

Overview of School Lease Revenue Financing

Over the last two decades, school districts across the State have utilized a financing mechanism commonly referred to as Lease Revenue Bonds ("LR Bonds"). Under this type of financing, a municipal entity (i.e. normally a County or City Public Trust) issues Lease Revenue debt on behalf of a school district, who then uses voter-approved General Obligation bond ("GO Bonds") proceeds to make scheduled lease acquisition payments and in effect repay the LR Bonds.

The primary benefit of LR Bonds is that the District receives its bond money up front that otherwise would have been received incrementally over a multi-year period of time. By utilizing LR Bonds to "advance fund" voter-approved projects, the District is able to exceed the amount of currently accessible bond dollars. Furthermore, allowing a school district to complete 100% of a project today, rather than completing the project piecemeal over a multi-year period allows the district to build at today's construction dollars rather than future, inflated construction dollars. Many believe that this benefit neutralizes the primary objection to utilizing LR Bonds, which is that LR Bonds ultimately result in double-interest paid on projects financed.

By choosing the LR Bond financing mechanism, the District enters into the following transactions:

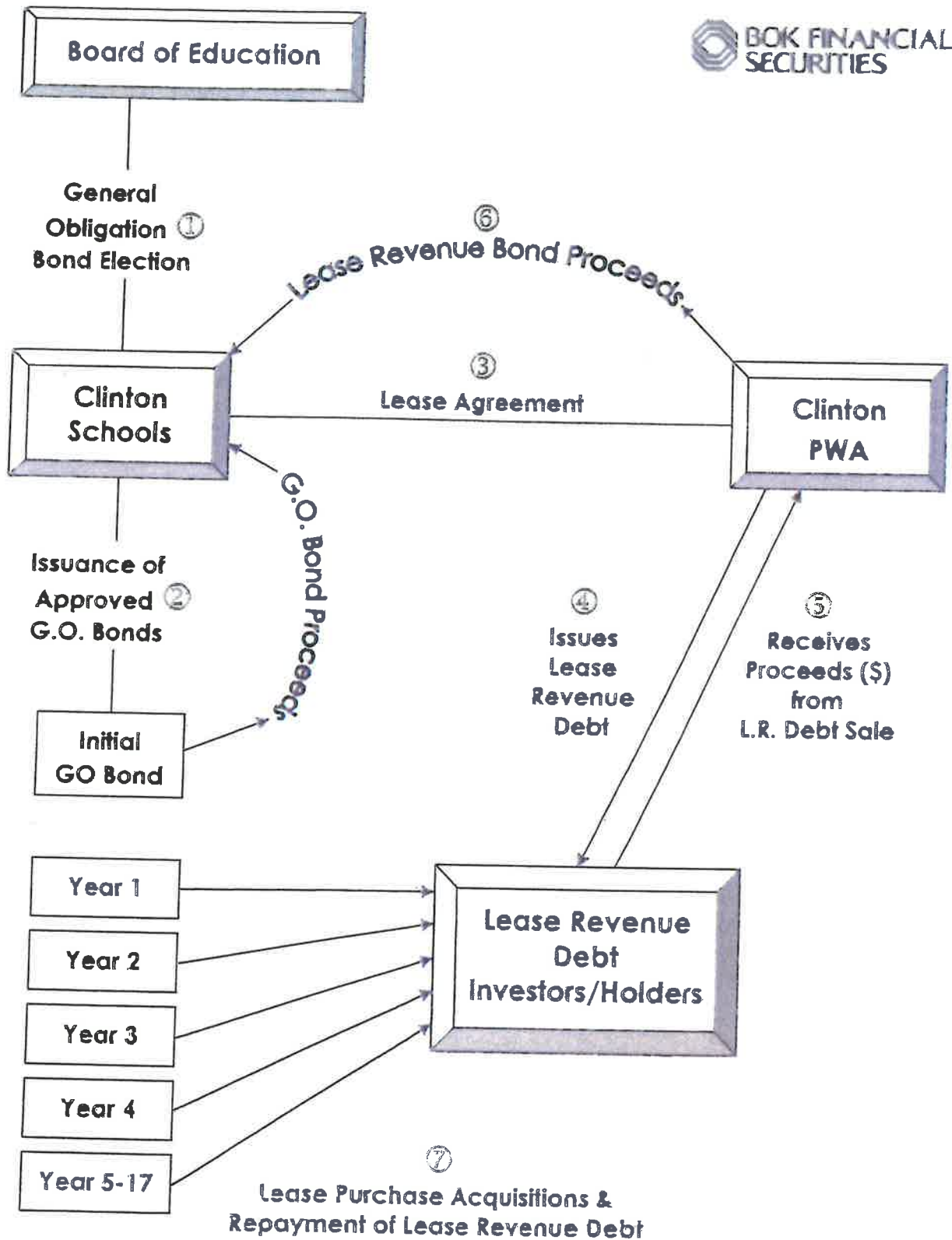
- 1) Ground Lease - whereby the District leases the real property on which improvements are to be made to the Public Trust ultimately issuing the LR debt on behalf of the District;
- 2) Sublease - whereby the Public Trust that issued the LR debt leases the real property and improvements back to the District in exchange for payments made by the School District. The money used to make lease acquisition payments by the District results from the annual issuance of voter-approved GO Bonds. As payments are made to the Public Trust, the District re-acquires title to the lease property and improvements. After all GO Bonds have been issued and all lease acquisition payments have been made, the District ends up with full ownership of the financed property and the Lease and Sublease are eliminated.

