

# City of Madison New High School Funding



**Working Together To Build A Better Community**

# Community Meeting Dates

*Monday, November 9, 2009*, 6:00 PM, **City Hall** (Council Chambers) at City Council Meeting

*Friday, November 13, 2009*, 7:00 AM, **Ivey's Restaurant** at Mayor's Monthly Community Meeting

*Saturday, November 14, 2009*, 9:00 AM, **Zompa Auditorium** at Bob Jones High School

*Thursday, November 19, 2009*, 6:30 PM, **Zompa Auditorium** at Bob Jones High School

*Monday, November 23, 2009*, 6:00 PM, **City Hall** (Council Chambers) at City Council Meeting

# New High School Cost Formula

<b># of Students</b>	<b>2000</b>
<b>Square Footage per Student*</b>	<b>175</b>
<b>Building Size</b>	<b>350,000 sq ft</b>
<b>Average building cost per square foot</b>	<b>\$150</b>
<b>Total Cost of Building</b>	<b>\$52,500,000</b>
<b>Add 20% for fields, furnishings, etc</b>	<b>\$10,500,000</b>
<b>Total Cost of Project</b>	<b>\$63,000,000</b>

\*Source-Volkert & Associates



BURGREEN RD

CAMBRIDGE

BEND

WINDS

COUNTY LINE RD

New High School Site

HUNINGTON

WHITWORTH FARMS

MILL RD

CHASE

HARDIMAN RD

CEDAR S  
STA

# Timeline

- ✓ October 2009 – Architects and Construction Management Firm hired
- ✓ November/December 2009 – Program Development
- ✓ April/June 2010 – Site Work
- ✓ July 2010 – Bids Awarded
- ✓ August 2010 - May 2012 – Construction
- ✓ Fall 2012 – School Opens

# Four Steps to Success

1. Is the second high school a need or a want?
2. Does the Madison City School Board have the ability to fund the school themselves?
3. Are there any other avenues to acquire funding?
4. How will this impact my family?

**#1. Is the 2<sup>nd</sup> high school  
a need or a want?**



P.O. Box 292300  
219 Brooks Hall  
Samford University  
Birmingham, AL 35229  
Phone (205) 726-2482 Fax (205) 726-2900

- Commissioned by the Huntsville/Madison County Chamber of Commerce and Committee of 100 to report on the spending and performance of the Madison County, Huntsville City and Madison City school districts. The report was provided June, 2006.

