Staff Bond Recommendations

June 18, 2024

Agenda

- Challenges: Capital Investment and Growth Needs
- Background: Bonds in Douglas County
- Master Capital Plan
- Scenarios to Address Challenges
- Next Steps
- Question and Answer

Challenges:
Capital Investment and Growth Needs

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Challenges: Overview

- The quality of our learning environments will continue to deteriorate. We will use $20M of reserves for emergency capital needs, **but the backlog is $300M which will continue to grow by an average of $35M per year**. Reserves are a temporary solution.
- Taxpayer dollars will be expended on avoidable and reactive measures due to aging infrastructure not being updated.
- We will **continue to address overcrowding with mobile classrooms and boundary changes** in existing neighborhoods, moving children further away from their own neighborhood schools.

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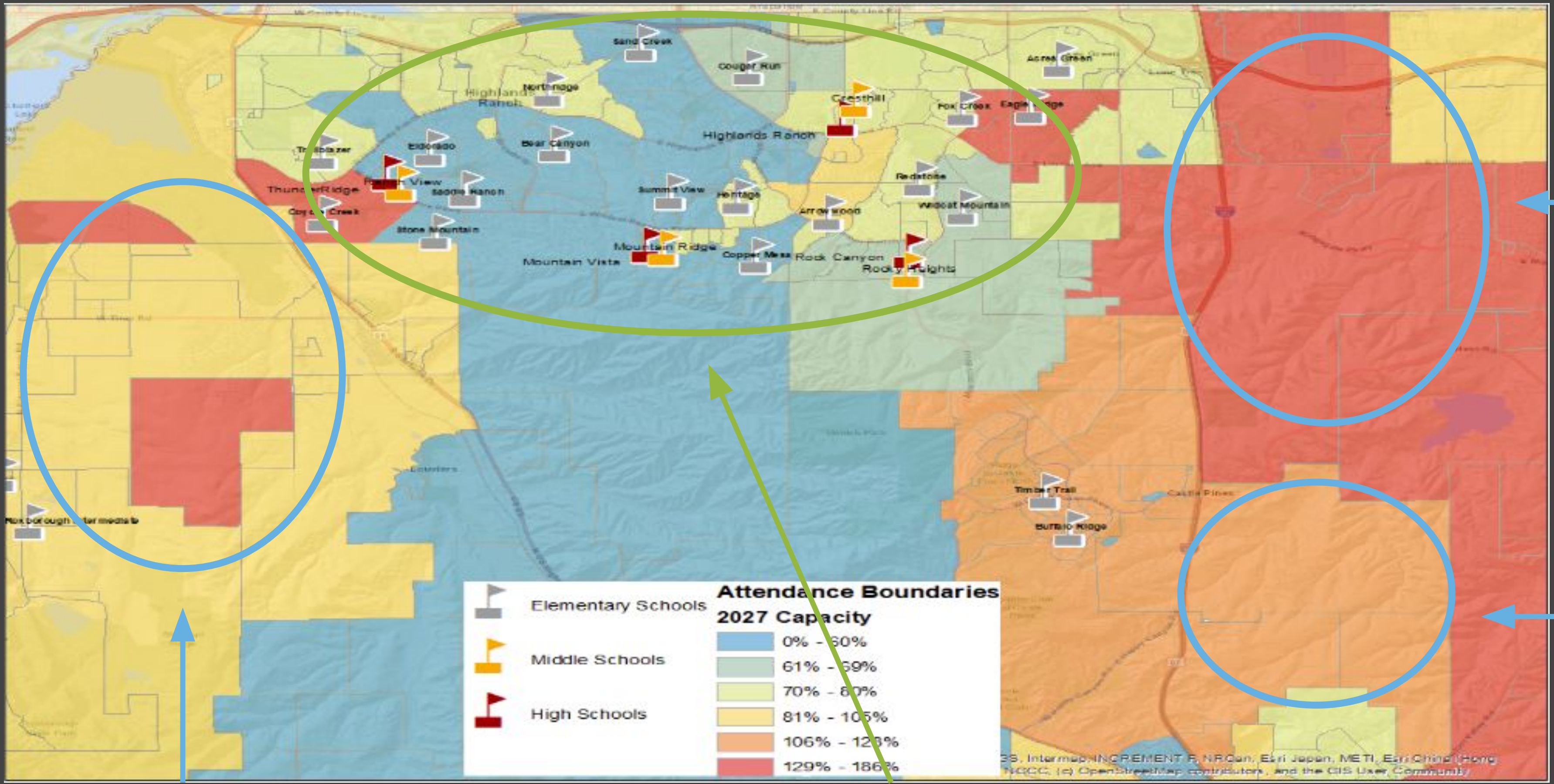
Challenge: Lack of Schools in Growth Areas

Growing New Communities are School Voids



RidgeGate East
(8,000 future homes)

The Canyons
(5,000 homes, 18% built)

Sterling Ranch/Solstice
(13,000 homes, 16% built)

Highlands Ranch
(38,000 homes)

How New Schools Get Built

Growth DOES NOT pay its own way when it comes to schools.

