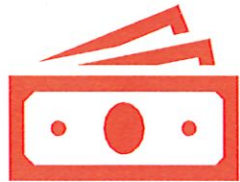




Southwestern Consolidated School District - Legal Procedures for Projects

| July 17, 2024

Overview



Methods of Debt Financing

- A. General Obligation Bonds
- B. Lease Rental Bonds

Both payable from property taxes which is a stable revenue source & receives high S&P ratings resulting in lower interest rates for taxpayers



Types of Projects - Taxpayer/ Voter Process

- A. Non-controlled
- B. Subject to petition requesting petition-remonstrance
- C. Subject to petition requesting referendum
- D. Required to be approved by referendum



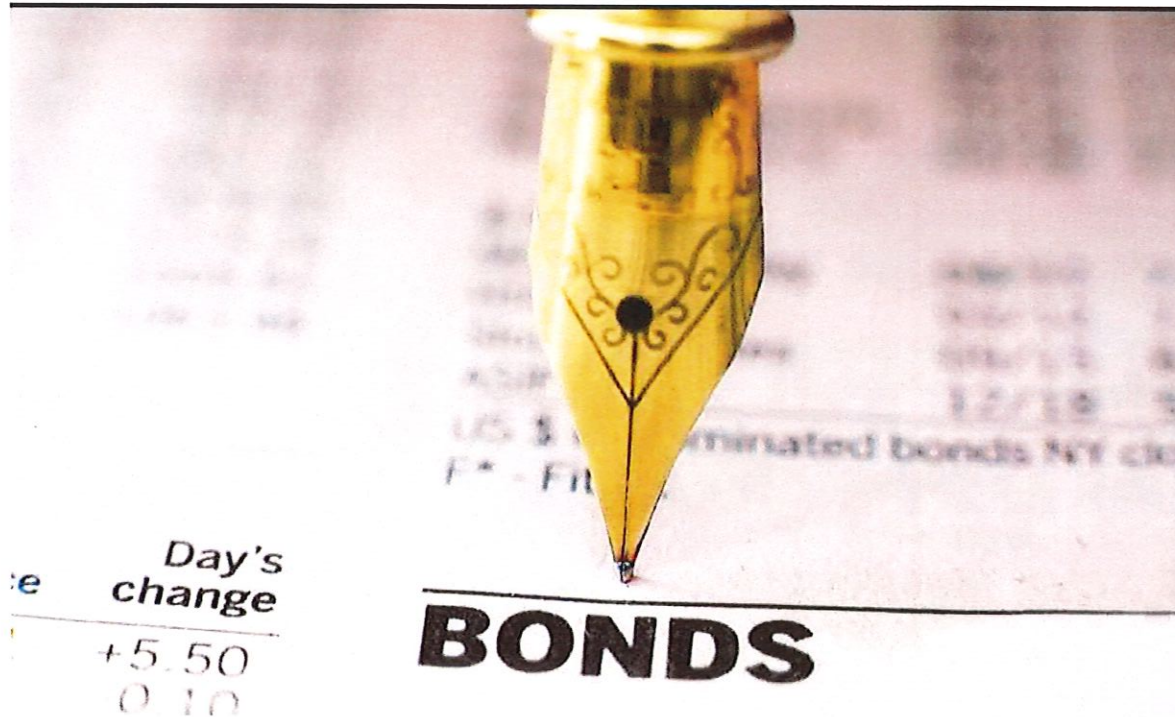
Methods of Financing Projects

- Cash funding
- Energy Savings Loans

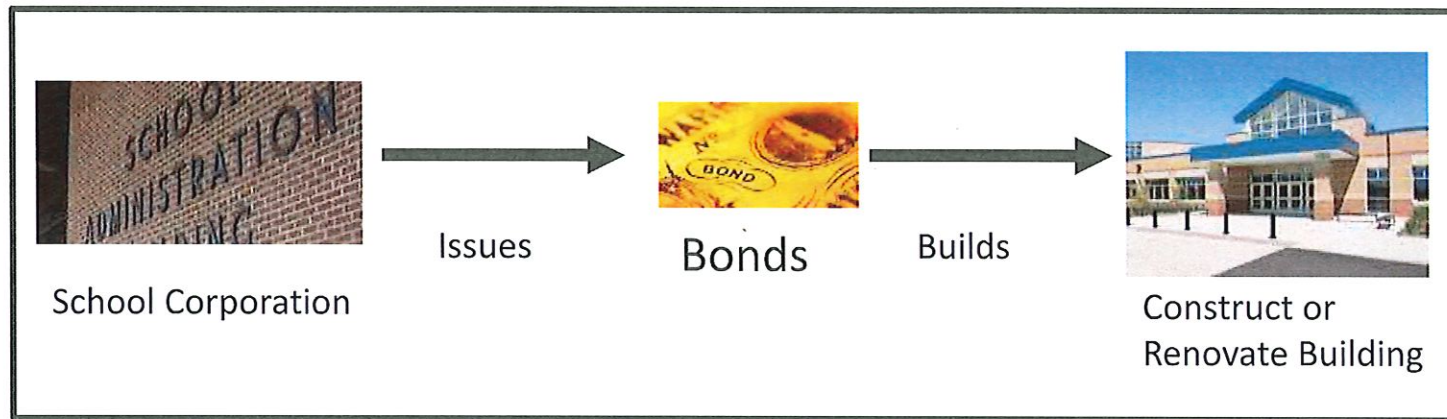
- Common School Fund loan
- General Obligation Bonds
- Lease Rental Bonds



Types of Bonds



General Obligation Bonds



Bonds subject to Constitutional debt limitation

Formula → Debt Limitation = Net Assessed Valuation / 3 x 2%

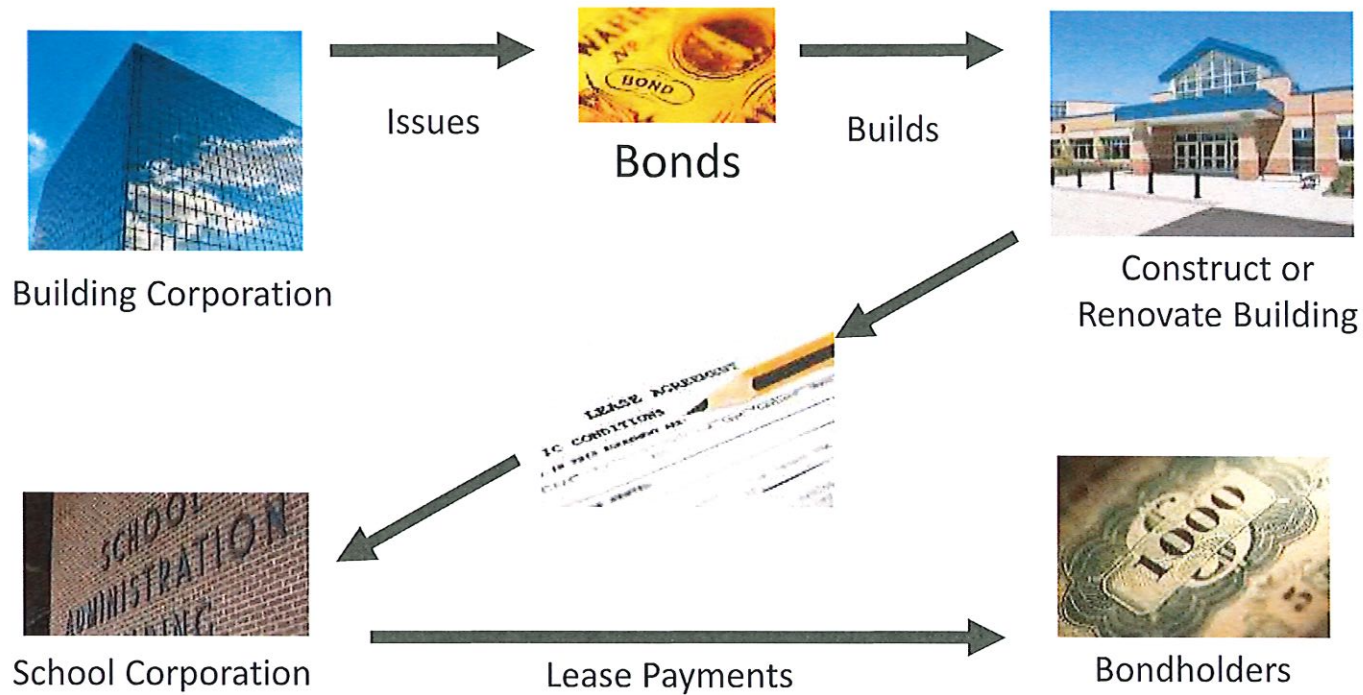
Example: \$382,087,409 / 3 X 2% = \$2,547,249

