

**Meeting 5 Notes  
November 8, 2022**

**Welcome & Meeting 4 Recap**

Tim McClure, assistant superintendent for facilities, welcomed the committee and provided a recap of Meeting #4 where district leaders shared information about fine arts, athletics, transportation and CTE (Career and Technical Education). Some of the significant projects that were discussed included a district performing arts center, home football/soccer stadiums, AG Barn expansion, new buses and software for student safety on buses. He also shared the weights of the factors that will be used in the prioritization activities during future meetings.

**Building Deficiencies**

McClure introduced Adam Corwin with Centrix Energy Partners who spoke about building deficiencies and infrastructure upgrades for the committee to consider. They conducted an assessment in the spring of 11 of the older campuses in Northwest ISD, identifying projects that would generate significant energy savings and savings on the district's Maintenance and Operations budget. There were 28 facilities identified for an Investment Grade Audit in September, and Centrix has used this data and experience to create a list of potential projects for the LRPC committee to consider. They identified 24 improvement projects they recommend for the district's next bond program.

The graded air conditioning units on an A-F rating system. Centrix recommends replacing any unit rated C, D or F. They also identified some refurbishment opportunities to increase efficiency on units rated A and B. They also recommend retrofitting some units to improve indoor air quality and consider some building automation of control systems and equipment.

Centrix also studied the geothermal systems that NISD has at three campuses: Byron Nelson HS, V.R. Eaton HS, and Wilson MS. We are starting to experience shifting and challenges with the soil and ground conditions in our area. Centrix recommends considering converting these geothermal systems to HVAC, starting with Byron Nelson

HS since it's the oldest system and has been experiencing problems. NISD will continue monitoring the geothermal systems at Eaton and Wilson.

They also recommend standardization of LED technology across the district, including parking lots. Corwin explained this can create a lot of energy and cost savings. They also studied the building envelope and looked at places where gaps and openings are opportunities for improvement. Water conservation was another area they studied, including restroom facilities using more water than is needed. Transformer replacement is another project to consider before they fail.

### **Projects for Growth: New Facilities & Delayed Projects**

McClure talked about adjustments from the 2021 bond. He reminded the committee that Elementary School #23 and the administration renovations are being moved to the next bond to recapture funds and ensure other projects from the 2021 bond are fully funded. \$81 million would be recaptured. The timeline of the projects would not need to change if a bond is approved by voters in May 2023. The district kept some money from the 2021 bond to begin the design process and meet the existing building opening timeline.

He also showed the vision and master plan for the district's central campus to re-route traffic for student, staff and community safety as well as efficiency.

Additional projects to consider include:

- Elementary School #23
- Renovate/Repurpose Hatfield for Administrative Use
- Renovate/Repurpose Administration Building
- Relocate & Expand Central Transportation
- New Maintenance Facility
- Renovations to Steele Early College High School
- Enlarge HS Gyms for 6A Capacity (BNHS, EHS)
- Enlarge HS Cafeterias for 6A Capacity (BNHS, EHS)
- Distribution Center Improvements (pavement, fire sprinkler, HVAC, fencing, cameras)
- Furniture Replacement (14 ES, 4 MS, 1 HS, Steele)
- Library Furniture (14 ES, 4 MS, 1 HS)

### **Projects for Growth**

McClure talked about additional schools needed to address the rapidly growing student enrollment.

- Elementary Schools: We need approximately 7 to 10 new elementary schools by 2028. Looking as far out as 2031, NISD could need up to 14 schools in the next nine years.
- Middle Schools: We probably need 3 new middle schools by 2028 and up to 4 new middle schools by 2031. A middle school is needed approximately once every two years.
- High Schools: We need another high school in the southern portion of the district to relieve Eaton HS as soon as possible and possibly a second new high school by 2031.

## **Tour**

Committee members toured Adams Middle School.

## **School Finance 101 & NISD Financial Overview**

Jonathan Pastusek, executive director of business services, gave an overview of the district's budget and how every dollar of funding received is dispersed. The largest amount of the district's budget pays for instruction. Payroll makes up 73% of the district's budget.

He explained how the tax rate is made up of two rates: the Maintenance & Operations (M&O) portion of the budget and the Interest & Sinking (I&S) portion of the budget. He showed a line graph of the district's tax rate for the last 10 years. The NISD tax rate is the lowest it's been in many years. The Board of Trustees lowered the I&S tax rate in 2020 from 45 cents to 42 cents. He also talked about how bonds work and how the district has effectively managed bonds over the years. NISD has completed four bond refundings since November 2019 (similar to when a family refinances their home) and this has resulted in over \$75 million in savings.

NISD sells bonds in increments over time as needed to fund the projects, and not until necessary growth has occurred. The state allows districts to issue bonds for 40 years. Northwest ISD issues their bonds with a 25-year maturity. Since 2005, the district has been able to pay down this debt early and take advantage of refunding opportunities that saved the district over 190 million dollars as well as paid off the majority of their issued bonds in 20 years or less. For projects such as buses and technology devices, those are issued in short-term bonds, usually as 3-year bonds.

## **Bonds 101, Bonding Capacity & Tax Impact Scenarios**

Jeff Robert from Hilltop Securities shared he's been working with the district since 2000. He reiterated how bonds work and how they are similar to a home mortgage. He explained bond authorization is when voters have approved an amount of bonds that the district can issue/sell. Interest does not accrue on bond authorization. Bonds are paid through the I&S tax rate; that's the only thing the I&S budget can be used for. Robert mentioned that many fast-growth school districts issue bonds on 40-year terms but Northwest usually pays their bonds back within 20 years. He explained how interest rates have gone up and the district's strong financial rating and the Permanent School Fund guarantee is strong for NISD. He explained bond capacity is the projected maximum amount that the district can issue. He also reiterated that bond issuances will not have a term that exceeds the useful life of the project.

Robert showed a chart detailing the history of the NISD tax base and the NISD tax rate. NISD's current total tax rate is the LOWEST it has been since fiscal year 1993. The tax base has grown by double digits consistently since 2015, except for 2016, when the state mandatory homestead exemption increased. For his tax base assumptions, he's assuming 9% for the next few years and then it drops down from 6 to 3% from 2028 to 2031.

He showed three bonding capacity scenarios:

- \$1.5 billion
- \$1.75 billion
- \$2 billion

By raising the I&S rate a tenth of a penny, the district still has the ability to pay its debt faster and has room for additional capacity. A tenth of a penny would mean about \$9.60/year on a million dollar home (with a static home value).

He then talked about Northwest ISD's refundings, saving about \$190 million and then showing successful DFW-area bond elections that were over \$1 billion. He closed his presentation reminding committee members about the new requirements for ballot language that states: "THIS IS A PROPERTY TAX INCREASE." and separate propositions.

## **Q&A / Large Group Discussion**

**Q: Is NISD considering an election to increase the M&O budget for teacher salaries and other expenses?**

A: If the Board of Trustees chooses to call a VATRE (Voter-Approval Tax Rate Election), that would have to be in November. District officials reminded committee members that all I&S funds stay in the district and are not subject to recapture.

**Q: How will the committee determine which projects are in the bond?**

A: The committee will make those decisions through a prioritization process in the coming meetings. Each group will prioritize the projects they think are the most important, and then the committee will look at the total cost of what each group thinks is important before further refining its recommendations.

**Closing**

McClure thanked everyone, explained how seating and prioritization will work at the next meeting, and he encouraged committee members to talk with friends and neighbors about our discussions, and closed the meeting.