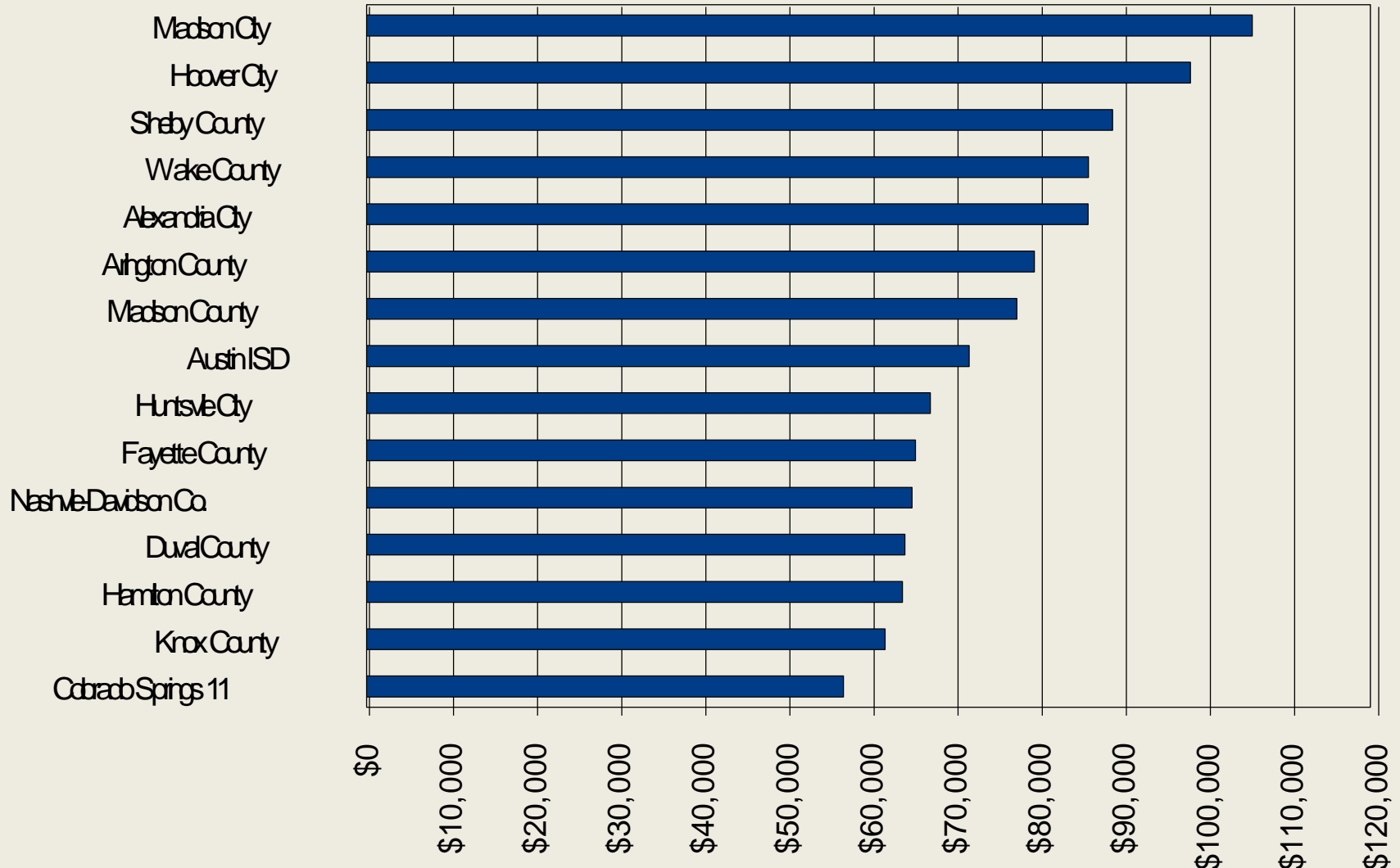


# School Systems in the Comparison

- Huntsville City
- Madison City
- Madison County
  
- Hoover City, Alabama
- Shelby County, Alabama
- Colorado Springs, Colorado
- Duval County, Florida
- Fayette County, Kentucky
  
- Wake County, North Carolina
- Hamilton County, Tennessee
- Knox County, Tennessee
- Nashville-Davidson County, Tennessee
- Austin, Texas
- Alexandria City, Virginia
- Arlington County, Virginia

