



**Board of Education - Committee of the Whole Meeting
District Office
1936 Green Bay Rd.
Highland Park, IL 60035**

Tuesday, November 15, 2022 7:00 PM

Agenda

Mission Statement

The mission of North Shore School District 112, a community partnership committed to a world-class education, is to nurture every child to become an inspired learner, a well-rounded individual and contributing member of a global community by striving for excellence within an environment that fosters innovation, respect, engagement and intellectual inquiry

No Live Stream

1. Call to Order/Roll Call (7:00 p.m.)
2. Pledge of Allegiance
3. Approval of Agenda
4. Discussion
 - a. Long Range Plan Phase 2
 - i. Financing Options
 - ii. Planning Update
 - b. Teaching & Learning - 2022 State Report Card
 - c. Apple Lease Option - Upgrade Staff Macbook Devices
 - d. Timeline Board Equity Learning Series
5. Public Comments - *The Board welcomes comments and questions and gives them serious consideration. Comments are limited to 3 minutes for each speaker and will become part of the public record.*
6. Other
7. Adjournment



PMA™



NORTH SHORE
—SCHOOL DISTRICT 112—
Inspire...Innovate...Engage

Referendum Bond Sale Discussion

Tammie Beckwith Schallmo

Senior Vice President, Managing Director

Jennifer Currier

Vice President, Senior Quantitative Analyst

PMA Securities, LLC

November 15, 2022



Financing Considerations

- Construction draw schedule
- Bond market conditions
- Financing scenarios
- Method of sale
- Financing Timeline for Series 2022 Bonds



Construction Draw Schedule

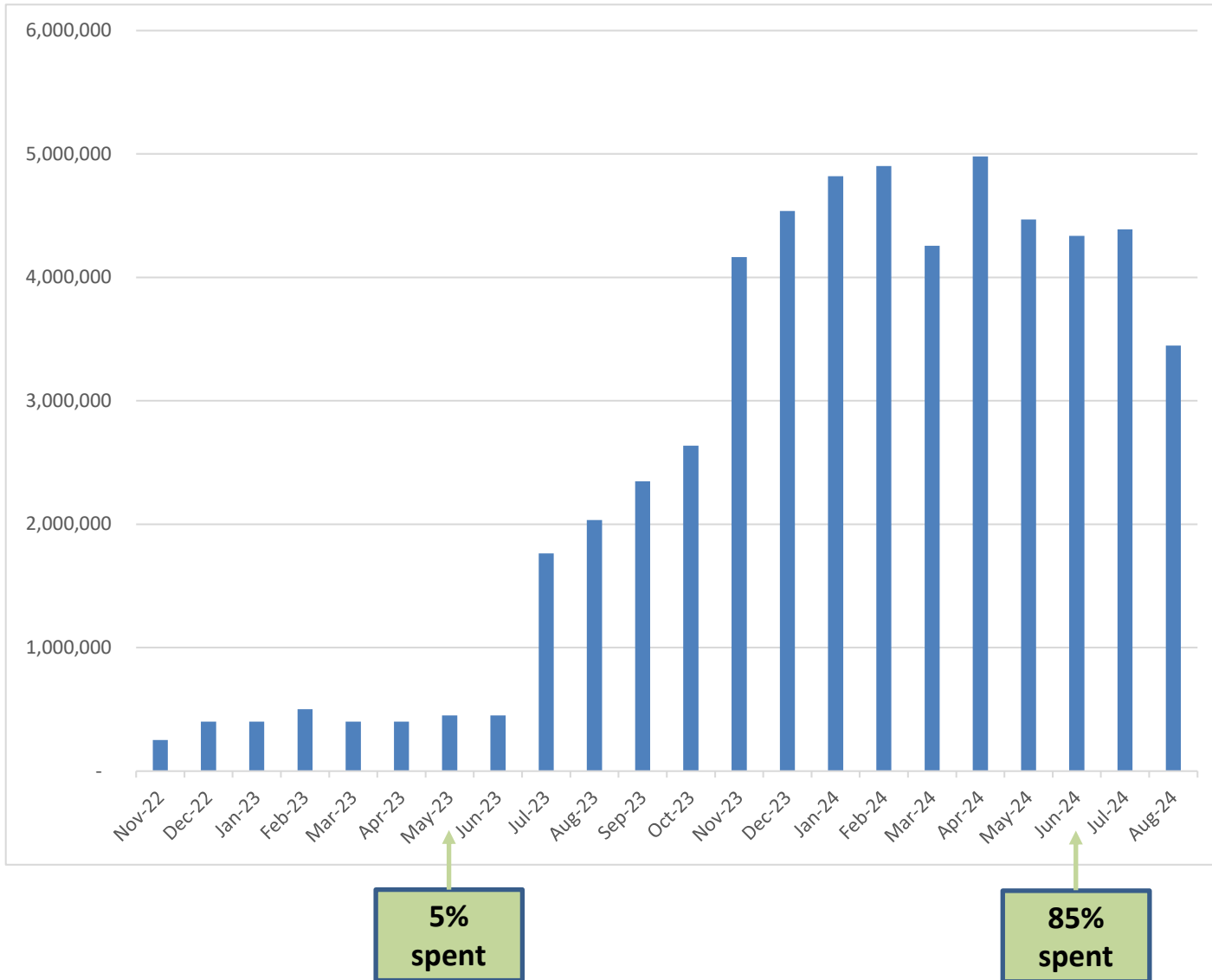


Spend Down Requirements

- When issuing **tax exempt bonds**, the District should consider the following IRS requirements:
 - The District must reasonably expect to spend or contractually obligate 5% of a bond issue within six months of issuance
 - The District must reasonably expect to spend 85% of the bond proceeds in three years
 - The District must diligently spend the bond proceeds
- The District may invest bond proceeds in mechanisms that are allowable under statute



