July 12, 2022

TO: Douglas County School District (DCSD or the District) Board of Education (BOE)

FROM: DCSD Fiscal Oversight Committee (FOC)

SUBJECT: 2022 MLO/Bond Comments

The FOC's primary function is to assist the BOE in fulfilling its fiscal oversight responsibilities with integrity and reliability. Additionally, Prior to the Board asking for voter support for the authorization to incur a multi-year debt obligation(s) (Bond) and/or a Mill Levy Override (MLO), the FOC is to opine in writing upon the need for such electoral question(s). The FOC shall assess the timing, amount, and purpose(s) of such Bond/MLO question(s).

As such, the following comments are regarding the potential 2022 MLO/Bond.

- We commend the District staff for providing data and information that allowed the FOC to make informed comments on the MLO/Bond.
- Historical and projected Funded Pupil Count (FPC) data shows decreasing numbers. The State allowing a five-year average for FPC and currently approved MLO's for approximately $73 million has softened the financial impact of the declining student population.
- Audited District financial data shows General Fund Expenses increasing slightly faster that General Fund Revenues.
- The School Year (SY) 2022/2023 approved budget and SY projections through 2025/2026 show increasing General Fund deficit spending.
- Additional State School Finance Act (SFA) funding is projected and will help the District. Economic downturns have historically reduced SFA funding.
- The recent Supreme Court of the U.S. decision regarding school vouchers may impact District finances.
- The BOE charged the Mill Bond Exploratory Committee (MBEC) with determining feasibility of an MLO/Bond. We concur with the MBEC findings.
- The BOE Mill Bond Oversight Committee (MBOC) has closely monitored the spending of the MLO/Bond approved in 2018. We concur with the MBOC's role and their recommendations to the BOE.
- The 1997 voter approved election question included specific language limiting the total District tax levy, THERE SHALL BE NO INCREASE IN THE DISTRICT'S TOTAL MILL LEVY (EXCLUDING THE MILL LEVY FOR TAX ABATEMENTS, REFUNDS AND CREDITS) ABOVE THE RATE LEVIED FOR COLLECTION IN 1997 (50.657 MILLS) …. This limit could impact a proposed MLO/Bond depending on the size and should be considered as a ballot question to remove this limit and utilize the State 25% limit.

- The 2018 Bond provided a twenty-year repayment period. Bond payments were front loaded to continue the past District policy of stepping debt payments that could allow for new bonds while maintaining the current debt service tax levy. This issue should be covered in a BOE bond policy document, as well as issues regarding use of Bond proceeds, Bond premium and Bond interest earnings. FOC recommends Bond payments be structured to coincide with the assets being purchased. i.e. Debt payments would be weighted to match the useful life of the assets being purchased, thus eliminating the issue of purchased assets being financed for twenty years when their useful life is significantly less than twenty years.

The FOC opinion for the MLO/Bond are;

- A MLO is needed for salaries, benefits and general operating expenses. FOC recommends in the amount of $35 million to $60 million.
- A Bond is needed for building maintenance, building expansions in needed areas and potential new elementary school(s). FOC recommends in the amount of $350 million to $450 million.

The District has made increasing staff salaries an important task and we concur. The financial needs of the District are great and will continue without a major shift in operational plans. The uncertain economic times we are currently experiencing could result in a downturn that will impact the District. Being good and wise stewards of taxpayer funds and clearly communicating with staff, parents, and other taxpayers is critical. We thank the BOE for working with the FOC and we look forward to continuing to assist the BOE with its fiscal oversight responsibilities. If additional information or clarification is needed, we would be happy to respond.

Sincerely,

James Maras

James Maras, Chair, on behalf of the FOC