

Special Board Meeting Packet

March 13, 2007

Re-Districting Plan

The following can be used to start School Board and community discussions pertaining to re-districting.

Select Guidelines and Parameters.	September 2006
Select who will be involved.	October 2006
Describe roles of participants.	October 2006
Select process that will be used.	October 2006
People involved develop issues and priorities.	December 2006
People involved select best decision(s).	June 2007
Clarify coordination and implementation plans.	October 2007
School Board select tentative final plan.	November 2007
Community provides feedback and communication.	December 2007
School Board selects final decision and action plan.	January 2008
Administration implements final decision and plan	February 2008
Go live.	August 2008
Evaluate and Adjust for 2009-10.	December 2008



MEMORANDUM

From
Roger J Dickson, CFO

TO: Dr. Hicks

C: Mark Lindem
Nick Alioto

DT: October 31, 2006

RE: School Boundary Discussion

As you are aware, RUSD is investigating changes to school attendance boundaries. This effort is driven primarily in response to an early study on equity and access. In addition to equity and access the district needs to respond to overcrowding in some schools, the Paullin Study, change in bell times, transportation costs and issues related to the least restrictive access for students with disabilities. A meeting of interested parties was held on October 18.

Recognizing that redistricting is disruptive to families and creates additional challenges in instructional delivery, it was decided that any major changes to attendance boundaries should attempt to address as many issues at one time as practicable. Notwithstanding, some schools are overcrowded whereas others have space and there are certain transportation cost advantages that could be achieved by making changes in boundaries earlier rather than later. It is recommended that the change in attendance boundaries should be approached in two phases.

Phase 1 will be implemented with the 2007-08 school year. It will consist only of rebalancing schools in an effort to alleviate severe overcrowding, improve the most obvious deficits in delivery of services for students with disabilities (SWD) and reduce transportation costs. The improved delivery of services for SWD will be achieved by putting more services in more schools thereby reducing the need to transport students. We anticipate a recommendation will be brought to the school board for approval in February, 2007. The February recommendation will also address changes to start times if decisions can be reached by then. Reports will be presented to the school board prior to February to keep them abreast of discussions and data.

Phase 2 is more complicated due to the need to address not only equity and access but grade level configuration, long-term enrollment / facility needs and the Paullin Study. We anticipate recommendations will be presented to the School Board that will allow redistricting to be completed for the 2008-09 school year.

There are several key decisions that will need to be made by the district prior to then. We suggest the following schedule:

Mar. '07	Board decision on desegregation plan
Nov. '07	Board decision on grade level configuration
Feb. '08	Recommendations for boundary changes for 2008-09

There are a number of activities that are being accomplished to allow this schedule to be completed as proposed, including:

- Meeting with all parties that will be impacted by changes in school start times.
- Study by Edulog on transportation implications related to the equity and access report.
- Maximum projected attendance by municipality based on current land use plans.
- Review of building capacities and capabilities for comprehensive services.
- Transportation services study.

Action Items

BOARD OF EDUCATION
March 39, 2007
BUDGET and FINANCE

AGENDA ITEM: Financing through Qualified Zone Academy Bond (QZAB).

PRESENTING: Roger J Dickson, CFO

DESCRIPTION: A QZAB is a federally sponsored program designed to give an interest rate break to school districts with a population of students eligible for free or reduced lunches of 35% or greater. The interest rate break is available because the federal government gives a tax credit to financing institutions that make loans to eligible school districts. A QZAB requires a 10% in-kind contribution from the private sector. In the past, the tax credit was sufficient to create an interest free loan. Recent changes in the federal tax law will likely cause an increase in the interest rate, but it should be less than an unsubsidized rate.

The district is contemplating, subject to future school board approval, using QZAB funding to address the physical components related to upgrading security systems (e. g. cameras, limited door access, etc.). We are also looking into a QZAB to jump start needed funding for technology.