- **In Colorado, school districts generally have to pass bond initiatives to build schools.**
- Developers are required to provide the land for public schools.
- In Douglas County, developers contribute a voluntary “capital fee” for every unit they build.
  - The capital fees are used to cover growth-related expenses (such as mobile classrooms to expand school capacity or adding school zones/crosswalks).
  - Impact fees *do not come close* to covering the cost of schools (an elementary school is $60M, a joint middle-high school is $300M)
- Our county supported seven bonds from 1984 to 2006 in order to build neighborhood schools, the last of which was built in 2010.

What About Areas of Declining Enrollment?

Douglas County is experiencing decline in some areas.

- Unfortunately, we cannot move schools from areas of decline to areas of growth.
- Continuing to bus students from new communities to existing communities is causing overcrowding, long bus rides for young children, and will eventually mean re-boundrying families away from their closest school.
- DCSD is in the process of community engagement and policy development to pair some schools in Highlands Ranch for the 2026-2027 school year, which will result in additional opportunities for students and more efficient use of funds.
- The bond proposals include funds to improve the destination schools of the paired communities.
- DCSD still needs any future unused school buildings for special education programming and other educational purposes.

Background:
Bonds in Douglas County

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Reminder: How Bonds Work

- The District asks the taxpayers for permission to take on debt, the taxpayers pay the debt payment through their property taxes.

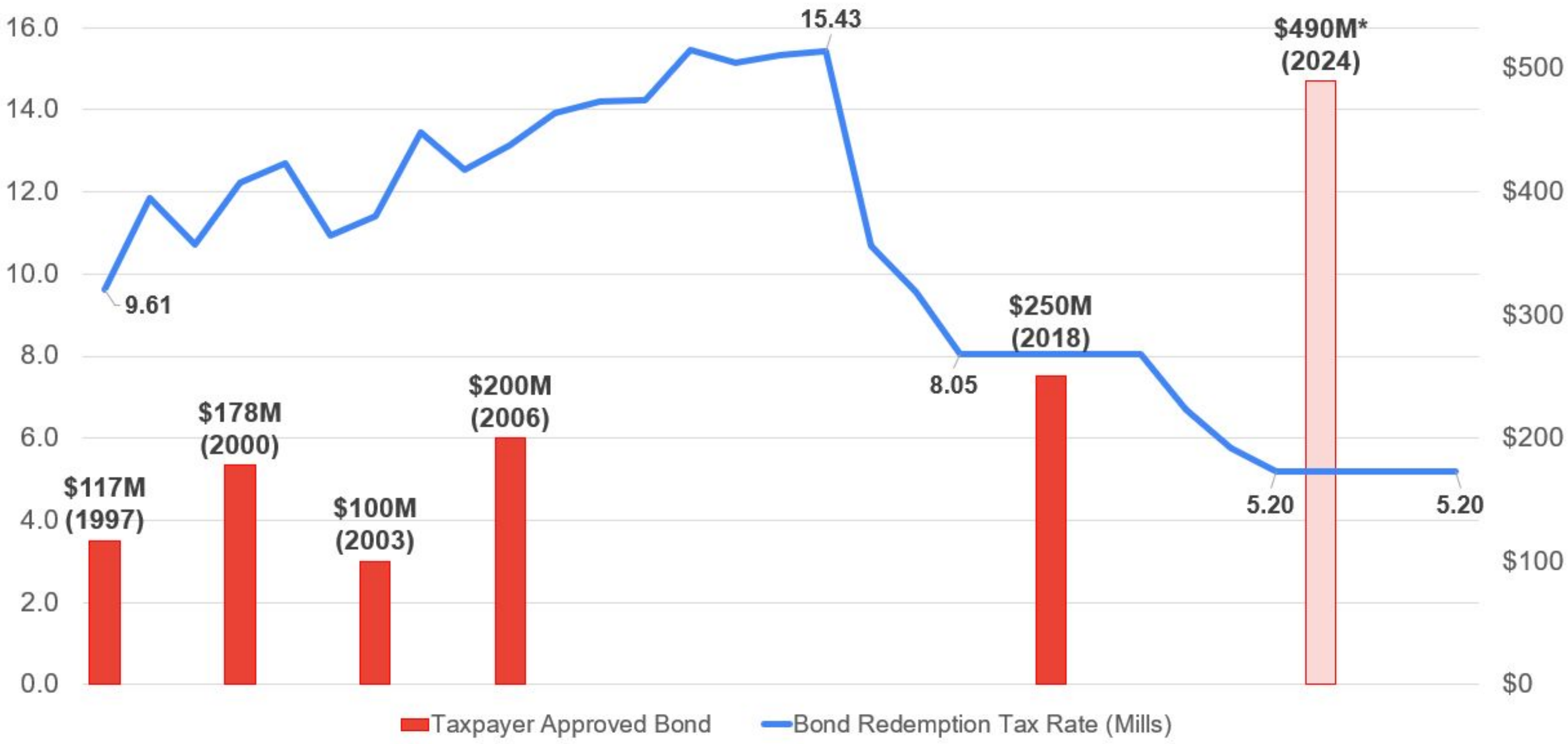
- The bond mill is set each year to make the payments.

