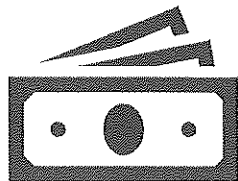


# Southwestern Consolidated School District - Legal Procedures for Projects

July 17, 2024

# Overview



## Methods of Debt Financing

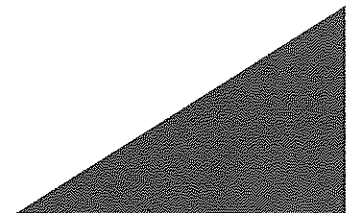
- A. General Obligation Bonds
- B. Lease Rental Bonds

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

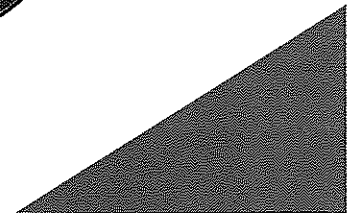


# Methods of Financing Projects

- Cash funding
- Energy Savings Loans

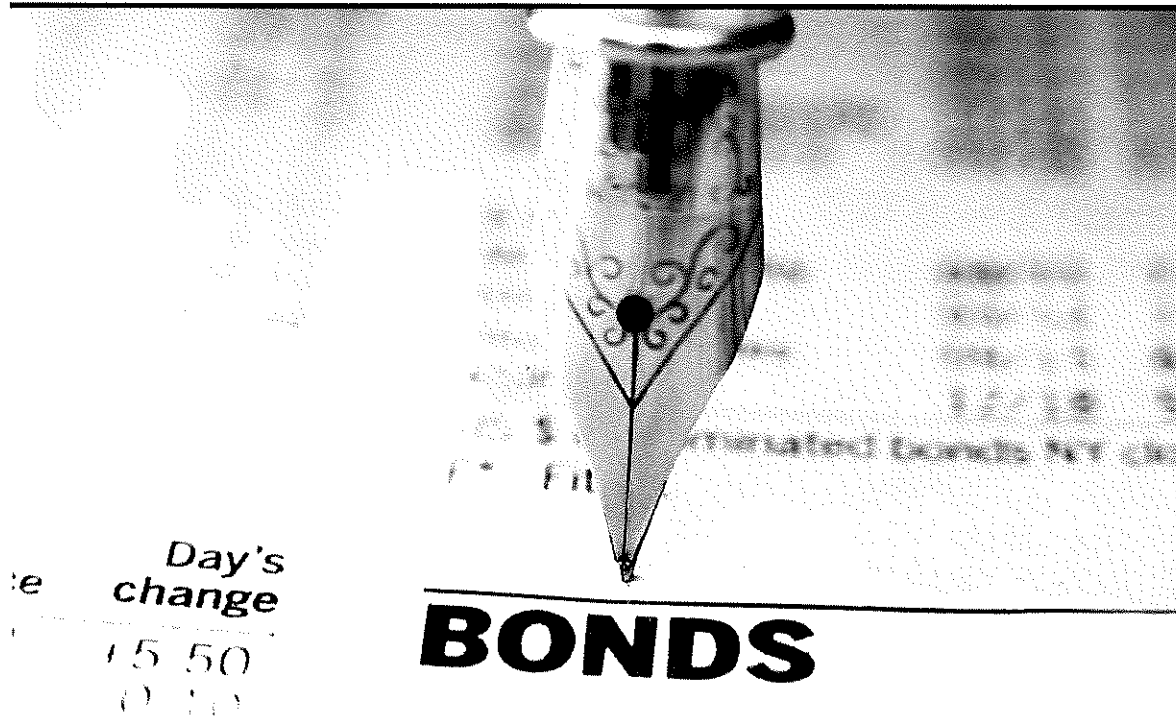


