

McLennan Community College

Current Market Update and Preliminary Refunding Analysis

March 26, 2024
Board of Trustees Meeting



Capital
Markets

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Current Market Review

Section 1



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Current Market Review

Economic Update

U.S. Economic Overview | As of March 18, 2024

- Central banks are in focus this week, with the Fed, BOJ, and BOE scheduled to meet; the Fed and BOE are expected to hold rates steady.
- Futures are pricing the odds of a cut in June as 50/50 and are suggesting the first cut will come by July; three cuts are pricing for 2024.
- February CPI and PPI data highlighted that inflation pressures have been more persistent than Fed officials have expected.
- Annualized CPI rose from 3.1% to 3.2%, while core CPI eased from 3.9% to 3.8% but came in above the 3.7% consensus.
- PPI rose from an annualized rate of 1.0% to 1.6%, while core held steady at 2.0%; both came in above consensus forecasts.
- Treasuries sold off last week as markets scaled back bets for rate cuts; the 10-year auction drew the weakest demand since November.
- Economic highlights this week include housing starts/building permits, jobless claims, and leading indicators.

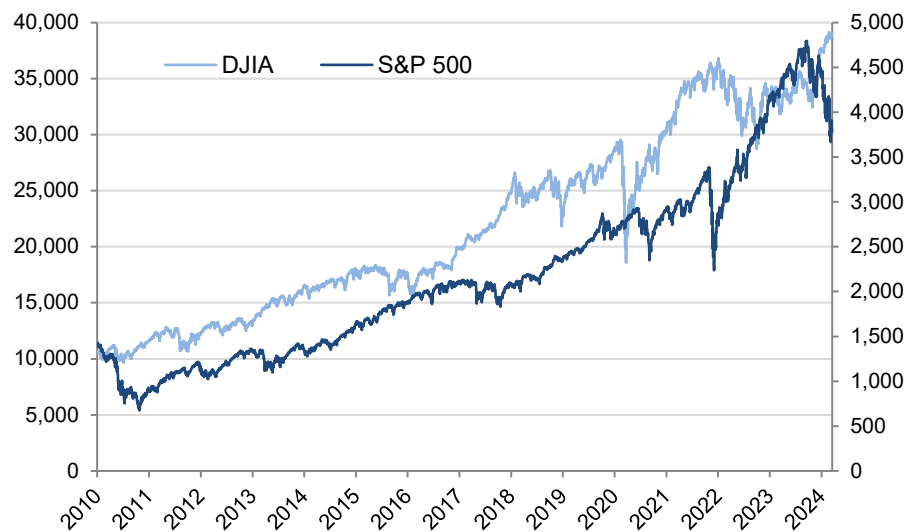
RBC Economic Outlook and Interest Rate Forecasts⁽¹⁾

	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
Real GDP (QoQ)	2.00	0.50	1.00	1.20	1.80
Core Inflation (YoY)	3.10	3.00	2.80	2.70	2.30
Fed Funds*	5.38	5.13	4.88	4.63	4.63
2-Year Notes	4.60	4.50	4.35	4.30	4.25
5-Year Notes	4.15	4.05	3.95	3.95	3.95
10-Year Notes	4.15	4.05	3.95	4.00	4.05
30-Year Bonds	4.30	4.20	4.15	4.20	4.25

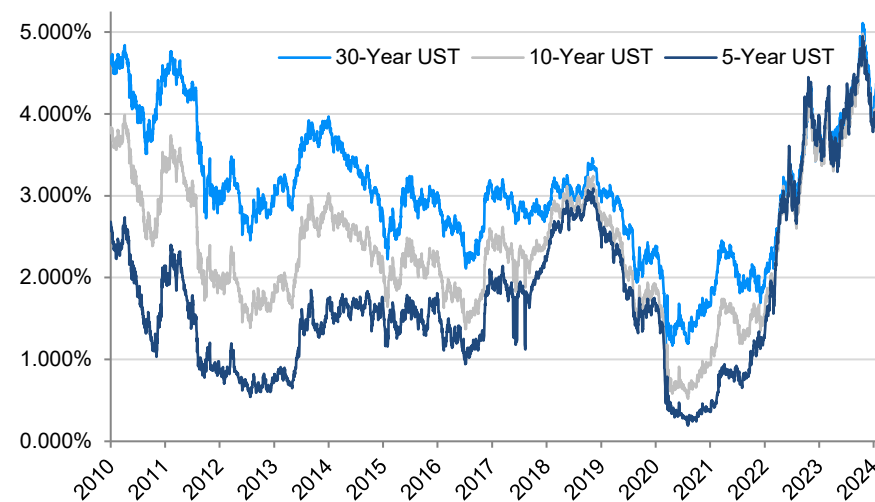
⁽¹⁾ RBC Rate and Economic Forecast as of March 12, 2024.