The State of Wisconsin has been allocated \$11,352,000 for QZAB loans for the next two years. Applications are due to the DPI by April 1.

This action is to engage the services of McLiney and Company who have expertise in securing QZAB financing, including the private sector match. If the School Board decides later to not pursue the funding, or if the funding is not approved, there is no payment to McLiney.

FISCAL NOTE: The district will submit an application for approximately \$3,500,000. The repayment of the loan will be factored into subsequent year's budgets. If the QZAB goes forward and a referendum for additional financing does not, or is not approved, the Board can forego borrowing or decide that the repayment will have to be made from existing resources requiring reductions in other parts of the budget.

If the full amount is approved the payments, for a 15 year loan at 2%, are estimated to be less than \$275,000.

STRATEGIC PLAN: Will provide a funding source to address needed safety improvements and begin to address outdated technology.

RECOMMENDATION: Recommend approve contracting with McLiney and Company to assist the district in securing a Qualified Zone Academy Bond (QZAB).

ACTION TAKEN:

RACINE UNIFIED SCHOOL DISTRICT
Qualified Zone Academy Bonds
2007 – 2008

The Racine Unified School District (RUSD) shall establish a Zone Academy for the purpose of enhancing educational opportunities for students through acquisition of additional computers and improving security systems in all schools.

GOAL A: To provide for a safe learning environment so children can maintain focus on instruction to meet targeted academic expectations, security systems will be upgraded and installed at all school buildings.

Racine has many characteristics of school districts that are primarily urban, including the need to provide additional resources to address concerns about safety and security. A recent event in the district has created an urgency not previously evident. Money is needed to install security cameras, update entrance and egress stations, re-key doors, and install other security measures. Further, the district needs to deploy additional security staff and improve training of non-security staff in safety measures. The district is committed, subject to approval of a referendum increasing the revenue limit, to appropriate funds for staffing and training. Academy Zone Bonds will be used to design, engineer, purchase and install physical security measures. Price estimates, based on an initial review by firms with experience in school district security matters, is about \$2,000,000.

GOAL B: To better prepare children for jobs and post-secondary education, access to and use of higher technology for instruction will be improved through the purchase and upgrading of computers throughout the district.

The current level of funding for technology is not sufficient to replace existing computers or to implement technological alternatives or efficiencies. Racine Unified has about 6,000 instructional computers for its approximate 22,000 students. Overall the district's ratio of computer to students is good. However, over 1,500 are too old to upgrade to operate instructional programs necessary for teaching in today's environment. These computers need to be replaced immediately. An additional 2,715 computers need to be upgraded to run the needed instructional programs. A replacement schedule that will enable the district to keep up to date with technology is needed.

The district will seek additional revenue limit authority for multiple years in a referendum to be considered by the taxpayers. The additional authority, if approved, will allow for the creation of a replacement plan for existing computers as well as provide resources to put more

computers into the classrooms. Due to prior commitments, these additional resources will not be available for technology until the 2008-09 school year. \$1,500,000 of the Academy Zone Bonds will be used to “jump start” the replacement program so one more year of children are not disadvantaged. These funds will be used specifically to replace the outdated 1,500 computers at an estimated total cost of acquisition of \$1,000 each (cost includes computer, operating software, basic instructional software, & warranty).

MCLINEY AND COMPANY

Investment Banking
Municipal Bonds

2800 MCGEE TRAFFICWAY
KANSAS CITY, MISSOURI 64108

(816) 221-4042
(800) 432-4042
FAX (816) 221-4048

Qualified Zone Academy Bond
INTEREST FREE LOAN PROGRAM

School District's Legal Name _____

Address _____

Superintendent _____ Phone _____

E-Mail Address _____ Fax _____

Estimated Amount Requested \$ _____

District's Contact Person _____ Phone _____

Contact's email address _____

McLiney And Company will handle **all** steps necessary for a successful QZAB financing.

