

TO: Jeffrey P. Simons, Superintendent of Schools
FROM: Larry Edson, Assistant Superintendent for School Business Finance
DATE: April 1, 2020
RE: Debt Service Plan

The Board's 2019-2020 Strategic Plan contains objective #2F requiring development of a debt service plan. Attached is the requested plan.

DEBT SERVICE PLAN EXECUTIVE SUMMARY

The East Greenbush Central School District Board of Education adopted the following goal for the 2019-2020 school year: Effectively deliver educational, human and fiscal resources to enhance student achievement and to ensure sustainability and future growth of the school community. Within that goal, the Board set objective #2F: Develop a debt service plan with the strategy of reviewing existing short-term and long-term debt service obligations and plan for new commitments relating to existing and future capital projects. This plan is submitted to implement that objective.

Debt service represents current and future financial obligations for past construction projects and buses not purchased through the reserve. short-term obligations are typically one year or less until maturity. long-term obligations may last up to five years for buses, fifteen years for alterations and renovations, twenty years for building additions, and thirty years for new buildings. Details of short-term and long-term debt obligations are annually disclosed in the District's financial statements issued each October. Projections of debt service were part of the long range financial plan accepted by the Board on May 22, 2019.

Formal debt service plans are typically not found in New York State School Districts nor are they required according to regulation or law. Therefore, this plan was created in the absence of readily available samples. It can be modified or adjusted as necessary. As a reminder, planning is an imperfect process. Multiple year plans contain projections based on estimates that are subject to change. In a debt service plan for example, the timing of construction work, filing of final cost reports, actual interest rates, or changes in state mandates could impact the components of the plan.

The plan includes the following components:

1. Debt Service Plan Executive Summary - pages 1 to 3
2. Debt Exclusion Summary Projection (NYS Tax Cap) - page 4
3. Debt Exclusion Summary Notes - page 5
4. Short-Term Debt Schedule - pages 6 and 7
5. Long-Term Debt Schedule - pages 8 to 11
6. Glossary of Terms - page 12

The results of the plan projection are summarized as follows:

- The debt service exclusion as part of the New York State Tax Cap calculation may be level during the four-year period dependent upon the timing of debt service payments, financing, and receipt of state building aid. If net debt service expenses are increased, the allowable tax cap increases. If net debt service expenses are decreased, the allowable tax cap decreases.

- Short-term debt expenses should increase on the average by approximately \$550,000 per year to reflect needed payments on Phase II and Phase III construction financing.
- New short-term obligations of \$14,800,000 in December 2020 and \$8,396,042 in December 2021 are expected in order to complete financing for the \$39,796,042 authorized by District voters on May 16, 2017. These obligations will finance the remainder of Phase II construction and the full value of Phase III construction. Variations in construction scheduling could change the amounts financed.
- Long-term debt expenses are expected to be about the same in each of the next four years. The next debt service breakpoint is after the 2024-2025 fiscal year, when the long-term principal and interest obligation will drop by \$641,051.
- No new long-term obligations are anticipated through the 2023-2024 school year. The outstanding \$10,900,000 bond anticipation note related to Phase II construction should be paid in full by the end of the 2022-2023 or 2023-2024 fiscal year.
- Prior to executing any short-term or long-term debt obligations, the District should consult with the Board appointed financial advisory firm, Capital Markets.
- The New York State Education Department requires the District to complete a Building Condition Survey (BCS) during calendar year 2022. This Survey should be finished in the spring of 2022 to allow a one-year time frame for planning the next construction project. If finalized, the project could be presented to the voters in May 2023 with construction to occur in the summer of 2025. The Board will need to balance priorities identified in the Building Condition Survey, the Athletic Fields Survey, and Five-Year Facilities Plan versus the impact to the taxpayers. The first short-term financing will likely be in the spring of 2025 with the first payment due in December 2025 (the 2025-2026 fiscal year).
- Like many other school districts, the East Greenbush Central School District maintains a debt service reserve fund. Deposits to this fund often result when premiums are received when financing long-term bonds. Depending upon consultation with the independent auditor, the premiums should be applied as a reduction to debt service expenses in one year or over the life of the bond. This fund had a balance of \$2,261,345 as of June 30, 2019 that relates to prior obligations. The Comptroller's Office has recommended that these funds be evaluated and properly extinguished if not related to current debt. I propose that these funds be applied as revenue according to the following schedule: \$611,345 in 2020-2021, \$525,000 in 2021-2022, \$450,000 in 2022-2023, \$375,000 in 2023-2024, and \$300,000 in 2024-2025.
- The State Education Department requires reporting of Bond Anticipation Notes using Form SA-135 on an annual basis. It also requires reporting of new serial bonds using

