

School District of the City of Royal Oak
MEMORANDUM

TO: Thomas L. Moline

FROM: John R. Schwartz

DATE: December 3, 2010

SUBJECT: Qualified School Construction Bonds

On the December 9th Board of Education meeting agenda, a resolution to authorize the issuance of Qualified School Construction Bonds will be placed before the Board for approval. The proceeds of the bonds will be used to finance energy conservation improvement projects. The issuance of the bonds and the energy conservation improvement projects has been previously discussed at Building and Site Committee and Board of Education meetings. The following is a summary of the pertinent features of the authorizing resolution:

- Adoption of the resolution will authorize the issuance of up to \$3,000,000 in Qualified School Construction Bonds (QSCB) for a period not to exceed 20 years. The actual sale of the bonds will not occur until early 2011.
- Proceeds of the bonds will be used to defray the cost of energy conservation improvement projects. These projects were identified as a part of a performance contract initiative.
- Energy savings generated from the projects will be used to pay principal and interest costs, if any, of the bonds. The District will receive credit payments to help offset or eliminate interest costs of the bonds.
- The bonds will be sold either through a negotiated sale using Stifel, Nicolaus & Company as underwriters or through a pooled borrowing utilizing the Michigan Finance Authority. Stauder Barch will act as the District financial advisor and Miller Canfield as Bond counsel.
- The cost of issuance is limited by statute to not more than 2% of the bond proceeds. This includes underwriting costs.
- The true interest cost to the District shall not exceed 2%. It is expected that the true interest cost will be much less than the 2% maximum.

Administration recommends approval of this resolution. As always, if any questions arise, please feel free to contact me directly.

/rb