*Top of 25 basis point range.

U.S. Equity Market



U.S. Treasury Rates



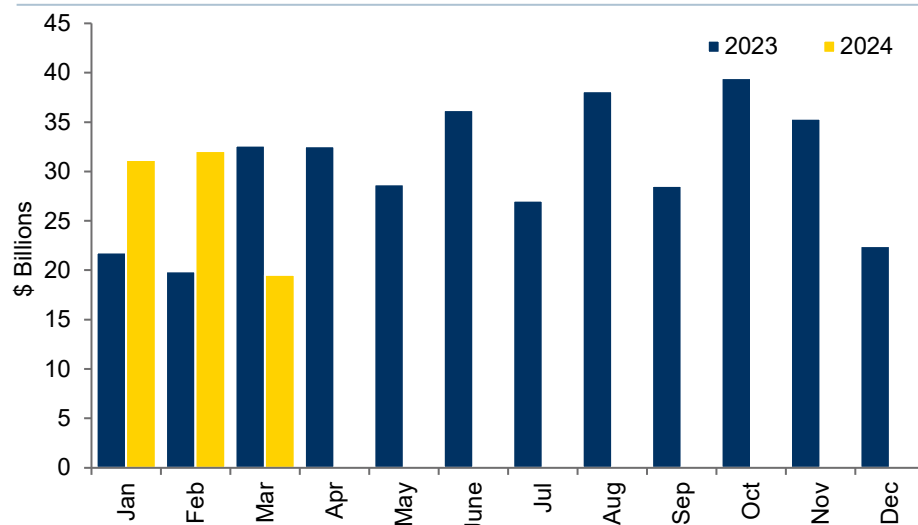
Current Market Review

Municipal Market Update

Municipal Market Overview | As of March 18, 2024

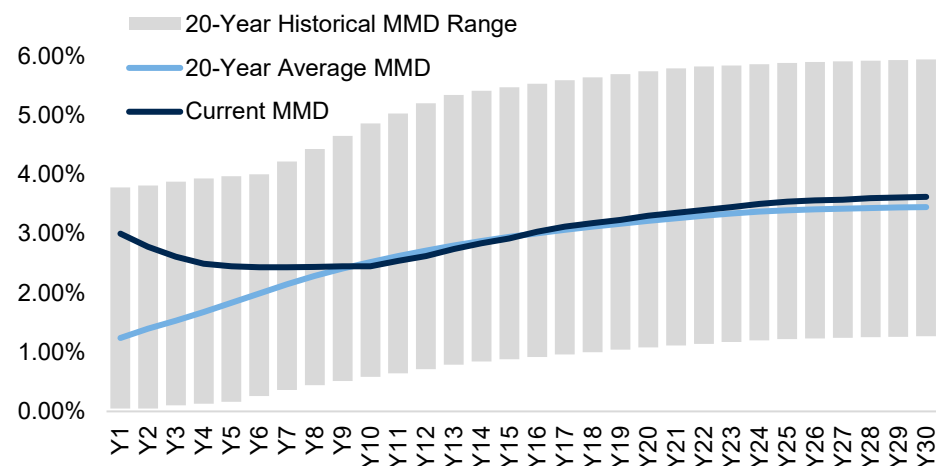
- **2023 Municipal Supply:** \$362 billion
- **2024 Municipal Supply (Forecast):** \$375 billion
- Municipal issuance totaled \$10bn last week, and the larger deals on the calendar were well-received.
- Muni ratios tightened across the curve as MMD outperformed the selloff in Treasuries.
- This week's calendar is expected to total \$6.5bn; New York credits, led by MTA and EFC, account for \$2.9bn of the supply.
- State of California will issue \$2.6bn of GOs next week, followed by \$940mm of Public Works Board lease revs on April 4th.
- Municipal bond funds reported \$295mm of net inflows last week, with HY funds accounting for \$279mm of the positive flows.
- The SIFMA index ticked up from 3.37% to 3.43% last week; TEMM funds saw inflows of \$115mm.

