

Citizens' Bond Oversight Committee
Monday, April 15, 2024
4:00 p.m.–5:30 p.m.
ESC Jacobs Trailer Conference Room

“To become familiar with the 2018 bond program and project list, monitor the progress of the improvements being made, and report the status of the program to the Board of Education on a quarterly basis.”

Attendees: Bill Canterbury, Don Carroll, Amanda Clark, Matt Hahn, Jennifer Harrison, Brad Leitner, Mike Lopez, Tom Patton

Absent: Terry Davis

Ad Hocs: Jonathan Levesque, Amy Canfield, Josh Benninghoff

Minutes:

1. Welcome and review agenda and minutes from the March 18 meeting
 - a. Minutes approved.
2. Bond update
 - a. Complete final commissioning work and documentation to obtain the certificate of occupancy for the new junior stadium.
 - b. Resolve issues with the athletic turf and loading dock areas at Newton Middle School, with repair work to take place in the summer of 2024.
 - c. Replace the vinyl flooring in the cafeteria at Backpack Elementary School over the summer of 2024. (Assignee: Low bid contractor)
 - d. Repair the soccer field at Little Raven Elementary School, which has uneven grading along the northwest side.
 - e. Install a sump pump system to drain the retention pond at Euclid Middle School.
 - f. Complete various summer maintenance and renovation projects at multiple school sites.
 - g. Finalize closeout of projects and present a final report to the school board in December 2024.

3. Jonathan Levesque, LPS CFO, Amy Canfield, Director, and Josh Benninghoff, Managing Director of Stifel Public Finance, were present to answer Bond Questions:

- a. School district's use of bonds for construction projects
 - i. District uses bonds to finance building projects, selling bonds to investors for quick cash.
 - ii. It was explained how the district passed a \$360 million bond, received an extra \$60 million, and discussed the school funding complexities.
- b. Bond premium and market rates in a municipal finance setting
 - i. Investors pay above par to receive 5% coupon rate on bonds.
 - ii. Districts can use different interest rates to estimate premiums and borrowing costs.
 - iii. Bond market dynamics and their impact on premium were explained.
- c. Bond proceeds, arbitrage, and spending limitations
 - i. In 2013-2014, district used a tranche strategy for bond sales, selling in multiple years.
 - ii. Arbitrage and its limitations in bond proceeds were explained.
- d. Bond financing for infrastructure projects, concerns about spending too much too quickly
 - i. Tax exemption allows for borrowing with lower interest rates, enabling investment and earning more subject to rebate.
 - ii. District bond measures and spending plans, with concerns about burn rate and project readiness.
 - iii. Mike expresses concern about the school's ability to spend the bond money in time.
 - iv. Breakdown of the project's costs and timeline was discussed.
- e. School district finance and bond issuance
 - i. To increase mill levy authority to voters, but actual debt issuance is optional was discussed.
 - ii. The bond issuance timeline and legal opinions were discussed, and the bond counsel provided guidance within 10 years.
 - iii. The mechanisms for capital obligations, including certificates of participation and mill levy overrides, were discussed.
- f. School funding, property taxes, and legislation
 - i. Jonathan explained how the district used proceeds from a bond election to manage cash flow and pay for projects.
 - ii. The district worked with a bank to create a detailed investment schedule and update it twice a year.
 - iii. Jonathan explained the local versus state share of school funding, with the local paying more.
 - iv. Property tax increases and decreased state funding impact school finance, causing budget challenges.
- g. School funding and bond issues in Colorado

- i. Mike explains that local school districts in Colorado have to pay a portion of the cost of a bond issue, which can be a significant expense.
 - ii. Jonathan noted that smaller school districts may receive more funding per student due to their smaller size and lower tax base.
 - iii. Jonathan spoke about potential funding cuts for Littleton Public Schools due to legislative changes.
 - iv. Jonathan highlights the importance of local control over tax increases for education funding.
- h. School funding, bond issuance, and mill levy overrides
 - i. Mike and Jonathan discussed the limitations of bond dollars, including the fact that they cannot be used for ongoing expenses like teacher compensation.
 - ii. Josh explained that a general obligation bond, a mill levy override authorization, can be used for a variety of purposes, including teacher compensation and other expenses.
 - iii. District seeks voter approval for \$12 million mill levy overrides, with funds going towards operations and technology.
 - iv. Jonathan discussed the district's 50-year plan and potential bond issuance to fund projects, with a focus on property tax implications.
- i. School district bond financing and refunding options
 - i. The district can structure bonds to manage debt, and future needs were discussed.
 - ii. The importance of voter approval and managing voter fatigue when issuing bonds was discussed.
 - iii. It was explained how bond refunding is compared to mortgage refinancing.
 - iv. Josh provided granularity on bond rates, showing weekly changes and historical highs.
 - v. Josh also discussed municipal bond market trends and supply and demand fluctuations.
 - vi. Committee members discuss financial benchmarks and market analysis.

4. Adjourn