



**State College  
Area School District**

# Debt and Debt Capacity

February 5, 2024

Prepared by:



**NW FINANCIAL GROUP, LLC**  
*Exceeding Expectations*

*Proven Reputation . Experienced Professionals . Superior Client Service*

# SCASD and NW Financial

- ✓ A financial advisor, “FA” or “Municipal Advisor” is anyone that provides advice to ...a municipal entity with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the **structure, timing, terms, and other similar matters** concerning such financial products or issues.
- ✓ We are regulated by the SEC.
- ✓ Fiduciary - Must put our clients’ interests before our own
- ✓ Must disclose all conflicts of interest

- ✓ SCASD hired NW Financial as its Financial Advisor in late 2014
- ✓ Over \$239 million of debt issuance:
  - ✓ \$191.6 million for State High, Elementary Schools, Memorial Field and other capital projects.
  - ✓ \$47.5 million in refunding bonds for savings of \$3.5 million
- ✓ Capital planning
- ✓ Rating Agencies
- ✓ Reinvestment of bond proceeds
- ✓ Selection of Underwriters
- ✓ Pricing evaluation
- ✓ PLANCON Filings
- ✓ Continuing Disclosure

# Debt & Debt Capacity

The School District's capacity to issue and repay debt is constrained by statute, credit quality and Board policy:

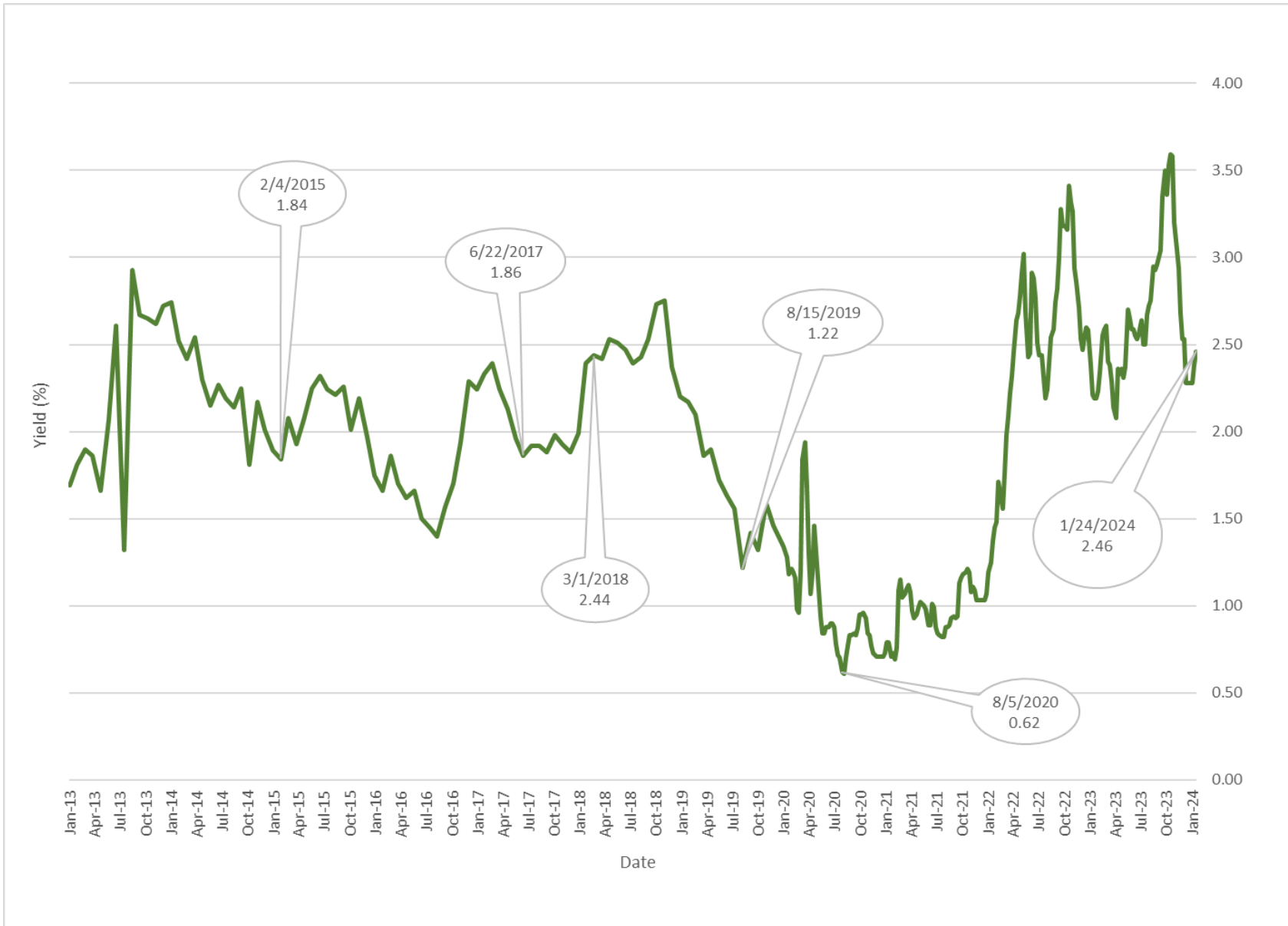
1. Legal Capacity per PA Local Government Unit Debt Act
  - 250% of Average 3 Years of Revenue - \$440 million
2. Financial Capacity per Act 1
  - Index must accommodate annual debt service increases due to new project financing
  - Referendum does not count against the Index
3. To maintain its rating (Aa1) credit rating agencies evaluate:
  - the amount of **debt** compared to tax base, resources (cash on hand) and population
    - Debt to market value
    - Debt per capita
    - Debt to liquidity
  - the amount of **annual debt service** (principal and interest cost)
    - Debt service as a percent of budget
4. Assessment by administration and Board of how to apportion the cost of long-lived capital assets over multiple generations of taxpayers and students.
  - How much the School District wants to devote to debt service in any given year?

