



STILLWATER PUBLIC SCHOOLS

STILLWATER BOARD OF EDUCATION

PREPARED BY: Bo Gamble, Assistant Superintendent of Operations
APPROVED BY: Dr. Janet Vinson, Acting Superintendent
DATE: November 18, 2024

AGENDA ITEM:

Bond 2023 Review

BOARD ACTION REQUESTED:

This is an information only item.

BACKGROUND INFORMATION:

Presentation of the budget for the \$195,000,000 2023 Bond Election, the budget details of the Stillwater High School Project with the inclusion of the Performing Arts Wing, and a description of the terms of any interest earnings included in budget projections. Presented by Jericah Dawson, Municipal Finance Services.

The information presented will highlight changes to the overall 2023 Bond Budget and will focus on the impact of funding the Performing Arts Wing change order for inclusion in the Stillwater High School project.

In June 2024, the Payne County Economic Development Authority (PCEDA) sold a \$79,000,000 Educational Facilities Lease Revenue Bond for the benefit of the District's Stillwater High School Construction Project. Original planning figures prior to the 2023 Bond Election assumed an interest rate of approximately 4.5% – 5.0% with the intention of the District financing a \$72,000,000 Lease Purchase Agreement directly with a bank. By utilizing the PCEDA Lease Revenue Bond, the District was able to obtain a True Interest Cost Rate of 3.569821% which included a Premium on the bond sale of \$5,730,074.65. When the lease revenue bonds are sold at a Premium, that amount is included in available funds at closing and increases the project budget. In addition, the lower interest rate saved the district considerable funds over time, which enabled the district to borrow more (\$79M vs. \$72M). This equated to a positive cash flow effect which allowed the District to utilize the contingency that was previously being held in 2033 as early as 2024 and thus enabled an expansion on the Stillwater High School construction scope. On June 6, 2024, the Lease Revenue Bond deposited the following funds into the Stillwater High School Construction Account:

● Project Fund – High School Phase 1	\$60,424,926.98
● Project Fund – High School Phase 2 (PA Wing)	13,501,383.06
● Project Fund – Land Acquisition (Payoff of CP)	<u>2,192,516.86</u>
	\$76,118,826.90

In addition to these funds, the District held approximately \$13.6M in budget funded through 2023 and 2024 GO bonds for High School Phase 1 early demo, FF&E, and Architect fees. The estimate for the

Performing Arts Wing on June 6 was approximately \$14,400,000 and proceeds from the lease revenue bond sale (\$13,501,383.06) were \$898,616.94 short of meeting the full estimate. It was determined that based on current interest rates, the District could reasonably expect to earn enough in interest to close the gap between the estimate and the current funds on hand. There were also cash flow considerations with the timing of the payoff of the Lease Revenue Bonds with a current estimate that the District will need \$1,042,000 total at an earlier date than the GO Bonds are projected to provide. The interest earnings could cover this timing consideration as well. The assumed interest earnings rate was set at the arbitrage yield of 3.444941%. On June 6, the full \$76,118,826.90 was deposited in a money market with a rate at the time of closing of 4.65%.

The District received a drawdown schedule (the rate at which construction funds are planned to be spent) from Willowbrook and used that to project potential earnings based on a 3.444941% rate which was 1.2% lower than current market rates. At the 3.444941% rate, it was estimated that the District could earn enough in interest in the first nine months to cover the funding gap for the project as well as the cash flow needs. Any additional interest earned over the remaining fifteen months would be contingency or available for other high school projects.

As of October 31, the District has earned \$1,079,661.68 in interest. This fully covers the current estimates for a potential cash flow timing need. In addition, the budget for High School Phase I demo was lower than planned and the budget for the Phase 2 Performing Arts Wing was lower than planned. The current earnings to date and the current estimated needs would indicate that any future interest earnings (net of any potential arbitrage payments to the IRS should the rate stay above the 3.444941% yield) will be project contingency.

The tables and attachments that follow provide additional detail.

Stillwater Public Schools 2023 Election Authorization \$195,000,000

- **Estimated Expenditures per District Webpage (Aligns with Election Proclamation)**
Based on 2022 Estimates used for Election Communications

New High School Building	\$78,000,000
Tech, Texts, Etc.	\$38,400,000
Maintenance	\$22,000,000
Financing and Prep	\$21,000,000
High School Athletics	\$17,600,000
Swim Lanes	\$3,000,000
To Be Allocated	\$10,000,000
Transportation	\$5,000,000
Total	\$195,000,000

- **Current Estimated Expenditures**

New High School Building	\$89,727,783
Tech, Texts, Etc.	\$38,673,874
Maintenance	\$21,633,055
Financing and Prep	\$19,448,148
High School Athletics	\$17,594,183
Swim Lanes	\$3,000,000
To Be Allocated	\$ -
Transportation	\$5,000,000
Total	\$195,077,043

The current estimated expenditures include all phases of the Stillwater High School Construction project (Phase 1 early demo package, Phase 1 HS Construction, and Performing Arts Wing change order).

- Without reducing construction contingency budget, the Current Estimates exceed the available budget by **\$77,043** in total over the life of the Bond Authorization. **This is the at-risk amount in total.**
- Without changing the time phasing on any of our other projects there would be a need for more cash in 2027-2028 based on current estimates. The cash flow need is approximately \$600,000 in 2027-2028 and \$442,000 in 2030-2031. **At-risk total to meet cash flow needs is \$1,042,000.**
- Interest earnings to date on the Lease Revenue Bond (project fund for HS construction) is **\$1,079,661.68**
- No additional earnings necessary to cover the at-risk amount in total or to meet cash flow requirements.