2023 – 2024 Monthly Supply* (\$ Billions)

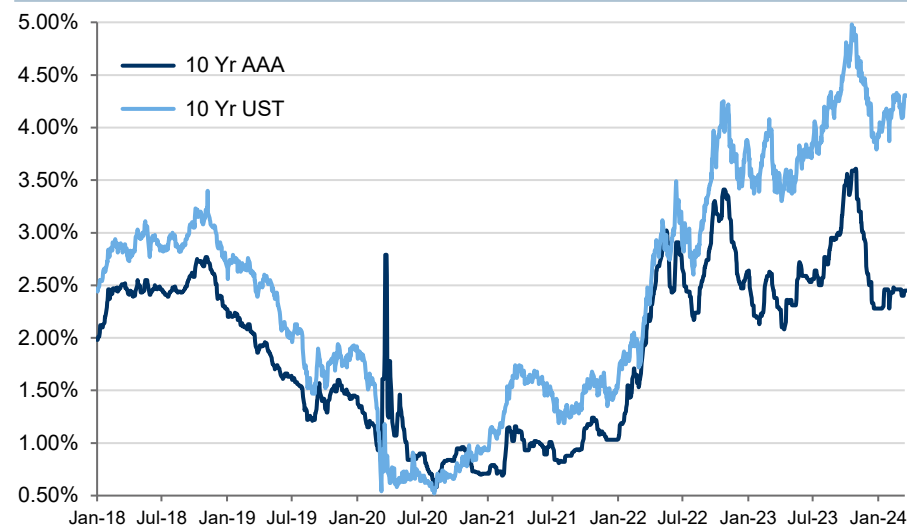


* Publicly offered municipal debt; excludes private placements.

MMD Curves | 20-Year Historical Range as of March 15, 2024



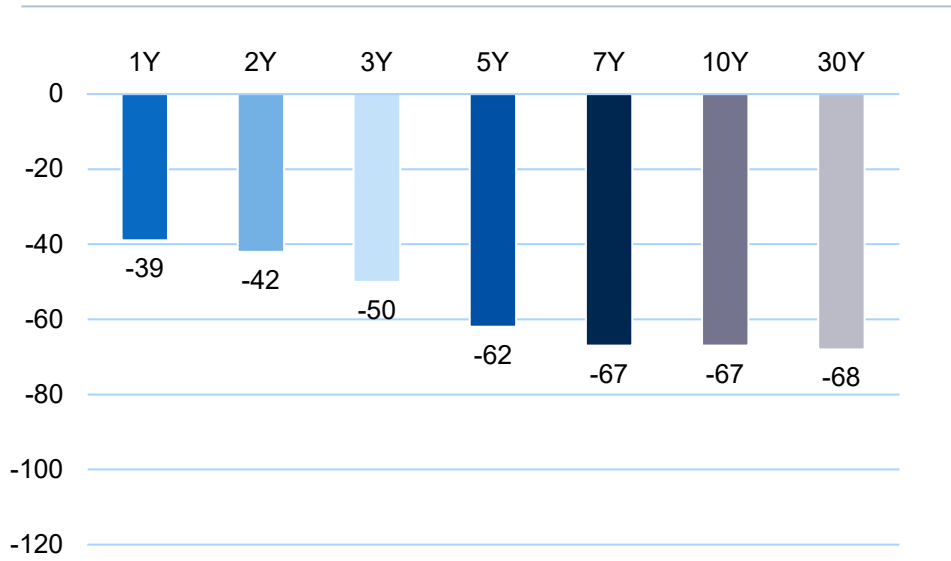
Tax-Exempt and Taxable Yield Trends: January 1, 2018 - Present



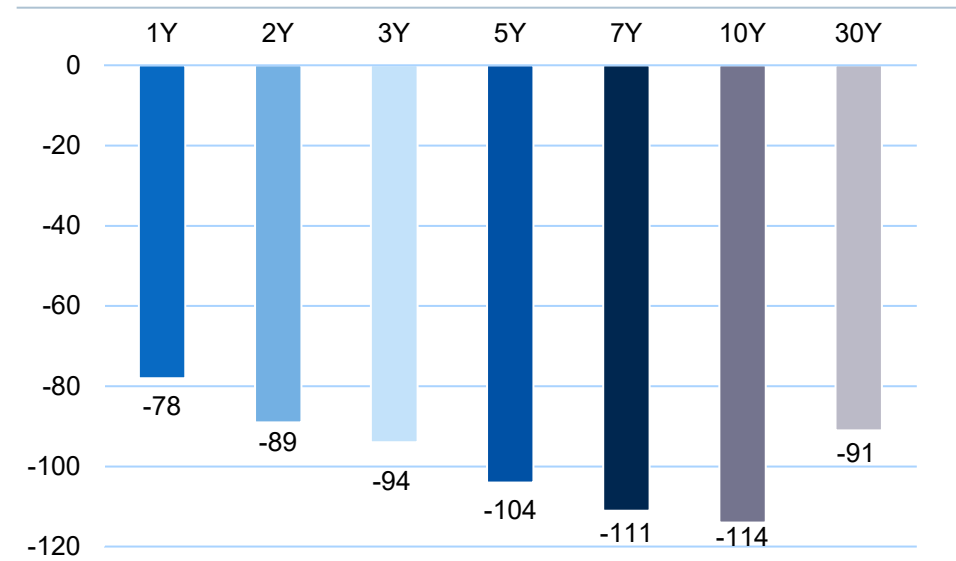
Current Market Review

From the recent peak of interest rates in mid-October 2023, MMD has decreased significantly across the yield curve

