



## Board Work Session Materials

*Presented by:*  
*Joe Kinder, Managing Director*

July 14, 2022

**STIFEL** | Public Finance

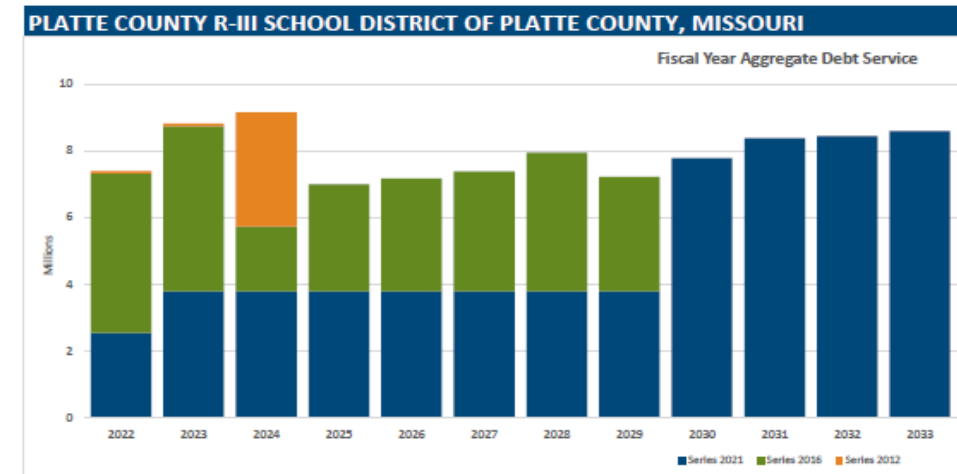
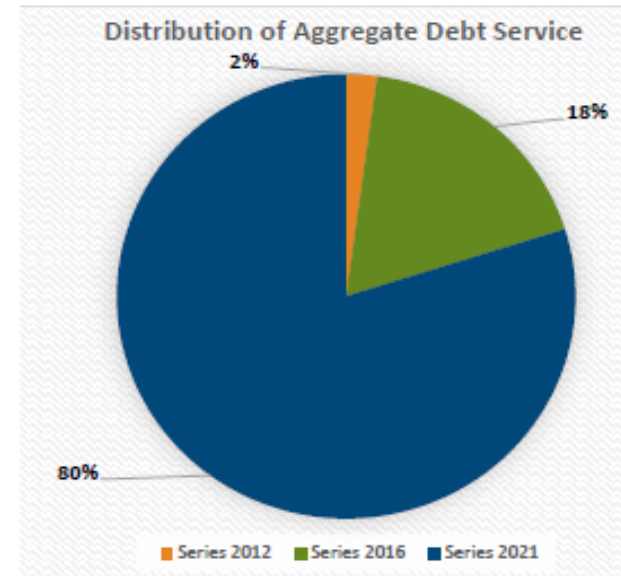
- ▶ **01** Learning Objective 1: Bond Mechanics
- 02** Learning Objective 2: Local Revenue Interplay
- 03** Learning Objective 3: Prop C Background & Basics
- 04** Learning Objective 4: Building Corp.
- 05** Learning Objective 5: Advanced Topics

