

TO: SAN ANTONIO ISD BOARD OF TRUSTEES

FROM: SAN ANTONIO CHAMBER BOARD OF DIRECTORS

SUBJECT: 2016 SAISD BOND & TRE ELECTION

STATUS: APPROVED

DATE: SEPTEMBER 22, 2016



RECOMMENDATION: The Board of Directors of the San Antonio Chamber of Commerce has adopted the following statement as policy:

STATEMENT: The San Antonio Chamber of Commerce supports the \$450 million bond program and Tax Ratification Election (TRE) for the San Antonio Independent School District (SAISD). Improvement to current school facilities will account for nearly 97% of the bond expenditures. These improvements will focus on 13 schools within SAISD that include 7 high schools, 4 middle schools and 2 elementary schools. The proposed renovations include replacing aging infrastructure systems that in most cases is more than 40 years old, upgrading science labs and expanding other classroom spaces to the recommended state guidelines. These renovations would enable the District to provide facilities that are in line with comparable school districts.

The increased operating revenue generated from the proposed TRE (the 13-cent tax increase currently is estimated to generate \$15.6 million in additional tax revenue, which the state would then more than match at an estimated \$16.5 million, totaling \$32.1 million) would assist SAISD in providing technology and other classroom enhancements districtwide to meet today's educational standards. The TRE also would provide additional funds for teacher compensation for afterschool and summer programs that target the approximately 40 percent of students in need of additional academic support, as well as expanded extracurricular offerings for students across the District.

BACKGROUND:

What is a Bond Election?

In the same way homeowners borrow money in the form of a mortgage to finance the purchase of a home, a school district borrows money in the form of bonds to finance construction and renovation of schools. Both are repaid over time, but in order for a school district to sell bonds, it must go to the voters for approval. By law, bond funds can only be used for building and renovations; they may not be used to fund daily operating expenses, which are paid from the district's maintenance and operations (M&O) budget.

What is a Tax Ratification Election?

Any Texas school district that adopts a Maintenance & Operations tax rate above \$1.04 must hold a Tax Ratification Election (TRE) to provide voters the opportunity to approve, or ratify, the higher rate adopted by the District. If voters approve the increase, this additional tax effort on the M&O tax rate generates additional funding from the state for daily operating costs.

SAISD is the 3rd largest school district in the city (and the oldest in the city) and the 13th largest in the state of Texas with a student population of approximately 54,000 students. It has 7400 employees with approximately 3,200 of them educators. In the summer of 2016, SAISD initiated a Blue Ribbon Task Force which toured all thirteen schools and reviewed District's facility and academic needs. This included a needs assessment of its facilities, technology, equipment, library collections, and other resource program areas.

The 16-member Blue Ribbon Task Force comprised of community members, who represented all areas of the district, including the business community, met weekly starting in mid-May. In addition to touring the various schools, they received extensive staff briefings about: the Districts' previous bond programs, the physical conditions of its schools, the concept and cost of 21st-century classrooms, the District's new academic initiatives and its afterschool programming, as well as information about tax rates and potential tax impact. At the conclusion of the process, the Blue Ribbon Task Force unanimously voted to recommend that the District pursue both a bond and TRE election during the November general election.

If the 2016 Bond is passed by the voters, then the SAISD Board of Trustees will establish a Citizens Bond Advisory Committee to monitor and report to the Board and the public on the progress of the 2016 bond program's implementation.

2016 Bond Program:

With the challenge of many aging and outdated school buildings SAISD is faced with the need to provide safe and functional school buildings for its students.

By way of background, in 2010, following an extensive study of the condition of all SAISD facilities, a community-based committee developed a long-range master plan as part of the Bond 2010 program that was eventually passed in November of that year. That master plan included recommendations that would involve three consecutive bond programs to update and bring all schools up to standard. Bond 2010, which is the first of those bond programs, is nearly complete with Highlands High School, the most extensive of the projects, and the final project, is expected to be completed in spring 2017. Construction has been done in phases to minimize disruption to staff and students. The 2010 bond is on track to come in just under budget, and has been financed by a property tax rate that has, through effective financial management, been consistently lower than what was originally projected.

Now, the 2016 Bond, which would be the second planned bond program, will focus on 13 schools which were categorized by the Blue Ribbon Task Force as Priority 1 due to

infrastructure systems that have greatly exceeded their lifecycle. - All but one of these schools was either built or equipped as an air-conditioned school from the 1968 Bond and thus have 40-plus-year-old systems. Not surprisingly, heating and air-conditioning, plumbing and electrical elements routinely malfunction so they are in dire need of updating.

TRE:

In support of the proposed TRE, SAISD's current operating budget cannot support large technology purchases without taking dollars away from other instructional programs. The TRE would assist the District in providing technology and other classroom enhancements Districtwide to meet today's educational requirements. This would include equipping classrooms with new computers, handheld learning devices, interactive whiteboards and other equipment to provide opportunities for students to develop 21st-century skills for college or the workplace.

Currently, many of the classrooms in SAISD cannot support the increased technology used in the workplace and required for training and developing tomorrow's workforce. Thus, additional data and power access will need to be provided, along with other improvements to the classroom environment. Additionally, classrooms will be equipped with interactive furniture that facilitates student engagement in collaborative learning.

Focusing on academic support, the TRE would also allow for SAISD to serve more students with academic programs. Currently, SAISD serves fewer than 6,000 students through afterschool and extended summer programs, though approximately 20,000 students are in need of additional academic support beyond the school day. The TRE would provide additional funds for teacher compensation for the expanded learning opportunities.