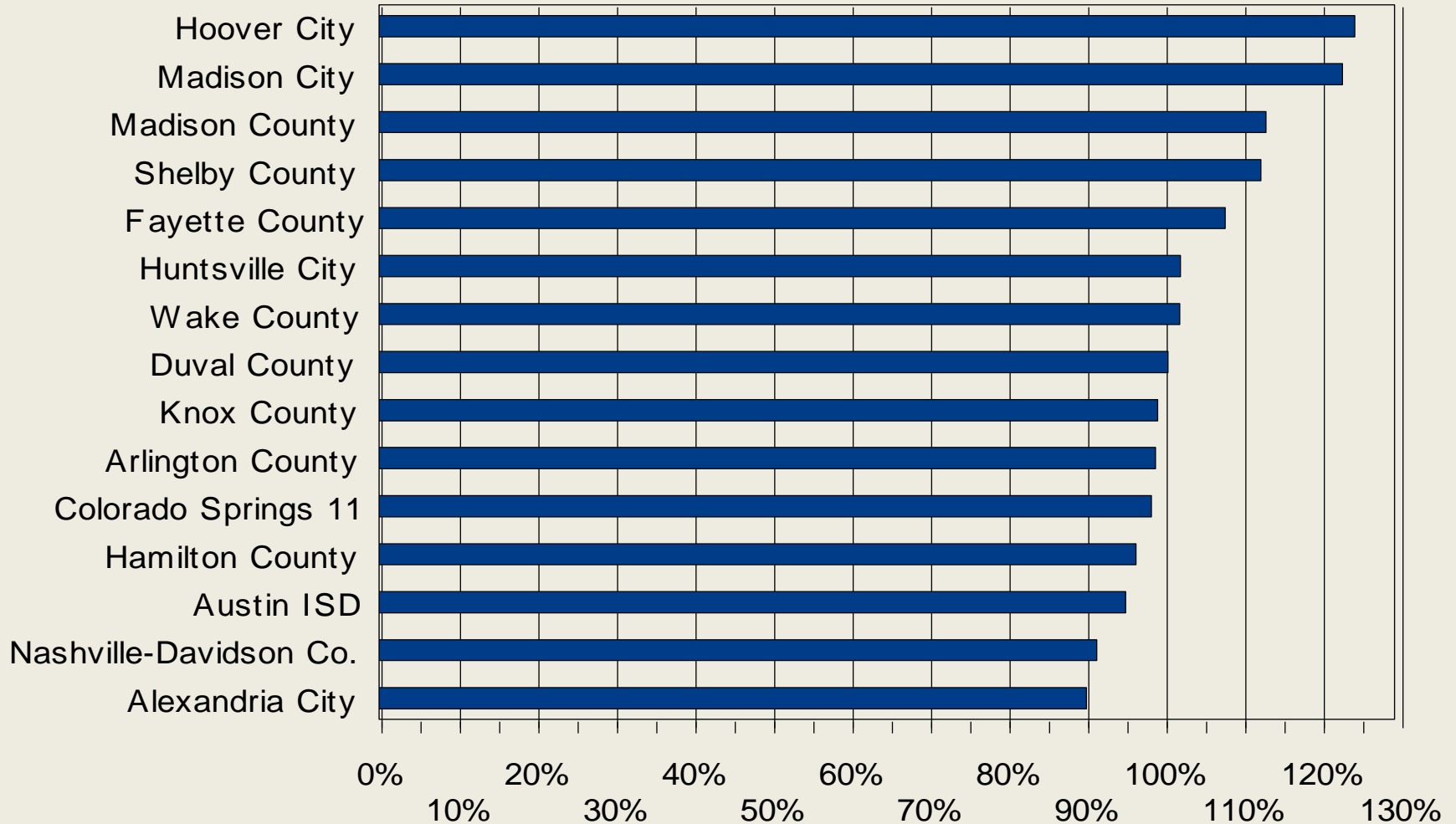
# Median Household Income

(Source: Standard & Poors, School Matters)



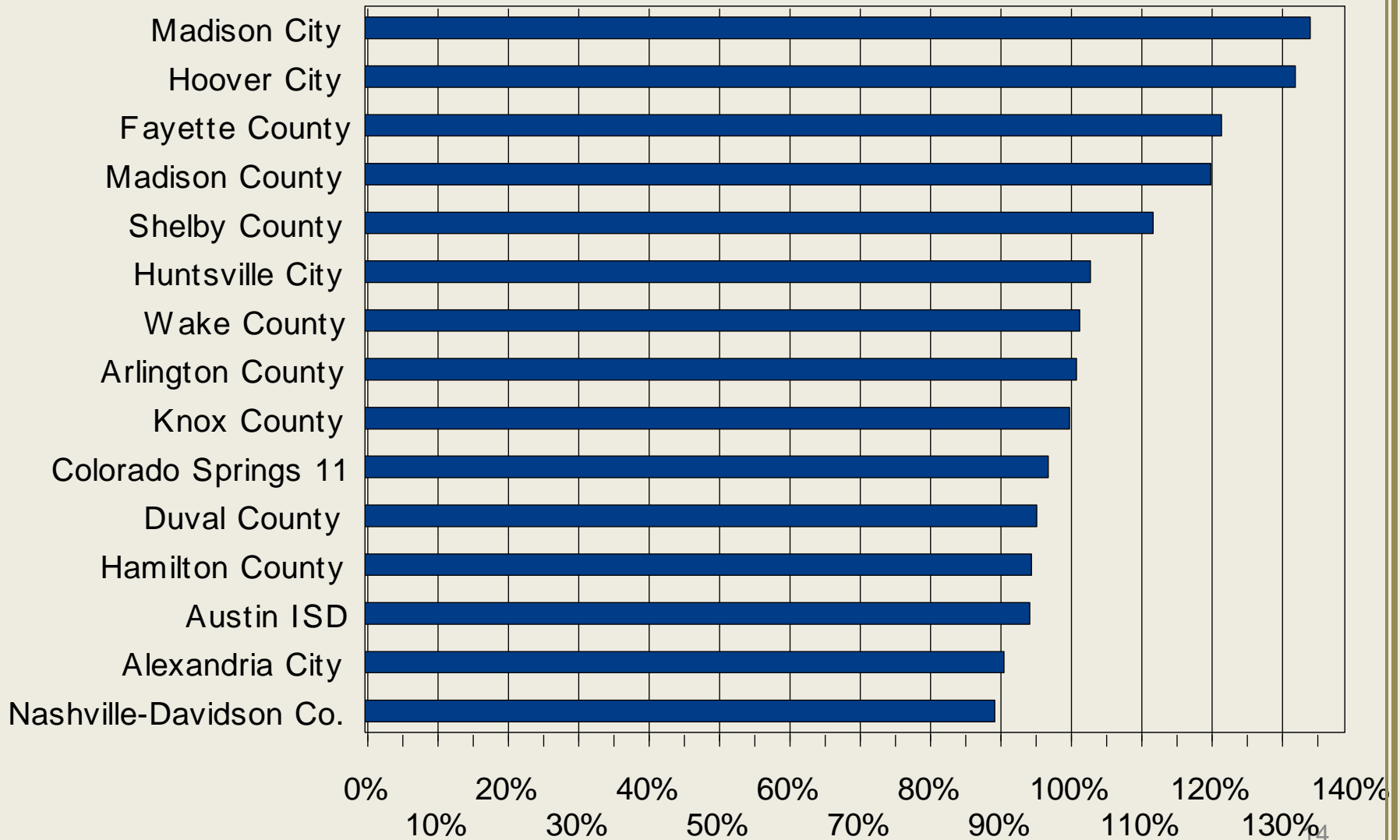
# School System Success as a % of Statewide Success on Reading Assessments, 2004

