

# Equipment Financing Overview

October 17, 2024

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# Overview

School districts have many options to fund equipment, technology and related capital needs. Today we are going to focus on options to fund the following:

- HVAC
- Electrical equipment and components
- Computers, smart boards and related technology
- Furniture and fixtures
- Cafeteria equipment
- Playground and athletic equipment
- Modular classrooms
- Vehicles
- Projects related to energy efficiency measures

# Funding Considerations

Funding for equipment needs can come from many sources. The decision on how to fund these projects is based on many factors including:

- Timing
- Useful life of the equipment
- General fund cash position
- Longer-term capital needs
- Grant fund options - specifically grants with spending deadlines
- Debt limitation
- Interest rates



# Financing Sources

School Districts have many options to fund equipment purchases, including but not limited to:

- Cash
- Grant Funds
- Equipment Acquisition Agreements
- Special Obligation Bonds
- General Obligation Bonds



# Equipment Acquisition Agreements

Equipment acquisition agreements are commonly utilized instruments to fund equipment needs.

- Schools purchase a portion of the project back with each payment.
  - Agreement is secured with an appropriation pledge and the equipment as collateral.
- Payment amounts can be funded with general fund cash or with annual general obligation bonds.
- **The annual payment amount is the only portion subject to the eight percent constitutional debt limit. *Great way to fund the project without limiting bonding ability.***
- *Not a traditional “lease”*
  - *Assets pass on to the municipality at the end of lease term*

# Equipment Acquisition Agreements

These agreements are not subject to competitive bidding requirements but are commonly bid out to procure the optimal result. Considerations for determining method of sale include but are not limited to:

- Underlying asset
- Project scope
- Term
- Structure



# Equipment Acquisition Agreements

## Equipment Lenders

- Large and diverse base of lenders
  - National, regional and local (SC based) banks participate in these agreements.
- Repayment term are based on useful life of equipment
- Some banks are willing to lend out 12 to 15 years with a fixed rate if collateral and structure are acceptable.
  - Detailed equipment list is key



# Special Obligation Bonds

Equipment and related capital expenses can also be funded in the capital markets through the use of a Special Obligation Bond (“SOB”).

Special Obligation Bonds function like an acquisition agreement but are a publicly traded debt instrument.

- Only payment amounts are subject to 8% debt limitations.
- Schools can issue GO bonds to fund the payments.
- Can be negotiated or competitively bid.

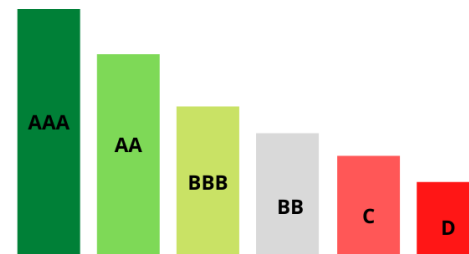


# Special Obligation Bonds

SOBs are a common and acceptable capital market structure.

- Bond rating is notched downward from the issuer's GO rating
- Essentiality is important
- Usually a one-notch adjustment from GO rating
- Size, rating, term and structure are determining factors in method of sale

