QUESTIONS/ANSWERS

SCHOOL BUS FINANCING RFP

We often see these types of equipment/vehicle financings structured as appropriation based lease purchases secured by the assets. Would you be able to tell me if the use of a tax pledge structure is driven by any particular statutory requirement/restriction in AL or purely the district's preference in this case?

Answer: ***While Alabama law does authorize lease-purchase financings for equipment and other tangible personal property, the Board has traditionally preferred traditional "bond" (warrants, under Alabama law) financing for its fleet purchases. Lease-purchase contracts are often employed, in other jurisdictions, to avoid debt limit constraints or to circumvent referendum requirements. Neither of those apply to Alabama Boards of Education, however. Lease-purchase structures can make sense for some boards that do not have unencumbered local revenue sources to offer as security, but the Board has not historically been in that position.***

1) DAC handles all of our annual financial disclosures required by our indebtedness.
2) Those funds would be set aside from other funds and earmarked for any indebtedness secured by these funds.
3) Series 2011 Capital Outlay Warrants are funded from Capital project funds. Public School Fund Capital Outlays funds are included in State revenues in the Capital Project Fund.
4) Enrollment has declined over the past few years due to several factors including the creation of several local school systems and the COVID pandemic. We believe we are seeing a leveling off in enrollment in FY21-22 and estimates for FY22-23.
5) While Alabama law does authorize lease-purchase financings for equipment and other tangible personal property, the Board has traditionally preferred traditional "bond" (warrants, under Alabama law) financing for its fleet purchases. Lease-purchase contracts are often employed, in other jurisdictions, to avoid debt limit constraints or to circumvent referendum requirements. Neither of those apply to Alabama Boards of Education, however. Lease-purchase structures can make sense for some boards that do not have unencumbered local revenue sources to offer as security, but the Board has not historically been in that position.

Answers:

1) Have not been able to locate an operating data document for FY20 or FY19 that has the operating data included in the March 2022 OS (attached), is this something that can be provided? Particularly we would need the top 10 taxpayers for FY20 and FY19 as presented on pg. 21/181 of the OS.
2) Regarding the reference in the RFP to final collection of the Special Tax on 10/1/31, can you please provide more color/specifics on the covenant in the loan documents to set aside debt service? Would there be a debt service reserve account?

3) Requesting confirmation that the Series 2011 Capital Outlay Warrants totaling ~$19.8MM are paid for out of the Capital Projects Fund as it's referred to on pg. 33/101 of the 2021 Audited Financial Statements. The notes to the financial statements refer to the Public School Fund Capital Purchase Funds, which is not actually shown on the financial statements.
4) Please provide commentary on recent enrollment declines and projected enrollment over the next few years.
5) We often see these types of equipment/vehicle financings structured as appropriation based lease purchases secured by the assets. Would you be able to tell me if the use of a tax pledge structure is driven by any particular statutory requirement/restriction in AL or purely the district's preference in this case?

Questions:

1) AT FYE 2021, the District maintained $41MM in the Debt Service Fund. Are there any restrictions on those funds or could the entire $41MM be used to pay debt service on the proposed loan for the buses?
2) We are trying to craft a solution in the event our source of repayment, the Special Tax, is not renewed. We are considering the following language: "The District will covenant that if the Special Tax is not renewed past the final maturity date of the bonds by September 15, 2029 (approx. 7 years from closing), the County will make monthly deposits in separated account equal to 1/24th of the amount of the final year of debt service due until such time the balance of the account is equal to the final year of debt service." Would you be amenable to this structure? Is there any structure/language that you prefer?

Answers:

1) No, those funds are reserved for existing debt.
2) That is not an acceptable option. In the event that the tax is not renewed the balance would be considered minimal and could be funded via flexibility in other funds.