



# Financing Wake County School System Capital Program



July 15, 2013

# Presentation Overview

Overview of Proposed Program

Historical and Projected Enrollment for WCPSS

WCPSS Proposed Building Program

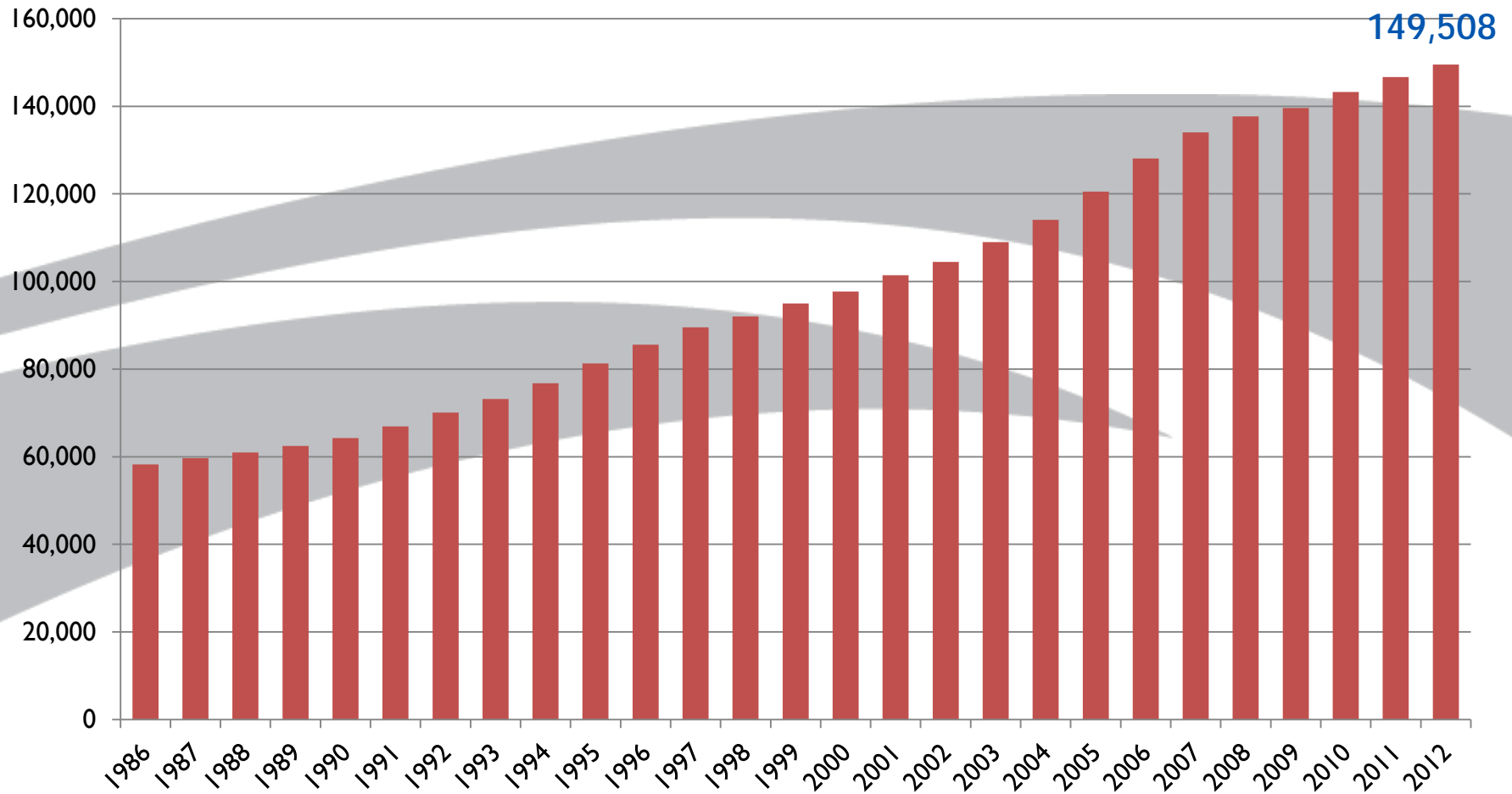
Wake County Financial Assumptions

Calendar

# Overview of \$939.9 Million Program

- By 2017, WCPSS is projected to grow by 8,158 new elementary students and by 2018 11,740 new middle and high school students
  - Almost 20,000 new students
- Wake County is legally required to provide seats for new students
- Proposed \$939.9 million program through FY 2017, of which \$810 million funded with general obligation bonds
- 57% would fund new schools, 26% for renovations, and 17% allocated for school support items

