

Piedmont Unified School District

Qualified School Construction Bonds

A Formula for Savings

PUSD + QSCB = \$40M+

QSCB History

- On 1/14/11, PUSD received an allocation from CDE to issue up to \$10m of PUSD's general obligation bond authorization as Qualified School Construction Bonds
- This designation is part of the American Recovery & Reinvestment Act (ARRA)
- The QSCB designation obligates the federal government (through the IRS) to pay a subsidy to any school district that issues bonds with this designation

QSCB's – How it Works

- The IRS subsidy takes the form of a semiannual check sent to the District to cover interest costs for QSCB bonds
- The QSCB's are repaid over a period of 14-17 years. PUSD's \$60/\$100k limit per tax year will support \$10m in repayments
- The bonds are sold as taxable, not tax-exempt. Investors pay taxes to the IRS on the interest earnings

QSCB – How it Fits (with SSBP)

- First and foremost: It was planned!
 - Withheld issuing last \$10m of authorization
 - Borrowed from General Fund to support Wildwood construction project
- QSCB payments will fit within established SSBP repayment tax rate structure

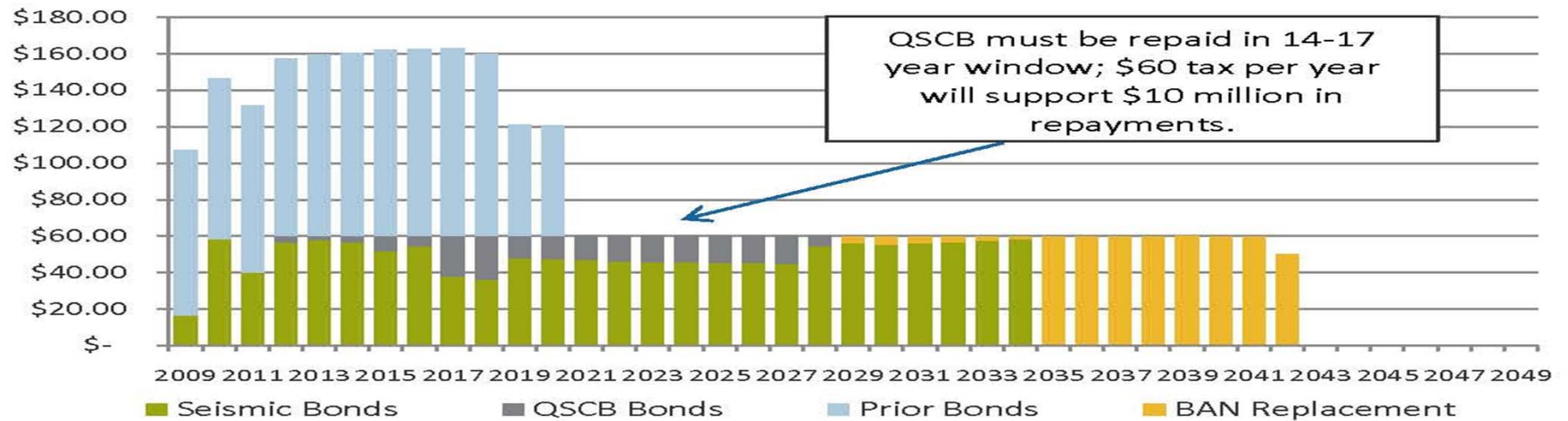
QSCB – How it Fits (with SSBP)

- All of the tax collection available for the seismic bonds (not already needed to pay off the existing bonds) can be applied to principal repayment of the QSCB bonds
- These funds would otherwise go to interest payments for non-QSCB bonds
- Principal repayment begins immediately
- There are no deferred payments (as there would be with CABS) in the “out” years

QSCB – Savings Realized

- The following Tax Table shows what tax rates look like with QSCB's vs. without
- With QSCB's, funds collected are put in an interest-bearing account and held until the final maturity date
- The repayment of the \$10m QSCB's will be a combination of taxes collected and interest earnings, resulting in less than \$10m collected in total taxes collected!

Piedmont USD Estimated Tax Rates for G.O. Bond Repayment 2011 Bond Issues is QSCB



Piedmont USD Estimated Tax Rates for G.O. Bond Repayment 2011 Bond Issues is CAB (not QSCB)

