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Douglas County School District

Potential Bond Options

May 28, 2024

Agenda

- Connecting the Master Capital Plan to Financial Planning
- Options to Address the Master Capital Plan
- Potential Bond Scenarios to Address the Master Capital Plan
- Next Steps

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 0-5 years and new construction needs are captured for 0-5 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).

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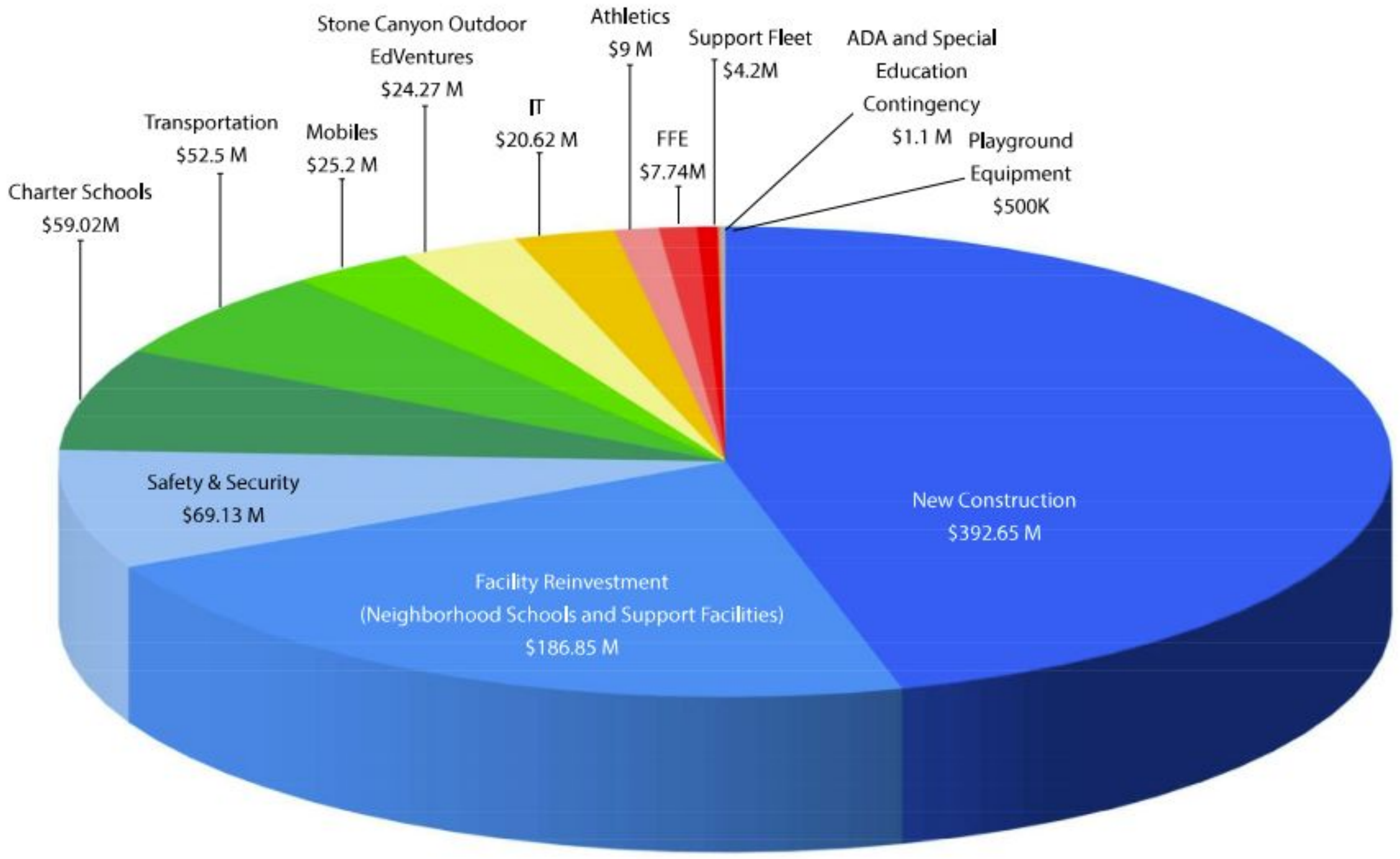
Where are we with the Master Capital Plan?