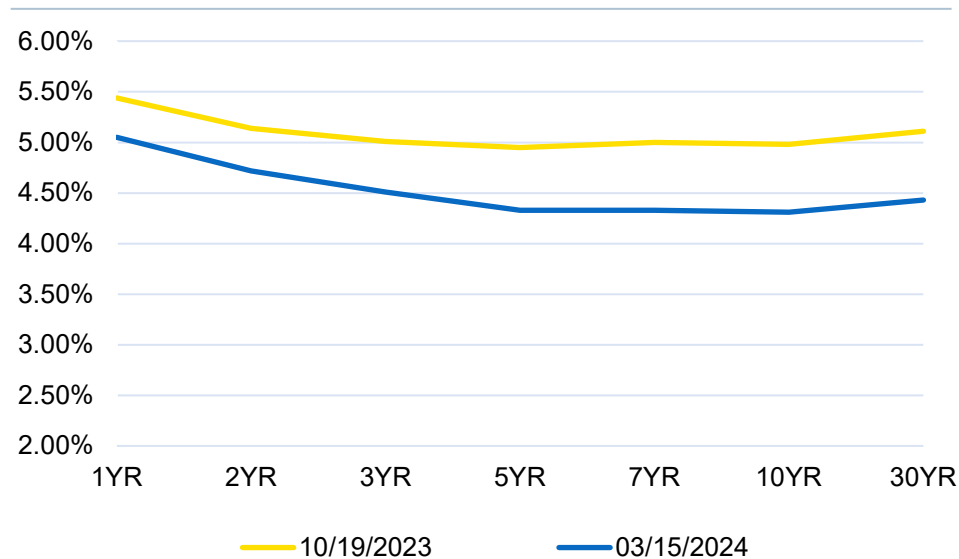
Change in UST Yields Since 10/19/2023 (bps)



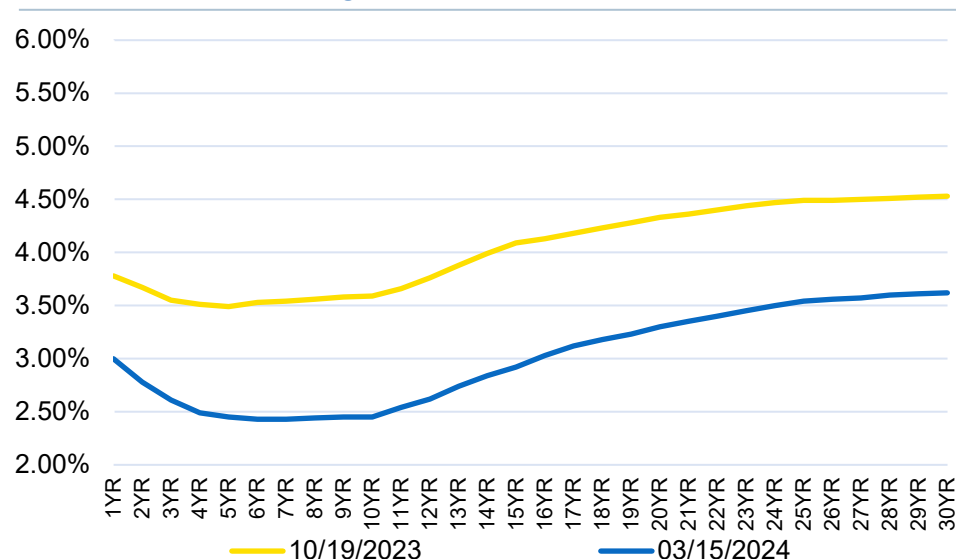
Change in MMD Yields Since 10/19/2023 (bps)