# Historical WCPSS 20<sup>th</sup> Day Enrollment



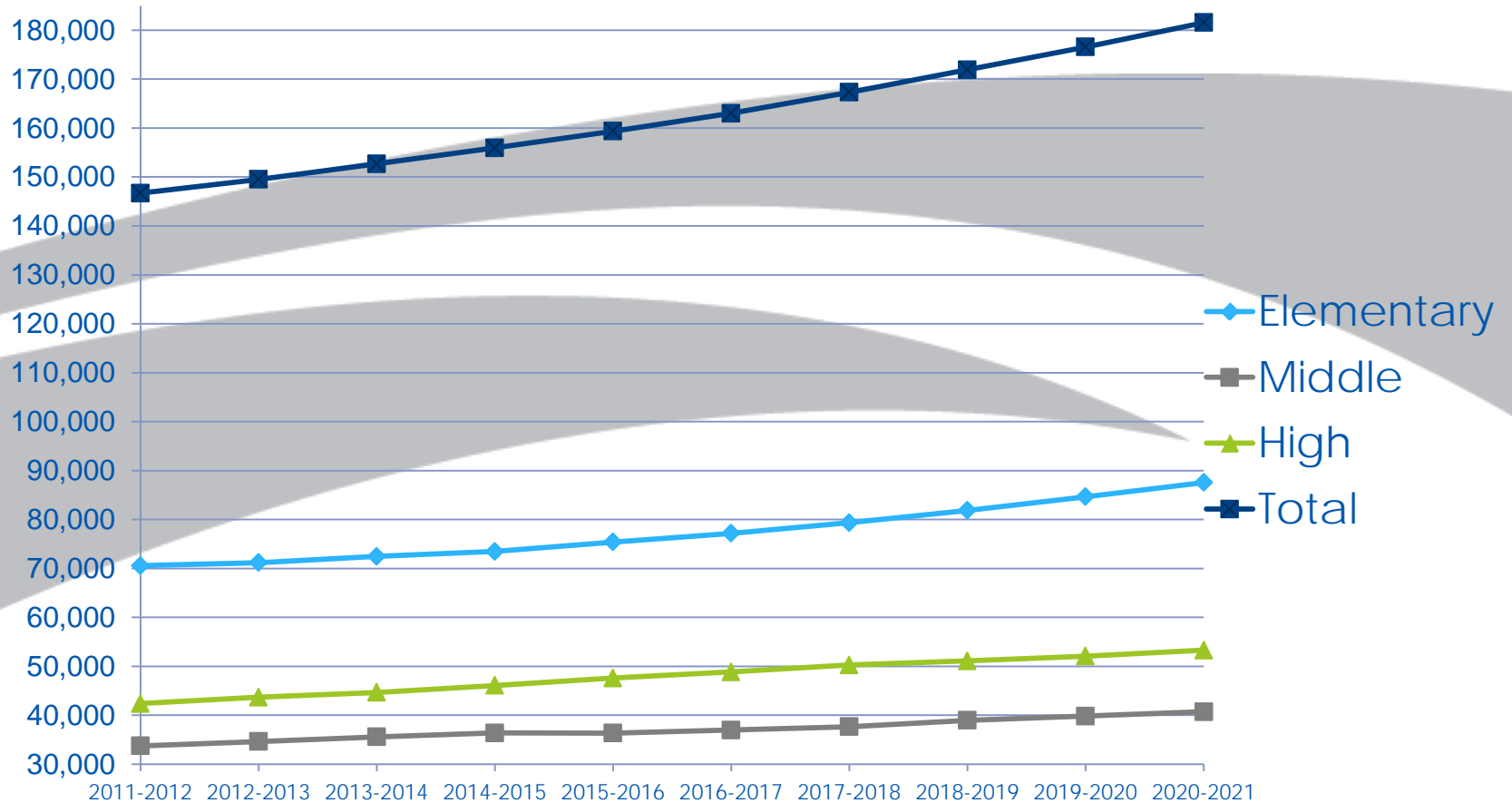
# Historical Enrollment by Grade

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
K	8,386	8,708	9,142	9,581	10,438	11,098	11,289	11,629	10,647	11,555	12,002	12,018
1	8,413	8,588	9,071	9,554	10,109	11,073	11,724	11,712	11,880	10,996	11,907	12,245
2	8,223	8,307	8,503	9,221	9,819	10,410	11,128	11,611	11,618	11,942	11,185	11,946
3	8,300	8,388	8,488	8,763	9,585	10,218	10,662	11,123	11,625	11,647	11,982	11,259
4	8,122	8,271	8,512	8,724	9,108	10,011	10,511	10,800	11,094	11,674	11,655	12,018
5	8,191	8,193	8,524	8,913	9,190	9,585	10,366	10,633	10,926	11,326	11,833	11,704
6	8,454	8,504	8,540	8,845	9,223	9,627	9,956	10,512	10,715	11,040	11,382	11,819
7	8,215	8,572	8,772	8,872	9,354	9,685	10,041	10,209	10,621	10,943	11,204	11,532
8	7,818	8,223	8,707	8,995	9,182	9,719	9,978	10,200	10,248	10,759	11,164	11,280
9	8,419	8,873	9,484	10,146	10,672	11,231	12,080	12,287	12,255	12,356	12,658	12,898
10	6,992	7,317	7,935	8,302	8,917	9,418	9,458	9,957	10,287	10,381	10,663	11,202
11	6,298	6,546	6,971	7,309	7,833	8,359	8,766	8,638	9,237	9,609	9,760	10,066
12	5,601	5,971	6,320	6,843	7,074	7,638	8,043	8,395	8,446	9,061	9,292	9,521
Total	101,432	104,461	108,969	114,068	120,504	128,072	134,002	137,706	139,599	143,289	146,687	149,508
