

# THE REPORTER

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# BOND EDITION

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FEBRUARY '20  
RCAS NEWSLETTER



INSPIRE  
INNOVATE  
EXCEL

# FAST FACTS

The Rapid City Area Schools Board of Education approved a General Obligation Bond election for February 25, 2020 in the amount of \$189.5 million. The bond proposal is based on the recommendations of a Facilities Task Force as well as feedback from the greater community.

## IF PASSED THE BOND WILL BE USED TO:

- Improve safety and security at school buildings throughout the district
- Replace or renovate aging and deteriorating facilities
- Modernize learning environments to best meet the needs of 21st century learners
- Increase capacity, gain operational efficiency

## THE PROPOSAL INCLUDES:

- Three new elementary schools
- Safety and security renovations at four other elementary schools
- The rebuild of South Middle School
- Much needed fine arts instructional space additions and renovations at Stevens High School
- Four of our oldest elementary schools (Robbinsdale, Canyon Lake, Horace Mann, and Wilson) will close



# WHY NOW?

Schools have had to rethink safety and security due to school shootings and other safety and security concerns. Safe entrances, cameras, and other measures are a must. Many of our schools need safety and security upgrades.

## The average age of our buildings is 53 years old.

Twelve of our 23 schools (more than half) were built between 1949 and 1963. Since many of our buildings were built in that same time frame, approximately 50 years ago, the time and cost associated with maintaining these facilities continues to increase.

When many of our schools were constructed, there were far fewer students enrolled than there are today, and the standard classroom size was approximately 500 to 600 square feet compared to today's average classroom size of 900 to 1,000 square feet.

There are currently 19 annexes throughout our District used to house students at schools where there is no more space inside the building. In addition, roughly 22 special education classrooms have been added in the last ten years, decreasing the amount of general education classroom space.

## Currently, 11 of the District's 15 elementary schools are at or above capacity and enrollment is expected to increase.

The demands of a 21st century learning environment look very different than the demands in the 1950s and 60s when most of our schools were built.

Dedicated STEM space, computer labs, flexible learning spaces for collaboration and hands-on learning, and infrastructure to support ever-changing technology are standards in modern K-12 public schools.

# HOW WILL THE BOND IMPACT MY PROPERTY TAXES?

If passed, property taxes would increase by 85¢ for every \$1,000 of property valuation.

## EXAMPLES:

**\$100,000 =**

\$7 per month, \$85 per year

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**\$150,000 =**

\$10 per month, \$127 per year

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**\$200,000 =**

\$14 per month, \$170 per year

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**\$250,000 =**

\$17 per month, \$212 per year

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# THE SCHOOL BOND EXPLAINED

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DIRECTOR OF BUSINESS  
AND SUPPORT SERVICES

**COY  
SASSE**

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There is a fair amount of **misinformation** floating around regarding the structure of the upcoming school bond. **The notion that the Board of Education can arbitrarily increase the mill rate or tax whenever they want is unequivocally false.** The District only has the ability to levy the fixed dollar amount to service the debt in a given year. It can never levy more than the debt payment owed that year.

In the highly unlikely event that the entire tax base depreciates, and the bond obligation could not be met, only then could the Board increase the mill rate in order to meet its debt obligation. However, the Board could also choose to cover the “gap” with its Capital Outlay dollars. The Board has publicly stated that its strategy would be to hold the levy at 85 cents and cover any supplemental debt service required with Capital Outlay dollars, unless it was not financially possible to do so. It’s worth noting that the 10-year average valuation increase for the District is more than 3 percent, which included a recessionary period, and for the past six years the average has been more than 5 percent. If the tax base grows at a faster rate than predicted, the levy amount would likely decrease.

**Below are some other facts about the structure of the bond.**

# SCHOOL BOND EXPLAINED CONTD.

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The proposed amount of the bond is \$189,553,000. This amount would be amortized over a 25-year period. The District will utilize a graduated debt service schedule, in which the total principal and interest payments incrementally increase throughout the 25 year life of the bond. This structure allows the District to factor in valuation increases so that as valuation grows, so does the bond levy revenue, which allows the District to keep pace with the increasing debt service payments.

Under the assumed structure the District used to evaluate the bond, the 85 cents per \$1,000 of valuation levy is the “break-even” point in the debt service analysis; meaning, the point at which, when factoring in the assumed growth rate, the levy could meet the debt service obligations throughout the life of the repayment period.

The use of bond proceeds for purposes other than stated in the ballot is strictly prohibited. Because the interest on General Obligation Bonds is tax exempt, IRS regulations strictly regulate the use of the proceeds to fund capital projects. Under no circumstances would the proceeds be able to be used for operational purposes.

The ballot language that the District has proposed describes the projects and usage of the proceeds and uses language commonly found in General Obligation Bond ballots around the state. These documents are in the public domain and may be accessed by the public for review. The District has retained legal counsel that is highly experienced in bond planning and execution and fully understands the proper usage of bond proceeds.

This bond structure is a common practice and is used by districts throughout the country.