- As the district pays off and restructures debt, the debt payments “step down” in such a way that new debt can be issued (with the approval of taxpayers) and new debt payment fills in the “step down” creating an opportunity to pass new debt without an increase in the mill rate.

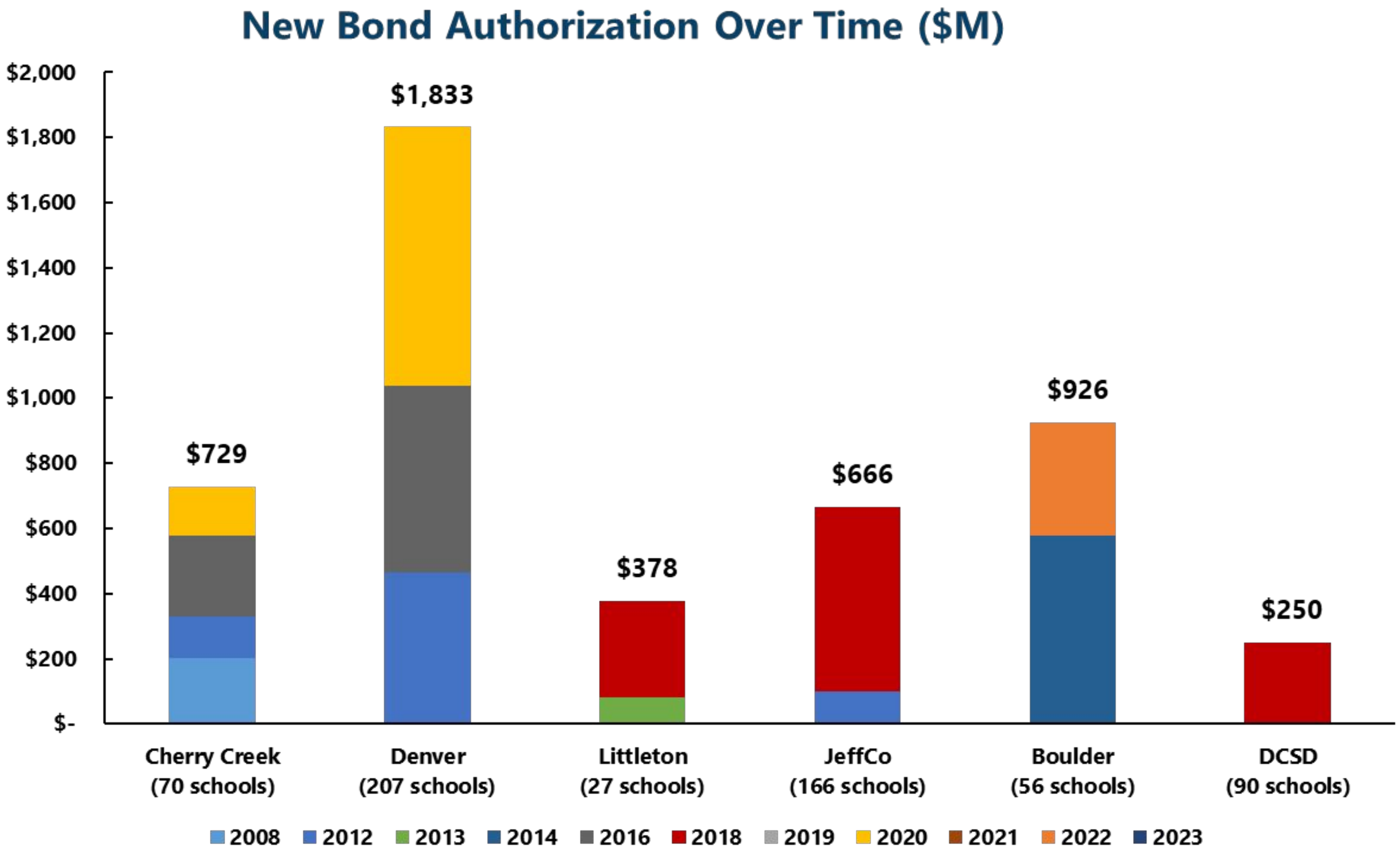
- For DCSD, the last opportunity to pass voter-approved debt without a mill rate increase is in 2024. If a $490M bond passes in 2024, the mill rate will remain flat at 5.2 mills.
    - However, any future bond will result in an increase in the mill rate because our rate has ratched down so much over the years.

