

MEMO

TO: Mr. John Gardner
Horry County School District

FROM: Mr. Brian Nurick
Southwest Securities, Inc.

DATE: February 3, 2014

SUBJECT: Building Program Funding

Please accept this memorandum as a follow up to our meeting on January 30, 2014 in which we discussed a series of options in order to fund the building program for fiscal years beginning 2013-14 and ending 2018-19 for a total of 6 years.

We have noted the following included in the analysis:

- Although we are analyzing amounts available for the upcoming 6 year period, cash flow amounts following this initial phase should be reserved for future use in order to maintain a sustainable long term funding program. The average annual expenditure amounts for the initial phase is in excess of \$54MM.
- As a best business practice, when issuing Eight Percent Bonds we recommend an issuance of no more than 10 years in order to adequately recycle dollars available. Additionally an acceptable amount of capacity should always be maintained and accessible in order to address unforeseen needs (ie: natural disasters, etc.).
- Within the analysis certain timing delays of funding available to funding needs are shown, but would be addressed with the issuance of Eight Percent Bond Anticipation Notes as opposed to permanent debt.
- To the extent fund balance is discussed as a funding source, it should only be utilized as a one-time option as opposed to a reoccurring option. Further, any amounts utilized should be documented in writing with the bond rating agencies before implementing such a plan. The median fund balance ratio as a percentage of revenues reported by Moody's Investors Service for the 31 South Carolina School Districts rated in the Aa category is 19.2%.
- Horry County School District is in an elite group with current bond ratings of Aa2 by Moody's Investors Service and AA by Standard and Poor's. Any decisions which would put pressure on these bond ratings should be done so prudently.

PAYGO / 10 Debt Service Mills

Amount Available: \$238,600,000
Amount Needed: \$326,097,830
Overage (Shortfall): **(\$87,497,830)**

<i>Building Program Funding and Expense Report</i>						
			Annual	Annual		
	Fiscal	Bond	Sales Tax	Total	Annual	Cumulative
	Year	Proceeds	Transfer	Funding	Expenditures	Balance
Current Period	2013-14	\$0	\$36,000,000	\$36,000,000	\$24,206,299	\$11,793,701
	2014-15	\$0	\$35,300,000	\$35,300,000	\$36,804,977	\$10,288,724
	2015-16	\$0	\$36,800,000	\$36,800,000	\$99,859,244	(\$52,770,520)
	2016-17	\$0	\$38,100,000	\$38,100,000	\$113,008,895	(\$127,679,415)
	2017-18	\$0	\$45,400,000	\$45,400,000	\$41,325,558	(\$123,604,973)
	2018-19	\$0	\$47,000,000	\$47,000,000	\$10,892,857	(\$87,497,830)
	Totals:	\$0	\$238,600,000	\$238,600,000	\$326,097,830	
Future Period	2019-20		\$45,000,000			
	2020-21		\$47,500,000			
	2021-22		\$50,000,000			
	2022-23		\$50,000,000			
	2023-24		\$50,000,000			
	Totals:	\$0	\$242,500,000			
	Grand Totals:	\$0	\$481,100,000	\$238,600,000	\$326,097,830	
<i>Note: Average Annual Expenditures from Fiscal Year 2013-19.....</i>					\$54,349,638	

Eight Percent Bonds / 10 Debt Service Mills

Amount Available: \$265,450,000
Amount Needed: \$326,097,830
Overage (Shortfall): **(\$60,647,830)**

			Annual	Annual		
	Fiscal	Bond	Sales Tax	Total	Annual	Cumulative
	Year	Proceeds	Transfer	Funding	Expenditures	Balance
	2013-14	\$0	\$36,000,000	\$36,000,000	\$24,206,299	\$11,793,701
Current Period	2014-15	\$0	\$35,300,000	\$35,300,000	\$36,804,977	\$10,288,724
	2015-16	\$34,250,000	\$35,300,000	\$69,550,000	\$99,859,244	(\$20,020,520)
	2016-17	\$0	\$36,600,000	\$36,600,000	\$113,008,895	(\$96,429,415)
	2017-18	\$0	\$43,200,000	\$43,200,000	\$41,325,558	(\$94,554,973)
	2018-19	\$0	\$44,800,000	\$44,800,000	\$10,892,857	(\$60,647,830)
	Totals:	\$34,250,000	\$231,200,000	\$265,450,000	\$326,097,830	
Future Period	2019-20		\$45,000,000			
	2020-21		\$47,500,000			
	2021-22		\$50,000,000			
	2022-23		\$50,000,000			
	2023-24		\$50,000,000			
	Totals:	\$0	\$242,500,000			
	Grand Totals:	\$34,250,000	\$473,700,000	\$265,450,000	\$326,097,830	
	<i>Note: Average Annual Expenditures from Fiscal Year 2013-19.....</i>				\$54,349,638	

Eight Percent Bonds / 12 Debt Service Mills

Amount Available: \$308,700,000
Amount Needed: \$326,097,830
Overage (Shortfall): **(\$17,397,830)**