General Bond Obligation Characteristics

- Direct obligation of School Corporation
- Slightly fewer steps, quicker & cheaper
- May be sold competitively or negotiated (*this is a change in the last few years*)
- Uses up debt capacity (emergency considerations)

Note: Pension bonds count towards debt capacity, but not common school fund loans

Lease Financings

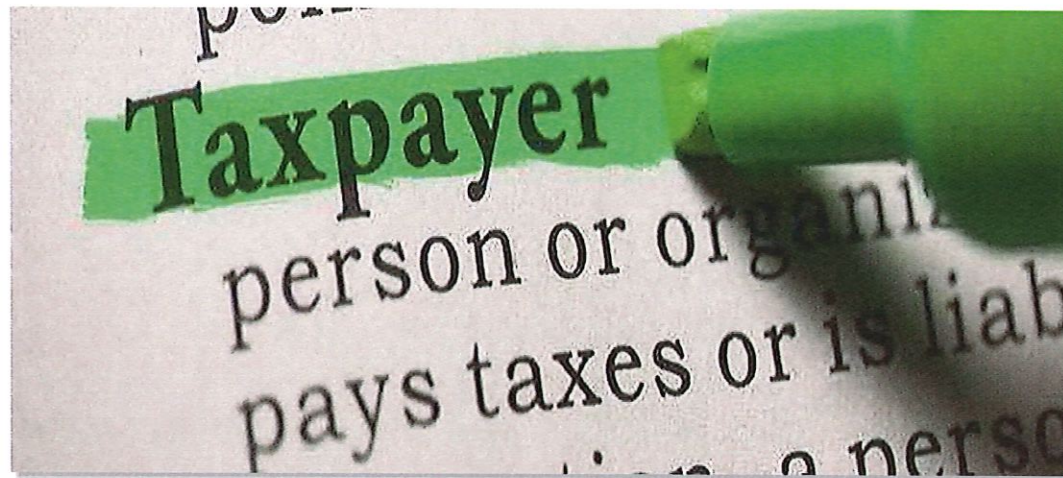


Lease Rental Bonds

- Issued by Building Corporation with School Board approval
- Building Corporation owns and leases school building(s) to the School Corporation
- Building Corporation uses lease rental payments from School Corporation to pay bondholders
- More steps, time and expense
- Mortgaged property as security
- No Constitutional debt limitation



Taxpayer / Voter Processes

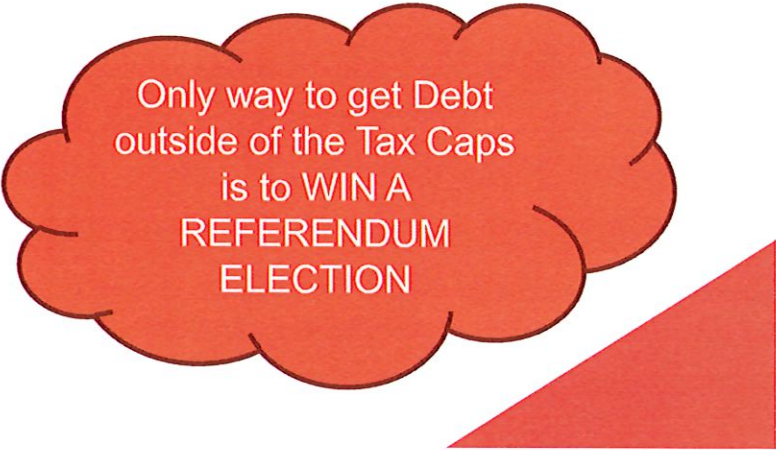


TOTAL PROJECT COSTS

Hard Costs	Soft Costs (20%-30%)	
Hard Construction	Soft Construction	Costs of Issuance
Construction, i.e., "bricks & mortar"	Architect	Financial advisor
Site work	Construction manager	School counsel
Utility relocation	Printing of plans	Bond counsel
Contingency	Builder's risk insurance	Title insurance
	General conditions	Trustee/Registrar/Paying Agent bank
	Equipment	Underwriter's discount & Rating Fee
	Technology	Official statement
	Land	Interest during construction

Project Cost Thresholds

- 1) **Non-Controlled:** still legal steps and hearings but not petition-remonstrance race or referendum
- 2) **Controlled:**
 - a) Subject to petition requesting petition-remonstrance race
 - b) Subject to petition requesting referendum election
 - c) Required to be on referendum election ballot



