FINANCING CAPITAL IMPROVEMENTS

Options, costs, governance, and strategic considerations

Preparing for E-SPLOST VII and the November 3, 2026 Referendum

Board of Education Briefing

Finance Division

Why this discussion matters now

The referendum establishes both a revenue source and authority to advance-fund projects.

$850M	**$500M**	**1¢**	**60**	**11/3/26**
Projected five-year collections	Maximum GO bond authority	Education sales tax	Collection months	Referendum date

PROGRAM TIMELINE

NOV 2026	**MAR 2027**	**JUL 2027**	**JUN 2032**	**2032–33**
Voter decision	Potential advance funding	Collections begin	Collections end	Final scheduled repayment

Bond authority advances access to future revenue. It does not create additional E-SPLOST revenue.

The fundamental capital financing decision

Every option should be evaluated against timing, repayment, approval, and risk.

1 WHEN

When is the money needed?

Project readiness and cash draw timing

2 SOURCE

What will repay it?

Sales tax, debt millage, General Fund, or savings

3 APPROVAL

Who must authorize it?

Voters, Board, or both

4 RISK

What capacity is placed at risk?

Capital purchasing power, district liquidity

The goal is not the lowest annual payment. The goal is the best overall value with manageable risk.

- Pay-as-you-go has no interest cost, but projects begin more slowly.
- Borrowing accelerates delivery, but interest and issuance costs reduce purchasing power.
- Internal financing may lower external cost, but it uses District liquidity.

Financing options at a glance

The options are not interchangeable. They differ by approval, repayment source, cost, and risk.

OPTION	APPROVAL	REPAYMENT	TERM	ADVANTAGE	PRIMARY CONCERN
E-SPLOST GO bonds	Voters + Board	Future E-SPLOST	Short / matched to ESPLOST cycle	Accelerates projects & takes advantage of today's construction costs	Interest reduces capital capacity
Debt-millage GO bonds	Voters + Board	Separate property-tax levy	Flexible	Provides additional funds to address district wide backlog of capital improvement needs.	Additional property-tax obligation on top of an already high millage rate for M&O
Certificates of Participation	Board	Annual general fund revenues from existing state and local sources.	Flexible	No referendum required	Stresses an already tight general fund budget.
Pay-as-you-go	Board	Accumulated ESPLOST VII cash collections	None	No interest expense	Delay and construction inflation exposure
Interfund advance	Board	Future ESPLOST VII cash collections	Short / matched to ESPLOST cycle	Interest free	Uses General Fund liquidity limiting the capacity to react to significant unexpected expenditures or sudden drops in revenue. Reduces interest earnings in General Fund.

Match the financing term to the revenue source, project cash flow, and useful life of the asset.

E-SPLOST-backed General Obligation bonds

Construction cost versus cost of capital

The relevant comparison is borrowing cost and execution risk versus inflation and delay.

$120–$260

Illustrative Southeast commercial cost per square foot

3%–6%

Planning range for annual construction escalation

3.25%–5.00%

Illustrative municipal borrowing sensitivity

$100 MILLION PROJECT AFTER A TWO-YEAR DELAY

Borrowing earlier may preserve purchasing power when:

- Projects are ready to proceed.
- Avoided escalation exceeds interest and issuance costs.
- The District does not borrow far ahead of expenditure.

E-SPLOST-backed General Obligation bonds

Convert future collections into earlier project capacity.

1 Voters authorize

Referendum includes bond authority

2 District issues bonds

Amount and timing set by Board, can be before 7/1/2027

3 Projects receive funding

Proceeds support eligible capital work

4 Sales tax repays debt

Future E-SPLOST funds principal and interest

ADVANTAGES

- Accelerates high-priority, ready to go ESPLOST VII identified projects.
- Can lock in construction schedules earlier.
- Participating in the Georgia State Aid Intercept Program (pledging future QBE funds) generally enhances our rating and supports competitive borrowing rates.

RISKS TO MANAGE

- Interest consumes program revenue. Bond yields are at a 20 year high.
- Collections or project schedules may differ from forecasts.
- Borrowing too early creates carrying cost and compliance risk.

