Prop 1 – Collin College Bond
Little or No Impact on Taxes. Period.

Q: How can Collin College issue $600 million in bonds without raising my tax rate?

A: Even though voters are being asked to *authorize* $600 million in bonds in one election, Collin College will not issue the bonds all at one time. Bonds will be issued as needed to pay construction costs over the seven years of the bond program.

Three key factors help maintain a stable tax rate over time: *Growth, Timing* and *Financial Flexibility.*

1. Growth

The Master Plan was developed in anticipation of the projected growth of Collin County – to be proactive and get ahead of that growth, rather than being reactive and trying to catch up.

The county's population, commercial construction and residential housing are growing at an unprecedented and rapid pace — growth that is expected to continue through 2040, and probably beyond. As a result, Collin College (one of only two institutions that levy property taxes countywide, the other being Collin County) will experience an expanding tax base. Reasonable projections are that the tax base will continue to grow at a 7% annual rate. This is the growth rate that Collin College has modeled for tax rate impact. For example:

- Collin College's 2016 total tax rate = $0.081222
- Projected 2020 total tax rate (w/ bond debt) = $0.081222
- Projected 2024 total tax rate (w/bond debt) = $0.081222
- Projected 2025 total tax rate (w/ bond debt) = $0.079988

As the projected tax rates illustrate, the college projects **little to no tax rate impact through 2024** and reductions in the total tax rate thereafter due to growth in the county.

2. Timing

The total tax rate projections above are based on a scenario in which bonds will be issued in 2017, 2019, 2021 and 2023 to match the pace of construction. Issue dates and issue amounts in those interim periods could be adjusted, since this is a plan that will be monitored and adjusted as circumstances change.

Note: The last issue of bonds is anticipated to happen in 2023, and the projected tax rate for 2024 (see above), when Collin College is paying debt service on the full $600 million authorization, is the same rate as 2016.

This shows the college projects that it can issue and pay for the bonds with no increase in the total tax rate. However, that's only part of the equation. What about start-up costs and operating costs while enrollment is increasing to operational levels?

That's where financial flexibility comes in to play…

3. Financial Flexibility

Collin College's financial history is strongly conservative, as is its future. That is evidenced in Standard & Poor's recent renewal of the college's AAA bond rating. One of the aspects of Collin's conservative budgeting and facilities construction program has been to set aside current funds to be able to pay cash for future construction. That practice has served the college well for 32 years, **resulting in a stellar financial position**.

However, growth is coming to Collin College at a faster pace than ever; so fast, in fact, that the current funds set aside from the operating budget ($14.2 million) – money which has, in the past, been used to finance construction – is not enough to meet projected growth.

Collin College's plan for financial flexibility doesn't place any additional strain on the operating budget. Instead, it utilizes existing resources by repurposing the construction set-aside into a **stabilization fund**. By utilizing the annual set-aside as annual deposits to the stabilization fund, the college projects it will be able to:

- Issue $600 million in bonds (at appropriate intervals) with no increase in the total tax rate;
- Provide money to stabilize the Maintenance & Operations tax rate when debt is issued;
- Provide start-up operational funds for the new buildings as enrollment builds to normal operational levels; and
- Provide a buffer for tuition and fee revenue as enrollment builds.

WHAT IF GROWTH DOESN'T OCCUR AS MODELED?

Q: Collin College's bond financing is a multiyear plan, and circumstances can change over time; so what is Collin's "Plan B?"

A: Collin has built significant resources into the plan to smooth the financial process. However, if growth doesn't happen at a 7% annual rate, there are actions the college may take to facilitate equilibrium during the bond program that will help avoid issues when debt service payments are due. These include:

- Matching the duration of the bond construction program to resources provided by property tax growth. For example, the college may elect to delay the start of construction on certain buildings. The bond program could be lengthened, say from seven years to 10 years, as resources permit.

- Reducing planned construction at a particular location to conserve bond dollars and place the delayed construction on a "Phase 2" priority, to be considered at a later time.

Q: Has the college modeled bond program parameters at a lower growth rate? If so, what is the tax rate impact?

A: Yes, the college has modeled the tax rate impact of growth by year as follows:

- 2017-2018 = 8.5%
- 2018-2019 = 6.5%
- 2019-2020 = 4.5%
- 2020-2021 = 3.0%
- 2021-2022 = 2.0%
- 2022-2023 = 2.0%
- 2023-2024 = 2.0%

The tax rate impact of growth at these rates are projected to be an increase in the total tax rate of $0.013 (1.3 cents per $100 valuation). **The tax dollar impact on a Collin County residential homestead with a taxable value of $325,000 would be an annual increase in taxes of $42.25, or $3.52 per month.**

Q: Have details of the Master Plan been made available to the public?

A: Yes. There is a comprehensive section on the college website dedicated to the Master Plan:

www.collin.edu/masterplan

Included is **a breakdown of each new proposed facility**, and a projection of what programs would be available at those facilities. There are individual pages dedicated to each facility, including architectural renderings and a list of programs, as well as an overview video, "Academic & Technical Program Planning," available on the website.

There is also a downloadable PDF of a **two-page handout that divides the Master Plan into three phases**, with overall cost estimates attached to each phase. Cost estimates are used to project potential costs in the initial stages of master plan development. Once funding is approved, more detailed estimates can be developed as bids are accepted on the various projects. The handout, which has been available since mid-February, provides a breakdown of the three phases of the Master Plan and offers a projected sequence of when the facilities will be built.

The college also provided information about the Master Plan in the spring edition of Connection, the official college newsletter, which is distributed to every household in Collin County.

Q: Why does the ballot language for Proposition 1 say it authorizes a possible 12-cent per $100 valuation tax increase?

A: We are required by law to include that language. It's been on every bond issue request the college has ever placed on ballots in the past. And the college has never sought to do that, nor do we now. We have said from Day One, and continue to say openly to our friends and neighbors in Collin County, that we have structured this plan to have little or no impact on taxes, and we mean it. The members of the Collin College Board of Trustees are also residents of Collin County and pay taxes like everyone else. The board is sensitive to the issue of property taxes and is committed to manage the college's fiscal policies responsibly.

> **Consider:** *There are 50 community college districts in Texas, and Collin College has the lowest in-district tuition rate in the state. <u>The lowest.</u> The college also has the second-lowest tax rate. The board has held the line on tuition rates and taxes for 32 years and is committed to doing so in the future.*

Current and past board members have consistently ensured the highest quality education at the lowest possible cost for Collin College residents. The result is a thriving, growing institution of higher education that serves more than 53,000 students and generates more than $525 million in economic benefits for Collin County each year.