

Community Task Force Finance Committee

December 17, 2015

Committee members

Tim Kocsis – Chair

Dr. Kent Norwood – Co-Chair

Resource members

Keith Murphy – MISD Superintendent of Schools

Dr. Robert Rich – Deputy Superintendent

Lance Rainey – Executive Director of Business Services

Introduction

The goal of the Finance Committee is to become familiar with the finances of the district as it applies to a potential bond election, and to present our findings to the community task force.

Findings

Based on the current enrollment numbers and future conservative projections, the school facilities within the district are operating at a capacity that is in need of expansion. To accomplish this the task, the school board needs to sell bonds, but the district currently only has authority to seek 28 million dollars in new bond money based on the last approved bond election. There is a need to ask the community to approve additional bonding authority for the district to meet this shortfall. Since the district is already set to tax at its maximum allowable rate set by the State of Texas, the school board cannot raise the taxing rate to pay off bonds. Whether a new bond election passes or fails, the homeowner's tax rate will stay at the current level. The funding to pay off bonds will come from the difference of the current bond debt service and money raised from annual tax revenues within the district. As more houses are built, the total taxable property values increase and the money to the district increases. The district is currently heavily dependent on tax revenue from homeowners, due to the housing growth and the lack of supporting businesses. We have recently had a couple of new businesses open in Melissa and once these businesses are running successfully it should help continue the trend of new businesses starting in Melissa which will increase school district revenue.

In planning for future debt repayment, the district appears to be using very conservative estimates. With the current outstanding bond debt service, the district has done a good job in maintaining a level, non-escalating payment schedule. This level debt service makes future planning easier to forecast. It lessens the worry that a downturn in the economy might occur at the same time as an uptick in the debt service. The district has been active in refinancing the current debt with lower interest rates without increasing the term. Current evaluations done by the schools financial consultant, show that the district can initially sell 30 million in bonds, using the remaining 28 million from the last bond election and 2 million of a proposed new bond election.

Recommendation

Since the district is in need of expansion and currently only has the ability to sell 28 million new bonds, the finance committee is recommending that the school board seek an additional 150 million dollar bond package. We believe that this amount will give the district funding to meet its needs over the next ten years based on today's estimates of future growth projections. Keep in mind that this will only give the district the ability to sell an additional 150 million dollars of bonds, if the tax base allows the repayment of the debt service. By continuing a conservative financial approach, the district will be able to provide for the needs of the district as well as being prepared to weather any unforeseen downturns in the economy. Based on the districts record of sound financial stewardship, the committee believes that they will continue to do what's right for the children of our district.