Master Capital Plan* Executive Summary: 0-5 Year Needs ($853M Total)



** 2023-2024 Master Capital Plan*

Committed Investment to Date:

- $20M in 2024

$833M Still Needed (2024-2029):

- $393M new construction
- $440 CIP & other capital needs

$1,062M Needed (2030-2035):

- $887M 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 AV growth.
- The following scenarios are how we get there.

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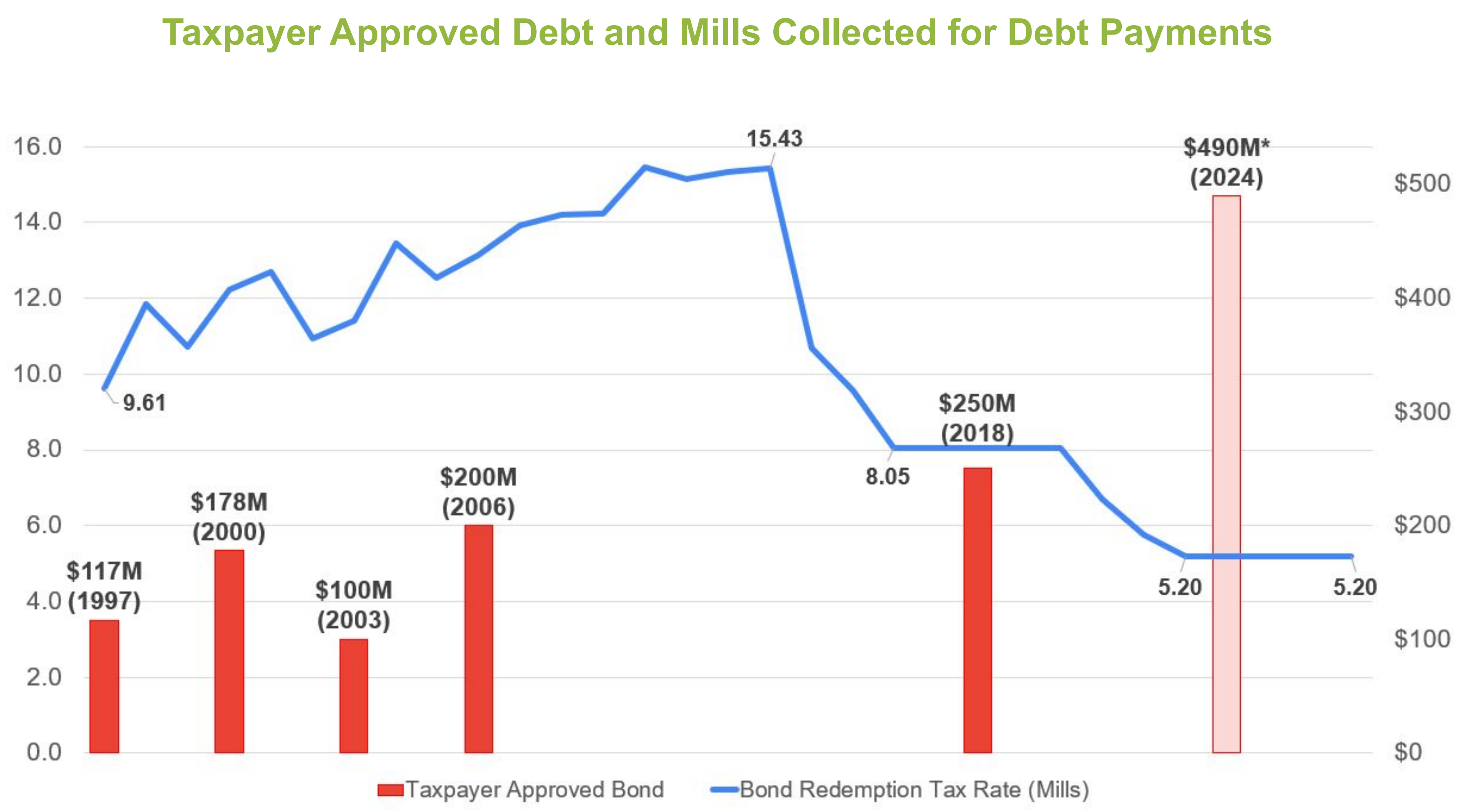
Reminder: How Bonds Work

