



April 10, 2014

Deron Stender, Superintendent
Virginia Public Schools
411 South 5th Avenue
Virginia MN 55792

RE: Shared School Financing Summary

Dear Superintendent Stender,

You asked us, as your independent financial advisor, to summarize the financing of a \$110 million bond, issued by the Virginia School District, and the net tax impact after state debt service equalization aid and a contribution from the new Iron Range Resources and Rehabilitation Board (IRRRB) Iron Range School Consolidation and Cooperatively Operated School Account.

We performed our calculations based on a proposed term of 20 years for the bonds, with an average interest rate of 4.45%. Based on these assumptions, the average annual debt service payment over the twenty years is approximately \$9 million. Based on the current formula for debt service equalization aid, the State would provide the district with an average of \$4 million per year to offset that payment. In addition, after the district applies to the IRRRB for its distribution from the new school account, the district will receive an additional \$5 million per year on average from the account.

As you know, the new IRRRB school account is funded with proceeds from taconite mining. The new legislation would provide two types of backup for the debt service subsidies for the Virginia School District. First, if State debt equalization aid goes down, the distribution from the IRRRB account automatically goes up to offset any reduction. Second, if the revenue streams into the new school account are insufficient to meet the payment distribution requirement, the IRRRB areawide distribution pool would be available to fund the account.

The net effect of all of these provisions is that, due to the State aid payments and the IRRRB distribution, the issuance of bonds would not result in additional property tax levy on Virginia Public Schools property owners.

If you have any questions about the information provided above, please contact either of us.

Sincerely,

Jodie Zesbaugh, Financial Advisor

Greg Crowe, Financial Advisor