

FISCAL NOTE

(Return in triplicate)

Bill/Resolution No.: _____ Amendment to: HB 1193

Requested by Legislative Council Date of Request: _____

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, and cities.

Narrative:

See attachment

2. State fiscal effect in dollar amounts:

<u>1991-93</u>		<u>1993-95</u>		<u>1995-97</u>	
<u>Biennium</u>		<u>Biennium</u>		<u>Biennium</u>	
<u>General</u>	<u>Special</u>	<u>General</u>	<u>Special</u>	<u>General</u>	<u>Special</u>
<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Funds</u>

Revenues:

\$5,260,000

Expenditures:

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1991-93 biennium: _____
- b. For the 1993-95 biennium: _____
- c. For the 1995-97 biennium: _____

4. County and City fiscal effect in dollar amounts:

<u>1991-93</u>		<u>1993-95</u>		<u>1995-97</u>	
<u>Biennium</u>		<u>Biennium</u>		<u>Biennium</u>	
<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>

If additional space is needed, attach a supplemental sheet.

Signed *Celeste Kubasta*

Typed Name *Celeste Kubasta*

Department *OMB*

Phone Number *224-4947*

Date Prepared: *3-16-93*



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MEMORANDUM

TO: Tom Tudor
Karlene Fine

FROM: Kathy Kardell *KAC*

DATE: March 15, 1993

SUBJECT: Estimated Present Value of State
School Construction Fund Leases

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415/955-2676 Fax

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Orlando FL 32801
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101 West Ohio, 20th Floor
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Suite 400E
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313/591-4040 800/589-2800
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Springfield MO 65804
417/887-1277
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1726 Prairie Lane
Fargo ND 58103
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701 Brazos, Suite 500
Austin TX 78701
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Based upon the information provided by Tom with respect to the outstanding State School Construction Fund leases, we have prepared an estimate of the present value of the remaining principal amount. Our calculation makes the following assumptions:

- 1) All of the existing leases are "packaged" and sold at the same time.
- 2) Each school district will continue to make principal and interest payments that are either equal to the previous five year historical average of payments, or in the case of those districts whose repayment stream has been more erratic during the past five years, the lowest historical amount paid. This results in the final payments occurring in 2005.
- 3) The lease sale is completed by the fall of 1993.
- 4) The average life' of the remaining obligations under the leases is 6.73 years.
- 5) The lease financing "package" has an assumed pricing level of approximately 90 on the Delphis Hanover Index. This is slightly less than an "A" rated obligation, but we are presuming that the fact that West Fargo is a major participant will be positive. Hopefully, this is a conservative pricing estimate.

Attached are schedules which identify the presumed principal, interest and total remaining payments for the leases. On the third page, we have indicated the present value of the remaining obligations, assuming various yields to investors. In the current market, investors would probably be looking for a return of around 5.5%. However, since this transaction will probably not occur until later this year, I would recommend that a more conservative estimate of 6.5%, or \$5,260,000, be assumed.