

**FAQ Sheet – Bond Issue
Oregon-Howell R-III School District
(Frequently Asked Financing Questions)**

1. What is the financing proposal of the Oregon-Howell R-III School District?

The Board of Education is seeking voter approval at the April 4, 2023 election for a \$750,000 general obligation bond issue that extends but does not increase the current \$0.8000 debt service levy of the District. The proceeds from these bonds are to be used to replace the current asphalt parking lot with an asphalt overlay with fiber parking lot; to upgrade heating, ventilation, and air conditioning (HVAC) units as needed; to repair roofs; and to the extent funds are available, complete other repairs and improvements to the existing facilities of the District.

2. Explain what a general obligation bond is and how it relates to the financing for this project?

Under Missouri law the only way a School District can legally borrow money for school facilities' improvements or construction on a full faith and credit basis is to seek voter approval of a general obligation bond issue. A "general obligation" means that the School District can and must levy sufficient taxes to repay the principal and interest associated with the bonds. With voter approval of at least a four-sevenths majority at the April 4, 2023 election the District can then sell the \$750,000 of bonds in increments of \$5,000. This financing process gains access to numerous investors at favorable terms compared to what would happen if the District were dependent upon a single lender to supply the funding. The interest earned by the investors is exempt from federal and state of Missouri income taxes. With the interest being tax-exempt, the actual rate the District must pay is much lower than would otherwise be the case for a typical loan. Based upon current interest rates in the municipal bond market, the average yield to the investor is expected to be less than 4.00%.

3. How can the 750,000 general obligation bond issue be referred to as a no tax rate increase program?

The current \$0.8000 debt service fund levy is adequate to repay the existing bonds plus the \$750,000 of new bonds by extending the levy six years or less (from Fiscal Year ending 2032 to 2038), but not increasing it above the current level. This is feasible due to growth in assessed valuation; interest savings totaling \$72,266 from previous bond re-financings, prepayments of principal, and participation in zero interest bond programs; and very low interest rates in the municipal bond market.

4. Can the District pay the bonds off early to save interest expense?

Yes, the bonds will contain optional redemption (call) features that enable the District to prepay them at no penalty in the event fund balances become large enough for that to occur. The call feature also provides the District the opportunity to refund the bonds to take advantage of lower interest rates in the future, if the overall economic conditions create that set of circumstances.

5. Will local investors have an opportunity to purchase the Bonds?

Yes, the bonds will be available to local investors prior to being offered to others. If you are interested in purchasing some of the bonds, let the District offices know and they will insure you are contacted after the election.

6. What type of rating will the general obligation bonds have?

The District can expect to receive an AA+ rating by S&P Global on the general obligation bonds. Missouri school districts issuing general obligation bonds for construction purposes are eligible in most cases to participate in the State of Missouri Direct Deposit Program. This program provides each issuer with an AA+ rating.