(Sources: Standard & Poors, State and System Web Sites)



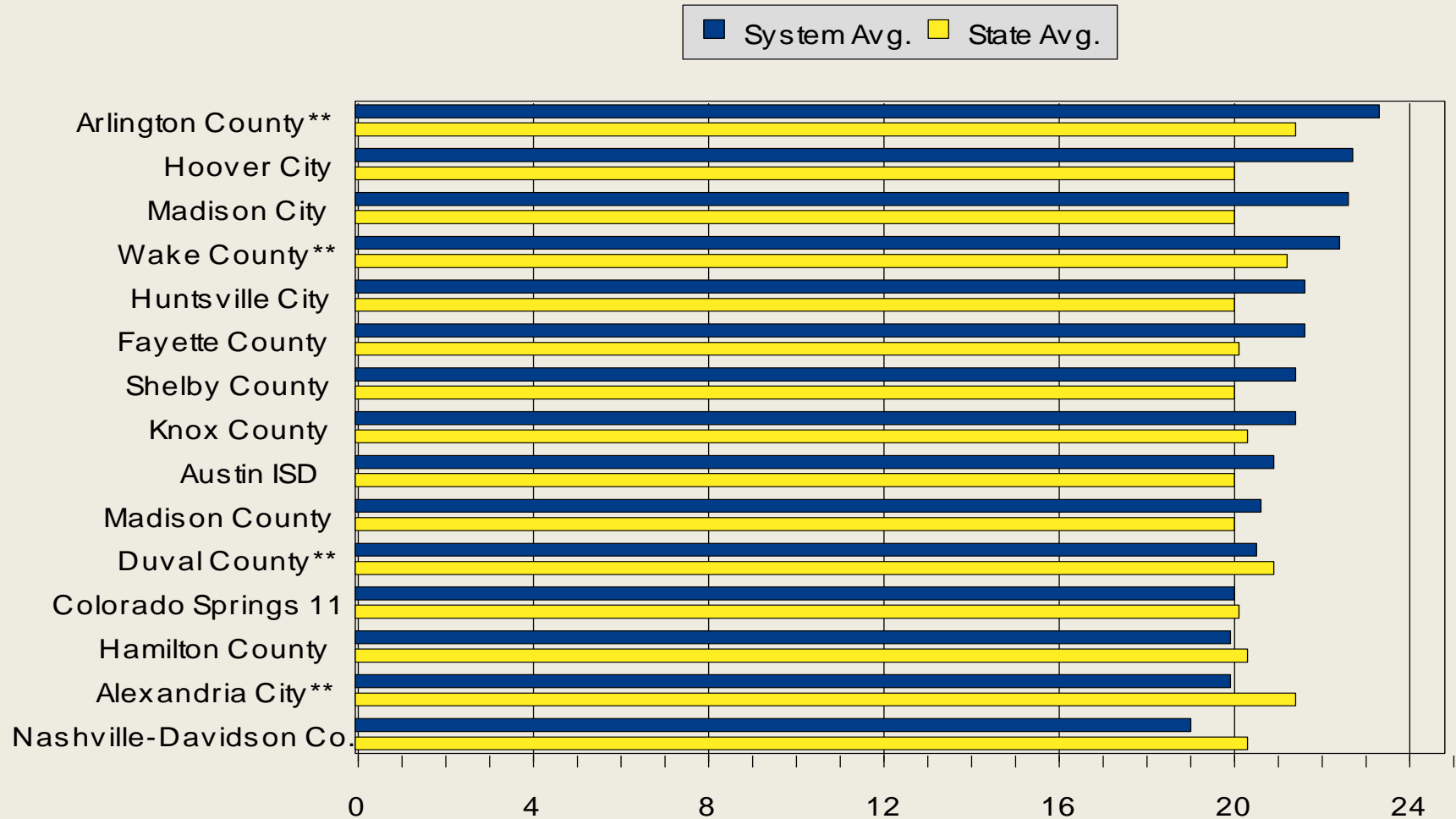
# School System Success as a % of Statewide Success on Math Assessments, 2004

(Sources: Standard & Poors, State and System Web Sites)



## System vs. State ACT Results, 2004

(Sources: Standard & Pooers; ACT, State, and System Web Sites)



\*\*Systems and states with asterisks were converted from SAT using a standard concordance table.

