



# Tools for Financing Capital Projects

ROCORI School District

**Presenters:**

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# Financing Tools



Multiple financing tools



“Tools for Financing Capital Projects” booklet



Growing trend

- ✓ Mix & match
- ✓ Get advice early to be creative



Effective use = SUCCESS!



# Available Financing Tools

Available Financing Tools for Capital Projects	PROJECT TYPES													Limitations	Maximum Borrowing	Other Notes
	New Buildings/ Bldg. Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety Projects	Parking Lots	Energy Improvements	Security Improvements	Furnishings/ Equipment	Voter Approval Required	Property Tax Impact	Ag Bond Credit			
<b>Building Bonds</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Y	Y	Y	None	Statutory debt limit	State Review & Comment required
<b>Operating Referendum</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Y	Y		Annual revenue; not all up-front	No borrowing State maximum revenue/ pupil	Annual revenue can be used to make payments on debt issue (lease purchase, capital facilities bonds, capital notes)
<b>Capital Project Levy</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Y	Y		Annual revenue; not all up-front	No borrowing	
<b>Facilities Maintenance Bonds</b> (All except old Alt. Fac. Districts)					✓								Y	Payments financed from LTFM revenue	Statutory debt limit	State approval required
			1			✓						Y	Y	HVAC, fire suppression, asbestos over \$100k or remodeling for Pre-K	Statutory debt limit	State approval required
<b>Facilities Maintenance Bonds</b> (Old Alt. Fac. Districts)			1		✓	✓						Y	Y	None	Statutory debt limit	State approval required



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<b>Capital Facilities Bonds</b>			✓	✓		✓	✓	✓	✓				Y	Payments financed from general fund revenue	Annual pmts. can't exceed operating capital revenue	State approval required	
<b>Capital Notes</b>										✓			Y	Payments financed from general fund revenue	Payments financed from general fund revenue		
<b>Lease Purchase without Levy</b>	✓	✓		✓			✓							Payments financed from general fund revenue			
<b>Lease Purchase with Levy</b>	2	✓		3									Y	Instructional & school storage use only Additions limited to 20% of existing building space	Annual lease levy limited to \$212/pupil	Annual state approval of levy required	
<b>Abatement Bonds</b>							✓						Y	Y	Permitted uses limited to parking construction & improvements	Annual debt service limited to 10% of NTC	Public hearing required







1 - Facilities maintenance bonds can be used to finance building remodeling required to accommodate state-funded voluntary pre-kindergarten programs.

2 - Lease levy can be used for new buildings, building purchases or building additions under 20% of existing building, but only if the facilities are used for instruction or school storage and not for "regular elementary or secondary instruction." Permitted examples would include buildings used for early childhood education, special education, alternative learning centers or adult education.

3 - Lease levy can be used for site improvements for cocurricular or other instructional uses, e.g. athletic fields and tracks.



# Financing Tools: School Building Bonds

-  Broadest authority
-  Voter Approval required
-  Provides up front cash
-  Qualifies for Ag Credit
-  Flexible payment structure
-  MDE Review and Comment for projects over \$2 million