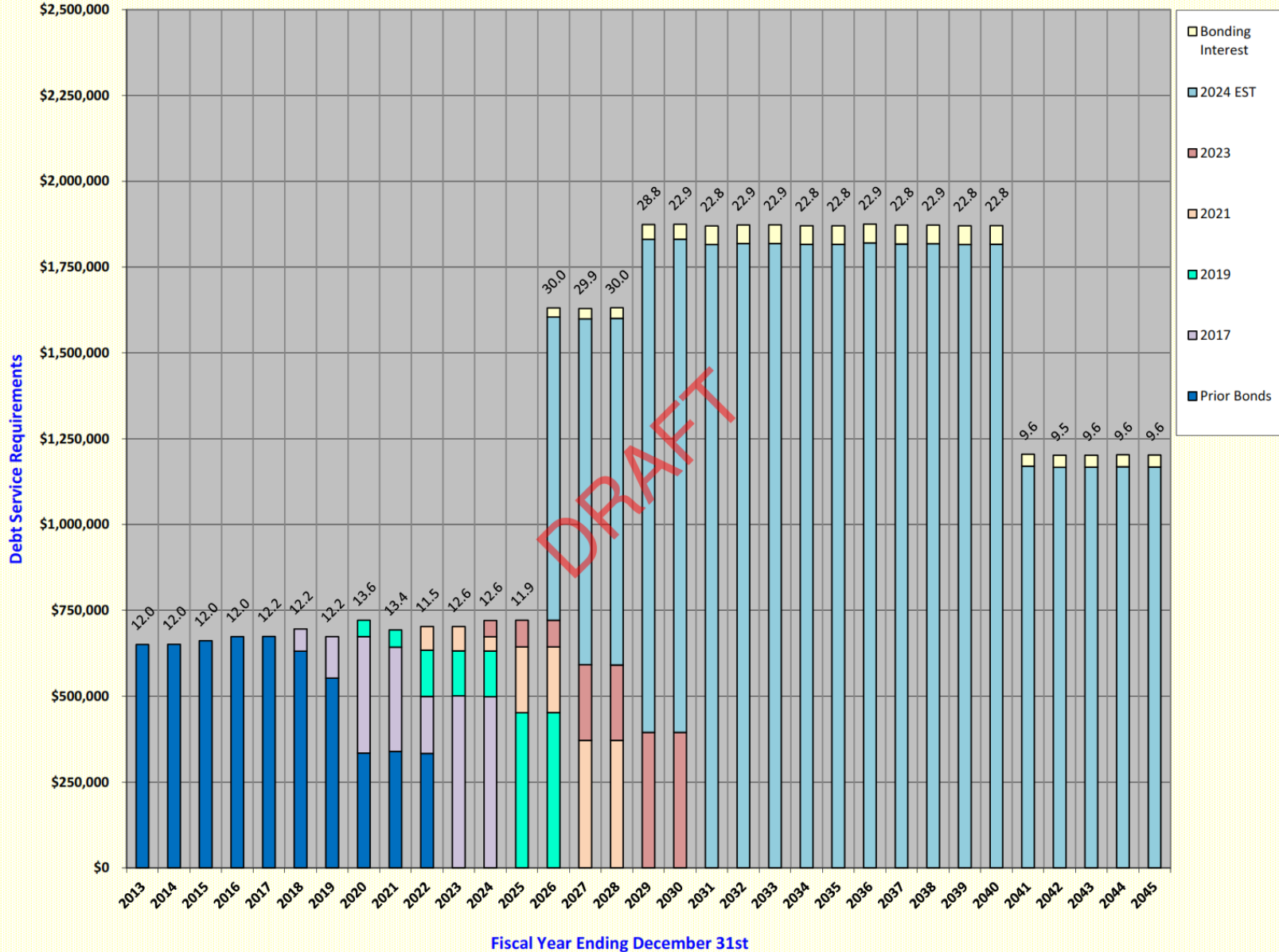
## Credit Ratings and Credit Scores



# Debt Capsule Report

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Bond Series	Original Par Amount	Amount Outstanding	Borrowing Rate	Refundable Bonds Interest Rate	Final Maturity	Call Information
2019	\$1,200,000	\$865,000	2.938%	2.960%	2026	Anytime @ 100%
2021	\$1,200,000	\$1,074,000	1.660%	1.660%	2028	Anytime @ 100%
2023	\$1,200,000	\$1,191,000	3.500%	---	2030	Non-Callable
Totals:	\$3,600,000	\$3,130,000	---	---	---	---

# Debt Structure Graph



# Debt Structure Report

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Fiscal Year	Prior Bonds	Series 2017 Bonds	Series 2019 Bonds	Series 2021 Bonds	Series 2023 Bonds	Series 2024 EST SOBS	Bonding Interest	Total Payments
2013	\$650,563							\$650,563
2014	\$650,918							\$650,918
2015	\$661,540							\$661,540
2016	\$673,093							\$673,093
2017	\$674,104							\$674,104
2018	\$630,788	\$65,175						\$695,963
2019	\$552,421	\$121,175						\$673,596
2020	\$334,268	\$338,963	\$47,856					\$721,087
2021	\$338,613	\$304,061	\$50,076					\$692,750
2022	\$332,871	\$166,107	\$134,632	\$69,315				\$702,925
2023		\$500,209	\$131,672	\$71,073				\$702,954
2024		\$497,921	\$133,712	\$41,210	\$47,850			\$720,693
2025			\$451,604	\$191,828	\$77,685			\$721,117
2026			\$451,994	\$190,940	\$78,425	\$883,063	\$26,492	\$1,630,914
2027				\$371,018	\$220,095	\$1,007,863	\$30,236	\$1,629,212
2028				\$371,059	\$219,760	\$1,010,113	\$30,303	\$1,631,235
2029					\$394,215	\$1,436,863	\$43,106	\$1,874,183
2030					\$394,335	\$1,436,863	\$43,106	\$1,874,303
2031						\$1,815,363	\$54,461	\$1,869,823
2032						\$1,818,363	\$54,551	\$1,872,913
2033						\$1,818,613	\$54,558	\$1,873,171
2034						\$1,816,113	\$54,483	\$1,870,596
2035						\$1,815,863	\$54,476	\$1,870,338
2036						\$1,820,263	\$54,608	\$1,874,870
2037						\$1,817,463	\$54,524	\$1,871,986
2038						\$1,817,663	\$54,530	\$1,872,192
2039						\$1,815,663	\$54,470	\$1,870,132
2040						\$1,816,463	\$54,494	\$1,870,956
2041						\$1,169,863	\$35,096	\$1,204,958
2042						\$1,166,663	\$35,000	\$1,201,662
2043						\$1,167,063	\$35,012	\$1,202,074
2044						\$1,168,288	\$35,049	\$1,203,336
2045						\$1,167,600	\$35,028	\$1,202,628
Totals:	\$5,499,178	\$1,993,611	\$1,401,546	\$1,306,445	\$1,432,365	\$29,786,063	\$893,582	\$42,312,789