			Annual	Annual		
	Fiscal	Bond	Sales Tax	Total	Annual	Cumulative
	Year	Proceeds	Transfer	Funding	Expenditures	Balance
	2013-14	\$0	\$36,000,000	\$36,000,000	\$24,206,299	\$11,793,701
Current Period	2014-15	\$0	\$39,300,000	\$39,300,000	\$36,804,977	\$14,288,724
	2015-16	\$59,500,000	\$38,300,000	\$97,800,000	\$99,859,244	\$12,229,480
	2016-17	\$0	\$39,700,000	\$39,700,000	\$113,008,895	(\$61,079,415)
	2017-18	\$0	\$47,100,000	\$47,100,000	\$41,325,558	(\$55,304,973)
	2018-19	\$0	\$48,800,000	\$48,800,000	\$10,892,857	(\$17,397,830)
	Totals:	\$59,500,000	\$249,200,000	\$308,700,000	\$326,097,830	
Future Period	2019-20		\$45,000,000			
	2020-21		\$47,500,000			
	2021-22		\$50,000,000			
	2022-23		\$50,000,000			
	2023-24		\$50,000,000			
	Totals:	\$0	\$242,500,000			
	Grand Totals:	\$59,500,000	\$491,700,000	\$308,700,000	\$326,097,830	
	<i>Note: Average Annual Expenditures from Fiscal Year 2013-19.....</i>				\$54,349,638	

Eight Percent Bonds / 14 Debt Service Mills

Amount Available: \$351,300,000
Amount Needed: \$326,097,830
Overage (Shortfall): \$25,202,170

	Fiscal	Bond	Annual	Annual	Annual	Cumulative
	Year	Proceeds	Sales Tax	Total	Expenditures	Balance
			Transfer	Funding		
	2013-14	\$0	\$36,000,000	\$36,000,000	\$24,206,299	\$11,793,701
Current Period	2014-15	\$0	\$43,400,000	\$43,400,000	\$36,804,977	\$18,388,724
	2015-16	\$92,500,000	\$41,000,000	\$133,500,000	\$99,859,244	\$52,029,480
	2016-17	\$0	\$42,500,000	\$42,500,000	\$113,008,895	(\$18,479,415)
	2017-18	\$0	\$47,100,000	\$47,100,000	\$41,325,558	(\$12,704,973)
	2018-19	\$0	\$48,800,000	\$48,800,000	\$10,892,857	\$25,202,170
	Totals:	\$92,500,000	\$258,800,000	\$351,300,000	\$326,097,830	
Future Period	2019-20		\$45,000,000			
	2020-21		\$47,500,000			
	2021-22		\$50,000,000			
	2022-23		\$50,000,000			
	2023-24		\$50,000,000			
	Totals:	\$0	\$242,500,000			
	Grand Totals:	\$92,500,000	\$501,300,000	\$351,300,000	\$326,097,830	
	<i>Note: Average Annual Expenditures from Fiscal Year 2013-19.....</i>				\$54,349,638	

Referendum Bonds / 10 Debt Service Mills

Amount Available: \$337,100,000
Amount Needed: \$326,097,830
Overage (Shortfall): \$11,002,170

			Annual	Annual		
	Fiscal	Bond	Sales Tax	Total	Annual	Cumulative
	Year	Proceeds	Transfer	Funding	Expenditures	Balance
	2013-14	\$0	\$36,000,000	\$36,000,000	\$24,206,299	\$11,793,701
Current Period	2014-15	\$0	\$35,300,000	\$35,300,000	\$36,804,977	\$10,288,724
	2015-16	\$125,000,000	\$30,600,000	\$155,600,000	\$99,859,244	\$66,029,480
	2016-17	\$0	\$31,800,000	\$31,800,000	\$113,008,895	(\$15,179,415)
	2017-18	\$0	\$38,400,000	\$38,400,000	\$41,325,558	(\$18,104,973)
	2018-19	\$0	\$40,000,000	\$40,000,000	\$10,892,857	\$11,002,170
	Totals:	\$125,000,000	\$212,100,000	\$337,100,000	\$326,097,830	
Future Period	2019-20		\$42,800,000			
	2020-21		\$44,500,000			
	2021-22		\$49,600,000			
	2022-23		\$51,400,000			
	2023-24		\$53,600,000			
	Totals:	\$0	\$241,900,000			
	Grand Totals:	\$125,000,000	\$454,000,000	\$337,100,000	\$326,097,830	
	Note: Average Annual Expenditures from Fiscal Year 2013-19.....				\$54,349,638	

Referendum Bonds / 10 Debt Service Mills (Continued)

- Note the amortization schedule of the referendum bonds, in order to cash flow at 10 debt service mills, is back loaded. In order to retire principal at a normalized pace, an increase in debt service mills would be required.

Maturity	Principal
Date	Amount
03/01/15	\$0
03/01/16	\$0
03/01/17	\$0
03/01/18	\$730,000
03/01/19	\$760,000
03/01/20	\$745,000
03/01/21	\$780,000
03/01/22	\$840,000
03/01/23	\$855,000
03/01/24	\$970,000
03/01/25	\$980,000
03/01/26	\$1,100,000
03/01/27	\$4,715,000
03/01/28	\$7,265,000
03/01/29	\$7,640,000
03/01/30	\$8,030,000
03/01/31	\$8,000,000
03/01/32	\$25,850,000
03/01/33	\$27,175,000
03/01/34	\$28,565,000
Total:	\$125,000,000