- The District asks the taxpayers for permission to take on debt, the taxpayers pay the debt payment through their taxes.
- The bond mill is set each year to pay 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 for that is in 2024. If a $490 M 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



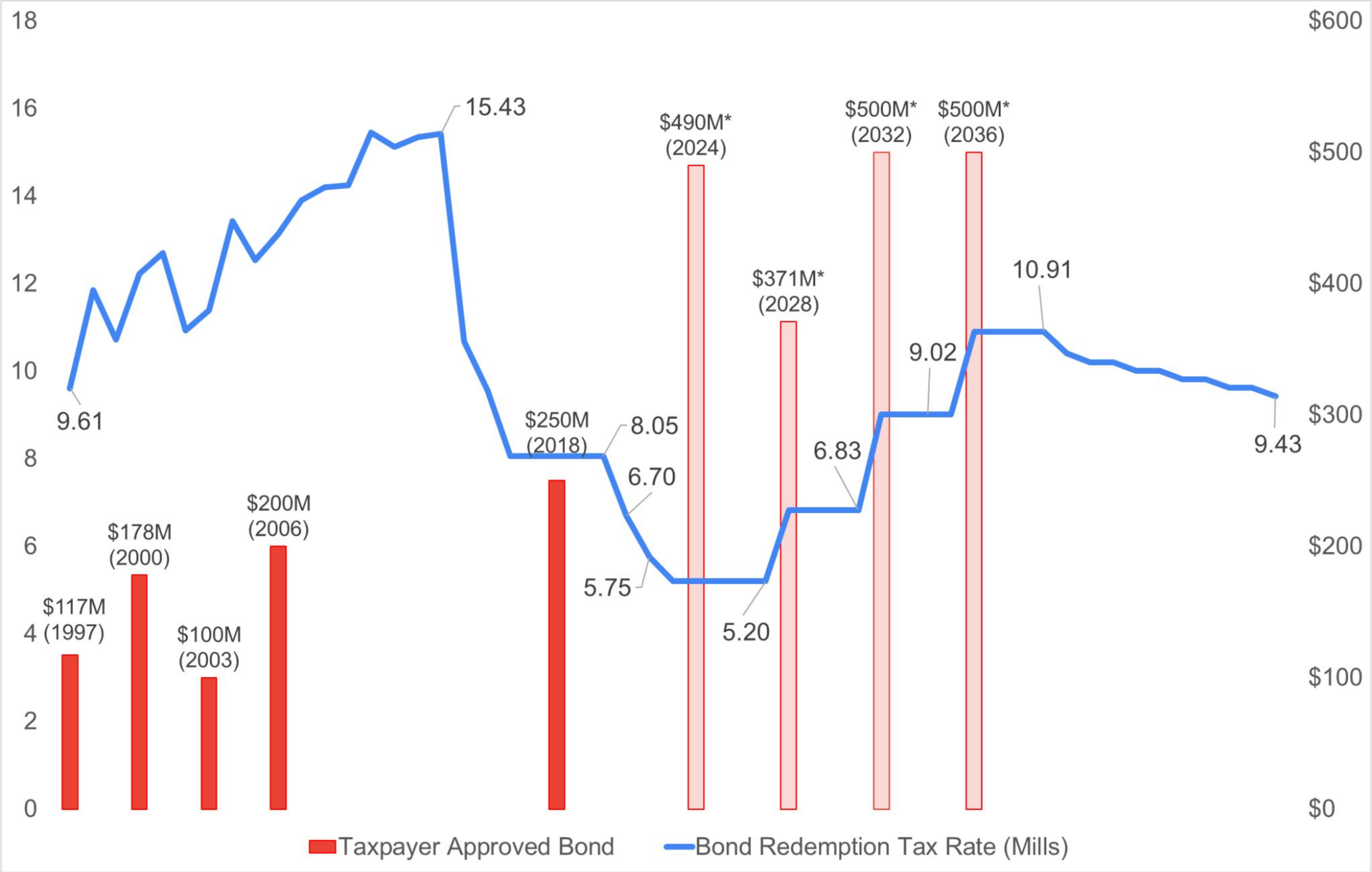
Scenario A: $490M in 2024 (no mill rate change)

