
**DISTRESSED UNIT APPEAL BOARD
NON-BINDING REVIEW OF M.S.D. OF BOONE TOWNSHIP'S PETITION
CONCERNING BOND REFUNDING**

Under IC 5-1-5-2.5(d), certain eligible school corporations may issue refunding bonds to refund a percentage of their outstanding bonds to obtain an annual savings to their debt service funds that can be transferred from those funds to the school corporations' capital projects funds, transportation funds, or school bus replacement funds.

A school corporation that adopts a refunding resolution before January 1, 2014, has a circuit breaker-to-fund percentage of at least 20% as certified by the Department of Local Government Finance (DLGF), ranks in the top ten among school corporations in terms of debt-to-ADM and debt-to-assessed value ratios, and had at least 60% of its assessed value in calendar year 2011 equal the amount of homestead valuation in the school corporation for that calendar year may proceed with bond refunding without approval from the Distressed Unit Appeal Board (DUAB). IC 5-1-5-2.5(d).

However, the school corporation must, not more than 60 days after receiving certification of its circuit breaker-to-fund percentage by the DLGF, report information concerning the refunding to the DUAB. The DUAB must make a non-binding review with recommendations regarding the school's financial condition and operating practices. IC 5-1-5-2.5(j).

FACTS

1. On December 11, 2013, the DUAB received a petition from the Metropolitan School District of Boone Township (Boone) requesting non-binding review of its bond refunding.
2. The DUAB scheduled a public hearing for April 16, 2014 to hear testimony from Boone. Notice of the hearing was posted outside the meeting room on April 14, 2014. A copy of the notice was posted on the DLGF website.
3. On April 16, 2014, the DUAB conducted a public hearing where it heard testimony from representatives of Boone, including Boone Superintendent George Letz, Boone financial consultant Belvia Gray, Boone bond counsel Jimmy Shanahan, and Educational Services Company representative Bill Gall.

RECOMMENDATIONS

The DUAB reiterates that Indiana law authorizes certain eligible school corporations to refund bonds without obtaining DUAB approval. Under this authority, Boone refunded a portion of its bonds without going through the petition and remonstrance process requirements or referendum requirements that would otherwise apply. With that option now used and substantial long-term debt service costs locked in, it is imperative that Boone takes a serious look at the DUAB's

recommendations for sustaining its financial condition. Therefore, pursuant to IC 5-1-5-2.5(j), the DUAB conducts this non-binding review and makes the following recommendations to Boone.

1. Boone's testimony and written materials indicate that Boone refunded over \$7 million of Series 2004 bonds between October, 2013 and January, 2014. The Series 2004 bonds were issued to pay for the construction of a new high school in 2005. The restructuring will extend the life of the debt from 2027 to 2037. The interest rate for the restructured bonds is 4.49%. Boone has several outstanding common school fund loans, one of which expires in 2014, two in 2015, and one in 2017, with a total impact of \$203,000. Boone's debt service rate is the eighth-highest of all school corporations in the state. The DUAB recommends that Boone continue to be mindful of the financial consequences of carrying debt obligations. The DUAB is encouraged by Boone's testimony that it has no pending projects for which debt will be issued and that several common school fund loans will expire in the coming years, which will alleviate Boone's debt service rate and increase general fund revenue.

2. Boone's testimony and written materials indicate that the increment it will have as a result of the restructuring will total approximately \$480,000, but that Boone's 2013 circuit breaker losses totaled \$521,881.75. Boone has made substantial efforts in recent years to cut spending and conserve financial resources. The DUAB applauds these efforts and recommends that Boone continue to develop strategies to manage within its current revenue streams.

3. Boone's testimony and written materials indicate that Boone ranks fifth among the school districts in Lake and Porter Counties that are suffering the most from circuit breaker losses. Specifically, Boone has lost approximately 12.77% (or \$466,572) of its property tax levy to circuit breakers. Boone alleges that it received only 87% of its tax collections in 2013 and that over the past four years, Boone has lost \$1,584,821 in levies for its four property tax-supported funds. The DUAB emphasizes that the tax caps are constitutionally set, and that while Boone may not be able to avoid entirely the effect of the caps, Boone can diminish the caps' impact by maintaining low debt service rates and modest overall tax rates. Boone's overall tax rate has increased from \$1.7116 in 2010 to \$1.8794 in 2014 (the portion of this rate attributable to debt service has risen from \$1.1288 in 2010 to \$1.2942 in 2014). DUAB recommends that Boone reduce its debt to the greatest extent possible and remain cognizant of the relationship between tax rates and the tax caps.

4. Boone's testimony and written materials indicate that Boone's assessed value has decreased significantly since 2008, from a peak of \$274,363,539 in 2008 to a low of \$214,735,988 in 2011. Boone's 2014 assessed value has risen to \$222,143,040. Given this trend, the DUAB recommends that Boone continue to identify and consider opportunities for consolidating, group purchasing, and sharing services with neighboring school districts.

5. Boone's testimony and written materials indicate that Boone is insured through the Porter County Trust. The DUAB is encouraged by Boone's representations that its premiums have only modestly increased over the past decade, that the Trust is in solid financial condition, and that Boone is exploring alternative health care plans for its employees, including health savings

accounts. The DUAB recommends that Boone continue to explore reliable, but less costly, insurance options, such as those offered by the state of Indiana to its employees.

6. Through its testimony, Boone acknowledges that it has not undergone an operational review or audit. The DUAB recommends that Boone seek such a review in consultation with its financial advisors.

7. The DUAB commends and congratulates all Boone administrators and teachers, students, and parents for their recent academic achievements, including attainment of AdvancEd Accreditation, a four-star ranking of its high school, an 84.8% ISTEP passage rate for 2012-2013, and a 98.7% graduation rate for 2012-2013.

8. Finally, the DUAB notes that due to recent legislative changes pursuant to Senate Enrolled Act 106, there may be structural alterations to the DUAB in the future that will enable it to offer additional guidance and assistance to help local units avoid and manage financial challenges. The DUAB looks forward to offering whatever support it can to Boone in the months and years to come.

WHEREFORE, based on the above findings and applicable law, the DUAB issues this non-binding review of Boone's petition concerning bond refunding.

Dated this 7th day of July, 2014.

STATE OF INDIANA
DISTRESSED UNIT APPEAL BOARD



Andrew Kossack, Chairman