

2009 PPS Bond Election: Questions & Answers

Question: Can you explain the financing? I understand it's a different type of financing plan but I'm having trouble figuring out what it all means.

Answer: Official Answer-The School District is able to deliver a bond election of this size without raising taxes thanks to its use of a long-term bond plan that will utilize a lease-purchase revenue financial package. If the bond election is approved by voters, the School District will have a local trust authority issue lease-revenue bonds on its behalf. The School District will then receive the money up front, allowing PPS to meet most of its building needs and infrastructure upgrades in sixteen years as opposed to thirty or forty years. In a lease-purchase revenue financial plan, the School District will use general obligation bonds approved by voters to pay off the lease revenue agreement over sixteen years (without raising taxes).

Analogy: In previous bond issues, the school district has used traditional bond plan financing, which means it sells bonds at a level that won't raise taxes but can't purchase any of the items until it has the money in hand. Because it can't sell all of the bonds at once (or else taxes would go up) it has several bond sales over a period of time (i.e. three to five years) meaning all of the items can't be purchased or built until all bonds have been sold. So to analogize, it would be like you selling your house and taking that money and buying a new house in cash. You wouldn't move in or anything until you could pay for the whole house. You owned one house, sold it, and bought a new one with proceeds of the first one, and never went to a mortgage company. It's really your house.

In a lease purchase revenue financial school bond plan, the analogy of the house purchase is more like how most Americans buy their house. You get financing for the level you qualify for and you make a house payment for a specified number of years to pay back the financing while living in the house the whole time and calling it your house even though technically the mortgage holder is the owner of the home. No one who visited your home would call it the mortgage company's, but technically you owe someone money for the loan they gave you to buy the house. You received all of the financing up front so that you could move into the home now rather than in 30 years when the note is paid for.

That's the same concept for this type of financing, the school district will sell bonds to pay back its "loan" or lease revenue bonds issued, but unlike in regular bond sales when the school district has to wait for the money before buying or building anything, in this method the school district gets the money up front (following a successful bond issue) to build and buy projects now and then uses the buildings or buses now while paying back the financing. The school leases the projects until it has paid off the loan for the projects.

Question: So does that mean we don't have to wait all sixteen years for some of these items?

Answer: That is correct. That's why it's called the "leap-frog" approach because you are leaping over the waiting period that is attached to most school bond issues for getting the money to do the items on the bond issue. If voters approve you will get the dollars up front in a relatively quick manner meaning the district will be able to carry out the building projects up front in whatever timeframe manpower dictates.

The district believes from a labor-force perspective, the vast majority of the projects will be completed in the first half of the sixteen year period. The sixteen year timeframe comes from the length of time it will take to pay back the money.

Question: And this won't raise taxes?

Answer: No. According to the district's bond consultants this has been structured in such a manner as to keep taxes at the same present level, retiring on bond and replacing it with another.

Question: How long has planning for this been going on?

Answer: The Pawhuska Board of Education started the Strategic Planning Process about three years ago. One of the target goals was to upgrade our aging facilities. Then about two years ago we hired an architectural firm, The Stacy Group to assist us with a master facility plan. Around the same time we began looking at bond financing options. Our Bond Financial Advisor, McDonald and Associates researched the options and presented them to the board of education. As the discussion on the financing plan continued, planning of projects went right along with those discussions. We determined the lease purchase revenue financial school bond plan would be our best option without raising taxes.

Question: What is the District's biggest concern?

Answer: The biggest concern for all school districts regarding bond issues is always the 60 percent Super Majority voter approval required for passage. Even though more people could vote yes than no, in Oklahoma, a school bond issue does not pass without 60 percent voter approval. So in recent political elections while politicians have celebrated "voter mandates" with 54 or 55 percent of the votes, school districts would lose the election with only 54 or 55 percent of the vote.

Question: When is the election?

Answer: November 10, 2009

Question: Who is eligible to vote in this election?

Answer: All registered voters who reside in the Pawhuska School District are eligible to vote.

Question: And this won't raise taxes?

Answer: No, it will not raise taxes.

Question: When will the construction begin if Bond Issue is approved?

Answer: We anticipate construction to begin in late March or early April 2010.

Question: When will the move for PK-2 and Grades 3-6 take place?

Answer: Our goal is for this move to be completed in the summer of 2011 and ready for students August 2011.