FAQ Sheet
Drexel R-IV School District
(Frequently Asked Financing Questions)

1. What is the financing proposal of the Drexel R-IV School District?

The Board of Education is seeking voter approval at the April 2, 2024 election for a $1,950,000 general obligation bond issue that extends but does not increase the current $1.0672 debt service tax levy of the District. The proceeds from these bonds are to be used for providing funds to implement controls, recondition, and replace ductwork within the District's heating, ventilation, and air conditioning (HVAC) systems; to install security access controls; to install new interior and exterior doors and locks; to add exterior lighting; to complete roof repairs, to resurface parking lots and playground; to the extent funds are available, complete other repairs and improvements to the existing facilities of the District.

2. Explain what a general obligation bond is and how it relates to the financing for this project?

Under Missouri law the only way a School District can legally borrow money for school facilities' improvements or construction on a full faith and credit basis is to seek voter approval of a general obligation bond issue. A "general obligation" means that the School District can and must levy sufficient taxes to repay the principal and interest associated with the bonds. With voter approval of at least a four-sevenths majority at the April 2, 2024 election, the District can then sell the $1,950,000 of bonds in increments of $5,000. This financing process gains access to numerous investors at favorable terms compared to what would happen if the District was dependent upon a single lender to supply the funding. The interest earned by the investors is exempt from federal and state of Missouri income taxes. With the interest being tax-exempt, the actual rate the District has to pay is much lower than would otherwise be the case for a typical loan. Based upon current interest rates in the municipal bond market the average interest rate is expected to be less than 4.50%.

3. How can the $1,950,000 general obligation bond issue be referred to as a no tax rate increase?

The current $1.0672 debt service fund levy is adequate to repay the existing bonds plus the $1,950,000 of new bonds by extending the levy <u>six years</u> (from Fiscal Year ending 2038 to 2044), but not increasing it above the current level. This is feasible due to growth in assessed valuation, interest savings from previous bond refinancings and prepayments of principal, and relatively low interest rates in the current municipal bond market. The District just completed a refinancing of the Series 2019 Bonds which saved $263,407 in future interest expense. This $263,407 plus savings of $961,122 from previous refundings and prepayments means the District has totaled $1,224,529 of interest savings since 1998.

4. **Can the District pay these bonds off early to save interest expense?**

Yes, the bonds will contain an optional redemption (call) feature that enables the District to prepay them at no penalty in the event fund balances become large enough for that to occur. The call feature also provides the District with the opportunity to refund the bonds to take advantage of lower interest rates in the future, if the overall economic conditions create that set of circumstances.

5. **Will local investors have an opportunity to purchase the Bonds?**

Yes, they will be available to local investors prior to being offered to others. If you are interested in purchasing some of the bonds or lease certificates, let the District offices know and they will ensure you are contacted after the election.

6. **What type of rating will the General Obligation Bonds have?**

The District can expect to receive an AA+ rating by S&P Global on the general obligation bonds. Missouri school districts issuing general obligation bonds for construction purposes are eligible in most cases to participate in the State of Missouri Direct Deposit Program. This program provides each issuer with an AA+ rating.