## Bond Mechanics – What is a Bond?

Matching Investors with Borrowers to maximize efficiency in borrowing

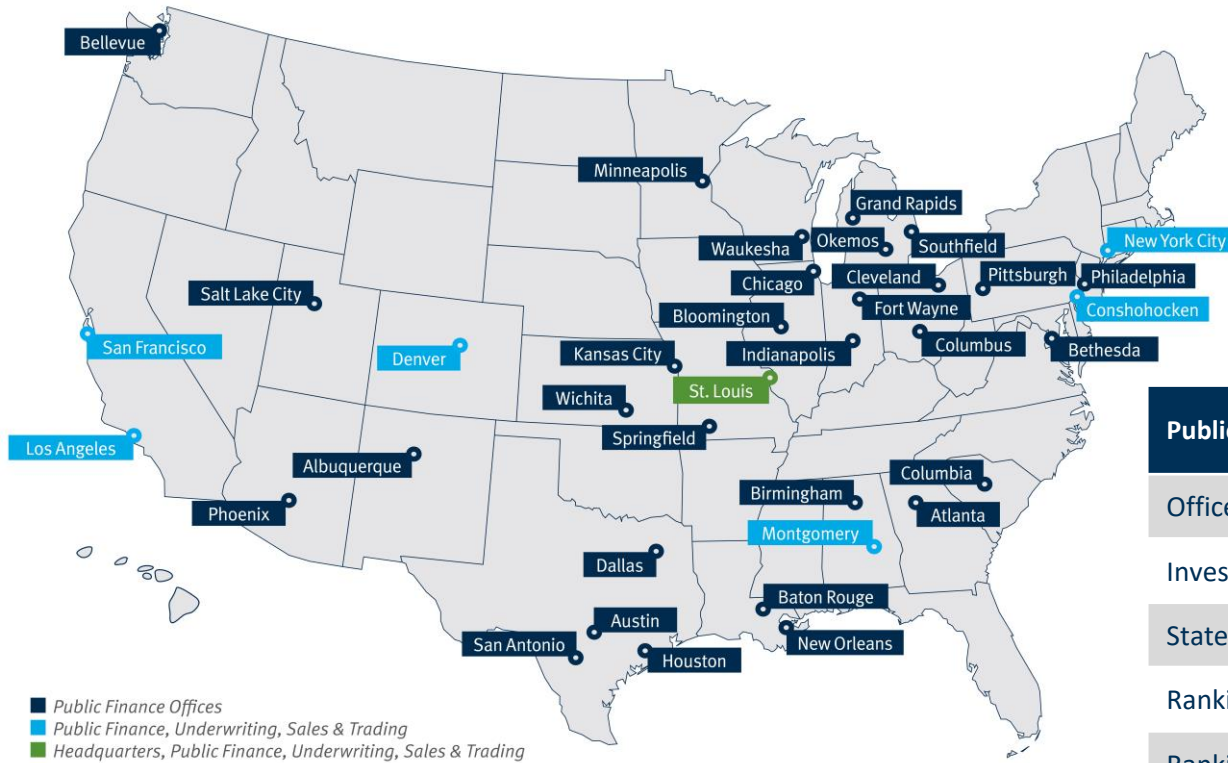
- A bond is a \$5,000 piece of a borrowing by an issuer
- Stifel's Role on the Day of Sale
  - Auction every bond of the District to the highest bidder
  - Over 250,000 open investor accounts as potential buyers
  - Highest bidder means LOWEST interest cost to the District
  - Support the District in all ways
  - We are not your lender
- Stifel's Role in between bond issues
  - Long Range Planning
  - Debt Monitoring
  - Market Monitoring
  - Board and Administration Consulting
    - Educate
    - Inform
    - Empower
  - Structuring Bond Issues
  - Monitoring Cash Flows
  - Tax Rate Assistance
  - Lobbying on behalf of K-12 Education
  - Supporting the work of statewide professional K-12 organizations
  - Much More

## Debt Dashboard



# Public Finance Office Locations

Stifel Public Finance maintains 37 office locations across the US.



