

# **FREQUENTLY ASKED QUESTIONS FOR MAY 6, 2017 BOND ELECTION**

## **What is a bond?**

A bond is similar to a home mortgage. It is a contract to repay borrowed money with an interest rate over time. Bonds are sold by a school district to competing investors to raise funds to pay for the costs of construction, renovations and equipment. Most school districts in Texas utilize bonds to finance new facilities and renovations.

## **What is a bond election?**

School districts are required by State law to ask voters for permission to sell bonds to investors in order to raise the capital dollars required to build a new school or renovate existing buildings. Essentially, it's permission to take out a loan to build and renovate and pay that loan back over an extended period of time, much like a family takes out a mortgage loan for their home. A school board calls a bond election so voters can decide whether or not they want to pay for proposed facility projects.

## **How can bond funds be used?**








Bond funds can be used to pay for new buildings, additions and renovations to existing facilities, land acquisition, technology infrastructure and equipment for new or existing buildings and large-ticket items such as school buses. Bonds cannot be used for salaries or operating costs such as utility bills, supplies, building maintenance, fuel and insurance.

## **Exactly how much is the District asking for?**

The Board of Trustees unanimously called a bond election in the amount of \$8,000,000 to be brought before voters on May 6, 2017.

## **What is included within the bond program?**

The bond program proposes to replace the district's existing school facility with a new, approximately 27,377 square foot elementary school campus that will be built on 9.8 developed acres, owned by the district and purchased approximately 5 years ago, on FM Road 1202 in Cooke County located within the district. The new facility consists of:

-  11 Classrooms: Pre-Kindergarten through 8<sup>th</sup> Grade serving approximately 18 students per classroom;
-  Library;
-  Play gymnasium;
-  Cafeteria with a commercial kitchen that will serve approximately 160 students per seating;
-  Administrative offices;
-  Support spaces – Storage, book room, janitor room, mechanical/electrical rooms; and
-  Associated driveways, parking and drop off areas.

The facility will also accommodate wireless technology, video conferencing, interactive learning and other technology upgrades for current and evolving programs, safety components such as cameras and limited access. In addition, the bond program will bring our district in compliance with the requirements of the National Fire Protection Agency's Life Safety Code, the American with Disabilities Act and the Texas Education Agency.



**Why not renovate the existing facility versus replace it?**

The Board did review and consider the renovation of the existing facility prior to calling the bond election. Some of the existing building dates back to 1926 and the current maintenance and upkeep of this facility continues to escalate. Because of the age of the structure, renovations would still require significant capital and be less useful than a new facility.

**Why are we doing this? The existing facility looks just fine, even if it was constructed long ago.**

At the time the existing facility was built the School Board and citizens of Sivells Bend ISD made decisions that ensured the success of the school district for our past generations. Education has changed during this time and mandates from the Texas Legislature necessitate some changes.

- The district is now required to provide special student populations with certain services that were not planned for in the original building and the district does not have classrooms for many of these services.
- The existing facility does not comply with current building and life safety codes.
- The current campus does not comply with the requirements of the American with Disabilities Act.
- The existing facility requires more than one grade level in many of the classrooms. The new building will have a classroom for each grade level that meets the space standards of the Texas Education Agency.
- The existing electrical, HVAC, mechanical and plumbing systems are old and systems in the new facility will be more efficient and better maintain the indoor environment.
- A new facility provides an opportunity to create an environment that takes all students, teachers, subjects, programs and technological improvements into account.
- Since we became a Chapter 41 school over 14 years ago, we have sent over \$5.8 million dollars of taxpayers' money to the State of Texas.

**What is the tax impact and cost of the bond program?**

The district’s tax rate has two components: A Maintenance & Operations (“M&O”) tax rate for operational expenses and an Interest & Sinking Fund (“I&S”) tax rate for the repayment of bonds. For the current school year, the district’s school property tax rate per \$100 valuation is \$1.04. Based upon certain assumptions, if the bond is approved, the district’s I&S tax rate will increase \$0.49 per \$100 valuation, making the district’s total tax rate \$1.53. The following table provides the projected cost for various property values within the district.