# Financing Tools: School Building Bonds

## Advantages

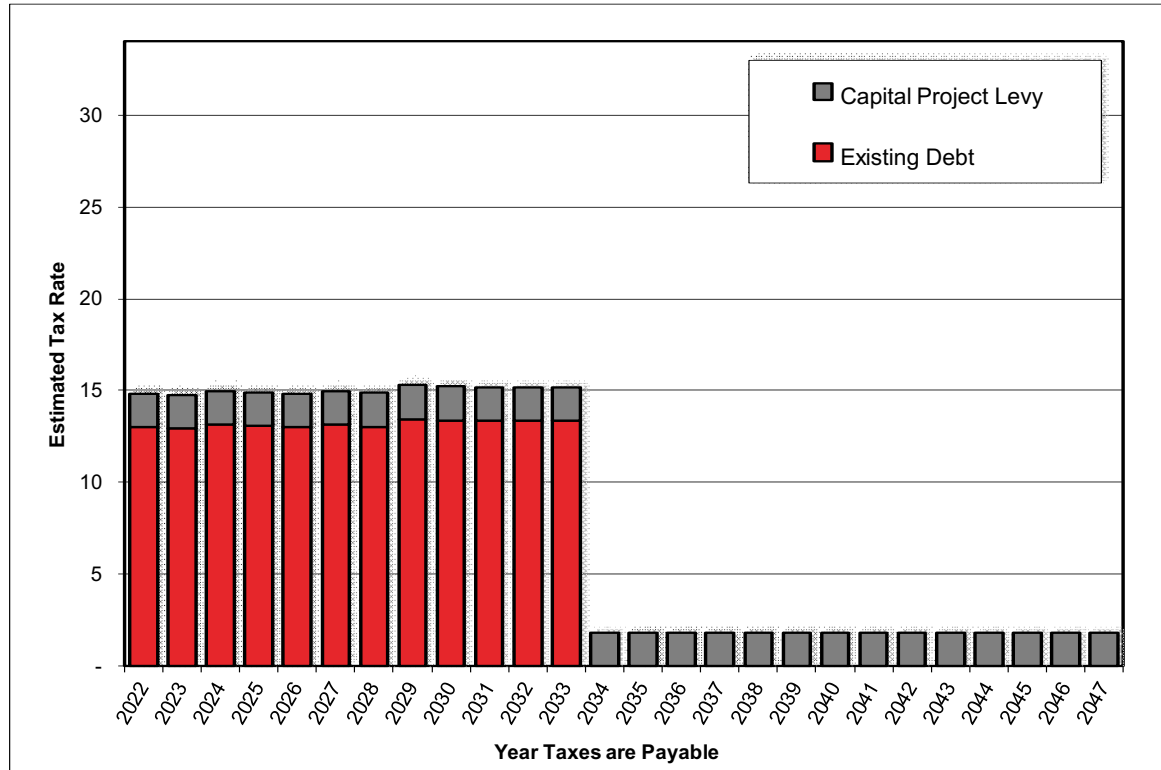
- Lower Interest Rate
- State credit enhancement program
- Additional revenue
- Flexible payment structure
- Debt service equalization aid
- School Bond Agricultural Credit