COST: No tax increase

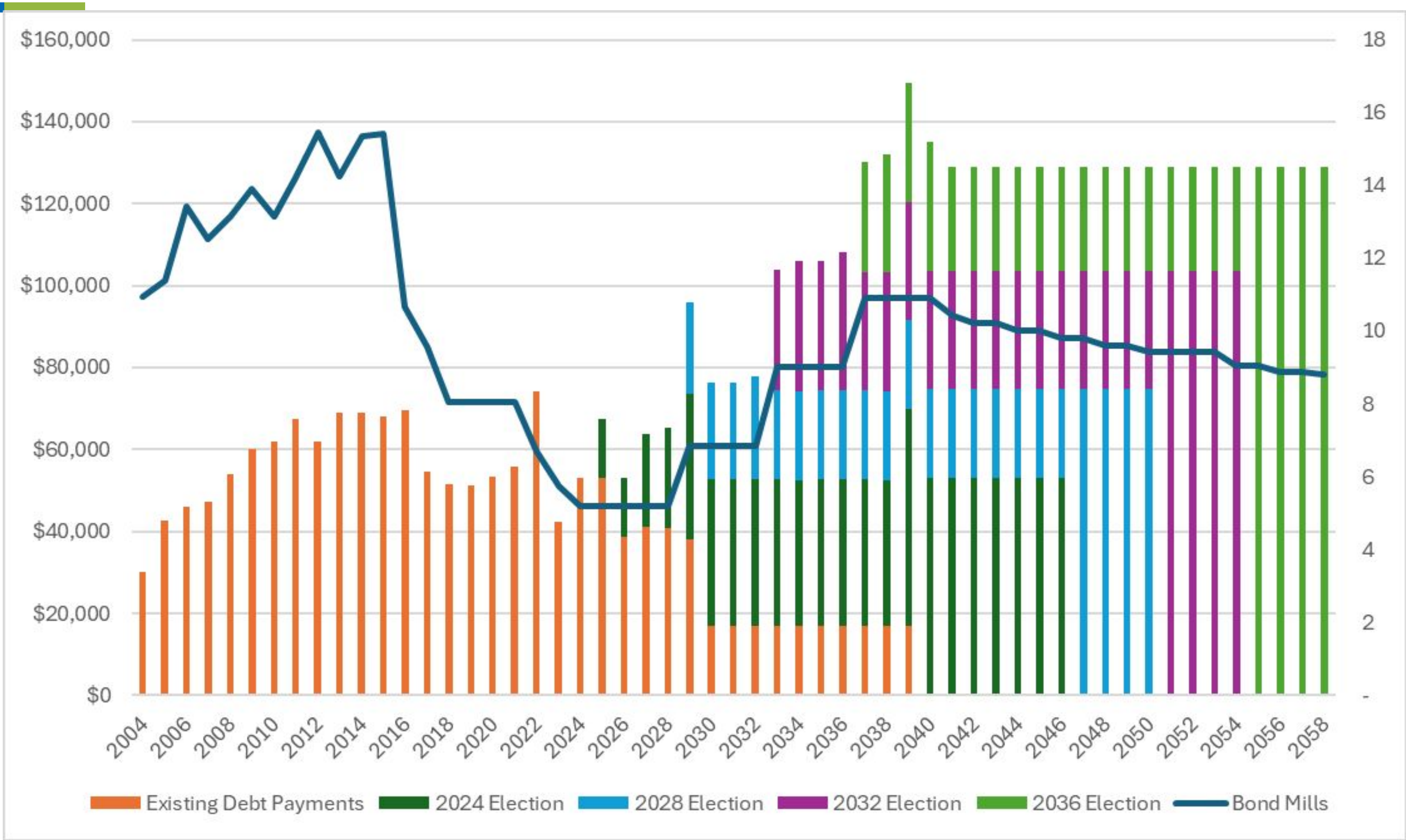
BENEFIT: 2023 bond less one elementary and one middle school expansion; improvements in Highlands Ranch