**250+**  
Municipal banking, sales and trading professionals

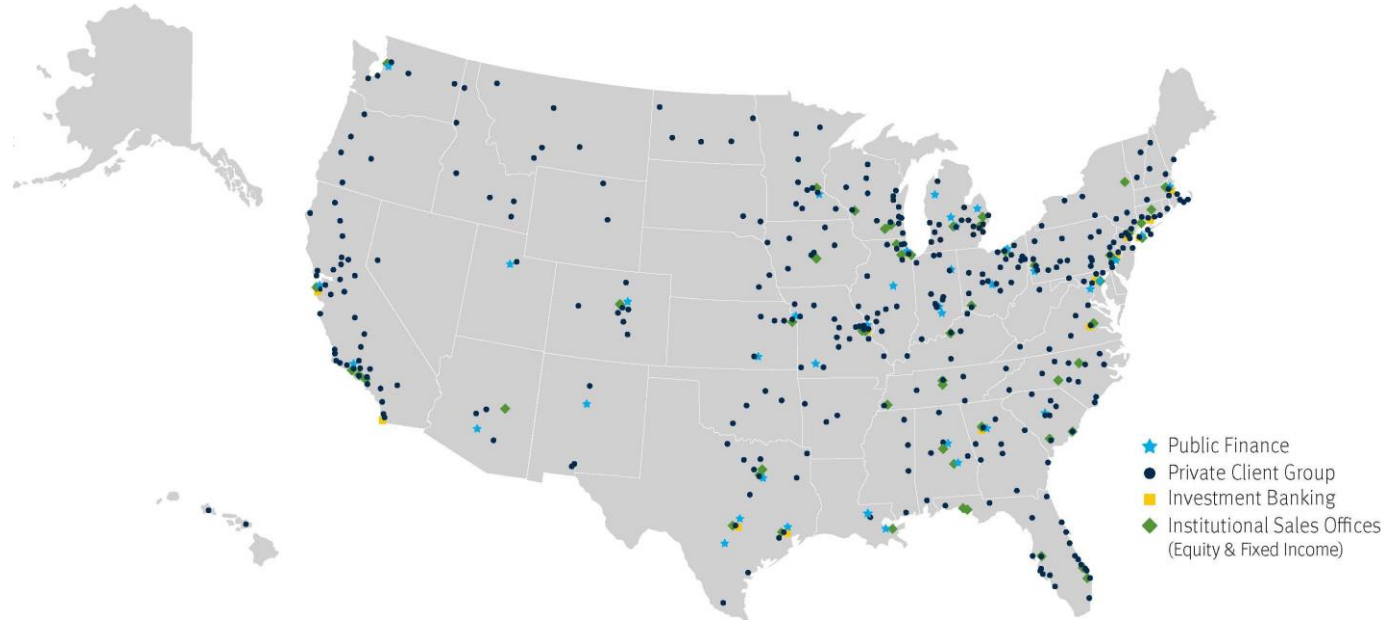
**37**  
Public Finance offices across the U.S.

| Public Finance Banking         |                 |
|--------------------------------|-----------------|
| Offices                        | 37              |
| Investment Bankers             | 200             |
| States                         | 23              |
| Ranking by Par <sup>1</sup>    | 5 <sup>th</sup> |
| Ranking by Issues <sup>1</sup> | 1 <sup>st</sup> |

<sup>1</sup>Source: SDC (Full to Book Equal if Joint) Negotiated Transactions ranked by number of issues and par. As of January 4, 2022

# Distribution Platform

## Stifel's National Platform



| Private Client Group |             |
|----------------------|-------------|
| Offices              | 384         |
| Professionals        | 2,400+      |
| States               | 49          |
| Client Assets        | \$350.6 bil |
| Client Accounts      | 1.78 mil    |

| Institutional Sales & Trading          |      |
|--|------|
| Committing Centers                     | 9    |
| Muni Underwriters                      | 14   |
| Muni Institutional Sales Associates    | 22   |
| Muni Institutional Trading Associates  | 9    |
| Global Fixed Income Sales Associates   | 200+ |
| Global Fixed Income Trading Associates | 80+  |

