Inflation Reduction Act of 2022 and School District Financial Incentives

WASBO Fall Conference

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Discover the Baird Difference

Agenda

- Financing a facility project
- Inflation Reduction Act of 2022
- Sample scenarios and additional planning considerations

Wisconsin Debt Referendum Summary

- For the 5 years from 2013 through 2017 there were …
  - 255 referendum questions to issue new debt with 167 receiving voter support (65%)
  - Total requested borrowing of nearly $4.866 Billion
  - Total authorized borrowing of $3.128 Billion (64%)

- For the 5 years from 2018 through 2022 there were…
  - 269 referendum questions to issue new debt with 210 receiving voter support (78%)
  - Total requested borrowing of nearly $7.854 Billion
  - Total authorized borrowing of $6.027 Billion (77%)

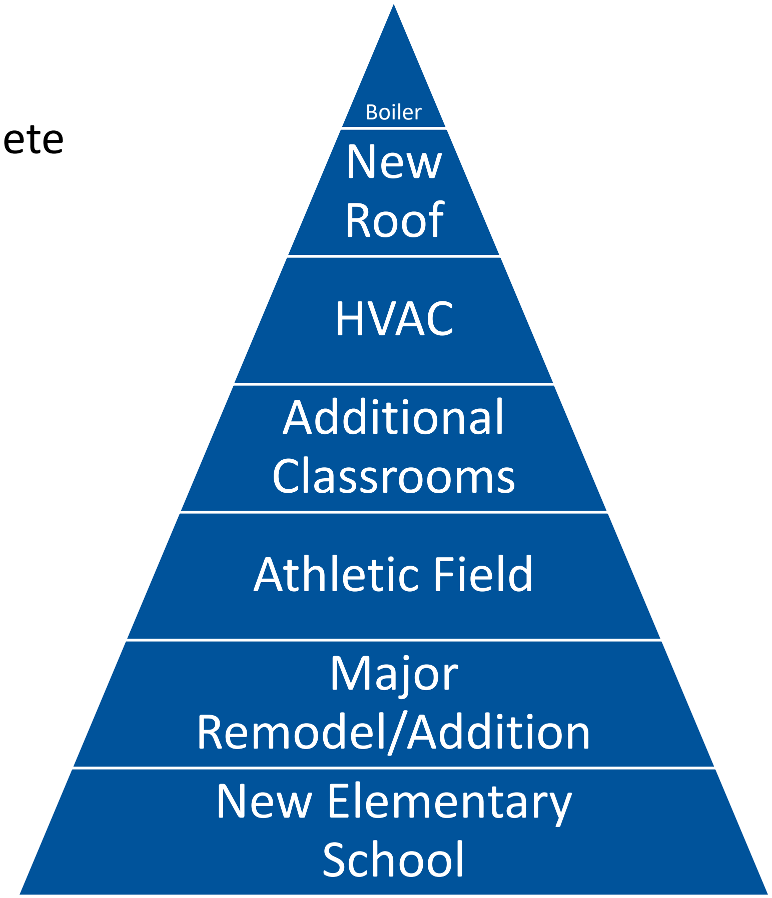
- In 2023 there were…
  - 29 referendum questions to issue debt up to $675 million
  - 18 received voter approval (62%) to issue debt up to $369 million (55%)

Source: Wisconsin Department of Public Instruction as of September 27, 2023.

Financing A Facility Project

Maintenance Projects vs. Capital Projects

- Maintenance Projects
  - Smaller dollar cost
  - Depending on District-Staff can often complete
  - Often paid with operational funds
  - Examples
    - Carpet, painting, minor plumbing repair, lighting replacement (bulbs)
- Capital Project
  - Larger dollar cost
  - Typically an outside vendor
  - Longer useful life
  - Typically paid for with debt proceeds
  - Examples
    - HVAC, roofing, large area hard surface, building remodeling/additions/replacement



Funding Facility Needs

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Grant or Incentive Programs

- Local, state or federal dollars to reduce project costs
- Availability dependent on funding available and project scope

Operational Funds

Limited by the Revenue Limit Formula

- Annual budget (Fund 10)
- Fund balance (Fund 10)
- Levy for projects (Fund 41)
- Facility "savings account" (Fund 46)
  - 10-year capital plan, 5-year wait

Borrowed Funds

- Non-Referendum borrowing (Fund 38)
  - "Inside the Revenue Limit" Budget impact (not levy impact)
  - $1 million exemption w/out petition process
- Referendum borrowing (Fund 39)
  - "Outside the Revenue Limit" Levy impact (not budget impact)