# Enrollment Projections

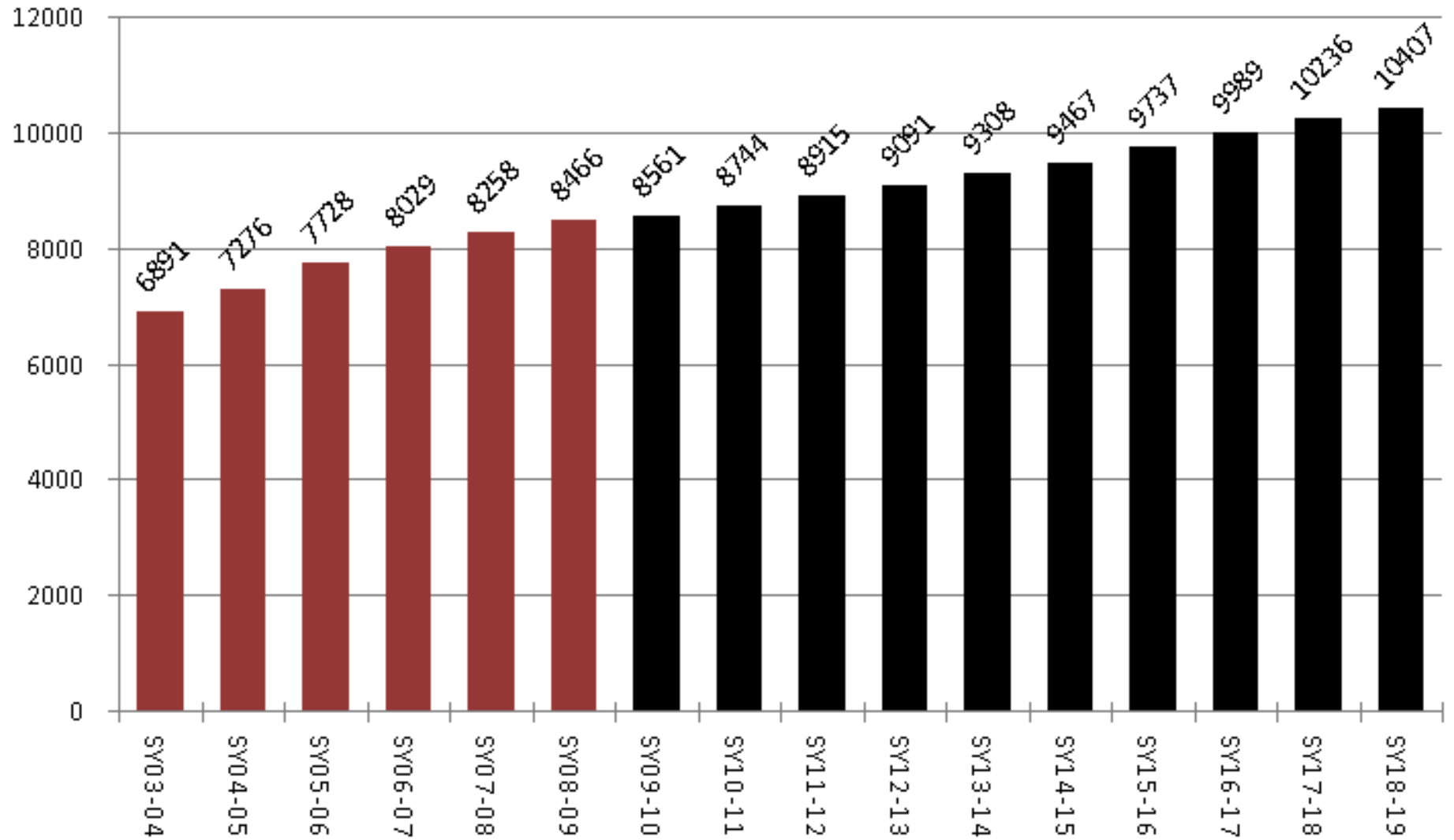
- City Population – ~ 43,000
  - ~43,000 residents = 8616 school children
  - 20% of the population is school-aged children
  - Average increase in student population 286 per year, past eight years
  - Build out of City estimated at 60,000\*\*
    - $60,000 * 20\% = 12,000$  students