New Students	3,741	3,029	4,508	5,099	6,436	7,568	5,930	3,704	1,893	3,690	3,398	2,821
% Growth	3.8%	3.0%	4.3%	4.7%	5.6%	6.3%	4.6%	2.8%	1.4%	2.6%	2.4%	1.9%

# Capital (Long Term) Projection

<u>School Year Starting</u>	<u>-1%</u>	<u>Mid-Point</u>	<u>1%</u>	<u>Number of Additional Students</u>	<u>% Growth</u>
2012 Actual		<b>149,508</b>		2,851	1.9%
2013	151,157	<b>152,684</b>	154,211	3,176	2.1%
2014	154,374	<b>155,933</b>	157,492	3,249	2.1%
2015	157,752	<b>159,345</b>	160,938	3,412	2.2%
2016	161,380	<b>163,010</b>	164,640	3,665	2.3%
2017	165,624	<b>167,297</b>	168,970	4,287	2.6%
2018	170,196	<b>171,915</b>	173,634	4,618	2.8%
2019	174,807	<b>176,573</b>	178,339	4,658	2.7%
2020	179,707	<b>181,522</b>	183,337	4,949	2.8%
2021	185,225	<b>187,096</b>	188,967	5,574	3.1%
2022	190,621	<b>192,546</b>	194,471	5,450	2.9%

# Membership Projection By Grade Level



# WCPSS \$939.9 Million Program

- 11 new elementary schools, 3 new middle schools, 2 new high schools
- 6 fully funded Major Renovations: Green ES, Vandora Springs ES, Lincoln Heights ES, Brooks ES, Garner HS, and Rolesville ES
  - Start-up of renovations at Stough ES, East Wake MS, and Apex HS
- Critical items such as life cycle equipment replacement, security, technology, and land acquisition.