Maximizing Budget / Tax Dollars

- Prioritize needs
- Group projects when meaningful
- Consider Timing
  - Replace existing budget / levy authority
  - Inflation factor
- Match project type with applicable levy source
  - Existing revenue limit authority
  - Fund 38 repaid via existing revenue limit authority, operational referendum or Fund 80
  - Fund 39 repaid via facility referendum authority
- Consider combining funding sources
  - Grants or incentive programs
  - Savings, i.e. Fund 41, 46 and/or 10
  - New/additional funds, i.e. Fund 38 or Fund 39 borrowing

Maximizing Budget / Tax Dollars

- Utilize alternate funding mechanisms when available
  - Investment earnings, donations, local grants and/or incentives

Incentive / Grants	Features
ARRA Funds (2009-2011)	One-time district funding – *Expired*
Build America Bonds (BABs) Qualified Zone Academy Bonds (QZABs) Qualified School Construction Bonds (QSCBs) Qualified Energy Conservation Bonds (QECBs)	Tax Credits for debt service interest paid to districts or bondholders *No new issues*
Energy Efficiency Exemption	RL exemption – *1000-year moratorium*
ESSER Funds (2020-2024)	One-time district funding *Expires in September 2024*
FEMA grants	Example: pre-disaster mitigation fund program
Focus on Energy	Assistance with energy-savings projects and financial incentives
Infrastructure Investment and Jobs Act ("IIJA") of 2021	Energy and power infrastructure, access to broadband internet, etc. – *NEW*
Inflation Reduction Act of 2022	Direct payment tax credit for qualifying energy projects or eligible equipment – *NEW*

Inflation Reduction Act of 2022

Inflation Reduction Act of 2022

- Federal legislation passed in 2022
- Offers a number of clean energy and clean vehicle tax credits for eligible projects
- Even though school districts do not pay taxes and are not typically eligible for tax credits, "applicable entities" may elect direct payments instead of tax credits for eligible projects or eligible equipment purchases
    - "Applicable entities" include states and political subdivisions

Inflation Reduction Act of 2022

- To receive direct payments, applicable entities will need to:
  - Identify a capital project or capital equipment purchase that is eligible for one of the available credits
  - Complete the project or acquire the equipment
  - Complete pre-filing registration with the IRS before the tax return is due
  - File a timely tax return to claim the direct payments
  - Receive the direct payment

- *More to come on the filing specifics when additional guidance is released by the Treasury, expected later in 2023*

Project Eligibility

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Is your school district looking at a capital project or capital equipment purchase that involves a clean/renewable energy component?

- Some examples:
  - Capital improvements involving solar or geothermal energy
  - Clean buses
- If so, it may be worthwhile to explore eligibility for certain available tax credits
- Some tax credits that may apply to a project or equipment purchase that a school district would undertake include:
  - §48 – “Energy Investment Tax Credit”
  - §48E – “Clean Electricity Investment Tax Credit”
  - §45W – “Qualified Commercial Clean Vehicles Tax Credit”

IRS Summary of Direct Pay Eligible Tax Credits

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Clean Energy Tax Incentives: Elective Pay Eligible Tax Credits

IRS

The Inflation Reduction Act of 2022 ("IRA") makes several clean energy tax credits available to businesses; tax-exempt organizations; state, local, and tribal governments; other entities; and individuals. The IRA also enables entities to take advantage of certain clean energy tax credits through its elective pay provision (also colloquially known as direct pay). Elective pay allows several types of entities, such as tax-exempts and governments, to treat the amount of certain credits as a payment against tax on their tax returns and as a result receive direct payments for certain clean energy tax credits.

