

Long Range Facilities Planning Committee  
Meeting Minutes  
September 10, 2009

Attendees:	Dr. Nick Boren	Charles Oestreich
	Christy Serrage	Linda Quinley
	Donald Ludwig	Dr. Jack Jensen
	Oscar Carter	Tim Teddy
	Larry Jones	Dr. Tom Rose
	Dr. Wanda Brown	Dr. Sally Beth Lyon
	Bruce Whitesides	
Guests:	Dr. Mary Laffey	Jan Mees
	Dr. Chris Belcher	Dr. Dana Clippard

The meeting was called to order at 3:35 pm.

**1. Minutes Approval**

Minutes from the August 27, 2009 meeting were approved.

**2. Update on the purchase of the Bethel property.**

Dr. Nick Boren gave a brief update on the status of the Bethel property purchase. The District's first offer was rejected; negotiations are ongoing. The District is looking at other properties and is beginning to work on identifying a "Plan B". The owner has requested a copy of the appraisal and the District has supplied it to him.

**3. Tentative Bond Plan**

Mr. Jack Dillingham from Piper Jaffray spoke regarding the proposed 2010 bond issue. Mr. Dillingham felt the levy would be sufficient to debt services. The levy generates dollars which roll back the levy. Each August the tax levy is set. As of right now it is \$.8019 per \$100 assessed. It is very important to manage the level and keep it as even as possible. Moving the levy around looks like taxes have been raised without a vote. Bonds are subject to federal tax but not state tax. Municipal bonds are tax exempt. Bonds can only be issued for capital improvements. Bonds can be issued for up to 20 years for general obligation bonds.

There are five election dates each year. Districts need a 57.41% (super majority) voter approval to pass. If using a special election date it would take 66.67% (super majority) voter approval to pass. November 2009 is a regular election date but due to stimulus money schools will be allowed to vote on bonds with a 4/7 majority needed to pass. Schools are limited to the amount of bonds that can be placed on the ballot. April 2010, the voters will be voting on a bond election not a bond issue. The District will be asking the voters to authorize bonds; once they have been authorized the Board

can sell or issue the bonds as needed. The Board has an obligation to the voters to use the bonds in a correct way.

#### Bonding Capacity:

Districts have the ability to issue bonds without a tax increase and sell outstanding bonds up to 15% of assessed valuation. Assessed valuation is 32% commercial; 19% residential; 12% agricultural; 33% personal property. A combination of all combined gives the gross total assessed value of approximately 2 billion (15% = 300,000). CPS has 139,000,000 outstanding bond debt until 2014. The District has ample bonding capacity outstanding.

With the percentage of debt outstanding, the District is in good shape. The District is paying back principal rapidly \$13,385,000 toward principal with \$18,800,000 total payout in 2010.

#### Future of Capacity Going Forward:

The District is recreating bond capacity each March when the principal payment is made. The District issues bonds for 15 years instead of 20 years which allows the principal is paid down rapidly causing interest costs to be less.

Structuring principal repayment over 5-10 years will also reduce interest costs. This is a way to present a new building without a tax increase.

#### Selling Bonds

Anticipating bonds sold annually. The District sells a particular number of bonds; the purchaser wires the money to the district. Districts don't operate like commercial businesses, they don't get construction loans.

District sell bonds and to get proceeds, they don't want to sell just to sell unless interest rates start rising.

Keeping debt shorter allows for the principal payment to be on a fast track with significant bonding program, levy, and ability to complete.

#### Reserves:

The District has \$44 \$10 million in reserves. The operating budget is more important than debt service for bond rating. The District has a AA bond rating- highest is AAA. To be able to get a high rating must have targeted spend down in general funds once it is level then has to keep hitting it.

AA rating sets the District apart. Many bidders have rating requirements for investing. If the rating is high then bonds sell better. The District also has a high credit rating with Moody. Even with tough economic time, there has been no conversation to down grade rating because reserves are down.

#### Qualified School Construction Bond:

QSC are tax credit bonds for schools in Missouri that are outside of Kansas City and St. Louis. There was \$141million to be split among the qualifying districts. To be able to take advantage, the district had to have bonds voted, authorized, but not yet issued.