IMPACT: The next three bonds would be a tax increase of 1.6 mills, 2 mills, and 1.9 mills

ASSUMPTIONS: 2% annual increase in AV and 2% per year inflation



Scenario A: Debt Payment Modeling



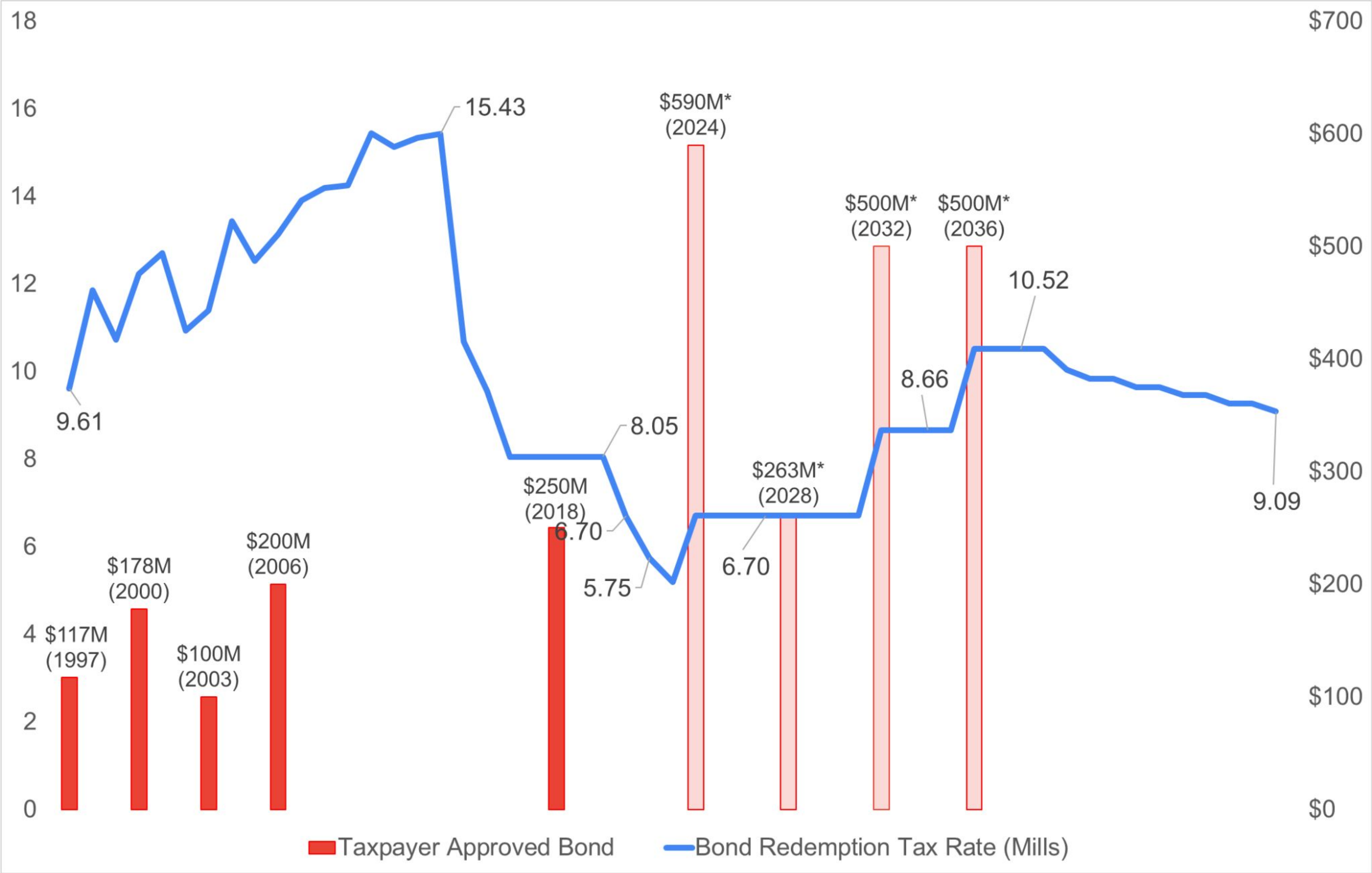
Scenario B: $590M in 2024 (rate increase: 1.5 mill)

COST: 1.5 mill increase or $95 per year on a $1M home

BENEFIT: Scenario #1 plus one additional year of capital maintenance (through 2026) and one additional elementary school

IMPACT: The next three bonds would be zero tax increase, 2 mill increase, and 1.9 mill increase.