Only way to get Debt
outside of the Tax Caps
is to WIN A
REFERENDUM
ELECTION

Controlled Project Threshold Factors

Total **debt service tax rate**
(excluding debt approved
through referendum, including
pension debt)

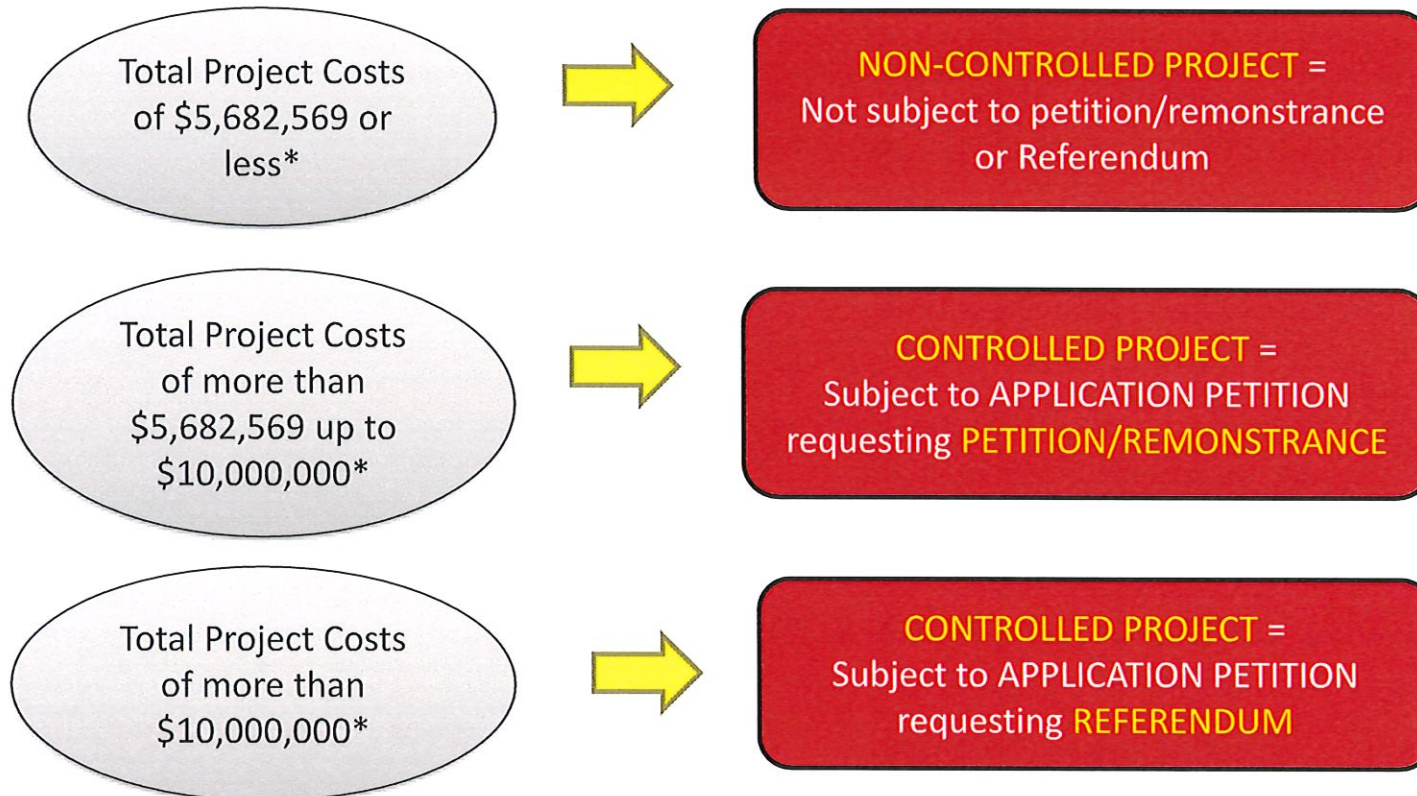
(below, above, or in between \$0.40 and
\$0.80)

Total **project cost** not just
borrowed amount & **Gross**
Assessed Valuation of School
Corporation

(including hard and soft construction costs &
cost of issuance)



SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT



*2024 Gross AV of \$568,256,910; 2024 Debt Service Tax Rate of \$0.1755

