

# School Financing Options

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APRIL 26, 2018

# Financing Issues

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**Sufficient Fund Balance-Fund Balance Policy to meet Cash Flow Needs**

**Recurring Revenue or Donation/Contribution for the first 3 years to make interest payments**

**Recurring Revenue for the remaining 27 years to make interest and principal payments**

# Borrowing Cost

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Funds needed

Cost of Issuances

Sharing or not Sharing proceeds  
with Oak Ridge City Schools

# Borrowing and Payback Terms

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Interest Rate implied:	4%
Term is Interest only during construction for:	3 years
Term of Loan is:	30 years
Amortization of Principal is:	27 years

# Debt Policy

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## Presentation assumptions:

Comparison of **Straight line amortization repayment** schedule to any other proposed repayment schedule.

Any **new debt** cost of principal, interest and annual cost as if **the debt exist by itself.**

A number of Debt **Policies Benchmarks** will have to be **amended**

# Fund Balance Policy

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Both the General Debt Service and Educational Debt Service Fund shall have an optimal fund balance between 50% and 150% of the future payments (next year's budget expenditures), typically 100%.

This means if next year's budgeted expenditures for the particular debt service fund is \$5,000,000 then the ending fund balance of the previous year should be around \$5,000,000.

# Financing Options for Revenue Needs

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## **Property Tax**

- Including Oak Ridge properties- thus all property in the county is taxed
- Excluding Oak Ridge properties- all property taxed except Oak Ridge

**Sales Tax-** an additional 0.25% remains available on Local Option Sales Tax. Current Local Option rate is 2.5% and could go to 2.75%. School would have to pledge this additional sales tax or a dollar amount from their General Purpose School Fund

**Wheel Tax-** potential schools would have to pledge this revenue

Combination of any of the above three.

# School Board- Actions Prior to Commission Action

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Vote on a Proforma Operational Budget including Transportation

Vote on a Capital Plan and Schedule Gantt Chart (Drawdown Schedule)

Vote on a Category Capital Budget

Vote supporting a funding plan

- Pledging of Sales Tax
- Pledging of a Wheel Tax

Vote on a Detailed Surplus Plan



# Commission-

## Steps Needed to Approve Education Funding

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Resolution amending the Debt Policy allowing the County to exceed:

- Per capital debt ratio
- Ratio of Debt Expenditures to Total Expenditures
- Potential other ratios upon final debt analysis

Resolution amending the Fund Balance Policy

Resolution of Intent to Surplus Property

Resolution Funding Plan supporting the Capital Plan and Schedule

- Issue debt on Title 9-21 or Title 49-3
- Paying out of General Debt Service Fund or Education Debt Service Fund

# Into the Financial Spreadsheets

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[Education Cap Financials.xlsx](#)

# Ratios

Ratios	Current	Policy NTE	Benchmark NTE	With Proposal
Debt Per Capita	\$ 567	\$ 800	\$ 1,500	\$ 2,045
Debt/Assessed Value	2.4%	10%		8.66%
Debt to Expenditure	5.06%	5%		9.14%
Income	1.69%	15%		6.08%