

# Answers provided about the new construction bonds for Galion schools

By RACHEL MENDELL  
Inquirer Reporter  
rmendell@galioninquirer.com

The *Galion Inquirer* continues to investigate the facts dealing with the fate of the old school buildings owned by the Galion school district.

In a letter to district offices, Squire, Sanders & Dempsey give straight answers to some of the questions that continue to nag the taxpayers of Galion.

*What are the deadlines imposed by the Ohio School Facilities Commission for having buildings demolished?*

"Based on our initial communications with the OSFC on this subject, it appears that the OSFC has no firm deadlines."

*What action would the board of education have to take to stop demolition at this point in the process?*

"The district currently has hazardous material abatement work in progress at the high school, a step that is required before undertaking the demolition, but the demolition work itself has not yet been bid or awarded. The demolition of the high school is set up as 'optional demolition' under the project agreement, and as a result, the board could determine by resolution not to move forward with the demolition. The OSFC has advised that it would not disapprove such a change of scope."

*Based upon the ballot language, what can Bond funds be used for?*

"Subject to the limitations imposed by the project agreement on moneys in Fund 010 (which are to be used only for the CFAP (Classroom Facilities Assistance Program) Project until that project has been completed), the district is authorized to use proceeds of the bonds for the broad purpose for which they were approved, i.e., con-

structing, furnishing, equipping and otherwise improving school district buildings and facilities and acquiring, improving and equipping real estate for school purposes.

"This purpose, which was intended to cover the full range of projects and activities anticipated by the district and its architects to be undertaken in connection with the master facilities plan and to provide some flexibility to accomplish additional improvements if project costs allowed, permits the use of the proceeds for any acquisition or improvement of real estate (including clearing and preparing sites) for a school purpose, the construction or improvement of any school district buildings or facilities, the equipping of any school district buildings or facilities, the equipping of any sites for school purposes, and the furnishing of school district buildings and facilities."

*What happens to any funds generated by the bond issues that are not used for construction?*

"In accordance with the project agreement between the district and the OSFC, a portion of the proceeds of the bonds has been deposited into the construction fund (Fund 010) for the CFAP project being undertaken by the district in cooperation with the OSFC. Under the district's project agreement with the OSFC, those bond proceeds are to be used to pay the district's local share of the CFAP project and may not be transferred out of that construction fund until the district and the OSFC determine that the CFAP project has been completed and all CFAP project costs paid and (ii) the OSFC approves the transferring of the remaining proceeds out of the fund. (Note that, under separate provisions of the project agreement, any portion or the OSFC contribution to Fund

010, and all investment earnings in that fund attributable to the OSFC's contribution, are to be returned to the OSFC, and all investment earnings attributable to the district's contribution to the fund are to be deposited in the maintenance fund for the facilities constructed as part of the CFAP project.

"Following completion of the CFAP project and receipt of OSFC approval for the release of the bond proceeds from Fund 010, the district would have two options.

"It could return the proceeds of the bonds remaining in Fund 010 into the district's non-CFAP construction fund (Fund 004), which is a "bond fund" established by the district for proceeds of the bonds in accordance with the requirements of Sections 5705.09 and 5705.10 of the revised code. Moneys in that fund are required to be used for the broader purpose of the bond issues (constructing, furnishing, equipping and otherwise improving school district buildings and facilities and acquiring, improving and equipping real estate for school purposes).

"Alternately, if the board determined that the purpose for which the bonds were issued had been fulfilled, the district would be required to transfer the remaining proceeds of the bonds into its Bond Retirement Fund in accordance with Section 5705.14(A) of the Revised Code. Proceeds deposited in the Bond Retirement Fund could be used to pay the principal of the interest on the bonds, to redeem bonds on their call dates (Beginning Dec. 1, 2013 in the case of the \$16,100,000 School Improvement Bonds, Series 2004), or to purchase and cancel bonds."

The letter was signed by John S. Larson and Mathew L. Sagone of Squire, Sanders & Dempsey, LLP.