Estimated Monthly Draw Schedule (\$56.333 Million) Provided by Gilbane





Bond Market Conditions

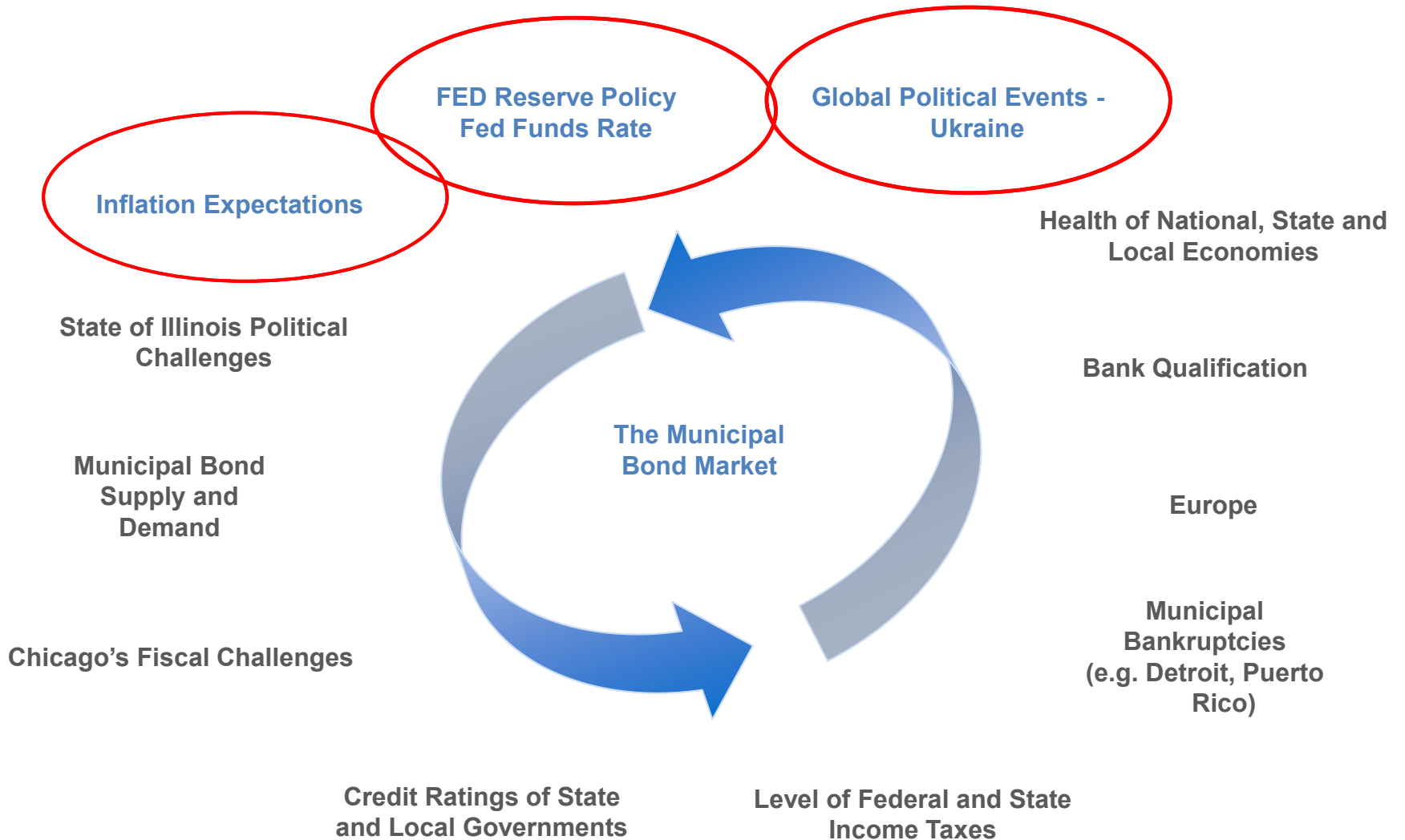


The MMD “AAA” Index

- ▶ The Municipal Market Data (MMD) Index is a daily index of AAA-rated municipal bond rates
- ▶ Issuers’ bond yields are priced relative to the MMD
 - ▶ The relative difference is called the “spread” to the MMD
 - ▶ The spread varies due to the following:
 - ▶ Credit rating
 - ▶ Bank qualification
 - ▶ Length of maturity
 - ▶ Coupon or interest rates