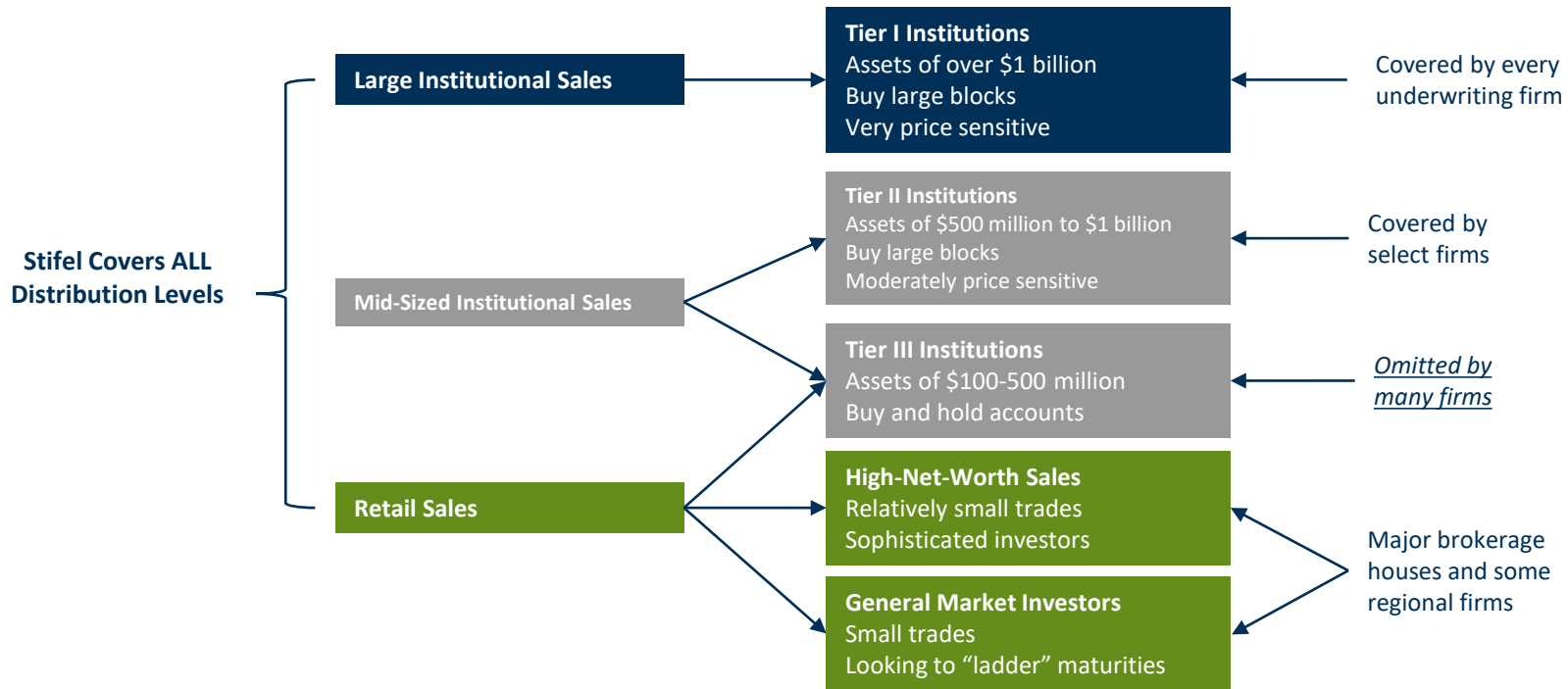
# Municipal Securities Group

## Balanced Distribution Strategy

### Buyers of Municipal Bonds

|  |  |  |   |
|--|--|--|---|
| <b>Individual Retail Investors:</b><br>High-Net-Worth and “Mom and Pop” Buyers | <b>Professional Retail Investors:</b><br>Separate Account Managers, Bank Trust Departments | <b>Middle-Market Institutions:</b><br>Regional Banks, Insurance Companies, Money Managers, and Funds Below \$1 Billion | <b>Tier One Institutions:</b><br>Bond Funds, Institutions, and Banks With Assets Over \$1 Billion |
|--|--|--|---|

### Stifel’s Market Coverage



## Bond Mechanics – Planning, Short and Long Term

### Long Range Planning

- CSIP Incorporation of Debt Capability/Planning
- Cash Flow Analysis
- General Obligation Bond Capacity Recapture Schedule
- Facilities Needs
  - New Construction
  - Additions
  - Renovations
  - Maintenance
  - Land
  - Equipment
- Refinancing/Restructuring Opportunities
  - Capacity Increases
  - Cash Flow Optimization