# State College Area School District, Debt Outstanding

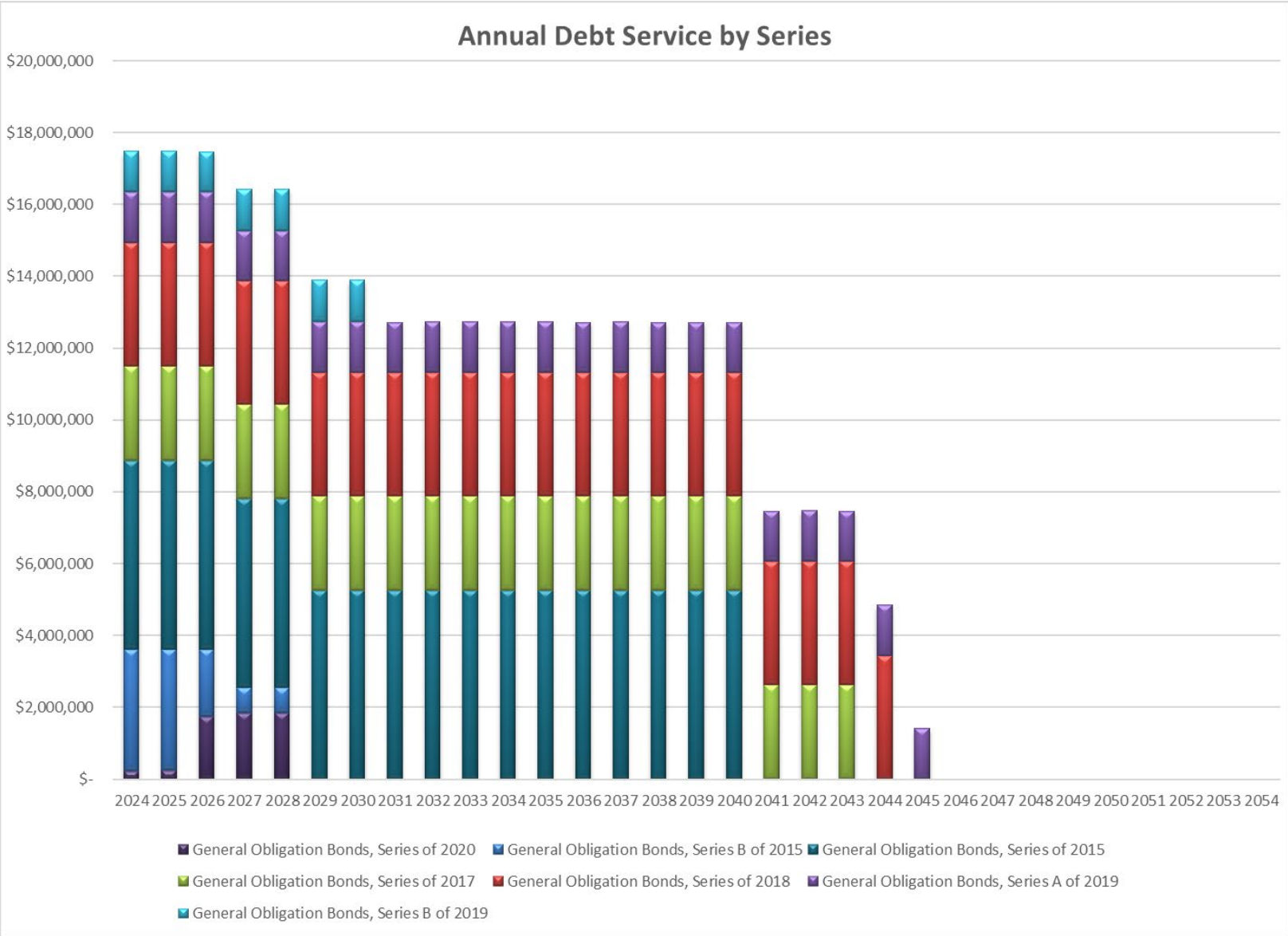
**State College Area School District  
Debt Profile**  
*as of July 1, 2023*