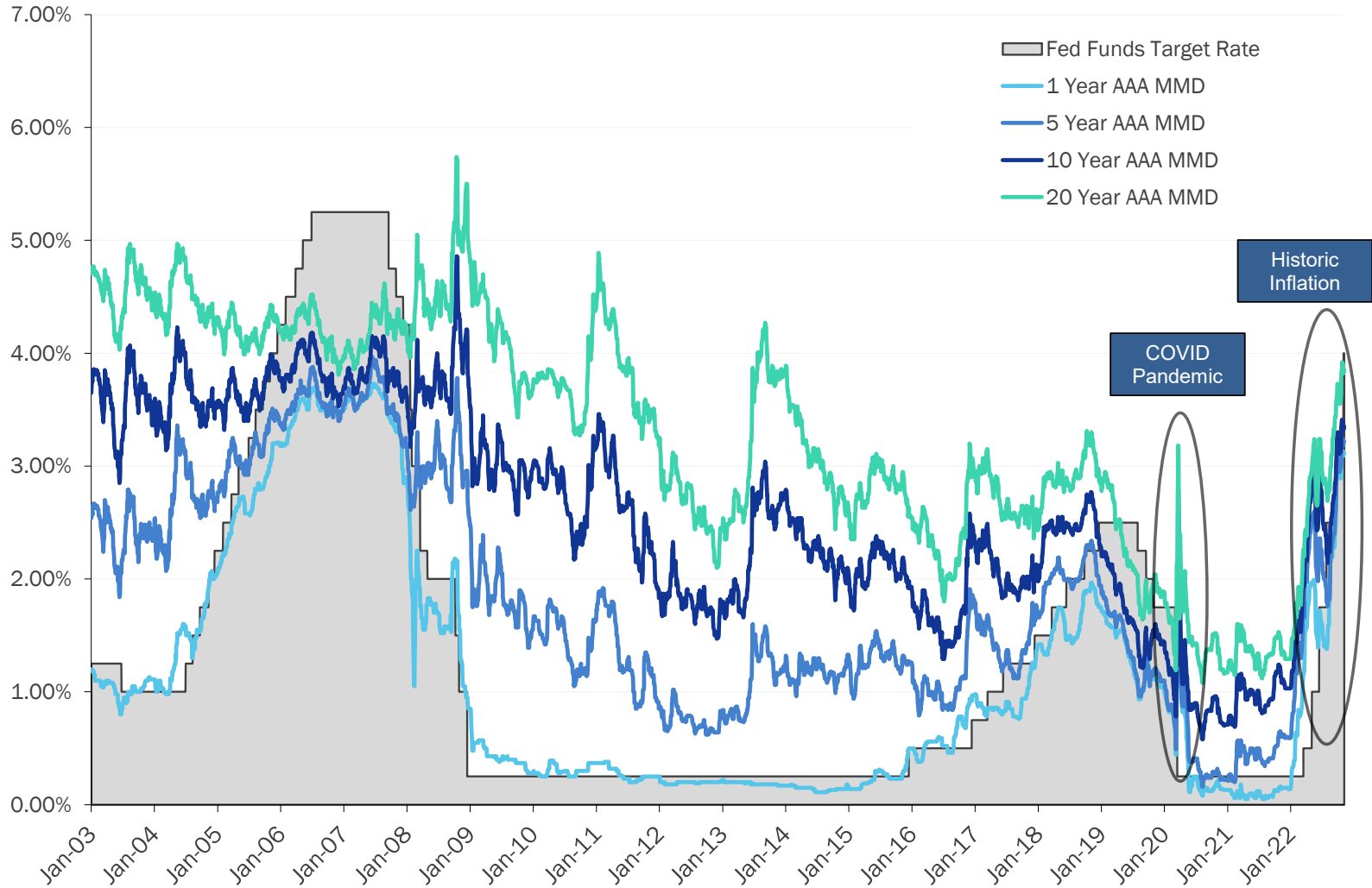


Variables that Impact the Municipal Bond Market





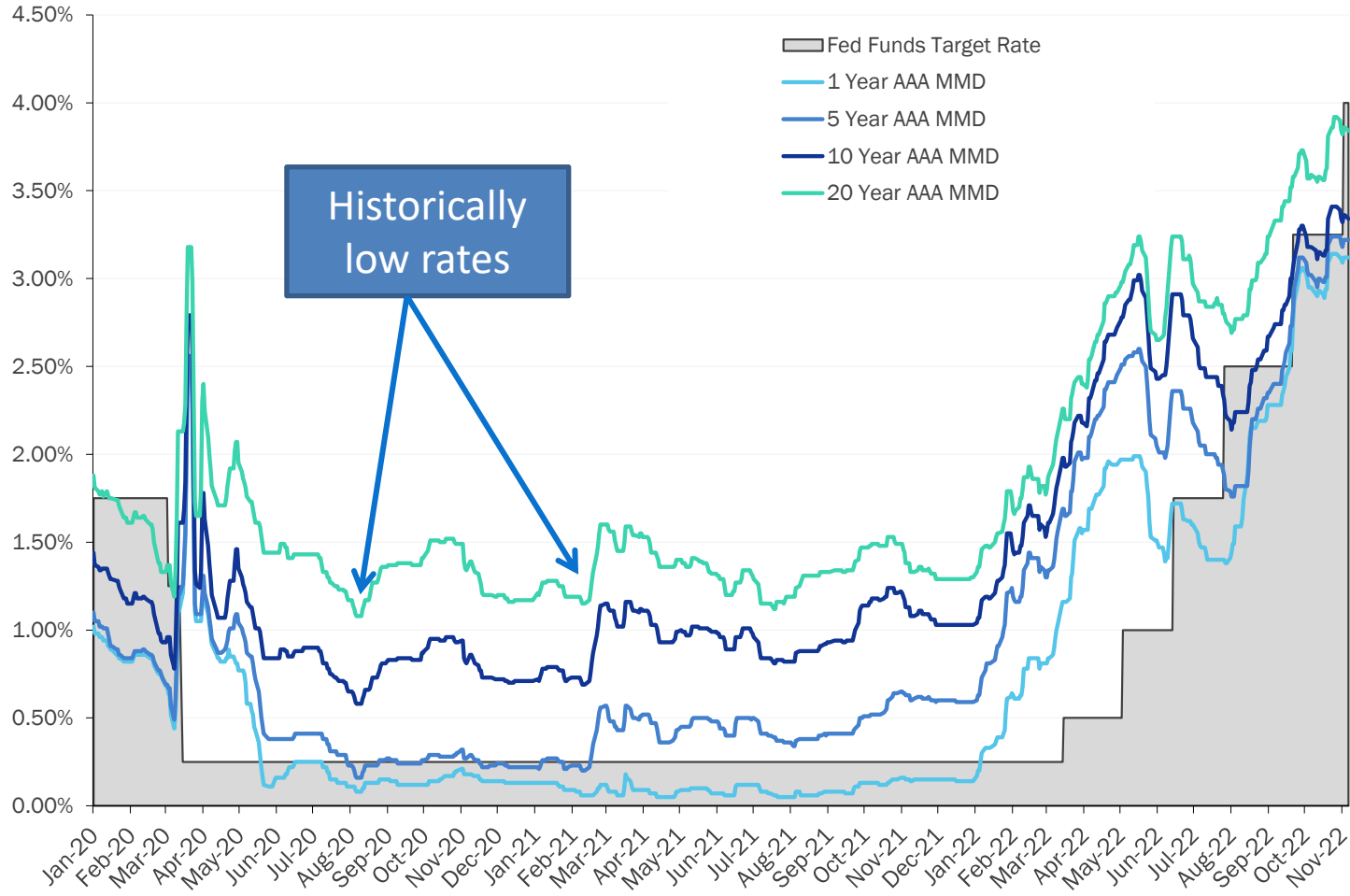
Historical Tax-Exempt Rates



*The Municipal Market Data "MMD" is a AAA municipal bond market index produced by TM3. As of November 7, 2022.



Tax Exempt Rates since January 1, 2020



The Fed's next meeting will be held on December 13 & 14

*The Municipal Market Data "MMD" is a AAA municipal bond market index produced by TM3. As of November 7, 2022.



