

The school has ordered for a Bond Election for \$750,000 for the November 2022 election. The law states that the ballot must say this is a “Property Tax Increase”. With current and predicted property tax values, the school will reduce the I&S tax rate by a minimum of two cents (\$.02) next August for the 2023 tax year.

The school board’s decision was made with the advice of the district’s financial advisors.

There are always questions, and we hope that the following questions and answers will help.

There will always be additional questions, so please ask.

Thank you,
Wade Wesley

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Why is the school proposing a bond?

The school is proposing a \$750,000 bond (without an increase to taxes) to pay for:

- the completion of the construction project that is over budget
- the completion of the school playground renovation with rubberized mulch and a protective cover
- the completion of the renovation of the weight room
- the completion of the two bus loans
- the completion of purchasing a mini-bus
- the completion of the SECO loan for the lighting and HVAC retrofit
- any funds left over will complete the additional area to the north of the Ag facility

We just passed a bond, can we pass another bond, and why should we?

There is no set number of bonds that you can pass. Bonds are passed by the voters. With the brick plant doubling in size, the district property value is expected to increase. As a Chapter 41 school, bonds are the only way to keep money generated by the school in the school district. The collection of Interest and Sinking (I&S) is not subject to recapture. If the bond passes, it would save the school from approximately paying \$400,000 from fund balance over the next year, while saving the school from paying approximately \$30,000 of the yearly budget toward bus payments and the SECO loan. The school is currently heading on a course to pay about \$400,000 in excessive construction costs of the current bond, pay about \$100,000 in construction costs for the playground and weightroom in the next year all out of Fund Balance. The school, out of the yearly budget, will approximately pay \$150,000 over the next 5 years for transportation needs and pay about \$95,000 over the next 8 years for the SECO loan.

How can we pass a bond and not raise taxes?

Not only will the school be able to NOT raise taxes, but the school will be able to lower the I&S tax rate next August by 2 cents. The brick plant has doubled in size!! In 2014, the property values for taxation by Bellevue ISD was approximately \$70 million. In 2016, the property values with the addition of the brick plant was about \$137 million. The 2023 property tax value with the addition of the brick plant will be over \$200 million. Even lowering the tax rate from 25 cents for I&S to 23 cents will be sufficient to cover the current bond and the new bond to complete our projects.

If you lower the rate, will our current bond still be paid off in the 20 years that the tax payers agreed to pay, or will it take longer with another bond?

The current bond will still be paid off in the time established. There will be NO change to the current bond.

We just passed a 313 tax incentive with the Triangle Brick Company. How does that play into all of this?

As a property owner, when you receive your tax bill from the Clay County Appraisal District, there is a tax bill for the Maintenance and Operating (M&O) of the school. There is also a tax bill for the Interest and Sinking of debt service (I&S) of the school. These are two completely different areas of finance for the school. The tax incentive only applies to the M&O side of the tax bill. Although the brick plant has doubled and added an additional \$70 million dollars of tax base, the 313 Agreement limits that amount to \$20 million of tax base. This is the incentive portion for the brick plant. *The 313 Agreement does not limit the I&S tax value.* Therefore, the I&S property tax value will be over \$200 million. The only way for the school to be able to utilize this financial resource is to pass a bond.

What is the incentive for the school to accept the 313 Agreement?

In 2016 when the property value increased from approximately \$70 million to \$137 million the school had to pay recapture of about \$250,000 a year because of this increase. A 313 Agreement would have limited this increase to only \$20 million (for the brick plant), *but would have paid the school \$50,000 a year for over 10 years plus a one time hold harmless payment of around \$600,000.* Because the school did not have a 313 Agreement, the school was subject to recapture and had to pay the state. At \$50,000 a year and the one time hold harmless amount, the school has already missed out on about \$900,000. This is the reason the board accepted the 313 Agreement with the new addition to the brick plant.

What is recapture?

Through another formula, the state takes your property value and divides by the number of students enrolled in the district. If this amount is less than \$434,000 per pupil, the school is considered a Chapter 42 property poor district. If the amount is over the threshold, the school is considered to be a Chapter 41 property wealthy school district. When the property value of the school grew significantly with the addition of the brick plant, the school became a Chapter 41 property wealthy school district and subject to recapture. This is called the "Robinhood" plan as it takes from property wealthy school districts and distributes to schools that have lower per pupil rates of property value. This plan keeps the school from being able to generate money on the M&O side that is subject to recapture. The I&S side of finance resources is NOT subject to recapture, but can only be utilized by passing a bond.

