

High School Project Financing Update

State College Area School District
October 14, 2013

Finance Update

- Fund balance analysis
- Multi-year budget projections
- Financing projections
 - High school project
- Financing capacity
 - Other facility projects

Fund Balance Analysis

- General fund
 - Unassigned
 - Assigned
- Capital reserve fund

General Fund - Unassigned

- Percentage of budget requirements
 - Minimum – 5%
 - Maximum – 8%
- Fund balance
 - Ending 2012-2013 \$8.8 million
 - Projected 2023-2024 \$8.8 million
 - Projections show no deficit until 2019-2020

General Fund - Assigned

- Assignments
 - PSERS employer contribution
 - Legal liability

Capital Reserve Fund

- Ending balance 2012-2013 \$8.5 million
- Additions
 - Increase as current debt service decreases
- Assume \$10 million used for High School Project

Multi-Year Budget Projections

■ Revenue

■ Earned income

- Historical average 2.6%
- Projections 2 to 2.5%

■ Assessed value

- Historical average 1.6%
- Projections 1.5 to 1.7%

Multi-Year Budget Projections (cont'd)

■ Revenue

■ Act 1 Index

- Projections 1.7%

■ Exceptions

- Projections 0%

■ District historical analysis

- 2.4 to 5.5% except 2007-2008 decrease .5%

■ State and Federal – flat

- Exception – PSERS & Social Security reimbursement

Multi-Year Budget Projections (cont'd)

■ Expense

■ Salaries

- Current contractual rate
- Normal attrition (except 2014-2015 and 2015-2016)
- No additions or reductions to positions

■ Benefits

- Health insurance 12.5% for next year, 10% thereafter
- Retirement – Latest PSERS Board projections
- All others 1.5 to 2.0%

Multi-Year Budget Projections (cont'd)

- Effect of 0% tax increase – 2014-2015
 - \$15 million lower fund balance by 2023-2024
- Single year effect of 2.1% tax increase
 - \$320,000 more revenue 2014-2015
 - \$4 million higher fund balance by 2023-2024

Financing Update

- Assumptions
- Total project costs \$109, \$112, \$115 million
- Use of capital reserve fund balance
 - One-half mill or \$1 million
- Annual use of current tax millage
- Interest rate – 4.75% and 5.3%
- Tax increase – referendum debt
- Debt structure

Financing Update

Level Debt Service			
Project Costs	109,000,000	112,000,000	115,000,000
District Cash Contribution	10,000,000	10,000,000	10,000,000
Total Borrowing	99,000,000	102,000,000	105,000,000
District Funded Borrowing	16,000,000	16,000,000	16,000,000
Referendum Borrowing	83,000,000	86,000,000	89,000,000
Estimated Interest Rate	5.30%	5.30%	5.30%
Required Tax Increase	6.90%	7.20%	7.40%
Estimated Interest Rate	4.75%	4.75%	4.75%
Required Tax Increase	6.40%	6.60%	6.80%