	Tax Provision	Description
Energy Generation & Carbon Capture	**Production Tax Credit for Electricity from Renewables** (§ 45, pre-2025)	**For production of electricity from eligible renewable sources**, including wind, biomass, geothermal, solar, small irrigation, landfill and trash, hydropower, marine and hydrokinetic energy. **Credit Amount (for 2022):** 0.55 cents/kilowatt (kW); (1/2 rate for electricity produced from open loop biomass, landfill gas, and trash); 2.75 cents/kW if Prevailing Wage and Apprenticeship (PWA) rules are met [1,2,3,7]
Energy Generation & Carbon Capture	**Clean Electricity Production Tax Credit** (§ 45Y, 2025 onwards)	**Technology-neutral tax credit for production of clean electricity**. Replaces § 45 for facilities that begin construction and are placed in service after 2024. **Credit Amount:** Starts in 2025, consistent with credit amounts under section 45 [1,2,3,6,7]
Energy Generation & Carbon Capture	**Investment Tax Credit for Energy Property** (§ 48, pre-2025)	**For investment in renewable energy projects** including fuel cell, solar, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power properties **Credit Amount:** 6% of qualified investment (basis); 30% if PWA requirements met [1,4,5,6,8]
Energy Generation & Carbon Capture	**Clean Electricity Investment Tax Credit** (§ 48E, 2025 onwards)	**Technology-neutral tax credit for investment in facilities that generate clean electricity** and qualified energy storage technologies. Replaces § 48 for facilities that begin construction and are placed in service after 2024 **Credit Amount:** 6% of qualified investment (basis); 30% if PWA requirements met [1,4,5,6]
Energy Generation & Carbon Capture	**Low-Income Communities Bonus Credit** (§ 48(e), 48E(h)) Application required	**Additional investment tax credit for small-scale solar and wind (§ 48(e)) or clean electricity (§48E(h)) facilities** (<5MW net output) on Indian land, federally subsidized housing, in low-income communities, and benefit low-income households. Allocated through an application process. **Credit Amount:** 10 or 20 percentage point increase on base investment tax credit [7]
Energy Generation & Carbon Capture	**Credit for Carbon Oxide Sequestration** (§ 45Q)	**Credit for carbon dioxide sequestration** coupled with permitted end uses in the United States. **Credit Amount:** $12-36 per metric ton of qualified carbon oxide captured and sequestered, used as a tertiary injectant, or used, depending on the specified end use; $60-$180 per metric ton if PWA requirements met.[1,7]
Energy Generation & Carbon Capture	**Zero-Emission Nuclear Power Production Credit** (§ 45U)	**For electricity from nuclear power facilities.** Facilities in operation prior to August 16, 2022. **Credit Amount (for 2023):** 0.3 cents/kWh (reduced rate for larger facilities); 1.5 cent/kWh if PW req's met [1,7]
Manufacturing	**Advanced Energy Project Credit** (§ 48C) Application required	**For investments in advanced energy projects.** A total of $10 billion will be allocated, not less than $4 billion of which will be allocated to projects in certain energy communities. **Credit Amount:** 6% of taxpayer's qualified investment; 30% if PWA requirements are met [1]
Manufacturing	**Advanced Manufacturing Production Credit** (§ 45X)	**Production tax credit for domestic clean energy manufacturing** of components including solar and wind energy, inverters, battery components, and critical materials. **Credit Amount:** Varies by component
Vehicles	**Credit for Qualified Commercial Clean Vehicles** (§ 45W)	**For purchasers of commercial clean vehicles**. Qualifying vehicles include passenger vehicles, buses, ambulances, and certain other vehicles for use on public streets, roads, and highways. **Credit Amount:** Up to $40,000 (max $7,500 for vehicles <14,000 lbs) [9]
Vehicles	**Alternative Fuel Vehicle Refueling Property Credit** (§ 30C)	**For alternative fuel vehicle refueling and charging property**, located in low-income and non-urban areas. Qualified fuels include electricity, ethanol, natural gas, hydrogen, and biodiesel. **Credit Amount:** 6% of basis for businesses and can increase to 30% if PWA is met.
Fuels	**Clean Hydrogen Production Tax Credit** (§ 45V)	**For producing clean hydrogen** at a qualified, U.S.-based clean hydrogen production facility. **Credit Amount:** $0.60/kg multiplied by the applicable percentage (20% to 100%, depending on lifecycle greenhouse gas emissions), amount increases if PWA is met [1,7]
Fuels	**Clean Fuel Production Credit** (§ 45Z, 2025 onwards)	**Technology neutral tax credit for domestic production of clean transportation fuels**, including sustainable aviation fuels, beginning in 2025* **Credit Amount:** $0.20/gallon ($0.35/gal for aviation fuel) multiplied by CO2 "emissions factor"; $1.00/gallon ($1.75/gal for aviation fuel) multiplied by CO2 "emissions factor" if PWA is met [1,7]

Please see the notes on the next page or see IRS.gov/cleanenergy for more information.

Notes:

The information in this document may be subject to change as guidance is issued or finalized. For all IRA clean energy tax credits, please see irs.gov/cleanenergy for further details and eligibility requirements.

[1] Credit is increased by 5 times for projects that pay prevailing wages and use registered apprentices. Apprenticeship requirements do not apply for §§ 45L and 45U. Prevailing wage and apprenticeship requirements do not apply to certain projects, including certain projects of less than 1 megawatt or those that began construction prior to January 29, 2023.

[2] Credit is increased by 10% if the project meets certain domestic content requirements for steel or iron, and manufac tured products.

[3] Credit is increased by 10% if located in an energy community.

[4] Credit is increased by up to 10 percentage points for projects meeting certain domestic content requirements for steel, iron, and manufactured products.

[5] Credit is increased by up to 10 percentage points if located in an energy community.

[6] Section 168(e) provides favorable depreciation treatment for facilities or property qualifying for this tax credit. These facilities or property will be treated as a 5-year property for purposes of cost recovery, leaving them with lower taxable income in the earlier years of a clean energy investment.

