

Bond Facts Q&A 2016 Election

Definitions and Questions

Definitions:

Bond Authority: The amount voters have approved for specific projects during a specific election.

Bond Capacity: The maximum amount of voter approved debt school districts can issue (not to exceed 20% of the district's assessed value as determined by the county assessor). This can be less or more than voter approved bonds. However, you cannot sell a current approved bond authority if you don't have bond capacity.

Bond Language: The types of projects for which bond proceeds may be used based off voter information pamphlet. Every project or purchase must be approved by the governing board. In Queen Creek USD, all bond projects must be reviewed by the Bond Oversight Committee before coming to the Governing Board. No project may proceed without Governing Board approval.

Questions:

Q: What projects do we have permission to do (language) with our existing bonds?

2010 Bond:

2010 Bond Election	Approved Amount	Remaining Balance (As of 6/30/15)	Projects In Progress	Balance Est. 6/30/16
Non-Administrative Purposes:				
Technology, furniture and equipment	\$6,000,000	\$2,932,479	(\$208,613) ✓	\$2,723,865
Renovations, upgrades and new construction of schools	\$6,000,000	\$887,792	(\$887,792) ✓	\$0
Purchase Transportation Vehicles	\$1,000,000	\$993,369	(\$500,000) ✓	\$493,369
Administrative Purposes:				
Technology and equipment	\$2,000,000	\$1,721,488	(\$500,000) ✓	\$1,221,488
Other (10% rule) - DME Const			(\$1,128,287) ✓	(\$1,128,287)
Totals	\$15,000,000	\$6,535,128	(\$3,224,692)	\$3,310,436

2014 Bond:

2014 Bond Election	Approved Amount	Remaining Balance (As of 6/30/15)	Projects In Progress	Balance Est. 6/30/16
Non-Administrative Purposes:				
Renovations and construction of middle school, HS and PAC	\$45,600,000	\$45,586,417	(\$12,686,417) ✓	\$32,900,000
New construction of school facilities at northern site	\$17,500,000	\$7,097,373	(\$7,097,373) ✓	\$0
Purchase pupil transportation vehicles	\$5,500,000	\$5,500,000	✓	\$5,500,000
Other school site renovations	\$10,000,000	\$10,000,000	(\$2,000,000) ✓	\$8,000,000
Purchase furniture, technology and equipment	\$1,400,000	\$1,400,000	(\$800,000) ✓	\$600,000
Totals	\$80,000,000	\$69,583,789	(\$22,583,789)	\$47,000,000

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Q: Can we begin on HS#2 with existing bond language?

Yes, the construction is authorized via the Voter Pamphlet in the 2014 bond. Some of the land could be purchased using the 10% rule (ARS15-491). The real question will be “do we have enough bond capacity and/or authority and will the timing be right?”

Q: Why doesn't QCUSD utilize current bond authority to build an adjunct HS building on the MS property to help absorb the HS enrollment issues?

- The plan to build additional classroom space at QCMS is achievable (current bond capacity, authority and language), but fails to address the more urgent issues of elementary school overcrowding/capacity and anticipated growth north of Germann Road. Staff feels that this option could be done, but this option should be kept in reserve and only considered if the other plans fail to materialize due to the following concerns:
 - A. This construction would utilize our bond authority to alleviate the HS enrollment problem but our demographic data indicates that we need elementary school space in 2018, which is before HS capacity is actually reached (2020). This would not allow us to remedy elementary overcrowding problems since the current bond language does not allow elementary construction.
 - B. Building an adjunct HS building(s) on the MS campus would delay the district's ability to start a comprehensive HS because this facility would reduce the bonding capacity and increase enrollment capacity.
 - C. There are non-building issues associated with opening a new adjunct high school building (programs, assigning students, commuting between campuses, transportation, parking, feeding, rest rooms, traffic, staffing, separating the many levels of maturity on the same campus, etc.) that have operational, budget and personnel consequences. Of course, the most serious of the unanswered questions is what to do when this building reaches capacity. Staff feels that a split campus is an expensive model to operate due to additional supervisory expenses, transportation expenses, etc.

Q: Can we expect funding from the School Facilities Board (SFB) for either land or construction of High School #2 or the new elementary schools?

We are watching other school districts who should be receiving funding for new schools this year. The SFB is not fully funded by the legislature to support state-wide school construction projects based on existing state need, but there may be some strategies for funding that develop during the current legislative session. Regardless, the amount of funding allowed by the SFB is generally well short of that necessary to meet minimum district standards. The district will want/need to supplement SFB funding.

Q: Can we build Elementary #6 with existing bond language?

No. There are insufficient funds in the 2010 bond and no pamphlet language that allows construction of an elementary school (other than Gateway Polytechnic Academy) in the 2014 bond.

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Q: Why did our capacity at each school seem to decrease since our last presentation?

This is the ultimate “good news, bad news” scenario. The override election designed to reduce class sizes was successful. A reduction in class sizes has a corresponding effect in reducing total building capacity if we hold to these class size parameters. The estimated capacity is based class size and not on square footage.

