

DASNY Building Aid Revenue Bonds Program

School Districts Revenue Bond Financing Program

DASNY's current School Districts Revenue Bond Financing Program is designed to provide public school districts across New York State with an efficient financing alternative in light of the current methodology used to reimburse school districts for the cost of capital projects through State Building Aid. DASNY offers pooled financings as demand warrants throughout the course of the calendar year.

Background

Chapter 383 of the Laws of 2001, which became law on October 29, 2001, changed the methodology upon which State Building Aid is paid to public school districts. In the past, Building Aid was based on the actual debt service incurred by school districts in connection with their projects. Chapter 383 more closely aligns the disbursement of Building Aid with the useful life of the assets financed by school districts, subject to statutory restrictions, and, for most school districts that elect not to finance their projects through DASNY's, uses an assumed interest rate to compute the amount of aid payable.

School District Alternatives

To accommodate the school districts' financing needs, Chapter 383 offers two options:

1. Finance projects through the issuance of a school districts own obligations, in which case Building Aid is based on the useful lives of the assets financed and, with the exception of the New York City, Buffalo, Rochester, Syracuse and Yonkers city school districts, an assumed interest rate set by the Commissioner of Education reflecting the average borrowing cost on obligations issued by all school districts in the State during the previous school year (the Assumed Interest Rate). The Commissioner of Education has established the Assumed Interest Rate for projects with a Commissioner's approval date between 7/01/17 and 6/30/18 at 2.500%. See https://stateaid.nysed.gov/build/html_docs/intrates.htm
2. Finance projects through DASNY, in which case Building Aid is based on the useful lives of the assets financed and the actual blended net interest cost incurred by the school district on any temporary financing and on the bonds issued by DASNY on behalf of the school district. If, because of the credit rating of a school district or the relatively long useful life of the financed assets, the school district is unable to directly market its own obligations at an interest rate that is less than the Assumed Interest Rate set by the Commissioner of Education, the school district will probably benefit from borrowing through DASNY School Districts Revenue Bond Financing Program.

Since the inception of this Program in 2002, DASNY has issued 95 separate series of bonds on behalf of more than 200 school districts in an aggregate par amount of over \$5.6 billion. Future bond issues are expected to either finance new projects or provide permanent financing to take out bond anticipation notes ("BANs") issued by school districts for such new projects.

DASNY Fees

DASNY charges an upfront fee of \$150,000 per financing, which is split evenly among the participating school districts in pooled financings for multiple participants. DASNY also charges an annual administrative fee of 3 basis points per series based on the declining balance of par value over the life of the bonds.

Financing Structure and Security for the Program

DASNY's School Districts Revenue Bond Financing Program allows participating school districts to issue debt as they currently do. Each school district can utilize its own financial advisor and bond counsel to assist in structuring its borrowing under this Program.

The Program is structured and secured as follows:

- Semi-annual payments are made by each participating school district on bonds issued by such school districts under the Local Finance Law. These bonds, which are backed by the full faith and credit of the school districts, are sold directly to DASNY.
- Statutory intercept is provided, through the State Comptroller, of any State aid due to any participating school district that fails to make timely payment on its bonds.
- No mortgage or leasehold interest will be required from any school district on its project.
- No school district will be responsible for the obligations of any other school district.

Each series of bonds issued by DASNY will be principally secured by:

- A pledge and assignment of the payments to be made by each school district under its respective bonds on account of its allocable share of the debt service due on the DASNY bond issue;
- A pledge and assignment of DASNY's right to the State aid payments which are assigned by each school district to DASNY and which can be paid directly to DASNY by the State Comptroller pursuant to Chapter 383; and
- Policies of municipal bond insurance, if available and financially advantageous.

No debt service reserve fund is required.

Ratings: While the ratings assigned by Moody's Investor's Service to DASNY's bonds issued under this Program may vary according to the participating school districts, Standard & Poor's and Fitch have assigned programmatic ratings of A+ and AA-, respectively, to such DASNY bonds.

Conditions for Participation in a Pooled Financing

To participate in a pool, each school district will be required to deliver certain information and documentation to DASNY on or before the deadlines set by DASNY. The requirements include, but are not limited to:

- A fully executed Financing Agreement. This Agreement authorizes DASNY to sell bonds on behalf of the school district and commits the school district to accept a loan from DASNY. The definitive terms of the loan are established after the sale of DASNY bonds within the parameters established by the Financing Agreement. The Financing Agreement, however, allows a school district to opt out of the pool on or before the date set forth in the Financing Agreement without any liability or penalty should the school district subsequently determine that it prefers to issue bonds on its own;
- A copy of the resolution authorizing the school district to enter into the Financing Agreement and issue and sell its bonds to DASNY;
- A copy of the school district's or other lead agency's findings under the State Environmental Quality Review Act ("SEQRA");
- An opinion of the school district's counsel regarding the enforceability of the Financing Agreement and the validity of the underlying proceedings;
- A simple tax questionnaire providing information about the school district and the projects to be financed;
- Information regarding the finances and operations of the school district for inclusion as appendices to DASNY's Official Statement. DASNY will prescribe the format in which the information is to be presented, and it is anticipated that the school district's financial advisor will assume responsibility for preparing this information; and

- A letter of representation and indemnification in which the school district, among other things, gives assurances to DASNY and the underwriter of DASNY bonds regarding the accuracy of the school district's financial information.

Once DASNY has priced its bonds, each school district and its bond counsel will be asked to deliver the same basic documentation required for any issuance of bonds under the Local Finance Law.

Proceeds of DASNY bonds will either be: (i) used to currently refund outstanding BANS of the school district; or (ii) disbursed to the school district for purposes of completing the financed projects. Proceeds disbursed to the school district (together with any unexpended BAN proceeds) will be required to be held by the school district in a segregated account established under the Local Finance Law at a financial institution to be designated by DASNY.

Financing Schedule

DASNY's financing process generally takes about 90 days from DASNY's receipt of the School District Contact Sheet, Exhibit A - Project Description and Exhibit B - BAN History. Upon notification of a school district's intention of borrowing under this Program, DASNY will notify the financial advisory community of DASNY's plans for an upcoming offering in an attempt to locate other prospective participants with which to share certain of the Program's issuance costs. The creation of a pooled financing, however, is not a condition precedent to a school district's borrowing, and DASNY has done several stand-alone financings for individual school districts within this Program. Once the level of additional interest has been ascertained, DASNY will supply the participating School Districts with a financing schedule outlining when financing documentation is due from the participants and when the various steps in the transaction are expected to take place.

Attached below is the financing schedule for the next pool for this Program structured to have bond proceeds available in June 2019. Prospective school districts wishing to participate in this pool are urged to complete the School District Contact Sheet, Exhibit A - Project Description, and Exhibit B - BAN History forms attached herein and to provide the information outlined above to DASNY as soon as possible so that the required diligence and bond structuring can commence immediately.

School District Contact Sheet
Exhibit A - Project Description
Exhibit B - BAN History

Any school district seeking to participate in the DASNY Program should contact David Ostrander, Assistant Director Public Finance & Portfolio Monitoring at (518) 257-3164 or via e-mail at dostrand@dasny.org.