Form SA-132 at the time of financing. The District's reporting has been completed at this time.

Please direct any plan comments, corrections, or suggestions to:

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Thank you for the opportunity to share this plan.

DEBT EXCLUSION SUMMARY PROJECTION (NYS TAX CAP)

Ref		<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
	<u>Debt Expenses</u>				
1	Short-Term Debt	\$4,144,294	\$4,399,237	\$4,914,476	\$5,743,101
2	Long-Term Debt	2,467,878	2,463,912	2,225,513	2,221,762
3	Capital Outlay, Buses	736,070	766,408	739,873	750,000
4	BOCES Capital Cost (Net)	117,490	117,490	117,490	117,490
5	Total Debt Expenses	<u>\$7,465,732</u>	<u>\$7,747,047</u>	<u>\$7,997,352</u>	<u>\$8,832,353</u>
	<u>Anticipated Revenue/Aid</u>				
6	Building Aid Estimate	\$2,384,045	\$2,385,882	\$2,374,633	\$2,374,633
7	Deferred Aid	-179,548	179,548	0	0
8	New Aid Phase II	0	0	565,841	565,841
9	New Aid Phase II	0	0	0	909,154
10	Net Building Aid	<u>\$2,204,497</u>	<u>\$2,565,430</u>	<u>\$2,940,474</u>	<u>\$3,849,628</u>
11	Aidable Bus Purchases	\$773,921	\$736,813	\$703,332	\$688,061
12	Transportation Aid Ratio	0.651	0.651	0.651	0.651
13	Expected Transportation Aid	\$503,823	\$479,665	\$457,869	\$447,928
14	Capital Outlay, Buses	736,070	766,408	739,873	750,000
15	Transportation Impact	<u>\$1,239,893</u>	<u>\$1,246,073</u>	<u>\$1,197,742</u>	<u>\$1,197,928</u>
16	Transfer Debt Service Fund	<u>\$611,345</u>	<u>\$525,000</u>	<u>\$450,000</u>	<u>\$375,000</u>
17	Total Anticipated Revenue	<u>\$4,055,735</u>	<u>\$4,336,503</u>	<u>\$4,588,216</u>	<u>\$5,422,556</u>
18	<u>Debt Service Exclusion</u>	<u>\$3,409,997</u>	<u>\$3,410,544</u>	<u>\$3,409,136</u>	<u>\$3,409,797</u>

DEBT EXCLUSION SUMMARY NOTES (NYS TAX CAP)

More information is shared below on items marked "Ref" on the previous page:

1. Short-term debt payments are detailed on pages 6 and 7.
2. Long-term debt payments are detailed on pages 8 and 9.
3. Capital outlay for buses represents the expected purchase of buses each year from the District's bus purchase reserve. The plan projection assumes that all needed buses will be purchased from reserve funds. The reserve was authorized by District voters on May 15, 2018. Capital outlay is listed under both debt expenses and anticipated aid (reference 14) according to New York State tax cap calculation rules.
4. Effective with the 2020-2021 budget year, the tax cap calculation includes the financial impact of BOCES capital projects. Estimates of the net capital cost beyond the 2020-2021 fiscal year have not been provided by BOCES, and therefore a flat estimate was used for the time period. Variations in the BOCES capital amount should not have a significant impact on the debt exclusion amount.
5. Total debt expenses is the sum of short-term and long-term debt payments, capital outlay for buses, and the net BOCES capital cost.
6. The building aid estimate reflects existing aid for capital projects approved by the New York State Education Department.
7. Aid is deferred for Phase I projects whereby the final cost reports are not expected to be filed until after June 30, 2020.
8. The timing of building aid for Phase II costs is dependent upon the completion of construction which is expected in the summers of 2020 and 2021. The building aid ratio is 72.1% according to current law.
9. The timing of building aid for Phase III costs is dependent upon the completion of construction which is expected in the summers of 2021 and 2022.
10. Net building aid is the sum of the building aid estimate for existing projects (6), new projects (8 & 9), and the impact of deferred building aid.
11. Transportation capital aid is paid on bus purchases over a five-year period. The District maintains a separate amortization schedule to ensure proper payment of aid.
12. The Governor's Executive Budget for 2020-2021 dated January 21, 2020 shows a selected transportation aid ratio for the school district of 65.1%
13. Expected transportation aid is based on the amortized transportation expenses (11) times the selected transportation aid ratio
14. Capital outlay is listed under both debt expenses and anticipated aid (reference 3) according to New York State tax cap calculation rules.
15. The transportation impact to the anticipated aid calculation is the sum of expected transportation aid plus the capital outlay.
16. The debt service reserve fund has a balance of \$2,261,345 as of June 30, 2019. This fund is proposed to be liquidated over five years on a sliding scale.
17. Total anticipated revenue is the sum of net building aid, the transportation impact, and the transfer to the debt service fund.
18. The debt service exclusion is total debt expenses (5) less total anticipated revenue (18).

SHORT-TERM DEBT SCHEDULE

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
<u>Beginning Balance</u>				
Phase I	\$1,715,000	\$0	\$0	\$0
Phase II	10,900,000	8,623,655	4,458,655	0
Phase III	0	14,800,000	23,196,042	23,155,042
Total Beginning Balance	<u>\$12,615,000</u>	<u>\$23,423,655</u>	<u>\$27,654,697</u>	<u>\$23,155,042</u>
<u>New Short-Term Debt</u>				
Phase III	<u>\$14,800,000</u>	<u>\$8,396,042</u>	<u>\$0</u>	<u>\$0</u>
<u>Principal Payments</u>				
Phase I	\$1,715,000	\$0	\$0	\$0
Phase II	2,276,345	4,165,000	4,458,655	0
Phase III	0	0	41,000	5,280,000
Total Principal Payments	<u>\$3,991,345</u>	<u>\$4,165,000</u>	<u>\$4,499,655</u>	<u>\$5,280,000</u>
<u>Ending Balance</u>				
Phase I	\$0	\$0	\$0	\$0
Phase II	8,623,655	4,458,655	0	0
Phase III	14,800,000	23,196,042	23,155,042	17,875,042
Total Ending Balance	<u>\$23,423,655</u>	<u>\$27,654,697</u>	<u>\$23,155,042</u>	<u>\$17,875,042</u>

SHORT-TERM DEBT SCHEDULE (CONTINUED)

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
<u>Interest Payments</u>				
Phase I	\$20,793	\$20	\$0	\$0
Phase II	132,156	86,237	66,880	0
Phase III	0	148,000	347,941	463,101
Total Interest Payments	<u>\$152,949</u>	<u>\$234,237</u>	<u>\$414,821</u>	<u>\$463,101</u>
 <u>Principal & Interest</u>				
Phase I	\$1,735,793	\$0	\$0	\$0
Phase II	2,408,501	4,251,237	4,525,535	0
Phase III	0	148,000	388,941	5,743,101
Total Principal & Interest	<u>\$4,144,294</u>	<u>\$4,399,237</u>	<u>\$4,914,476</u>	<u>\$5,743,101</u>

Note:

1. Short-term obligations outstanding at June 30, 2020 will include one bond anticipation note of \$12,615,000. The issue date was December 17, 2019, with a maturity of December 26, 2020 at an effective average interest rate of 1.2158%. This is a combined issue of \$1,715,000 from Phase I and \$10,900,000 from Phase II.