ASSUMPTIONS: 2% annual increase in AV and 2% per year inflation



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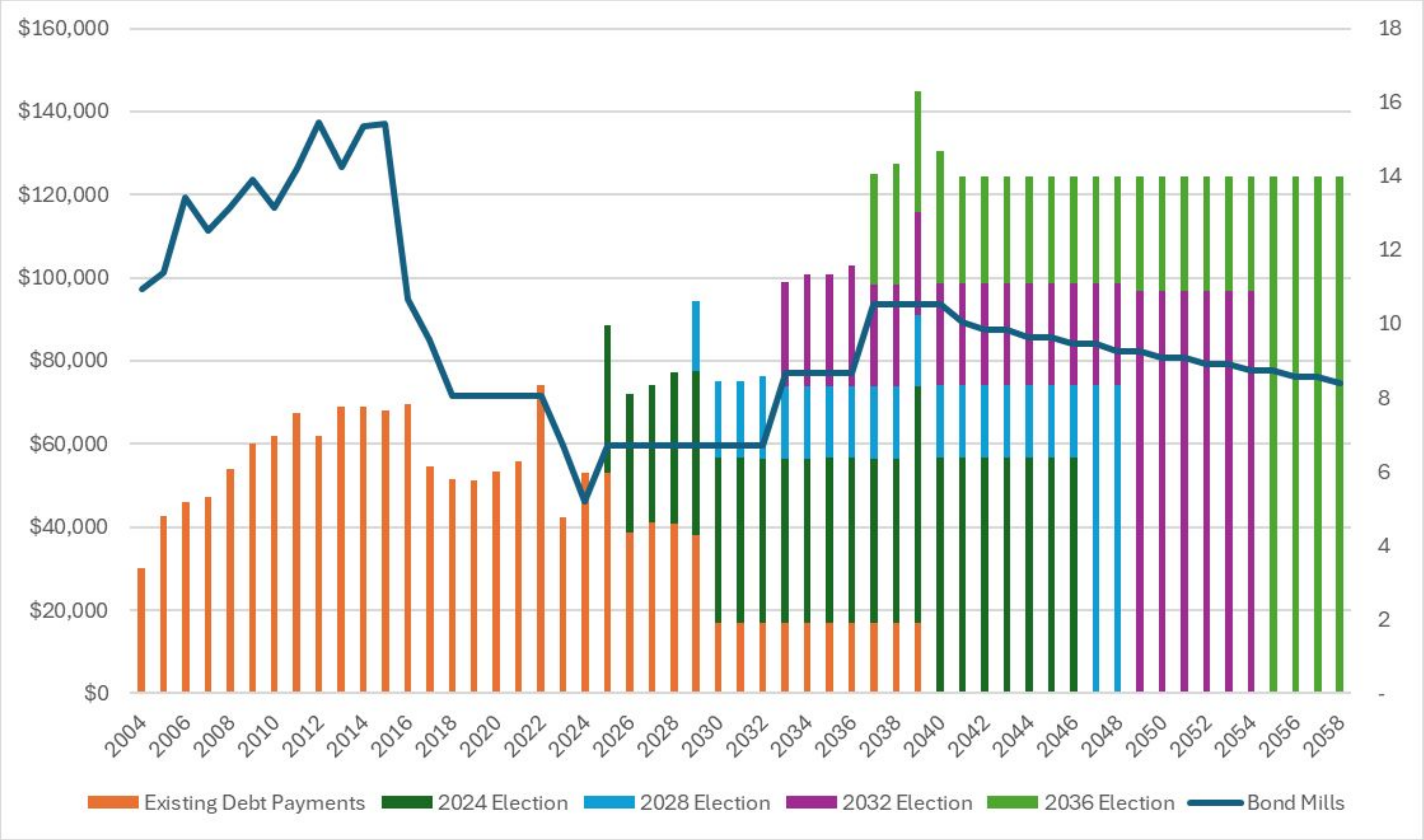
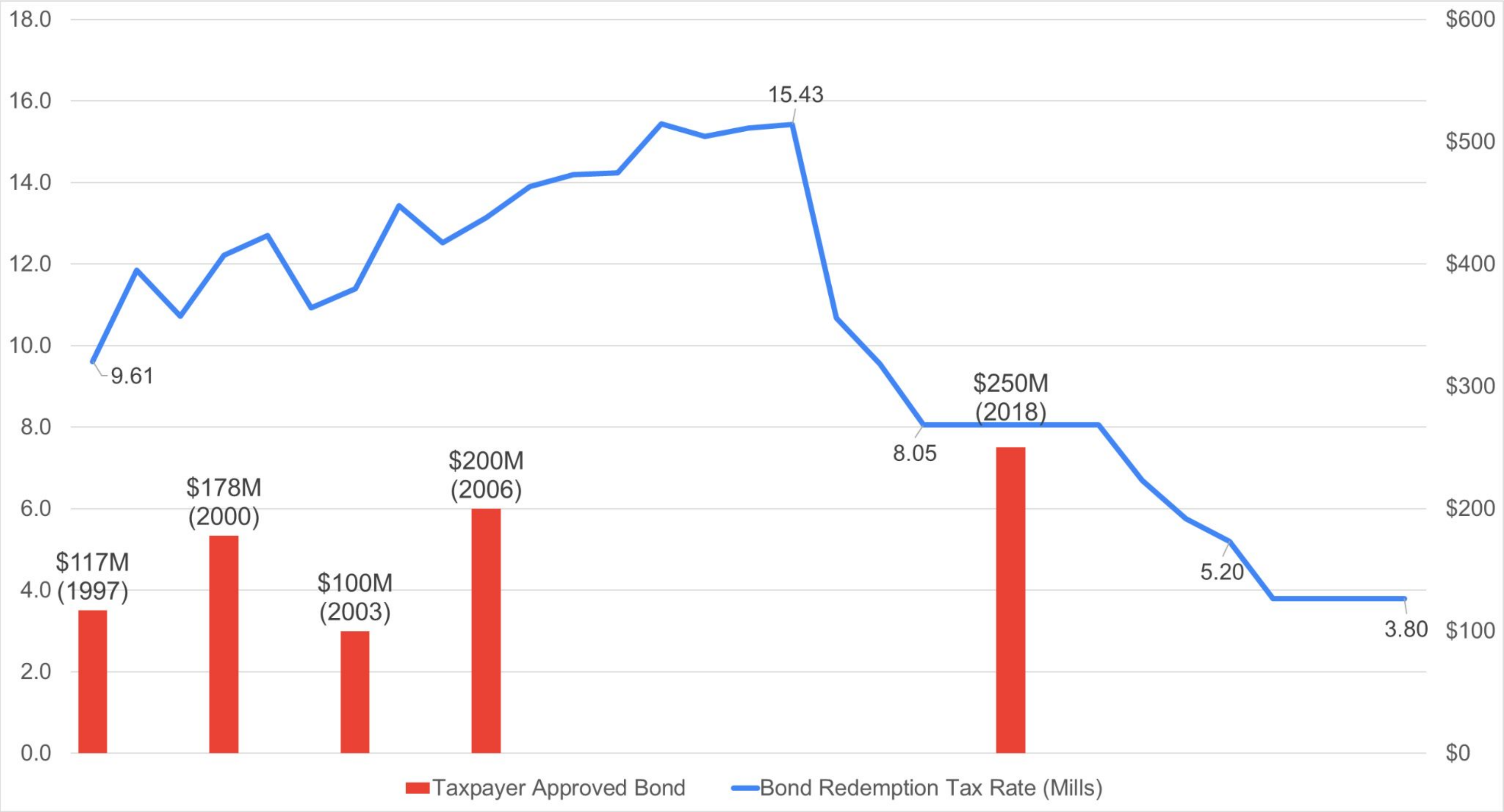
Scenario B: Debt Payment Modeling



Scenario C: No Bond in 2024

COST: Mill decrease of 1.5 mills to 3.8 mills, resulting in a $95 decrease per $1M in home value.

