



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

**DATE:** April 9, 2018  
**TO:** Local Emergency Financial Assistance Loan Board  
**FROM:** Paul G. Connors, Michigan Department of Treasury  
**SUBJECT:** Pontiac School District Emergency Loan Restructure Request

**Executive Summary**

The Pontiac School District (the District) is requesting the restructuring of its 2014 and 2015 emergency loans. These transactions will restructure the debt service payments, but not the outstanding principal balance or interest, to enable the District to meet its financial obligations.

**Financial Background**

On August 6, 2013, Governor Snyder declared a financial emergency for the District. On September 18, 2013, a Consent Agreement between the District and the Department of Treasury was executed providing an opportunity to restore District financial stability. At the end of FY 2012, the District had an accumulated general fund deficit of \$37.7M. As of June 30, 2013, the deficit had risen to \$50.4M.

In May 2014, the Emergency Loan Board (ELB) approved a request from the District for a \$10M emergency loan. The 2014 loan was to be repaid over 20 years and has a fixed interest rate of 2.75%. The first eighteen months were interest-only payments. In 2016, the District requested and the ELB approved the restructuring of this loan. The restructuring extended interest-only payments to 2022 and the maturity date to 2036.

In July 2015, the ELB approved a request from the District for a second \$10M emergency loan. This loan was to be repaid over 20 years and has a fixed interest rate of 2.70%.

**Progress and Accomplishments**

The District has been taking steps to align revenue and expenses. In March 2016, the voters passed a non-homestead renewal millage and a 2.87 mill, 5-year sinking fund. The passage of these two millages was crucial for the District to continue operating and to begin making improvements and repairs to aging facilities. Moreover, the District has reduced its general fund deficit to \$23M. It is expected to be out of general fund deficit in FY 2031-32. Further detail on these actions will be provided by the District at the ELB meeting.

### **Restructured Loan Terms**

The restructured 2014 emergency loan maturity date will be extended from 2036 to 2044. It also allows the District to make minimal principal payments of \$5k from 2022 through 2030. In compliance with PA 243 of 1980, amended (Emergency Municipal Loan Act), the interest rate of 2.75% is unchanged from the original 2014 emergency loan. Further details are found in the repayment schedule included in this packet.

The restructured 2015 emergency loan maturity date will be extended from 2035 to 2045. It also allows the District to make minimal principal payments of \$5k from 2021 through 2030. In compliance with PA 243 of 1980, amended (Emergency Municipal Loan Act), the interest rate of 2.70% is unchanged from the original 2015 emergency loan. Further details are found in the repayment schedule included in this packet.

Under 1980 PA 243, the District has reached the capped loan amount of \$20M per municipality and is no longer eligible for subsequent emergency loans.

### **Rational for Emergency Loan**

The District would benefit from the restructuring of the 2014 and 2015 emergency loans as follows:

- Provides budgetary relief to assist in meeting the goals of its Financial and Operating Plan.
- Smooths the per pupil portion of debt service to a range of \$500 to \$556 through maturity.
- Allows the debt service to be wrapped around the existing 2006 Energy Bonds debt service.

The District meets all of the statutory prerequisites to be eligible for the restructuring of 2014 EL under the Emergency Municipal Loan Act, MCL 141.931 *et seq.*

RECEIVED  
DEPT. OF TREASURY

MAR 14 2018

MICHIGAN DEPARTMENT OF TREASURY  
Bureau of Local Government Services  
PO Box 30728  
Lansing, Michigan 48909  
RESTRUCTURED EMERGENCY MUNICIPAL LOAN APPLICATION

LOCAL AUDIT & FINANCE DIV.

Applicant: School District of the City of Pontiac  
County/Counties of: Oakland  
Mailing Address: 47200 Woodward Ave., Pontiac, MI 48342  
Chief Financial Officer: Jamie Cowan Phone: (248) 451-6811  
Contact Person: Jamie Cowan Phone: (248) 451-6811  
Issuance date of loan: May 5, 2014  
Current loan balance: \$10,000,000.00

1. Is the municipality in compliance with the terms of the loan and any other requirements applicable to the municipality under PA 243 of 1980? Yes

If no, provide explanation:

2. Does the municipality have a certified deficit elimination plan? Yes If yes, provide date of certification: January 21, 2014

If no, provide explanation:

3. Is the municipality in compliance with any applicable consent agreement or order of an emergency manager under PA 436 of 2012? Yes

If no, provide explanation:

4. For School Districts only  
Is the school district in compliance with all requirements for receipt of the foundation allowance and any other requirements applicable to the school district under PA 94 of 1979? Yes

If no, provide explanation:

5. For Municipalities other than School Districts  
Is the municipality in compliance with all conditions for revenue distributed under PA 140 of 1971?

If no, provide explanation: Not Applicable.

6. Does the restructuring of payments comply with applicable laws? Yes

If no, provide explanation:

7. Has the loan been sold or transferred under PA 243 of 1980, Section 6a? No If yes, provide date of sale or transfer:

ADDITIONAL REQUIRED INFORMATION

8. Resolution adopted by the governing body of the municipality approving the submission of the restructuring application.

9. Budget for current fiscal year and preceding fiscal year(s) if available.

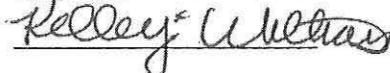
10. Projected monthly cash flows for the preceding 12 months.

11. Accounts Payable Aging Report.

12. Describe the need for the restructuring. The restructured ELN will contribute to a realignment of the aggregate annual debt service to facilitate the use of General Fund dollars to operational programs and expenses.

Chief Administrative Officer Name: Kelley Williams

Chief Administrative Officer Signature:



Date: 3-13-18

**SCHOOL DISTRICT OF THE CITY OF PONTIAC  
COUNTY OF OAKLAND, STATE OF MICHIGAN**

**RESOLUTION AUTHORIZING APPLICATION FOR RESTRUCTURING  
2014 EMERGENCY LOAN FROM THE STATE OF MICHIGAN,  
RESTRUCTURING OF EMERGENCY LOAN NOTE 2013-14 SERIES I, AS AMENDED  
AND RELATED MATTERS**

A regular meeting of the Board of Education (the "Board") of the School District of the City of Pontiac, Oakland County, Michigan (the "School District") was held at its Administration Building, 47200 Woodward Avenue, Pontiac, Michigan, on March 5, 2018, at 6:00 p.m. local time.

The meeting was called to order at 6:01 p.m. local time by Brenda Carter, Board President.

Present: Members: Dubenc Newman, Carroll Turpio, Michael McGuinness, Remy Tolbust & Brenda Carter

Absent: Members: William Cunningham & Sherman Williams

The following preamble and resolution were offered by Member Dubenc Newman and supported by Member Carroll Turpio

WHEREAS, on May 5, 2014, pursuant to the Emergency Loan Act, Act 243 Public Acts of Michigan, 1980, as amended ("Act 243"), the School District obtained an emergency loan (the "2014 Loan") from the Local Emergency Financial Assistance Loan Board (the "ELB"), which 2014 Loan was evidenced by a note designated Emergency Loan Note (General Obligation Limited Tax) 2013-14 Series I, as subsequently amended and restated and currently designated Amended and Restated Emergency Loan Note (General Obligation Limited Tax) 2013-14 Series I, dated April 20, 2016, which currently is outstanding and in full force and effect in accordance with its terms (the "Restated 2014 Note");

WHEREAS, pursuant to Section 3(9) of Act 243 and subject to certain conditions set forth in Act 243, the ELB may restructure payments, but not the outstanding principal balance or interest, on certain loans, including the 2014 Loan;

WHEREAS, as part of the financial and operating plan adopted for the School District, the Board has determined that it is necessary and in the best interest of the School District to make application to the ELB to restructure the 2014 Loan as permitted under Act 243 (the "Restructuring"); and

WHEREAS, the School District and The Huntington National Bank, as Master Trustee (the "Master Trustee"), are parties to the that certain Master Debt Retirement Trust Indenture dated as of September 1, 2014 (as supplemented or amended from time to time, the "Master Indenture").

NOW, THEREFORE, IT IS RESOLVED BY THE BOARD AS FOLLOWS:

1. Applications to Restructure. The Superintendent, President or Vice President of the Board, Assistant Superintendent or individual acting in the capacity of the school business official, or any one acting alone (each an "Authorized Officer") are hereby authorized and directed to submit an application to the ELB for approval to restructure the 2014 Loan and the respective debt service payment schedules on the Restated 2014 Note.

2. The Restructured Loan and Restructured Note. The restructured 2014 Loan shall be evidenced by a second amended and restated note which shall be exchanged for the Restated 2014 Note and shall be designated as the "Second Amended and Restated Emergency Loan Note (General Obligation Limited Tax) 2013-14 Series I", or such other designation approved by the ELB in its Order of Approval, as hereinafter defined (the "Restructured 2014 Note"). An Authorized Officer is authorized and directed to negotiate the amended payment schedule for the Restructured 2014 Note with the Michigan Department of Treasury (the "Treasury"), within the parameters allowed under Section 3(9) of Act 243. Except as otherwise provided by the ELB in its Order of Approval ("the Order of Approval") of the Restructured 2014 Note, the principal amount of the Restructured 2014 Note shall be equal to the outstanding principal amount of the 2014 Note on the day the Restructured 2014 Note is executed; the final maturity date of the Restructured 2014 Note shall be on or before May 1, 2044; and the interest rate on the Restructured 2014 Note shall remain at 2.75% per annum. The principal and interest on the Restructured 2014 Note shall be payable on the dates specified in the Order of Approval. An Authorized Officer shall execute the Restructured 2014 Note on behalf of the School District and deliver it to the ELB as agent for the State.

3. Form of Restructured Note. The Restructured 2014 Note shall be in substantially the form attached hereto as Exhibit A, and the completed amended repayment schedule and such other modifications, additions, changes and deletions as are approved by the Order of Approval and an Authorized Officer.

4. Execution of Restructured Note. An Authorized Officer, on behalf of the School District, is hereby authorized to execute and deliver the Restructured 2014 Note in exchange for receiving back the Restated 2014 Note marked "CANCELED"; and the Authorized Officer is authorized and directed then to destroy such canceled note.

5. Supplement to Master Indenture. The Restructured 2014 Note shall be an Additional Obligation (as defined in the Master Indenture). Subject to any express parameters contained in this resolution, the School District hereby authorizes an Authorized Officer to negotiate, approve, execute and deliver a Supplemental Indenture (as defined in the Master Indenture) for the Restructured 2014 Note, which shall establish deposit requirements for funds necessary to pay the debt service on the Restructured 2014 Note secured by the Master Indenture.

6. Note Counsel. The representation of the School District by Miller, Canfield, Paddock and Stone, P.L.C. as note counsel ("Note Counsel") is hereby approved, notwithstanding its periodic representation of other potential parties to the transaction in unrelated matters. The Superintendent is authorized to approve an engagement letter with Note Counsel that shall set forth the terms of Note Counsel's engagement.

7. Municipal Advisor. The School District hereby appoints Robert W. Baird & Co., Incorporated to act as Municipal Advisor with reference to the Restructuring authorized by this Resolution.

8. Further Actions. The Authorized Officer and other officers, administrators, agents and attorneys of the School District are authorized and directed to execute and deliver all other agreements, documents and certificates and to take all other actions necessary relating to the Restructuring in accordance with this Resolution. The officers, administrators, agents and attorneys of the School District are authorized and directed to pay costs of issuance and any other costs necessary to accomplish the Restructuring.

9. Prior Actions. Any actions taken by an Authorized Officer prior to the date hereof to effectuate the transactions contemplated by this Resolution are hereby ratified.

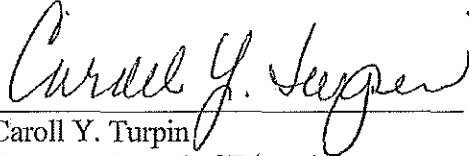
*[Remainder of Page Intentionally Left Blank]*

10. Conflicts. All resolutions and parts of resolutions insofar as they conflict with the provisions of this Resolution be and the same hereby are rescinded.

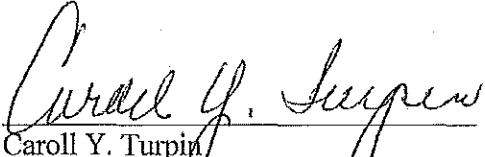
Ayes: Members: Dubanc Newman, Carroll Turpin, Michael McCullough, Kerry Tolbert & Brenda Carter

Nays: Members: None

Resolution Declared Adopted.

  
Carroll Y. Turpin  
Secretary, Board of Education

The undersigned duly qualified and acting Secretary of the Board of Education of the School District of the City of Pontiac, hereby certifies that the foregoing is a true and complete copy of a resolution adopted by the Board at a regular meeting held on March 5, 2018, the original of which is a part of the Board's minutes and further certifies that notice of the meeting was given to the public pursuant to the provisions of the Open Meetings Act, being Act No. 267, Public Acts of Michigan, 1976, as amended.

