

Rockwood School District Debt Service

What is the Debt Service levy and what it is used to pay?

Selling a bond issue is the method the district uses to borrow money for capital assets. The Debt Service levy is the means to repay that borrowed money (bonded debt).

Currently (2011) Rockwood School District has a Debt Service levy of \$0.68 and an operating levy of \$3.5952 for a total levy of \$4.2752. Missouri law restricts the revenue from the Debt Service levy to the sole purpose of paying the principal and interest (plus fees) for the outstanding bonded debt of the district. This tax levy is set each year in accordance with the Missouri Auditor's form for school districts. The amount of the levy for Debt Service depends on the annual debt payment requirements plus a reasonable reserve. In 2007, the district voluntarily rolled the Debt Service levy back from \$0.75 to \$0.68.

It has been the district's practice, with voter approval, to offer General Obligation bonds for sale about every two years. These funds have paid for building new schools and renovating, adding to or improving existing structures. In addition, the district has used bond funds for major maintenance, safety, and technology capital expenditures.

Whenever the district issues new debt, the existing debt is closely reviewed for opportunities to restructure that debt at a lower interest percentage thus lowering the payments for the district. In the past 15 years, the district has saved millions of dollars through this effort. This will continue to be district practice. These savings are required to be retained in the Debt Service fund.

Presently, the district has outstanding bonded debt of \$207,010,000 (net of escrow). These bonds will have principal payment maturities due until the year 2022 on General Obligation (GO) Bonds, until 2024 on the Build America Bonds (BABS), and until 2027 on the Qualified School Construction Bonds (QSCB's). The \$0.68 Debt Service levy is required until the bonded debt obligation is met. It is the district's position to issue new debt only at an amount that can be 'serviced' (paid back) with the current (voluntarily reduced) Debt Service levy of \$0.68.

The revenue raised from the Debt Service levy is legally prohibited from being used for any operating or daily expenses of the district. Again, the Debt Service fund is restricted to paying back the principal and interest of the outstanding debt of the district and has no effect on the operating budget as discussed in the FY13 and Beyond Guiding Change process.