Lastly, I believe it's important to mention the current interest rate environment and its impact on this bond and, ultimately, the taxpayer. The current interest rates for municipal bonds are at historic lows. This is a huge factor in the overall consideration of the bond financing package that, ultimately, saves the District and the taxpayer, millions of dollars in interest payback over the life of the bond.

# RCAS SCHOOLS HAVE BEEN WELL-MAINTAINED

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FACILITIES MANAGER

**KUMAR  
VELUSWAMY**

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I am proud to work alongside some of the hardest working people in our community. **The Rapid City Area School maintenance and custodial teams work tirelessly to maintain the district's school buildings.** Despite what some say, they have done an outstanding job with the resources available. The team takes a lot of pride and ownership of our school facilities. I have seen and heard hurtful and ignorant comments like, "The District just let their buildings go downhill." "The district didn't maintain their buildings." Nothing could be further from the truth.

Each year, after paying for technology and curriculum needs, purchasing new school buses, paying the District's debt service and transferring a few million to the general fund for operating expenses - there is \$3 to \$5 million available for large-scale building maintenance projects. Our maintenance team makes those dollars stretch to maintain the 2.5 million square feet of buildings. We identify and address the core issues. By doing so, **we have managed to greatly extend the lives of our buildings** - some of which are built on sites with expansive soils and high-water tables that have created an array of structural issues. What's more, the maintenance staff and contractors have a small, 45 to 60-day window in the summer to do major projects while working around summer school activities and severe weather.

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“The District just let their buildings go downhill.”  
and  
“The district didn’t maintain their buildings.”

Nothing could be further from the truth.

# SCHOOLS HAVE BEEN WELL-MAINTAINED CONTD.

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Here are just a few projects that have been done in the recent years to prolong the lives of our school buildings:

- The replacement of the bottom two feet of the entire structural portion of Rapid Valley Elementary to **preserve the life of that building**.
- The replacement of more than 62 percent of the roofs at buildings throughout the district since 2010 - most since 2015 (the replacement included an extra layer of insulation for **energy efficiency** and a thicker membrane to extend the life of those roof structures).
- The outstanding utility project at North Middle School in 2016, for which we received the Build South Dakota Award from Associated General Contractors (AGC) of SD. The same project received a **sustainability award for using maintenance friendly and sustainable products**.
- The first phase of a project at Meadowbrook to remedy the storm water issues tackled by the team. At the same time, the courtyard was redone to fix trip hazards and create a STEM learning space. **This project was also recognized by AGC of SD in 2018**.
- The energy efficient projects done at both Stevens and Central High Schools **saving the district thousands of dollars** (16% savings) in utility bills.
- The replacement of the HVAC system at Knollwood due to aging systems and **obsolete parts**.
- A myriad of projects and thousands of dollars that have been spent to fix cracks, repair pipes, and replace sewer lines at multiple schools.



# SCHOOLS HAVE BEEN WELL-MAINTAINED CONTD.

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**The LIST. GOES. ON.** The projects mentioned cost hundreds of thousands or even millions of dollars. The District continues to take advantage of non-profit grant programs, federal grants, Homeland Security grants, and other valuable rebates.

Still, the District must prioritize which projects to do now and which can wait. In the meantime, the list of projects continues to grow. Should the bond pass, it is a fact that the District will be able to gain **operational efficiency** and direct resources toward preventative maintenance projects at other school buildings.

**I want to be clear though, mounting needs are a reflection of the resources available, the wear and tear of our buildings, and the age and locations of some of our buildings.**

**Here's what they're not a reflection of — neglect.**



# FAQ'S

## IS THE SCHOOL DISTRICT BEING FISCALLY RESPONSIBLE?

The district has a AA+ bond rating, which is similar to an individual's credit rating. AA+ is one of the highest ratings an organization can receive and is a distinction the RC Area School District shares with only three other school districts in South Dakota. Such a high rating signifies positive financial health and creditworthiness and saves the taxpayers money in interest.

## HOW IS THE CAPITAL OUTLAY FUND BEING USED?

Currently, the District's annual Capital Outlay budget is approximately \$25.6 million. Of this, approximately \$2.8 million goes to instructional support. This includes computer leases for students and teachers, textbooks, and other curriculum materials.

\$13.8 million funds support services, including expenses for large equipment purchases for various school programs, technology infrastructure, technology purchases for support personnel, buses and vehicles, land and facilities acquisitions, and large-scale building and improvement projects.

\$6.2 million covers debt service, including debt on books. \$115,000 to co-curricular activities for equipment purchases for extracurricular programs.

Finally, the remaining \$3.3 million is earmarked as an operating transfer for the general fund. This is referred to as "Capital Outlay Flexibility Revenue" and it funds a portion of general fund salaries. The rest is put in the Capital Outlay reserve fund.

As you can see from the list above, the Capital Outlay fund has to be stretched to cover many broad needs and therefore, competition for these dollars is fierce. It also highlights the difficulty in funding the proposed large scale capital improvement needs with only the District's "internal resources".