UST Yield Curve Change



MMD Yield Curve Change



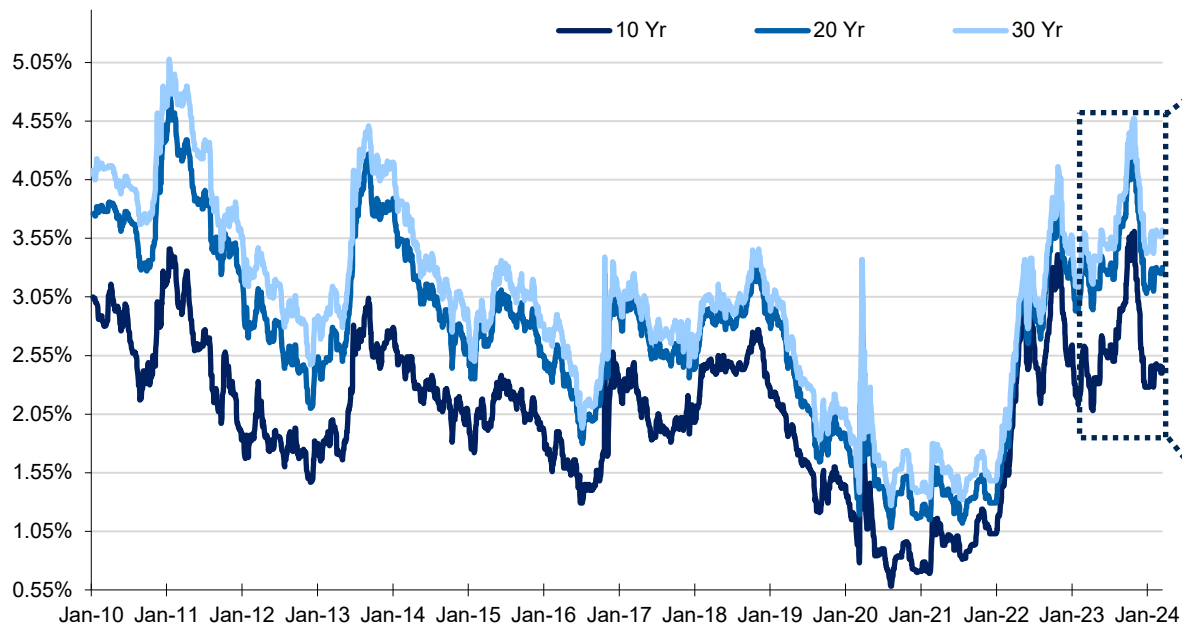
Source: Bloomberg as of March 15, 2024

Current Market Review

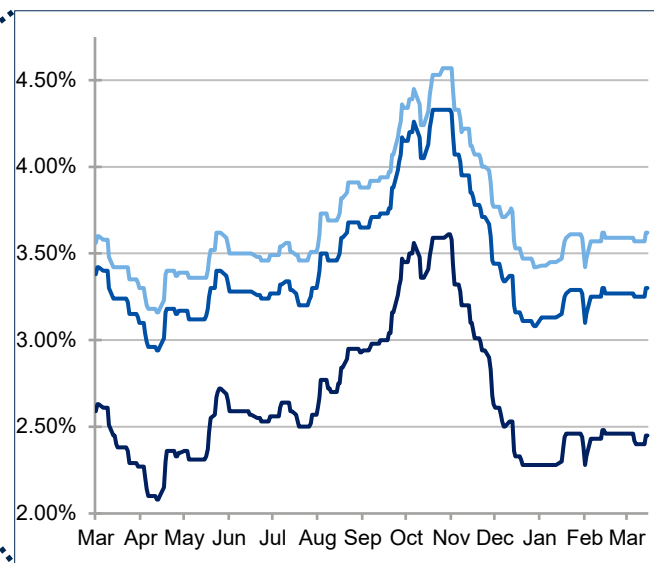
Municipal Market Data – 30 Year "AAA" Rates

- After closing at 3.57% the previous week, the 30-year "AAA" MMD increased 2bp from March 8 – March 15, closing at the current rate of 3.62%.

"AAA" MMD January 1, 2010 to Present



Shift in "AAA" MMD Since March 2023



January 1, 2010 to Present

	10-Year	20-Year	30-Year
Maximum	3.610%	4.890%	5.080%
Minimum	0.580%	1.080%	1.270%
Current	2.450%	3.300%	3.620%

Shift in 30-year "AAA" MMD

	2017	2018	2019	2020	2021	2022	2023
	-0.51%	0.47%	-0.93%	-0.70%	0.10%	2.09%	-0.16%

Mar. 1, 2023 to Present

	10 Yr	20 Yr	30 Yr
Maximum	3.610%	4.330%	4.570%
Minimum	2.080%	2.940%	3.160%
Average	2.658%	3.433%	3.685%

Source: TM3, Thomson Reuters
10, 20, and 30 year "AAA" MMD shown to represent different average lives of municipal transactions
Rates as of March 15, 2024

