

Lower Dauphin School District

Review of Bond Rating & 2026 GO Bonds Sale

April 13, 2026



Bond Rating Update: S&P Global Ratings

“Lower Dauphin School District, PA GO Bond Rating Outlook Revised to Negative From Stable On Continued Budget Imbalance.”



Overview



- S&P Global Ratings revised its outlook to negative from stable and affirmed the AA- underlying rating on Lower Dauphin School District's existing general obligation (GO) bonds.
- At the same time, we assigned the AA- long term rating, with a negative outlook, to the district's estimated \$23.87 million series 2026 GO bonds.
- The outlook revision reflects continued budget imbalance and potential for further deficits that could weaken the financial profile to a level no longer in line with that of AA- rated peers.



Rationale

- The AA- rating reflects our view of Lower Dauphin School District's strong economy, pressured budgetary environment, strong reserves, sound and informed management, and moderate debt with very slow amortization and additional capital needs.
- The negative outlook reflects ongoing pressure, with several years of deficits that could persist into 2027 and further deplete reserves.
- Fiscal 2025 ,marked eight consecutive years of deficits –none larger than 3.5% of revenue – bring available reserves to \$12.4 million (15.9% of revenues) from \$21.6 million (36%).
- Management built up reserves in the 2010s, after which officials elected to draw them down rather than increase taxes to keep up with rising costs and slowing revenue growth.
- The district raised taxes in fiscal year 2023 for the first time in 10 years, and again in fiscal 2025 and 2026, yet the deficit persists.

General Fund –Financial Performance



• 06/30/2026	(\$3,898,962) <i>Budgeted Deficit</i>
• 06/30/2025	(\$312,864)
• 06/30/2024	(\$2,927,838)
• 06/30/2023	(\$369,587)
• 06/30/2022	(\$454,758)
• 06/30/2021	(\$1,556,953)
• 06/30/2020	(\$1,627,874)
• 06/30/2019	(\$1,890,890)
• 06/30/2018	(\$398,357)

Outlook –Downward Scenario



“The rating could lower if operational balance is not restored in the next one to two years, particularly if this leads to reserves falling below those of “AA-” rated peers.”

“Even with a return to balance, we expect pressure to persist due to the additional debt plans and limited flexibility given lower reserves, Therefore, we believe additional debt adds downward downside risk potential.”

“We anticipate the district taking on significant debt for the high school project will be difficult and create a prolonged pressured budget environment.”

Outlook –Upside Scenario



“The outlook could revised to stable if the district restores operational balance while maintaining reserves at rating-supportive levels.”

Review of Bond Sale



- PFM reported the sale was a success. The markets had stabilized from previous days due to the conflict in the Middle East.
- Although the district went from a stable to a negative outlook while maintaining its “AA- bond rating”, it did not appear to have a material impact on the transaction.
- The district’s interest rate on this debt ranges from 2.54% - 4.67% over the life of the issuance, with an average yield of 4.075114%.
- The district realized savings of \$409,826 compared to the anticipated total borrowing costs.
- Proceeds of the bond issuance will be received by the District in the next few weeks.

Looking ahead ...



- Emphasis on restoring the district's General Fund to a structurally balanced budget position within the next 1-2 year budgetary cycles.
- Emphasis on restoring Fund Balance Reserves to peer level comparisons for "AA- Stable Outlook" rated entities prior to next borrowing.
- Evaluate potential adoption of a Fund Balance and or Debt Service Policy.

Questions ???