Why is the school over budget in the bond construction project?

In November of 2019, the school community passed a \$4.5 million dollar bond for the construction of:

- An administration reception area with public bathrooms and handicap accessibility to the school
- An Elementary wing with 5 additional classrooms and a large restroom area with a Tornado shelter. This would allow for the removal of the portable buildings
- Enlarging the Ag facility
- Renovation of the high school including meeting building standards for a science lab
- Renovation of the gym dressing rooms

Through federal and state agencies, COVID shut down schools in March 2020. The blueprint design began in August of 2020 and bids went out for the construction in February 2021.

Initially, *bids for the construction project came in at \$5.4 million*. A finance committee removed several cost saving items without sacrificing the intent of the bond project. The agreed upon price was awarded at \$4.67 million. The project has been over budget since the beginning. As the case in many construction projects, there have been a couple of issues. For example, the old iron sewer plumbing in the gym dressing room had to be completely replaced as the iron piping was not usable, costing an additional \$40,000. So far, the project is \$315,000 over budget with a projection of \$85,000 more. This would be a 9% increase from the original \$4.5 million budget. In addition, the cost of material and labor is significantly higher which has added to the cost of these items.

What is the situation with the playground?

The playground equipment is old and has some holes in the slides that children have literally gotten their feet caught in while sliding. In 2003, the playground was financed through a grant with the Priddy Foundation, which no longer offers this type of grant. The cost of a new playground has been quoted over \$100,000. The school has contracted with the company that originally installed the playground to replace the broken parts of the existing playground and install a rubberized mulch for \$35,000. The school has also contracted to install a protective cover over the playground. This will keep the slides from getting too hot for students to use and will help with the longevity of the playground.

What is the situation with the weightroom?

The weight room has not been utilized in several years. The facility and equipment have exceeded their useful life. There was a leak in the gas line, so the gas has been turned off for several years. Therefore, there is no heat or air conditioning in the facility. The renovation would include insulating the building, putting up tin around the inside, installing heat and air conditioning, adding rubber flooring, weights, and some weight racks at a cost of about \$40,000.

What is the situation with the Buses?

In 2019, the school leased a 19 passenger bus to run the route to Vashti. The school has also been using this bus on occasion to transport students/athletes to various extracurricular

activities. This bus is currently financed at just over \$10,000 a year. This past year the school leased a 72 passenger bus. The bus was leased to help ease the overcrowding of the bus from Bowie. This bus is financed for over \$11,000 a year. A 14 passenger transit minibus is in need at a cost of approximately \$60,000. All of these items can be purchased through the bond.

It seems like we are refinancing? Are we taking from Paul to pay Peter?

As described above, there are two completely separate financial resources that the school utilizes, the Maintenance and Operating (M&O) side and the Interest and Sinking (I&S) side. The M&O side contains the yearly budget and fund balance, you may think of it as a savings account. The fund balance comes from excess from yearly budget and does not grow very fast and often goes down. The Interest and Sinking (I&S) is debt service and is approved by taxpayers through bonds, and is paid by taxpayers as a completely different tax. When you consider paying a bill with a credit card, you are still responsible for making the payment for both. As described above, the school through local, state, and federal funds is responsible for budgeting and paying for salaries, services, supplies, and capital outlays with the Maintenance and Operating general fund. The I&S is not in the same category. This side pays for debt service through an election process that taxpayers vote on. This is not refinancing, this is asking that the I&S pay for the items of the proposed bond.

What is the situation with the SECO loan?

Two years ago, the school financed a lighting / HVAC project. The project changed the lighting to a more energy efficient system. The project also replaced Heating, Ventilation, and Air Conditioning (HVAC) units that were over 15 years old with new more energy efficient models. The company guaranteed that the retrofit would save the district over \$10,000 a year in energy costs, and this has been the case. The school is proposing that the remaining loan balance be included in the bond as a separate proposition. If voters approve the measure, the debt will no longer be paid from the M&O side of the budget, but by the I&S side. This would save the school over \$80,000 over the next 8 years in the M&O budget used to operate the school.

What will the ballot say?

There is language on the ballot that is required by law. The language on the ballot will say, ***"THIS IS A PROPERTY TAX INCREASE"***. **The school guarantees that your I&S tax rate will go down by 2 cents next August.**

When is the election?

The election is set for November 8, 2022 with Early Voting beginning on October 24, 2022. The last day to register to vote in the upcoming November 8th election is October 10th.