- Common School Fund loan
- General Obligation Bonds
- Lease Rental Bonds

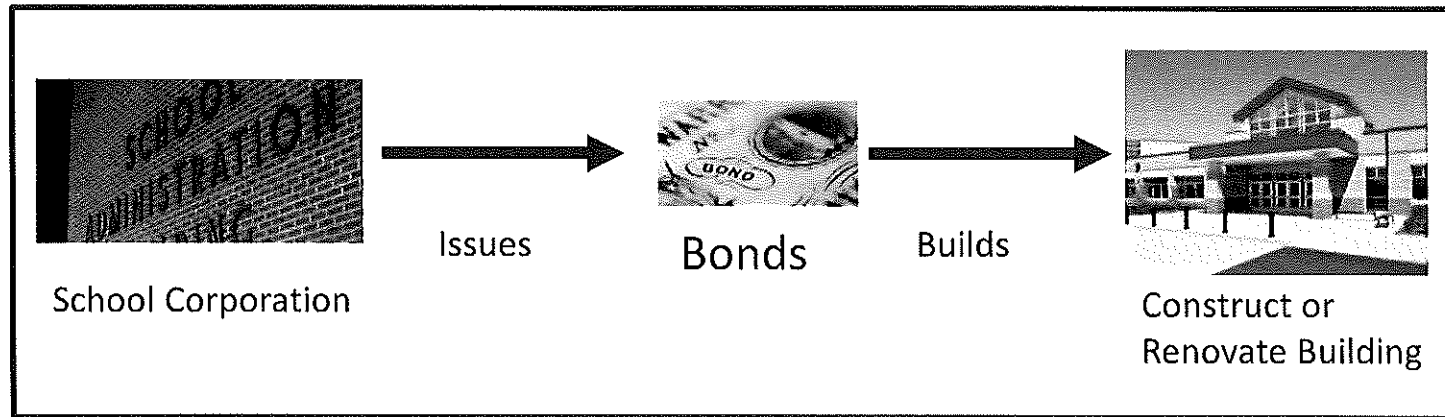


# Types of Bonds

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# General Obligation Bonds



Bonds subject to Constitutional debt limitation

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

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

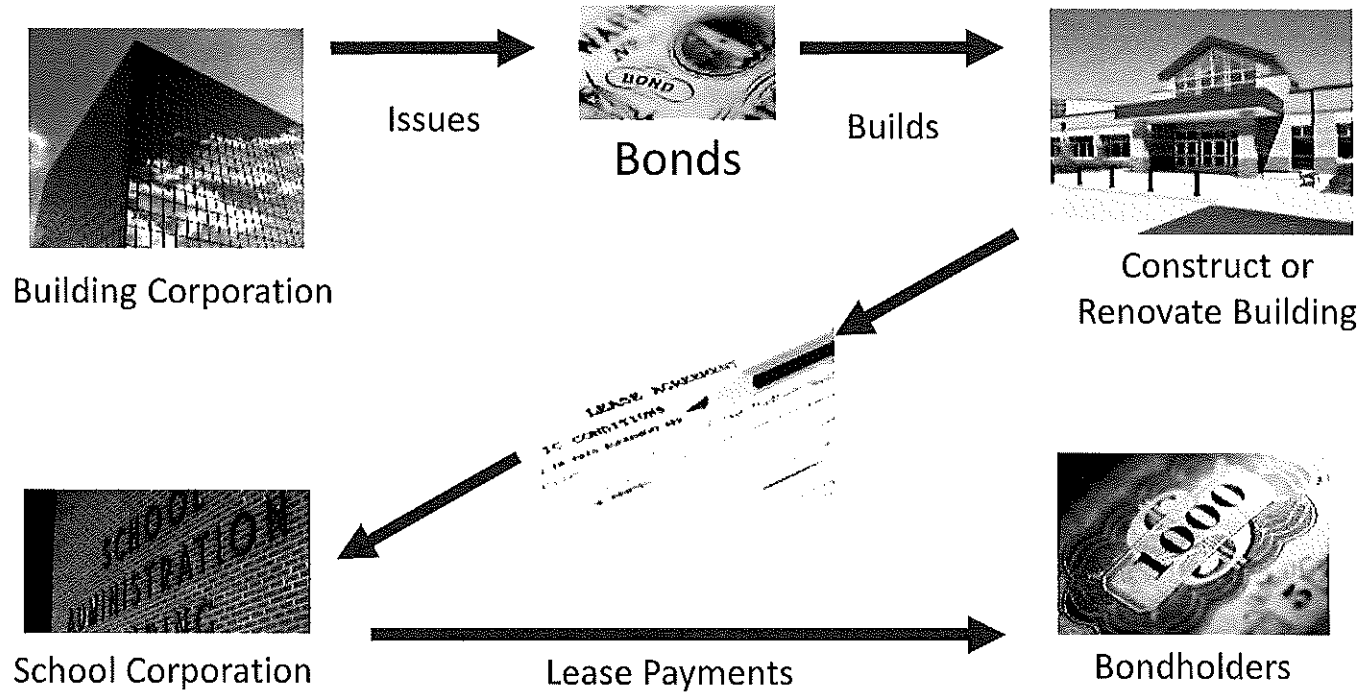
# General Bond Obligation Characteristics