Bond Issues	Purpose	Principal Outstanding	Final Maturity Date	Call Date	Coupon	All-In Cost (AIC)
General Obligation Bonds, Series of 2015	Referendum Bonds for State High	60,925,000	3/15/2040	3/15/2025	4.65%	3.54%
General Obligation Bonds, Series B of 2015	Refunding	9,270,000	5/15/2028	5/15/2025	4.53%	2.45%
General Obligation Bonds, Series of 2017	State High	37,365,000	5/15/2043	5/15/2027	3.55%	3.17%
General Obligation Bonds, Series of 2018	Corl Street, Radio Park and Spring Creek Elementary Schools	45,485,000	5/15/2044	5/15/2028	4.66%	3.72%
General Obligation Bonds, Series A of 2019	State High, Elementary Schools, playgrounds, Memorial Field and North Building	19,910,000	11/15/2044	11/15/2029	4.36%	2.74%
General Obligation Bonds, Series B of 2019	Refunding Series of 2012 & 2013	6,770,000	11/15/2029	NC	5.00%	1.38%
General Obligation Bonds, Series of 2020	Refunding of Series 2014 A&B	5,460,000	3/1/2028	NC	2.11%	1.21%
<b>Total Outstanding</b>		<b>\$ 185,185,000</b>				
Net Non Electoral Debt		\$ 124,260,000				