The process for completing a Lease Revenue financing is summarized below and is presented graphically on the attached flowchart:

1. Board of Education adopts Resolution Authorizing Election For GO Bonds – This is virtually an identical Resolution to those that the District has used for all of its previous bond elections. The resolution sets the date of the bond election and specifies the amount and description of the projects to be funded with bond proceeds. The only difference in this resolution is that it would encompass a multi-year phased GO Bond issuance plan rather a single issuance.
2. Issuance of First Series of GO Bonds – Following a successful election, the Board would complete the first series of GO Bonds in the identical manner that the Board has done in the past. It is important to complete the first series of GO Bonds before pursuing the LR financing. The reason for this is that after the Attorney General approves the first series of GO Bonds there is much greater certainty that the future GO Bond issues will all be approved by the Attorney General (which is important to the owner(s) of the LR debt).
3. Lease Agreement – After the school completes the first series of GO Bonds, it may begin working on completing the LR financing. The first step in this process is to enter into a Lease/Sublease Agreement with a County or City Public Trust (as described above).

4. Issue Lease Revenue Debt – Simultaneous to the adoption of the Lease Agreement, the Public Trust issues/sells Lease Revenue debt (either in the public bond market or directly to a qualified financial institution via private placement). The Public Trust receives the proceeds of the debt issuance (#5 on the attached flowchart) and provides them to the School District so that construction can begin immediately by the School District (#6 on the attached flowchart).
7. Repayment of Lease Revenue Debt - At this point the financing is complete. On an annual basis thereafter, the District will issue voter-approved GO Bonds in pre-determined amounts to make scheduled lease purchase acquisitions and in effect repay the LR debt.

Clinton Public Schools – Lease Revenue Bond Flowchart



Clinton Public Works Authority
Educational Facilities Lease Revenue Bonds
(Clinton Public Schools Project) Series 2022
Time & Responsibility Schedule
(As of May 11, 2022)

May							June							July						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7				1	2	3	4					1	2	3
8	9	10	11	12	13	14	5	6	7	8	9	10	11	4	5	6	7	8	9	10
15	16	17	18	19	20	21	12	13	14	15	16	17	18	11	12	13	14	15	16	17
22	23	24	25	26	27	28	19	20	21	22	23	24	25	18	19	20	21	22	23	24
29	30	31					26	27	28	29	30			25	26	27	28	29	30	31

Date	Event	Responsible Party
5/9/22	District BOE Meeting (Approve Lease & Sublease)	SD, FA, BC
5/11/22	Distribute Timeline and Distribution List	FA
5/17/22	Authority Meeting (Approve Lease & Sublease)	BC, AC, FA, SD
5/23/22	Distribute 1 st Draft of POS & Legal Documents	UC, BC
5/27/22	Submit Rating Request to S&P	UW
6/10/22	Comments Due on 1 st Draft of Legal Documents & POS	ALL
6/13/22	Rating Call (Date/Time TBD)	UW, FA, SD
6/14/22	Distribute 2 nd Draft of Legal Documents & POS	UC
6/20/22	Receive Rating	UW, FA
6/21/22	Comments Due on 2 nd Draft of Legal Documents & POS	ALL
6/22/22	Send POS to Printer	UW, UC
6/28/22	Price Bonds	UW, SD, FA
6/28/22	Execute BPA	UW, AC
7/1/22	Distribute Draft Final OS	UW, UC
7/6/22	Send Final OS to Printer	UW, UC
7/8/22	Distribute Closing Memo	UW
7/13/22	Pre-Closing (TBD; Tentative Subject to Availability)	ALL
7/14/22	Closing	ALL

SD – Clinton School District; FA – Financial Advisor (BOK Financial Securities, Inc.); BC – Bond Counsel (The Public Finance Law Group); UW – Senior Managing Underwriter (D.A. Davidson & Co.); UC – Underwriter’s Counsel (Kutak Rock); AC – Authority Counsel (Meacham Law Firm)

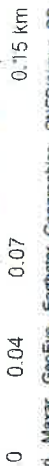
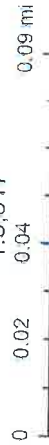
Utilities-W&S-CHS



4/14/2022

▲ Gate Valves	2	Water Lines	7.5	Manholes	5
● Water Meters	9	1	10	● Sewer Lines	7.5
● 12	2.5	1 - 3.4	3.4 - 8.3	● 10	
● 11	5	● Fire Hydrants	8.3 - 24	● 2.5	

1:3,517



Source: Esri, Maxar, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community