25 Years of History: Bond Approvals and Impact

Taxpayer Approved Debt and Mills Collected for Debt Payments



Historic Capital Investments in the Metro Area



Master Capital Plan

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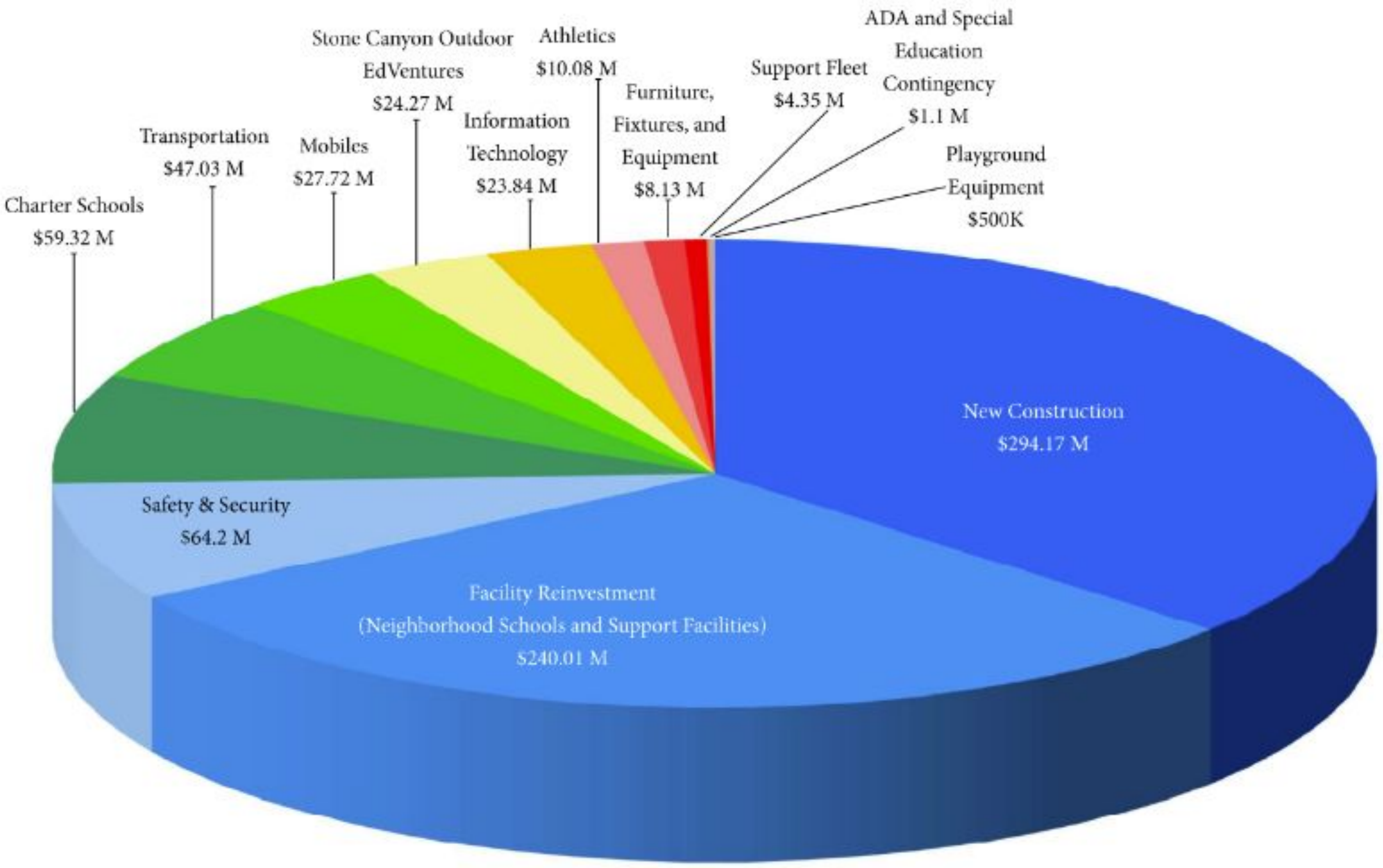
DCSD Master Capital Plan

- Historically, staff and the Long Range Planning Committee prepare the Master Capital Plan.
- The Master Capital Plan lays out what investments should be made into the district's capital assets (buildings, etc.) and into new construction; capital improvements in existing assets are captured for 1-5 years and new construction needs are captured for 1-5 years and 6-10 years.
- **The Master Capital Plan is approved by the Board of Education annually.**

Long-term sustainability for DCSD means having a financial plan to address capital needs (as expressed in the Master Capital Plan).

Master Capital Plan Progress

2024 Draft Master Capital Plan: 1-5 Year Needs ($863M Total)



Committed Investment to Date:

- $20M in 2024

$863M Still Needed (2024-2029):

- $294M new construction
- $569M CIP & other capital needs

$1,174M Needed (2030-2035):

- $999M new construction
- $175 ongoing CIP* (estimate)
- TBD other capital needs

**estimate of $35M/year*

Financial Planning for the Master Capital Plan

- The Master Capital Plan can be addressed in one of following ways:
    - Budget $166.6M per year for the next five years in operating expenses (this would mean cutting 34% of operating expenses district-wide; one comprehensive high school costs $20M/yr)
    - Use unassigned fund balance ($64M) and budget $153.8 per year for the next five years (31% cuts)
    - Pass a $35M/year MLO (tax increase) and budget $118.8 per year or the next five years (24% cuts)
    - Pass a series of bonds (debt) to address the next 10 years
- ***The only way the district becomes self-sustaining is by having a debt plan that can keep the mill rate flat (within reason) and continue to take out debt to invest in assets over time.***
- This would involve passing bonds on a regular basis (in alignment with the Master Capital Plan), thus moving the debt redemption tax rate (over time) to about where it was in 1994, assuming modest Assessed Valuation (AV) growth.

