



Loveland City Schools Finance Committee Meeting #4

January 17, 2019
LMS Media Center

Agenda



- Understanding financing tools to fund facilities master plan
 - Who are the participants
 - Types of typical improvements
 - Typical financing instruments
 - Sources of repayment
 - Timeline to place on ballot
 - Timeline to borrow money

Financing Team and Types of Projects

➤ Primary Participants

- Issuer/Borrower – Loveland City School District
- Bond Counsel – Bricker & Eckler
- Municipal (Financial) Advisor – Rockmill Financial
- Bond Underwriter – Rating Agency - Investors

➤ Typical Improvements

- Renovation and additions to existing buildings
- New construction of any facility (Classroom, gyms, auditorium, athletic, etc.)
- Furnishings and equipment (Flooring, lighting, HVAC, etc.)
- Transportation and safety
- Other (Library, community space, health care, land acquisition, etc.)

Typical Financing Instruments

- Bonds
 - Function like a loan or other debt instrument
 - Most common form of financing used by school districts
 - 40 year term maximum
 - Requires voter approval*
 - Amount limited by law
- Certificates of Participation (COPs)
 - Function like a lease-purchase instrument
 - Have become more common with school districts
 - 30 year term maximum
 - Does not require voter approval
 - Amount limited by ability to make payments

* Districts are allowed to issue bonds up to .10% of the current assessed valuation as unvoted debt (\$878,003 for Loveland Schools)

General Leveraging Amount*

➤ Bonds

- Basic debt limit = \$70,330,192
- Calculated by multiplying 9% times the current A. V. less debt outstanding
- Certain exemptions exist if District qualifies

➤ Certificates of Participation (COPs)

- Total amount available if using entire P.I. levy = \$54,500,000
- Uses 100% of the existing P.I. levy of \$3,650,000
- 30 year term
- Assumes a 5.25% interest rate
- Every \$1,000,000 requires annual payment of \$67,000 per year

Typical Financing Instruments

- Tax Anticipation Notes (TANs)* – Permanent Improvement Levies
 - Function like a loan or other debt instrument
 - Most common form of financing used by school districts
 - 10 year term maximum
 - Requires voter approval
 - Amount limited** by law (can borrow up to 50% of PI tax collected over 10 years)
- Cash
 - Derived from annual set asides for capital expenditures
 - Have become more common with school districts
 - Used to reduce the cost of construction
 - Does not require voter approval
 - Amount limited to the amount of savings

*Typically TANs are issued against an existing P.I. Levy, but may be issued against an existing levy

** $(\text{Loveland has an existing P.I. Levy that brings in } \$3,650,000 \text{ per year or } \$36,500,000 / 2 = \$18,250,000)$

General Leveraging Amount*

- Tax Anticipation Notes (TANs) – Permanent Improvement Levies
 - Basic debt limit = \$18,250,000
 - Based upon estimated value of ten years total P.I. levy revenue divided by 2
 - 10 year term
- Cash
 - Derived from annual set asides for capital expenditures
 - Have become more common with school districts
 - Used to reduce the cost of construction
 - Does not require voter approval
 - Amount limited to the amount of savings

* Preliminary, Subject to Change

Sources of Repayment

- Property Taxes
 - Voted Bond Issue
 - Permanent Improvement Levy
- Income Tax
 - Traditional Income Tax
 - Earned Income Tax
- Other Resources
 - General Fund Cash
 - Savings from more efficient operations
 - Corporate donations

Timeline to Place an Issue on the November Ballot

- Income Tax
 - Traditional Income Tax
 - July 26, 2019
 - Earned Income Tax
 - July 26, 2019
- Property Taxes
 - Voted Bond Issue or P.I. Levy
 - August 7, 2019

Timeline to Borrow Money

- Issue or tax approved by voters
 - 60 – 90 days bond documents are drafted
 - 30 days bond rating is secured
 - 15 days bonds are sold to raise funds
 - 15 days transaction closes and money is put in the bank
- Total 150 days (5 months) after election before money is available

Next Step

A large, stylized graphic of a tiger's face and stripes in shades of orange, grey, and white, serving as a background for the slide.

- Upcoming Finance Committee Meetings
 - February 4th, 6:00 pm at LMS Media Center
 - February 21st, 6:30 pm at LMS Media Center
- Visit www.BuildingTigerNation.org
- If you have any questions please email Treasurer@lovelandschools.org