\*\* Estimated at 2020 by Madison Planning

# Madison City Schools Enrollment

Grade/ Year	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 2010
K	393	438	440	468	493	538	510	524	590	558
1st	485	474	505	504	517	537	618	567	563	614
2nd	442	475	501	532	537	557	574	638	572	591
3rd	463	482	513	514	573	558	585	591	657	595
4th	511	478	515	528	537	597	569	587	608	667
5th	480	519	495	535	562	595	632	586	611	634
6th	495	510	544	514	549	615	635	655	613	624
7th	476	524	537	597	584	619	654	656	706	676
8th	438	503	543	551	611	631	657	700	672	728
9th	478	523	599	621	626	743	671	681	734	726
10th	498	478	498	570	610	613	693	714	731	777
11th	436	490	457	498	572	569	640	682	668	725
12th	380	434	479	443	467	544	607	658	707	699
<b>Total</b>	<b>5975</b>	<b>6328</b>	<b>6626</b>	<b>6875</b>	<b>7238</b>	<b>7716</b>	<b>8045</b>	<b>8239</b>	<b>8432</b>	<b>8616</b>
<i>Increase</i>		353	298	249	363	478	329	194	193	184

# K-12 Historical & Projected\*



\*GMG, (Gude Management Group, LLC)



# Bob Jones High School Projections

<b>Senior Year</b>	<b>Grade This Year</b>	<b>Projected Enrollment*</b>
2010 - 2011	11th Grade	2,213
2011 - 2012	10th Grade	2,361
2012 - 2013	9th Grade	2,384
2013 - 2014	8th Grade	2,450
2014 - 2015	7th Grade	2,488
2015 - 2016	6th Grade	2,658
2016 - 2017	5th Grade	2,720
2018 - 2019	4th Grade	2,721

\*GMG, (Gude Management Group, LLC)



**GUDEMANAGEMENTGROUP, LLC**

“I have never seen such compelling evidence for a second high school.”

Dr. Steve Salmon

**#2. Does Madison City  
School Board Have the  
Ability to Fund the  
School Themselves**



# Blue Ribbon Committee

Commissioned to study the  
financial health and ability of the  
Madison City School District.

# Blue Ribbon Committee Members

Ranae Barlett, Esq.

Dr. Neil Lamb

Dr. Jim Hatcher

Mr. Bill Holtzclaw

Mr. Steve Monger

Mr. Frank Pitts

Mr. Danny Windham

Mr. Mickey Crutcher

Mr. Brett Posey

Mr. Larry T. Miles

Brigadier General, Daniel Montgomery, Retired

Lieutenant General, George Raymond Stotser, Retired

# Blue Ribbon Committee Findings

## ➤ Financial Review

- “Recommendation: The committee recommends a new revenue source in the form of property taxes to fund the construction and operation of a new high school. The committee also believes that a second high school is necessary to maintain the excellence of the system as a whole. The system’s stewardship of taxpayers’ money is excellent as compared with its peers, and the committee believes reducing spending in the school system enough to fund a second high school would damage the instructional programs of the entire system beyond acceptable levels.”

# Blue Ribbon Committee Findings

## ➤ **Bang for the Buck**

“The Madison School System utilizes its’ funds to the maximum extent, given the results achieved vs. dollars spent. In our view, the Madison City School system comes pretty close to spinning gold out of straw.”





**#3. Are There Any  
Other Avenues to  
Acquire Funding**

# Refinancing of Current Bonds

- Economic Climate Afforded Refinancing Opportunity
- Refinanced Existing Bonds @5.13% with no change in payment
- Realized a \$22.5M Net Gain
- 35.714% of Needed Revenue Secured

# **New High School Funding Committee Members**

Mr. David Smith

Mrs. Lillie Causey

Dr. Terri Johnson

Dr. Dee Fowler

Mrs. Bebe Oetjen

Mr. Teresa Brammer

Mr. Taron Thorpe

Mr. Andy Green

Mr. Cameron Grounds

Mr. Hill Womble

Mayor Paul Finley

Mr. Bill Hotlzclaw

Mr. David Raby

# New High School Funding Committee Goals

- Investigate and collect all information associated with the Madison City Schools goal of funding a second high school
- Discuss and determine all paths forward
- Present Findings
- Catalog all information collected on a public website

<http://www.madisonal.gov/index.aspx?NID=707>

# **New High School Funding Committee Findings**

- Possible Avenues of Funding for Balance Needed
  - Qualified School Construction Bonds
  - Property Tax
  - Sales Tax
  - Do Nothing

# Qualified School Construction Bonds

- \$118M Allocated to State for '09 & '10
- Interest Free Loan with 16 Year Payback
- Purpose to Fund School Construction, Rehabilitation, Repair, and Land Acquisition
- School Systems Had to Apply
- Local Allocations Based on Need