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- 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)

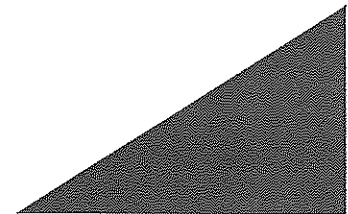
Note: Pension bonds count towards debt capacity, but not common school fund loans

# Lease Financings



# Lease Rental Bonds

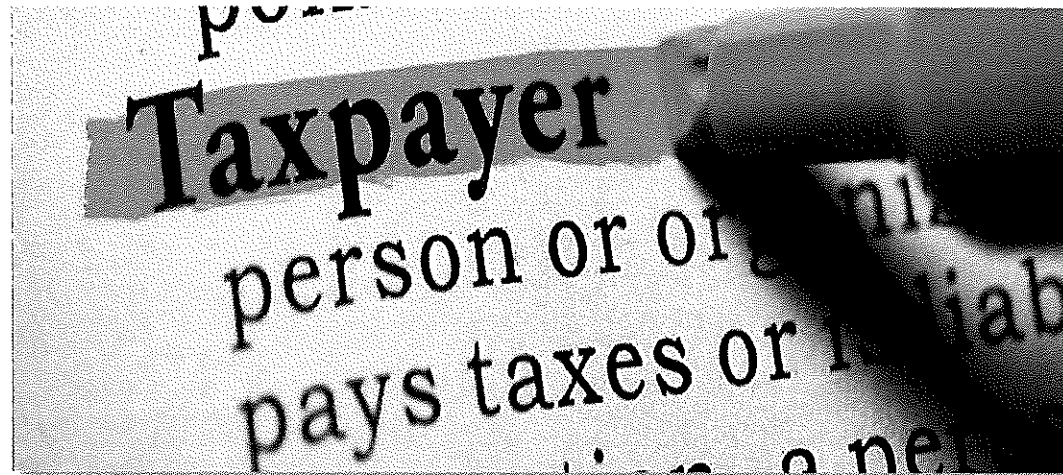
- Issued by Building Corporation with School Board approval
- Building Corporation owns and leases school building(s) to the School Corporation
- Building Corporation uses lease rental payments from School Corporation to pay bondholders
- More steps, time and expense
- Mortgaged property as security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





# Taxpayer / Voter Processes

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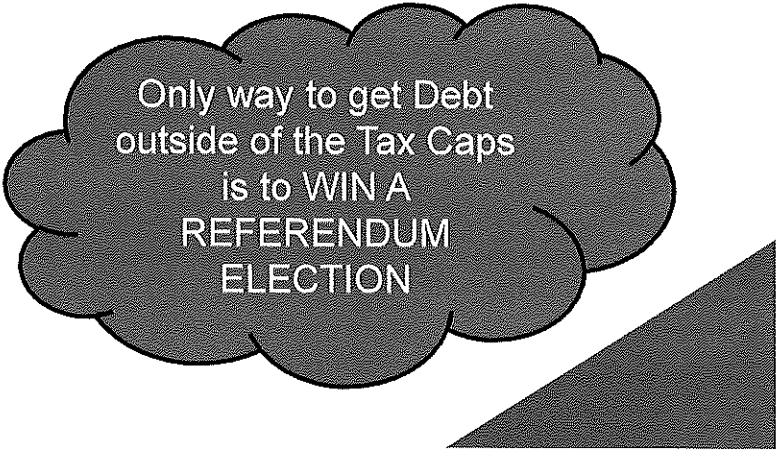