- By signing below, you are authorizing McLiney And Company to proceed with the financing on your behalf.
- If QZABs are not available, McLiney And Company will advise as to other methods of financing available.
- Our QZAB fee will be 5% of the issue size and paid to McLiney And Company upon a successful closing. McLiney And Company will pay all mutually agreed upon costs of issuance.
- If you terminate this agreement, *and proceed with a QZAB financing*, you will pay to McLiney And Company a fee equal to 2.5% to help us recoup our expenses.
- If the financing is unsuccessful **for any reason**, you will owe McLiney And Company nothing.

Authorized Signature

Date

McLiney And Company

Date

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THE DAILY NEWSPAPER OF PUBLIC FINANCE

Thursday, May 11, 2000

Standing Up for QZABs

Missouri Firm Champions Small School Deals

By Mary Wisniewski

CHICAGO ---- Most underwriting firms approach the notoriously complex qualified zone academy bonds the way one would approach a porcupine - very carefully, if at all.

But the family-owned firm of **McLiney And Company** in Kansas City, Mo., has embraced the prickly securities, **making the firm's bankers among the few experts in a program** that gives buyers a tax credit in exchange for providing interest-free loans to schools.

"We've stumbled onto an expertise," said Joey McLiney, a member of the 34 year-old firm that includes his brother Eddie and father, George J. McLiney Jr.

By making a niche business out of a program that may not even be renewed by Congress this year, "we feel like we are specializing in coach whips," said Joey McLiney.

But even if the federal government doesn't extend the QZAB loan program, **McLiney And Company's bankers believe the program is a useful tool to help rebuild rural schools.** And though the QZABs are "enormously time-consuming" and not very profitable, they are helping McLiney And Company make connections, which may allow the firm to gain a role in bigger

bond deals in the future McLiney said.

McLiney & Co. is known regionally for placing non-rated issues. Besides education financings, they handle public utility issues for water, sewer, and electric systems, as well as public facilities, and lease transactions.



"All McLiney And Company QZAB deals were sold interest-free, at par, with no additional coupons..."

The company got into the QZAB business last year. when Eddie McLiney was working with a Kansas school district that had been having trouble getting a \$300,000 loan to buy computers. McLiney told the district the firm would try for the interest-free QZABs, but would only charge the district for the services if the attempt was successful. McLiney And Company was successful in obtaining the

loan, and continued to work with Kansas districts until they had used up the state's entire \$8 million allocation. And the firm continued pursuing deals, branching out into North Dakota, until it had used up most of that state's cap by November 1999. The firm then received a call from the

Organization Concerned About Rural Education in Washington, D.C., which was worried that Congress would kill the QZAB program because not enough schools were using it. having heard about McLiney And Company's multiple QZAB deals, the organization flew Eddie McLiney out to Washington to explain to government officials how the program worked.

"It was sort of like telling a doctor how to take your heart out," Joey McLiney explained.

Eddie McLiney also discussed with officials the importance of getting the word out to school districts about the QZAB program, warning that Department of Education

mailings about the bonds were not enough.

So McLiney And Company began sending what Joey McLiney calls "Ed McMahan" letters to state boards of education and school districts, explaining how they can get the interest-free loans. The company currently has working agreements on QZAB deals with more than 60 school districts in 20 different states, including Oregon, West Virginia, Louisiana, Arizona, and Connecticut.

All deals have been taken on a contingency-fee basis. **All were sold interest-free, at par, with no additional coupons**, according to the McLineys.

By contrast, some of the largest QZAB deals have sold below par. For example, the **Tennessee State School Bond Authority** sold a \$13.3 million QZAB deal at 97.25% of par. **The Houston Independent School District sold \$8 million of QZAB bonds at par, but agreed to pay the buyer 1.54%** interest for eleven-and-a-half years.

THINK SMALL

According to McLiney And Company the trick behind successful QZAB deals is to think small.