# Proposed Budget

New Schools: \$533.75 M

Renovations: \$244.89 M

Other: \$161.3 M

# Proposed Detailed Budget

<b>CIP 2013</b>			
Green Elem	\$22,620,503	Life Cycle Replacements	\$57,392,919
Vandora Springs Elem	\$24,600,555	Life Cycle Furniture Replacements	\$1,631,868
Lincoln Heights Elem	\$21,657,244	Educational Equipment Replacements	\$2,104,175
Brooks Elem	\$21,391,080	Environmental and ADA	\$5,741,122
Garner High	\$67,075,342	Mobile Classroom Relocation	\$17,583,159
Stough Elem (startup design incl. below)	\$2,435,856	Assessment of Facilities	\$1,150,006
East Wake Middle (startup design incl. below)	\$4,185,349	Public Infrastructure	\$32,874,667
Apex High (startup design incl. below)	\$5,085,445	Property Acquisition	\$27,507,141
Rolesville Elem	\$11,555,169	Technology	\$64,779,942
Abbotts Creek Elementary (2015)	\$18,323,841	Startup Designs	\$24,977,677
Scotts Ridge Elementary (2015)	\$19,946,172	Program Management	\$25,561,852
New Elementary (2016)	\$21,018,514	Program Contingency	\$14,745,612
New Elementary (2016)	\$21,018,514	<b>TOTAL</b>	<b>\$939,954,793</b>
New Elementary (2016)	\$21,018,514		
New Elementary (2016)	\$21,018,514		
New Elementary (2017)	\$22,370,069		
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New Elementary (2017)	\$22,370,069		
M8 Small Middle (2016)	\$33,713,366		
M13 Large Middle (2017)	\$41,742,741		
M11 Large Middle (2018)	\$44,025,023		
H7 High (2017)	\$67,493,196		
H8 High (2016)	\$62,129,371		

# May 2013 \$939.9 Million

- Assume Summer 2014 – Spring 2017

June BOE Request				
	August 2014	January 2016	January 2017	Total
Debt	\$ 334,241,000	\$ 355,442,000	\$ 120,317,000	\$ 810,000,000
Cash	56,184,000	50,825,000	22,946,000	129,955,000
Total	\$ 390,425,000	\$ 406,267,000	\$ 143,263,000	\$ 939,955,000

# Capital and Debt Management Policies

Seven-year capital plan developed within context of debt policies and targets necessary to maintain triple-A bond rating:

- Plan funded through dedicated revenue sources
- Maintain a debt-to-cash funding ratio that generally does not exceed 80 percent debt in a given year
- CIP is a funded plan
- Debt repayment schedule meets standards for triple-A rated counties (60% to 70% within ten years)
- General fund investment earnings recorded in Debt Service Fund

# Review of Assumptions in Financial Model

GROWTH RATES:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Property Tax Rate	53.40	53.40	53.40	53.40	53.40	53.40	53.40	53.40	53.40	53.40
Property Tax Rate for Capital	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50
Property Tax Valuation Growth	1.25%	2.67%	2.50%	2.50%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Sales tax annual growth rate	4.80%	2.80%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Investment rate	0.50%	0.50%	1.00%	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Tax-exempt variable interest rate	0.30%	0.38%	0.75%	1.13%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Variable Rate Fees	0.55%	0.55%	0.85%	0.85%	0.85%	1.10%	1.10%	1.10%	1.10%	1.10%
Total All-In Variable Rate Costs	0.85%	0.93%	1.60%	1.98%	2.35%	2.60%	2.60%	2.60%	2.60%	2.60%
Fixed Rate TIC*	Actual	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

\*4.5% coupon, premium shown as revenue in DS fund in year bonds are issued

# Financial Model and Debt Capacity

Assumptions for  
Tax Rates, Growth  
in Tax Base, and  
Allocation for  
Debt and Capital.  
**4.86 Cents for FY 15  
for Debt & Capital  
and 0.67 Cents for  
Operating FY 16 -19**