### Short Term Planning

- General Obligation Bond Special Election Potential Dates
  - February
  - April
  - August
  - November
- Percent Required for Passage
  - 57.14% (4/7<sup>th</sup>) Majority on “General Election Dates”
  - 66.67% (2/3<sup>rd</sup>) Majority on all other election dates

## Cash Flow and Capacity Analyses

| Calendar Year | Assessed Valuation | Growth Rate | Tax Levy | Total Revenue | Existing Debt Service | Surplus (Deficit) | Fund Balance |
|---------------|--------------------|-------------|----------|---------------|-----------------------|-------------------|--------------|
| 2021          | 597,339,537        | 2.31%       | 1.1383   | 7,192,899     | 7,623,238             | (430,338)         | 9,115,545    |
| 2022          | 675,021,205        | 13.00%      | 1.2000   | 8,484,744     | 7,393,189             | 1,091,555         | 10,207,101   |
| 2023          | 695,271,841        | 3.00%       | 1.2000   | 8,729,477     | 8,811,700             | (82,223)          | 10,124,878   |
| 2024          | 736,988,152        | 6.00%       | 1.2000   | 9,229,263     | 9,155,950             | 73,313            | 10,198,191   |
| 2025          | 759,097,796        | 3.00%       | 1.2000   | 9,496,164     | 6,990,400             | 2,505,764         | 12,703,955   |

| Calendar Year | 15% of Assessed Valuation | DSF Balance | Gross Bonding Capacity | Principal Outstanding | Remaining Debt Capacity |
|---------------|---------------------------|-------------|------------------------|-----------------------|-------------------------|
| 2023          | 108,729,451               | 10,124,878  | 118,854,328            | 93,420,000            | 25,434,328              |
| 2024          | 115,051,733               | 10,198,191  | 125,249,923            | 88,785,000            | 34,257,223              |
| 2025          | 118,434,636               | 10,382,621  | 128,817,257            | 86,210,000            | 42,607,257              |

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## Local Revenue – Four Funds, Two Levies

### Four Source Funds for Missouri Schools

- General (Incidental) Fund
- Special Revenue (Teachers) Fund
- Debt Service Fund
- Capital Projects Fund

### Two Property Tax Levies Provide All Local Revenue

- Operating Levy
  - Levy ceiling set each year via a formula from state statute (Form A)
  - Rate and allocation set by Board each year
  - Levy can be placed in Funds 1, 2 and/or 4
    - Allocation among the three funds
    - \$2.75 or more must stay in 1 & 2 combined for state aid
    - Line 5221 Revenue
  - Maximum Voter Authorized Levy (\$6.700)
  - Hancock Amendment & Revenue Neutrality
    - Reassessment practices
    - Inflation (CPI)
    - 5% Cap on New Revenues from Existing Property
- Debt Service Levy
  - Ad Valorem Tax – what does that mean?
  - Rate Set Each Year by the Board
  - Ceiling determined via formula (Form C)

## Assessment and Taxation

### Steps to Property Levy Assessment

1. Property is appraised for market value,
2. Market value is applied an assessment rate to get assessed value,
3. Assessed value is then divided by 100 (the levy is dollars per hundred dollars of assessed value),
4. Levy rate is then applied to determine tax bill

| Property Type              | Market Value | Assessed Rate | Assessed Value | 100 Factor | Levy Rate | Tax Bill |
|----------------------------|--------------|---------------|----------------|------------|-----------|----------|
| Residential Real Property  | 250,000      | 19.00%        | 47,500         | 475        | 5.4837    | 2,604.76 |
| Agricultural Real Property | 250,000      | 11.00%        | 27,500         | 275        | 5.4837    | 1,508.02 |
| Commercial Real Property   | 250,000      | 32.00%        | 80,000         | 800        | 5.4837    | 4,386.96 |
| Personal Property          | 30,000       | 33.33%        | 10,000         | 100        | 5.4837    | 548.37   |