  
Carroll Y. Turpin  
Secretary, Board of Education

30708265

**EXHIBIT A**

**FORM OF RESTRUCTURE 2014 NOTE**

**R-1**

**UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTY OF OAKLAND**

**SCHOOL DISTRICT OF THE CITY OF PONTIAC**

**SECOND AMENDED AND RESTATED EMERGENCY LOAN NOTE  
(General Obligation Limited Tax)  
2013-14 Series I**

**Registered Owner:** State of Michigan

**Principal Amount:** \$ \_\_\_\_\_

**Date of Original Issue:** \_\_\_\_\_, 2018

The School District of the City of Pontiac, County of Oakland, State of Michigan (the "Issuer"), acknowledges itself to owe and for value received hereby promises to pay to the State of Michigan, the Principal Amount specified above, in lawful money of the United States of America, in \_\_\_\_\_ consecutive annual installments in the amounts as set forth on the attached Exhibit A, incorporated herein by reference, unless modified by a written agreement with the State Treasurer of Michigan (the "State Treasurer"), for an aggregate total of \_\_\_\_\_ (\$ \_\_\_\_\_) on \_\_\_\_\_ 1 in each of the years \_\_\_\_\_ to \_\_\_\_\_, inclusive, unless prepaid prior thereto as hereinafter provided, with interest on the unpaid principal balance hereof from the Date of Original Issue specified above or such later date to which interest has been paid, until paid, at the rate per annum as set forth herein, first payable on \_\_\_\_\_, 2018 and semiannually on each \_\_\_\_\_ 1 and \_\_\_\_\_ 1 thereafter. Both the principal of and interest on this note are payable at the Office of the State Treasurer in Lansing, Michigan, or such other place as may be designated in writing to the Issuer by the State Treasurer. In the event that an installment for the Principal Amount or interest due on \_\_\_\_\_ 1 or \_\_\_\_\_ 1 in any year falls on a Saturday, Sunday or any day in which banks in Michigan are generally not open, such payment shall be due on the next succeeding business day.

From the Date of Original Issue specified above until paid, this note shall bear interest at the rate of 2.75% per annum, which may be subsequently adjusted pursuant to Section 6a or Section 7(2) of the Emergency Municipal Loan Act, Act 243, Public Acts of Michigan, 1980, as amended ("Act 243"). Interest on this note shall be computed on the basis of a 365- or 366-day year and the actual number of days elapsed.

**RESOLUTION AUTHORIZING APPLICATION FOR RESTRUCTURING OF 2014 EMERGENCY  
LOAN, EMERGENCY LOAN NOTE 2013-14 SERIES I AND RELATED MATTERS**



This Note is issued on the Date of Original Issue specified above, under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 243, pursuant to a resolution of the Board of the Issuer, adopted on March 5, 2018, to evidence the obligation of the Issuer to repay an emergency loan made to it by the State of Michigan for the purpose of enabling the Issuer meet its financial obligations.

The Issuer shall have the right to pay at any time or times prior to maturity, without penalty or premium, all or any portion of this Note. Prepayments shall be credited to principal payments in direct order of maturity.

This Note and the interest hereon are payable, as a first budget obligation, from any funds of the Issuer available therefor, including but not limited to any delinquent taxes payable to the Issuer from the County of Oakland, State of Michigan's delinquent tax revolving fund, or from general ad valorem taxes imposed on all taxable property within the geographic boundaries of the Issuer for the payment thereof, subject to applicable constitutional and statutory tax rate limitations.

The maturity of principal of and accrued and unpaid interest on this Note may be accelerated by the State Treasurer on behalf of the State of Michigan upon the occurrence and during the continuance of any Event of Default under this Note. Each of the following shall constitute an "Event of Default" under this Note; (A) non-payment of any principal of or interest on this Note, when due; and (B) failure of the Issuer to comply with the terms of the Conditions Upon School District provided in the Order of Approval, dated the date hereof between the Issuer and the State of Michigan.

The Issuer shall pledge to the State Treasurer a sufficient amount of the proceeds of the operating taxes levied for the Issuer and the delinquencies thereon that is necessary to pay the principal of and interest on this Note, when due. The Issuer has entered into separate Amended and Restated Tax Intercept Agreements, dated as of September 25, 2014 (as they may be amended from time to time, "Tax Intercept Agreements") with the Master Trustee, and (separately) the City of Auburn Hills, the Charter Township of Bloomfield, the City of Pontiac (each a "Local Government" and collectively the "Local Governments") and the County Treasurer of the County of Oakland, to provide for the payment to the Master Trustee by such Local Governments and County Treasurer of such operating taxes and the delinquencies thereon collected by them on behalf of the Issuer after July 1, 2017. As additional security for payment of this Note and in the event of the delinquency of the Issuer in paying required principal of or interest on this Note, the State Treasurer is authorized to intercept up to but not more than all delinquent amounts of principal and interest due on this Note from state school aid payments to the Issuer otherwise required to be made to the Issuer pursuant to the provisions of the State School Aid Act, Act 94, Public Acts of 1979, as amended, and said intercepted state school aid payments shall be applied by the State Treasurer against said delinquent payments. The Issuer's pledges of the proceeds of operating taxes and state school aid payments described in this paragraph shall be subordinate to all other municipal securities, state aid notes and tax anticipation notes of the Issuer sold to the Michigan Finance Authority, regardless of the date of issue. However, this current pledge of operating taxes and state school aid payments shall be

senior to pledges for payment of state aid notes or lines of credit issued after the date of this Note and sold to all other parties that are not the Michigan Finance Authority.

The Issuer has entered into the Master Indenture related to (among other things) the Tax Intercept Agreements with the Master Trustee to provide for the manner in which the revenue from taxes collected will be deposited for use to repay the principal and interest due on this Note and the Issuer's senior obligations.

While this Note is outstanding, the Issuer has the right to issue to one or more financial institutions or the Michigan Finance Authority one or more state aid notes, tax anticipation notes or other municipal securities and additional notes only to the State of Michigan in order to obtain additional emergency loans for the purpose of enabling the Issuer to meet its financial obligations.

Except as state law may require, the limited tax, full faith and credit resources of the Issuer are hereby pledged for the payment of the principal of and interest on this Note. This Note is payable primarily from ad valorem taxes, which will be levied within the authorized constitutional and statutory tax limitations of the Issuer, and an irrevocable appropriation of a sufficient amount of such taxes will be made each year as a first operating budget obligation for the payment of the principal of and interest on this Note as due, [subordinate to all first liens on said funds pledged for the payment of other municipal securities, state aid notes or tax anticipation notes sold to the Michigan Finance Authority, further subordinate to any first liens on said funds pledged for the payment of state aid notes, lines of credit or tax anticipation notes issued prior to the date of this Note and sold to parties other than the Michigan Finance Authority, and subordinate to any statutory obligations to set aside operating tax collections for any tax anticipation notes issued subsequent to this Note. If taxes are insufficient to pay this Note when due, the Issuer has pledged to use any and all other resources available for the payment of this Note, The Issuer does not have the power to levy taxes for the payment of this Note in excess of its constitutional or statutory tax rate limitations. The Issuer may issue additional bonds or notes of equal standing with this Note only upon the approval of the State Treasurer.]

The Issuer covenants that it shall perform and meet all requirements imposed upon the Issuer as a result of receiving this loan pursuant to Act 243 until this Note is paid in full.

The Issuer waives presentment, demand, notice of dishonor, protest and notice of non-payment with respect to this Note.

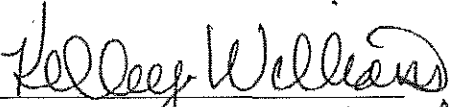
The Principal Amount of this Note has been disbursed for the benefit of the Issuer by deposit into an account established in its name (the "Disbursement Account") at [The Huntington National Bank] (the "Disbursement Depository") established pursuant to a Disbursement Depository Agreement between the Issuer and the Disbursement Depository dated the date hereof (the "Disbursement Depository Agreement"). Moneys in the Disbursement Account shall be the property of the Issuer. Unless the Disbursement Depository has been advised that an Event of Default has occurred and is continuing, the Disbursement Depository shall disburse to the Issuer out of the Disbursement Account the amount requisitioned from time to time by the Issuer and approved by the State Treasurer, until the full Principal Amount shall have been disbursed to the

Issuer. Such disbursements shall be made from time to time upon presentation of, and pursuant to, a requisition certificate executed by the Issuer in the form shown on Exhibit B attached hereto or in a form approved by the State Treasurer. Disbursements from the Disbursement Account shall be made upon the Disbursement Depository's receipt of an executed requisition certificate in the described form, which requisition certificate may be submitted electronically or by facsimile. The Disbursement Depository shall be entitled to rely on the truthfulness of each executed requisition certificate in the prescribed form and shall have no duty to inquire into or investigate the truth thereof.

It is hereby certified and recited that all acts, conditions and things required by law to be done, precedent to and in the issuance of this Note, exist and have been done and performed in regular and due form and time as required by law, and that the total indebtedness of the Issuer, including this Note, does not exceed any constitutional or statutory debt limitation.

This Note shall be payable out of the general funds of the Issuer, including, but not limited to, collection of ad valorem taxes that the Issuer may levy on property within the geographic boundaries of the Issuer under Section 1211 of the Revised School Code, 1976 PA 451, MCL 380.1211, within Constitutional and statutory limitations. As additional security for the payments due and owing under this Note, the Issuer pledges, and acknowledges the State's statutory right to withhold, the amount of all delinquent payments due on this Note from State money appropriated to the Issuer, including under the State School Aid Act of 1979, 1979 PA 94, MCL 388.1601 to 388.1896, and authorizes the State to withhold the funds and apply the funds to the repayment of principal of or interest on the Note that are delinquent according to the terms of this Note.

School District of the City of Pontiac  
County of Oakland  
State of Michigan

By:   
Its: Superintendent

30708265.1\155356-00003

School District of the City of Pontiac  
Debt Service & Required Payment Plans  
Payable from General Fund

Current General Fund Debt Service									
FYE 2018		4.19%		2.15%/3.35%		4,208			
FYE 2019 - 2046		4.19%		3.50%					
Par Amount FYE 2019 - 2046		\$14,370,000		\$4,500,000					
FYE	2006 Bonds	SBLF Refunding	Amended & Restated ELN 2013-14 Series I (April 2016)	ELN 2014-15 Series I (July 2015)	TAN Interest	SAN Interest	TOTAL LTGO Debt Service & Payment Plans (1)	\$/Pupil (Blended) (2)	
1	2018	2,156,500	806,775	275,000	270,000	346,415	173,800	4,028,490	957
2	2019	2,265,510	807,785	275,000	270,000	346,415	157,500	4,122,210	980
3	2020	2,380,875	806,992	275,379	270,372	346,415	157,500	4,237,533	1,007
4	2021	2,508,000	804,398	274,621	274,628	346,415	157,500	4,365,562	1,037
5	2022		735,000	824,865		346,415	157,500	2,063,780	490
6	2023		747,350	824,880		346,415	157,500	2,076,145	493
7	2024		754,355	825,820		346,415	157,500	2,088,091	496
8	2025		764,801	826,252		346,415	157,500	2,096,969	498
9	2026		780,550	827,225		346,415	157,500	2,111,690	502
10	2027		795,150	825,485		346,415	157,500	2,124,550	505
11	2028		809,185	825,579		346,415	157,500	2,136,679	508
12	2029		821,638	825,575		346,415	157,500	2,151,129	511
13	2030		834,000	827,700		346,415	157,500	2,165,615	515
14	2031		850,300	824,070		346,415	157,500	2,178,285	518
15	2032		860,797	825,173		346,415	157,500	2,189,885	520
16	2033		875,019	825,349		346,415	157,500	2,204,284	524
17	2034		888,700	825,345		346,415	157,500	2,217,960	527
18	2035		221,288	1,509,690		346,415	157,500	2,234,893	531
19	2036		1,741,677			346,415	157,500	2,245,592	534
20	2037					346,415	157,500	503,915	120
21	2038					346,415	157,500	503,915	120
22	2039					346,415	157,500	503,915	120
23	2040					346,415	157,500	503,915	120
24	2041					346,415	157,500	503,915	120
25	2042					346,415	157,500	503,915	120
26	2043					346,415	157,500	503,915	120
27	2044					346,415	157,500	503,915	120
28	2045					346,415	157,500	503,915	120
29	2046								
		9,310,885	3,225,950	13,579,810	13,332,008	9,699,632	4,426,300	53,574,584	

AFTER Proposed Amended & Restated Emergency Loans 2013-14, Series I and 2014-15, Series I AND Proposed Refinancing of 2006 Bonds											
FYE 2018		4.19%		2.15%/3.35%		4,208					
FYE 2019 - 2046		4.19%		3.50%							
Par Amount FYE 2019 - 2046		\$14,370,000		\$4,500,000 (4)							
FYE	2006 Bonds	SBLF Refunding	Amended & Restated ELN 2013-14 Series I (March 2018)	Amended & Restated ELN 2014-15 Series I (March 2018)	TAN Interest	SAN Interest	TOTAL LTGO Debt Service & Payment Plans (1)	\$/Pupil (Blended) (2)	FYE		
		251,888	806,775	275,000	270,000	346,415	173,800	2,123,878	505	2018	1
		381,825	807,785	275,000	270,000	346,415	157,500	2,238,525	532	2019	2
		381,825	806,992	275,379	270,372	346,415	157,500	2,238,483	532	2020	3
		381,825	804,398	274,621	269,628	346,415	157,500	2,234,387	531	2021	4
			1,285,825		275,000	346,415	157,500	2,335,740	555	2022	5
			1,285,100		275,000	346,415	157,500	2,335,015	555	2023	6
			1,288,575		275,379	346,415	157,500	2,335,241	556	2024	7
			1,284,025		274,621	346,415	157,500	2,332,190	554	2025	8
			1,287,675		275,000	346,415	157,500	2,335,590	555	2026	9
			1,284,075		275,000	346,415	157,500	2,332,590	554	2027	10
			1,288,450		275,379	346,415	157,500	2,338,116	556	2028	11
			1,285,350		274,621	346,415	157,500	2,333,515	555	2029	12
				820,000	780,000	346,415	157,500	2,109,915	500	2030	13
				820,013	776,230	346,415	157,500	2,100,158	499	2031	14
				824,948	777,524	346,415	157,500	2,106,388	501	2032	15
				823,348	777,431	346,415	157,500	2,104,694	500	2033	16
				822,300	777,895	346,415	157,500	2,104,110	500	2034	17
				820,525	777,640	346,415	157,500	2,102,080	500	2035	18
				823,583	777,231	346,415	157,500	2,104,729	500	2036	19
				820,379	775,686	346,415	157,500	2,099,981	499	2037	20
				822,450	779,445	346,415	157,500	2,105,810	500	2038	21
				823,750	777,435	346,415	157,500	2,105,100	500	2039	22
				824,644	780,178	346,415	157,500	2,108,738	501	2040	23
				824,583	776,931	346,415	157,500	2,105,430	500	2041	24
				824,350	778,705	346,415	157,500	2,106,970	501	2042	25
				823,450	779,805	346,415	157,500	2,107,170	501	2043	26
				822,030	780,421	346,415	157,500	2,106,386	501	2044	27
					775,357	346,415	157,500	2,129,272	504	2045	28
										2046	29
		11,685,438	3,225,950	15,640,354	15,587,914	9,699,632	4,426,300	60,368,587			