Assumptions for  
Debt Service  
Revenues

Assumptions for  
Debt Service  
Expenditures

Debt  
Service  
Fund  
Balance

AD VALOREM TAXES											
Assumptions:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Tax rate (cents)	53.40	53.40	53.40	58.26	58.32	58.60	58.88	58.93	58.93	58.93	
Tax increase - Operating (WCPSS)				0.06	0.28	0.28	0.05				
Tax increase - Operating (County)			4.86								
Tax increase (cents) - Capital											
Tax rate (cents)	53.40	53.40	58.26	58.32	58.60	58.88	58.93	58.93	58.93	58.93	
<b>Tax Base</b>											
Valuation	\$121,893,164	\$125,145,000	\$128,273,625	\$131,480,466	\$135,424,880	\$140,164,750	\$145,070,517	\$150,147,985	\$155,403,164	\$160,842,275	
Annual growth rate	1.25%	2.67%	2.50%	2.50%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%	
Levy after collection rate	639,522	659,845	737,982	757,229	783,741	815,194	844,501	874,129	904,795	936,533	
Revenue per penny	11,976	12,357	12,657	12,985	13,375	13,845	14,331	14,833	15,354	15,892	
Capital tax rate	15.50	15.50	20.36	20.36	20.36	20.36	20.36	20.36	20.36	20.36	
Ad valorem tax - capital program	185,829	191,528	257,901	264,367	272,322	281,882	291,773	302,009	312,604	323,569	
Percent change - ad valorem tax	1.54%	3.18%	34.65%	2.51%	3.01%	3.51%	3.51%	3.51%	3.51%	3.51%	
Ad valorem tax allocation:											
Debt Service Fund	158,841	162,529	170,931	181,662	220,359	245,463	244,683	248,828	238,294	277,154	
Reduce Transfer	-	-	-	-	-	-	-	-	-	-	
Additional Cash Capacity	-	-	56,184	50,825	22,946	6,383	16,000	21,000	41,000	11,936	
Transfer to Wake Tech Capital	1,000	2,185	3,305	3,710	-	-	-	-	-	-	
County Capital Projects Fund	25,988	26,814	27,481	28,170	29,017	30,036	31,090	32,181	33,310	34,479	
Adjustments to County Cash Funded Projects	(539)	-	-	-	-	-	-	-	-	-	
Reallocate DS to CIP (Hammond Savings)	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$185,090</b>	<b>\$191,528</b>	<b>\$257,901</b>	<b>\$264,367</b>	<b>\$272,322</b>	<b>\$281,882</b>	<b>\$291,773</b>	<b>\$302,009</b>	<b>\$312,604</b>	<b>\$323,569</b>	
<b>Assumptions:</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
Sales tax annual growth rate	4.20%	2.80%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
Investment rate	0.50%	0.50%	1.00%	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
Tax-exempt variable interest rate (w/ fees)	0.85%	0.93%	1.60%	1.98%	2.35%	2.60%	2.60%	2.60%	2.60%	2.60%	
<b>DEBT SERVICE REVENUES</b>											
Ad valorem tax	158,841	162,529	170,931	181,662	220,359	245,463	244,683	248,828	238,294	277,154	
Sales Tax Article 40 & 42	29,022	31,315	32,098	32,900	33,723	34,566	35,430	36,316	37,224	38,154	
Transfer from Major Facilities Fund	991	991	991	79							
Transfer from Fire Tax (self-financing)	606	606	606	606	35	35					
Transfer in from Fire Tax (bank debt)	534	618	616	617	616	512	216	104	104	104	
Lottery Proceeds	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
Premium (BAN or Bond)	26,740	0	16,320	15,641	5,011	3,890	7,313	8,558	11,865	7,274	
<b>Detention Center Savings</b>	<b>3,367</b>										
WCPSS Capital Projects Fund	905	826	905	905	905	905	905	905	905	905	
WCPSS RZEDBs Federal subsidy	207	189	207	207	207	207	207	207	207	207	