Current Market Review

BBI 20 Index and Municipal Fund Flows

Bond Buyer 20 GO Bond Index Since 1961

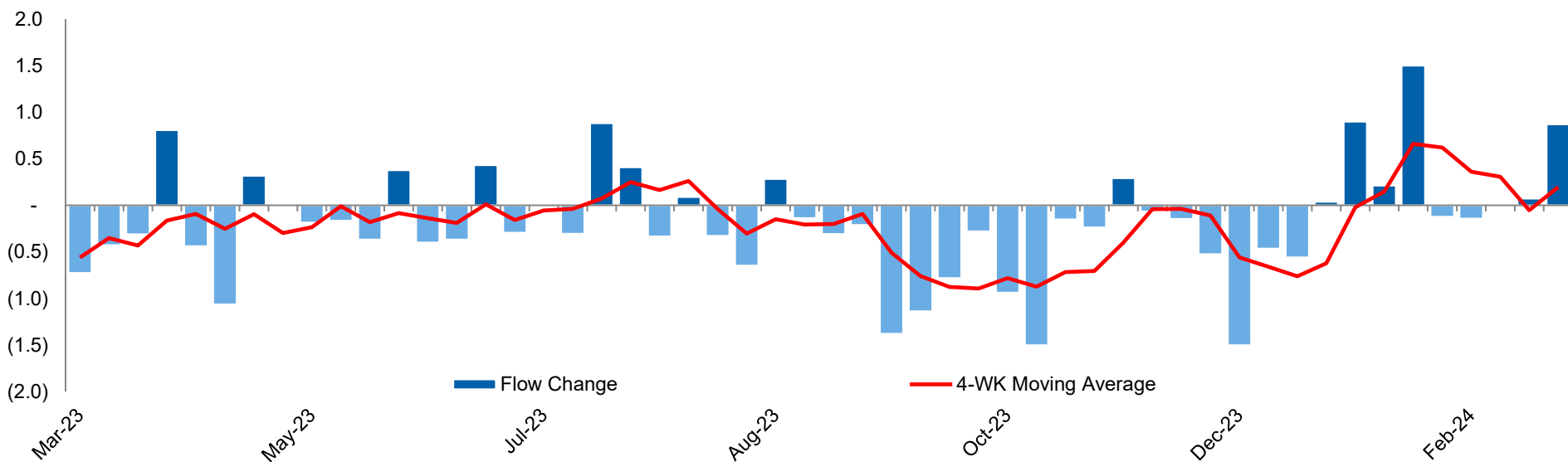


% of Time in Each Range Since 1961

Yield Range	% of Time
Less than 3.50%	14.55%
3.50% - 4.00%	11.96%
4.01% - 4.50%	10.93%
4.51% - 5.00%	9.17%
5.01% - 5.50%	12.78%
5.51% - 6.00%	8.90%
6.01% - 6.50%	6.89%
6.51% - 7.00%	6.29%
7.01% - 7.50%	5.68%
7.51% - 8.00%	3.34%
Greater than 8.00%	9.51%
Total	100.00%

Today's 3.52% level is lower than 84.88% of historical rates since January 1961.

Lipper Municipal Fund Flows



Source: Lipper for the week ended March 07, 2024

District Debt Profile and Preliminary Refunding Analysis

Section 2



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District Debt Profile and Preliminary Refunding Analysis

