

DATE: November 15, 2017

TO: School Board
William Gronseth, Superintendent

FROM: Douglas A. Hasler, CFO *DH*

SUBJECT: Bond Resolutions

The Business Committee Meeting report included two resolutions that are necessary to finalize the financing for Rockridge School improvements, and replacement of the Lakewood Elementary School roofing system. There were questions raised during Monday's Business Committee meeting relating to the "Exhibit A" pages that are part of each of the two resolutions (see pages 68 and 85 of the Business Committee report).

There is a "Tax Levy" referenced for each year of the bond repayments. While it initially appeared that the tax levy figures required revision to correspond to the principal and interest payments for each of the repayment years, the levy figures are accurate. The State of Minnesota requires that a tax levy associated with a bond repayment be calculated as 105% of the principal/interest payment due. For each of the levy figures referenced in Exhibit A, the 105% amount has been calculated accurately.

I am including two attachments which clarifies the relationship between the principal/interest payment due, and the tax levy amount.

Exhibit A for both resolutions includes a notation indicating that the tax levy amount for Levy Year 2016 (which corresponds to Fiscal Year 2018) is to be paid from an appropriation amount from "general fund reserves". This notation is necessary as the 2016 Pay 2017 levy was not structured to include these bond payments. However, the 10-Year LTFM plan presented to the Board in May 2017 did recognize the need to support a bond repayment for FY 2018 in the amount of \$790,000. Since the necessary reserve amount has been finalized to be \$810,321, it will be necessary to make adjustments within our LTFM plan to account for the additional reserve amount. As to specified reserve amount for the Capital Facilities bonds, adjustments in the current year budget may be necessary to accommodate this amount.

I hope that this information clarifies the issues relating to the bond resolutions that I am recommending that the Board approve in Tuesday night's meeting.