Wake Tech financing subsidy @ 45%	110	101	110	110	110	110	110	110	110	96	
Wake Tech financing subsidy @ 35%	1,780	1,626	1,780	1,780	1,780	1,780	1,780	1,780	1,780	1,780	
QSCB Subsidy											
Interest income - WCPSS, WTCC, County bond proceeds	363	92	840	2,254	1,750	977	1,540	1,950	2,619	1,960	
Interest income - LOBs proceeds	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
Interest income - General Fund	2,000	2,000	4,000	6,000	8,000	8,000	8,000	8,000	8,000	8,000	
Interest income - County Capital Projects (Cash)	0	0	0	0	0	0	0	0	0	0	
Plus interest income - Debt Service Fund	847	850	1,383	1,998	1,953	1,252	1,186	1,185	1,376	1,612	
<b>Total Debt Service Revenues</b>	<b>236,112</b>	<b>211,742</b>	<b>240,787</b>	<b>254,760</b>	<b>284,449</b>	<b>307,697</b>	<b>311,381</b>	<b>317,943</b>	<b>312,483</b>	<b>347,247</b>	
<b>DEBT SERVICE EXPENDITURES</b>											
Fixed Rate Debt Service (DS)	201,963	209,915	211,836	246,893	271,177	247,942	248,703	265,943	272,176	284,089	
Variable Rate Debt Service	1,700	1,850	3,200	13,917	19,406	34,420	35,631	15,882	2,600	23,509	
Use of WCPSS Capital Projects Fund for VR Refund											
Total G.O. Debt Service	203,663	211,765	215,036	260,810	290,583	282,362	284,334	281,825	274,776	307,598	
<b>Transfer to Capital</b>	<b>100</b>										
Debt service - Justice Center	12,678	12,529	12,350	12,172	11,993	11,780	11,902	11,309	11,011	10,713	
Debt service - Jail	13,270	13,015	12,763	12,484	12,218	11,944	11,638	11,336	11,028	10,722	
Five County Stadium financing agreement	991	991	991	79							
Fire truck debt service	534	618	616	617	616	512	216	104	104	104	
QSCBs (\$34,910,000) - Principal Only	2,054	2,054	1,889	1,848	1,807	1,766	1,725	1,684	1,643	1,602	
QSCBs Interest Subsidized	1,780	1,780	1,780	1,780	1,780	1,780	1,780	1,780	1,780	1,780	
QZAB debt service	163	163	163	163	163	0	0	0	0	0	
Bond fees (included in DS beg 2014)	126										
Contract Services	96	96	96	96	96	96	96	96	96	96	
Salary, Benefits and Admin Support	218	224	228	233	238	242	247	252	257	262	
<b>Total Debt Service Expenditures</b>	<b>235,547</b>	<b>243,361</b>	<b>245,913</b>	<b>290,284</b>	<b>319,495</b>	<b>310,483</b>	<b>311,939</b>	<b>308,386</b>	<b>300,696</b>	<b>332,878</b>	
<b>Revenues in excess (less than) expenditures</b>	<b>565</b>	<b>(31,619)</b>	<b>(5,126)</b>	<b>(35,524)</b>	<b>(35,046)</b>	<b>(2,786)</b>	<b>(558)</b>	<b>9,557</b>	<b>11,787</b>	<b>14,370</b>	
<b>Adjust to actual</b>											
<b>Fund Balance - beginning of year</b>	<b>169,349</b>	<b>169,914</b>	<b>138,295</b>	<b>133,169</b>	<b>97,645</b>	<b>62,599</b>	<b>59,813</b>	<b>59,255</b>	<b>68,812</b>	<b>80,599</b>	
<b>Fund Balance - end of year</b>	<b>169,914</b>	<b>138,295</b>	<b>133,169</b>	<b>97,645</b>	<b>62,599</b>	<b>59,813</b>	<b>59,255</b>	<b>68,812</b>	<b>80,599</b>	<b>94,969</b>	
<b>Ending balance as % of next year's G.O. DS</b>	<b>69.9%</b>	<b>56.3%</b>	<b>45.9%</b>	<b>30.6%</b>	<b>20.2%</b>	<b>19.2%</b>	<b>19.2%</b>	<b>22.9%</b>	<b>24.2%</b>	<b>28.2%</b>	

Projected Low Debt  
Service Fund  
Balance (% of  
Subsequent  
Years  
Expenditures)  
**19.2%**

# Debt Guidelines

- Maintain the mix of cash ("pay-as-you-go") and debt funding within a range of 75% to 85% debt over the span of the seven year CIP.