[7] Credit rate is adjusted annually for inflation.

[8] See section 48 for more detail and applicable exceptions to the credit rate.

[9] The entities eligible for elective pay of the commercial clean vehicle credit is a subset of the entities eligible for elective pay of other credits. In addition, starting January 1, 2024, the amount of a new clean vehicle or previously owned clean vehicle tax credit (but not a commercial clean vehicle credit) can be transferred to a dealer for an equivalent reduction in the eligible vehicle's sales price.

Publication 5817-G (6-2023) Catalog Number 94141A Department of the Treasury **Internal Revenue Service** www.irs.gov

§48 "Energy Investment Tax Credit"

General Description	General Calculation	Timing Considerations	Limitations and Adjustments	Bonus Credit
Federal tax credit equal to the energy percentage of the basis of energy property placed in service during the taxable year. Energy property is energy generation equipment placed in service through 2024, including: qualifying solar energy equipment, geothermal power equipment, fuel cell or microturbine property, combined heat and power system property, small wind energy property, thermal energy equipment, waste energy recovery property, energy storage technology, biogas property and microgrid controllers, all as further set forth in and subject to the qualifications of §48. Energy property also includes qualified property that is part of a qualified investment credit facility; i.e., a qualified facility within the meaning of §45 and described in §45(d) paragraphs 1 (wind), 2 (closed-loop biomass), 3 (open-loop biomass), 4 (geothermal or energy), 6 (landfill gas), 7 (trash), 9 (hydropower), or 11 (marine and hydrokinetic) -- which the taxpayer irrevocably elects to treat as a qualified investment credit facility.	The credit (energy percentage) is 6% in the case of specified types of energy property (qualified fuel cell, certain solar and geothermal equipment prior to January 1, 2025, qualified small wind energy, waste energy recovery, energy storage, qualified biogas, microgrid controllers) and 2% for remaining categories of energy property. The credit is multiplied by 5x (30%) for energy projects with maximum net output of less than 1 megawatt or if construction meets applicable prevailing wage and apprenticeship requirements.	Generally, the pertinent energy property must be placed in service prior to January 1, 2025. This existing ITC under §48 is replaced by the new, technology neutral clean electricity ITC under Section 48E for energy property placed in service after December 31, 2024 -- see immediately below.	-Energy property does not include any property that is part of a facility the production from which is allowed as a credit under §45 for the taxable year or any prior table year. -No production credit under §45 is allowed with respect to any facility that the taxpayer irrevocably elects to treat as a qualified investment credit facility under §48. -The credit is reduced for wind facilities (by a percentage between 20% and 60%, depending on when facility construction began). -The credit is reduced if the facility is financed with tax-exempt bonds.	Domestic content bonus (2%, or 10% if prevailing wage or other conditions are met) Energy community bonus (2%, increased to 10% if prevailing wage or other conditions are met)

§48E "Clean Electricity Investment Tax Credit"

General Description	General Calculation	Timing Considerations	Limitations and Adjustments	Bonus Credit
Federal tax credit equal to the applicable percentage of a qualified investment for such taxable year with respect to any qualified facility and/or energy storage technology. A qualified facility is a facility used for the generation of electricity that is placed in service after December 31, 2024 and for which the greenhouse gas emissions rate is not greater than zero. Greenhouse gas emissions rate and CO2e per KWh have the same meanings given to those terms under §45Y. A qualified investment with respect to a qualified facility is the sum of (a) the basis of any qualified property placed in service during the taxable year that is part of a qualified facility, plus (b) expenditures for qualified interconnection property paid or incurred in connection with a qualified facility with a maximum net output of not greater than 5 megawatts properly chargeable to the capital account of the taxpayer. Energy storage technology is defined under §48(c)(6), and the related qualified investment for any taxable year is the basis of such energy storage technology placed in service by the taxpayer during such taxable year.	The credit (applicable percentage) is 30% for qualified facilities with maximum net output of less than 1 megawatt or facility construction meets applicable prevailing wage and apprenticeship requirements. Otherwise, the credit is 6%.	Qualified facilities must be placed in service after December 31, 2024.	-The credit will phase out for qualified investments with respect to qualified facilities and energy storage technology during the 2nd year (75% credit), 3rd year (50% credit) and 4th and any subsequent year (0% credit) after the later of 2032 and the year in which the Secretary determines that the annual greenhouse gas emissions from the production of electricity in the United States are less than or equal to 25% of the annual greenhouse gas emissions from the production of electricity in the United States. -A qualified facility shall not include any facility for which a credit determined under section 45 (renewable electricity), 45J (advanced nuclear), 45Q (carbon capture), 45U (zero emission nuclear), 48 (energy), or 48A (advanced coal) is allowed under section 38 for the taxable year or any prior taxable year. -The credit is reduced if the facility is financed with tax-exempt bonds.	Domestic content bonus (2%, or 10% if prevailing wage or other conditions are met) Energy community bonus (2%, increased to 10% if prevailing wage or other conditions are met) Additional increases for certain facilities in low-income communities, low-income residential building/economic benefit projects.

