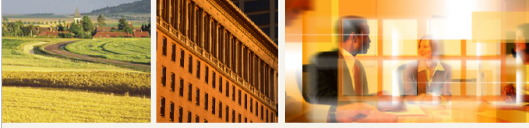


Public Sector Advisors



Springsted



PRESENTATION TO
Great Start Workshop
October 13, 2011

PRESENTERS:
John Will, Vice President and
Client Representative

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Funding Options for Minnesota Schools

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Funding Options For Minnesota Schools

- Referendum Revenue/Operating Levy Revenue
- Equipment Certificates
- Capital Facilities Bonds
- School Building Bonds
- Capital Projects Levy
- Lease Purchase
- Alternative Facilities Bonds and Levy

Funding Options For Minnesota Schools *cont.*

- Deferred Maintenance
- Health & Safety Levy
- Building Bonds for Calamities
- Installment Contract - Energy Conservation Measures
- Other Options
 - Qualified Zone Academy Bonds (QZAB)
 - Qualified Energy Conservation Bonds (QEGB)

Referendum Revenue / Operating Levy Revenue (MS 126C.17)

- Voter approval required
- May be used for a variety of purposes, including capital projects
- Maximum of ten years
- Levy spread on referendum market value (excludes agricultural land except for the house, garage, and one acre-excludes seasonal/recreational)

Referendum Revenue/Operating Levy Revenue *cont.*

- Two-tiered aid level with generally higher aid percentage than debt service equalization
- No up front sum of cash
- Can no longer be revoked by voters
- Can include inflation language

Referendum Revenue/Operating Levy Revenue *cont.*

- Elections must be in November unless mail ballot or SOD District
- Various publication and notice requirements
- Cap on amount per pupil unit unless you are sparsity school district
- Revenue does not come into the school district until the next fiscal year

Equipment Certificates (MS 123B.61)

- No voter approval required
- Up front cash for eligible equipment purchases
- May be used to pre-pay special assessments
- Maximum of five years
- Useful life at least as long as the term (except technology)

Equipment Certificates *cont.*

- G.O. bonds/best interest rates
- Revenue neutral with bonds paid from operating capital revenue
- No debt service equalization

Capital Facilities Bonds (MS 123B.62)

- No voter approval required (subject to 30 day reverse referendum)
- Up front cash for construction and/or purchases
- Cannot be used for new construction or building additions
- Maximum of fifteen years
- G.O. bonds / best interest rates

Capital Facilities Bonds *cont.*

- Revenue neutral with bonds paid from operating capital revenue
- No debt service equalization
- Review & Comment required for projects over \$1,400,000 per site
- Publication requirements
- Requires MDE approval for issuance

School Building Bonds
(MS 123B.02) (MS 471.191) (MS 475)

- Voter approval required
- Up front cash for construction
- Maximum of thirty years
- G.O. bonds / best interest rates (tax-exempt)
- Levy dollars spread on net tax capacity (includes farm land and seasonal recreational properties)

School Building Bonds *cont.*

- Debt service equalization
- Review & Comment required for projects over \$1,400,000 per site
- Publication requirements
- Election held anytime except blackout periods
- Debt limit

Capital Projects Levy (MS 123B.63)

- Voter approval required
- For future planned expenditures (within 5 yrs)
- Limit of 10 years
- No debt issued unless in conjunction with bond election
- Levy spread on net tax capacity

Capital Projects Levy *cont.*

- No equalization aid
- Review & Comment required
- No interest or borrowing costs

Lease Purchase (MS 471.191) (MS 126C.40)

- No voter approval required
- Up front cash for additional space (<20% of sq ft of previous existing building) or equipment needs (only with desegregation plans)
- Districts can enter into an annual revenue bond lease with vendor or COP
- Term cannot exceed useful life of improvement (up to 30 yrs for building addition)

Lease Purchase *cont.*

- Higher interest rates (annually appropriated)
- New dollars only for projects that meet MDE criteria
- Max levy is \$150 per resident pupil unit (can exceed max by meeting certain criteria and MDE approval)
- Levy spread on net tax capacity
- MDE approval needed to levy
- Levy authority rarely approved for new construction
- Review and comment required if over \$1,400,000 per site

**Alternative Facilities Bonds and Levy
(MS 123B.59)**

- No voter approval required
- Up front cash for construction
- G.O. bonds / best interest rates
- Levy spread on net tax capacity
- For deferred maintenance, health and safety, or disabled access
- Aid is eligible for first tier debt equalization

Alternative Facilities Bonds and Levy *cont.*

- Approved ten year facility plan required
- Minimum 1,850,000 sq ft of building space and 15 years age OR minimum 1,500,000 sq ft of building space and 35 years age required
- Must have more than 66 students/grade
- Review & Comment required
- Publication requirements

Alternative Facilities Bonds and Levy *cont.*

- For smaller school districts:
 - Must be health and safety
 - Cost must exceed \$500,000 per site
 - Publication requirements
 - No voter approval required

Alternative Facilities Bonds and Levy *cont.*

- G.O. Bonds/best interest rate
- Review and Comment required
- Spread on net tax capacity
- New revenue

Deferred Maintenance (MS.123B.591)

- For districts that do not qualify under Alternative Facilities Bonds
- Maximum of \$60 per AMCPU and is adjusted downward based on ratio of the average age of the buildings to 35 years
- Districts may qualify for deferred maintenance aid
- Revenue must be reserved in the general fund and be used only for eligible projects

Deferred Maintenance *cont.*

- Eligible projects are health and safety, disabled access, and capital projects necessary to prevent further erosion of facilities
- Districts can pay-as-you-go or issue bonds (capital facilities bonds)
- If bonding, Review and Comment is required for projects over \$1,400,000 per site

Health and Safety Levy (MS 123B.57)

- No voter approval required, however, includes only single site projects under \$500,000 (> \$500,000 see Alternative Facilities)
- Funds for hazardous corrections
- No debt issued
- Levy spread on net tax capacity
- Requires board approved H & S program
- Requires MDE approval

Building Bonds for Calamities (MS 123B.60)

- Damage by act of God or other means beyond district control
- No voter approval required
- Up front cash for construction
- Levy spread on net tax capacity
- Requires board approved H & S program
- Requires MDE approval

Installment Contract - Energy Conservation Measures (MS 123B.65)

- No voter approval required
- Guaranteed energy savings contract - reduce energy and operating costs
- Financing can include facility alterations
- Payments will be made from reduced energy or operating costs

Installment Contract - Energy Conservation Measures *cont.*

- Contract cannot exceed 15 years
- School Board must seek proposals and give notice of public meeting to award contract
- Not subject to bidding requirements

Other Options

- Qualified Zone Academy Bonds (QZAB)
 - State authorized issuance method required
 - Minimum of 10% private contribution
- Qualified Energy Conservation Bonds (QECCB)
 - Allocations to states
 - Tax credit bonds, primarily used for energy projects

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