Notes:

- (1) As of January 12, 2018, but shows full FY2018 debt service
- (2) State Aid Membership as shown on 01/22/2018 State Aid Financial Status Report.
- (3) Assumes ELN 2013-14 Series I and ELN 2014-15 Series I are amended and restated on March 1, 2018, the 2006 Bonds are refunded on March 1, 2018, and the School District pays accrued interest of \$179,178.08.
- (4) FYE2018 SAN interest includes a \$4.3M SAN at 2.15% and a \$2.3M SAN at 3.35%



# School District of the City of Pontiac

Kelley Williams, Superintendent

## PONTIAC BOARD OF EDUCATION Agenda Item Request Form

Purpose:	<input checked="" type="checkbox"/> Discussion
	<input checked="" type="checkbox"/> Action
	<input type="checkbox"/> Report
Contract:	<input type="checkbox"/> New
	<input type="checkbox"/> Renewal
<input checked="" type="checkbox"/> N/A	<input type="checkbox"/> Extension/ Modification

Presenter(s): Mrs. Kelley Williams, Superintendent  
Mrs. Jamie Cowan, Director of Business Services

Attachment(s): Emergency Loan Note 2013-14 Series I  
Emergency Loan Note 2014-15 Series I  
Amortization Chart of Restructuring Proposed

Board Meeting Date: \_\_\_\_\_  
 05 March 2018

Agenda Item: Emergency Loan Refinancing Resolution

### Background/Rationale:

Resolution Authorizing Application for Restructuring 2014 and 2015 Emergency Loans From the State of Michigan, Restructuring of the Emergency Loan Note 2013-14 Series I, as amended, and Emergency Loan Note 2014-15 Series I, and Related Matters to extend the terms of debt service.

The net present value savings on these restructurings are either minimal or negative because we are extending the maturity of the ELNs in order to provide for some upfront debt service relief of over \$1 million in annual nominal savings from FY2022-FY2029, which

- Provides for budgetary relief to assist PSD in meeting the goals of their Financial and Operating Plan
- Smooths the Per Pupil Portion of Debt Service to a primary range of 500 – 556 throughout the maturity
- Allows the debt service to be wrapped around the existing 2014 SBLF Bonds debt service and proposed refunding debt service for the 2006 Bonds
- Although this extends the maturity (annual nominal dissavings in FY2037-FY2045), PSD would be able to prepay the ELNs prior to maturity at any time without penalty to reduce future interest costs and this would allow PSD to capitalize on the low long-term interest rates of the ELNs

Funding Source/Account Number/s: n/a



# School District of the City of Pontiac

Kelley Williams, Superintendent

**Recommendation:** It is the recommendation of the Administration that the Board of Education approve the Resolutions authorizing the Restructuring of both the Emergency Loan Note of 2014 and Emergency Loan Note of 2015.

**Approvals Required:**

<u>Kelley Williams</u> Superintendent	<u>3-1-18</u> Date	<u>Y'londa Kellum</u> Human Resources	<u>3/1/18</u> Date
<u>Janice M. Cowan</u> Business and Finance	<u>3-1-18</u> Date	<u>Dr. Sweetle</u> Curriculum & Instruction	<u>3/1/18</u> Date
<u>Darryl Segars</u> Legal Counsel	<u>3/1/18</u> Date		

Moved By: Dubene Newman Supported By: Carroll Turpin  
 Board Vote:  
 Ayes: 5 Newman, Turpin, Mc Guinness, Tolbert & Carter  
 Nays: 0  
 Request Approved:  Yes  No Date Approved: 3/5/18



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

NICK A. KHOURI  
STATE TREASURER

**LOCAL EMERGENCY FINANCIAL ASSISTANCE LOAN BOARD**

**ORDER 2018-5**

**ORDER OF APPROVAL OF EMERGENCY LOAN RESTRUCTURING**

**THE LOCAL EMERGENCY FINANCIAL ASSISTANCE LOAN BOARD,  
ACTING UPON THE APPLICATION OF**

**THE SCHOOL DISTRICT OF  
THE CITY OF PONTIAC  
COUNTY OF OAKLAND  
STATE OF MICHIGAN**

Requesting approval for the restructuring of the Amended and Restated Emergency Loan Note (General Obligation – Limited Tax) 2013-14 Series I, for the purpose of enabling The School District of the City of Pontiac (the “School District”) to meet its financial obligations as more fully set forth herein, the Board determines that:

1. A financial emergency exists within the School District.
2. The School District is deemed to have complied with the provisions of Public Act 243 of 1980, the Emergency Municipal Loan Act, as amended, as follows:
  - (a) The School District is in compliance with the terms of the Amended and Restated Emergency Loan Note (General Obligation – Limited Tax) 2013-14 Series I and any other requirements applicable to the School District under the Emergency Municipal Loan Act, as amended.
  - (b) The School District is in compliance with any requirements relating to a deficit elimination plan under state law.
  - (c) The School District is in compliance with any applicable consent agreement or order of an emergency manager under the local financial stability and choice act, 2012 PA 436, MCL 141.1541 to 141.1575, or a successor statute.

- (d) The School District is in compliance with all requirements for receipt of the foundation allowance and any other requirements applicable to the School District under the state school aid act of 1979, 1979 PA 94, MCL 388.1601 to 388.1896.
- (e) The restructuring of payments complies with applicable law.
- (f) The Emergency Loan Note (General Obligation – Limited Tax) 2013-14 Series I has not been sold or transferred under Section 6a of the Emergency Municipal Loan Act, as amended.

NOW, THEREFORE, be it ordered by the Board that the application of the School District for the restructuring of the Amended and Restated Emergency Loan Note (General Obligation – Limited Tax) 2013-14 Series I is hereby approved, subject to the conditions set forth in this Order of Approval.

**Terms of Restructured Emergency Loan**

1. The restructured emergency loan shall be evidenced by a note to be designated as the “Second Amended and Restated Emergency Loan Note (General Obligation - Limited Tax) 2013-14 Series I.” The principal amount outstanding shall bear interest initially at the rate of 2.75 percent (2.75%) per annum, which may be subsequently adjusted pursuant to Section 6a or Section 7(2) of the Emergency Municipal Loan Act, as amended. Until the emergency loan is repaid, a payment of interest only then owing shall be remitted each May 1 and November 1, or the next succeeding business day, beginning November 1, 2018, and a payment of principal and interest then owing shall be remitted each May 1, or the next succeeding business day, beginning in 2022, with a date of final maturity of May 1, 2044, per attached payment schedule (Exhibit A).
2. The School District shall abide by all conditions set contained herein in order to remain in compliance with the terms of the Second Amended and Restated Emergency Loan Note (General Obligation - Limited Tax) 2013-14 Series I. Such conditions shall be satisfied by the School District, including that all documents shall be in form and substance satisfactory to the State Treasurer on behalf of the State of Michigan, in the sole discretion of the State Treasurer, unless waived by the State Treasurer in writing.



**Conditions Upon School District**

1. As an initial condition of the restructuring of the emergency loan authorized by this Order of Approval, the Superintendent and Board of Education of the School District agree to perform the following:
  - (a) Pay all interest accrued under the original note evidencing the emergency loan due through April 9, 2018.
  - (b) Execute an second amended and restated cognovit authorizing the Attorney General to confess a judgment against the School District in the event of a default upon the restructured emergency loan.
  
2. As a condition of the restructuring of the emergency loan authorized by this Order of Approval, the Superintendent and Board of Education of the School District agree to perform all of the following during the period that any portion of the emergency loan remains outstanding:
  - (a) If determined necessary by the State Treasurer, in its sole discretion, obtain and deliver to the State Treasurer on behalf of the State of Michigan fully executed Tax Intercept, State Aid and Tax Pledge, and/or Depository Agreements, and/or amendments to any existing agreements thereof, within ninety (90) days of the School District receiving notice from the State Treasurer that such agreement(s), and/or amendments thereto, is needed or such longer period of time as may be approved by the State Treasurer.
  - (b) Submit to the State Treasurer and Superintendent of Public Instruction on a monthly basis, and by the 20th day of each succeeding month, a statement of its current monthly cash flow projections encompassing all revenues and expenditures. Such statements shall examine a rolling 12 month period and shall include a comparison of the School District's projected cash flows to the actual cash flow realized by the School District.
  - (c) Submit to the State Treasurer and Superintendent of Public Instruction on a monthly basis and by the 20th day of each succeeding month, a statement of the School District's current accounts payable aging.
  - (d) Employ a full-time professional administrator or contract with a person with expertise in municipal finance and administration to direct or participate directly in the management of the School District's operations until otherwise ordered by the Board.
  - (e) Submit biannually to the State Treasurer and Superintendent of Public Instruction an evaluation of performance of the School District against the ten-year financial and operating plan that was certified by the Department of Treasury on January 21, 2014 and approved by the governing body of the School District on February 3, 2014. This

plan was required by the School District's consent agreement and indicates that the School District will balance future expenditures with anticipated revenues.

- (f) Submit to the State Treasurer and Superintendent of Public Instruction on a quarterly basis for the immediately preceding quarter all of the following:
  - (1) A statement of actual revenues received by the School District in the last quarter of the current fiscal year of the School District and in the current fiscal year of the School District to date.
  - (2) A statement of total revenues estimated to be received by the School District in the current fiscal year of the School District.
  - (3) A statement of expenditures made and encumbrances entered into by the School District in the last quarter of the current fiscal year of the School District and in the current fiscal year of the School District to date.
  - (4) A statement of revenues which were estimated to be received by the School District and expenditures which were estimated to be made by the School District during the current fiscal year of the School District and through the end of the last quarter of the current fiscal year of the School District.
  - (5) A balance sheet indicating whether total estimated expenditures for the current fiscal year of the School District and for the last quarter exceed the total estimated revenues for the current fiscal year of the School District and for the last quarter, respectively.
- (g) Submit annually by July 1 to the State Treasurer and Superintendent of Public Instruction the general appropriations act of the School District and submit forthwith any amendments to the general appropriations act of the School District adopted pursuant to Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act. An annual operating budget of the School District shall not become effective until approved by the State Treasurer, in consultation with the Superintendent of Public Instruction.
- (h) Certify annually by July 1 that the School District has fully complied with all statutory requirements concerning the use of the uniform chart of accounts and audits promulgated by the Michigan Department of Education.
- (i) To the extent applicable, comply with the requirements of both of the following:
  - (1) Section 3 or 4 of Public Act 152 of 2011, the Publicly Funded Health Insurance Contributions Act.

(2) Section 5 of Public Act 152 of 2011, the Publicly Funded Health Insurance Contributions Act.

3. Compliance with the conditions imposed upon the School District by this Order of Approval shall be the responsibility of the Superintendent and Board of Education of the School District.
4. Failure of the School District to comply with the terms of this section of this Order of Approval shall constitute an Event of Default under the Second Amended and Restated Note and the terms and conditions of this section of this Order of Approval are incorporated in and made a part of the Second Amended and Restated Note.
5. This Order of Approval supersedes any Funding Conditions Memorandum dated prior to the date of this Order of Approval.

### **Conditions not Discharged by Contingencies**

The conditions imposed upon the School District by this Order of Approval are not subject to release or discharge due to any contingencies, including, but not limited to, clerical errors, computer failures, late mailings, or the failure to comply with reporting due dates or other scheduled due dates due to adverse weather, acts of God, acts of third parties, or compliance with court orders.

### **Due Dates**

A provision of this Order of Approval which requires the School District to submit to the Board, the State Treasurer, or the Superintendent of Public Instruction a report, listing, or other document by a specific due date shall not be deemed complied with unless the report, listing, or other document is received by the Board, the Michigan Department of Treasury, or the Michigan Department of Education by the due date specified. If the due date for a report, listing, or other document falls on a weekend or legal holiday, then the report, listing, or other document shall be due on the first day thereafter which is not a weekend or legal holiday.

### **Waiver of Provisions**

To the extent permitted by Public Act 243 of 1980, the Emergency Municipal Loan Act, as amended, the Board may waive or modify a provision of this Order of Approval if, in its sole discretion, the Board concludes that the School District has demonstrated good cause shown for the waiver. However, the lack of a specific action by the Board shall not be construed as a waiver or modification of a provision of this Order of Approval.

**Delegation of Ongoing Supervision**

The Board delegates to the State Treasurer responsibility for the day-to-day supervision of the compliance by the School District with this Order of Approval.

**Subordination of Loan**

1. The pledge of the proceeds of operating taxes, revenue sharing and state aid payments, as applicable, to repayment of this loan, shall be subordinate to the pledge of those revenues to all state aid notes, tax anticipation notes and other debt issuances sold to the Michigan Finance Authority.
2. The State Treasurer is hereby authorized to permit the subordination of the pledge of the proceeds of operating taxes, revenue sharing and state aid payments, as applicable, to repayment of this loan, to the pledge of those revenues to all state aid notes, tax anticipation notes and other debt issuances sold to parties other than the Michigan Finance Authority.
3. The State Treasurer is hereby authorized to execute on behalf of the Board any such agreements or documents as deemed necessary or appropriate to evidence the subordination approved herein.

IN WITNESS WHEREOF, the members of the Board, or their designees, have signed and executed this Order of Approval.