## TOTAL PROJECT COSTS

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

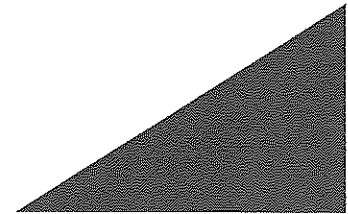
# Controlled Project Threshold Factors

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

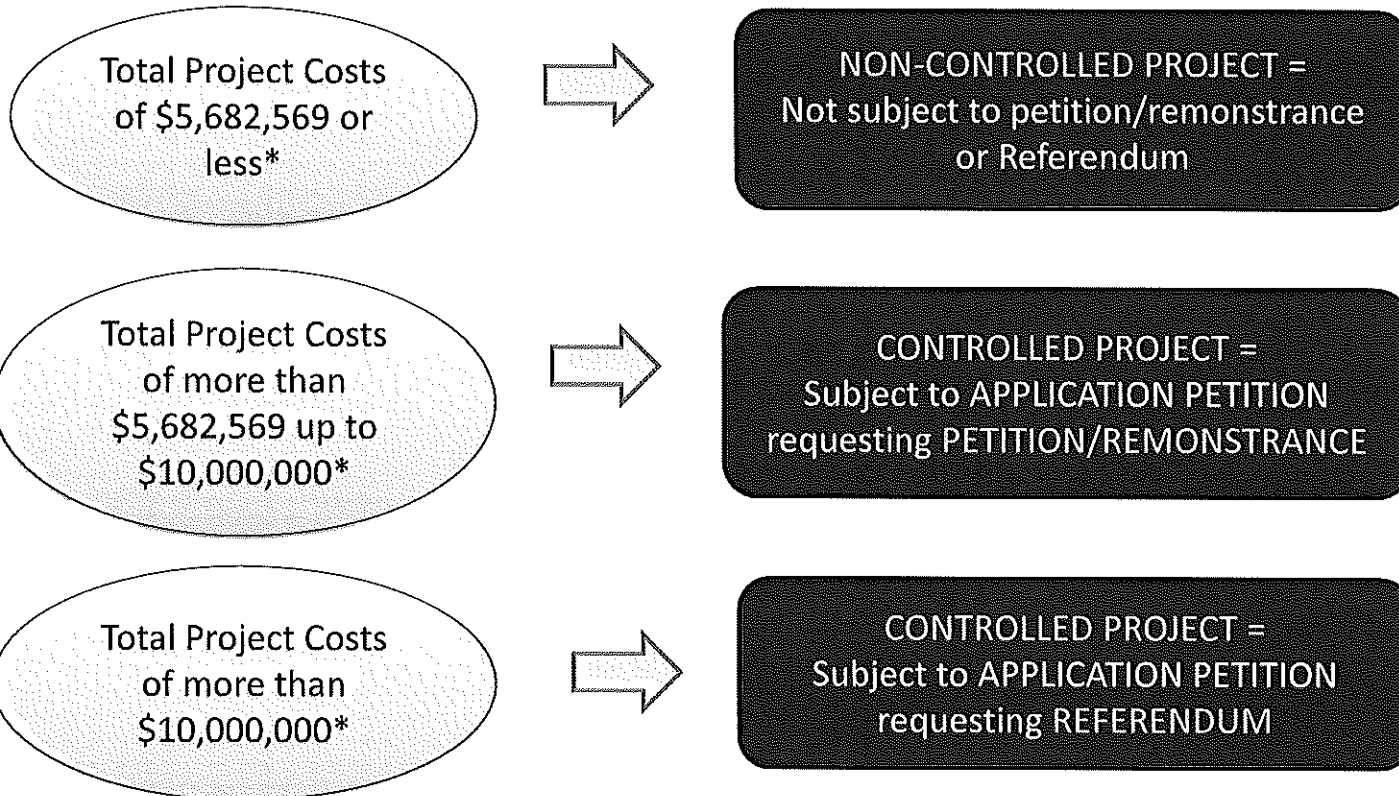
(below, above, or in between \$0.40 and  
\$0.80)

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