**Estimated based on the current 2023-2024 Master Capital Plan*

Scenarios to Address Challenges

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Scenario A: $490M Summary

NEIGHBORHOOD SCHOOL CONSTRUCTION	$150,000,000
CAPITAL RENEWAL & REPLACEMENT	$178,999,693
TRANSPORTATION	$8,360,317
GROWTH & DECLINE	$20,000,000
SAFETY & SECURITY	$10,000,000
CAREER AND TECHNICAL EDUCATION	$38,173,960
SPECIAL EDUCATION	$15,363,274
INFORMATION TECHNOLOGY	$20,000,000
ATHLETICS & ACTIVITIES	$12,008,125
CONTINGENCY, MANAGEMENT & BOND FEES (<1%)	$37,094,631
TOTAL	**$490,000,000**

Detailed Lists Linked Below:

$490M Bond Plan Summary

CIP Charter Schools

CIP District Facilities

Project List by School

Transportation

Safety & Security

Athletics & Activities

Scenario A: $490M Highlights

Construction and Addition Highlights

- New Elementary Schools*: Sterling Ranch and RidgeGate/Canyons
- Sierra Middle School Expansion
- Legacy Campus Phase II: Construction, HVAC, Electrical, Carpentry, Electrical Vehicles, and Advanced Manufacturing Pathways
- Cosmetology Pathway at Douglas County High School
- Automotive Pathway at Highlands Ranch High School
- Parkglenn Way Phase III (expanding special education programming)
- Programming Expansion for Growth & Decline (Highlands Ranch)

Capital Renewal & Replacement

- In terms of critical Tier 1 and Tier 2 maintenance, this bond will bridge us from the 2018 bond to 2026.

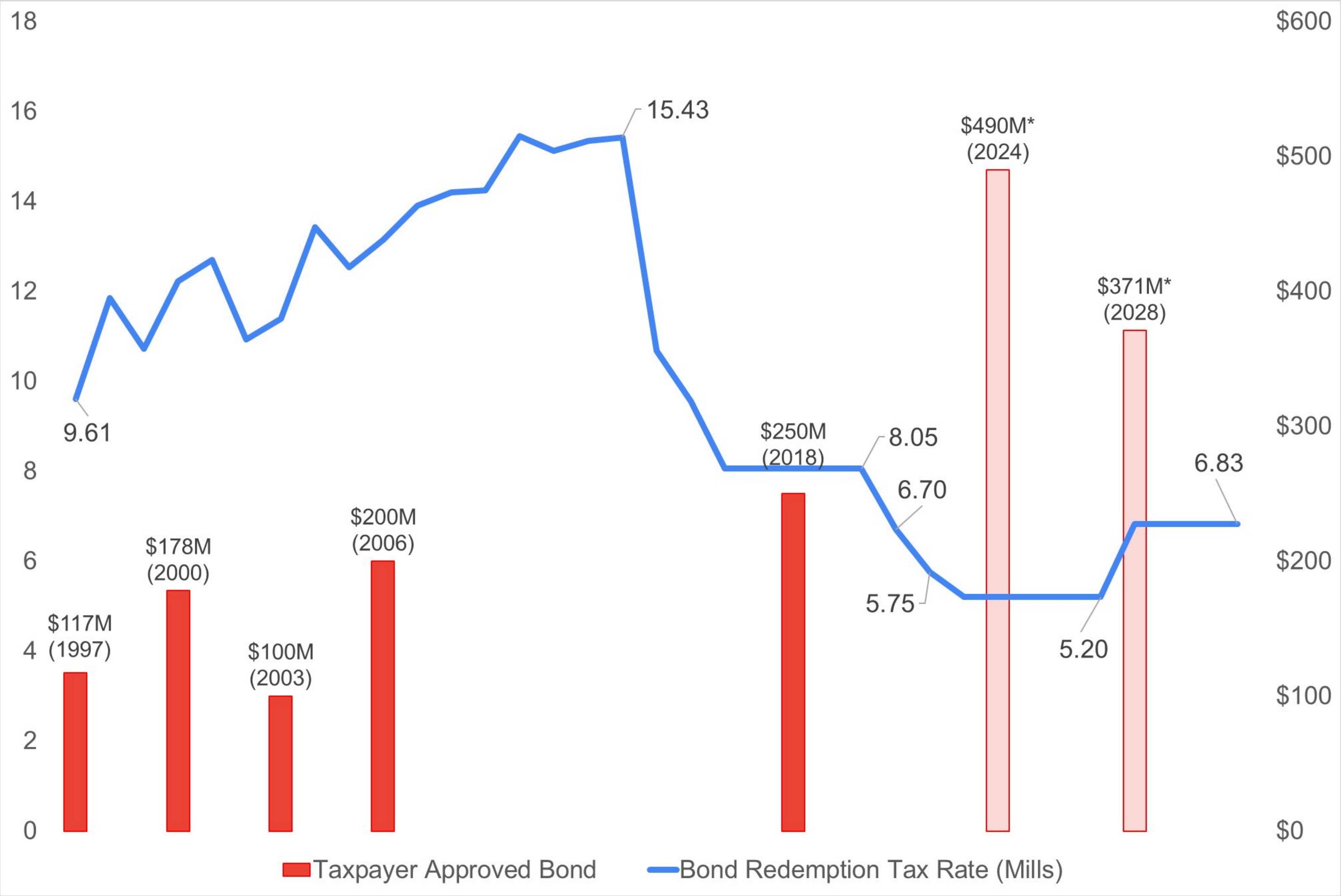
**Priorities based on the latest version Master Capital Plan (June 2024)*

