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Dexter School Board Issues Press Release on Facility Needs

AUGUST 14TH 2017 BY DEE LOFLIN

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Dexter R-XI School District Press Release: Studies Long Range Financing Plans To Accommodate Priority Facilities Needs

At a special workshop meeting of the Board of Education for the Dexter R-XI School District conducted on August 10, 2017, at the District administration offices, several long range planning matters concerning the potential levy necessary to meet the priority facilities needs of the District were discussed at length.

The District's municipal bond underwriter, L.J. Hart & Company of St. Louis, Missouri, reviewed several project amounts and Larry J. Hart, President/CEO of the firm, explained the associated debt service fund levies necessary to accommodate each hypothetical situation.

The Board President, Rick Williams, stated, "Since Fiscal Year 2006-07, the District's assessed valuation has only grown by 1.78%. However, the District's facilities have continued to age, and the projected costs of fixing our buildings to be more conducive to a quality education are likely to rise in the near term. I believe we need to give some careful thought as to what the best course of action might be for establishing the debt service fund levy at the August tax rate hearing at a level sufficient to complete our numerous high priority facility improvements."

The superintendent of schools, C.A. Counts, pointed out that an approach that focuses on preserving the debt service levy does not appear to be viable in terms of accomplishing the multitude of improvements that are a high priority. He requested that L.J. Hart & Company bring projections to the meeting to demonstrate what can be achieved with associated levy adjustments to fund hypothetical project amounts for the board members' knowledge. He also mentioned that the increase in assessed valuation for the Fiscal Year 2017-18 was above the Consumer Price Index (CPI) which has the impact of reducing the operating tax levy ceiling by 2.21 Cents from \$2.7869 of Fiscal Year 2016-17 to \$2.7648 per one hundred dollars of assessed valuation for Fiscal Year 2017-18. We need to consider at least moving this 2.21 Cents to debt service to maintain a constant total tax levy," Mr. Counts remarked.

The District's last general obligation bond issue election was on April 3, 2007 for the \$14,000,000 to construct the new classrooms at Southwest Elementary, Dexter High School, T.S. Hill Middle School, Central Elementary and to construct the new Event Center and other improvements. The District's assessed valuation at that time was \$157,235,714 and was averaging approximately a seven percent (7.00%) annual growth rate although the Board of Education asked the Municipal Bond Underwriter, L.J. Hart & Company, to only project it at 3.50% to be conservative. Now eleven years later, the District's assessed valuation is \$190,324,289 and has only averaged an annual growth rate of 1.27% for the last five years. The facilities of the District did not stop aging during this time period, and in fact, the cost of making additional improvements has probably escalated, which also increases the difficulty of trying to do this work with additional bonds within the existing 62.31 Cent debt service levy.

After taking into consideration the Series 2016 Refunding, the Missouri State Auditor's Form C Debt Service Computation provided a recommended debt service levy of about 75.54 Cents per one hundred dollars of assessed valuation. The legal general obligation bonding capacity of the Dexter R-XI School District is approximately \$21,647,154 for the April 3, 2018 election. To be able to amortize another \$21,000,000 of bonds, the necessary debt service fund levy is anticipated to be 95 Cents, an increase of \$62.11 per year for a taxpayer with a \$100,000 fair market value home. L.J. Hart & Company presented another example for a financing of \$10,000,000 general obligation bond issue that can be managed with a 69.52 Cent debt service fund levy (\$9.50 of additional expense for a taxpayer with a \$100,000 fair market value home).

The Board of Education decided to seek a quick estimate of the total priority needs at the high school and other buildings in order to determine where to set the debt service fund levy at the August 16, 2017 tax rate hearing. With the District's 2016-17 total levy of

\$3.4100, the Dexter R-XI School District ranks 27th out of 32 Districts that have similar enrollments (between 1,732 and 2,455) in the state of Missouri. Increasing the total levy by five cents to \$3.4600, which represents the 2.21 Cent required decrease in the Incidental Fund and a 7.21 Cent increase in the debt service levy to 69.52 Cents would only move the District up to 26th out of the 32 Districts. If the District chooses to set the debt service levy at 95 Cents and grow the total levy to \$3.7148, the Dexter R-XI School District would move to the 22nd spot. In any case, the District is going to remain below the average of about \$3.99 for these 32 schools of similar enrollment.

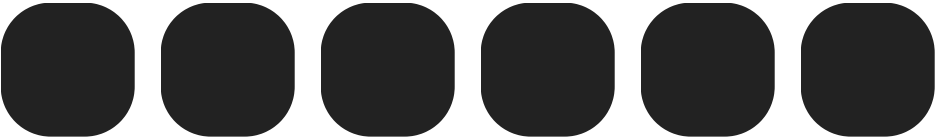
After several questions were asked, the Board of Education directed Mr. Counts to prepare the hearing notice for the August 16, 2017 tax rate hearing of \$2.7648 in the operating fund and to move the debt service fund levy to 69.52 Cents per one hundred dollars of assessed valuation. If we meet with any noticeable resistance from the community at the tax rate hearing, we can listen carefully to it and change our decision. Since it is part of our financial planning and represents good stewardship by the Board of Education, I expect most of our citizens are going to remain supportive,” Mr. Williams stated.

The board members expressed appreciation to Mr. Counts and L.J. Hart & Company for the comprehensive report. “It is important that we establish our facilities priorities soon and adjusting the debt service fund levy in a way to prepare and involve the patrons as we jointly develop our future financing and building plans,” Mr. Williams concluded.

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