LOCAL EMERGENCY FINANCIAL ASSISTANCE  
LOAN BOARD

By 

Eric Scorsone, Deputy Treasurer for Finance  
As Designee for Nick A. Khouri, State Treasurer

By 

John J. Walsh, State Budget Director  
As Designee for David L. DeVries, Director  
Department of Technology, Management and Budget

By 

Shelly Edgerton, Director  
Department of Licensing and Regulatory Affairs

Date: 4-9-18

Lansing, Michigan

**EXHIBIT A**

School District of the City of Pontiac, Michigan

Second Amended and Restated Emergency Loan Note (General Obligation Limited Tax), 2013-14 Series I

Dated Date 4/9/2018  
Delivery Date 4/9/2018

Date	Principal	Coupon	Interest	Total
11/1/2018			155,205.48	155,205.48
5/1/2019			136,369.86	136,369.86
11/1/2019			138,630.14	138,630.14
5/1/2020			136,748.63	136,748.63
11/1/2020			138,251.37	138,251.37
5/1/2021			136,369.86	136,369.86
11/1/2021			138,630.14	138,630.14
5/1/2022	5,000	2.75%	136,369.86	141,369.86
11/1/2022			138,560.82	138,560.82
5/1/2023	5,000	2.75%	136,301.68	141,301.68
11/1/2023			138,491.51	138,491.51
5/1/2024	5,000	2.75%	136,611.89	141,611.89
11/1/2024			138,043.99	138,043.99
5/1/2025	5,000	2.75%	136,165.31	141,165.31
11/1/2025			138,352.88	138,352.88
5/1/2026	5,000	2.75%	136,097.12	141,097.12
11/1/2026			138,283.56	138,283.56
5/1/2027	5,000	2.75%	136,028.94	141,028.94
11/1/2027			138,214.25	138,214.25
5/1/2028	5,000	2.75%	136,338.39	141,338.39
11/1/2028			137,767.49	137,767.49
5/1/2029	5,000	2.75%	135,892.57	140,892.57
11/1/2029			138,075.62	138,075.62
5/1/2030	5,000	2.75%	135,824.38	140,824.38
11/1/2030			138,006.30	138,006.30
5/1/2031	590,000	2.75%	135,756.20	725,756.20
11/1/2031			129,827.12	129,827.12
5/1/2032	610,000	2.75%	128,065.10	738,065.10
11/1/2032			121,039.07	121,039.07
5/1/2033	625,000	2.75%	119,391.82	744,391.82
11/1/2033			112,706.30	112,706.30
5/1/2034	645,000	2.75%	110,868.70	755,868.70
11/1/2034			103,764.66	103,764.66
5/1/2035	660,000	2.75%	102,072.84	762,072.84
11/1/2035			94,615.07	94,615.07
5/1/2036	680,000	2.75%	93,330.94	773,330.94

**EXHIBIT A**

School District of the City of Pontiac, Michigan

Second Amended and Restated Emergency Loan Note (General Obligation Limited Tax), 2013-14 Series I

Dated Date                      4/9/2018  
Delivery Date                  4/9/2018

Date	Principal	Coupon	Interest	Total
11/1/2036			84,955.46	84,955.46
5/1/2037	700,000	2.75%	83,799.28	783,799.28
11/1/2037			75,484.11	75,484.11
5/1/2038	715,000	2.75%	74,253.39	789,253.39
11/1/2038			65,572.05	65,572.05
5/1/2039	735,000	2.75%	64,502.95	799,502.95
11/1/2039			55,382.74	55,382.74
5/1/2040	755,000	2.75%	54,631.08	809,631.08
11/1/2040			44,793.44	44,793.44
5/1/2041	775,000	2.75%	44,183.84	819,183.84
11/1/2041			34,172.33	34,172.33
5/1/2042	800,000	2.75%	33,615.17	833,615.17
11/1/2042			23,081.92	23,081.92
5/1/2043	820,000	2.75%	22,705.58	842,705.58
11/1/2043			11,714.25	11,714.25
5/1/2044	845,000	2.75%	11,555.26	856,555.26
<b>Totals:</b>	<b>10,000,000</b>		<b>5,485,472.71</b>	<b>15,485,472.71</b>



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

NICK A. KHOURI  
STATE TREASURER

**LOCAL EMERGENCY FINANCIAL ASSISTANCE LOAN BOARD**

**ORDER 2018-5**

**ORDER DENYING EMERGENCY LOAN RESTRUCTURING**

**THE LOCAL EMERGENCY FINANCIAL ASSISTANCE LOAN BOARD,  
ACTING UPON THE APPLICATION OF**

**SCHOOL DISTRICT OF THE CITY OF PONTIAC  
COUNTY OF OAKLAND  
STATE OF MICHIGAN**

For the purposes of this Order, the Local Emergency Financial Assistance Loan Board determines that:

1. A financial emergency exists within the School District of the City of Pontiac (the "School District").
2. The School District has requested a restructuring of the Emergency Loan Note (General Obligation - Limited Tax) 2013-14 Series I.
3. The School District is deemed to have complied with the provisions of Public Act 243 of 1980, the Emergency Municipal Loan Act, as amended.
4. The merits of this request have been examined by the Local Emergency Financial Assistance Loan Board.
5. The Local Emergency Financial Assistance Loan Board has determined that the requested restructuring of the Emergency Loan Note (General Obligation - Limited Tax) 2013-14 Series I is not in the best interests of the School District and the State of Michigan.

NOW, THEREFORE, it is ordered by the Board that the application of the School District for the restructuring of the Emergency Loan Note (General Obligation - Limited Tax) 2013-14 Series I is hereby DENIED.



IN WITNESS WHEREOF, the members of the Board, or their designees, have signed and executed this Order of Denial.

LOCAL EMERGENCY FINANCIAL ASSISTANCE  
LOAN BOARD

By \_\_\_\_\_

Eric Scorsone, Deputy Treasurer for Finance  
As Designee for Nick A. Khouri, State Treasurer

By \_\_\_\_\_

John J. Walsh, State Budget Director  
As Designee for David L. DeVries, Director  
Department of Technology, Management and Budget

By \_\_\_\_\_

Shelly Edgerton, Director  
Department of Licensing and Regulatory Affairs

Date: April 9, 2018

Lansing, Michigan

RECEIVED  
DEPT. OF TREASURY

MAR 14 2018

MICHIGAN DEPARTMENT OF TREASURY  
Bureau of Local Government Services  
PO Box 30728  
Lansing, Michigan 48909  
RESTRUCTURED EMERGENCY MUNICIPAL LOAN APPLICATION

LOCAL AUDIT & FINANCE DIV.

Applicant: School District of the City of Pontiac  
County/Countries of: Oakland  
Mailing Address: 47200 Woodward Ave., Pontiac, MI 48342  
Chief Financial Officer: Jamle Cowan Phone: (248) 451-6811  
Contact Person: Jamle Cowan Phone: (248) 451-6811  
Issuance date of loan: July 22, 2015  
Current loan balance: \$10,000,000.00

1. Is the municipality in compliance with the terms of the loan and any other requirements applicable to the municipality under PA 243 of 1980? Yes

If no, provide explanation:

2. Does the municipality have a certified deficit elimination plan? Yes If yes, provide date of certification: January 21, 2014

If no, provide explanation:

3. Is the municipality in compliance with any applicable consent agreement or order of an emergency manager under PA 436 of 2012? Yes

If no, provide explanation:

4. For School Districts only  
Is the school district in compliance with all requirements for receipt of the foundation allowance and any other requirements applicable to the school district under PA 94 of 1979? Yes

If no, provide explanation:

5. For Municipalities other than School Districts  
Is the municipality in compliance with all conditions for revenue distributed under PA 140 of 1971?

If no, provide explanation: Not Applicable.

6. Does the restructuring of payments comply with applicable laws? Yes

If no, provide explanation:

7. Has the loan been sold or transferred under PA 243 of 1980, Section 6a? No If yes, provide date of sale or transfer:

ADDITIONAL REQUIRED INFORMATION

8. Resolution adopted by the governing body of the municipality approving the submission of the restructuring application.

9. Budget for current fiscal year and preceding fiscal year(s) if available.

10. Projected monthly cash flows for the preceding 12 months.

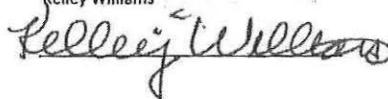
11. Accounts Payable Aging Report.

12. Describe the need for the restructuring. The restructured ELN will contribute to a realignment of the aggregate annual debt service to facilitate the use of General Fund dollars to operational programs and expenses.

Chief Administrative Officer Name:

Kelley Williams

Chief Administrative Officer Signature:



Date:

3-13-18

**SCHOOL DISTRICT OF THE CITY OF PONTIAC  
COUNTY OF OAKLAND, STATE OF MICHIGAN**

**RESOLUTION AUTHORIZING APPLICATION FOR RESTRUCTURING  
2015 EMERGENCY LOAN FROM THE STATE OF MICHIGAN,  
RESTRUCTURING OF THE EMERGENCY LOAN NOTE 2014-15 SERIES I,  
AND RELATED MATTERS**

A regular meeting of the Board of Education (the "Board") of the School District of the City of Pontiac, Oakland County, Michigan (the "School District") was held at its Administration Building, 47200 Woodward Avenue, Pontiac, Michigan, on March 5, 2018, at 6:00 p.m. local time.

The meeting was called to order at 6:01 p.m. local time by Brenda Carter, Board President.

Present: Members: Dubrac Newman, Carroll Turpin,  
Michael McQuinniss, Kerry Tolbert &  
Brenda Carter

Absent: Members: William Curington & Sherman Williams

The following preamble and resolution were offered by Member Dubrac Newman and supported by Member Carroll Turpin

WHEREAS, on July 22, 2015, pursuant to the Emergency Loan Act, Act 243 Public Acts of Michigan, 1980, as amended ("Act 243"), the School District obtained an emergency loan (the "2015 Loan") from the from the Local Emergency Financial Assistance Loan Board (the "ELB"), which 2015 Loan was evidenced by a note designated Emergency Loan Note (General Obligation Limited Tax) 2014-15 Series I, dated July 22, 2015, which currently is outstanding and in full force and effect in accordance with its terms (the "2015 Note");

WHEREAS, pursuant to Section 3(9) of Act 243 and subject to certain conditions set forth in Act 243, the ELB may restructure payments, but not the outstanding principal balance or interest, on certain loans, including the 2015 Loan;

WHEREAS, as part of the financial and operating plan adopted for the School District, the Board has determined that it is necessary and in the best interest of the School District to make application to the ELB to restructure the 2015 Loan as permitted under Act 243 (the "Restructuring"); and

WHEREAS, the School District and The Huntington National Bank, as Master Trustee (the "Master Trustee"), are parties to the that certain Master Debt Retirement Trust Indenture dated as of September 1, 2014 (as supplemented or amended from time to time, the "Master Indenture").

NOW, THEREFORE, IT IS RESOLVED BY THE BOARD AS FOLLOWS:

1. Applications to Restructure. The Superintendent, President or Vice President of the Board, Assistant Superintendent or individual acting in the capacity of the school business official, or any one acting alone (each an "Authorized Officer") are hereby authorized and directed to submit an application to the ELB for approval to restructure the 2015 Loan and the respective debt service payment schedules on the 2015 Note.

2. The Restructured Loan and Restructured Note. The restructured 2015 Loan shall be evidenced by an amended and restated note which shall be exchanged for the 2015 Note and shall be designated as the "Amended and Restated Emergency Loan Note (General Obligation Limited Tax) 2014-15 Series I", or such other designation approved by the ELB in its Order of Approval, as hereinafter defined (the "Restructured 2015 Note"). An Authorized Officer is authorized and directed to negotiate the amended payment schedule for the Restructured 2015 Note with the Michigan Department of Treasury (the "Treasury"), within the parameters allowed under Section 3(9) of Act 243. Except as otherwise provided by the ELB in its Order of Approval ("the Order of Approval") of the Restructured 2015 Note, the principal amount of the Restructured 2015 Note shall be equal to the outstanding principal amount of the 2015 Note on the day the Restructured 2015 Note is executed; the final maturity date of the Restructured 2015 Note shall be on or before May 1, 2045; and the interest rate on the Restructured 2015 Note shall remain at 2.70% per annum. The principal and interest on the Restructured 2015 Note shall be payable on the dates specified in the Order of Approval. An Authorized Officer shall execute the Restructured 2015 Note on behalf of the School District and deliver it to the ELB as agent for the State.

3. Form of Restructured Note. The Restructured 2015 Note shall be in substantially the form attached hereto as Exhibit A, and the completed amended repayment schedule and such other modifications, additions, changes and deletions as are approved by the Order of Approval and an Authorized Officer.

4. Execution of Restructured Note. An Authorized Officer, on behalf of the School District, is hereby authorized to execute and deliver the Restructured 2015 Note in exchange for receiving back the 2015 Note marked "CANCELED"; and the Authorized Officer is authorized and directed then to destroy such canceled note.

5. Supplement to Master Indenture. The Restructured 2015 Note shall be an Additional Obligation (as defined in the Master Indenture). Subject to any express parameters contained in this resolution, the School District hereby authorizes an Authorized Officer to negotiate, approve, execute and deliver a Supplemental Indenture (as defined in the Master Indenture) for the Restructured 2015 Note, which shall establish deposit requirements for funds necessary to pay the debt service on the Restructured 2015 Note secured by the Master Indenture.

6. Note Counsel. The representation of the School District by Miller, Canfield, Paddock and Stone, P.L.C. as note counsel ("Note Counsel") is hereby approved, notwithstanding its periodic representation of other potential parties to the transaction in unrelated matters. The Superintendent is authorized to approve an engagement letter with Note Counsel that shall set forth the terms of Note Counsel's engagement.

7. Municipal Advisor. The School District hereby appoints Robert W. Baird & Co., Incorporated to act as Municipal Advisor with reference to the Restructuring authorized by this Resolution.