Douglas County School District

Scenario A: $490M Bond Tax Impact

COST TO TAXPAYERS:
Zero tax rate increase

MCP COMPLETION (1-5 YRS):
To complete the Master Capital Plan (1-5 years), *the next bond would be a tax increase of 1.6 mills*.*



**Calculations assume 2% annual increase in AV and 2% per year inflation; the average home in Douglas County is $780K*

Scenario A: $490M Proposed Bond Language

Without imposing any new tax, shall Douglas County School District debt be increased $490 million, with a maximum total repayment cost not to exceed $895 million, for the purposes of enhancing educational opportunities for students by:

Updating and equipping aging schools and facilities;

Building additional career and technical education pathways by constructing and expanding school facilities;

Constructing, equipping and expanding neighborhood schools to accommodate growth and reduce overcrowding; and

Upgrading school safety and security;

And shall the taxes authorized at the District's bond elections in 2000, 2003, 2006, and 2018 be extended and authorized to be used to pay the debt authorized at this election in addition to the debt authorized at such prior elections; such debt to be evidenced by the issuance of general obligation bonds which shall bear interest, mature, be subject to redemption, with or without payment of the premium of not to exceed one percent, and be issued, dated and sold at such time or times, at such prices (at, above or below PAR) and in such manner and containing such terms, not inconsistent herewith, as the District may determine; and shall Ad Valorem property taxes be imposed in any year, without limitation as to rate, to pay the principal of, premium, if any, and interest on such bonds and any bonds issued to refinance such bonds and any bonds issued to refinance such bonds and to fund any reserves for the payment thereof;

and shall the district's expenditures be subject to oversight by a citizens' committee?

Scenario B: $590M Summary

NEIGHBORHOOD SCHOOL CONSTRUCTION (+$60M)	$210,000,000
CAPITAL RENEWAL & REPLACEMENT (+$35M CIP)	$214,174,693
TRANSPORTATION	$8,360,317
GROWTH & DECLINE (+$4M)	$24,000,000
SAFETY & SECURITY	$10,000,000
CAREER AND TECHNICAL EDUCATION	$38,173,960
SPECIAL EDUCATION	$15,363,274
INFORMATION TECHNOLOGY	$20,000,000
ATHLETICS & ACTIVITIES	$12,008,125
CONTINGENCY, MANAGEMENT & BOND FEES (<1%) (+$1M)	$37,919,631
TOTAL	**$590,000,000**

Detailed Lists Linked Below:

[$590 Bond Plan Summary]

[CIP Charter Schools]

[CIP District Facilities]

[CIP District Facilities ($590M Additions only)]

[Project List by School]

[Project List by School ($590M Additions only)]

[Transportation]

[Safety & Security]

[Athletics & Activities]

Scenario B: $590M Highlights

Construction and Addition Highlights

- New Elementary Schools*: Sterling Ranch, RidgeGate/Canyons, and Crowfoot Valley
- Sierra Middle School Expansion and South Ridge Elementary Renovation (due to Crystal Valley growth)
- Legacy Campus Phase II: Construction, HVAC, Electrical, Carpentry, Electrical Vehicles, and Advanced Manufacturing Pathways
- Cosmetology Pathway at DCHS
- Automotive Pathway at HRHS
- Parkglenn Way Phase III (expanding special education programming)
- Programming Expansion for Growth & Decline (Highlands Ranch)

Capital Renewal & Replacement

- In terms of critical Tier 1 and Tier 2 maintenance, this bond will bridge us from the 2018 bond to 2027.

