 million

• Prior annual debt service escalated from $17.4 million this FY to $22 million in 2028
Background

- At November 4th meeting, Board authorized issuance of new debt for the purpose of achieving annual debt service savings

- Total authorization of $160 million designed to provide flexibility in the use of sources of funds and debt structure, including use of reserve account

- Estimated bond sale amount in that authorization was $123 million
Background

• Since Board authorization in October, we received a successful bond rating of AA from Standard and Poor’s (October 9)

• Conducted a successful pricing (sale) on October 21

• Transaction closed (completed) on October 29
Refinancing Success

- Construction debt of $136.9 million replaced by new **Green Bonds** totaling $122.97 million
- Maximum annual debt service reduced from $22 million to $17 million
- True Interest Cost for life of debt: 1.72% compared to 3.31% on existing bonds
- Costs of Issuance: $605,626
Refinancing Success

• Investors have many choices – $71 Billion in municipal bonds issued in month of October

• Combination of our successful management of the District, a stellar bond rating, and a top notch team led to the successful sale

• Bonds primarily purchased by
  • Firms with managed retail investment accounts
  • Institutional accounts such as bond funds and insurance companies
  • Very small amount by individual retail investors

• In total, 17 different accounts placed orders – totaled $199 million – approximately 1.6 times the size of the offering
The SMART Team

• **SMART Financial Advisors:** PFM
  Sarah Hollenbeck & Bob Rich,
  Managing Directors

• **SMART Bond Counsel:** Nixon Peabody
  Rudy Salo, Partner

• **Bond Underwriters**
  Michael Fleishman, Director, Barclays
  Holly Vocal, Director, Bank of America Securities

• **SMART Staff**
Resulting New Debt Service

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Original Debt Service</th>
<th>New Debt Service</th>
<th>Savings</th>
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</thead>
<tbody>
<tr>
<td>2021</td>
<td>$17,405,850</td>
<td>$14,284,259</td>
<td>$3,121,591</td>
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<tr>
<td>2022</td>
<td>$18,060,000</td>
<td>$14,936,756</td>
<td>$3,123,244</td>
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<td>2023</td>
<td>$18,717,750</td>
<td>$15,596,193</td>
<td>$3,121,557</td>
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<td>2024</td>
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<td>$16,244,444</td>
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<td>2025</td>
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<td>2027</td>
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<td>$4,336,881</td>
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<td>2028</td>
<td>$21,990,250</td>
<td>$16,999,931</td>
<td>$4,990,320</td>
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<td>2029</td>
<td>$16,495,500</td>
<td>$13,899,281</td>
<td>$2,596,219</td>
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- Average annual debt service savings: $3.47 million
- Savings this fiscal year: $3.1 million, $2.1 million better than budgeted
New Financial Forecast

• Brings Operating costs, which includes debt service, in line with revenue over the long term
• Preserves reserves for the foreseeable future

SMART Revenue and Expense Estimates by Fiscal Year

*FY 2029 is a partial year
Conclusion

• Outstanding result in a difficult year

• Estimate of $\textbf{3.47 million}$ average annual reduction provides operating breathing room to survive the continued COVID-19 crisis

• SMART is now on solid ground with a solid future reserve through 2029