FY 14 - FY 20 Percentage Debt: WCPSS, Wake Tech, and County CIP Projects							
2014	2015	2016	2017	2018	2019	2020	Total 14-20
0.0%	80.4%	80.8%	70.1%	73.5%	79.4%	79.7%	76.80%
FY 2018 - FY 2020 includes additional debt capacity without a tax increase							

- WCPSS modeled program generally adheres to target of no more than 80% debt in any given year
- Repayment of bond principal should be consistent with other AAA-rated counties (60% - 70%)
  - WCPSS modeled program 74.2% of principal amortized in ten years

# Summary of Fiscal Impacts

- Requires 4.86 cents property tax increase for debt and capital; operating impact of 0.67 cents.
- Total fiscal impact is 5.53 cents

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total
Capital	4.86					4.86
Operating		0.06	0.28	0.28	0.05	0.67
Total	4.86	0.06	0.28	0.28	0.05	5.53



# For Context...

Average Assessed Value of a Home in Wake County equals \$263,500

Average Property Tax Increase...

- May Scenario (\$939.9 Million): \$145.72

# Benchmarking

## Ratios/Metrics for triple-A rated Counties

- Wake County would rank third highest in projected overall debt per capita and second highest in overall debt to assessed value amongst the benchmarked triple-A counties.

<i>Projected Overall Debt Per Capita</i>			
			May Scenario \$940 M
Arlington County VA			\$ 4,384
Loudoun County VA			\$ 3,766
Wake County NC (Projected with Program)			\$ 3,214
Mecklenburg County NC			\$ 2,810
Fairfax County VA			\$ 2,785
Guilford County NC			\$ 2,458
Forsyth County NC			\$ 2,321
Prince William County VA			\$ 2,247
Henrico County VA			\$ 1,735
Chesterfield County VA			\$ 1,692

<i>Projected Overall Debt to Assessed Value</i>			
			May Scenario \$940 M
Guilford County NC			2.7%
Wake County NC (Projected with Program)			2.5%
Forsyth County NC			2.4%
Mecklenburg County NC			2.3%
Prince William County VA			2.0%
Loudoun County VA			1.9%
Arlington County VA			1.6%
Fairfax County VA			1.5%
Henrico County VA			1.5%
Chesterfield County VA			1.5%

# General Obligation Bond Sales

## With Successful October 2013 Referendum

Bond Issues	Aug-14	Jan-15	Jan-16	Jan-17
Libraries	\$ 10,000,000	\$ 17,300,000	\$ 8,900,000	\$ 8,500,000
Comm College		\$ 58,000,000	\$ 37,750,000	
Schools - G.O.	\$ 334,241,000		\$ 355,442,000	\$ 120,317,000
<b>Total</b>	\$ 344,241,000	\$ 75,300,000	\$ 402,092,000	\$ 128,817,000

# Calendar

June 12, 2013: Pre-Application/Due Diligence Meeting with Local Government Commission

June 14, 2013: Publication of Notice of Intent to Submit an Application to Local Government Commission

June 24, 2013: Submission of Application to Local Government Commission

July 1, 2013: Ratifying the notice of intent and the filing of the application with the Local Government Commission; scheduling the referendum for October 8; introduction/first reading of bond order; and, scheduling the public hearing on the bond referendum.

July 15, 2013: Public hearing, adopting bond order, adopting a resolution calling for the referendum.

After July 15, 2013: staff will deliver certified copies to the Board of Elections, the bond order will be published in the News and Observer, and two notices of the referendum will be published in the News and Observer.

August 19, 2013: Absentee ballots available

October 8, 2013: Referendum