# Millage Cash Flow Report

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
Fiscal Year	Millage Valuation	Annual Growth	Fund Transfers	AESC FILOT	State Sources	Debt Service Requirements	D/S Millage Target	D/S Millage Levy	Remaining Millage	D/S Millage Levy W/O AESC FILOT
2013*	\$46,041	10.83%			\$110,423	\$650,563		12.0		
2014*	\$47,313	2.76%			\$111,018	\$650,918		12.0		
2015*	\$43,837	-7.35%	\$30,181		\$105,313	\$661,540		12.0		
2016*	\$46,318	5.66%	\$7,979		\$109,294	\$673,093		12.0		
2017*	\$46,786	1.01%			\$109,659	\$674,104		12.2		
2018*	\$47,043	0.55%	\$10,605		\$111,433	\$695,963		12.2		
2019*	\$46,515	-1.12%			\$111,725	\$673,596		12.2		
2020*	\$44,886	-3.50%	\$39,969		\$70,662	\$721,087		13.6		
2021*	\$47,359	5.51%			\$122,795	\$692,750		13.4		
2022*	\$48,530	2.47%	\$31,796		\$113,032	\$702,925		11.5		
2023*	\$50,396	3.84%			\$120,529	\$702,954		12.6		
2024	\$50,396				\$120,529	\$720,693		12.6		
2025	\$50,396	0.00%			\$120,529	\$721,117	12.6	11.9	\$34,401	
2026	\$50,396	0.00%			\$120,529	\$1,630,914	30.0	30.0	\$1,493	
2027	\$50,396	0.00%			\$120,529	\$1,629,212	30.0	29.9	\$3,196	
2028	\$50,396	0.00%			\$120,529	\$1,631,235	30.0	30.0	\$1,173	
2029	\$50,396	0.00%		\$300,000	\$120,529	\$1,874,183	30.0	28.8	\$58,224	34.8
2030	\$50,396	0.00%		\$600,000	\$120,529	\$1,874,303	30.0	22.9	\$358,104	34.8
2031	\$50,396	0.00%		\$600,000	\$120,529	\$1,869,823	30.0	22.8	\$362,584	34.7
2032	\$50,396	0.00%		\$600,000	\$120,529	\$1,872,913	30.0	22.9	\$359,494	34.8
2033	\$50,396	0.00%		\$600,000	\$120,529	\$1,873,171	30.0	22.9	\$359,237	34.8
2034	\$50,396	0.00%		\$600,000	\$120,529	\$1,870,596	30.0	22.8	\$361,812	34.7
2035	\$50,396	0.00%		\$600,000	\$120,529	\$1,870,338	30.0	22.8	\$362,069	34.7
2036	\$50,396	0.00%		\$600,000	\$120,529	\$1,874,870	30.0	22.9	\$357,537	34.8
2037	\$50,396	0.00%		\$600,000	\$120,529	\$1,871,986	30.0	22.8	\$360,421	34.8
2038	\$50,396	0.00%		\$600,000	\$120,529	\$1,872,192	30.0	22.9	\$360,215	34.8
2039	\$50,396	0.00%		\$600,000	\$120,529	\$1,870,132	30.0	22.8	\$362,275	34.7
2040	\$50,396	0.00%		\$600,000	\$120,529	\$1,870,956	30.0	22.8	\$361,451	34.7
2041	\$50,396	0.00%		\$600,000	\$120,529	\$1,204,958	30.0	9.6	\$1,027,449	21.5
2042	\$50,396	0.00%		\$600,000	\$120,529	\$1,201,662	30.0	9.5	\$1,030,745	21.5
2043	\$50,396	0.00%		\$600,000	\$120,529	\$1,202,074	30.0	9.6	\$1,030,333	21.5
2044	\$50,396	0.00%		\$600,000	\$120,529	\$1,203,336	30.0	9.6	\$1,029,071	21.5
2045	\$50,396	0.00%		\$600,000	\$120,529	\$1,202,628	30.0	9.6	\$1,029,780	21.5
Totals:	---	---	\$120,530	\$9,900,000	\$3,847,521	\$42,312,789	---	---	---	---