## Disadvantages

- Increase in property taxes
- Voter approval needed

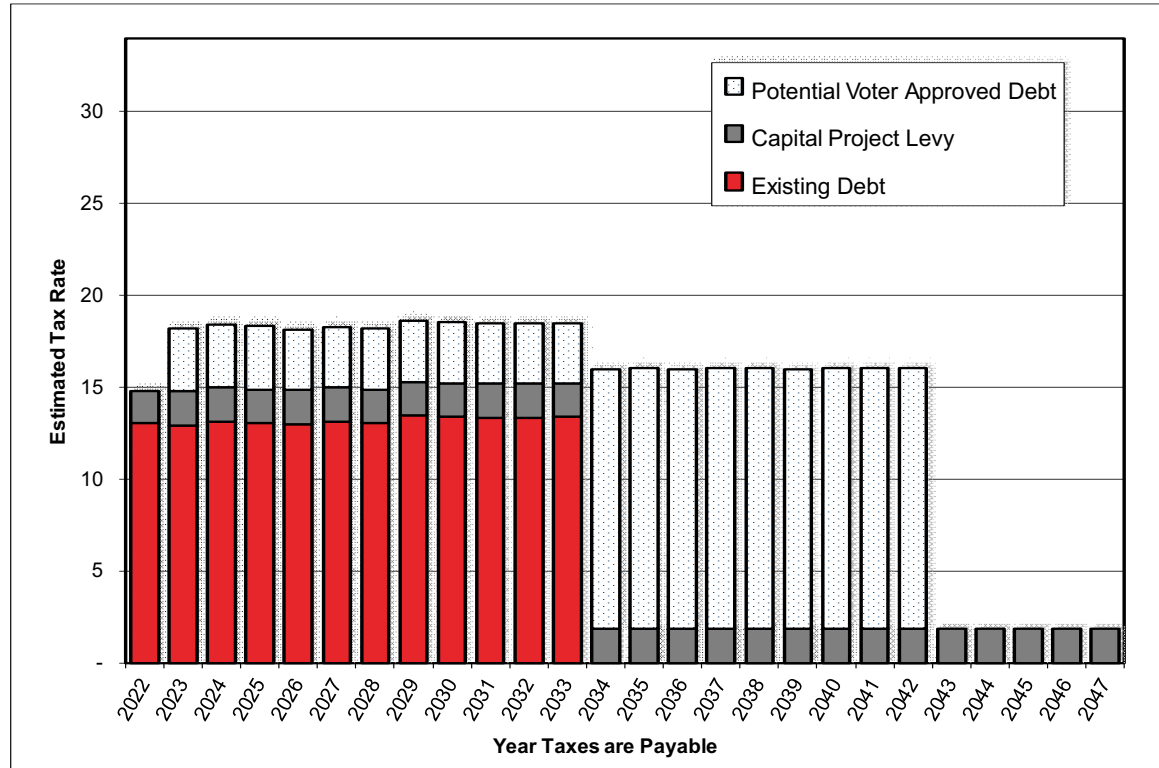


# Existing Commitments





# New Bond Example - \$20 million





# Financing Tools: LTFM Revenue

- Long Term Facilities Maintenance (LTFM) Revenue
  - ✓ Deferred Maintenance (like-for-like)
  - ✓ Health & Safety
  - ✓ Building remodeling for voluntary Pre-K
  - ✓ Additional revenue for Health & Safety projects over \$100,000
    - Indoor air quality
    - Fire alarm and suppression
    - Asbestos removal

# Financing Tools: LTFM Revenue

- LTFM Revenue Continued...
  - ✓ \$380 per pupil (old Alternative Facilities districts have no limit)
  - ✓ Building age
  - ✓ State aid and property tax levy
    - Excludes 50% of agricultural land value for tax base
  - ✓ Equalizing factor
    - 123% of state average ANTC per pupil
  - ✓ Bonds and Pay-As-You-Go Options



# Financing Tools: LTFM Revenue

## Advantages

- State aid
- Bonds qualify for School Bond Agricultural Credit
- Lower interest rates
- No election
- 10-year plan