§45W "Qualified Commercial Clean Vehicles Tax Credit"

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General Description	General Calculation	Timing Considerations	Limitations and Adjustments
Federal tax credit available for "qualified commercial clean vehicles" placed in service during the taxable year. A "qualified commercial clean vehicle" means any vehicle which (i) is made by a qualified manufacturer and is acquired for use or lease by the taxpayer and not for resale, (ii) either (a) is treated as a motor vehicle for purposes of the Clean Air Act and is manufactured primarily for use on public streets, roads, and highways, or (b) is mobile machinery, (iii) either (a) is propelled to a significant extent by an electric motor which draws electricity from a battery which has a capacity of not less than 15KWh and is capable of being recharged from an external source of electricity, or (b) is a motor vehicle that satisfies the requirements for a fuel cell motor vehicle and (iv) is of a character subject to the allowance for depreciation ((iv) does not apply for tax-exempt entities).	The credit is equal to the lesser of (i) 15% of the basis of such vehicle (30% in the case of a vehicle not powered by a gasoline or diesel internal combustion engine) or (ii) the incremental cost of such vehicle.	Tax credit is not available for vehicles acquired after December 31, 2032.	-The credit shall not exceed – (i) \$7,500 (for vehicles with a gross vehicle weight rating of less than 14,000 pounds) and (ii) \$40,000 for vehicles not described in (i).

Financing Eligible Projects

Tax-Exempt or Taxable Financing

- If a school district wishes to fund an eligible project with a tax-exempt financing, most of the available credits will be reduced by the lesser of:
    - (1) 15% or
    - (2) a fraction, the numerator of which is the sum (for the year and all prior years) of tax-exempt bonds used to finance the qualified facility, and the denominator of which is the aggregate number of additions to the capital account of the qualified facility for the year and all prior years
- If you are looking to finance the project, work with your financial partner to determine whether tax-exempt or taxable financing makes sense based on the size of the project, market conditions and the type of credit the school district is looking to be eligible for

Tips to Stay on Track

- Watch for future Treasury guidance in the coming months
  - Keep in mind that technical requirements will need to be met to be eligible to receive the direct payments
- One tool in your capital funding toolbox
- If you are exploring a capital project or capital equipment purchase that may be eligible, discuss with your construction team, financial partner, a CPA who is familiar with tax credits (perhaps your auditor) and/or bond counsel to help determine eligibility, the amount of the credit that may be received and how it would fit into your overall capital funding plans

Sample Scenarios

Scenario Example – Eligible Bond Financing
Pre-Inflation Reduction Act of 2022

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Eligible Project Cost: $10,000,000 project

Eligible Tax Credit: NONE

Net financing: $10,000,000 **Tax-Exempt**

		TAX-EXEMPT		
		$10,000,000 General Obligation Bonds *Dated October 1, 2023* *(First interest 4/1/24)*		
LEVY YEAR	YEAR DUE	PRINCIPAL *(4/1)*	INTEREST *(4/1 & 10/1)* *AVG= 4.21%*	TOTAL
2023	2024	$340,000	$396,298	$736,298
2024	2025	$355,000	$383,876	$738,876
2025	2026	$365,000	$371,188	$736,188
2026	2027	$380,000	$358,150	$738,150
2027	2028	$395,000	$344,588	$739,588
2028	2029	$410,000	$330,500	$740,500
2029	2030	$420,000	$315,975	$735,975
2030	2031	$440,000	$300,595	$740,595
2031	2032	$455,000	$283,806	$738,806
2032	2033	$470,000	$266,000	$736,000
2033	2034	$490,000	$247,275	$737,275
2034	2035	$510,000	$227,398	$737,398
2035	2036	$530,000	$206,333	$736,333
2036	2037	$555,000	$183,813	$738,813
2037	2038	$580,000	$159,688	$739,688
2038	2039	$605,000	$134,059	$739,059
2039	2040	$630,000	$107,040	$737,040
2040	2041	$660,000	$78,495	$738,495
2041	2042	$690,000	$48,285	$738,285
2042	2043	$720,000	$16,380	$736,380
		$10,000,000	$4,759,739	$14,759,739

** These illustrations represent a mathematical calculation of potential debt service, assuming hypothetical rates based on current market rates. Interest costs are only estimates for illustrative purposes and are based on Baird's experience with comparable transactions. Actual interest and costs of issuance will vary. These illustrations provide information and are not intended to be a recommendation, proposal or otherwise considered advice.*