## Local Revenue – Allocating Levy Dollars

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### Shifting Levy Among the Funds

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- Ceiling versus Rate
- Debt Service Levy Flexibility & Restrictions
  - Ceiling
  - Annual Cash Flow Performance
  - Long Range Plan
  - Capacity Concerns
- Operating Levy Restrictions
  - Hancock
  - Election Requirements
  - State Aid Proration
- “No Tax Increase” Levy Transfers
  - Operating to Debt Service – Board Vote
  - Debt Service to Operations – Special Election Required

### Operating Levy Increase Elections

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- Operating Ceiling Increase Special Election Potential Dates
  - April
  - August
  - November
- All Dates require a simple majority (50% + 1 vote) to pass

## Operating Levy Sample Ballot Question

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Shall the Board of Education of Reorganized School District No. VI of Christian County, Missouri (Ozark, Missouri), be authorized to increase the operating property tax levy ceiling to \$3.1889 per one hundred dollars of assessed valuation according to the 2022 assessment for the purpose of paying general operating expenses?

If this question is approved, the adjusted operating property tax levy of the school district is expected to increase by \$0.1000 from \$3.0889 to \$3.1889 per one hundred dollars of assessed valuation and the District expects to make a corresponding reduction to its debt service property tax levy of \$0.1000 resulting in a no tax rate increase where the estimated overall District property tax levy is to remain unchanged at \$4.1498 per one hundred dollars of assessed valuation.

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## Proposition C – State-wide Sales Tax for Education

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### History & Background

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- 1982 Statewide Sales Tax dedicated to Public, K-12 education passes
- Revenue from the sales tax is allotted on a per pupil basis
- As a means to pass the measure, local Districts are required to give half of the revenue from Prop C “back” to their local taxpayers
- This is done through a required rollback of the operating levy that will reduce revenues from local property taxes an amount equal to the prior year’s Prop C Revenue received by that District
  - The reduction is actually larger in practice than half
  - Line 5221 Revenue
- In the early 90s, Districts were able to devise a process for waiving the requirement to rollback via ballot initiative
- En masse, districts statewide begin to pass waivers beginning in 1993
  - In the four year period 1993-1996, nearly 270 Districts pass some form of waiver (250+ are full waivers)
  - Over the next 5 years (1997-2001), another 100+ districts pass waivers
  - Today, 467 of the 518 school districts in Missouri have passed full Proposition C waivers according to DESE data
  - The real number of full waivers is much higher in practice because of the number of Districts who levy the state minimum property tax of \$2.75
  - Only approximately 19 school districts still roll back their levy due to Proposition C
- Election Dates for Prop C Waivers are the same as for operating levy increase initiatives and require a simple majority to pass.

## Prop C Waiver Sample Ballot Questions

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### Prop C Waiver Only

Shall the Board of Education of Marion C. Early R-V School District, be authorized to eliminate fully the reduction in the operating tax levy for school purposes as provided in Section 164.013, R.S.Mo., as amended (Proposition C rollback)?

### Prop C Waiver with Levy Increase

Shall the Board of Education of Neosho R-V School District of Newton County, Missouri be authorized to: (a) increase the operating tax levy by \$0.39 per one hundred dollars of assessed valuation for operating expenses of the District, including increasing compensation for employees in order to attract and retain quality faculty and staff, and funding the costs of capital projects of the District and (b) fully waive the Proposition C operating tax levy roll back as provided under Section 164.013 RSMo?

If this question is approved, District’s operating tax levy is estimated to increase from \$2.75 to \$3.14 per one hundred dollars of assessed valuation of real and personal property.