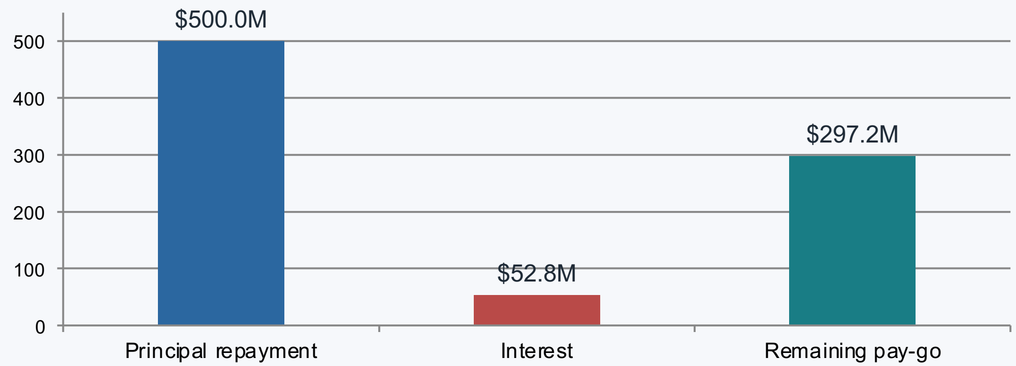
Treat authorization as a ceiling, not an automatic issuance amount.

What the $500 million model demonstrates

A 4.00% illustrative structure converts future collections into up-front capital.

$500.0M	4.00%	$52.8M	$552.8M	$297.2M
Principal borrowed	Modeled interest rate	Total interest	Total debt service	Remaining for pay-go

ILLUSTRATIVE ALLOCATION OF PROJECTED COLLECTIONS



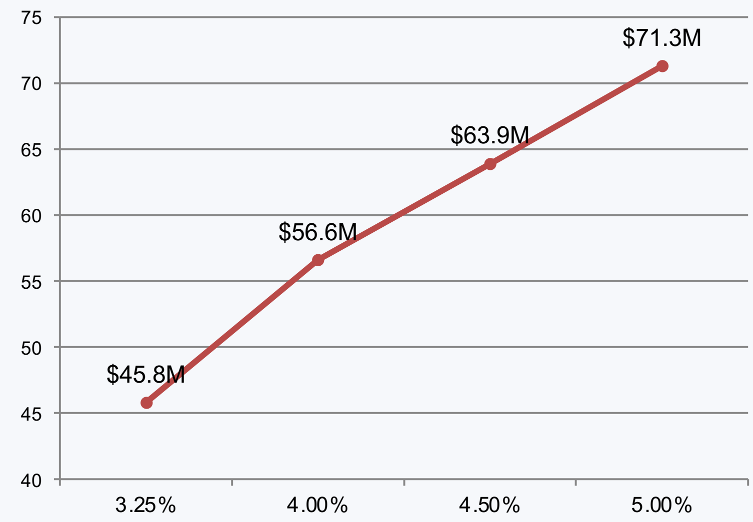
Model cautions

- High-level estimates used (interest rate will likely be less, amounts borrowed or repayment schedules could be different).
- Actual schedules will be rebuilt by the district's financial advisor using actual issuance need, more accurate interest rates and defined collection dates.

Illustrative cost of a $500 million five-year borrowing

Level semiannual debt service shows the sensitivity to interest rates.