"It's something perfect for a small school district," Joey McLiney said. If a big district like Chicago or Kansas City sent a request for proposals, we wouldn't respond. "We don't have time to go through the political hoops."

"The smaller schools have the capacity to move faster because they aren't encumbered by all the layers of bureaucracy," agreed McLiney And Company banker Tom McGuire.

Even with low-bureaucracy rural schools, QZAB deals are "incredibly time consuming" and require a lot of hand-holding, said Joey McLiney. To even qualify for a QZABs, at least 35% of the students in the schools that will benefit from the deal proceeds must qualify for the federal free school lunch program - that is, they must come from low-income families.

Another obstacle is that schools have to obtain a pledge of matching funds from a private entity totaling 10% of the value of the deal. The contribution can be difficult to obtain, since poor areas don't always have rich local businesses with cash at the ready for schools.

Finding these matching funds is one of the most time-consuming aspects of a deal, according to Joey McLiney. Often, it requires soliciting more than one business contribution "I was in Louisiana literally driving all around the school districts, looking for companies," McLiney said.

But the most difficult part of the deal is finding qualified lenders, who may be unimpressed with the tax credit the bonds provide, McLiney said.

The lenders, which are generally local banks, have to be convinced that par-

ticipating in QZAB deals are in the public interest, even if the rate isn't terrific.

"You have to educate the lender," McLiney said. "You have to explain to them that you're helping a client."

CREATIVE MATCHING SOURCES

Drake School District was the first in North Dakota to try a QZAB deal. Drake is a town of 375 people, mostly wheat and sunflower farmers, and houses all 164 of its students in a single K-12 building. The district needed money because one of its 83-year-old coal-fired boilers had been condemned as unsafe, according to **George Wieland**, district superintendent.

"We had an extraordinary situation," Wieland said. "It would have been im-

possible to have a bond issue passed in time for the heating season.

The superintendent responded to one of McLiney's "Ed McMahan" letters and was able to receive a \$190,000 interest-free loan for the boiler for 1999, plus another \$81,000 for the year 2000 for student transportation.

Wieland calls the QZAB program "fantastic." "Our total interest savings will be over \$100,000 over 12 years," he said. "That's really a big break. This is sort of a depressed area and that's really a big thing for us."

The 10% matching fund portion was contributed by teachers and coaches at the school, who agreed to donate extra time. "They probably had donated that already, but how they're getting credit for it," Wieland said.

North Dakota has now used all of its outstanding allocation and has a waiting list for future funds. "The school districts love it," said Tom Decker. Director of School Finance And Organization for the North Dakota Department of Public Instruction.

"It works best focused on small projects that are meaningful and necessary," Decker said.

Decker said that matching funds have mostly been provided as in-kind volunteer work - such as that provided by teachers.

These kinds of in-kind contributions are permissible under the QZAB law, which is intended to foster partnerships between business and the local community, according to George Mardikes of the law firm Davis, Wright, & Tremaine, who acted as bond counsel for two recent

Oregon deals handled by McLiney And Company.

The Pepsi Cola-7-Up Bottling Co. is providing students at the Wallowa School District in Oregon with intern-ships for their 10% matching grant on a \$250,000 QZAB loan, according to Mardikes.

In a \$1.295 million QZAB deal for Enterprise Public Schools, Blue Mountain Computers has offered technical assistance, teacher training, volunteer mentors, and internships to fund its \$300,000 matching grant. Mardikes said.

Mardikes agreed with McLiney that constructing these partnerships takes much more work and creativity than the average plain-vanilla GO issue.

Joey McLiney admitted that with all the work that goes into QZAB deal's the whole state of North Dakota may have

been done on a break even basis for McLiney And Company. "If you're doing only \$200,000 or less you're lucky if you break even."

But McLiney feels the goodwill generated by the program is worth the effort. "When I do, a \$50,000 bond issue and I see it helps a student body of 300 kids, you've made friends." he said. !