



Roxana School District Issuing Bonds to Address Major Facility Needs

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Tonight (2/20/2014) the Board of Education will hold a BINA (Bond Issue Notification Act) hearing. The hearing is the second step in a process to issue \$9,500,000 of working cash fund bonds.

The purpose of these bonds is to provide the working cash necessary to address the School District's major facility needs. Specifically, the proceeds will provide the working cash to:

- * complete the air conditioning project at the JH/HS complex. This project is already in process and will improve learning conditions and air quality for our students and staff;
- * eliminate outdated portable facilities at the elementary buildings by adding permanent classroom space and providing the safest environment available for our younger students; and
- * build a JH gymnasium. The School District has no gymnasiums at the elementary schools or at the JH, and the current practice of sharing the HS gymnasiums simply does not work.

As many of you know, the Roxana School District's largest property taxpayer is the Wood River Refinery. The Refinery was significantly expanded over the past several years and the Madison County Board of Review increased its assessed value to \$441 million, of which \$410.4 million is in our School District. The Refinery now provides nearly 74% of the School District's property taxes. While this assessment increase is significant, it does not provide enough resources to complete the facility upgrades listed above with current tax revenues. With this increased tax base, the Roxana School District was able to do many things, including reduce its tax rate from \$4.3754 to \$3.8859 -- the lowest school rate in Madison County. With this increased tax base and

prudent management, the Roxana School District can now provide the facility upgrades listed above and still have the lowest school tax rate in Madison County.

To provide the working cash necessary to complete these facility upgrades, the Board of Education has decided to issue working cash fund bonds. The School District has fully complied with all legal requirements, including the public hearing that will be held tomorrow evening.

The impact on tax payers will depend on the structuring of the repayment of the bonds. The bonds can be added at the end of the current debt schedule which could impact the tax rate \$0.03 or \$10 per year on a \$100,000 home, but at an overall increased interest expense. Worst case, the bonds can be layered on top of the current debt schedule which could impact the tax rate \$0.15 or \$50 per year on a \$100,000 home, at an overall reduced interest expense. Either way, the Roxana School District will still have the lowest school tax rate in Madison County. The next lowest rate is Edwardsville School District at \$4.1451 which is 26 cents higher than Roxana's rate. The Roxana School District does not have massive debt. Even after adding this \$9,500,000 bond issue, the Roxana School District will have only used 33% of its legal borrowing capacity.

Again, the main reason the Board of Education is issuing the bonds is to provide working cash to address major facility needs. At the same time, the Board will refinance a 2003 bond issue to get a lower interest rate and save tax dollars. Combining the refinance with the new issue provides economies of scale with regard to issuance costs. The interest rate market for bonds is currently very favorable but expected to increase over the next 6 months, making the current timing favorable. Finally, the School District has received a solid bond rating of AA- with a stable outlook from a national rating agency, which will have a positive impact on the bond sale.

Finally, a number of school districts are issuing working cash fund bonds to pay day-to-day expenses. We are fortunate because we do not need to borrow money for any of the day-to-day expenses. The District is planning to issue these bonds to provide improved educational facilities that will serve our school children for years to come. The Board of Education continues to be committed to providing the best educational opportunities while maintaining a low tax rate.

Respectfully,

Debra Kreutztrager