Financing Update

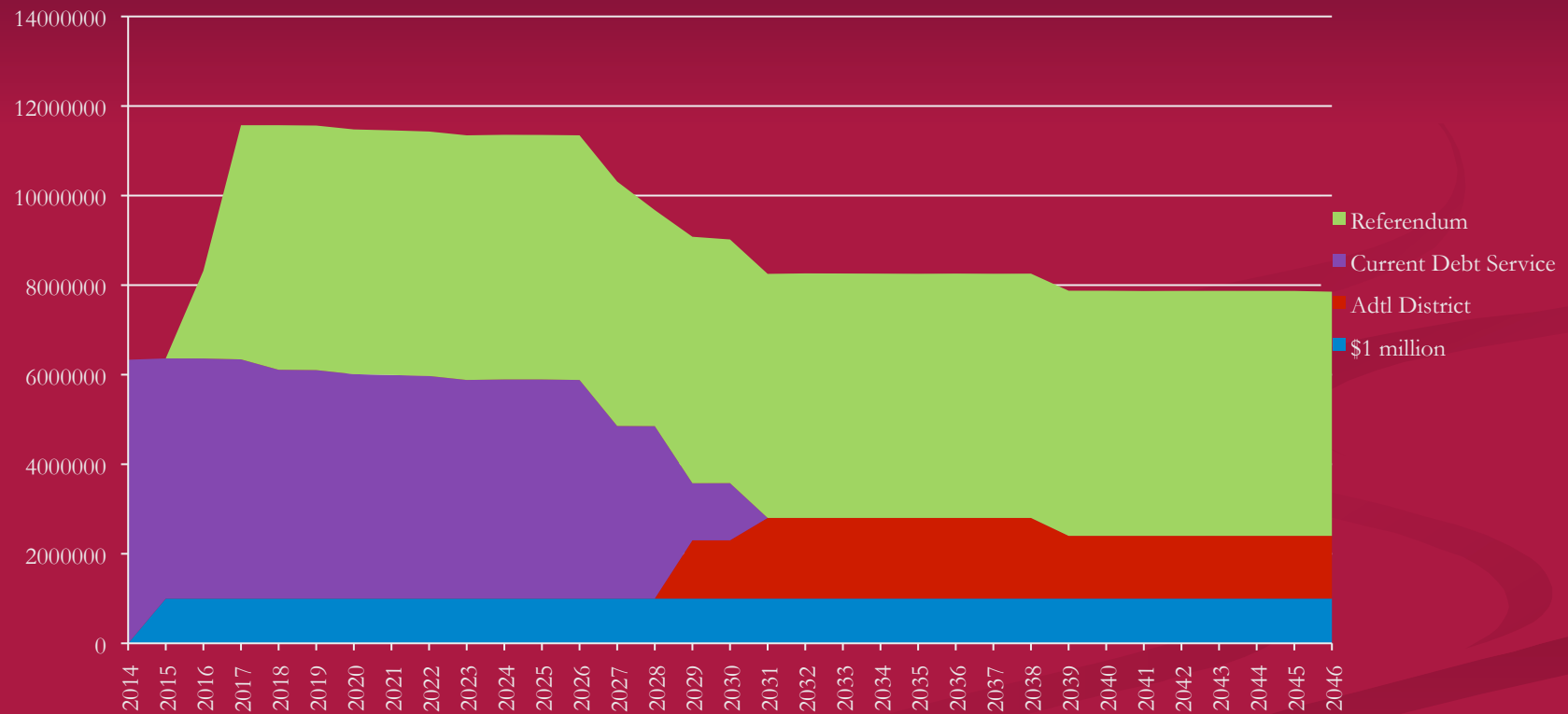
Wrapped Debt Service			
Project Costs	109,000,000	112,000,000	115,000,000
District Cash Contribution	10,000,000	10,000,000	10,000,000
Total Borrowing	99,000,000	102,000,000	105,000,000
District Funded Borrowing	16,000,000	16,000,000	16,000,000
Referendum Borrowing	83,000,000	86,000,000	89,000,000
Additional District Tax Revenue dedicated to Debt	12,000,000	12,000,000	12,000,000
Adjusted Referendum Borrowing	71,000,000	74,000,000	77,000,000
Estimated Interest Rate	5.30%	5.30%	5.30%
Required Tax Increase	6.30%	6.60%	6.80%
Estimated Interest Rate	4.75%	4.75%	4.75%
Required Tax Increase	5.40%	5.70%	6.00%

