Drexel R-IV School District
Proposition K.I.D.S.
(Keep Improving Drexel Schools)

Fact Sheet – Frequently Asked Financing Questions

1. What is the financing proposal of the Drexel R-VI School District?

Shall the Board of Education of the Drexel R-IV School District borrow money in the amount of One Million Three Hundred Fifty Thousand Dollars ($1,350,000) for the purpose of providing funds for completing roof replacement and repairs; upgrading heating, ventilation, and air conditioning (HVAC) systems; constructing a secure entrance vestibule for the elementary office; completing tuck pointing and other remodeling and repair improvements to the existing facilities of the District; and issue bonds for the payment thereof resulting in an estimated increase to the debt service property tax levy of $0.1000 per hundred dollars of assessed valuation? If this proposition is approved, the adjusted debt service levy of the School District is estimated to increase from $0.9672 to $1.0672 per one hundred dollars of assessed valuation of real and personal property.

2. Explain what a general obligation bond issue is and how it relates to the financing for this project?

Under Missouri law the only way a School District can legally borrow money for school facilities' improvements or construction on a full faith and credit basis is to seek voter approval of a general obligation bond issue. A "general obligation" means that the School District can and must levy sufficient taxes to repay the principal and interest associated with the bonds. With voter approval of at least a four-sevenths majority (57.14%) at the April 2, 2019 election the District can then sell the $1,350,000 of bonds in increments of $5,000. This financing process gains access to numerous investors at favorable terms compared to what would happen if the District was dependent upon a single lender to supply the funding. The interest earned by the investors is exempt from federal and state of Missouri income taxes. With the interest being tax-exempt, the actual rate the District has to pay is much lower than would otherwise be the case for a typical loan. Based upon current interest rates in the municipal bond market the average interest rate is expected to be less than 4.50%

3. Has the District used General Obligation Bond Funds in the Past?

In order to provide and maintain suitable facilities for our students, the District has carefully planned and used bond issue and lease purchase financings in the past. The last two successful bond issues passed by our voters were in 2014 (81.68%) and 2004 (84.79%). Between the years 1998 – 2017 the District took advantage of lower interest rates and refinanced its debt several times saving the District $952,297 in future interest expense. These issues have funded a number of projects for the upkeep of our buildings so operating funds meant for student learning and instruction did not have to be used to solve our building needs. It is important for the District to address building needs now before interest rates and construction costs climb in the future.

4. How is the $1,350,000 general obligation bond issue structured and can the bonds be paid off early to save on interest expense?

The proposed $0.10 debt service fund levy increase is adequate to repay all of the proposed bonds. The total debt structure is scheduled to be paid off in twenty (20) years. However, the bonds will contain an optional redemption (call) feature that enables the District to prepay the bonds at no penalty in the event fund balances become large enough for that to occur. The call feature also provides the District the opportunity to refund the bonds to take advantage of lower interest rates in the future, if the overall economic conditions create that set of circumstances.

5. With the addition of the $0.10 debt service levy increase needed to pay off the bonds, how does this compare to the District's historical tax levy?

For many years the District has had an established debt service levy that was used to retire debt. From 2012 to 2019, the District's debt service levy has been $0.9672. At the time of the last bond issue in 2014, the TOTAL levy was $5.5003. The District's total levy is now $5.2801. Adding the $0.10 debt service levy increase will bring the District's total levy to $5.2901, which is still almost $0.20 cents less than the total in 2013-2014.

6. Will local investors have an opportunity to purchase the Bonds?

Yes, the bonds will be available to local investors prior to being offered to others. If you are interested in purchasing some of the bonds, let the District offices know and they will insure you are contacted after the election.

7. What type of rating will the general obligation bonds have?

The District can expect to receive an AA+ rating by Standard & Poor's Corporation on the general obligation bonds. Missouri school Districts issuing general obligation bonds for construction purposes are eligible in most cases to participate in the State of Missouri Direct Deposit Program. This program provides each issuer with an AA+ rating.