Scenario Example – Eligible Bond Financing
Post-Inflation Reduction Act of 2022

Eligible Project Cost: $10,000,000 project

Eligible Tax Credit: 30% or $3,000,000

Net financing: $7,000,000 **Taxable Bonds**

		TAXABLE **$7,000,000** **Taxable General Obligation Bonds** *Dated October 1, 2023* *(First interest 4/1/24)*		
LEVY YEAR	YEAR DUE	PRINCIPAL *(4/1)*	INTEREST *(4/1 & 10/1)* *AVG= 5.51%*	TOTAL
2023	2024	$200,000	$374,328	$574,328
2024	2025	$215,000	$362,765	$577,765
2025	2026	$225,000	$350,946	$575,946
2026	2027	$240,000	$338,920	$578,920
2027	2028	$250,000	$326,425	$576,425
2028	2029	$265,000	$313,293	$578,293
2029	2030	$275,000	$299,523	$574,523
2030	2031	$290,000	$285,043	$575,043
2031	2032	$305,000	$269,645	$574,645
2032	2033	$325,000	$253,184	$578,184
2033	2034	$340,000	$235,643	$575,643
2034	2035	$360,000	$217,003	$577,003
2035	2036	$380,000	$197,113	$577,113
2036	2037	$400,000	$175,953	$575,953
2037	2038	$425,000	$153,365	$578,365
2038	2039	$445,000	$129,329	$574,329
2039	2040	$470,000	$103,820	$573,820
2040	2041	$500,000	$76,535	$576,535
2041	2042	$530,000	$47,305	$577,305
2042	2043	$560,000	$16,100	$576,100
		$7,000,000	$4,526,234	$11,526,234

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Taxable U.S. Treasury and Tax-Exempt AAA MMD

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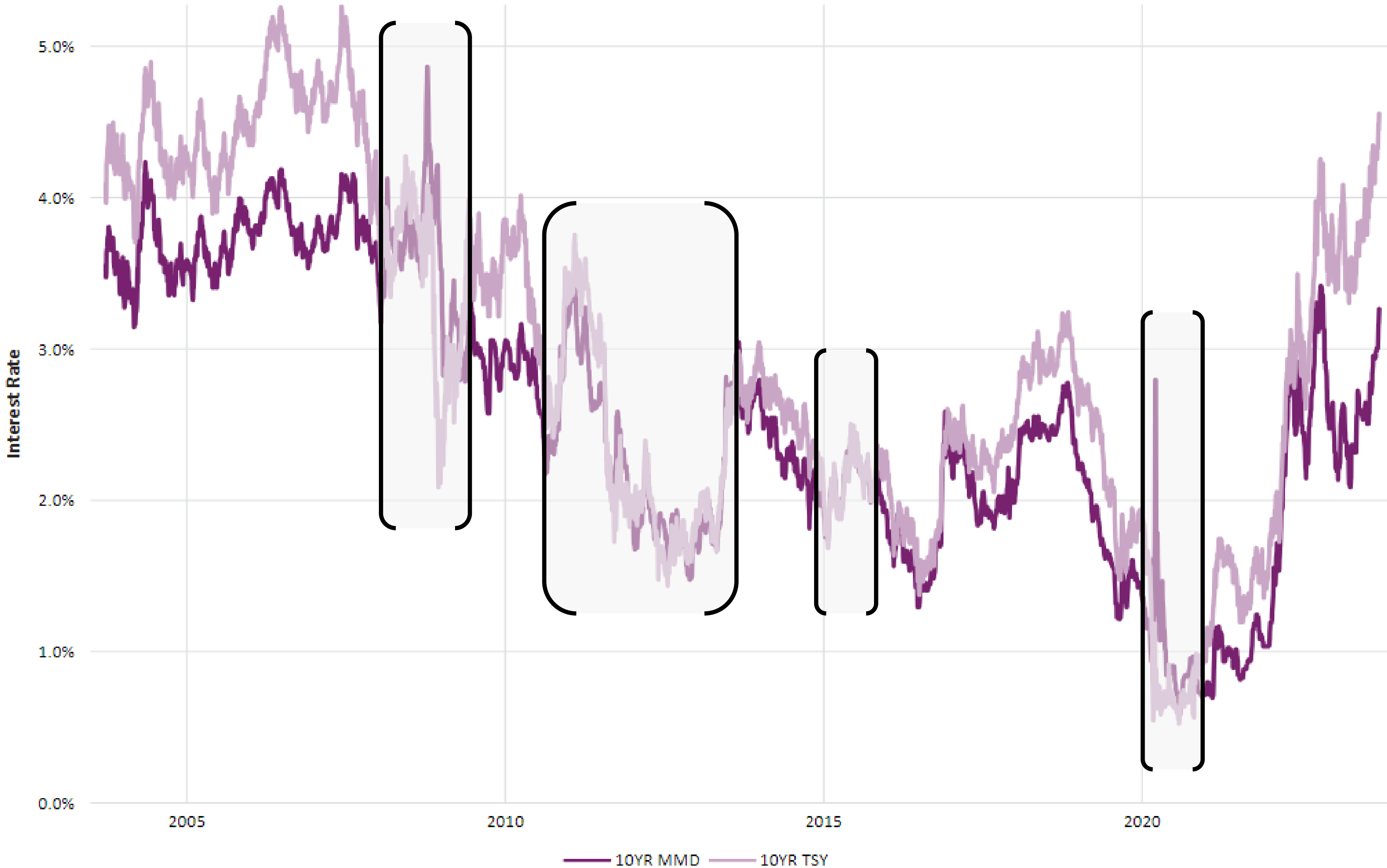