8. Further Actions. The Authorized Officer and other officers, administrators, agents and attorneys of the School District are authorized and directed to execute and deliver all other agreements, documents and certificates and to take all other actions necessary relating to the Restructuring in accordance with this Resolution. The officers, administrators, agents and attorneys of the School District are authorized and directed to pay costs of issuance and any other costs necessary to accomplish the Restructuring.

9. Prior Actions. Any actions taken by an Authorized Officer prior to the date hereof to effectuate the transactions contemplated by this Resolution are hereby ratified.

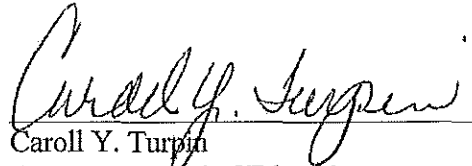
*[Remainder of Page Intentionally Left Blank]*

10. Conflicts. All resolutions and parts of resolutions insofar as they conflict with the provisions of this Resolution be and the same hereby are rescinded.

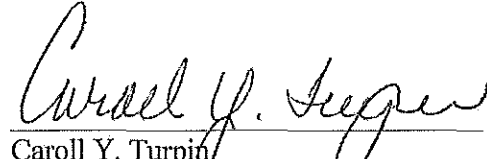
Ayes: Members: Duane Newman, Carroll Turpin, Michael McLeviness, Kerry Tolbrant, & Bernice Carter

Nays: Members: None

Resolution Declared Adopted.

  
Carroll Y. Turpin  
Secretary, Board of Education

The undersigned duly qualified and acting Secretary of the Board of Education of the School District of the City of Pontiac, hereby certifies that the foregoing is a true and complete copy of a resolution adopted by the Board at a regular meeting held on March 5, 2018, the original of which is a part of the Board's minutes and further certifies that notice of the meeting was given to the public pursuant to the provisions of the Open Meetings Act, being Act No. 267, Public Acts of Michigan, 1976, as amended.

  
Carroll Y. Turpin  
Secretary, Board of Education

30712253

**EXHIBIT A**

**FORM OF RESTRUCTURED 2015 NOTE**

**R-1**

**UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTY OF OAKLAND**

**SCHOOL DISTRICT OF THE CITY OF PONTIAC**

**AMENDED AND RESTATED EMERGENCY LOAN NOTE  
(General Obligation Limited Tax)  
2014-15 Series I**

**Registered Owner:** State of Michigan

**Principal Amount:** \$ \_\_\_\_\_

**Date of Original Issue:** \_\_\_\_\_, 2018

The School District of the City of Pontiac, County of Oakland, State of Michigan (the "Issuer"), acknowledges itself to owe and for value received hereby promises to pay to the State of Michigan, the Principal Amount specified above, in lawful money of the United States of America, in \_\_\_\_\_ consecutive annual installments in the amounts as set forth on the attached Exhibit A, incorporated herein by reference, unless modified by a written agreement with the State Treasurer of Michigan (the "State Treasurer"), for an aggregate total of \_\_\_\_\_ (\$ \_\_\_\_\_) on \_\_\_\_\_ 1 in each of the years \_\_\_\_\_ to \_\_\_\_\_, inclusive, unless prepaid prior thereto as hereinafter provided, with interest on the unpaid principal balance hereof from the Date of Original Issue specified above or such later date to which interest has been paid, until paid, at the rate per annum as set forth herein, first payable on \_\_\_\_\_, 2018 and semiannually on each \_\_\_\_\_ 1 and \_\_\_\_\_ 1 thereafter. Both the principal of and interest on this note are payable at the Office of the State Treasurer in Lansing, Michigan, or such other place as may be designated in writing to the Issuer by the State Treasurer. In the event that an installment for the Principal Amount or interest due on \_\_\_\_\_ 1 or \_\_\_\_\_ 1 in any year falls on a Saturday, Sunday or any day in which banks in Michigan are generally not open, such payment shall be due on the next succeeding business day.

From the Date of Original Issue specified above until paid, this note shall bear interest at the rate of 2.70% per annum, which may be subsequently adjusted pursuant to Section 6a or Section 7(2) of the Emergency Municipal Loan Act, Act 243, Public Acts of Michigan, 1980, as amended ("Act 243"). Interest on this note shall be computed on the basis of a 365- or 366-day year and the actual number of days elapsed.

**RESOLUTION AUTHORIZING APPLICATION FOR RESTRUCTURING OF 2015 EMERGENCY  
LOAN, EMERGENCY LOAN NOTE 2014-15 SERIES I AND RELATED MATTERS**

This Note is issued on the Date of Original Issue specified above, under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 243, pursuant to a resolution of the Board of the Issuer, adopted on March 5, 2018, to evidence the obligation of the Issuer to repay an emergency loan made to it by the State of Michigan for the purpose of enabling the Issuer meet its financial obligations.

The Issuer shall have the right to pay at any time or times prior to maturity, without penalty or premium, all or any portion of this Note. Prepayments shall be credited to principal payments in direct order of maturity.

This Note and the interest hereon are payable, as a first budget obligation, from any funds of the Issuer available therefor, including but not limited to any delinquent taxes payable to the Issuer from the County of Oakland, State of Michigan's delinquent tax revolving fund, or from general ad valorem taxes imposed on all taxable property within the geographic boundaries of the Issuer for the payment thereof, subject to applicable constitutional and statutory tax rate limitations.

The maturity of principal of and accrued and unpaid interest on this Note may be accelerated by the State Treasurer on behalf of the State of Michigan upon the occurrence and during the continuance of any Event of Default under this Note. Each of the following shall constitute an "Event of Default" under this Note; (A) non-payment of any principal of or interest on this Note, when due; and (B) failure of the Issuer to comply with the terms of the Conditions Upon School District provided in the Order of Approval, dated the date hereof between the Issuer and the State of Michigan.

The Issuer shall pledge to the State Treasurer a sufficient amount of the proceeds of the operating taxes levied for the Issuer and the delinquencies thereon that is necessary to pay the principal of and interest on this Note, when due. The Issuer has entered into separate Amended and Restated Tax Intercept Agreements, dated as of September 25, 2014 (as they may be amended from time to time, "Tax Intercept Agreements") with the Master Trustee, and (separately) the City of Auburn Hills, the Charter Township of Bloomfield, the City of Pontiac (each a "Local Government" and collectively the "Local Governments") and the County Treasurer of the County of Oakland, to provide for the payment to the Master Trustee by such Local Governments and County Treasurer of such operating taxes and the delinquencies thereon collected by them on behalf of the Issuer after July 1, 2017. As additional security for payment of this Note and in the event of the delinquency of the Issuer in paying required principal of or interest on this Note, the State Treasurer is authorized to intercept up to but not more than all delinquent amounts of principal and interest due on this Note from state school aid payments to the Issuer otherwise required to be made to the Issuer pursuant to the provisions of the State School Aid Act, Act 94, Public Acts of 1979, as amended, and said intercepted state school aid payments shall be applied by the State Treasurer against said delinquent payments. The Issuer's pledges of the proceeds of operating taxes and state school aid payments described in this paragraph shall be subordinate to all other municipal securities, state aid notes and tax anticipation notes of the Issuer sold to the Michigan Finance Authority, regardless of the date of issue. However, this current pledge of operating taxes and state school aid payments shall be



senior to pledges for payment of state aid notes or lines of credit issued after the date of this Note and sold to all other parties that are not the Michigan Finance Authority.

The Issuer has entered into the Master Indenture related to (among other things) the Tax Intercept Agreements with the Master Trustee to provide for the manner in which the revenue from taxes collected will be deposited for use to repay the principal and interest due on this Note and the Issuer's senior obligations.

While this Note is outstanding, the Issuer has the right to issue to one or more financial institutions or the Michigan Finance Authority one or more state aid notes, tax anticipation notes or other municipal securities and additional notes only to the State of Michigan in order to obtain additional emergency loans for the purpose of enabling the Issuer to meet its financial obligations.

Except as state law may require, the limited tax, full faith and credit resources of the Issuer are hereby pledged for the payment of the principal of and interest on this Note. This Note is payable primarily from ad valorem taxes, which will be levied within the authorized constitutional and statutory tax limitations of the Issuer, and an irrevocable appropriation of a sufficient amount of such taxes will be made each year as a first operating budget obligation for the payment of the principal of and interest on this Note as due, [subordinate to all first liens on said funds pledged for the payment of other municipal securities, state aid notes or tax anticipation notes sold to the Michigan Finance Authority, further subordinate to any first liens on said funds pledged for the payment of state aid notes, lines of credit or tax anticipation notes issued prior to the date of this Note and sold to parties other than the Michigan Finance Authority, and subordinate to any statutory obligations to set aside operating tax collections for any tax anticipation notes issued subsequent to this Note. If taxes are insufficient to pay this Note when due, the Issuer has pledged to use any and all other resources available for the payment of this Note, The Issuer does not have the power to levy taxes for the payment of this Note in excess of its constitutional or statutory tax rate limitations. The Issuer may issue additional bonds or notes of equal standing with this Note only upon the approval of the State Treasurer.]

The Issuer covenants that it shall perform and meet all requirements imposed upon the Issuer as a result of receiving this loan pursuant to Act 243 until this Note is paid in full.

The Issuer waives presentment, demand, notice of dishonor, protest and notice of non-payment with respect to this Note.

The Principal Amount of this Note has been disbursed for the benefit of the Issuer by deposit into an account established in its name (the "Disbursement Account") at [The Huntington National Bank] (the "Disbursement Depository") established pursuant to a Disbursement Depository Agreement between the Issuer and the Disbursement Depository dated the date hereof (the "Disbursement Depository Agreement"). Moneys in the Disbursement Account shall be the property of the Issuer. Unless the Disbursement Depository has been advised that an Event of Default has occurred and is continuing, the Disbursement Depository shall disburse to the Issuer out of the Disbursement Account the amount requisitioned from time to time by the Issuer and approved by the State Treasurer, until the full Principal Amount shall have been disbursed to the

Issuer. Such disbursements shall be made from time to time upon presentation of, and pursuant to, a requisition certificate executed by the Issuer in the form shown on Exhibit B attached hereto or in a form approved by the State Treasurer. Disbursements from the Disbursement Account shall be made upon the Disbursement Depository's receipt of an executed requisition certificate in the described form, which requisition certificate may be submitted electronically or by facsimile. The Disbursement Depository shall be entitled to rely on the truthfulness of each executed requisition certificate in the prescribed form and shall have no duty to inquire into or investigate the truth thereof.

It is hereby certified and recited that all acts, conditions and things required by law to be done, precedent to and in the issuance of this Note, exist and have been done and performed in regular and due form and time as required by law, and that the total indebtedness of the Issuer, including this Note, does not exceed any constitutional or statutory debt limitation.

This Note shall be payable out of the general funds of the Issuer, including, but not limited to, collection of ad valorem taxes that the Issuer may levy on property within the geographic boundaries of the Issuer under Section 1211 of the Revised School Code, 1976 PA 451, MCL 380.1211, within Constitutional and statutory limitations. As additional security for the payments due and owing under this Note, the Issuer pledges, and acknowledges the State's statutory right to withhold, the amount of all delinquent payments due on this Note from State money appropriated to the Issuer, including under the State School Aid Act of 1979, 1979 PA 94, MCL 388,1601 to 388.1896, and authorizes the State to withhold the funds and apply the funds to the repayment of principal of or interest on the Note that are delinquent according to the terms of this Note.

School District of the City of Pontiac  
County of Oakland  
State of Michigan

By: Kelley Williams  
Its: Superintendent

30712253.1\155356-00003

School District of the City of Pontiac  
 Debt Service & Required Payment Plans  
 Payable from General Fund

Current General Fund Debt Service									
FYE 2018		4.19%		2.15%/3.35%				4,208	
FYE 2019 - 2046		4.19%		3.30%					
Par Amount FYE 2019 - 2046		\$14,370,000		\$4,500,000					
FYE	2006 Bonds	SBLF Refunding	Amended & Restated ELN 2013-14 Series I (April 2015)	ELN 2014-15 Series I (July 2015)	TAN Interest	SAN Interest	TOTAL LTGO Debt Service & Payment Plans (1)	\$/Pupil (Blended) (2)	
1	2018	2,156,500	806,775	275,000	270,000	346,415	173,800	4,028,490	957
2	2019	2,285,510	807,785	275,000	270,000	346,415	157,500	4,122,210	980
3	2020	2,380,875	806,992	275,379	270,372	346,415	157,500	4,237,533	1,007
4	2021	2,508,000	804,398	274,621	274,628	346,415	157,500	4,365,562	1,037
5	2022			735,000	824,865	346,415	157,500	2,063,780	490
6	2023			747,330	824,880	346,415	157,500	2,076,145	493
7	2024			754,355	829,820	346,415	157,500	2,088,091	495
8	2025			764,801	828,252	346,415	157,500	2,096,989	498
9	2026			780,550	827,225	346,415	157,500	2,111,690	502
10	2027			795,150	825,485	346,415	157,500	2,124,550	505
11	2028			809,185	823,579	346,415	157,500	2,136,679	508
12	2029			821,638	825,575	346,415	157,500	2,151,129	511
13	2030			834,000	827,700	346,415	157,500	2,165,615	515
14	2031			850,300	824,070	346,415	157,500	2,178,285	518
15	2032			860,797	825,173	346,415	157,500	2,189,885	520
16	2033			875,019	825,349	346,415	157,500	2,204,284	524
17	2034			888,700	825,345	346,415	157,500	2,217,960	527
18	2035			221,288	1,509,690	346,415	157,500	2,234,893	531
19	2036			1,741,677		346,415	157,500	2,245,592	534
20	2037					346,415	157,500	503,915	120
21	2038					346,415	157,500	503,915	120
22	2039					346,415	157,500	503,915	120
23	2040					346,415	157,500	503,915	120
24	2041					346,415	157,500	503,915	120
25	2042					346,415	157,500	503,915	120
26	2043					346,415	157,500	503,915	120
27	2044					346,415	157,500	503,915	120
28	2045					346,415	157,500	503,915	120
29	2046							-	-
		9,310,885	3,225,950	13,579,810	13,332,008	9,699,632	4,426,300	53,574,584	

