

# Qualified School Construction Bonds QSCB'S

American Recovery and  
Reinvestment Act (ARRA)

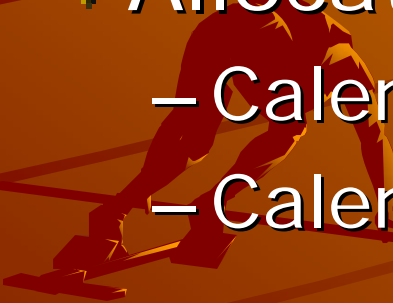


# Qualified School Construction Bonds

- ◆ Provide federal tax credits for bondholders in lieu of tax exempt interest
  - 7.1% @ 7/15/09
- ◆ Significantly reduces the issuer's cost of borrowing
  - No interest
  - Low interest (supplemental rate up to 2.82%)
- ◆ 14 to 16 year maturity
- ◆ Issuance costs 2% of bond amount

# ARRA QSCB's

- ◆ Allocations to each state
- ◆ Direct allocations to 11 large urban school districts
- ◆ Allocated in two apportionments
  - Calendar Year 2009
  - Calendar Year 2010



# Calendar 2009 Timeline

- ◆ Applications available July 3rd
- ◆ Applications due August 25<sup>th</sup>
- ◆ Lottery occurred August 28th

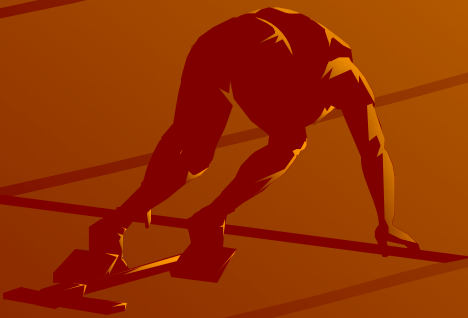


# QSCB'S: 2009 Allocation

- ✦ \$700 million available to school districts
- ✦ Maximum of \$25 million per district
- ✦ 231 applications submitted to CDE representing \$3.7 Billion in requests
- ✦ Public lottery conducted to determine which applications were funded
  - First 43 applications chosen totaled \$704 million

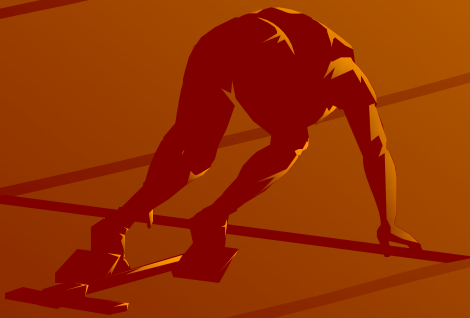
# 2010 Allocation

- ◆ Anticipated in January
- ◆ No details available



# Application Requirements

- ✦ One page application
- ✦ Accompanied by Board resolution certifying specific conditions



# Certifications:

- ◆ 100% of issuance proceeds to be used for
  - Construction of public school facilities
  - Rehabilitation or repair of public school facilities
  - Land acquisition on which facilities are to be constructed with a portion of the QSCB
  - Equipment related to the project(s) constructed or rehabilitated
- ◆ Within 6 months of issuance, the district will have entered into contract for use of proceeds equal to 10%
- ◆ Within 3 years of issuance 100% of proceeds must be spent for a qualified purpose

# Additional Certifications

- ◆ Prevailing wage (Contractors & Subcontractors)
  - Wages and fringe benefits at rates not less than those prevailing on similar projects in the locality
- ◆ State, local and IRS rules regarding conflict of interest must be satisfied
- ◆ 15 days after issuance, related IRS forms filed with CDE
- ◆ At completion of expenditure of bond issuance a completion report submitted to CDE
  - Itemizing expenditures of issuance
  - Certified by district bond counsel
  - Random audits on 30% of awardees

# Unused Authorizations

- ✦ If District does not issue the QSCB in the full amount of authorization, any unused portion shall revert to the state to be allocated or re-allocated at its discretion
- ✦ Extensions of three months may be granted by the State on a case-by-case basis
  - Written request to CDE
  - Include current status of issuance & extension justification

# Other Issues:

- ◆ New type of bond presenting challenges

- Legal structure and guidelines for fitting QSCB's into the framework of GO bonds, leases or COPS are still evolving

- Difficulty finding investors

- ◆ Market of investors interested in QSCB's is still undeveloped

- ◆ One investor has purchased most of the QSCB's issued to date

- Investor Education

- Structure

- Pricing



# Process:

- ◆ QSCB presentation to Board
- ◆ Placed on future agenda
- ◆ Board resolution to apply as soon as application window open
- ◆ Positions district to take advantage of funding mechanism
  - Dependent upon allocation from state
  - Dependent upon successful bond measure

# Summary

- ◆ District applies for QSCB's
  - Requires Board approval / resolution
- ◆ CDE selects districts
- ◆ If selected SVUSD can:
  - opt for bond measure
    - ◆ QSCB's a part of the debt issuance
    - ◆ Balance are standard GO bonds
    - ◆ If measure fails, allocation reverts to state
  - not opt for bond measure
    - ◆ QSCB allocation reverts to state