**Priorities based on the latest version Master Capital Plan (June 2024)*

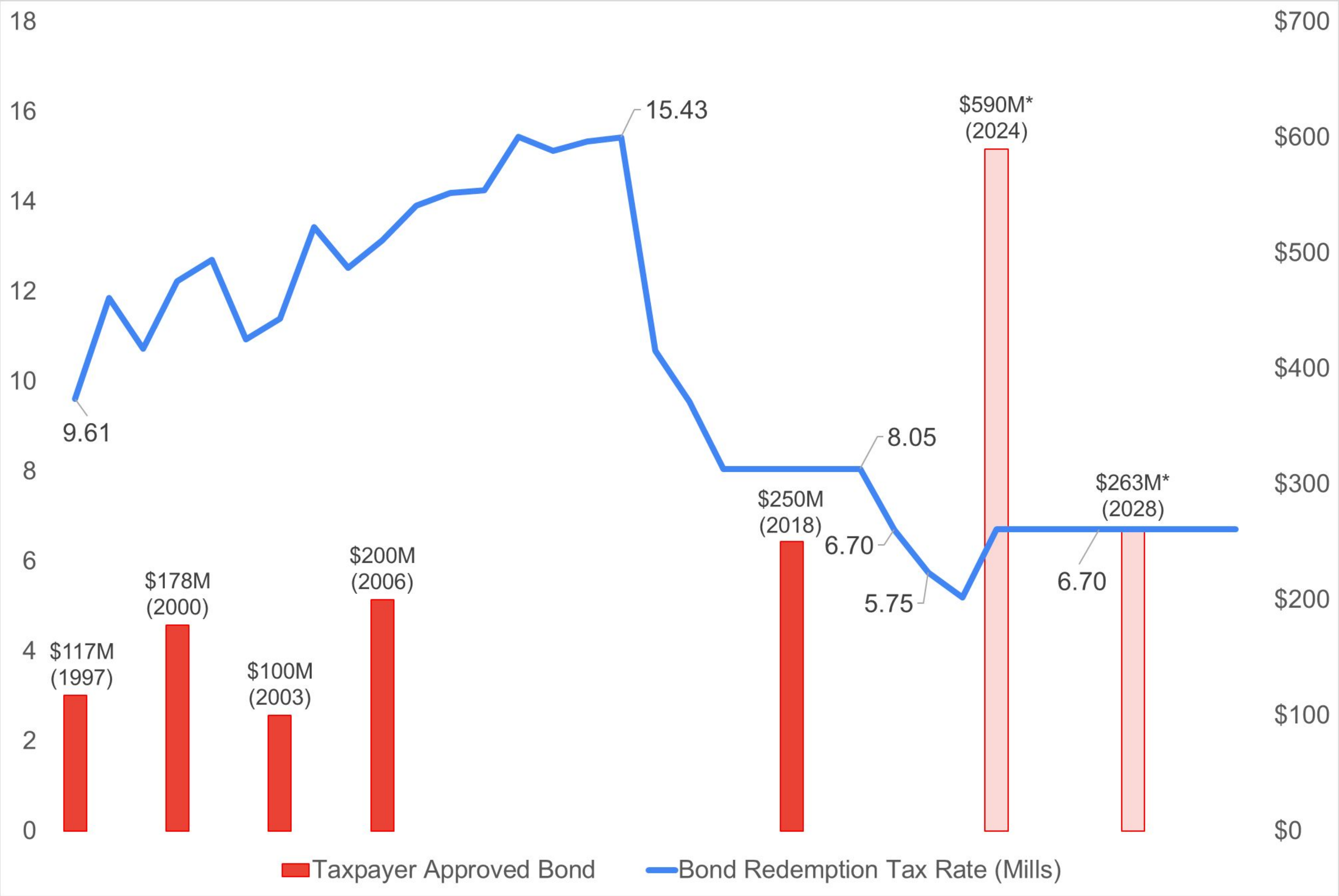
Douglas County School District

Scenario B: $590M Bond Tax Impact

COST TO TAXPAYERS:
1.5 mill tax rate increase or $73 per year on an average home.

MCP COMPLETION (1-5 YRS):
To complete the Master Capital Plan (1-5 years), *the next bond would be a zero tax increase**.

**Calculations assume 2% annual increase in AV and 2% per year inflation; the average home in Douglas County is $780K*



Scenario B: $590M Proposed Bond Language

Shall Douglas County School District debt be increased $590 million with a repayment cost of not to exceed $990 million, and shall taxes be increased not more than $60 million annually to pay such debt, all for the purpose of enhancing educational opportunities for students by:

Updating and equipping aging schools and facilities;

Building additional career and technical education pathways by constructing and expanding school facilities;

Constructing, equipping and expanding neighborhood schools to accommodate growth and reduce overcrowding; and

Upgrading school safety and security;

And shall the mill levy be imposed each year at a rate sufficient to pay the principal of and interest on the district's debt (or to create a reserve for such payment); such debt to be evidenced by the issuance of general obligation bonds to be sold in one series or more, for a price above or below the principal amount of such series, on terms and conditions and with such maturities as permitted by law, including provisions for redemption of the bonds prior to maturity with or without payment of the premium of not to exceed one percent;

and shall the district's expenditures be subject to oversight by a citizens' committee?

Scenario C: Student Impacts of No Bond

- Continued growth will mean students in new communities continue to be directed to overflow schools in existing communities; students near the overflow schools will have to be reassigned further and further away from their neighborhood school.
- Transportation for all students will continue to be impacted as more and longer routes will be required.
- The schools our students attend are continuing to age and capital needs are becoming increasingly urgent.
- The 2018 Bond only covered the backlog of the most urgent Tier 1 and 2 capital needs through 2021. We currently have important capital needs identified through 2028, some of which have been on the backlog since before the 2018 Bond; the backlog is $300M will continue to grow by an average of $35M per year.
- Our ability to provide safe and adequate educational spaces for students, which research shows are critical for learning, will be compromised.

