

To: Board of Education
Philip Bender, Superintendent

From: Rebecca Allard, Business Manager *RA*

Date: February 13, 2012

Subject: Cost of Borrowing to Fund Capital Projects

There are two forms of borrowing the Board may consider to fund capital improvement projects. The type of borrowing where repayment is from the operating funds is called *Debt Certificates* and the type of borrowing where repayment is from the Debt Service Fund (*outside the tax cap formula*) is the *Debt Service Extension Base*.

The borrowing examples below now represent the total costs of all five projects authorized by the Board on December 19 and the request to extend debt for 20 years.

Debt Certificates count against the district debt limit and require the Board to approve a resolution authorizing the issuance of debt. This type of borrowing is not subject to a public hearing or petition period. Examples of the cost of borrowing under this method are:

Type of Borrowing	Amount of Borrowing	Repayment Years	Interest Rate	Interest Cost	Repayment Fund	Average Annual Repayment
Debt Certificates	\$14,000,000	20	3.274%	\$5,067,248	Operations & Maintenance	\$960,000

Debt Service Extension Base (DSEB) is the amount of annual principal and interest a school district can use to repay non-referendum general obligation bonds. This type of borrowing is subject to a public hearing and petition period. Examples of the cost of borrowing under this method are:

Type of Borrowing	Amount of Borrowing	Repayment Years	Interest Rate	Interest Cost	Repayment Fund	Average Annual Repayment	Tax Rate
Debt Extension	\$14,000,000	20	3.271%	\$5,247,246	Debt Service	\$970,000	\$0.04 Impact on \$400,000 Market Value \$50.31