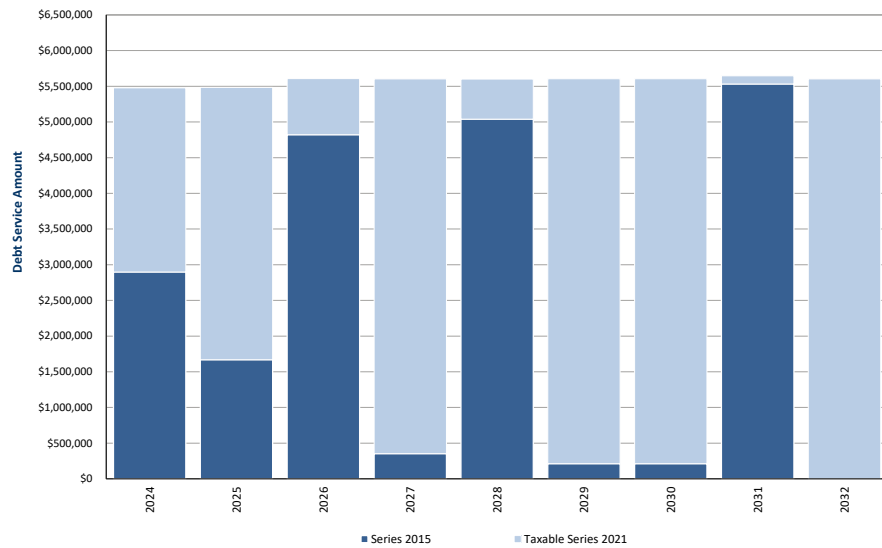
Combined Debt Profile

MCC Combined Outstanding GO and Revenue Debt Profile

Issue	Issued Par Amount	Outstanding Par Amount	Coupon Range of Callable Bonds	First Call Date	Final Maturity	Structure	Security	Use of Proceeds
Ltd Tax Ref Bds Ser 2015	\$52,765,000	\$17,500,000	3.000% - 5.000%	08/15/2024	08/15/2031	Fixed Rate	I&S Taxes	Refunding
Ltd Tax Ref Bds Taxable Ser 2021	24,505,000	23,710,000	2.070%	08/15/2031	08/15/2032	Fixed Rate	I&S Taxes	Refunding
Rev Ref Bds Ser 2017	9,050,000	6,135,000	4.000%	04/15/2027	04/15/2030	Fixed Rate	Revenue	Refunding
Rev Bds Ser 2019	6,600,000	5,195,000	4.000%	04/15/2029	04/15/2034	Fixed Rate	Revenue	College Facility
Rev Ref Bds Ser 2021	2,135,000	2,005,000	N.A.	N.A.	04/15/2030	Fixed Rate	Revenue	Refunding
Total	\$95,055,000	\$54,545,000						

General Obligation Debt by Series

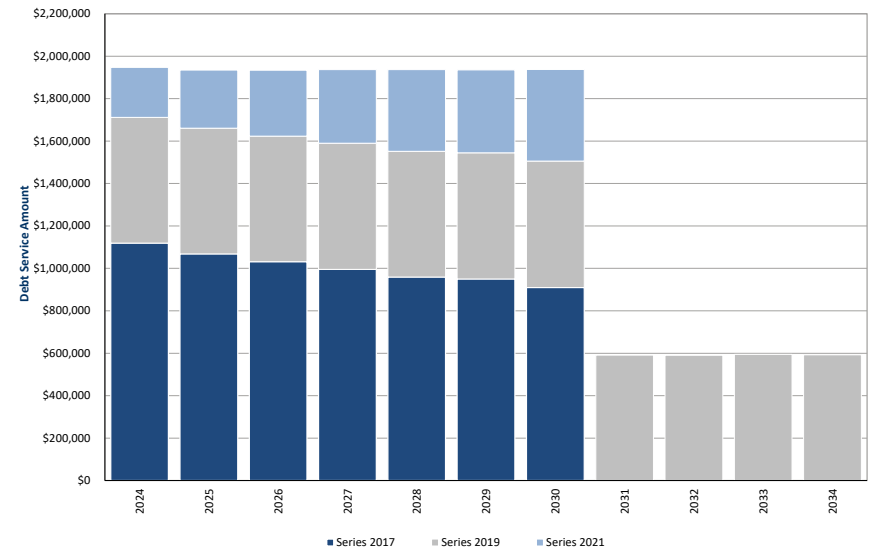
McLennan County Junior College District
Outstanding Limited Tax Debt by Series



Fiscal Year Ending August 31

Revenue Debt by Series

McLennan County Junior College District
Outstanding Revenue Debt Service by Series



Fiscal Year Ending August 31

District Debt Profile and Preliminary Refunding Analysis

Current Refunding | Ltd Tax Bonds*

Tax-Exempt Current Refunding

McLennan College has the opportunity to refund the remaining outstanding maturities of its Limited Tax Refunding Bonds, Series 2015, which are callable on August 15, 2024, for debt service savings. The following preliminary refunding analysis assumes current market “AA” rates plus 15 basis points (0.015%). The refunding bonds are assumed to be sold with a uniform savings target and with a delivery date of June 12, 2024.