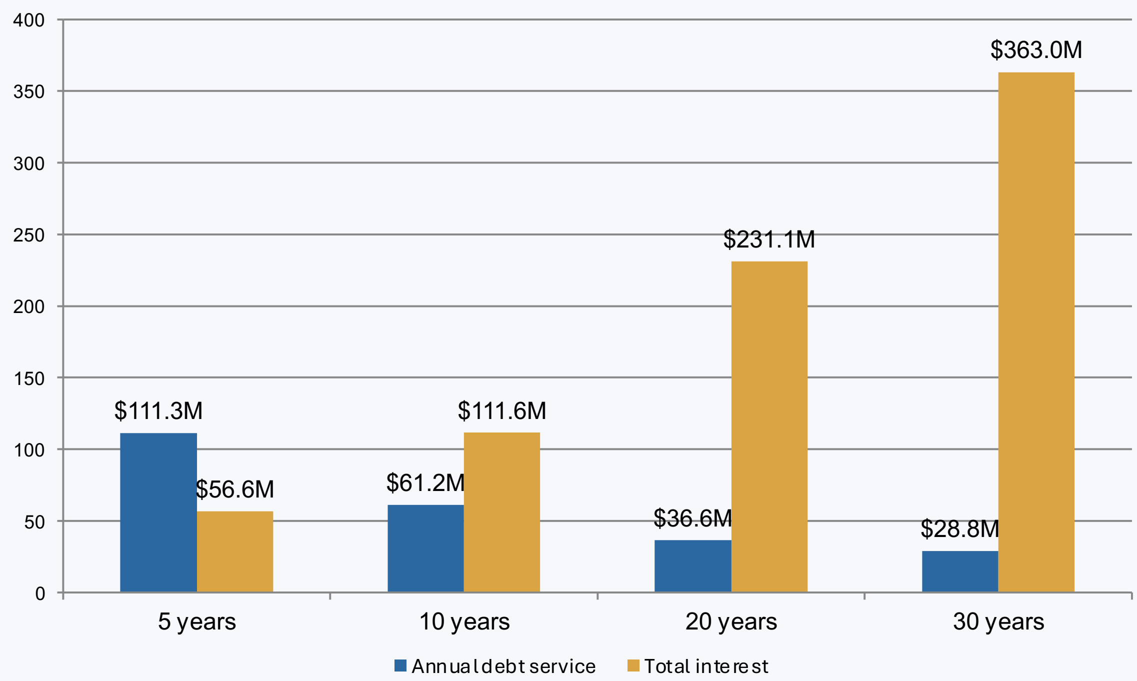
RATE	SEMIANNUAL PAYMENT	TOTAL DEBT SERVICE	TOTAL INTEREST
3.25%	$54.6M	$545.8M	$45.8M
4.00%	$55.7M	$556.6M	$56.6M
4.50%	$56.4M	$563.9M	$63.9M
5.00%	$57.1M	$571.3M	$71.3M



A 1.75-point increase in the illustrative rate raises total interest by approximately $25.5 million.

Term changes affordability and total cost

Longer repayment lowers annual payments but substantially increases total interest.



BOARD TAKEAWAY

A longer term can spread repayment across multiple ESPLOST cycles and makes the annual payment easier.

It does not make the financing cheaper and encumbers future, not yet approved ESPLOST funding.

Debt-service-millage General Obligation bonds

Debt-service-millage General Obligation bonds

A separate voter-approved property-tax levy can support longer-lived capital investments.

BEST SUITED FOR

- Major school replacements
- Long-life facilities
- Projects that exceed E-SPLOST capacity
- A separately and narrowly defined voter-supported capital program

ADVANTAGES

- Preserves E-SPLOST capacity
- Flexible repayment options
- Can expand overall capital capacity

Voter approval is required. Taxpayers assume an additional property-tax obligation.

State law has a very high debt limit, capped at 10% of the assessed value of taxable property which would equate to $4.5B in borrowing capacity.

Certificates of Participation

Certificates of Participation

Flexible Board-authorized financing, but with direct operating-budget consequences.

HOW THE STRUCTURE WORKS

Investors purchase proportional interests in lease.

Annual Board repays over time

ADVANTAGES

- No voter referendum ordinarily required
- Flexible repayment term
- Can address targeted timing needs

RISKS

- Payments compete with other general fund operating priorities
- May carry a higher yield or added structural cost

No referendum does not mean no taxpayer cost. Repayment can reduce annual General Fund capacity.

GO bonds versus Certificates of Participation

Approval flexibility must be weighed against repayment source and operating risk.