The maximum to qualify was \$15 million, the District had \$18million. The District received \$9,187,000 at the current tax credit amount of 6.286%. The bonds have to be

issued before the end of the calendar year. These bonds are only good in 2009. Districts have to know what the proceeds will be used for by years end and have contracts in place with in 6 months for 10% of total. The District does not want to let time elapse before April so they are waiting to issue. This is a unique opportunity for school districts for 2009 and 2010. If a school district was able to take advantage of the QSC bonds, they will not be able to apply for the 2010 bonds. Of the \$18 million bonds the District has, they can issue \$9 million at 0% interest. The \$9 million has to be committed by December 31<sup>st</sup> or will lose. This is independent of the April vote. District needs to have a plan B in place for investor. Example, the plan is to use bond money on new high school but if bond does not pass in April we will use on .....

The district has a bonding capacity of \$161 million. The bond that is being considered is larger than any bond the District has every asked for. The last bond of \$60 million was the highest. Districts can get into trouble when there is no growth. CPS has grown 1/2% this last year for assessed valuation. Looking at the projection of growth for the next five years, CPS is still okay.

District plans to use capitalized interest to help get over the hump in 2014 allowing the district to maintain a fund balance of \$3 million. Also having a strategy on timing and moving work out to 2012-2013 can help with fund balance. On \$120 million the District will use \$7 million in capitalized interest. The goal is work to minimize capital interest. Building the new high school in one phase instead of three phases will save \$11 million but the trade off is the \$7 million in capitalized interest. However, the District feels this is a good trade off.

For this bond to be successful, the voters need to know there is a plan to build the high school and other upgrades and renovations. What is listed on the bond plan must be completed, if there is money left over it can be used for other projects that spelled out within the bond language.

When is the next window of opportunity to help address elementary schools and trailers? If money is left from bond it could be used to address these issues. Dr. Jensen would like to move forward so that we don't have to use trailers to met demand.

The \$0.8019 does not support bond amortization. The District moves ~~1.5%~~ \$1.5 million out of ~~teacher~~ the Classroom Trust fund into debt service. This practice will end in 2015. Mr. Dillingham is comfortable with the plan of finance and believes that the capitalized interest can be whittled down. Dr. Rose explained that the Board can ask for another plan that can service so that the 1.5% would not have to be moved into debt service. He also requested that the Finance Committee show scenarios that would eliminate or back out the 1.5%.

Worse Case:

Inflation that leads to interest rates rising would be a worse case scenario. The District is using assumption rates of 4.5%, it would be a problem if it were to rise to 10%. The likely hood of that happening is almost zero.

The City and UMC Community Policy Analysis Center has some employment growth scenarios for Columbia out to 2015 and it show some modest growth.

#### **4. Building Services:**

Charles Oestreich presented an opportunity regarding a proposal that was received to purchase the Building Services building plus two additional district surplus properties. This proposal would allow for all of Building Services to be under one roof and eliminate the need for the extra bus parking on LeMone Dr. which would save the District money because the cost of that parking is rolled into the transportation contract. The cost associated with the space on LeMone will be increasing considerably. Before moving forward, the Building Services building would need to be declared a surplus property. The property would then need to be listed with a realtor or auctioned off. Mr. Oestreich felt that having the property auctioned was a better solution so there would be no realtor fees. Mr. Oestreich has asked to place this item on the next meeting's agenda so that he can provide more information to the Committee.

#### **5. Agenda Items for September 24**

Agenda items for the September 24<sup>th</sup> meeting were discussed.

#### **6. Discussion and Adjournment**

The Committee discussed the possibility of having a joint meeting with the Finance Committee. The Committee would like to finalize their recommendations and vote at the September 24<sup>th</sup> meeting so that a presentation can be prepared for the October board meeting.

Bruce Whitesides informed the Committee that the city is having an impact study regarding the new high school at Two Mile Prairie on September 22<sup>nd</sup>.

Don Ludwig is doing analysis on home boundaries, if there is growth there will be no new elementary built until after 2014 when the District can ask voters to vote on bonds. This new elementary would tentatively open in the fall of 2016. However if the Board votes to send the bond plan to the voters in April, and money was left over from the build of the new high school, excess money could be used to put additions onto existing buildings. Adding the additions would fall under renovations that are already part of the bond language.

The meeting adjourned at 5:10 pm.