

On **February 25, 2020** all voters that reside within the school boundaries of Rapid City School District 51-4 (abbreviated hereafter RCSD 51-4 or RCAS) will have an opportunity to vote Yes or No on the **\$189.553 million school bond**. Per SDCL 6-8B-2, a minimum of 60 percent of the vote is required for approval of the school bond. This is due to the fact that the approval of the school bond would **create an additional parallel property tax system above and beyond the current maximum Mill Levy mandated under state law for the life of the school bond**. Proceeds from the issuance of school bonds should only be used for emergency situations which are absolute necessities. In our opinion, any other use of school bond proceeds are neither appropriate nor reasonable.

The purpose of this website is provide the RCSD 51-4 taxpayers/voters an objective analysis based on fact so that they can make informed decisions at the ballot box. The information provided herein simply has not and will not be disseminated to the voters from the RCSD 51-4 bureaucracy, Rapid City Board of Education, or from the local news media.

**Consider the basic facts of the \$189,553,000 RCSD 51-4 school bond:**

- (1) If approved by the voters, the proposed \$189.553 million bond will be tied for the LARGEST school bond in South Dakota history AND as seen in (6) below, shall be the LARGEST as measured on a per enrolled student basis.
- (2) Using the bond assumptions given by RCSD 51-4, the proposed bond is **\$189.553 million** of Principal value and **\$101.1 million** of Interest, for a total of \$290.6 million to be repaid over the next 25 years by all property owners within the boundaries of RCSD 51-4. Please note that the above numbers do not include any type of potential bond issuance costs (e.g. underwriter costs, bond syndicate costs, OID, etc).
- (3) If approved by the voters, the additional parallel property tax system will be levied against all property owners within the boundaries of RCSD 51-4 starting in the 2020 tax year (retroactive back to 1/1/2020) and continuing every single year to the **2045 tax year**. As noted in (5) below this does NOT include Phase II and Phase III bond issuance and their respective bond principal and interest repayment schedules.
- (4) In the process of developing the Facilities Final Plan for Phase I construction, RCSD 51-4 has gone through **three** different iterations of School Bond levy assumptions. The FINAL iteration of "RCAS annual property tax impact estimate" indicated that a **\$0.85 per thousand valuation tax** would be needed of all property owners to support the \$189.553 million principal value, 25 year school bond. The FINAL iteration appears to be based on the assumption that recessions never happen and the total property tax base increases at **5.4% per year every single year**. Both of which seem to be speculative assumptions! Beware of "teaser rates" or "bait and switch techniques" – if the school bond is approved by the taxpayers, the property tax rate can be increased at any time by a simple majority vote of the then current RCSD 51-4 Board of Education. In other words, in order to provide clarity and transparency to the taxpayers on what the expected property tax rate and taxes will be for the school bonds (from 2020 to 2044) requires providing a **projected range of Mill Levies** based upon reasonable assumptions. This is shown in Exhibit 1 and models both the best and worst case scenarios for the property tax base. We are confident the actual Mill Levy and Property Taxes will reside somewhere in the “Projected Range” for each as shown in Exhibit 1.

PROPERTY APPRAISED VALUE	<---PROJECTED RANGE--->		<-----PROJECTED RANGE----->	
	MILL LEVY per \$1,000 (low) *	MILL LEVY per \$1,000 (high) **	ADDITIONAL RCSD 51-4 PROP TAXES (low) *	ADDITIONAL RCSD 51-4 PROP TAXES (high) **
\$100,000	\$0.85	\$1.55	\$85.00	\$154.69
\$150,000	\$0.85	\$1.55	\$127.50	\$232.04
\$200,000	\$0.85	\$1.55	\$170.00	\$309.38
\$250,000	\$0.85	\$1.55	\$212.50	\$386.73
\$300,000	\$0.85	\$1.55	\$255.00	\$464.07
\$350,000	\$0.85	\$1.55	\$297.50	\$541.42
\$400,000	\$0.85	\$1.55	\$340.00	\$618.76
\$450,000	\$0.85	\$1.55	\$382.50	\$696.11
\$500,000	\$0.85	\$1.55	\$425.00	\$773.45

\* Initial low Mill Levy and Property Taxes upon voter approval of RCSD 51-4 Phase I school bonds.

\*\* High end of range of Mill Levy and Property Taxes based upon potential shortfall in tax revenues to support RCSD 51-4 Phase I school bonds and majority vote approval by the RC Board of Education

