

EnergySmart Schools

Financing Profile

Riverside High School (South Carolina)

Project Details

Enrollment/community type: 1,358 students (grades 9-12); suburban community

Type of project: New construction

Replaced the 150,000 sq. ft. facility built in 1973 for 900 students with a more efficient and larger (268,000 sq. ft.) school facility for 1,600 students (with potential to expanded to accommodate 1,800 students.)

Riverside High School is one of 67 schools in Greenville County that participated in an \$862 million construction program, incorporating high performance design principles. Of the 67 schools in the program, 21 were marked for demolition, while the remaining buildings were renovated or expanded.

Financial Details

Additional costs associated to LEED certification:

Design costs and fees	\$220,000
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Added construction cost	\$1,260,000
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Total	\$1,480,000
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Additional costs associated to energy savings only:

Design costs and fees	\$75,000
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Added construction cost	\$425,000
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Total	\$500,000
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Energy Savings

Anticipated savings are 20-30% of current energy expenses of \$300,000, or \$60,000 to \$90,000/year. This gives Greenville School District an anticipated payback period of 5 to 8 years.

Financing Mechanisms

Installment Purchase Agreement (3rd Party Lease)

- School signs over land title to not-for-profit and then leases it for \$1 a year.
- Not-for-profit issues bonds to pay for construction of school.
- School board appropriates funds and pays them to the not-for-profit annually to cover the bond principal and interest payments. This serves to space out the costs of the debt over the life of the bonds, instead of going on the books as a lump sum up front.
- **Key point:** installment purchase financing helps keep upfront costs down, which makes projects easier to sell to key decision-makers, voters, and state regulatory boards.

Financing Barriers

- **Voter authorization:** For capital projects that exceed the South Carolina constitutionally mandated debt limit, schools must win voter approval. This is difficult to do, especially in communities where the need is most pronounced in only a portion of the district, in communities where there is strong anti-tax sentiment, or in communities with a small tax base where the cost of building one school would require a large tax increase.
- **Limitations on public private partnerships:** Private developers can finance and build schools and lease them to school districts. However, private developers are not able to issue tax-exempt bonds which makes the cost of privately funded debt considerably higher than municipally funded tax-exempt debt.
- **Legal challenges:** A lawsuit was filed by a local taxpayer asserting that the program violated the state constitution because it allowed districts to exceed the constitutional debt limit. A trial court disagreed, but in the absence of a Supreme Court decision, the cost of debt was marginally higher.

The South Carolina Supreme Court ruled in December 2006 that installment purchase financing was constitutional as the debt resided with the non-profit entity and not the school district.

How Greenville Overcame Its Barriers

- Installment purchase financing does not require voter approval as the debt is structured within the constitutional debt limit of the district.
- Installment purchase financing allows private developers to build the school while financing it through bonds issued by a not-for-profit established by the school district at considerably lower interest rates than those available privately.
- Greenville won the legal challenge regarding installment purchase financing, only to have the practice made illegal by statute after the fact. However, similar financing options are still legal in many other states.



Energy Efficiency & Renewable Energy

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