Source: Refinitiv and US Department of the Treasury Website as of September 25, 2023

Scenario Example – Eligible Bond Financing
Post-Inflation Reduction Act of 2022

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Eligible Project Cost: $10,000,000 project

Eligible Tax Credit: 25.50% or $2,550,000 (assumes 15% reduction calculation)

Net financing: $7,450,000 **Tax-Exempt Bonds**

		TAX-EXEMPT		
		$7,450,000		
		General Obligation Bonds		
		Dated October 1, 2023		
		(First interest 4/1/24)		
LEVY YEAR	YEAR DUE	PRINCIPAL *(4/1)*	INTEREST *(4/1 & 10/1)* *AVG= 4.21%*	TOTAL
2023	2024	$255,000	$295,150	$550,150
2024	2025	$265,000	$285,856	$550,856
2025	2026	$275,000	$276,340	$551,340
2026	2027	$285,000	$266,540	$551,540
2027	2028	$295,000	$256,390	$551,390
2028	2029	$305,000	$245,890	$550,890
2029	2030	$315,000	$235,040	$550,040
2030	2031	$325,000	$223,596	$548,596
2031	2032	$340,000	$211,120	$551,120
2032	2033	$350,000	$197,838	$547,838
2033	2034	$365,000	$183,891	$548,891
2034	2035	$380,000	$169,083	$549,083
2035	2036	$395,000	$153,385	$548,385
2036	2037	$410,000	$136,678	$546,678
2037	2038	$430,000	$118,823	$548,823
2038	2039	$450,000	$99,790	$549,790
2039	2040	$470,000	$79,663	$549,663
2040	2041	$490,000	$58,420	$548,420
2041	2042	$515,000	$35,930	$550,930
2042	2043	$535,000	$12,171	$547,171
		$7,450,000	$3,541,593	$10,991,593

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Scenario Example – Funding Comparison
Break-even interest rate spread is approximately 0.55%

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		TAXABLE			TAX-EXEMPT				
		$7,000,000 **Taxable General Obligation Bonds** *Dated October 1, 2023* *(First interest 4/1/24)*			**$7,450,000** **General Obligation Bonds** *Dated October 1, 2023* *(First interest 4/1/24)*				
LEVY YEAR	YEAR DUE	PRINCIPAL *(4/1)*	INTEREST *(4/1 & 10/1)* *AVG= 5.51%*	TOTAL	PRINCIPAL *(4/1)*	INTEREST *(4/1 & 10/1)* *AVG= 4.21%*	TOTAL	DEBT SERVICE DIFFERENCE	YEAR DUE
2023	2024	$200,000	$374,328	$574,328	$255,000	$295,150	$550,150	$24,178	2024
2024	2025	$215,000	$362,765	$577,765	$265,000	$285,856	$550,856	$26,909	2025
2025	2026	$225,000	$350,946	$575,946	$275,000	$276,340	$551,340	$24,606	2026
2026	2027	$240,000	$338,920	$578,920	$285,000	$266,540	$551,540	$27,380	2027
2027	2028	$250,000	$326,425	$576,425	$295,000	$256,390	$551,390	$25,035	2028
2028	2029	$265,000	$313,293	$578,293	$305,000	$245,890	$550,890	$27,403	2029
2029	2030	$275,000	$299,523	$574,523	$315,000	$235,040	$550,040	$24,483	2030
2030	2031	$290,000	$285,043	$575,043	$325,000	$223,596	$548,596	$26,446	2031
2031	2032	$305,000	$269,645	$574,645	$340,000	$211,120	$551,120	$23,525	2032
2032	2033	$325,000	$253,184	$578,184	$350,000	$197,838	$547,838	$30,346	2033
2033	2034	$340,000	$235,643	$575,643	$365,000	$183,891	$548,891	$26,751	2034
2034	2035	$360,000	$217,003	$577,003	$380,000	$169,083	$549,083	$27,920	2035
2035	2036	$380,000	$197,113	$577,113	$395,000	$153,385	$548,385	$28,728	2036
2036	2037	$400,000	$175,953	$575,953	$410,000	$136,678	$546,678	$29,275	2037
2037	2038	$425,000	$153,365	$578,365	$430,000	$118,823	$548,823	$29,543	2038
2038	2039	$445,000	$129,329	$574,329	$450,000	$99,790	$549,790	$24,539	2039
2039	2040	$470,000	$103,820	$573,820	$470,000	$79,663	$549,663	$24,158	2040
2040	2041	$500,000	$76,535	$576,535	$490,000	$58,420	$548,420	$28,115	2041
2041	2042	$530,000	$47,305	$577,305	$515,000	$35,930	$550,930	$26,375	2042
2042	2043	$560,000	$16,100	$576,100	$535,000	$12,171	$547,171	$28,929	2043
		$7,000,000	$4,526,234	$11,526,234	$7,450,000	$3,541,593	$10,991,593	$534,641	

