

# Bond Financing – Investing in Student Success

## Bond Basics

- Why do School Districts issue bonds?
  - To fund expenditures in excess of available monies in the general or building fund
- How can bond proceeds be used?
  - Acquiring or improving school sites
  - Constructing, repairing, remodeling, equipping
  - Acquiring school furniture, fixtures, equipment
  - CANNOT be used to pay salaries

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## Bond Basics

- How are Oklahoma School Bonds repaid?
  - Property taxes (Ad Valorem taxes) into the Sinking Fund
  - Sinking Fund levy determined by amount of bonds and Net Assessed Valuation of School District
  - Sinking Fund Levy expressed in “mills”

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## Bond Basics

- What is a mill?
  - Example: An Oklahoma resident has a 2019-20 total tax rate of 100.00 mills comprised of the following:

School District	65.00
City	10.00
County	15.00
<u>Career Tech</u>	<u>10.00</u>
Total	100.00

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## Bond Basics

- What is a mill?
  - Example: The resident lives in a house valued at \$100,000. The net assessed value of the house is calculated as follows:

Market Value	\$100,000
Assessment Ratio	11%
Gross Assessed Value	11,000
<u>Less: Homestead Exemption</u>	<u>-1,000</u>
Net Assessed Value	\$10,000

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- What is a mill?
  - Example: The property taxes are calculated as follows:

Net Assessed Value	\$10,000
<u>Total Millage Rate (100 mills)</u>	<u>x .100</u>
Total Property Taxes	\$1,000

(Total Millage Rate =  $100 / 1000 = .100$ )

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- Is there a limit on bond issuance for Schools?
  - YES – School Districts have a maximum amount of bonds they can have outstanding (“Debt Limit”)
  - Debt Limit is approximately 10% of the Net Assessed Valuation of the District
  - Example: A School District has a Net Assessed Valuation of \$100,000,000. Their Debt Limit would be approx. \$10,000,000.
  - Compliance with Debt Limit must be certified prior to bond issuance

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## Bond Basics

- What is the process to issue bonds?
  - First, a School District must do two things:
    1. Identify the needs of the District and prioritize
    2. Structure a financing plan -- work to create a financing plan that allows the District to meet its needs in the most efficient way possible

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## Bond Basics

- Structuring a financing plan is a collaborative effort based on several important factors including:
  - Current bonds outstanding
  - Future authorized but unissued bonds
  - NAV growth projections
  - Targeted tax rate
  - Length of plan
  - Future bonding availability



# School Bond Issues – An Investment in Student Success

## Bond Basics

- What is the process to issue bonds?
  1. Board Meeting #1: Resolution Authorizing Election
  2. Election (school bonds require 60% approval rate)
  3. Board Meeting #2: Resolution Authorizing Sale
  4. Financial Advisor prepares bond offering material for investors
  5. Board Meeting #3: Bond Sale/Resolution Authorizing Issuance
  6. File “Transcript of Proceedings” with Attorney General
  7. Required 30-day contestability period
  8. Bond Closing – School District receives bond money

The entire process takes about 4-5 months from start to finish.