**EXHIBIT 1: RCAS ANNUAL PROPERTY TAX IMPACT ESTIMATE OF PHASE I SCHOOL BONDS**

- (5) **The \$189.553 million school bond is for Phase I projects only (Six Year Plan)! The RCSD 51-4 bureaucracy is currently planning on issuing additional series of bonds for both Phase II and Phase III, respectively! No information on the principal amount, timing, and technical rationale for the Phase II and Phase III bonds has been issued by RCSD 51-4. Will RCSD 51-4 be back at the “taxpayer well” again in 2026 (Year 7) to issue Phase II bonds, even though the Phase I bonds will not be paid off until 2044? One can reasonably conclude that RCSD 51-4 taxpayers simply would be drowned in a sea of debt (summation of: Phase I Bonds \$290.6 million P&I + Phase II Bonds unknown amount + Phase III Bonds unknown amount + \$81.0 million in long-term debt on the balance sheet at 8/31/19 = **\$371.6 million + a very large unknown amount**) with a never ending expiration date! Shouldn't the ENTIRE size of the tax bill be made transparent by RCSD 51-4 to the voters BEFORE the election so they can make an informed decision?**
- (6) At the beginning of the 2019-2020 school year, RCSD 51-4 is the second largest school district in South Dakota with 13,462 K-12 enrolled students. Sioux Falls School District 49-5 (SFS 49-5) is by far the largest school district with 24,238 K-12 enrolled students or 80.0% larger. In 2018, SFS 49-5 voters approved a \$190 million school bond (currently the largest school bond in South Dakota history) with a principal value of \$7,839 per enrolled student. In 2020, RCSD 51-4 is asking the taxpayers for a \$189.553 million school bond with a principal value of \$14,081 per enrolled student or **1.80 times greater debt load** on a per enrolled student basis. If the proposed RCSD 51-4 bond was the equivalent size to the SFS 49-5 bond, the bond principal would be **\$105.6 million**. RCSD 51-4 taxpayers/voters should be asking themselves why there is such a huge discrepancy in per capita debt issuance!
- (7) The language of the School Bond resolution as written on the Ballot (reference Exhibit 2) is far too general, broad, and open-ended in nature which leaves discretion to the RCSD 51-4 bureaucracy to utilize the bond proceeds to fulfill its wants instead of student NEEDS – in direct conflict to the purpose of an emergency school bond. Specifically, **the portion shown in yellow highlighting below should be stricken from the Ballot language** as it is unacceptable due to its open-ended nature which would allow the bond proceeds to be spent on "anything and everything" that the RCSD 51-4 bureaucracy desires. Further, there are **\$36.9 million** of major maintenance projects (small projects generally less than \$5 million in cost) included under the \$189.553 million school bond. **Major maintenance projects should be funded exclusively by the Capital Outlay fund – not by an emergency school bond!**

**RAPID CITY AREA SCHOOL DISTRICT 51-4  
MEADE AND PENNINGTON COUNTIES, SOUTH DAKOTA**

**FEBRUARY 25<sup>TH</sup>, 2020**

SHALL THE RAPID CITY AREA SCHOOL DISTRICT 51-4, MEADE AND PENNINGTON COUNTIES, SOUTH DAKOTA, ISSUE ITS NEGOTIABLE GENERAL OBLIGATION SCHOOL BONDS IN A PRINCIPAL AMOUNT NOT EXCEEDING \$189,553,000, ISSUED IN ONE OR MORE SERIES, ISSUED ON ONE OR MORE DATES, BEARING INTEREST AT SUCH RATES AS MAY BE DETERMINED BY THE SCHOOL BOARD, PAYABLE AND MATURING FROM 1 AND NOT TO EXCEED 25 YEARS AFTER THE DATE OF ISSUANCE, FOR THE FOR THE PURPOSE OF FINANCING THE CONSTRUCTION OF THREE ELEMENTARY SCHOOLS, ONE MIDDLE SCHOOL, **A FINE ARTS WING, STUDENT COUNSELING AND SERVICES CENTER, PATHWAYS RELATED UPDATES, ADDITIONS AND RENOVATIONS TO EXISTING SCHOOL FACILITIES, DEFERRED MAINTENANCE AND OTHER SCHOOL DISTRICT IMPROVEMENTS, SAFETY AND SECURITY IMPROVEMENTS,** FURNISHING AND EQUIPPING THE SAME, AND FINANCING COSTS OF ISSUANCE?

**EXHIBIT 2: 2020 \$189.553 MILLION RCSD51-4 BOND ELECTION BALLOT (SOURCE: RCSD 51-4)**

- (8) A narrative has been propagated by the RCSD 51-4 bureaucracy in conjunction with the local news media that attempts to correlate a slowly growing Rapid City area population to increasing RCSD 51-4 K-12 demographics. **This is simply a false narrative** An analysis of long-term RCSD 51-4 demographics shows **a student enrollment flatline for the last 28 years** (13,873 enrolled students in 1991-1992 versus 13,462 enrolled students in 2019-2020). This conclusion is confirmed by the 2016 MGT Report Cohort Survival model (the most accurate model for our specific population dynamics). The only thing growing in the RCSD 51-4 is the number of Administrator positions along with their excessive salary and benefit packages!

For all the reasons noted above, on **February 25, 2020**, please join us in voting **NO** on the largest school bond in South Dakota history! The RCSD 51-4 taxpayers simply cannot afford to incur an additional **\$290.6 million debt to be repaid over the next 25 years**. A **NO** vote would send the message to the RCSD 51-4 bureaucracy to go back to the drawing board to come up with a reasonable plan that the taxpayers can afford and an effective plan that addresses student NEEDS not RCSD 51-4 bureaucracy wants!