Financing Scenarios



Financing Scenarios

➤ **Scenario 1:**

- \$56.3 million issued in February 2023
- \$58.1 million issued in July 2024

➤ **Scenario 2:**

- \$56.3 million issued in December 2022
- \$58.1 million issued in July 2024

*In order to impact the 2022 levy, at least a portion of the District's referendum bond authority must be sold by February 2023

Scenario 1 – Aggregate Final Maturity in LY41

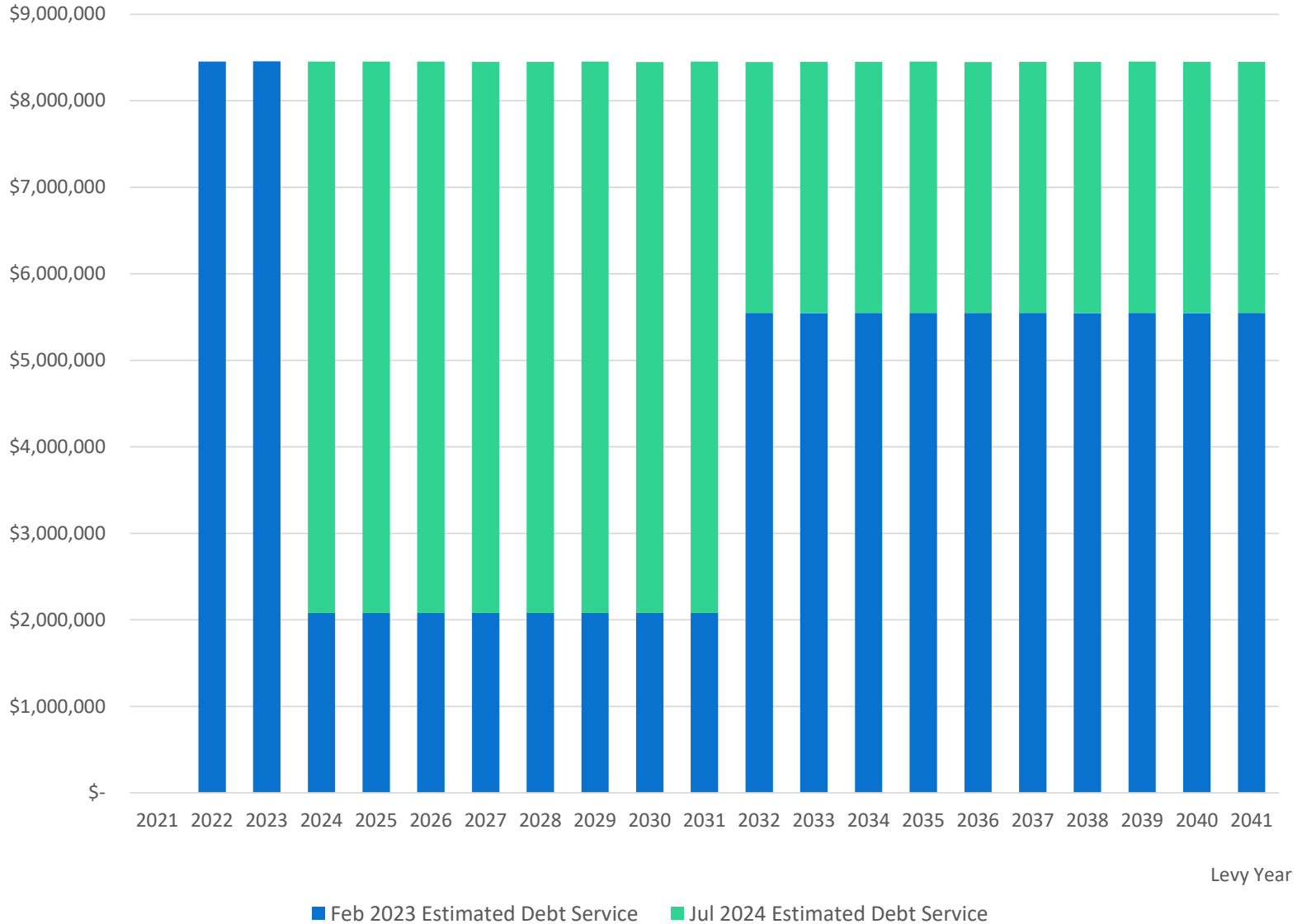
Referendum Bonds Debt Service								
Levy Year	Fiscal Year	PROPOSED	PROPOSED	Total	Approximately	EAV	Total	Approx.
		GO School Bonds, Series 2023 (1)	GO School Bonds, Series 2024 (1)		1.0% County Loss/Cost Debt Service		EAV Growth Rate	
2018	2020	\$	\$	\$	\$	2,471,368,826	-0.17%	0.000
2019	2021					2,423,841,922	-1.92%	0.000
2020	2022					2,373,727,211	-2.07%	0.000
2021	2023	-	-	-	-	2,373,443,666	-0.01%	0.000
2022	2024	8,454,075	-	8,454,075	8,538,616	2,496,640,140	5.19%	0.342
2023	2025	8,455,838	-	8,455,838	8,540,396	2,559,056,144	2.50%	0.334
2024	2026	2,080,338	6,373,163	8,453,500	8,538,035	2,623,032,547	2.50%	0.326
2025	2027	2,080,338	6,372,038	8,452,375	8,536,899	2,688,608,361	2.50%	0.318
2026	2028	2,080,338	6,371,413	8,451,750	8,536,268	2,755,823,570	2.50%	0.310
2027	2029	2,080,338	6,370,788	8,451,125	8,535,636	2,824,719,159	2.50%	0.302
2028	2030	2,080,338	6,369,663	8,450,000	8,534,500	2,895,337,138	2.50%	0.295
2029	2031	2,080,338	6,372,413	8,452,750	8,537,278	2,967,720,566	2.50%	0.288
2030	2032	2,080,338	6,368,538	8,448,875	8,533,364	3,041,913,581	2.50%	0.281
2031	2033	2,080,338	6,372,413	8,452,750	8,537,278	3,117,961,420	2.50%	0.274
2032	2034	5,546,463	2,902,288	8,448,750	8,533,238	3,195,910,456	2.50%	0.267
2033	2035	5,544,213	2,907,038	8,451,250	8,535,763	3,275,808,217	2.50%	0.261
2034	2036	5,547,588	2,901,913	8,449,500	8,533,995	3,357,703,422	2.50%	0.254
2035	2037	5,546,638	2,906,663	8,453,300	8,537,833	3,441,646,008	2.50%	0.248
2036	2038	5,546,963	2,901,813	8,448,775	8,533,263	3,527,687,158	2.50%	0.242
2037	2039	5,548,513	2,902,750	8,451,263	8,535,775	3,615,879,337	2.50%	0.236
2038	2040	5,545,950	2,903,850	8,449,800	8,534,298	3,706,276,321	2.50%	0.230
2039	2041	5,548,825	2,904,888	8,453,713	8,538,250	3,798,933,229	2.50%	0.225
2040	2042	5,545,119	2,905,638	8,450,756	8,535,264	3,893,906,559	2.50%	0.219
2041	2043	5,548,725	2,902,331	8,451,056	8,535,567	3,991,254,223	2.50%	0.214
Total DS From Current FY:		\$ 89,021,606	\$ 80,009,594	\$169,031,200	\$ 170,721,512			
Dated Date:		02/01/23	07/01/24					
Net Proceeds:		\$ 56,333,096	\$ 58,066,904	\$114,400,000				

(1) Rates based upon market conditions as of November 1, 2022 and recent bond sales which PMA believes to be accurate and reliable. Estimated Combined TIC = 4.32%.

