

# Douglas County School District No. Re-1

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## Amendment 61

### Potential Impact on Douglas County Schools

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# Amendment 61 Cash Flow Issues

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## What Does Amendment 61 Do?

- Limits Debt Limit to 10% of Assessed Value (vs. current 20%/25%)
- No Certificates of Participation (COPs) Allowed
- All Debt Must be Voted – Including Refundings
- All Debt Must be Repaid Within 10 Years
- Cash Flow Borrowing is Considered Debt
- Effectively Eliminates Interest-Free Loan Program
- When Debt is Repaid, Taxes Must Decline by Average Annual Repayment



# Amendment 61 Cash Flow Issues

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## What Options Exist Now to Respond to Amendment 61?

- S.B. 205 Election for Cash Flow (discussed previously with DCSD Board)
- Certificate of Participation/Lease Financing for Cash Flow and Letter of Credit Replacement
- Do Nothing



# Amendment 61 Cash Flow Issues

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## Impact on Existing Letter of Credit (LOC) for TABOR Reserve

- The Passage of Amendment 61 Triggers an “Event of Default”
  
- The Letter of Credit is Terminated the Day Prior to the Effective Date of the Change in State Law



# Amendment 61 Cash Flow Issues

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## Impact on Cash Flow Needs

- The District has Borrowed up to \$95,000,000 to Meet its Cash Flow Needs
- 2010/2011, the State is Advancing Equalization Payments in Replacement of Interest-Free Loan. Anticipates that all Equalization Payments will be Advanced by February 2012.
- 2011 Forward, Unknown What State Will Do



# Amendment 61 Cash Flow Issues

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## Impact on Future Capital Needs

- Decrease to Debt limit of 10% off Assessed Value (AV) of real Property
- District Will Not be Able to Borrow Until 2014, Based on Current Debt Retirement and Assessed Value Projections



## Amendment 61 Cash Flow Issues

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### Alternative – Replace Letter of Credit with COPs

Issue Size	-	\$13,245,000
TABOR Reserve	-	\$12,000,000
Debt Service Reserve Fund (“DSRF”)	-	\$1,066,263
Costs of Issuance	-	\$176,747

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Average Annual (Net) Lease Payment	-	\$1,041,000 <sup>(1)</sup>
Total Repayment Cost	-	\$25,393,844 <sup>(1)</sup>
Term – 25 Years	-	Fixed Rate
Net Interest Cost	-	6.53% Taxable
Average Life	-	16 years

<sup>(1)</sup> Assume DSRF Earns 2% Interest Annually



## Amendment 61 Cash Flow Issues (Cont'd)

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### Alternative – Replace Letter of Credit with COP and Fund Current Annual Cash Flow Deficit

Issue Size	-	\$71,300,000
TABOR Reserve	-	\$12,000,000
Annual Cash Flow Deficit	-	\$53,000,000
DSRF	-	\$5,730,226
Costs of Issuance	-	\$568,000

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Average Annual (Net) Lease Payment	-	\$5,611,396 <sup>(1)</sup>
Total Repayment Cost	-	\$136,733,523 <sup>(1)</sup>
Term – 25 Years	-	Fixed Rate
Net Interest Cost	-	6.53% Taxable
Average Life	-	16 years

<sup>(1)</sup> Assume Debt Service Reserve Fund (DSRF) Earns 2% Interest Annually



## Amendment 61 Cash Flow Issues (Cont'd)

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### Alternative – Replace Letter of Credit with COP and Fund Future Estimated Cash Flow Deficit Assuming \$22mm in Additional Mill Levy Override

Issue Size	-	\$85,555,000
TABOR Reserve	-	\$12,000,000
Annual Cash Flow Deficit	-	\$66,000,000
DSRF	-	\$6,875,000
Costs of Issuance	-	\$678,000
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Average Annual (Net) Lease Payment	-	\$6,650,000 (1)
Total Repayment	-	\$164,067,315 (1)
Term – 25 Years	-	Fixed Rate
Net Interest Cost	-	6.53% Taxable
Average Life	-	16 years

(1) Assume Debt Service Reserve Fund (DSRF) Earns 2% Interest Annually



## Amendment 61 Cash Flow Issues (Cont'd)

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### Alternative – Fund 4 Years of Capital Needs with COP

Issue Size	-	\$33,700,000
Capital Projects Fund	-	\$30,000,000
DSRF	-	\$3,350,000
Costs of Issuance	-	\$350,000
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Average Annual (Net) Lease Payment	-	\$2,131,579 <sup>(1)</sup>
Total Repayment	-	\$50,289,475 <sup>(1)</sup>
Term – 25 Years	-	Fixed Rate
Net Interest Cost	-	4.25% Tax-Exempt
Average Life	-	16 years

<sup>(1)</sup> Assume Debt Service Reserve Fund (DSRF) Earns 2% Interest Annually



## Amendment 61 Cash Flow Issues (Cont'd)

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### Alternative – Replace Letter of Credit with COP and Fund Future Cash Flow Deficit

#### Alternative Costs of Funds – Fixed vs. Variable

	<u>Fixed Rate</u>	<u>Variable Rate (2-3)</u>
Issue Size	- \$71,300,000	\$71,300,000
Average Lease Payment (Net)	- \$5,611,396	\$3,403,000
Total Repayment (Net)	- \$136,733,523	\$79,344,774
Net Interest Cost	- 6.53% Taxable	1.845% <sup>(1)</sup> Taxable

(1) Assumes Liquidity Fee of: 1.20%  
 and Current 1-month LIBOR of: .32% + .20%  
 and Remarketing Fee of: .125%  
 All-in Rate = 1.845%

(2) Question of the Availability of Liquidity

(3) Assumes Comfort with Interest Rate Risk



# Amendment 61 Cash Flow Issues

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## Direction Needed

- Craft Language for S.B. 205 Election?
  
- Prepare Documents for a Certificate Of Participation, Only if Amendment 61 Passes, for:
  - Letter Of Credit Replacement?
  - Cash Flow Needs – Size?
  - Capital Needs?



# Amendment 61 Cash Flow Issues

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## Decision Needed

1. Do nothing
2. Prepare Documents for a Certificate of Participation financing if Amendment 61 passes, for:
  - TABOR reserve Letter of Credit \$12.7M (fixed or variable)
  - TABOR Reserve Letter of Credit \$12.7M, and Cash Flow Deficit \$53M. (fixed or variable)
3. Adopt the Resolution authorizing the certification of the election question to issue debt in the amount of \$70M for the purpose of financing the District's annual cash flow deficit, only if Amendment 61 passes