\* Actual Collectable Value per Audited Financial Statements

# Constitutional Debt Limit Report

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
June 30th	Prior Bonds	Series 2019 Bonds	Series 2021 Bonds	Series 2023 Bonds	Annual Bonding	Assessed Valuation	Annual Growth	Maximum Capacity	Available Capacity
2013	\$573,000					\$43,064,042	0.00%	\$3,445,123	
2014	\$593,000					\$42,588,856	-1.10%	\$3,407,108	
2015	\$612,000					\$42,588,856	0.00%	\$3,407,108	
2016	\$624,000					\$49,984,813	17.37%	\$3,998,785	
2017	\$638,000					\$49,984,813	0.00%	\$3,998,785	
2018	\$603,000					\$47,331,947	-5.31%	\$3,786,556	
2019	\$588,000					\$47,538,613	0.44%	\$3,803,089	
2020	\$596,000	\$15,000				\$50,549,841	6.33%	\$4,043,987	
2021	\$582,000	\$15,000				\$53,249,675	5.34%	\$4,259,974	
2022	\$454,000	\$100,000	\$51,000			\$53,249,675	0.00%	\$4,259,974	
2023	\$463,000	\$100,000	\$52,000			\$53,249,675	0.00%	\$4,259,974	
2024	\$479,000	\$105,000	\$23,000	\$9,000		\$53,249,675	0.00%	\$4,259,974	\$1,129,974
2025		\$426,000	\$174,000	\$36,000		\$53,249,675	0.00%	\$4,259,974	\$875,974
2026		\$439,000	\$176,000	\$38,000	\$890,000	\$53,249,675	0.00%	\$4,259,974	\$1,408,974
2027			\$359,000	\$181,000	\$1,010,000	\$53,249,675	0.00%	\$4,259,974	\$1,938,974
2028			\$365,000	\$187,000	\$1,020,000	\$53,249,675	0.00%	\$4,259,974	\$2,070,974
2029				\$368,000	\$1,440,000	\$53,249,675	0.00%	\$4,259,974	\$2,438,974
2030				\$381,000	\$1,440,000	\$53,249,675	0.00%	\$4,259,974	\$2,439,974
2031					\$1,820,000	\$53,249,675	0.00%	\$4,259,974	\$2,439,974
2032					\$1,820,000	\$53,249,675	0.00%	\$4,259,974	\$2,439,974
2033					\$1,820,000	\$53,249,675	0.00%	\$4,259,974	\$2,439,974
2034					\$1,820,000	\$53,249,675	0.00%	\$4,259,974	\$2,439,974
2035					\$1,820,000	\$53,249,675	0.00%	\$4,259,974	\$2,429,974
2036					\$1,830,000	\$53,249,675	0.00%	\$4,259,974	\$2,439,974
2037					\$1,820,000	\$53,249,675	0.00%	\$4,259,974	\$2,439,974
2038					\$1,820,000	\$53,249,675	0.00%	\$4,259,974	\$2,439,974
2039					\$1,820,000	\$53,249,675	0.00%	\$4,259,974	\$2,439,974
2040					\$1,820,000	\$53,249,675	0.00%	\$4,259,974	\$3,089,974
2041					\$1,170,000	\$53,249,675	0.00%	\$4,259,974	\$3,089,974
2042					\$1,170,000	\$53,249,675	0.00%	\$4,259,974	\$3,089,974
2043					\$1,170,000	\$53,249,675	0.00%	\$4,259,974	\$3,089,974
2044					\$1,170,000	\$53,249,675	0.00%	\$4,259,974	\$3,089,974
2045					\$1,170,000	\$53,249,675	0.00%	\$4,259,974	\$4,259,974
Totals:	\$6,805,000	\$1,200,000	\$1,200,000	\$1,200,000	\$29,860,000	--	--	--	--



Questions?