NOTE: Scenarios where a greater portion of the overall debt is issued in advance of the expenditures of the proceeds will likely result in higher fees earned by the investment manager of the debt proceeds.



Scenario 1 – Aggregate Final Maturity in LY41



Levy Year

■ Feb 2023 Estimated Debt Service ■ Jul 2024 Estimated Debt Service

Scenario 2 – Aggregate Final Maturity in LY41

Referendum Bonds Debt Service

Levy Year	Fiscal Year	PROPOSED GO School Bonds, Series 2022 (1)	PROPOSED GO School Bonds, Series 2024 (1)	Total	Approximately 1.0% County Loss/Cost Debt Service	EAV	Total EAV Growth Rate	Approx. B&I Tax Rate
2018	2020	\$ _____	\$ _____	\$ _____	\$ _____	\$ 2,471,368,826	-0.17%	0.000
2019	2021	_____	_____	_____	_____	2,423,841,922	-1.92%	0.000
2020	2022	_____	_____	_____	_____	2,373,727,211	-2.07%	0.000
2021	2023	-	-	-	-	2,373,443,666	-0.01%	0.000
2022	2024	8,482,400	-	8,482,400	8,567,224	2,496,640,140	5.19%	0.343
2023	2025	8,481,075	-	8,481,075	8,565,886	2,559,056,144	2.50%	0.335
2024	2026	2,090,200	6,388,063	8,478,263	8,563,045	2,623,032,547	2.50%	0.326
2025	2027	2,090,200	6,386,188	8,476,388	8,561,151	2,688,608,361	2.50%	0.318
2026	2028	2,090,200	6,389,688	8,479,888	8,564,686	2,755,823,570	2.50%	0.311
2027	2029	2,090,200	6,388,063	8,478,263	8,563,045	2,824,719,159	2.50%	0.303
2028	2030	2,090,200	6,390,813	8,481,013	8,565,823	2,895,337,138	2.50%	0.296
2029	2031	2,090,200	6,387,438	8,477,638	8,562,414	2,967,720,566	2.50%	0.289
2030	2032	2,090,200	6,387,438	8,477,638	8,562,414	3,041,913,581	2.50%	0.281
2031	2033	2,090,200	6,390,063	8,480,263	8,565,065	3,117,961,420	2.50%	0.275
2032	2034	5,595,325	2,884,563	8,479,888	8,564,686	3,195,910,456	2.50%	0.268
2033	2035	5,595,950	2,884,938	8,480,888	8,565,696	3,275,808,217	2.50%	0.261
2034	2036	5,597,238	2,880,563	8,477,800	8,562,578	3,357,703,422	2.50%	0.255
2035	2037	5,594,763	2,886,063	8,480,825	8,565,633	3,441,646,008	2.50%	0.249
2036	2038	5,598,850	2,881,925	8,480,775	8,565,583	3,527,687,158	2.50%	0.243
2037	2039	5,599,050	2,878,650	8,477,700	8,562,477	3,615,879,337	2.50%	0.237
2038	2040	5,595,138	2,885,538	8,480,675	8,565,482	3,706,276,321	2.50%	0.231
2039	2041	5,595,338	2,882,363	8,477,700	8,562,477	3,798,933,229	2.50%	0.225
2040	2042	5,598,444	2,879,125	8,477,569	8,562,344	3,893,906,559	2.50%	0.220
2041	2043	5,594,794	2,881,856	8,476,650	8,561,417	3,991,254,223	2.50%	0.215
Total DS From Current FY:		\$ 89,649,962	\$ 79,933,331	\$169,583,294	\$ 171,279,127			

Dated Date: 12/30/22 07/01/24

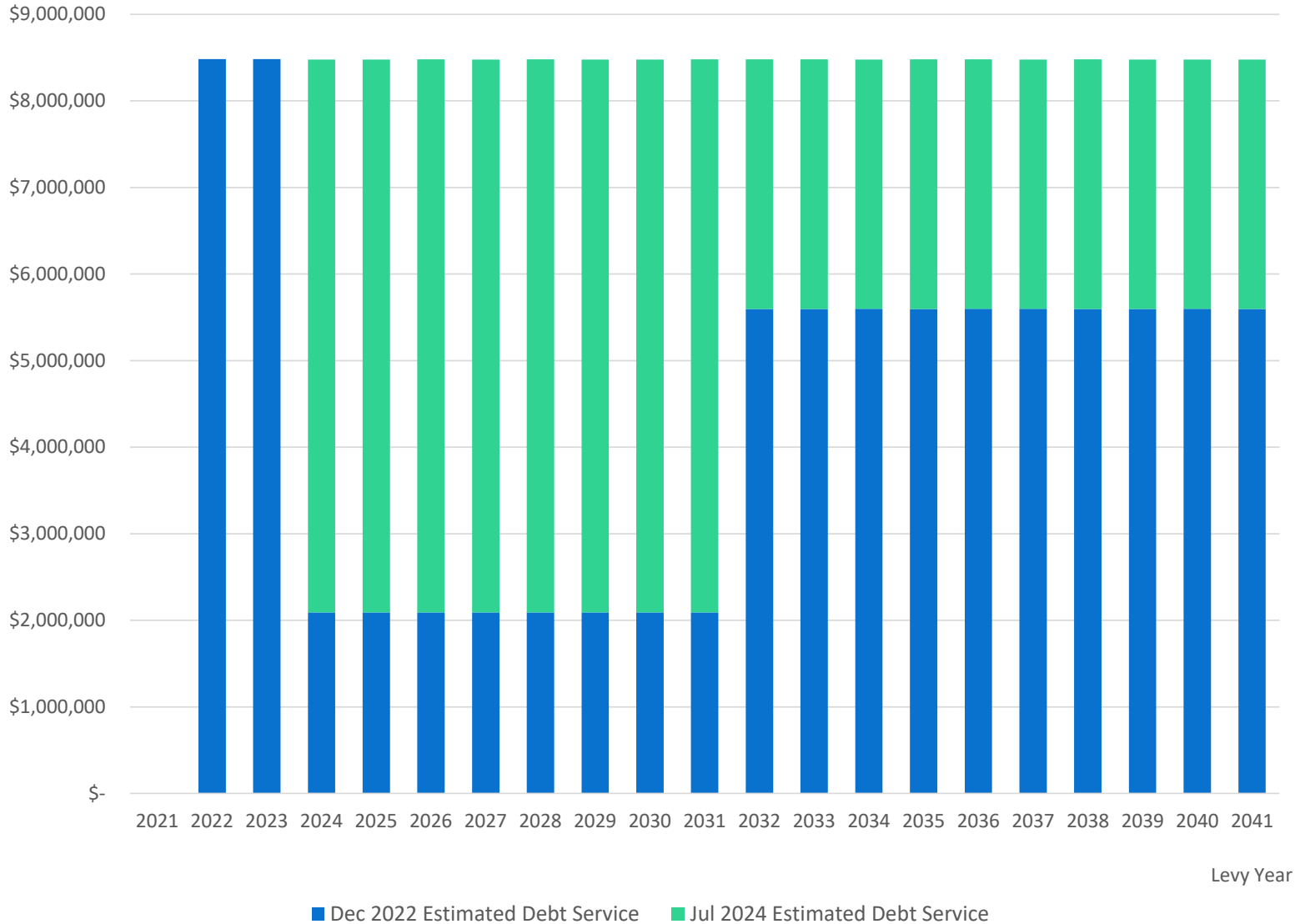
Net Proceeds: \$ 56,333,096 \$ 58,066,904 \$114,400,000