AFTER Proposed Amended & Restated Emergency Loans 2013-14, Series I and 2014-15, Series I AND Proposed Refinancing of 2006 Bonds									
FYE 2018		4.19%		2.15%/3.35%				4,208	
FYE 2019 - 2046		4.19%		3.50%					
Par Amount FYE 2019 - 2046		\$14,370,000		\$4,500,000 (4)					
FYE	2006 Bonds	SBLF Refunding	Amended & Restated ELN 2013-14 Series I (March 2018)	Amended & Restated ELN 2014-15 Series I (March 2018)	TAN Interest	SAN Interest	TOTAL LTGO Debt Service & Payment Plans (1)	\$/Pupil (Blended) (2)	FYE
		251,888	806,775	275,000	270,000	346,415	173,800	2,123,878	505
		381,825	807,785	275,000	270,000	346,415	157,500	2,238,525	532
		381,825	806,992	275,379	270,372	346,415	157,500	2,238,489	532
		381,825	804,398	274,621	269,628	346,415	157,500	2,234,387	531
		1,285,825		275,000	270,000	346,415	157,500	2,335,740	555
		1,285,100		275,000	270,000	346,415	157,500	2,335,015	555
		1,288,575		275,379	270,372	346,415	157,500	2,338,241	556
		1,284,025		274,621	269,628	346,415	157,500	2,332,190	554
		1,287,675		275,000	270,000	346,415	157,500	2,336,590	555
		1,284,075		275,000	270,000	346,415	157,500	2,332,990	554
		1,288,450		275,379	270,372	346,415	157,500	2,338,116	556
		1,285,350		274,621	269,628	346,415	157,500	2,333,515	555
				820,000	780,000	346,415	157,500	2,103,915	500
				820,013	776,230	346,415	157,500	2,100,158	499
				824,949	777,524	346,415	157,500	2,106,388	501
				823,348	777,431	346,415	157,500	2,104,694	500
				822,300	777,895	346,415	157,500	2,104,110	500
				820,525	777,640	346,415	157,500	2,102,080	500
				823,583	777,231	346,415	157,500	2,104,729	500
				820,379	775,686	346,415	157,500	2,099,981	499
				822,450	779,445	346,415	157,500	2,105,810	500
				823,750	777,435	346,415	157,500	2,105,100	500
				824,644	780,178	346,415	157,500	2,108,738	501
				824,583	776,931	346,415	157,500	2,105,430	500
				824,330	778,705	346,415	157,500	2,106,970	501
				823,430	779,805	346,415	157,500	2,107,170	501
				822,030	780,421	346,415	157,500	2,106,366	501
					775,357	346,415	157,500	1,279,272	304
		11,698,438	3,225,950	15,640,354	15,687,914	9,699,632	4,426,300	60,368,587	2046

Notes:

- (1) As of January 12, 2018, but shows full FY2018 debt service
- (2) State Aid Membership as shown on 01/22/2018 State Aid Financial Status Report.
- (3) Assumes ELN 2013-14 Series I and ELN 2014-15 Series I are amended and restated on March 1, 2018, the 2006 Bonds are refunded on March 1, 2018, and the School District pays accrued interest of \$179,178.08.
- (4) FYE2018 SAN interest includes a \$4.5M SAN at 2.15% and a \$2.3M SAN at 3.35%



# School District of the City of Pontiac

Kelley Williams, Superintendent

## PONTIAC BOARD OF EDUCATION Agenda Item Request Form

Purpose:	<input checked="" type="checkbox"/>	Discussion
	<input checked="" type="checkbox"/>	Action
	<input type="checkbox"/>	Report
Contract:	<input type="checkbox"/>	New
	<input type="checkbox"/>	Renewal
	<input checked="" type="checkbox"/> N/A	Extension/ Modification
	<input type="checkbox"/>	

Presenter(s): Mrs. Kelley Williams, Superintendent  
Mrs. Jamie Cowan, Director of Business Services

Attachment(s): Emergency Loan Note 2013-14 Series I  
Emergency Loan Note 2014-15 Series I  
Amortization Chart of Restructuring Proposed

Board Meeting Date: \_\_\_\_\_  
 05 March 2018

Agenda Item: Emergency Loan Refinancing Resolution

### Background/Rationale:

Resolution Authorizing Application for Restructuring 2014 and 2015 Emergency Loans From the State of Michigan, Restructuring of the Emergency Loan Note 2013-14 Series I, as amended, and Emergency Loan Note 2014-15 Series I, and Related Matters to extend the terms of debt service.

The net present value savings on these restructurings are either minimal or negative because we are extending the maturity of the ELNs in order to provide for some upfront debt service relief of over \$1 million in annual nominal savings from FY2022-FY2029, which

- Provides for budgetary relief to assist PSD in meeting the goals of their Financial and Operating Plan
- Smooths the Per Pupil Portion of Debt Service to a primary range of 500 – 556 throughout the maturity
- Allows the debt service to be wrapped around the existing 2014 SBLF Bonds debt service and proposed refunding debt service for the 2006 Bonds
- Although this extends the maturity (annual nominal dissavings in FY2037-FY2045), PSD would be able to prepay the ELNs prior to maturity at any time without penalty to reduce future interest costs and this would allow PSD to capitalize on the low long-term interest rates of the ELNs

Funding Source/Account Number/s: n/a



# School District of the City of Pontiac

Kelley Williams, Superintendent

**Recommendation:** It is the recommendation of the Administration that the Board of Education approve the Resolutions authorizing the Restructuring of both the Emergency Loan Note of 2014 and Emergency Loan Note of 2015.

**Approvals Required:**

<u>Kelley Williams</u> Superintendent	<u>3-1-18</u> Date	<u>Y'londa Kellum</u> Human Resources	<u>3/1/18</u> Date
<u>Janice M. Cowan</u> Business and Finance	<u>3-1-18</u> Date	<u>Dr. Tawetta</u> Curriculum & Instruction	<u>3/1/18</u> Date
<u>Darryl Segars</u> Legal Counsel	<u>3/1/18</u> Date		

Moved By: Dubravca Newman Supported By: Carroll Turpin  
 Board Vote:  
 Ayes: 5 Newman, Turpin, Mc Guinness, Tolbert & Carter  
 Nays: 0  
 Request Approved:  Yes  No Date Approved: 3/5/18



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

NICK A. KHOURI  
STATE TREASURER

**LOCAL EMERGENCY FINANCIAL ASSISTANCE LOAN BOARD**

**ORDER 2018-6**

**ORDER OF APPROVAL OF EMERGENCY LOAN RESTRUCTURING**

**THE LOCAL EMERGENCY FINANCIAL ASSISTANCE LOAN BOARD,  
ACTING UPON THE APPLICATION OF**

**THE SCHOOL DISTRICT OF  
THE CITY OF PONTIAC  
COUNTY OF OAKLAND  
STATE OF MICHIGAN**

Requesting approval for the restructuring of the Emergency Loan Note (General Obligation Limited Tax) 2014-15 Series I, for the purpose of enabling The School District of the City of Pontiac (the "School District") to meet its financial obligations as more fully set forth herein, the Board determines that:

1. A financial emergency exists within the School District.
2. The School District is deemed to have complied with the provisions of Public Act 243 of 1980, the Emergency Municipal Loan Act, as amended, as follows:
  - (a) The School District is in compliance with the terms of the Amended and Restated Emergency Loan Note (General Obligation Limited Tax) 2014-15 Series I and any other requirements applicable to the School District under the Emergency Municipal Loan Act, as amended.
  - (b) The School District is in compliance with any requirements relating to a deficit elimination plan under state law.
  - (c) The School District is in compliance with any applicable consent agreement or order of an emergency manager under the local financial stability and choice act, 2012 PA 436, MCL 141.1541 to 141.1575, or a successor statute.

- (d) The School District is in compliance with all requirements for receipt of the foundation allowance and any other requirements applicable to the School District under the state school aid act of 1979, 1979 PA 94, MCL 388.1601 to 388.1896.
- (e) The restructuring of payments complies with applicable law.
- (f) The Emergency Loan Note (General Obligation Limited Tax) 2014-15 Series I has not been sold or transferred under Section 6a of the Emergency Municipal Loan Act, as amended.

NOW, THEREFORE, be it ordered by the Board that the application of the School District for the restructuring of the Amended and Restated Emergency Loan Note (General Obligation Limited Tax) 2014-15 Series I is hereby approved, subject to the conditions set forth in this Order of Approval.

**Terms of Restructured Emergency Loan**

1. The restructured emergency loan shall be evidenced by a note to be designated as the "Amended and Restated Emergency Loan Note (General Obligation Limited Tax) 2014-15 Series I." The principal amount outstanding shall bear interest initially at the rate of 2.70 percent (2.70%) per annum, which may be subsequently adjusted pursuant to Section 6a or Section 7(2) of the Emergency Municipal Loan Act, as amended. Until the emergency loan is repaid, a payment of interest only then owing shall be remitted each May 1 and November 1, or the next succeeding business day, beginning November 1, 2018, and a payment of principal and interest then owing shall be remitted each May 1, or the next succeeding business day, beginning in 2021, with a date of final maturity of May 1, 2045, per attached payment schedule (Exhibit A).
2. The School District shall abide by all conditions set contained herein in order to remain in compliance with the terms of the Amended and Restated Emergency Loan Note (General Obligation Limited Tax) 2014-15 Series I. Such conditions shall be satisfied by the School District, including that all documents shall be in form and substance satisfactory to the State Treasurer on behalf of the State of Michigan, in the sole discretion of the State Treasurer, unless waived by the State Treasurer in writing.

**Conditions Upon School District**

1. As an initial condition of the restructuring of the emergency loan authorized by this Order of Approval, the Superintendent and Board of Education of the School District agree to perform the following:
  - (a) Pay all interest accrued under the original note evidencing the emergency loan due through April 9, 2018.
  - (b) Execute an amended and restated cognovit authorizing the Attorney General to confess a judgment against the School District in the event of a default upon the restructured emergency loan.
  
2. As a condition of the restructuring of the emergency loan authorized by this Order of Approval, the Superintendent and Board of Education of the School District agree to perform all of the following during the period that any portion of the emergency loan remains outstanding:
  - (a) If determined necessary by the State Treasurer, in its sole discretion, obtain and deliver to the State Treasurer on behalf of the State of Michigan fully executed Tax Intercept, State Aid and Tax Pledge, and/or Depository Agreements, and/or amendments to any existing agreements thereof, within ninety (90) days of the School District receiving notice from the State Treasurer that such agreement(s), and/or amendments thereto, is needed or such longer period of time as may be approved by the State Treasurer.
  - (b) Submit to the State Treasurer and Superintendent of Public Instruction on a monthly basis, and by the 20th day of each succeeding month, a statement of its current monthly cash flow projections encompassing all revenues and expenditures. Such statements shall examine a rolling 12 month period and shall include a comparison of the School District's projected cash flows to the actual cash flow realized by the School District.
  - (c) Submit to the State Treasurer and Superintendent of Public Instruction on a monthly basis and by the 20th day of each succeeding month, a statement of the School District's current accounts payable aging.
  - (d) Employ a full-time professional administrator or contract with a person with expertise in municipal finance and administration to direct or participate directly in the management of the School District's operations until otherwise ordered by the Board.
  - (e) Submit biannually to the State Treasurer and Superintendent of Public Instruction an evaluation of performance of the School District against the ten-year financial and operating plan that was certified by the Department of Treasury on January 21, 2014 and approved by the governing body of the School District on February 3, 2014. This



plan was required by the School District's consent agreement and indicates that the School District will balance future expenditures with anticipated revenues.

- (f) Submit to the State Treasurer and Superintendent of Public Instruction on a quarterly basis for the immediately preceding quarter all of the following:
  - (1) A statement of actual revenues received by the School District in the last quarter of the current fiscal year of the School District and in the current fiscal year of the School District to date.
  - (2) A statement of total revenues estimated to be received by the School District in the current fiscal year of the School District.
  - (3) A statement of expenditures made and encumbrances entered into by the School District in the last quarter of the current fiscal year of the School District and in the current fiscal year of the School District to date.
  - (4) A statement of revenues which were estimated to be received by the School District and expenditures which were estimated to be made by the School District during the current fiscal year of the School District and through the end of the last quarter of the current fiscal year of the School District.
  - (5) A balance sheet indicating whether total estimated expenditures for the current fiscal year of the School District and for the last quarter exceed the total estimated revenues for the current fiscal year of the School District and for the last quarter, respectively.
- (g) Submit annually by July 1 to the State Treasurer and Superintendent of Public Instruction the general appropriations act of the School District and submit forthwith any amendments to the general appropriations act of the School District adopted pursuant to Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act. An annual operating budget of the School District shall not become effective until approved by the State Treasurer, in consultation with the Superintendent of Public Instruction.
- (h) Certify annually by July 1 that the School District has fully complied with all statutory requirements concerning the use of the uniform chart of accounts and audits promulgated by the Michigan Department of Education.
- (i) To the extent applicable, comply with the requirements of both of the following:
  - (1) Section 3 or 4 of Public Act 152 of 2011, the Publicly Funded Health Insurance Contributions Act.

(2) Section 5 of Public Act 152 of 2011, the Publicly Funded Health Insurance Contributions Act.

3. Compliance with the conditions imposed upon the School District by this Order of Approval shall be the responsibility of the Superintendent and Board of Education of the School District.
4. Failure of the School District to comply with the terms of this section of this Order of Approval shall constitute an Event of Default under the Amended and Restated Note and the terms and conditions of this section of this Order of Approval are incorporated in and made a part of the Amended and Restated Note.
5. This Order of Approval supersedes any Funding Conditions Memorandum dated prior to the date of this Order of Approval.