CONSIDERATION	VOTER-APPROVED GO	CERTIFICATES OF PARTICIPATION
Voter approval	Required	Generally not required
Primary repayment	Sales tax or debt-service millage	General Fund
Security	Voter-authorized tax pledge	Lease
Expected pricing	Generally stronger for comparable credit	May require additional yield or structural cost
Operating impact	Limited if paid from dedicated source	Direct General Fund pressure
Best use	Broad voter-supported capital program	Targeted need when referendum debt is impractical

Decision lens: Which source should bear the cost and risk?

Pay-as-you-go and interfund financing

Pay-as-you-go and interfund financing

Internal funding can reduce external cost but does not eliminate economic cost or risk.

PAY-AS-YOU-GO

- No interest or issuance cost
- Best when projects can wait for collections
- Maximizes capital dollars for use on projects and not on interest costs
- Risk: delay and construction escalation

INTERFUND ADVANCE

- May reduce external borrowing cost
- Bridge before E-SPLOST collections
- Must preserve operating liquidity
- Requires defined repayment and reporting

Internal financing gives up liquidity and investment earnings otherwise earned by the General Fund.

Municipal Financial Advisor

Why the Municipal Financial Advisor matters

Independent fiduciary advice before the District selects a transaction or counterparty.

FIDUCIARY

An obligation to put the District's financial interests ahead of the advisor's own interests when providing municipal advisory advice.

Independent advice can include a recommendation to borrow less, phase the borrowing, use cash, delay, or not borrow.

CORE ASSIGNMENTS

CASH FLOW	Validate collections, project draws, and liquidity
STRATEGY	Compare GO, COP, pay-go, interfund, and hybrid options
MARKET	Assess timing, method of sale, and pricing
TRANSACTION	Coordinate with bond counsel and support underwriter selection
OVERSIGHT	Review pricing, issuance costs, and post-issuance reporting

The advisor advises the District. The underwriter purchases and resells the securities.

Financial Advisor RFP: current progress

Procurement is positioned to support an intended October 2026 Board recommendation.

AUG 11	AUG 21	AUG 27	AUG 27	SEPT	OCT	NOV 3
Pre-proposal conference	Official answers posted	Proposals due, 2:00 PM	Public acknowledgement, 3:00 PM	Evaluation / interviews / negotiations	Intended Board recommendation	E-SPLOST referendum
COMPLETED	UPCOMING	UPCOMING	UPCOMING	PLANNED	TARGET	ELECTION

Timing caveat

October remains the intended target. Final placement depends on responsive proposals, evaluation, any interviews or negotiations, procurement review, and Board agenda deadlines.

Following voter approval and advisor recommendation: initiate underwriter procurement if bonds are recommended.

Four strategic paths for Board consideration

The advisor should test each path rather than assume one structure in advance.

A FULL $500M ISSUANCE

VALUE Maximum immediate capacity

RISK Maximum interest, carrying cost, and execution pressure

B PHASED GO BONDS

VALUE Issues aligned to project readiness

RISK Future rates and multiple issuance costs

C HYBRID APPROACH

VALUE Limited GO + pay-go + capped interfund loans

RISK More complex administration and reporting

D COP / MILLAGE DEBT

VALUE Targeted projects outside E-SPLOST cash flow

RISK General Fund pressure or added property-tax burden

Preliminary direction: evaluate phased and hybrid strategies first.

Recommended Board direction and governance

Independent advice, disciplined issuance, and transparent reporting before any debt is sold.

1 — PROJECT READY
No issuance without project-level cash flow

2 — INDEPENDENT
Financial Advisor recommendation and bond counsel review

3 — STRESS TESTED
Collections, escalation, rates, and liquidity scenarios

4 — COMPETITIVE
Documented method of sale and underwriter selection

5 — TRANSPARENT
Quarterly debt, investment, and project reporting

6 — BOARD CONTROL
Final financing plan returns for approval

RECOMMENDED DIRECTION

Continue the Financial Advisor procurement and return with a financing plan that specifies amount, timing, repayment source, expected cost, cash-flow impact, risks, and safeguards before any debt is issued.

The question is not whether debt is available. The question is whether borrowing creates more value than it costs.