Summary of Bonds Considered In Refunding Analysis

Series	Maturities to be Refunded	Par Amount to be Refunded	Coupon Range	Redemption Date
Ltd Tax Ref Bonds, Series 2015	2025, 2026, 2028, 2031	\$15,320,000	3.000% - 5.000%	08/15/24
Total		\$15,320,000		

Summary of Refunding Results

Description	Analysis
Rates as of	26-Feb-24
Delivery Date of Refunding Bonds	12-Jun-24
Par Amount Refunded Bonds	\$15,320,000
Avg Coupon of Refunded Bonds	3.849%
Total Debt Service Savings	\$279,993
Average Annual Savings (FY2025 - FY20)	\$78,000
Net PV of Debt Service Savings	\$249,050
PV SAV as % of Refunded Bonds	1.626%
All-in TIC of Refunding Bonds	3.417%
Interest Rate Sensitivity	- 25 bps + 25 bps
PV of Debt Service Savings	\$402,460 \$97,953
PV Savings as a % of Refunded Bonds	2.627% 0.639%

Summary of Projected Debt Service Savings

Date 8/31	Prior Net Cash Flow*	Refunding Debt Service	Savings	PV Savings 3.1355%
2024	\$114,250	\$113,208	\$1,043	\$5
2025	1,668,500	1,591,900	76,600	73,560
2026	4,821,100	4,744,650	76,450	71,202
2027	353,350	392,400	(39,050)	(35,654)
2028	5,038,350	4,957,400	80,950	70,821
2029	212,800	209,800	3,000	2,574
2030	212,800	209,800	3,000	2,495
2031	5,532,800	5,454,800	78,000	62,414
Total	\$17,953,950	\$17,673,958	\$279,993	\$247,417

Savings Summary

Average Annual Savings (FY2025 - FY2031)	\$78,000
PV of Savings from Cash Flow	\$247,417
Additional Proceeds	\$1,633
Net PV of Savings	\$249,050

*Includes an issuer contribution to the refunding.

Preliminary Timetable

Section 3



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Timetable

2024																																		
MARCH							APRIL							MAY							JUNE													
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S							
				1	2				1	2	3	4	5	6					1	2	3	4				1								
3	4	5	6	7	8	9	7	8	9	10	11	12	13					5	6	7	8	9	10	11			2	3	4	5	6	7	8	
10	11	12	13	14	15	16	14	15	16	17	18	19	20					12	13	14	15	16	17	18			9	10	11	12	13	14	15	
17	18	19	20	21	22	23	21	22	23	24	25	26	27					19	20	21	22	23	24	25			16	17	18	19	20	21	22	
24	25	26	27	28	29	30	28	29	30									26	27	28	29	30	31			23	24	25	26	27	28	29		
31																																		

Financing Team Members	MCC McLennan College - Issuer	1 Holidays 1 Bond Activities
	RBCCM RBC Capital Markets, LLC - Financial Advisor	
	JW Jackson Walker L.L.P. - Bond Counsel	
	TBD TBD - Underwriter	

Date	Action	Responsibility
19-Mar-24	Staff Review Preliminary Refunding Analysis	RBCCM
26-Mar-24	Regular Board Meeting Preliminary Plan of Finance Refunding	MCC, RBCCM
25-Mar-24	Request information for the POS	RBCCM
01-Apr-24	Provide updated information for the POS	MCC
04-Apr-24	Distribute 1st Draft POS Documents for comments to MCC & JW	RBCCM
09-Apr-24	Selection of Underwriter(s) and UW Counsel	MCC, RBCCM
10-Apr-24	Distribute Draft Parameters Order for comments to MCC & RBCCM	JW
11-Apr-24	Comments due on 1st Draft POS	MCC, JW, RBCCM
16-Apr-24	Distribute 2nd Draft POS and Credit Information to Rating Agency	RBCCM
16-Apr-24	Distribute 2nd Draft POS for comments	All Parties
23-Apr-24	Comments due on 2nd Draft POS	All Parties
23-Apr-24	Deadline for agenda items for 4/30 BOT Meeting	JW, RBCCM
25-Apr-24	Rating Agency Conference Call	MCC, RBCCM
26-Apr-24	Distribute 3rd Draft POS	RBCCM
30-Apr-24	Regular Board Meeting Action Item (Approve Parameters Order Authorizing Issuance of the Bonds)	MCC, RBCCM, JW
02-May-24	Receive S&P Credit Rating	MCC, RBCCM
02-May-24	Due Diligence Call with Underwriters	All Parties
03-May-24	Final comments due on Draft POS	RBCCM
08-May-24	Finalize and Distribute POS to Potential Investors	RBCCM
15-May-24	Negotiated Sale Bonds Marketed to Investors	All Parties
15-May-24	Pricing Certificate Executed by Authorized District Representative Interest Rates Locked	All Parties
16-May-24	Distribute Draft of Final Official Statement ("FOS") for Comments	MCC, RBCCM
17-May-24	Submit Documents to Attorney General for Approval	OHS
22-May-24	Receive Comments, Finalize & Distribute FOS	All Parties
12-Jun-24	Closing (Funds Transferred and Bonds Delivered)	All Parties
15-Aug-24	Refunded Bonds Redeemed	

*Preliminary, subject to change. As of March 21, 2024

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