The TRE also would provide additional funds to expand extracurricular offerings for students across the District, with the goal of having all of the District's 6th-12th graders participate in programs such as fine arts, athletics and ROTC.

SAISD's current M&O tax rate is \$1.04. The proposed TRE would include a 13-cent tax increase. This tax increase is estimated to generate \$15.6 million in additional tax revenue, which the state would then more than match at an estimated \$16.5 million, totaling \$32.1 million.

Board Vote and Recommendation:

On August 1, 2016, the Blue Ribbon Task Force presented its bond program and TRE recommendations to the SAISD Board of Trustees.

On August 15, 2016, The SAISD Board of Trustees voted to call a \$450 million bond and TRE to be placed on the November ballot. The recommended projects are summarized as follows:

Projects Summary	Budget (millions)
Facilities/ School Renovations	\$438.477
Bond Program Management	\$8.769
Cost of Bond Issuance	\$2.753
Total	\$450 million

SAISD schools range in age (15 to 135 years old) but the schools targeted in this Bond program have infrastructure systems that are more than 40 years old. For more details on the proposed renovations for each of the 13 schools you can visit <https://www.saisd.net/bondTRE2016/proposal.html>

Tax Implications:

The average taxable value of homes in SAISD is approximately \$70,023.00. If both proposals pass, the impact to the average homeowner in SAISD would be an initial increase of \$7.59 a month in 2016. In 2017, the impact is estimated to be an additional \$1.16 for a total of \$8.75 a month, which would incrementally go up to \$14.59 a month by 2020. (See Figure 1)

Under Texas law, in 2017, the SAISD Board of Trustees can implement an additional \$5,000 homestead exemption. If that exemption is adopted by the SAISD Board, the monthly tax impact for the average homeowner in 2017 would be \$2.37 instead of \$8.75; and then would go up incrementally to \$7.79 a month by 2020. (See Figure 2)

Monthly impact to average homeowner's tax bill

The chart below shows the projected impact that the rate increases would have on the average homeowner (after all exemptions are applied). The impact would be phased in over five years.

Figure 1

For average-taxable value home of \$70,023

Tax Year	Projected monthly impact due to M&O increase	Projected monthly impact due to I&S increase	Projected combined monthly impact of increases	Projected annual impact of combined increases
2016-17	\$7.59	\$0.00	\$7.59	\$91.08
2017-18	\$7.59	\$1.16	\$8.75	\$105.00
2018-19	\$7.59	\$2.91	\$10.50	\$126.00
2019-20	\$7.59	\$4.66	\$12.25	\$147.00
2020-21	\$7.59	\$7.00	\$14.59	\$175.08

Impact is cumulative—amounts include prior-year increase.

Cumulative monthly impact of tax rate increases



Monthly impact to average homeowner’s tax bill *after optional homestead exemption*

The chart below shows the projected impact that the rate increases would have on the average homeowner, should an optional \$5,000

homestead exemption be enacted in 2017. The impact would be phased in over five years.

Figure 2

For average-taxable value home of \$70,023

Tax Year	Projected monthly impact due to M&O increase	Projected monthly impact due to I&S increase	Projected combined monthly impact of increases	Projected annual impact of combined increases
2016-17	\$7.59	\$0.00	\$7.59	\$91.08
2017-18	\$1.28	\$1.08	\$2.37	\$28.44
2018-19	\$1.28	\$2.71	\$3.99	\$47.88
2019-20	\$1.28	\$4.33	\$5.62	\$67.44
2020-21	\$1.28	\$6.50	\$7.79	\$93.48

Impact is cumulative—amounts include prior-year increase.

Cumulative monthly impact of tax rate increases - after optional homestead



Projected increase over current tax rate for both components



SAISD property taxes for senior citizens' homesteads would not be affected by either the bond or the TRE. Taxes are frozen for senior citizens who have filed their homestead exemption and Over-65 Exemption applications with the Bexar Appraisal District and who have owned the home as of January 1, 2016.

Pros:

1. The passing of the proposed bond would help SAISD improve and enhance campuses within the largest urban district in the city. These improvements will include improving technology for both students and educators, improving safety to meet state standards, and improve and maintain current neighborhood schools that are aging.
2. The ramifications of the proposed bond and TRE not passing would adversely impact student, families, businesses, and educators who reside and work in the urban core of the city.

3. SAISD has had reputable debt management in the past.
4. SAISD is following a master plan developed in 2010 and has included numerous community members including those from the business community along the way in its implementation and continuous review and development.
5. SAISD's 2016 Blue Ribbon Task Force included 16 community members that included community and business representation adding significant buy-in power to the recommendations made and approved by the SAISD Board of Trustees.
6. There are four other districts in San Antonio whose voters have previously approved a Tax Ratification Election. Those districts are: Harlandale ISD, Edgewood ISD, Southside ISD, and Southwest ISD (passed in 2016).

Cons:

1. Due to the current public school finance structure and pending school finance law case, SAISD has no alternative plan if the 2016 bond and TRE fail to pass voter approval.

IMPLEMENTATION: The Chamber will help support the SAISD Bond and Tax Ratification Elections for 2016 Initiative (Early Voting October 24th – November 4th, Election Day November 8th) at membership meetings and other public opportunities. The Chamber will communicate this position to the media, the business community and other Chamber members through publication in The Chamber Today and media releases.