Current Debt Service Schedule

STATE COLLEGE AREA SCHOOL DISTRICT CENTRE COUNTY, PA								
OUTSTANDING DEBT SERVICE REQUIREMENTS								
YEAR	2008 NOTES**	2009 BONDS	2010 A BONDS	2010 B BONDS	2010 C BONDS	2011 B BONDS	2012 BONDS	TOTAL DEBT SERVICE
2013	1,377,614.00	615,246.25	1,731,715.63	530,506.25	117,568.75	556,992.50	217,766.25	5,147,409.63
2014	1,387,294.00	768,867.50	1,923,131.26	684,312.50	224,837.50	714,835.00	630,045.00	6,333,322.76
2015	686,730.00	1,357,347.50	762,381.26	761,862.50	224,537.50	711,785.00	858,107.50	5,362,751.26
2016	686,421.00	1,354,267.50	770,981.26	751,662.50	224,137.50	713,435.00	859,982.50	5,360,887.26
2017	680,553.00	1,356,117.50	773,581.26	731,062.50	223,737.50	715,035.00	861,407.50	5,341,494.26
2018		1,359,637.50	787,206.26	738,187.50	223,487.50	714,715.00	1,285,932.50	5,109,166.26
2019		1,363,337.50	785,206.26	734,812.50	223,237.50	711,975.00	1,283,407.50	5,101,976.26
2020		1,359,237.50	796,731.26	724,825.00	222,962.50	716,975.00	1,190,857.50	5,011,588.76
2021		621,800.00	1,561,281.26	698,325.00	222,662.50	715,855.00	1,173,120.00	4,993,043.76
2022		618,800.00	1,565,812.50	696,450.00	222,350.00	713,200.00	1,153,447.50	4,970,060.00
2023			1,602,262.50	963,412.50	372,025.00	714,225.00	1,229,712.50	4,881,637.50
2024			1,932,562.50	754,012.50	251,425.00	713,705.00	1,241,512.50	4,893,217.50
2025			1,924,562.50	745,912.50	264,850.00	711,875.00	1,245,987.50	4,893,187.50
2026				1,185,600.00	1,757,600.00	709,000.00	1,229,056.25	4,881,256.25
2027					1,860,400.00	713,800.00	1,279,206.25	3,853,406.25
2028					1,861,600.00	712,400.00	1,276,018.75	3,850,018.75
2029							1,275,100.00	1,275,100.00
2030							1,276,962.50	1,276,962.50
	4,818,612.00	10,774,658.75	16,917,415.71	10,700,943.75	8,497,418.75	11,259,807.50	19,567,630.00	82,536,486.46

Current Debt Service Schedule

State College Area School District
Debt Service Analysis - \$115 million project - \$77 million
referendum - 5.3% interest



Debt Service to Expense Ratio

State College Area School District											
High School Debt Estimate - Level \$115 Million Project - 5.3% Interest											
Projected Percentage - Debt Service to Total Expense											
	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>
Total Expense	120,792,176	124,336,135	133,092,757	141,344,983	145,482,562	149,801,107	154,218,503	158,334,574	162,791,758	167,611,937	172,606,317
Debt Service	6,333,323	5,960,802	8,848,958	12,313,559	12,087,531	12,080,141	11,995,114	11,969,940	11,951,706	11,860,353	11,869,533
Percentage	5.2%	4.8%	6.6%	8.7%	8.3%	8.1%	7.8%	7.6%	7.3%	7.1%	6.9%

Debt Service to Expense Ratio

State College Area School District											
High School Debt Estimate - Wrapped \$115 Million Project - 5.3% Interest											
Projected Percentage - Debt Service to Total Expense											
	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>
Total Expense	120,792,176	124,336,136	132,564,491	140,602,159	144,966,506	149,284,751	153,700,897	157,821,030	162,270,864	167,096,981	172,093,861
Debt Service	6,333,323	5,960,803	8,320,692	11,570,735	11,571,475	11,563,785	11,477,508	11,456,396	11,430,812	11,345,397	11,357,077
Percentage	5.2%	4.8%	6.3%	8.2%	8.0%	7.7%	7.5%	7.3%	7.0%	6.8%	6.6%

Cohort Debt Service to Expense Ratio

State College Area School District				
Debt Service - Percent of Expense				
2011-12 Fiscal Year				
	Debt Service	Expense	%	Rating
Lower Merion	20,757,824	187,910,934	11.0%	Moody's Aaa
North Allegheny	11,936,597	157,218,624	7.6%	AA
Cumberland Valley	10,827,313	96,801,566	11.2%	N/A
Parkland	13,830,381	136,666,332	10.1%	AA
Abington	8,285,351	117,000,250	7.1%	AA
Tredyffrin-Easttown	5,713,928	101,678,179	5.6%	N/A
<u>S&P School District Medians</u>				
AA+			8.0%	
AA			11.0%	
AA-			15.0%	

Current Estimates

- Administration believes projections show district capital resources enable financial capacity for updating K-8 facilities

Further Analysis

- Further review of estimates in projections
- Guidance from district financial advisor and bond counsel
- Evaluate additional financing options

Future Discussion

- Work Session October 21
- Board meeting October 28