LONG-TERM DEBT SCHEDULE

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
<u>Beginning Balance</u>				
Maturity 09/15/2021	\$455,000	\$230,000	\$0	\$0
Maturity 03/15/2025	2,760,000	2,260,000	1,735,000	1,185,000
Maturity 12/15/2029	8,125,000	7,665,000	6,975,000	6,250,000
Maturity 02/01/2030	4,725,000	4,285,000	3,840,000	3,390,000
Total Beginning Balance	<u>\$16,065,000</u>	<u>\$14,440,000</u>	<u>\$12,550,000</u>	<u>\$10,825,000</u>
<u>Principal Payments</u>				
Maturity 09/15/2021	\$225,000	\$230,000	\$0	\$0
Maturity 03/15/2025	500,000	525,000	550,000	575,000
Maturity 12/15/2029	460,000	690,000	725,000	765,000
Maturity 02/01/2030	440,000	445,000	450,000	455,000
Total Principal Payments	<u>\$1,625,000</u>	<u>\$1,890,000</u>	<u>\$1,725,000</u>	<u>\$1,795,000</u>
<u>Ending Balance</u>				
Maturity 09/15/2021	\$230,000	\$0	\$0	\$0
Maturity 03/15/2025	2,260,000	1,735,000	1,185,000	610,000
Maturity 12/15/2029	7,665,000	6,975,000	6,250,000	5,485,000
Maturity 02/01/2030	4,285,000	3,840,000	3,390,000	2,935,000
Total Ending Balance	<u>\$14,440,000</u>	<u>\$12,550,000</u>	<u>\$10,825,000</u>	<u>\$9,030,000</u>

LONG-TERM DEBT SCHEDULE (CONTINUED)

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
<u>Interest Payments</u>				
Maturity 09/15/2021	\$8,422	\$2,875	\$0	\$0
Maturity 03/15/2025	138,000	113,000	86,750	59,250
Maturity 12/15/2029	595,618	366,000	330,625	293,375
Maturity 02/01/2030	100,838	92,037	83,138	74,137
Total Interest Payments	<u>\$842,878</u>	<u>\$573,912</u>	<u>\$500,513</u>	<u>\$426,762</u>
 <u>Principal & Interest</u>				
Maturity 09/15/2021	\$233,422	\$232,875	\$0	\$0
Maturity 03/15/2025	638,000	638,000	636,750	634,250
Maturity 12/15/2029	1,055,618	1,056,000	1,055,625	1,058,375
Maturity 02/01/2030	540,838	537,037	533,138	529,137
Total Principal & Interest	<u>\$2,467,878</u>	<u>\$2,463,912</u>	<u>\$2,225,513</u>	<u>\$2,221,762</u>

Note:

1. Long-term bonds outstanding at June 30, 2020 will include:
 - a. Principal remaining: \$455,000, Bonds dated December 28, 2011, original bond amount \$17,815,000, maturity date September 15, 2021, Coupon rates between 2% and 4%, Net interest cost 1.85259%
 - b. Principal remaining: \$2,760,000, Refunding bonds dated December 17, 2019, original bond amount \$2,760,000, maturity date March 15, 2025, Coupon rate 5%, Net interest 1.1272768%
 - c. Principal remaining: \$8,125,000, Bonds dated December December 17, 2019, original bond amount \$8,125,000, maturity date December 15, 2029, Coupon rate 5%, Net interest 1.3686679%
 - d. Principal remaining: \$4,725,000, Bonds dated February 11, 2016, original bond amount \$6,440,000, maturity date February 1, 2030, Coupon rates between 2% and 2.5%, Net interest cost 2.1014165%

LONG-TERM DEBT SCHEDULE (CONTINUED)

Bond Principal Payments Due After 2023-2024:

<u>Original Bond::</u>	<u>\$17,815,000</u>	<u>\$2,760,000</u>	<u>\$6,440,000</u>	<u>\$8,125,000</u>	<u>Total</u>
2024-2025	\$0	\$610,000	\$465,000	\$805,000	\$1,880,000
2025-2026	0	0	475,000	845,000	1,320,000
2026-2027	0	0	480,000	890,000	1,370,000
2027-2028	0	0	495,000	935,000	1,430,000
2028-2029	0	0	505,000	980,000	1,485,000
2029-2030	0	0	515,000	1,030,000	1,545,000
Total	<u>\$0</u>	<u>\$610,000</u>	<u>\$2,935,000</u>	<u>\$5,485,000</u>	<u>\$9,030,000</u>

Bond Interest Payments Due After 2023-2024:

<u>Original Bond:</u>	<u>\$17,815,000</u>	<u>\$2,760,000</u>	<u>\$6,440,000</u>	<u>\$8,125,000</u>	<u>Total</u>
2024-2025	\$0	\$30,500	\$65,038	\$254,125	\$349,663
2025-2026	0	0	55,737	212,875	268,612
2026-2027	0	0	46,238	169,500	215,738
2027-2028	0	0	36,637	123,875	160,512
2028-2029	0	0	25,500	76,000	101,500
2029-2030	0	0	12,875	25,750	38,625
Total	<u>\$0</u>	<u>\$30,500</u>	<u>\$242,025</u>	<u>\$862,125</u>	<u>\$1,134,650</u>

LONG-TERM DEBT SCHEDULE (CONTINUED)

Bond Principal & Interest Payments Due After 2023-2024:

<u>Original Bond:</u>	<u>\$17,815,000</u>	<u>\$2,760,000</u>	<u>\$6,440,000</u>	<u>\$8,125,000</u>	<u>Total</u>
2024-2025	\$0	\$640,500	\$530,038	\$1,059,125	\$2,229,663
2025-2026	0	0	530,737	1,057,875	1,588,612
2026-2027	0	0	526,238	1,059,500	1,585,738
2027-2028	0	0	531,637	1,058,875	1,590,512
2028-2029	0	0	530,500	1,056,000	1,586,500
2029-2030	0	0	527,875	1,055,750	1,583,625
Total	<u>\$0</u>	<u>\$640,500</u>	<u>\$3,177,025</u>	<u>\$6,347,125</u>	<u>\$10,164,650</u>

GLOSSARY OF TERMS

Bond: A long-term borrowing instrument with a maturity date as follows: five years or less for acquisition of buses, fifteen years or less for projects involving alterations or renovations, twenty years or less for projects involving additions, and thirty years or less for projects involving a new building. Typically interest is repaid on a semi-annual basis.

Bond Anticipation Note (BAN): A short-term borrowing instrument with a maturity of one year or less from the financing date. They may be renewed for up to five years, but then must be paid in full or converted to long-term financing.

Bond Certificate: A document issued by the New York State Education Department (NYSED) Facilities Planning Division to authorize borrowing for an approved capital project.

Bond Counsel: A law firm that issues an opinion on the tax exempt status of school district borrowing. Also, the firm will write the proposition(s) for a voter referendum. In almost all cases, this is not your school attorney, but is a specialized firm.

Bond Rating: A credit worthiness rating assigned to a school district by an independent evaluation firm such as Moody's or Standard & Poors.

Building Condition Survey (BCS): A required assessment of all school building systems by a licensed architect or engineer. Beginning with the 2010 calendar year, school districts needed to complete these surveys every five years. The New York State Education Department has modified the time frame so that all school districts are not due for completion at the same time.

Five-Year Facilities Plan: A required district plan of future school construction based on the Building Condition Survey and programming needs. The narrative of the plan must be submitted to NYSED Facilities Planning with the architect's capital project documents.

Maximum Cost Allowance (MCA): This is a calculated maximum value of construction and incidental expenses that shall be allowed for projects at each building. Once a MCA is calculated, it is considered the total expenditures allowed in a five year period from the date of the Commissioner's approval. Each project within the five year period is deducted from the MCA, leaving the remainder for future projects within the same five years.