

Plum Borough School District
General Obligation Bonds, Series of 2014

Use of Bond proceeds after Cessation of Regency Park Elementary School Project

A. Local Government Unit Debt Act Requirements

1. School District may use proceeds of the 2014 Bonds for capital items which are included within the Bond Resolution's definition of the Project. The Project definition is very broad, but best practice for a significant change in the intended use of proceeds is to amend the Project definition following Debt Act procedures (as was done for the bus terminal acquisition). Amendment requires (a) advertisement of summary of amending resolution 3 to 30 days before amendment adopted, (b) adoption of amendment by 5 favorable votes, and (c) advertisement of fact of adoption. No submission to or approval by Department of Community and Economic Development.

2. Capital items must have a useful life of at least 5 years, but must be a corresponding aggregate principal amount of 2014 Bonds maturing within the useful life of the financed property. The 2014 Bonds have \$9,475,000 principal payable 2037-2039; principal payable 2017-2036 amounts to only \$385,000. As a result, use of proceeds of 2014 Bonds will be limited mostly to property with minimum 21-year useful life.

3. School District may use proceeds for interest on the portion of the 2014 Bonds that are allocable to a particular project that accrues through one year after completion of construction of the particular project.

B. Federal Income Tax Law

1. If tax-exempt bonds are left outstanding longer than reasonably necessary to accomplish their governmental purpose, then the tax-exemption can be jeopardized. However, it is expected that the School District will need proceeds of the 2014 Bonds to design and construct elementary school facilities because of the closure of the former Regency Park Elementary School. Assuming that the School District proceeds with due diligence to construct the facilities and expend the proceeds, the tax-exempt status of the 2014 Bonds should not be adversely affected.

2. If the School District determines that 2014 Bond proceeds are no longer needed for any capital project, then it should apply the unused proceeds to redeem 2014 Bonds early. However, the 2014 Bonds are not subject to redemption by the School District until March 15, 2020.