(1) Rates based upon market conditions as of November 1, 2022 and recent bond sales which PMA believes to be accurate and reliable. Estimated Combined TIC = 4.34%.

NOTE: Scenarios where a greater portion of the overall debt is issued in advance of the expenditures of the proceeds will likely result in higher fees earned by the investment manager of the debt proceeds.



Scenario 2 – Aggregate Final Maturity in LY41





Scenario Summary

	20 Years Aggregate		Estimated Tax Impact Communicated During Referendum Campaign
	Scenario 1	Scenario 2	
December 2022 Proceeds	\$ -	\$ 56,333,096	
February 2023 Proceeds	56,333,096	-	
July 2024 Proceeds	58,066,904	58,066,904	
Net Project Proceeds.....	\$ 114,400,000	\$ 114,400,000	
Estimated Combined True Interest Cost (1)(2).....	4.32%	4.34%	
Estimated Total Referendum Bonds Debt Service (1).....	\$ 169,031,200	\$ 169,583,294	
Est. Additional Interest Earned on First Issuance vs. Sc1 (3).....	n/a	\$ 375,554	
Breakeven Market Movement vs. Scenario 2 (4).....	0.03%		
Estimated B&I Tax Rate Increase (LY2022) (1)(5).....	\$ 0.342	\$ 0.343	\$ 0.346
<u>Est. Tax Payment Increase (LY2022) (1)(5)</u>			
\$250,000 Home	\$ 264	\$ 265	\$ 273
\$500,000 Home	549	551	569
\$750,000 Home	834	837	865
\$1,000,000 Home	1,119	1,123	1,159

(1) Current market rates based upon market conditions as of November 1, 2022 and recent bond sales which PMA believes to be accurate and reliable.

(2) True Interest Cost (TIC) is the semiannual discount rate which equates the principal and interest payments to the purchase price paid by the purchaser.

(3) Additional interest earnings assume proceeds of first issuance in Scenario 2 are invested at the 2-month Treasury yield as of November 1, 2022 until the dated date of the first issuance in Scenario 1.

(4) Breakeven market movement to approximately match debt service cost of Scenario 2 net of estimated additional interest earnings.

(5) Actual tax rates and payments may vary based on EAV growth, reassessment, State Law changes, property tax rate initiatives and other factors. Includes \$6,000 homeowner exemption.

NOTE: Scenarios where a greater portion of the overall debt is issued in advance of the expenditures of the proceeds will likely result in higher fees earned by the investment manager of the debt proceeds.



Breakeven Analysis for Scenario 1 and 2

- The estimated breakeven between a.) selling \$56.3 million of bonds in February 2023, and b.) issuing them in December 2022 is 12 basis points, or 0.12% without factoring in estimated interest earnings
 - If interest rates go up by more than 0.12% between December of 2022 and February of 2023, the District will be better off issuing all \$56.3 million in December of 2022
 - After factoring in estimated additional interest earnings between December and February, the breakeven is only 0.03%
 - Estimated interest earnings in Scenario 1 (February 2023 sale) is \$2,782,107 (based on annualized investment rate of 4.55%)
 - By selling the bonds in December, estimated additional interest earnings is \$375,554



Bank Qualification

- ▶ Tax-exempt municipal bonds are designated as Bank Qualified (“BQ”) if the District does not expect to issue more than \$10 million of tax-exempt securities in a single calendar year
- ▶ Allows a financial institution to deduct 80% of its interest expense allocable to the purchase of tax-exempt securities, essentially providing banks a double tax benefit
- ▶ Some of the savings are passed along to the district as a lower interest rate versus a traditional tax-exempt bond or non-bank qualified (“NBQ”)
- ▶ Currently, the estimated BQ benefit is 0.10%



Additional Scenario

- Scenario 3
 - \$46.5 million issued in December 2022
 - \$9.8 million issued in February 2023 (BQ)
 - \$58.1 million issued in July 2024

