CCSD CLARK COUNTY SCHOOL DISTRICT

Frequently Asked Questions Regarding the District's Capital Programs

Where does the money come from for the District's capital programs?

There are three primary sources of funds for the District's capital programs, as established by legislative action in 1997 and Clark County voter approval in 1998. The 10-year bond program was approved by Clark County voters for use in Clark County only—locally approved, locally funded, and committed to local uses only. These funds are used to either repay principal and interest on general obligation bonds, or for pay-as-you-go capital improvements. Of the total $4.9 billion in the 1998 Capital Improvement Program, 76 percent comes from the Clark County voter-approved $0.5534 rollover property tax rate. The remaining 24 percent is funded from proceeds of the real property transfer tax and a portion of the hotel room tax.

Number of Schools	Total	Completed	Remaining
New Schools	101	101	0
Replacement Schools	11	11	0
Phased Replacement Schools	5	4	1
Additions	14	14	0
Life Cycle Replacement/Upgrades	229	172	57
Bus Yards	2	1	1

The District has completed construction of 101 new schools and other capital improvements at 201 existing schools.

What can these funds be used for?

By state law, and as presented to Clark County voters in the 1998 bond referendum, these funds may only be used for construction of new school facilities, replacement schools, renovation/modernization of existing schools, purchase of land for new schools, purchase of equipment, and other capital improvements. Specifically, the table above is a summary of the number of facilities included in the 1998 Capital Improvement Program. To date, $3.1 billion has been spent to build new and replacement schools; $1.1 billion has been spent to renovate existing schools and provide needed equipment and technology upgrades; and $211 million has been spent to purchase land. By law, the District may <u>not</u> use funds in the capital program to pay the costs of operating the school district.

To date, $3.1 billion has been spent on new and replacement schools, and $1.1 billion has been spent to renovate and improve existing schools.

Why are there significant balances remaining in the District's capital program funds?

As of the end of last fiscal year, June 30, 2010, the fund balance in the District's capital and debt service funds totaled $1,137,387,936.

Of that amount, $910,447,067, or 80 percent, was either obligated to projects or set aside as mandated by Nevada Revised Statutes. This amount is summarized in the chart on the right.

Balances in Capital/Bond Program	Amount	Notes
Statutorily Mandated Debt Service Reserve	$411,042,500	Lesser of 100% of next year's principal/interest or 10% of outstanding bonds
Encumbered for Contracted Projects	106,446,908	Projects in process
Obligated for Approved Projects	357,957,659	Projects approved and reflected in the District's approved capital plan
Room Tax Revenue Reappropriated to Fund DSA	<u>35,000,000</u>	As part of the State's 2009-11 biennial budget (per AB 563 & AB 6) for 2011
Total	$910,447,067	

That still leaves $227 million. Where did that come from?

Until the last few years, actual property, room, and real property transfer tax collections exceeded the forecasts used to support issuance of bonds. In other words, the District used conservative (low) estimates of revenue when deciding how many bonds to issue. The District accumulated revenues in excess of what was needed to service the District's bonds up until the last several years.

Current (FY 2011) debt service costs for the District's bonds is $551 milion.

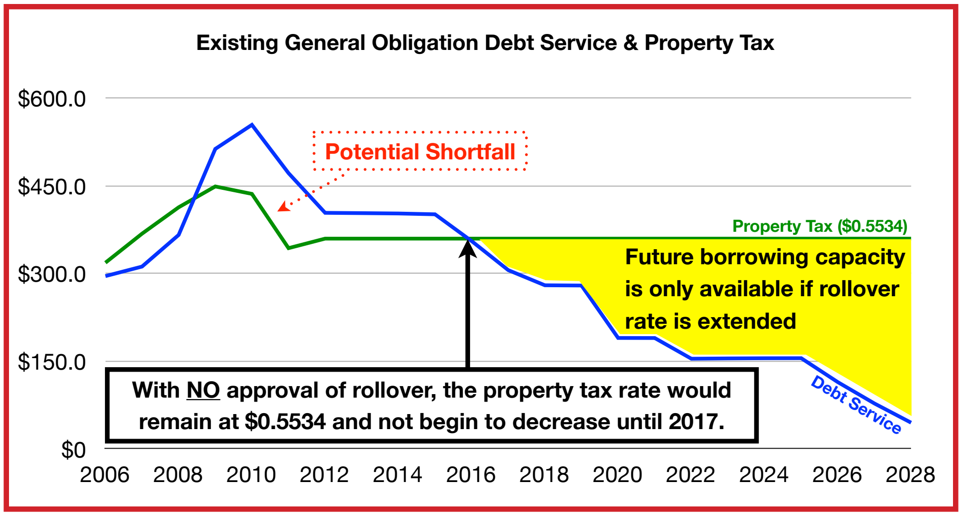
Underlying revenues to support this debt are only projected to generate $413 million in FY 2011.

The District has always followed conservative debt management practices. The District could have issued more bonds in the past by using very aggressive revenue estimates, but instead, it followed a more fiscally prudent course. Given what is now happening in the economy, if the District had not been conservative, there would have been an even greater strain on mandated and other reserves, even possibly affecting future property tax rates.

What will the $227 million be used for?