# Qualified School Construction Bonds

## \$36,000,000

	16 Year QSCB 0% Interest	30 Year Traditional 5% Interest
Annual Payment	\$2,250,000	\$2,343,600
Total Principal/Interest	\$36,000,000	\$70,308,000

Translates to a \$34,308,000 savings vs  
traditional bond issuance

**Can We Capitalize  
on This  
Opportunity?**



**#4 . What Is the  
Impact of My  
Family**

# **Revenue Options to Retire \$36M Debt**

- Sales Tax Increase
- Property Tax Increase

# Local Tax Rates - 2007 Data

<b>District</b>	<b>Enrollment</b>	<b>Total Property Tax Rate</b>	<b>Property Tax for Schools</b>	<b>Sales Tax Rate</b>
Mt. Brook	4,330	99 Mills	52.9	9 Cents
Vestavia Hills	5,932	72 Mills	52.1	9 Cents
Hoover	12,397	72.6 Mills	46.1	9 Cents
Homewood	3,393	75 Mills	37.5	9 Cents
Decatur	8,811	45.3 Mills	22	9 Cents
Huntsville	22,839	57.5 Mills	27.5	8 Cents
<b>Madison</b>	<b>8,045</b>	<b>57.5 Mills</b>	<b>27</b>	<b>8 Cents</b>
Auburn	5,668	54 Mills	24	8 Cents

# City of Madison Millage Rate

	Limestone County	Madison County
<b>STATE</b>	<b>6.5</b>	<b>6.5</b>
<b>COUNTY</b>		
<b>General</b>	<b>7</b>	<b>7</b>
<b>Public Building</b>	<b>3.5</b>	<b>4</b>
<b>Hospital</b>	<b>3</b>	<b>-</b>
<b>Total County</b>	<b>13.5</b>	<b>11</b>
<b>SCHOOL</b>		
<b>County -Wide</b>	<b>5.5</b>	<b>5.5</b>
<b>City Tax</b>	<b>11</b>	<b>11</b>
<b>District</b>	<b>10.5</b>	<b>10.5</b>
<b>Total School</b>	<b>27</b>	<b>27</b>
<b>CITY</b>	<b>13</b>	<b>13</b>
<b>Total Millage Rate</b>	<b>60</b>	<b>57.5</b>

# Sales Tax

➤ ½ cent increase of sales tax means...

Purchase	Additional Sales Tax Paid
\$10	5 cents
\$50	25 cents
\$100	50 cents

## Proposed Sales Tax Projections (1/2 Cent)

Service Principal Debt of \$36,000,000 (no interest)

Sales Tax Increase Effective January 1, 2010

Fiscal Year	Debt Service	½ Cent Generates*
2010	\$ 2,250,000	\$ 2,430,000
2011	\$ 2,250,000	\$ 2,502,900
2012	\$ 2,250,000	\$ 2,577,987
2013	\$ 2,250,000	\$ 2,655,326
2014	\$ 2,250,000	\$ 2,734,986
2015	\$ 2,250,000	\$ 2,817,036
2016	\$ 2,250,000	\$ 2,901,547
2017	\$ 2,250,000	\$ 2,988,593
2018	\$ 2,250,000	\$ 3,078,251
2019	\$ 2,250,000	\$ 3,170,598
2020	\$ 2,250,000	\$ 3,265,716
2021	\$ 2,250,000	\$ 3,363,688
2022	\$ 2,250,000	\$ 3,464,598
2023	\$ 2,250,000	\$ 3,568,536
2024	\$ 2,250,000	\$ 3,675,593
2025	\$ 2,250,000	\$ 3,785,860
<b>TOTAL</b>	<b>\$36,000,000</b>	<b>\$ 46,478,315</b>

\* Reflects 3% increase each year

# Property Taxes

- 27mills of property tax for schools (Current)

Fair Market Value of Home	Property Taxes
\$100,000	\$270
\$300,000	\$810

- 34mills of property tax for schools (Proposed)

Fair Market Value of Home	Property Taxes
\$100,000	\$340 (\$70 annual increase)
\$300,000	\$1020 (\$210 annual increase)

## Proposed Property Tax Projections (7 mills)

Service Principal Debt of \$36,000,000 (no interest)

Property Tax Collection Begins January 1, 2012

Fiscal Year	Debt Service	7 Mills Generates*
2010	\$ 2,250,000	\$ 3,395,000
2011	\$ 2,250,000	\$ 3,496,850
2012	\$ 2,250,000	\$ 3,601,756
2013	\$ 2,250,000	\$ 3,709,808
2014	\$ 2,250,000	\$ 3,821,102
2015	\$ 2,250,000	\$ 3,935,735
2016	\$ 2,250,000	\$ 4,053,808
2017	\$ 2,250,000	\$ 4,175,422
2018	\$ 2,250,000	\$ 4,300,684
2019	\$ 2,250,000	\$ 4,429,705
2020	\$ 2,250,000	\$ 4,562,596
2021	\$ 2,250,000	\$ 4,699,474
2022	\$ 2,250,000	\$ 4,840,458
2023	\$ 2,250,000	\$ 4,985,672
2024	\$ 2,250,000	\$ 5,135,242
2025	\$ 2,250,000	\$ 5,289,299
<b>TOTAL</b>	<b>\$36,000,000</b>	<b>\$ 68,432,612</b>