Scenario 3 – Aggregate Final Maturity in LY41

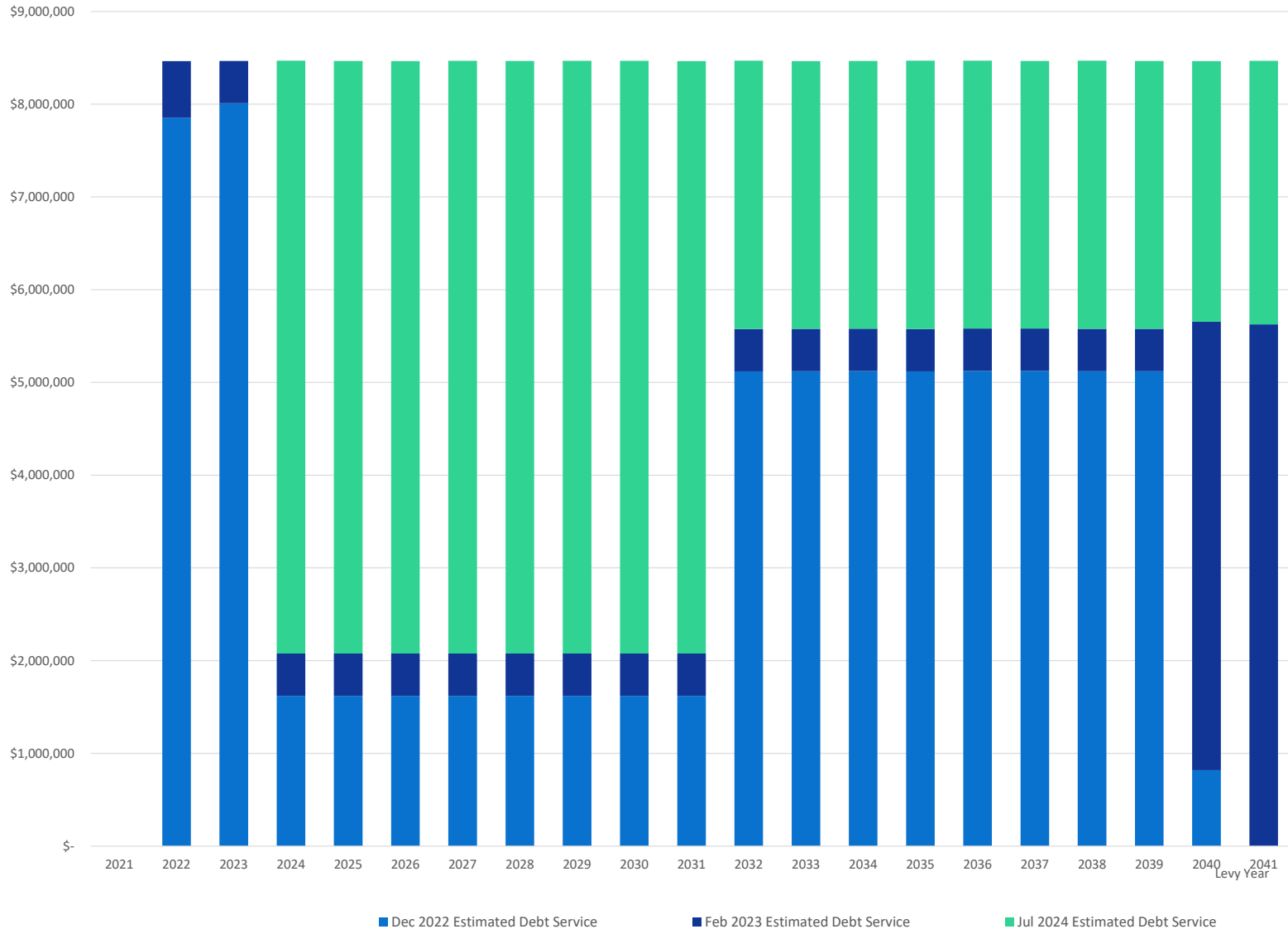
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2018	2020	\$	\$	\$	\$	\$	\$ 2,471,368,826	-0.17%	0.000
2019	2021						2,423,841,922	-1.92%	0.000
2020	2022						2,373,727,211	-2.07%	0.000
2021	2023	-	-	-	-	-	2,373,443,666	-0.01%	0.000
2022	2024	7,855,450	609,120	-	8,464,570	8,549,215	2,496,640,140	5.19%	0.342
2023	2025	8,009,913	456,840	-	8,466,753	8,551,420	2,559,056,144	2.50%	0.334
2024	2026	1,619,038	456,840	6,392,913	8,468,790	8,553,478	2,623,032,547	2.50%	0.326
2025	2027	1,619,038	456,840	6,390,788	8,466,665	8,551,332	2,688,608,361	2.50%	0.318
2026	2028	1,619,038	456,840	6,389,163	8,465,040	8,549,690	2,755,823,570	2.50%	0.310
2027	2029	1,619,038	456,840	6,392,413	8,468,290	8,552,973	2,824,719,159	2.50%	0.303
2028	2030	1,619,038	456,840	6,390,038	8,465,915	8,550,574	2,895,337,138	2.50%	0.295
2029	2031	1,619,038	456,840	6,391,538	8,467,415	8,552,089	2,967,720,566	2.50%	0.288
2030	2032	1,619,038	456,840	6,391,288	8,467,165	8,551,837	3,041,913,581	2.50%	0.281
2031	2033	1,619,038	456,840	6,388,788	8,464,665	8,549,312	3,117,961,420	2.50%	0.274
2032	2034	5,119,288	456,840	2,893,038	8,469,165	8,553,857	3,195,910,456	2.50%	0.268
2033	2035	5,120,163	456,840	2,888,038	8,465,040	8,549,690	3,275,808,217	2.50%	0.261
2034	2036	5,121,688	456,840	2,888,288	8,466,815	8,551,483	3,357,703,422	2.50%	0.255
2035	2037	5,119,438	456,840	2,893,288	8,469,565	8,554,261	3,441,646,008	2.50%	0.249
2036	2038	5,123,750	456,840	2,888,675	8,469,265	8,553,958	3,527,687,158	2.50%	0.242
2037	2039	5,124,175	456,840	2,884,950	8,465,965	8,550,625	3,615,879,337	2.50%	0.236
2038	2040	5,120,488	456,840	2,891,388	8,468,715	8,553,402	3,706,276,321	2.50%	0.231
2039	2041	5,120,919	456,840	2,887,763	8,465,521	8,550,176	3,798,933,229	2.50%	0.225
2040	2042	819,000	4,834,920	2,810,763	8,464,683	8,549,329	3,893,906,559	2.50%	0.220
2041	2043	-	5,626,500	2,840,906	8,467,406	8,552,080	3,991,254,223	2.50%	0.214
Total DS From Current FY:		\$ 70,606,569	\$ 18,836,820	\$ 79,894,019	\$169,337,407	\$ 171,030,781			
Dated Date:		12/30/22	02/01/23	07/01/24					
Net Proceeds:		\$ 46,533,096	\$ 9,800,000	\$ 58,066,904	\$114,400,000				

(1) Rates based upon market conditions as of November 1, 2022 and recent bond sales which PMA believes to be accurate and reliable. Estimated Combined TIC = 4.34%.

