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School bond could go to $250M without tax hike

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Lancaster County School Board learned last week that it could increase its proposed school bond to $250 million without increasing taxes. It also learned how much money the district still owes on previous bonds and heard about a possible money-saving bond option.

At the Feb. 21 board meeting, financial adviser Bob Damron with Compass Municipal Advisors, LLC, offered financial advice on how the board and district should proceed with their new bond proposal.

“So with 2% (growth rate, double the previously calculated 1%), the bond referendum would generate $250 million,” Damron said. “That would keep your millage at 65 mills; there would be no millage increase at that amount of money.

“There would also continue to be $4 million of annual maintenance money that would pop out. And we would be extremely conservative on the amount of growth, which should give you more 8% annual money that you’re going to have each year.”

The 8% refers to the maximum amount of outstanding debt a school district can have under state law, without holding a bond referendum. It is based on 8% of the total assessed property value in the county.

Damron advised the board to continue working with the district's financial advisers to ensure the tax millage does not change from the current 65 mills.

"If you start using the millage to go up and down, up and down, you will never get any thank-you notes when the millage went down because you did not borrow enough money," Damron said. "But you'll hear from everybody if the millage goes back up. So my goal as your financial adviser is to try and structure your debt so that doesn't happen."

At its Feb. 3 planning workshop, the board and district officials discussed putting a possible $200 million bond before voters in a referendum this fall. A handout distributed there included funds for Indian Land and Lancaster area elementary schools and land for them, critical safety needs, cafeteria upgrades, activity buses, window replacements and more to be determined through public input.

Outstanding bond debt

Damron also presented a summary of outstanding bond debt at the meeting. He said the district has three bond loans outstanding, which total $209 million.

The first bond is the 2013 installment purchase revenue bond (IPRB) with an outstanding balance of $25 million. The second bond (2017) has an outstanding balance of $113 million. The third bond (2019A) has an outstanding balance of $71 million.

The last two amounts are part of the $199 million bond referendum approved by voters in 2016. That bond was used to build Indian Land High and Van Wyck Elementary schools, as well as multipurpose buildings at the other three high schools, upgrade athletic facilities and a host of smaller projects countywide.

The first bond will be paid off in 2028, and the other two in 2036. Damron said most bonds take about 25 years to pay off.

This fall, the district will have another $6.7 million payment due on its IPRB, but will also generate over $12 million in new money for capital projects in the district.

“It’s possible to issue another $3 or $4 million and put it into your new capital funds,” Damron said. “We’re actually collecting money the taxpayers have paid in for debt service and then you’re spending it. It’s absolutely the safest way for you to issue debt and maintain that 65 mills.”

Damron told the board that it has no outstanding debt at the 8% debt capacity, which means the district could use that in future years.

Money-saving option

The board also heard a presentation from Frannie Heizer, bond counsel at Burr Forman, LLP, and general counsel for the S.C. Association of Governmental Organizations (SCAGO).

“The purpose of SCAGO, the primary purpose, is to offer cost-efficient, innovative financing programs for South Carolina school districts,” Heizer said.

When a school district passes a bond referendum, there are two ways to manage the bond: issue a standalone bond, which the district has been doing, or work through SCAGO.

“When you issue a standalone bond, if your debt was publicly traded, you would have to prepare a fifth official or preliminary official statement, your staff would have to work on that, you’d have to get a bond rating, you’d have to pay for the bond rating,” Heizer said. “And your cost of issuance in general would be higher.”

She said some school districts are looking to utilize SCAGO to get lower interest rates than they would with a standalone bond at a bank. Last year, the district’s cost of issuance was $127,000, but through SCAGO it would have been $50,000.

The board did not vote on any matters regarding the bond referendum proposal, which it hopes to have on the November ballot.

Haley