\* Reflects 3% increase each year



# 1.3M\* School Operating Costs

## ➤ Property Tax Option

- Factored into proposed millage increase

## ➤ Sales Tax Option

- No operating costs 2010 or 2011
- Economic development
- Amount generated over and above \$2.25M
- Reappropriation of existing school funding

\*Based on 2009-2010 BJHS Operating Costs

**If Property Tax Vote Was Approved**  
 Service Principal Debt of \$36,000,000 (no interest)  
 Staggered Sales Tax/Property Tax

<u>Year Due</u>	<u>Debt Payment</u>	<u>Operating Costs</u>	<u>1/2 Cent*</u>	<u>7 Mills*</u>	<u>Balance</u>
2010	\$ 2,250,000	\$ -	\$ 2,430,000	\$ -	\$ 180,000
2011	\$ 2,250,000	\$ -	\$ 2,502,900	\$ -	\$ 252,900
2012	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 3,601,756	\$ 51,756
2013	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 3,709,808	\$ 159,808
2014	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 3,821,102	\$ 271,102
2015	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 3,935,735	\$ 385,735
2016	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 4,053,808	\$ 503,808
2017	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 4,175,422	\$ 625,422
2018	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 4,300,684	\$ 750,684
2019	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 4,429,705	\$ 879,705
2020	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 4,562,596	\$ 1,012,596
2021	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 4,699,474	\$ 1,149,474
2022	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 4,840,458	\$ 1,290,458
2023	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 4,985,672	\$ 1,435,672
2024	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 5,135,242	\$ 1,585,242
2025	\$ 2,250,000	\$ 1,300,000	\$ -	\$ 5,289,299	\$ 1,739,299
<b>TOTALS</b>	<b>\$ 36,000,000</b>	<b>\$ 18,200,000</b>	<b>\$ 4,932,900</b>	<b>\$ 61,540,762</b>	<b>\$ 12,273,662</b>

\* Reflects 3% increase each year 47

# Path Forward

## Sales Tax Increase

- A ½ cent sales tax will meet the payback requirement if collection began on January 1, 2010
- Vote to increase sales tax ½ cent will occur at November 23<sup>rd</sup> City Council Meeting
- If passed, sales tax increase would be rescinded (**sunset clause**) when either of these events occurred
  - Debt is retired after the 16 year term
  - A property tax is passed and collection started
- If passed, City will work with Legislature to draft a bill to place a property tax increase on a 2010 ballot for public vote.

# Recap of School Funding

<b>Total Cost of Project</b>	<b>\$63,000,000</b>
<b>Existing Bond Refinance</b>	<b><u>(\$22,500,000)</u></b>
<b>Balance to still Fund</b>	<b>\$41,500,000</b>
<b>Qualified School Construction Bonds</b>	<b><u>(\$36,000,000*)</u></b>
<b>Remaining Delta</b>	<b>\$5,500,000**</b>

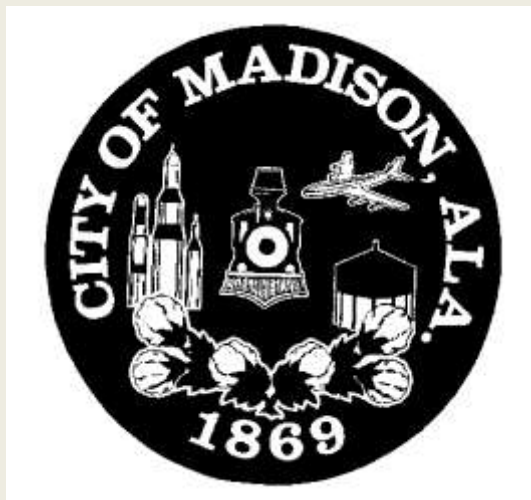
\* To be paid back by ½ cent sales tax and/or 7 mill property tax

\*\* To be made up by minimizing total square footage (175)  
and/or cost of building per square foot (\$150 sq ft)

*Example: 170 sq ft/child and \$141/per sq ft eliminate delta*

Questions  
&  
Comments

# City of Madison New High School Funding



**Working Together To Build A Better Community**