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



Next Steps

- Discuss July Polling - what scenarios would the BOE like to poll?

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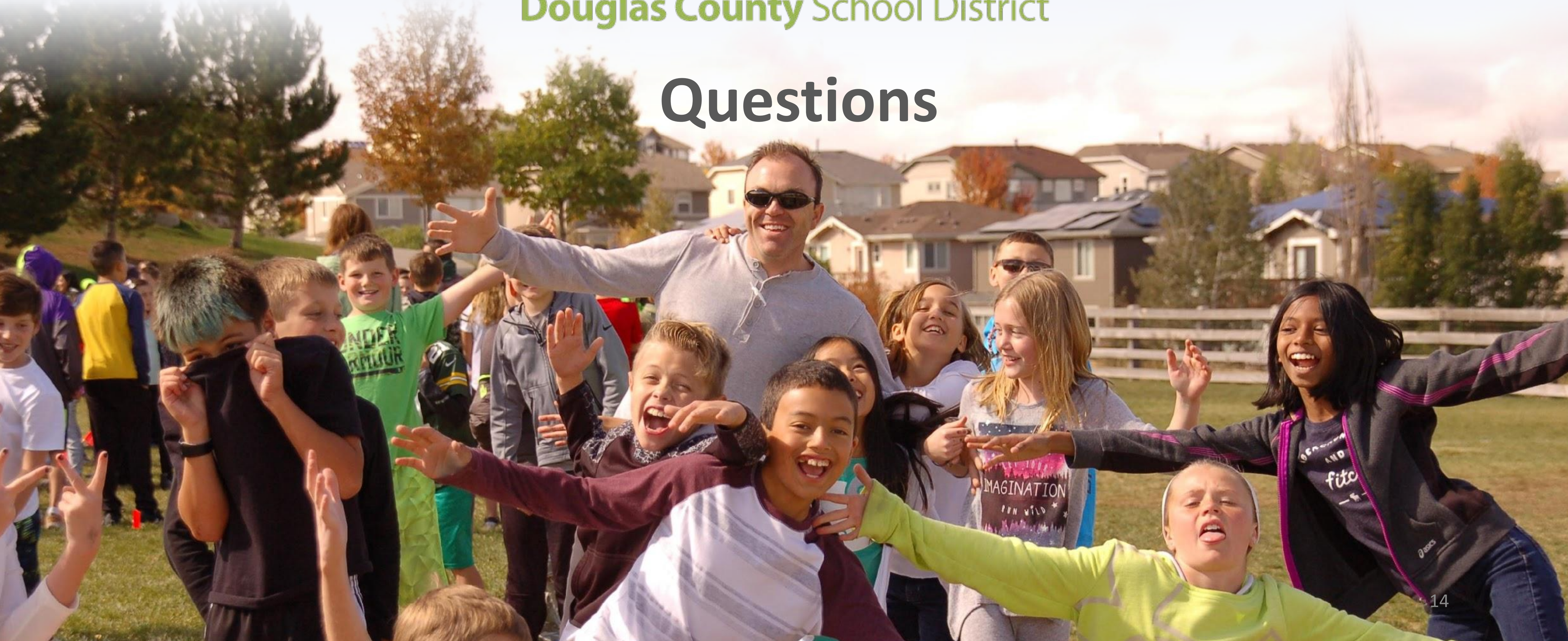
Questions



HB24-1448 MLO Cap Changes

DCSD lost about $30M in Cost of Living adjustments due to HB24-1448; the MLO Amendment allows districts to recover the amount lost in voter-approved mill levy overrides over the statutory cap of 25%

DCSD's new cap is 28% of Total Program.

- Projected 2025-26 Total Program Funding: $688,378,488
- Maximum Override Capacity (28%): $192,745,976
- Existing Override Authorization: $139,713,000 (20%)
- Remaining Capacity: $53,032,976 (8%)
- Mill Increase* to Override Cap: **5.118 mills** ($324/year on a $1M home)

* Assumes AV for 2025 at $10,360,987,324