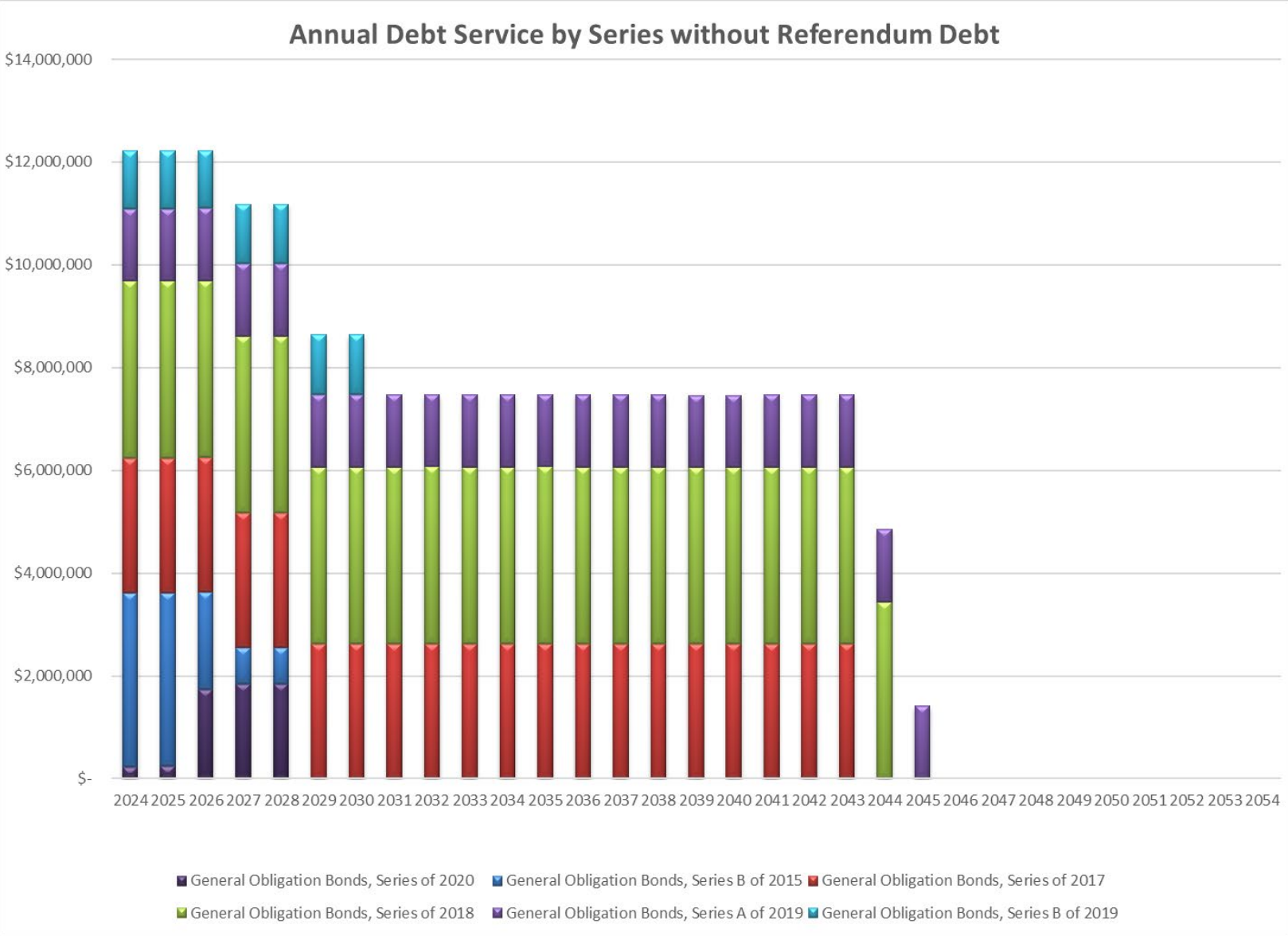
# Interest Rate History - 10 Year MMD



# Outstanding Debt Service

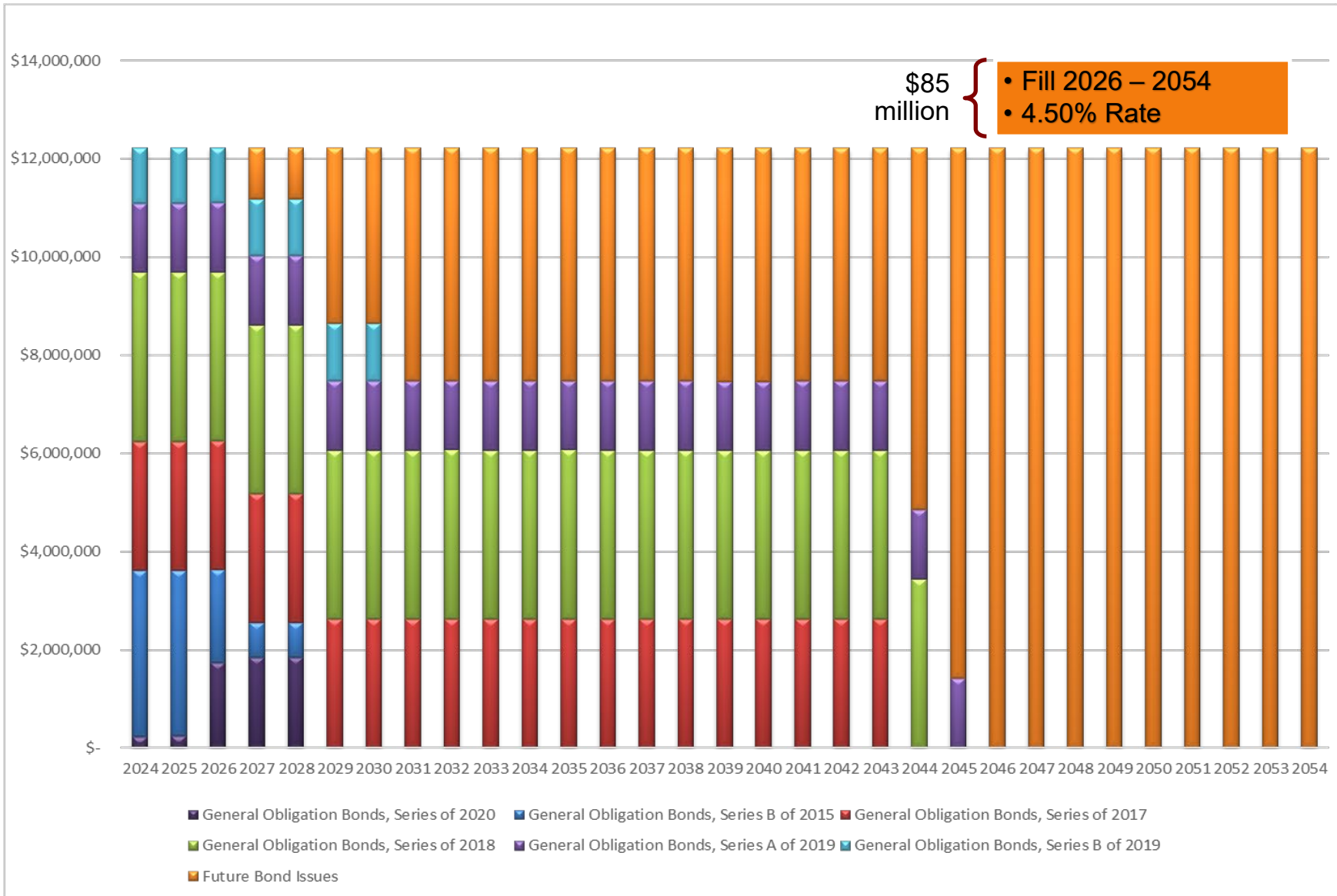


# Outstanding Debt Service





# Debt Service Capacity





# Rating Impacts

## School District's Current Ratings

- ✓ S&P “AA” (stable outlook)
- ✓ Moody’s “Aa1”
- ✓ Rating Strengths
  - Strong liquidity (fund balance and cash balance)
  - Stable employment base anchored by University
  - Strong wealth levels
  - Conservative budgeting resulting in balanced operations
  - Excellent financial management anchored by long term financial planning
  - Community support
- ✓ Rating challenges
  - Elevated but manageable debt levels

# Additional Considerations

- ✓ Money Available from Other Sources
  - ✓ Inflation Reduction Act (IRA)
  - ✓ PLANCON
  - ✓ Other
- ✓ Facilities Master Plan
  - ✓ What other ongoing Capital Expenditures over our planning horizon
  - ✓ Other large renovations, renewals, expansions or replacements
- ✓ Type of Financing
  - ✓ Bank vs. Bonds
  - ✓ Short term vs. Long Term
- ✓ Interest Rate Environment
  - ✓ Borrowing rates
  - ✓ Refundings?
  - ✓ Re-investment Rates
    - ✓ Construction Funds – Positive Carry?
    - ✓ CRF Funds
- ✓ Impact of Inflation of Construction Costs