**Conditions not Discharged by Contingencies**

The conditions imposed upon the School District by this Order of Approval are not subject to release or discharge due to any contingencies, including, but not limited to, clerical errors, computer failures, late mailings, or the failure to comply with reporting due dates or other scheduled due dates due to adverse weather, acts of God, acts of third parties, or compliance with court orders.

**Due Dates**

A provision of this Order of Approval which requires the School District to submit to the Board, the State Treasurer, or the Superintendent of Public Instruction a report, listing, or other document by a specific due date shall not be deemed complied with unless the report, listing, or other document is received by the Board, the Michigan Department of Treasury, or the Michigan Department of Education by the due date specified. If the due date for a report, listing, or other document falls on a weekend or legal holiday, then the report, listing, or other document shall be due on the first day thereafter which is not a weekend or legal holiday.

**Waiver of Provisions**

To the extent permitted by Public Act 243 of 1980, the Emergency Municipal Loan Act, as amended, the Board may waive or modify a provision of this Order of Approval if, in its sole discretion, the Board concludes that the School District has demonstrated good cause shown for the waiver. However, the lack of a specific action by the Board shall not be construed as a waiver or modification of a provision of this Order of Approval.

**Delegation of Ongoing Supervision**


The Board delegates to the State Treasurer responsibility for the day-to-day supervision of the compliance by the School District with this Order of Approval.

**Subordination of Loan**

1. The pledge of the proceeds of operating taxes, revenue sharing and state aid payments, as applicable, to repayment of this loan, shall be subordinate to the pledge of those revenues to all state aid notes, tax anticipation notes and other debt issuances sold to the Michigan Finance Authority.
2. The State Treasurer is hereby authorized to permit the subordination of the pledge of the proceeds of operating taxes, revenue sharing and state aid payments, as applicable, to repayment of this loan, to the pledge of those revenues to all state aid notes, tax anticipation notes and other debt issuances sold to parties other than the Michigan Finance Authority.
3. The State Treasurer is hereby authorized to execute on behalf of the Board any such agreements or documents as deemed necessary or appropriate to evidence the subordination approved herein.

IN WITNESS WHEREOF, the members of the Board, or their designees, have signed and executed this Order of Approval.

LOCAL EMERGENCY FINANCIAL ASSISTANCE  
LOAN BOARD

By  \_\_\_\_\_

Eric Scorsone, Deputy Treasurer for Finance  
As Designee for Nick A. Khouri, State Treasurer

By  \_\_\_\_\_

John J. Walsh, State Budget Director  
As Designee for David L. DeVries, Director  
Department of Technology, Management and Budget

By  \_\_\_\_\_

Shelly Edgerton, Director  
Department of Licensing and Regulatory Affairs

Date: April 9, 2018

Lansing, Michigan

**EXHIBIT A**

School District of the City of Pontiac, Michigan

Amended and Restated Emergency Loan Note (General Obligation Limited Tax), 2014-15 Series I

Dated Date 4/9/2018  
Delivery Date 4/9/2018

Date	Principal	Coupon	Interest	Total
11/1/2018			152,383.56	152,383.56
5/1/2019			133,890.41	133,890.41
11/1/2019			136,109.59	136,109.59
5/1/2020			134,262.30	134,262.30
11/1/2020			135,737.70	135,737.70
5/1/2021	5,000	2.70%	133,890.41	138,890.41
11/1/2021			136,041.53	136,041.53
5/1/2022	5,000	2.70%	133,823.47	138,823.47
11/1/2022			135,973.48	135,973.48
5/1/2023	5,000	2.70%	133,756.52	138,756.52
11/1/2023			135,905.42	135,905.42
5/1/2024	5,000	2.70%	134,060.90	139,060.90
11/1/2024			135,466.23	135,466.23
5/1/2025	5,000	2.70%	133,622.63	138,622.63
11/1/2025			135,769.32	135,769.32
5/1/2026	5,000	2.70%	133,555.68	138,555.68
11/1/2026			135,701.26	135,701.26
5/1/2027	5,000	2.70%	133,488.74	138,488.74
11/1/2027			135,633.21	135,633.21
5/1/2028	5,000	2.70%	133,792.38	138,792.38
11/1/2028			135,194.75	135,194.75
5/1/2029	5,000	2.70%	133,354.85	138,354.85
11/1/2029			135,497.10	135,497.10
5/1/2030	5,000	2.70%	133,287.90	138,287.90
11/1/2030			135,429.04	135,429.04
5/1/2031	545,000	2.70%	133,220.96	678,220.96
11/1/2031			128,011.07	128,011.07
5/1/2032	560,000	2.70%	126,273.69	686,273.69
11/1/2032			120,060.00	120,060.00
5/1/2033	575,000	2.70%	118,426.07	693,426.07
11/1/2033			112,562.63	112,562.63
5/1/2034	590,000	2.70%	110,727.37	700,727.37
11/1/2034			104,532.16	104,532.16
5/1/2035	610,000	2.70%	102,827.84	712,827.84
11/1/2035			96,229.48	96,229.48
5/1/2036	625,000	2.70%	94,923.44	719,923.44

**EXHIBIT A**

School District of the City of Pontiac, Michigan

Amended and Restated Emergency Loan Note (General Obligation Limited Tax), 2014-15 Series I

Dated Date                      4/9/2018  
Delivery Date                    4/9/2018

Date	Principal	Coupon	Interest	Total
11/1/2036			87,482.95	87,482.95
5/1/2037	640,000	2.70%	86,292.37	726,292.37
11/1/2037			79,011.62	79,011.62
5/1/2038	660,000	2.70%	77,723.38	737,723.38
11/1/2038			70,028.38	70,028.38
5/1/2039	675,000	2.70%	68,886.62	743,886.62
11/1/2039			60,840.99	60,840.99
5/1/2040	695,000	2.70%	60,015.25	755,015.25
11/1/2040			51,240.98	51,240.98
5/1/2041	715,000	2.70%	50,543.63	765,543.63
11/1/2041			41,649.53	41,649.53
5/1/2042	735,000	2.70%	40,970.47	775,970.47
11/1/2042			31,645.48	31,645.48
5/1/2043	755,000	2.70%	31,129.52	786,129.52
11/1/2043			21,369.21	21,369.21
5/1/2044	775,000	2.70%	21,079.18	796,079.18
11/1/2044			10,791.15	10,791.15
5/1/2045	795,000	2.70%	10,644.29	805,644.29
	10,000,000		5,534,768.09	15,534,768.09



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

NICK A. KHOURI  
STATE TREASURER

**LOCAL EMERGENCY FINANCIAL ASSISTANCE LOAN BOARD**

**ORDER 2018-6**

**ORDER DENYING EMERGENCY LOAN RESTRUCTURING**

**THE LOCAL EMERGENCY FINANCIAL ASSISTANCE LOAN BOARD,  
ACTING UPON THE APPLICATION OF**

**SCHOOL DISTRICT OF THE CITY OF PONTIAC  
COUNTY OF OAKLAND  
STATE OF MICHIGAN**

For the purposes of this Order, the Local Emergency Financial Assistance Loan Board determines that:

1. A financial emergency exists within the School District of the City of Pontiac (the "School District").
2. The School District has requested a restructuring of the Emergency Loan Note (General Obligation Limited Tax) 2014-15 Series I.
3. The School District is deemed to have complied with the provisions of Public Act 243 of 1980, the Emergency Municipal Loan Act, as amended.
4. The merits of this request have been examined by the Local Emergency Financial Assistance Loan Board.
5. The Local Emergency Financial Assistance Loan Board has determined that the requested restructuring of the Emergency Loan Note (General Obligation Limited Tax) 2014-15 Series I is not in the best interests of the School District and the State of Michigan.

NOW, THEREFORE, it is ordered by the Board that the application of the School District for the restructuring of the Emergency Loan Note (General Obligation Limited Tax) 2014-15 Series I is hereby DENIED.

IN WITNESS WHEREOF, the members of the Board, or their designees, have signed and executed this Order of Denial.

LOCAL EMERGENCY FINANCIAL ASSISTANCE  
LOAN BOARD

By \_\_\_\_\_

Eric Scorsone, Deputy Treasurer for Finance  
As Designee for Nick A. Khouri, State Treasurer

By \_\_\_\_\_

John J. Walsh, State Budget Director  
As Designee for David L. DeVries, Director  
Department of Technology, Management and Budget

By \_\_\_\_\_

Shelly Edgerton, Director  
Department of Licensing and Regulatory Affairs

Date: April 9, 2018

Lansing, Michigan



**SCHOOL DISTRICT OF THE CITY OF PONTIAC**

**BUDGET PACKAGE**

**1<sup>ST</sup> Amendment**

**Fiscal Year 2017-18**

**December 18, 2017**





# *School District of the City of Pontiac*

FY 2017/18 Budget Package – 1<sup>st</sup> Amendment

## Table of Contents:

	Page
Executive Summary .....	1
General Fund by Fund Summary .....	15
Fund 110 Details (General) .....	16
Fund 120 Details (Grants) .....	18
Fund 130 Details (Special Education) .....	20
Fund 150 Details (Athletics) .....	22
Fund 250 Details (School Lunch) .....	24
Fund 410 Details (Sinking Fund) .....	26
Fund 810 Details (Risk Related Activity Fund) .....	27
Resolution FY 2017/18 First Amendment .....	28



# School District of the City of Pontiac

## Executive Summary

### FY 2017/2018 1<sup>st</sup> Budget Amendment

December 18, 2017

Pursuant to the Consent Agreement between the District and the State Treasurer, the First Amendment for FY 2017/18 Budget will be submitted to the State Treasurer within 10 calendar days of adoption by the District (see §6(d)). Highlights of the proposed budget are provided below.

### OVERALL HIGHLIGHTS

This document highlights significant additions, reductions or other changes pertaining to budgetary, financial and operational structural changes for the district. The following pages will contain fund specific information and data related to the following:

- Multiple revenue and expenditure budgets have been revised to reflect the impact of not only our prior year actual operating results but also on the assumptions used to build the 2017-18 budgets by using the 2016-17 budget as a beginning basis.
- The Local Property Taxes and State Source Foundation Allowance revenue budget has been revised upward reflecting the district's increase in enrollment as well as revising the original assumption from \$100/FTE to \$120/FTE.
- Increased enrollment respectively increases expenditures.
- The District obtained approval of the Title 1 Waiver in September, 2017 and received \$2M in October, 2017. This was for expenditures incurred in FY2017; but revenue not being able to be recognized until FY2018.
- The original budget had many unfunded vacancies; this amendment is returning more than \$500K to allow for the filling of those vacancies.
- Insurance proceeds of \$320K were removed from the budget; as expectation of constructive receipt is not likely to occur prior to June, 2018.
- Refinancing of the 2006 Energy Bonds and 2014 School Bond Loan Fund is still pending; the November, 2017 interest payments were not originally anticipated.
- The original budget had eliminated Adult Education; this amendment returns it to the budget.

**FUND BALANCE BUDGET CHANGES:**

The budgeted fiscal year 2018 beginning and ending fund balances have been adjusted to reflect the fiscal 2017 year-end audited fund balance plus the operational revenue and expenditure budget changes included in this document. Commentary on fund balance changes between the original adopted budget to the amended budget is summarized below:

**General Fund:**

The amended budget establishes an operating net income of \$531,500. The Fund Balance chart below depicts the change process in this amendment. The amendment projected total fund balance represents (30.1%) of total budgeted expenditures. The amended budget will have an ending fund deficit of (\$22,652,647).

	<u>Adopted Budget</u>	<u>Amend #1 Budget</u>
Assigned Fund Balance	\$ -	\$ 200,000
Unassigned Fund Balance	\$ (23,336,066)	\$ (22,852,647)
Total Fund Balance:	\$ (23,336,066)	\$ (22,652,647)

**Special Revenue (Food Service) Fund:**

The amended budget establishes an operating usage of net income of \$309,000. The Fund Balance chart below depicts the change process in this amendment. The amendment projected total fund balance represents 25.9% of total budgeted expenditures. The amended budget will have an ending fund balance of \$883,750.

	<u>Adopted Budget</u>	<u>Amend #1 Budget</u>
Non-Spendable Fund Balance	\$ 28,400	\$ 28,400
Restricted Fund Balance	\$ 910,970	\$ 855,350
Total Fund Balance:	\$ 939,370	\$ 883,750

**Capital Projects (Sinking) Fund:**

The Fund Balance chart below depicts the change process in this amendment. The amended budget will have a net position of \$250,554.

	<u>Adopted Budget</u>	<u>Amend #1 Budget</u>
Unrestricted Fund Balance	\$ 0	\$ 250,554

**Internal Service (Risk Related Activity| RRAF) Fund:**

The Fund Balance chart below depicts the change process in this amendment. The amended budget will have a net position of \$850,666.

	<u>Adopted Budget</u>	<u>Amend #1 Budget</u>
Unrestricted Fund Balance	\$ 806,302	\$ 808,484

**REVENUE BUDGET CHANGES:**

During the course of the fiscal year the District’s funds will experience several revenue budget changes. Some minor and others more significant in nature. With respect to this “Executive Summary” document and the analysis that has gone into it, we will be presenting, at a minimum, discussion on the “significant” budget changes. We will define “significant” to mean a change in the revenue line item total of \$100,000 or more. In addition to the “significant” budget changes, items of particular interest may also be presented regardless of the magnitude of the change.

**General Fund [Funds | 110-150]**

The General Fund revenue budget increased by a net \$4,308,300 or 6%. The new total revenue budget is \$75,751,800. The following information represents the breakdown of the significant changes by revenue source for the General Fund:

**Local Sources:**

Local Source revenue has increased by \$611,200 to \$29,175,000. Local Source revenue represents 38.5% of the total General Fund revenue. The significant change is an increase in property tax revenue of \$496K as well as increases on the sale of fixed assets (surplus), facility rentals and local grants.