## HOW MUCH DID THE REMODEL COST AT THE NEW RAPID CITY EDUCATION CENTER (ADMINISTRATION BUILDING)? WHERE DID THESE FUNDS COME FROM?

If the RCAS administrative offices had remained in their former location in the City, School Administration Building, the District would have needed to invest \$7.5 million or more in required expansion and renovations. The cost to renovate the new administration building (The Rapid City Education Center) was \$4.2 million. So, the District saved \$3.3 million by moving to the new building. The cost of the Rapid City Education Center building was paid for with money the District received from the City's "buy-out" of the District's portion of City, School Administration Building. The renovation dollars for the new location came from the District's Capital Outlay fund.

## HOW CAN I CHECK TO SEE IF I QUALIFY FOR A TAX FREEZE OR TAX ASSISTANCE?

The South Dakota Department of Revenue offers financial assistance to the elderly, disabled and veterans through tax refunds and assessment freezes for those who qualify. To learn more, go to: <https://dor.sd.gov/individuals/taxes/property-tax/relief-programs/>

## HOW LONG WILL IT TAKE TO COMPLETE ALL OF THE PROJECTS LISTED IN THE BOND PROPOSAL?

All of the projects will be completed within six years.

## WHAT IS HAPPENING TO THE DISTRICT'S ALTERNATIVE HIGH SCHOOL - RAPID CITY HIGH SCHOOL?

The Rapid City Board of Education and RCAS administrators value the alternative high school program. Neither the school board nor the administration is planning to eliminate or marginalize the Alternative RCHS program in any way. This six-year facilities plan includes re-purposing the Rapid City High School (RCHS) building as a future elementary school. At present, the alternative high school program at RCHS only partially utilizes the building. The greatest needs in the District are in the elementary grades, based not only on student numbers, but also educational suitability and class sizes in elementary schools. With the newly established educational initiatives taking root at RCHS, the alternative high school has enjoyed early success. The goal is to find space for this alternative high school programming that not only meets the needs of their new programming but enhances it. A number of options are being explored now, but some time is needed to give the new program time to be fully implemented in order to better understand its facility needs.

## WHY NOT BUILD A THIRD HIGH SCHOOL?

The high schools are not overcapacity. The immediate need is at the elementary level where numbers are up significantly. Those capacity concerns are starting to carry over to the middle school level. Currently, RCAS owns land in Rapid Valley. Eventually, a third high school could be built there. The speed at which our community grows over the next few years as a result of the base expansion could expedite timelines.

## CAN I VOTE IF I DON'T LIVE WITHIN RAPID CITY LIMITS?

Anyone who lives within the district's attendance boundary can vote. This includes families that live outside Rapid City's boundary and even some voters in Meade County. Not sure if you live within the attendance boundary? Enter your name and information here to find out: <https://vip.sdsos.gov/VIPLogin.aspx>

## DO BUILDING IMPROVEMENTS LEAD TO BETTER EDUCATIONAL OUTCOMES?

There is research that shows school facility investments lead to large immediate improvements in student attendance, significant improvements in students' effort, and modest gradual improvements in test scores.

Research also shows that a new school is advantageous to students, even if it means they have to take a bus. On a side note, reliable transportation often improves attendance. There is a strong body of research that shows school facilities can have a profound impact on both teacher and student outcomes. With respect to teachers, school facilities affect teacher recruitment, teacher retention, teacher commitment, and effort.

With respect to students, school facilities can affect student health, student behavior, student engagement, learning, and growth in achievement.

## WHAT HAPPENS IF THE BOND DOES NOT PASS?

Here are just a few things the District would need to do to accommodate shifting growth, current capacity issues, and future growth.

- Continue to force transfer students, especially those who live in growing communities in the North, East, South and Southwest parts of the City.

- Immediate boundary shifts and adjustments to alleviate the crowding in those high growth areas of town.

- Continue to increase elementary and middle school classes at some schools. This could mean as many as 30 students at K-2, 32 at 3-5 and 35 students in class in grades 6-8.

- Consider adding more annexes.

- The District must plan for the possibility that they will have to close one or more of the aging buildings due to the condition. That would mean the District would have to look at alternative sites to place students or potential schedule changes wherein one group of students would attend school the first half of the day and another group of kids would attend school the second half of the day.



# MORE INFORMATION

In this [video](#), Rapid City Area Schools Facilities Manager Kumar Veluswamy leads a group on a tour of a couple of the District's older facilities. For contrast, the tour ends with a stop at Corral Drive/Southwest, two RCAS schools that are newer (built in 1993) and in great shape.



Not sure where to vote? Check out <http://www.rcasfuture.org/voting-information/>



## Bond Information Session

-Thursday, February 20 at 6:30 p.m.  
at Canyon Lake Elementary School

-Monday, February 24 at 6:30 p.m.  
at South Middle School

## Facility Tour

-Saturday, February 22 at 10 a.m.  
(meet at the Central High School  
East parking lot)