Q: How does “capture rate” affect us?

Capture rate is the percentage of students residing in the district who chose to get their education at Queen Creek USD. Increasing capture rate is an indication that our programs are working. Parents are choosing QCUSD. Retaining or recapturing our students adds to the growth dilemma. We may grow even faster than projected if we keep more of the k-12 student population than resides in the district.

Q: What happens if growth slows or does not match projections?

Bonds are traditionally sold annually upon a decision (resolution) by the Governing Board. There can be multiple sales of bonds for a single voter approved bond authority (ie \$95M). Delaying construction and not selling the supporting bonds is always an option. Not selling bonds allows for assessed valuation in the district to rise while not increasing indebtedness (and subsequent property tax rates). Naturally, the district should not sell bonds unless there are approved, underlying projects that require funding.

Q: What happens if we don't call for a bond election this year?

Although the district currently has bonding authority and bonding capacity, the district does not have bond language to permit construction of an elementary school, which will be needed within the next two years. Waiting another year (election in 2017) would make funds available around March 2018 and possibly delay the opening of Elementary #6 until July 2019. Assuming growth continues as projected, the district elementary schools will become overcrowded.

Q: How do additional bond sales effect tax rates?

This is a complicated question – the county, not the district establishes tax rates. The district controls its indebtedness that is a major driver of the tax rate. Obviously, more debt requires more payment (seemingly higher tax rate); however, the district is continuously paying down debt and its population growing (more taxpayers to share the debt). The district is in close communication with our professional bond advisors on this topic.

Q: What if School Facility Board funds become available?

The district will reduce its obligation, and subsequent bond sale, for that project(s) if the SFB provides some funding for construction. However, current data indicates the SFB does not have the current funding to meet statewide growth and new school needs. In addition, our projections show a serious student capacity shortfall even with potential SFB funding and new voter approved district bonds.

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Q: What are key dates for bond elections and potential construction projects?

- **October 10, 2016 – Last day to register to vote**
- November 8, 2016 – Voting Day
- March 2017 – First bond sale. Selection and award of contract 2017
- May 2017 - Notice to proceed to contractors
- Mar/April 2018 – Second bond sale. Elementary school substantially complete (10 month build) – punch list, order furniture, technology
- July 2018 - Elementary school opens
- November 2018 – High school substantially complete (18 month build) – punch list, order furniture, technology
- March 2019 – Third bond sale
- July 2019 – High school opens

Q: Why does it take so long to acquire land for the high school?

A high school site is typically 55-60 acres. It requires good transportation corridors, arterial and collector streets. It is not well suited for neighborhoods (traffic, noise, lights, etc.). Land developers are reluctant to donate this much land (unlike elementary schools). Developing a 50+ acre site may require additional efforts (civil engineering, archeology, chemical remediation, etc). Sites of this size change are a challenge to locate in developed, mature areas of the district such as to the west.

Q: What are the district's capital needs other than new school construction?

- Renovation and Preventative Maintenance
- Capital repair (roofing, HVAC, parking lots, etc.)
- Technology
 - A. Classroom/students
 - B. District (servers, broadband, etc.)
- Furniture & Equipment
- Vehicles
 - A. Pupil Transportation
 - B. District support (grounds, plumbing, etc.)

Q: Why doesn't QCUSD simply stop open enrollment to alleviate the overcrowding we are experiencing?

Open enrollment is accepting students that do not reside in the district boundaries.

There are a number of reasons that closing open enrollment can potentially hurt a growing district:

- Suppressing growth by capping open enrollment would minimize financial freedom to pay teachers and staff. For example: if the district grows by 100 students, the District must employ an additional 4 teachers. The revenues generated by those 100 students is about \$5,000 per student (in the base level), which equates to approximately \$500,000. It would cost approximately \$240,000 to pay the 4 teachers, leaving another \$260,000 from which the district may fund additional needs for all students, which is critical for salary increases and employee retention

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- Student growth allows for additional educational program development and additional diversity of types of classes, including vocational offerings, art classes, advanced placement classes, etc.
- We currently enroll approximately 15% of our student population through open enrollment. Each open enrollment student represents approximately \$5,000 and those open enrollment students that are turned down choose other schools to attend, as neighboring school districts do not cap their open enrollment.
- Open enrollment students bring in approximately \$5,000,000 in revenues to our District annually, using the most current open enrollment figures available (from 2015).
- A reduction of our current open enrollment students would not only reduce the current budget but would also reduce the number of teachers needed by those students by approximately 35 teachers.
- With or without open enrollment students, statistical projections show that our facilities will still be inadequate to accommodate student growth within a few years. Capping open enrollment does not correct the problem.
- Denying entry into QCUUSD schools may foster negative feelings for the District as a whole. It has been mentioned by districts who have capped open enrollment historically that growth is further reduced and inhibited by this negative image.