**State Sources:**

State Source revenue has increased by a net of \$1,801,800 to \$15,371,300. State Source revenue represents 20.3% of the total General Fund revenue. The significant changes in state source revenue are an increase in §147 MPSERS Offset payments and onetime payment of \$1.2M as well as new categoricals §21h Partnership Model Districts \$300K, §41 Bilingual Education \$100K, and the return of Adult Education §107.1 \$200K

Student enrollment increased by 100 students this is a gain of \$763,100. Because the district has such a large tax base our foundation allowance is primarily made up of our local property taxes and combined with state dollars to equal \$7,631/FTE. The District is approaching in becoming an “out-of-formula” district as the tax base grows the §22b Discretionary Payment decreases.

**Federal Sources:**

Federal Source revenue has a net increase of \$2,077,500 to \$12,185,800. Federal Source revenue represents 16.1% of the total General Fund revenue. This increase is attributed to the final approval of the Title 1 Waiver. Actual expenditures were incurred and paid out last fiscal year; and the reimbursement was received in October, 2017.

**Other Financing Sources:**

Other Financing Source revenue budget has decreased by \$(182,200) to \$19,019,700. Other Financing Source revenue represents 25.1% of the General Fund revenue.

The decrease of \$320K Insurance Proceeds is being offset by an increase of \$128K PA-18 dollars.

**Special Revenue (Food Service) Fund [250]**

There are no reported significant changes to revenue.

**Capital Projects (Sinking) Fund [410]**

**Local Sources:**

Local Source revenue has increased by \$262,900 to \$7,264,900. The significant changes are an increase in rebates from Consumers Energy/DTE and E-Rate of \$230K.

**Other Financing Sources:**

Other Financing Source revenue budget has increased by \$7,560,000 to \$10,560,000.

The increase of \$7.6M is the remainder of the Site & Building Bond proceeds that were available but not utilized in FY2017.

**Internal Service (RRAF) Fund [810]**

There are no reported significant changes to revenue.

## **EXPENDITURE BUDGET CHANGES:**

During the course of the fiscal year the District's funds will experience several expenditure budget changes. Some minor and others more significant in nature. With respect to this "Executive Summary" document and the analysis that has gone into it, we will be presenting, at a minimum, discussion on the "significant" budget changes. We will define "significant" to mean a change in the expenditure line item total of \$100,000 or more. In addition to the "significant" budget changes, items of particular interest may also be presented regardless of the magnitude of the change.

### **General Fund [Funds | 110-150]**

The General Fund expenditure budget increased by a net \$3,802,200 or 5.3%. The new total expenditure budget is \$75,220,300. The following information represents the breakdown of the significant changes by expenditure function for the General Fund:

#### **Instruction – Basic Programs, Added Needs and Adult Education:**

The Basic Programs, Added Needs and Adult Education budgeted expenditures have increased by a net \$2,159,500 or 7.3% to \$31,888,000 in total.

State of Michigan categoricals increased by \$1.1M requiring the increase in expenditures of same (§21h Partnership Model, §41 Bilingual Education, §107.1 Adult Education and §147 MPSERS offset.

It is also noted with the increase in student population, the District has attempted to fill some unfunded vacancies, hire additional paraprofessionals, teaching assistants, an EI teacher as well as increase the Spanish teacher to a full FTE at the International Language Academy.

#### **Support Services – Pupil Services:**

The Pupil Support Services budgeted expenditures have increased by a net of \$247,800 or 5.2% to \$5,017,900. The increases primarily have to do with the filling of vacancies for psychologists, occupational therapists, social workers, speech and language therapists and pathologists and physical therapists.

#### **Support Services – Instructional Staff Support Services:**

The budgeted expenditures for Instructional Staff Support Services have been increased by \$229,600 or 7.8% to \$3,158,700. These increases are reflective of the additional resources needed for the Rapid Turnaround and Blue Print initiatives.

#### **Support Services – School Administration:**

The budgeted expenditures for School Administration have been increased by \$164,100 or 5.9% to \$2,939,800. These increases are due to the filling of an unfunded vacancy and the budgeting of the Department Head contractual obligations.

**Support Services – Business Support:**

The budgeted expenditures for Business Support have been increased by \$200,000 or 10.2% to \$2,155,300. This increase would be to support the financings costs related to refinancing the Emergency Loan Notes from 20-years to 30-years.

**Support Services – Operations/Maintenance & Security:**

The Operations/Maintenance & Security function budgeted expenditures have increased by a net \$216,000 or 3.2% to \$7,053,800.

The increase is attributable to additional building repairs that are not sinking fund eligible that include abatement, moving and disposal costs. An administrative assistant was hired; replacing a contractor and lastly additional security personnel is being employed due to the increased student population and the building landscape of the International Technology Academy.

**Support Services – Transportation:**

The Transportation function budgeted expenditures have been increased by \$250,000 or 5.6% to \$4,676,700. The increases have been allocated to Homeless Transportation and transportation needs for the District's dual enrollment programs; as well as the potential opportunity of deploying a phone app for parents and a district dashboard which would allow parents and staff to track the location of an individual student's bus and estimated arrival time at the student's bus stop.

**Other Financing Sources:**

Other Financing Sources budget will be increased by a net \$261,800 to \$13,143,700. The District was unable to refinance the 2006 Energy Bonds and the 2014 School Bond Loan Fund prior to the November, 2017 interest payment becoming payable.

**Special Revenue (Food Service) Fund [250]**

The District has more than three (3) months operating expenditures and will be looking to spend down \$309,000.

The District will be considering wages and benefits increases of the food service personnel as well as the purchase of new equipment and supplies to assist in the transition of the District moving towards scratch cooking (versus reheating food).



**Capital Projects (Sinking) Fund [410]**

The budgeted expenditures are being increased by \$5,932,200; as many projects were accelerated through the summer months; and were made possible by the Site and Building proceeds that were secured in June, 2017.

**Internal Service (RRAF) Fund [810]**

There are no material changes made in this amendment.

Explanations are provided below for amendments by function resulting in a net increase or decrease of \$100,000.

- A Local Revenue: The net increase of \$600K is a combination of increase taxable property valuation, sale of fixed assets (surplus) facility rentals and local grants.
- B State Revenue: The net increase of \$1.8M is obtained from an increase in foundation allowance, FTE's, MPSERS categoricals, new state categoricals for Bilingual, Partnership Model and the return of Adult Education grant.
- C Federal Revenue: The net increase of \$2M recognizes the approval of the Title 1 waiver.
- D Other Financing Sources Revenue: The net decrease of (\$182K) is a decrease in insurance revenue recognition in the amount of (\$320K) being offset with the increase in PA-18 of \$128K.
- E The net increase of \$2.2M in Instructional Services; specifically addresses the funding of some unfunded vacancies from the original adopted budget, and recognizing the appropriate expenditures from the increased and new state categoricals mentioned in "B" above.
- F The net increase of \$250K in Pupil Services is a result in filling of vacancies for PSY, SLP, SLT, SW, OT and PT.
- G Instructional Staff Support Services has a net increase of \$230K. This increase is reflective of the additional resources needed for the Rapid Turnaround and Blue Print initiatives.
- H School Administration has a net increase of \$164K. This increase is attributed to filling an unfunded vacancy and budgeting the Department Head contractual payment obligations.
- I Business Support has a net increase of \$200K to support the potential refinancing of the two (2) Emergency Loan Notes from 20-years to 30-years.
- J Operation/Maintenance & Security has a net increase of \$216K; to allow for additional building repairs that are not sinking fund eligible that include abatement, moving and disposal costs. An additional security guard will be employed at WHRC due to the increased student population and building landscape of the International Technology Academy.
- K Transportation was increased by \$250K are a result of Homeless and Dual Enrollment needs.
- L Other Financing Sources are being increased by \$262K to account for the November interest payments for the 2006 Energy Bonds and the 2014 SBLF. Refinancing of these bonds is still pending.
- M The beginning fund balance has been updated to reflect the audited actual fiscal year 2017 Fund Balance amount.



## School District of the City of Pontiac

### General Fund Budget Summary by Function FY2017-18 1st Amendment

	FY2017 <u>Actual</u>	FY2018 <u>Adopted Budget</u>	FY2018 <u>1st Amendment</u>	<u>Variance</u>	<u>Explanations</u>
<b>REVENUE</b>					
Local	29,206,759	28,563,800	29,175,000	611,200	A
State	14,647,499	13,569,500	15,371,300	1,801,800	B
Federal	9,382,063	10,108,300	12,185,800	2,077,500	C
County & InterDistrict					
Other Financing Sources	<u>10,798,812</u>	<u>19,201,900</u>	<u>19,019,700</u>	<u>(182,200)</u>	D
<b>TOTAL REVENUE</b>	<u>64,035,133</u>	<u>71,443,500</u>	<u>75,751,800</u>	<u>4,308,300</u>	
<b>EXPENDITURES</b>					
<u>Instructional Services</u>					
Basic Programs	18,341,663	16,397,800	17,561,700	1,163,900	E
Added Needs	10,488,403	13,125,700	14,021,800	896,100	E
Adult & Continuing Education	87,782	205,000	304,500	99,500	E
<u>Support Services</u>					
Pupil Services	4,332,700	4,770,100	5,017,900	247,800	F
Instructional Staff Support Services	3,499,539	2,929,100	3,158,700	229,600	G
General Administration	1,528,173	1,546,300	1,546,300	0	
School Administration	2,862,561	2,775,700	2,939,800	164,100	H
Business Support	2,288,471	1,955,300	2,155,300	200,000	I
Operations/Maintenance & Security	7,271,002	6,837,200	7,053,800	216,600	J
Transportation	4,482,465	4,426,700	4,676,700	250,000	K
Central Support	2,335,761	2,593,700	2,666,500	72,800	
Other	242,323	224,500	224,500	0	
<u>Community Services</u>	485,448	249,100	249,100	0	
<u>Capital/Building Improvements</u>	427,824	500,000	500,000	0	
<u>Prior Period Adjustments</u>	0	0	0	0	
<u>Other Financing</u>	<u>3,460,099</u>	<u>12,881,900</u>	<u>13,143,700</u>	<u>261,800</u>	L
<b>TOTAL EXPENDITURES</b>	<u>62,134,214</u>	<u>71,418,100</u>	<u>75,220,300</u>	<u>3,802,200</u>	
Net Income / (Deficit) - Current Year	<u>1,900,919</u>	<u>25,400</u>	<u>531,500</u>	<u>506,100</u>	
Beginning Fund Balance	(25,085,066)	(23,361,466)	(23,184,147)	177,319	M
Projected Ending Fund Balance	<u>(23,184,147)</u>	<u>(23,336,066)</u>	<u>(22,652,647)</u>		

Explanations are provided below for amendments by function resulting in a net increase or decrease of \$100,000.

- A Food Services/Capital: The net increase of \$275K is a combination of anticipated expenditures for the consideration of increasing wages and benefits for food service personnel as well as the purchase of new equipment and supplies to assist in the transition of the District moving towards scratch cooking .
- B Other Financing: The net increase of \$151K is to recognize the fund modification payment to General Fund for the indirect costs of processing payroll, processing job applicants, costs for utilities such as electricity, water and gas.

The District will be required to spend at least \$190K as the current fund balance is more than three (3) months of operating expenditures.



## School District of the City of Pontiac

### Food Service Fund Budget Summary by Function FY2017-18 1st Amendment

	FY2017 Actual	FY2018 Adopted Budget	FY2018 1st Amendment	Variance	Explanations
<b>REVENUE</b>					
Local	100,327	85,000	95,000	10,000	
State	113,409	90,000	100,000	10,000	
Federal	3,237,840	2,850,000	2,910,000	60,000	
County & InterDistrict					
Other Financing Sources	0	6,500	0	(6,500)	
<b>TOTAL REVENUE</b>	<b>3,451,576</b>	<b>3,031,500</b>	<b>3,105,000</b>	<b>73,500</b>	
<b>EXPENDITURES</b>					
<u>Support Services</u>					
Operating Building Services	1,866	8,000	2,500	(5,500)	
Security Services	1,536	7,000	7,000	0	
Staff Support Services	2,518	3,000	13,000	10,000	
Food Services	2,842,918	2,808,300	2,989,000	180,700	A
<u>Capital/Building Improvements</u>	38,367	155,700	250,000	94,300	A
<u>Prior Period Adjustments</u>	0	0	0	0	
<u>Other Financing</u>	148,290	2,000	152,500	150,500	B
<b>TOTAL EXPENDITURES</b>	<b>3,035,496</b>	<b>2,984,000</b>	<b>3,414,000</b>	<b>430,000</b>	
Net Income / (Deficit) - Current Year	<b>416,080</b>	<b>47,500</b>	<b>(309,000)</b>	<b>(356,500)</b>	
Beginning Fund Balance	776,670	891,870	1,192,750	300,880	
Projected Ending Fund Balance	<b>1,192,750</b>	<b>939,370</b>	<b>883,750</b>		

Explanations are provided below for amendments by function resulting in a net increase or decrease of \$100,000.

- A Local Revenue: The net increase of \$263K is to recognize DTE Energy, Consumers Energy and E-Rate rebates.
- B Other Financing Sources Revenue: The net increase of \$7.6M is the remainder of the Building & Site Bond proceeds that were available in June, 2017 but will not be used until FY2018.
- C Site Improvements: The net increase of \$2.5M is the result of accelerated projects over the summer of 2017; that were made possible with the Building & Site Bonds proceeds.
- D Building Improvements: The net increase of \$2M is the result of accelerated projects over the summer of 2017; that were made possible with the Building & Site Bonds proceeds.

Examples of some of the projects that began in June, 2017

HVAC Controls	High School Whitman Elementary
Roofing	Middle School Alcott Elementary Herrington Elementary Whitman Elementary
Abatement	High School Whitman WHRC Rogers Elementary
Parking Lots	WHRC Administration Bldg Owen/Kennedy
Fell Center	Concrete Foundation Roofing
Infrastructure Cabling	District-Wide