Estimated Sources and Uses (Taxable)

Sources	
Par Amount..	$7,000,000
Investment Tax Credit.......................	$3,000,000
Total Sources	$10,000,000
Uses	
Deposit to Project Fund/COI.............	$10,000,000
Total Uses	$10,000,000

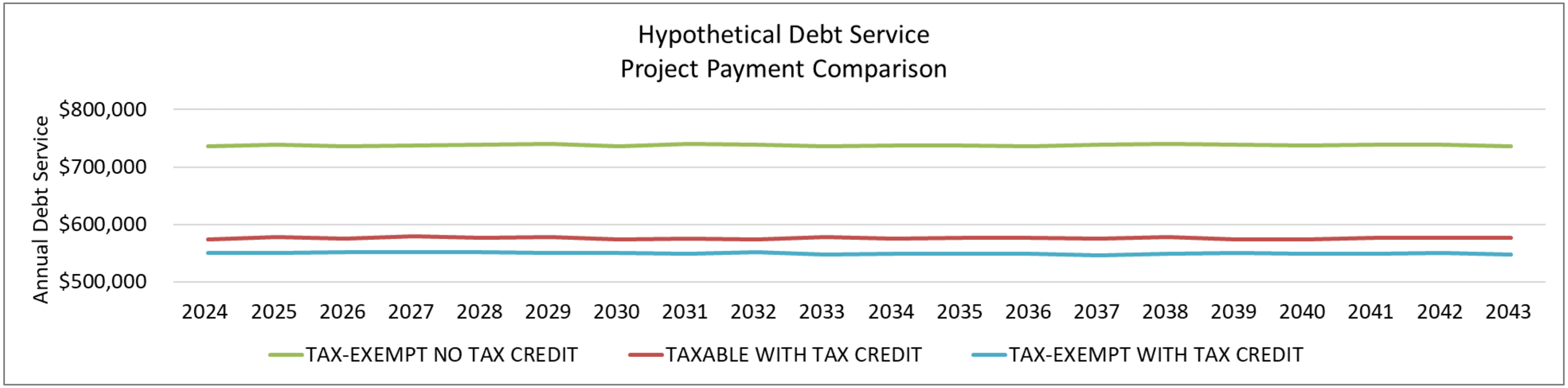
Estimated Sources and Uses (Tax-Exempt)

Sources	
Par Amount..	$7,450,000
Investment Tax Credit.......................	$2,550,000
Total Sources	$10,000,000
Uses	
Deposit to Project Fund/COI.............	$10,000,000
Total Uses	$10,000,000

** These illustrations represent a mathematical calculation of potential debt service, assuming hypothetical rates based on current market rates. Interest costs are only estimates for illustrative purposes and are based on Baird's experience with comparable transactions. Actual interest and costs of issuance will vary. These illustrations provide information and are not intended to be a recommendation, proposal or otherwise considered advice.*

How Might the Inflation Reduction Act of 2022 Impact Districts' Planning?

- Analysis to determine if eligible and if the Tax Credit funding will:
  - Reduce overall project costs
  - Address additional projects or energy-efficiency alternatives
  - Or both?
- Analysis and strategy around most cost-effective option
- GOAL: Sourcing the lowest cost of capital for taxpayers



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Next Steps – Inflation Reduction Act of 2022

Quarles

BAIRD

Watch for future Treasury guidance in the coming months

Determine Project eligibility

- Tax Credit Calculation
- Prevailing wage and apprenticeship status
- Bonus Credit

Identify Funding Source(s)

- Capital reserves
- Borrowing Plan
  - Fund 38 / Fund 39
  - Repayment Term
  - Taxable vs. Tax Exempt

Questions?

Important Disclosures

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