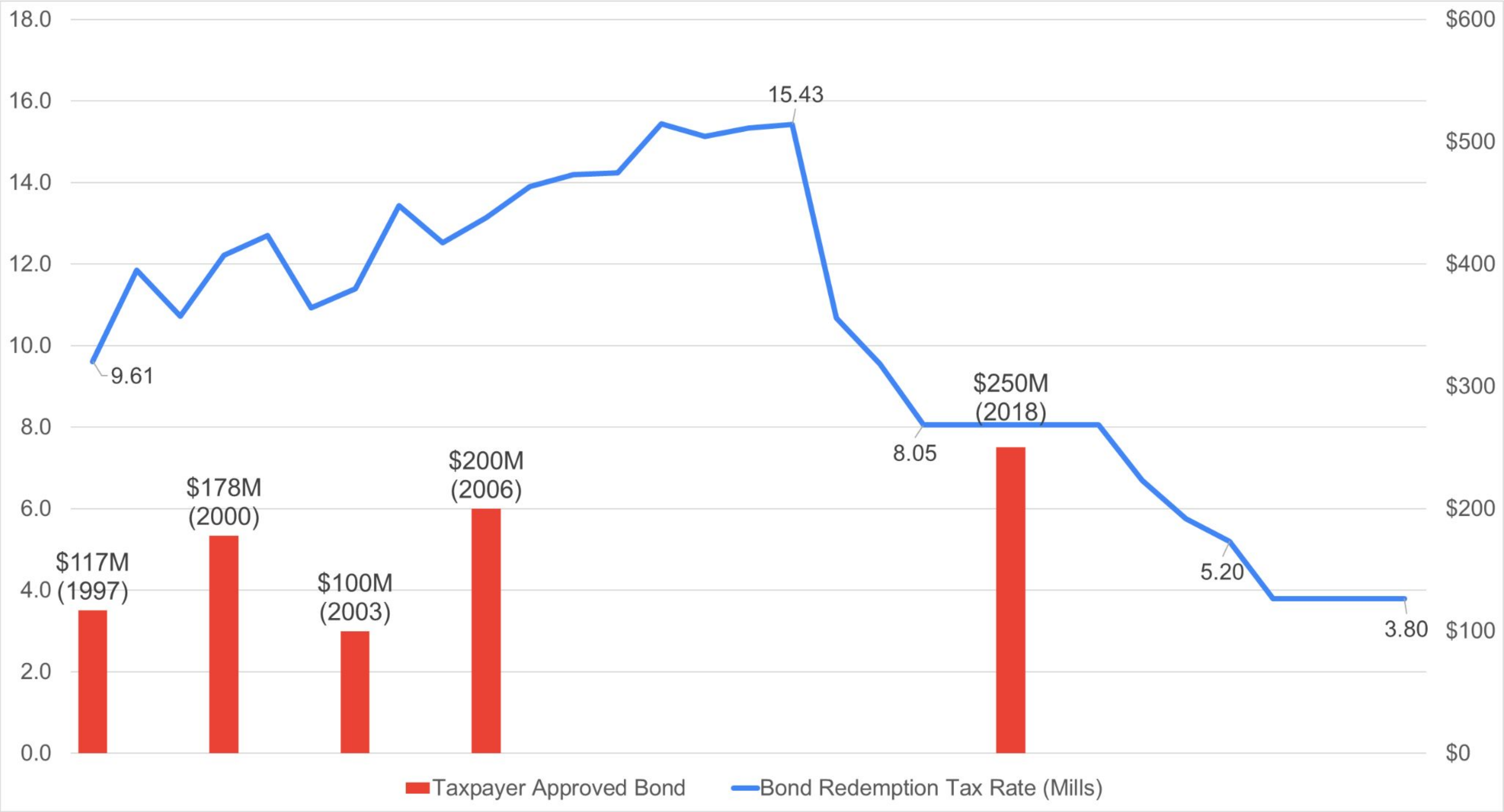
Scenario C: Financial Impacts of No Bond

- Inflation: $45-$50M per year
- Increasing backlog for district run schools and buildings: $35M per year
- Moving mobiles for capacity: $1M per year
- Longer, crowded bus routes to overflow schools: $250K per year
- Maintenance of older buses (would not spend with newer): $2M per year
- Temporary building systems: $1M per year
- Increases in O&M costs and services: $1M per year
- Temporary school closures due to failure of infrastructure (cost: millions)
- The resulting decrease in the tax rate will compromise the district’s ability to pass future bonds.

Scenario C: Tax Impact of No Bond

COST: Mill decrease of 1.5 mills resulting in a decrease of $73 decrease on an average home.

IMPACT: Any future bonds would represent a *significant tax increase*.



**Calculations assume 2% annual increase in AV and 2% per year inflation; the average home in Douglas County is $780K*

Next Steps

June 18, 2024

- Approval of Resolution Regarding Appointment of Designated Election Official and Notice of Intent to Douglas and Elbert County Clerks [Action Item: Consent Agenda]

Mid-July

- Polling on both scenarios

August 13, 2024

- Polling presentation and final staff recommendation

August 27, 2024

- Election resolution to place a $490 or $590 Million bond on the ballot [Action Item]
- Approval of the proposed Bond Plan [Action Item]

Staff recommends the BOE extend the charter for the Mill Bond Oversight Committee (MBOC) if applicable.

Note: The Fair Campaign Practices Act kicks in once a vote is taken.

Questions?

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