## Disadvantages

- Limited uses
- Limited revenue
- Multistep approval process

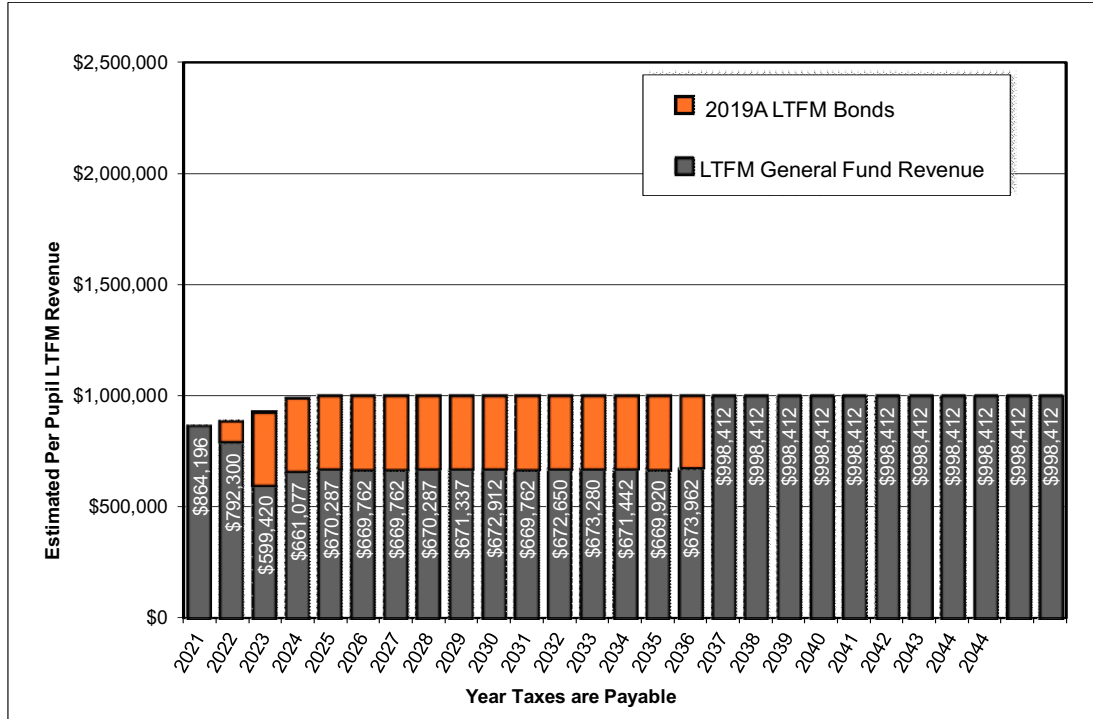


# Existing LTFM Bond

**ROCRI Public School District No. 750**  
Estimated \$380 Per Pupil Long-Term Facilities Maintenance Revenue  
Estimates of LTFM Revenue and Bond Payments

**2019A LTFM Bonds**  
15 Yrs; Payments Use  
31% of LTFM Revenue

Date Prepared: October 21, 2021





# Capital Facilities Bonds / Capital Notes

- Purposes
  - ✓ Building Renovations
  - ✓ Site Improvements
  - ✓ Health & Safety projects
  - ✓ Energy modifications
  - ✓ Security improvements
  - ✓ Parking Lot Improvements
- 15 Year Term
- No additional revenue for debt service
- Eligible for School Bond Agricultural Credit
- Payments limited to annual operating capital revenue
- Capital Notes: Equipment Purchases (10 Year Limit)



# Abatement Bonds

- Funds used for parking lots only
- Generally 15 years, 20 years possible
- Public hearing required
- Review and Comment required if project exceeds \$2 million
- Levy each year for payments
- Eligible for School Building Bond Agricultural Credit
- No state equalization aid



# Lease Purchase / Lease Levy

- Lease Purchase Agreement
  - ✓ Direct Bank Placement or “Certificates of Participation” (COPs)
- Used for real or personal property
- Certain leases qualify for lease levy authority
  - ✓ K-12 building additions
  - ✓ New buildings for non-K-12 purposes
    - ALC

# Lease Levy

- Purposes
  - ✓ Operating leases
  - ✓ Long-term capital leases (space used for instructional purposes)
- \$212 per pupil limit
- No state equalization aid
- Not eligible for School Bond Agricultural Credit





# Tax Base: RMV & NTC

## School District: Rocori (ISD # 750)

### Taxes Payable 2021 Tax Base by Property Type

	Market Value	Percent of Total	Referendum Market Value	Percent of Total	Net Tax Capacity*	Percent of Total
<b>Totals</b>	<b>1,761,278,550</b>	<b>100.0%</b>	<b>1,370,436,540</b>	<b>100.0%</b>	<b>17,692,860</b>	
Residential Homestead	992,433,800	56.3%	978,705,690	71.4%	9,276,897	52.4%
Other Residential	130,398,550	7.4%	128,577,650	9.4%	1,393,493	7.9%
Commercial / Industrial	192,151,400	10.9%	192,151,400	14.0%	3,641,903	20.6%
Non Qualifying Agricultural	66,846,300	3.8%	65,422,600	4.8%	595,542	3.4%
Qualifying Agriculture	203,591,900	11.6%	-	0.0%	1,256,380	7.1%
Seasonal Recreational	175,856,600	10.0%	5,579,200	0.4%	1,766,998	10.0%
TIF and FD					(238,354)	-1.3%

\* Totals include TIF and Fiscal Disparities adjustments



# School Building Bond Agricultural Credit

Provides agricultural property owners a credit for taxes attributable to school district debt service

Applies to new and existing debt

Applies to all agricultural property (except house, garage, and one acre)

- Class 2a: Agricultural Land (Homestead & Non-Homestead)
- Class 2b: Rural Vacant Land
- Class 2c: Managed Forest Land

Credit increases each year:

55% in Pay 2021

60% in Pay 2022

70% in Pay 2023 and later

Ongoing credit, automatically deducted from property taxes owed

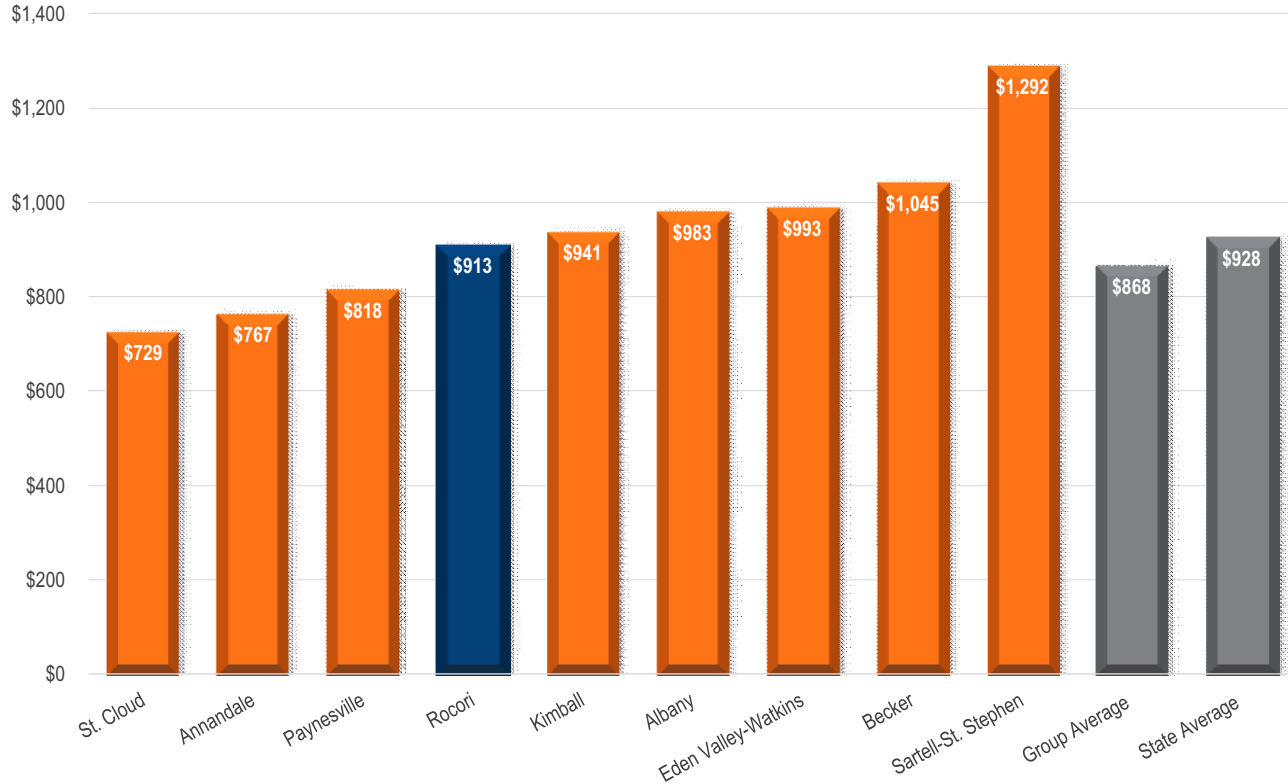
(property owners don't need to complete a form to request credit)

Credit paid by State, does not shift levy to other property types



## Rocori School District

Total School Property Taxes, Payable 2021, on a Home with an Estimated Market Value of \$225,000





# Operating Referendum

November election  
ballot question, stated  
per pupil, capped at  
\$1,827.54  
(FY 2021-22)

Allows districts to  
generate additional  
general education  
revenue

Revenue can be a  
combination of local  
property tax levies and  
state aid

Annual levy, maximum  
length of 10 years

Taxes spread on  
Referendum Market  
Value  
(Most property types pay same  
taxes per dollar of property  
value)

Revenue may be used  
for any operating or  
capital expenses  
(e.g. staff salaries/benefits,  
utilities, supplies, technology)



# Capital Project Levy

Election ballot question,  
stated tax rate

Allows districts to  
generate additional  
revenue for technology  
and capital projects

Revenue provided  
through local property  
tax levies

Annual levy, maximum  
length of 10 years  
2017 Election, Final Year  
FY 2027-28  
Renewal Vote by 2027

Taxes spread on Net Tax  
Capacity  
(All taxpayers pay, but may pay  
different amounts based on  
type of property)

Revenue may be used  
for items consistent with  
ballot language



# Your Ehlers Team!



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