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Scenario 3 – Aggregate Final Maturity in LY41





Breakeven Analysis for Scenario 2 and 3

- The estimated breakeven between a.) selling \$46.5 million of bonds in December 2022 and \$9.8 million in February 2023, and b.) issuing all \$56.3 million in December 2022 is 12 basis points, or 0.12%
- If interest rates don't change between December of 2022 and February of 2023, the District would save \$250,000 in interest cost
- If interest rates go up by more than 0.12% between December of 2022 and February of 2023, the District will be better off issuing all \$56.3 million in December of 2022



Tax Impact Management Strategies

- In addition to earmarking interest earnings on bond proceeds for capital projects, they may also be used to abate future debt service levies
- A portion of the District's referendum bonds will be callable, which will enable it to refund (refinance) them in the future for lower debt service
- To help manage interest rate risk, based on the preliminary debt structure ~80% of the principal on the initial \$56.3 million of proceeds will be in 2033 through 2042 and will be callable on or about December 1, 2031



Method of Sale



Sale Type

PUBLIC OFFERING

- ▶ The Issuer and financial advisor prepare an official statement
- ▶ Underwriter that will resell the bonds to investors is selected via a competitive or negotiated sale
- ▶ Issuer obtains a bond rating
- ▶ Requires disclosure counsel to review the official statement
- ▶ Will likely have a lower interest rate, but will have higher costs of issuance

DIRECT PLACEMENT

- ▶ No official statement, rating, underwriter or disclosure counsel is required
- ▶ A term sheet is sent out to banks and other local units of government that will provide a proposal to purchase the bonds directly
- ▶ The interest rate is typically higher than a public offering but may result in a lower overall financing cost since some costs of issuance are avoided
- ▶ This process has typically proven to be effective for relatively smaller bond issues paid off with a shorter amortization



Types of Public Offerings

NEGOTIATED SALE



- ▶ The Issuer preselects a broker-dealer as underwriter
- ▶ This firm sells the bonds to investors

COMPETITIVE SALE



- ▶ The Issuer engages a municipal advisor to manage the bond issuance process
- ▶ Underwriter selected via a competitive sale in which multiple bids are received to purchase the bonds
- ▶ The winning bidder sells the bonds to investors
- ▶ The bidder with the lowest true interest cost is selected



Choosing the Method of Sale

A competitive sale is appropriate when:

- ▶ Issuer has a strong underlying credit rating at least in the “A” category
- ▶ General obligation bonds or full faith obligations (e.g. alternate revenue bonds or debt certificates)
- ▶ Structure does not include special features that would require extensive explanation to the market
- ▶ Issuer is frequently in the market and/or issue size is conducive to attracting investors

A negotiated sale is appropriate when:

- ▶ Issuer has a credit rating lower than “A”
- ▶ Bond insurance is unavailable
- ▶ Debt structure is complicated
- ▶ Issuer wants input in how bonds are allocated among underwriting firms and/or the types of investors to be reached
- ▶ Other factors exist that the issuer, in consultation with its municipal advisor, believes favor the use of a negotiated sale process

Source: Selecting and Managing the Method of Sale of Bonds (February 2014), Government Finance Officers Association (Best Practice).
See the following webpage: <http://www.gfoa.org/selecting-and-managing-method-sale-bonds>



Recommended Method of Sale

- ▶ PMA recommends a competitive sale for the District's Series 2022 Bonds



Proposed Timeline for Series 2022 Bonds

Proposed Timeline for Series 2022 Referendum Bonds

November 14	Distribute first draft of Preliminary Official Statement (POS)
November 15	Board selects financing plan
November 16	Credit rating presentation rehearsal
November 22	Credit rating presentation/due diligence call
November 29	Election Canvassing Period ends
November 29	<p>Board adopts two resolutions</p> <ol style="list-style-type: none"> 1. Reimbursement resolution 2. Parameters resolution for sale of \$56.3 million Series 2022 Bonds <ul style="list-style-type: none"> - names delegates who will approve the sale - establishes maximum par amount and other key parameters - valid until the April 2023 Election
November 30	District receives credit rating
December 8	Price Series 2022 Bonds via competitive sale; delegates approve results
December 29	Close Series 2022 Bonds; District receives proceeds



Disclosure

The information contained herein is solely intended to suggest/discuss potentially applicable financing applications and is not intended to be a specific buy/sell recommendation, nor is it an official confirmation of terms. Any terms discussed herein are preliminary until confirmed in a definitive written agreement.

The analysis or information presented herein is based upon hypothetical projections and/or past performance that have certain limitations. No representation is made that it is accurate or complete or that any results indicated will be achieved. In no way is past performance indicative of future results. Changes to any prices, levels, or assumptions contained herein may have a material impact on results. Any estimates or assumptions contained herein represent our best judgment as of the date indicated and are subject to change without notice. Examples are merely representative and are not meant to be all-inclusive. The information set forth herein was gathered from sources which we believe, but do not guarantee, to be accurate. Neither the information, nor any options expressed, constitute a solicitation by us for purposes of sale or purchase of any securities or commodities. Investment/financing decisions by market participants should not be based on this information.

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INSPIRE · INNOVATE · ENGAGE

NORTH SHORE
SCHOOL DISTRICT 112

Date: November 15, 2022

To: Dr. Michael Lubelfeld, Superintendent of Schools
Members of the Board of Education

From: Jeremy Davis, Assistant Superintendent for Finance and Operations

Subject: Apple Computer Leasing Program

Policy Alignment: Policy 4:60 Purchase and Contract

Disposition: Information

Executive Summary:

The District had budgeted to refresh laptops for its staff this 2022-2023 fiscal year. When researching purchasing options, the District became aware of an Apple Leasing Program, currently offering a zero percent interest rate for a four-year period. The District has researched this option and believes it to be in the best interest of the school district.

The District would lease 550 computers for \$823,900, with annual payments of \$205,975. With inflation running over 8%, we believe the zero percent interest rate is a good value. It will also provide budget certainty for the next four fiscal years. At the end of the four-year period, the devices become ours, and we may resell them on any secondary market.

Recommendation: Information