

Lower Moreland Township School District Public Form Presentation Financing Discussion

During the 10/10/19 Public Forum, the District discussed the various options of addressing growing enrollment, safety issues, and education visioning for the School District. As part of the presentation, there was a financing discussion held to address the costs of the various options. For demonstration purposes only, the District showed the financial impact of a \$70 million dollar borrowing. Please note that there has been nothing decided but rather the presentation of a \$70 million dollar borrowing was the highest cost option.

To summarize, the only real option for school districts to borrow funds for a large construction/renovation project would be to issue public school bonds. In order to pay for these bonds, school districts work with a paying agent bank to pay back the bond issue costs over the course of anywhere between 20-30 years. To equate this to a homeowner, this would be equivalent of entering into an agreement for a mortgage for one's home. Instead of monthly mortgage payments, a school district pays what is called "debt service payments" each year for the life of a bond issue. To issue bonds, a school district would sell bonds on the open market through a public internet auction sale and would achieve interest rates brought forth by financing institution's underwriters. From there, the District would agree to interest rates and commence with paying back the bonds (principal & interest) through a paying agent bank.

During the 10/10/19 presentation, the District presented that, based on previous bond issues, it already has about \$4,100,000 "built into" the annual school district operating budget for debt service. Working with the District's financial advisors, a potential borrowing would be done in such a way as to wrap new debt service payments into the operating budget when expiring debt is coming off the books. For a \$70 million dollar borrowing, annual debt service payments would be about \$4,650,000 using projected rates in the future. The District would work to move funds already in the budget from a healthcare cost budget line over to the debt service line to have as minimal impact to a taxpayer as possible.

The District's over-arching goal is to stay at or below the state-mandated Act 1 index each year. The Act 1 index is a limit on how much a school district can raise taxes in any given year. In 2019/20, the Act 1 index was 2.3%. Lower Moreland Township School District raised taxes that year 1.9%. The District is committed to remain at or below the index each year moving forward. The Act 1 index that has been announced by the State of 2020/21 is 2.6%. The District is in the beginning stages of budget development now.

Please note that no decisions have been made but rather discussions and analyses have been going on for the past 7-8 months as the District and the Board of School Directors continue to research options for addressing enrollment, safety, and educational impacts moving forwards. If there are any other questions, please contact Dr. Scott Davidheiser, Superintendent of Schools at sdavidheiser@lmtsd.org or at (215) 938-0272.