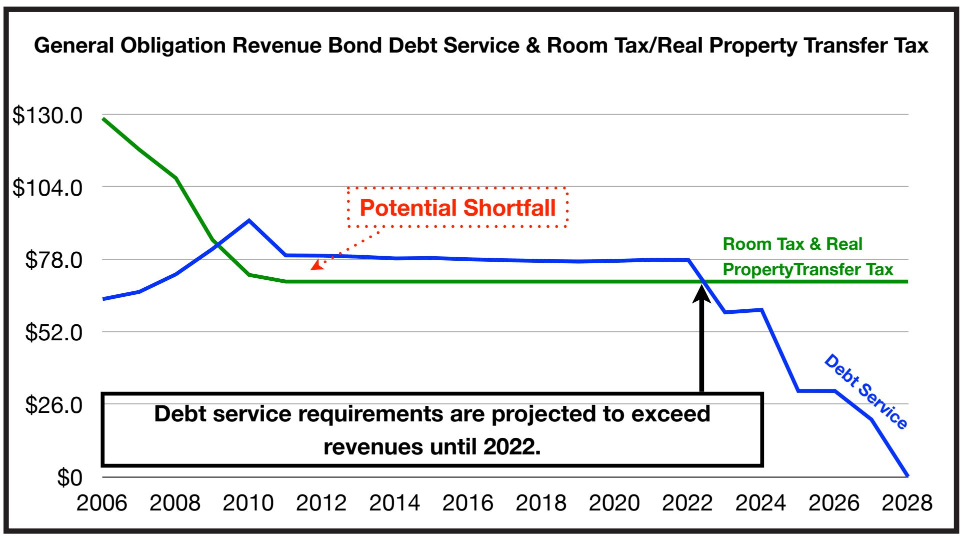
As depicted in the charts on the right, the District's debt service costs are projected to exceed the underlying property, room, and real property transfer taxes pledged to support them.

Thus it is estimated that $173 million will be needed just to cover debt service on the District's General Obligation Revenue Bonds in the next several years. Any remaining funds may be used for future pay-as-you-go capital improvements.



What about the $411 million in the Debt Service Reserve?

In 1997, when the enabling legislation was enacted to allow the District's 1998 capital program, the Legislature included a provision that required the District to accumulate and maintain a reserve in the debt service fund to basically ensure that funds were available in advance to cover the next year's debt service costs. As such, it is a hedge should future property, real property transfer, or room taxes be insufficient to meet future debt service costs.



The specific requirement is that the reserve be maintained at a level equal to either (1) 100% of the next year's total debt service costs or (2) 10 percent of the amount of bonds outstanding, whichever is less. Given the District's current outstanding bonds and debt service projections, the first criteria (next year's debt service costs) is, and will likely continue to be, the basis for calculating the reserve requirement for the foreseeable future.

Debt service costs are projected to exceed underlying revenues by $138 million in FY 2011.

What occurs in the event that room and real property tax revenues are insufficient to cover the debt service costs on the underlying general obligation revenue bonds?

Should underlying revenues not be adequate to support the District's debt service requirements, it is possible that the property tax rate could increase in future years.

Should underlying revenues be insufficient to cover debt service costs in any year, the following scenarios would occur:

First:	Fund balance in the District's debt service and capital funds would be used to cover the deficit.
Second:	If fund balance is not sufficient to cover the deficit, the mandated debt service reserve would be used.
Third:	If neither fund balance nor the debt service reserve is sufficient to cover the deficit, the $0.5534 property tax rate would be increased by an amount sufficient to cover the remaining deficit.

What are the District's plans for the $464.4 million that was encumbered and obligated for projects as of June 30, 2010?

Details on capital improvements made or in progress at individual schools are available online on each school's web contact page.

Of the $464.4 million programmed for projects:

1. $60.9 million is programmed to complete the new schools, including equipment, off-site completions, and project close-outs.
2. $73.8 million is planned for the purchase of sites for nine future schools.
3. $41.7 million is planned for the construction of a new transportation satellite in the northwest valley, pending approval of land use by the U. S. Bureau of Land Management.
4. $15.5 million is planned for furniture, equipment, and technology equipment replacement at all schools over the next two years.
5. $108.2 million is in progress and nearing completion for modernizations at older schools for items such as HVAC upgrades, replacing fire alarms, replacing intercoms, replacing roofs, upgrading technology, and kitchen upgrades.
6. $131 million is in design for additional modernizations at older schools, plus completion of a phased replacement at one high school, with contracts to be awarded by June 30, 2011.
7. $33.3 million is the program contingency balance for unforeseen conditions and emergency failures.

The District has at least four levels of local oversight regarding its capital funds—the Bond Oversight Committee, the Oversight Panel for School Facilities, the Clark County Debt Management Commission, and, of course, the Board of School Trustees. The District has gone through a very public and transparent process of revising the 1998 Capital Improvement Program (14 revisions) with the Bond Oversight Committee and Board of School Trustees, and the District has voluntarily requested external audits of its capital programs. Every major capital plan is fully vetted, justified, and approved by those oversight groups.

For more information *on the District's capital programs, as well as other budget information, go to the District's web site at:*

www.ccsd.net/finance