<b>Projected Tax Increase For Various Home Values<sup>(A)</sup></b>		
<b>Home Value (Before Homestead Exemption)</b>	<b>Annual Tax Increase</b>	<b>Monthly Tax Increase</b>
\$100,000 Home Value	\$ 367.50	\$ 30.63
\$125,000 Home Value	490.00	40.83
\$150,000 Home Value	612.50	51.04
\$175,000 Home Value	735.00	61.25
\$200,000 Home Value	857.50	71.46
\$212,750 Average Home Value	919.98	76.66
\$225,000 Home Value	980.00	81.67
\$250,000 Home Value	1,102.50	91.88
\$275,000 Home Value	1,225.00	102.08
\$300,000 Home Value	1,347.50	112.29
\$325,000 Home Value	1,470.00	122.50
\$350,000 Home Value	1,592.50	132.71
\$375,000 Home Value	1,715.00	142.92
\$400,000 Home Value	1,837.50	153.13

<sup>(A)</sup> Taxes are net of the State mandated \$25,000 Residential Homestead Exemption.

**When would I see the increase in my taxes?**

If voters approve the bond election, bonds are anticipated to be sold in August/September 2017 and the tax rate increase would be seen in year 2017/18.

**Will property rates for those “age 65 or older” increase?**

The State Property Tax Code allows for school property taxes on an individual homestead to be “frozen” at the age of 65. If you are 65 years of age or older and you have filed for the “Over 65 Homestead Exemption,” there is a ceiling on the amount of school taxes to be paid – The only exception is if improvements are made to a home. As such, a tax increase from a new bond program cannot increase the applicable tax ceiling of a taxpayer that has qualified for the “Over 65 Homestead Exemption.”

**What will be the interest rate on the bonds?**

The district will not know the actual interest rate to be paid on the bonds until the election is approved and the bonds are sold, but tax-exempt interest rates are currently below the historical 10-year average. At this time, the interest rate would be less than 4.00%. The School Board has wanted to expand for years and now is the perfect opportunity with historic current low interest rates to provide for our students.

### **How long will the district carry the bonds?**

The district anticipates the bonds will initially be repaid in annual installments over 30 years and will be designed to allow the district to repay the bonds sooner, should additional resources be available.

### **How long will construction take?**

Assuming voters approved the bond election, the new elementary school campus should be completed and ready for students beginning the fall of year 2018.

### **If total costs are less than \$8 million, what does the District do with the extra money?**

The district has the option to only sell the dollar amount of bonds needed to pay for the actual cost, repay the bonds early, or use the extra funds on another capital project within the district once the new elementary school has been completed. This would be a decision by the School Board at the applicable time.

### **Does Sivells Bend ISD get to use all of the bond funds locally or does some of this money get “recaptured” and sent back to Austin?**

All of the funds raised through a bond issue are outside of the “Robin Hood” system, meaning that the district gets to use 100% of the money locally on approved capital improvements.

### **Can’t the District just raise the money through its M&O (operating) budget?**

Pursuant to the current State funding system, Sivells Bend ISD is subject to “recapture” on its M&O funds. For each dollar of M&O taxes in the current school year, 40 cents is “recaptured” by the State and only 60 cents is available to the district for school operations. In contrast, the district’s I&S tax dollars are not subject to “recapture” and the District retains every I&S dollar. In the past 14 years we have sent over \$5.8 million of taxpayers’ money to the State of Texas.

If funded with M&O (operating) dollars, the district would need to raise \$1.67 for every \$1 of improvements. In contrast, with a bond program every \$1 raised is available for school improvements within the district. Funding projects with bonds enables the School Board to complete the projects while keeping the tax rate as low as possible.

### **Have any other communities recently approved a school district bond election?**

Over the last 10-years, voters of school districts located within the Region 10 and 11 Education Service Centers have passed 34 bond programs of \$10 million or less to construct, renovate or improve school facilities. In addition, Muenster ISD has called a \$2.4 million bond election for May 6, 2017. The following is a representative listing of some of the districts in North Texas that have recently had successful bond elections.

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|  Alvord ISD       |  Paradise ISD         |
|  Bells ISD        |  S&S Consolidated ISD |
|  Blue Ridge ISD   |  Tom Bean ISD         |
|  Collinsville ISD |  Valley View ISD      |
|  Era ISD          |  Van Alstyne ISD      |

**Where and when can I vote in this bond election?**

All voting will be conducted at Sivells Bend ISD’s Main Office, located at 1053 CR 403, Gainesville, Texas 76240. Residents must be registered to vote in this election.

***Early Voting***

Monday, April 24, 2017	8:00 am – 4:00 pm
Tuesday, April 25, 2017	8:00 am – 4:00 pm
Wednesday, April 26, 2017	8:00 am – 4:00 pm
Thursday, April 27, 2017	8:00 am – 4:00 pm
Friday, April 28, 2017	8:00 am – 4:00 pm
Monday, May 1, 2017	8:00 am – 4:00 pm
Tuesday, May 2, 2017	8:00 am – 4:00 pm

***Election Day***

Saturday, May 6, 2017	7:00 am – 7:00 pm
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