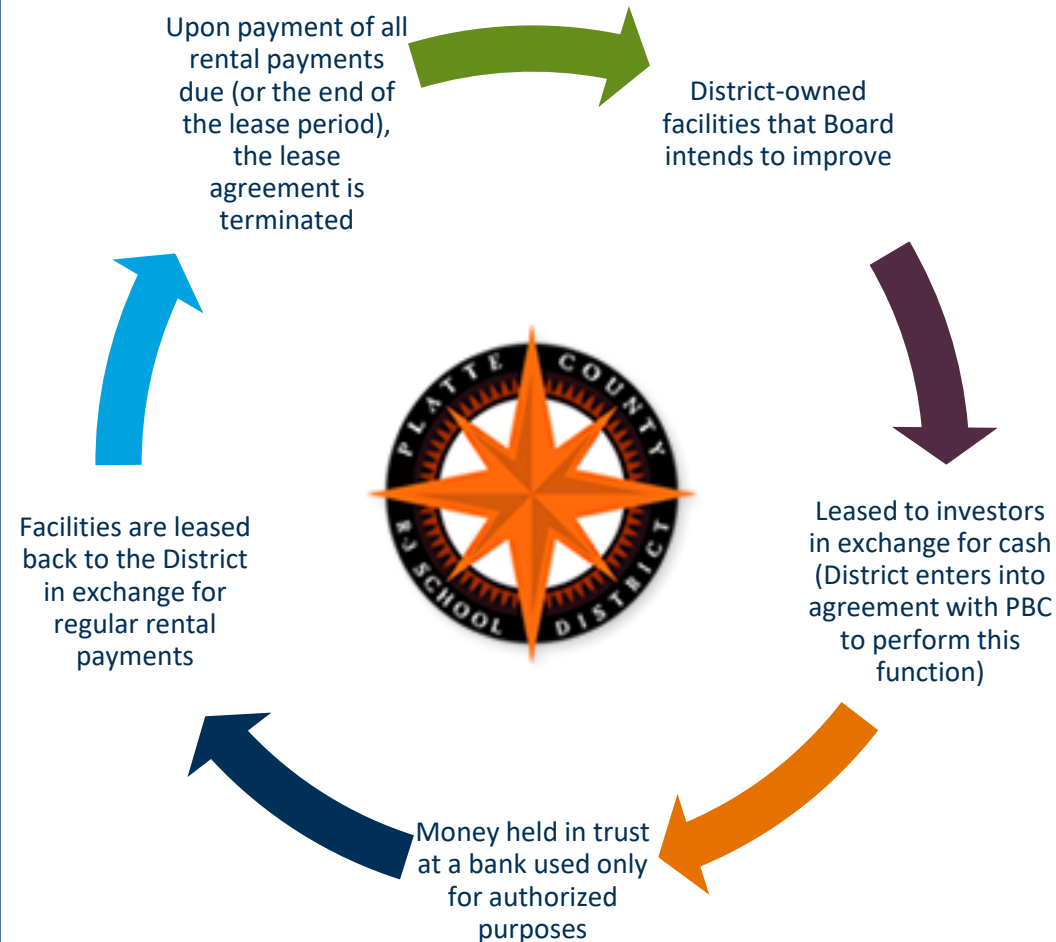
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## Platte County R-III School District Building Corporation

### History & Background

- 2000 – corporation is formed and first series of certificates of participation are issued
- Formed to comply with state law regarding “lease purchase” financings for school districts
- Prior version of RSMO 177.088 - “The board of any educational institution may enter into agreements as authorized in this section with a **not-for-profit corporation** formed under the general not-for-profit corporation law of Missouri, chapter 355, RSMo, in order to provide for the acquisition, construction, improvement, extension, repair, remodeling, renovation and financing of sites, buildings, facilities, furnishings and equipment for the use of the educational institution for educational purposes.”
- In 2014, the law changed to allow school districts to enter into an agreement with any bank with a location in Missouri.
- NEW PROVISION: “The board of any educational institution may enter into agreements as authorized in this section in order to provide for the acquisition...”
- The certificates are structured as a “Lease, lease-back” structure
- “Lease” - District provides a “leasehold” interest in their facilities to investors in exchange for capital to make improvements to those facilities
- “Leaseback” – the District leases those facilities back from the investors to use as educational spaces in exchange for regular rental payments
- The building corp. continues because of the nature and length of leases already in place

## Lease, Lease-back



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