



December 2015

Two of the primary goals of the 2014 Bond Committee were to build facilities that would meet near-term enrollment growth needs and have little to zero impact on the tax rate for Katy residents. That Committee effectively achieved both goals by designing a \$748 MM package that included six new schools, six major renovations, technology, safety and security upgrades and student activity facilities including an agricultural sciences center and a second stadium. With foresight and efficient fiscal management of previous year bonds (such as 2010) and a favorable 2010 bid market, the promises of the 2014 bond authorization are on target for being met.

As the Board of Trustees continues to approve 2014 bond projects and bids, we have received inquiries about how projects are funded and supplemented by previous bond authorizations. A healthy and vibrant construction market has resulted in higher bids on projects that were originally estimated at lower costs more than a year ago when the 2014 Bond Committee's development of the bond package first began. However, this market was anticipated and the District was effectively prepared to address this challenge.

Below are some Frequently Asked Questions (FAQs). As we receive other like inquiries, this list will be updated and can be found on the Bond Progress web page.

2014 Bond FAQs

1) What was the remaining balance from the 2010 bond once all projects authorized in that bond program were completed?

After all projects originally budgeted in the 2010 bond authorization were completed, \$60,513,432 remained to be used for additional and future bond projects. See #7.

2) What is the remaining balance from the 2010 bond authorization as of December 9, 2015?

\$645,729 is the unallocated balance from the 2010 bond authorization as of December 9, 2015, after the Board of Trustees approved the \$2.9MM for the field house shell space build-out along with parent drop off, maintenance building, and exterior LED building lighting (alternates) on December 7, 2015.

3) Can unused 2010 bond funds be used for student programs or teacher salaries?

No. Legally, bond funds can only be used toward existing or future capital bond projects, or to pay down debt.

4) How was the District able to realize bond savings from 2010?

Efficient project management by Katy ISD Facilities, Planning and Construction staff which included: value engineering cost reductions, strategic phasing of specific projects to lower cost, bundling of new school projects where practical to provide a larger more attractive project for bidders and to

achieve an economy of scale, and dialogue with the construction community to determine ideal bidding times, all contributed toward creating savings in the 2010 Bond program. It is important to recognize that market conditions at the time of pricing for specific 2010 Bond projects were very favorable for entities bidding projects. There was very good competition in the sub-trade market.

5) Have project cost projections that the 2014 Bond Committee reviewed in spring 2014 been bid at higher costs due to the upturn in the construction market?

Yes. The administration and the 2014 Bond Committee had accounted for 10% inflation in the first year of the program. However, the market has actually seen an average of between 12% and 14% inflation depending upon the type and timing of project. In specific sub-trades, the percentage has been much larger. This is reflective of rapidly escalating material costs and labor shortages due to the high volume of construction in the Houston area.

6) Can we use 2010 bond savings to fill these gaps?

Yes.

7) How are the 2010 bond savings being used for 2014 bond projects and other capital projects?

The 2010 bond savings that have already been approved by the Board of Trustees for use to supplement the 2014 bond projects due to increased costs reflected in current bids include:

<u>2014 Projects</u>	<u>2010 Bond Savings Allocated</u> (to date)
• Elementary #39	\$2,447,130
• Junior High #15	\$1,541,140
• Stadium #2 (design, architect fees)	\$666,151
• Agriculture Sciences Center	\$391,193
• Elementary #38 (increased construction scope and additional design fees)	\$3,690,584
• High School #8 (construction cost overages)	\$5,679,755
• Field house shell space build-out along with parent drop off, maintenance building, and exterior LED building lighting (alternates)	\$2,904,312

Other capital projects not included in the 2010 bond authorization*, but funded by 2010 bond savings:

• Davidson Elementary	\$19,387,733
• Randolph Elementary	\$19,899,686
• Mayde Creek Water Well	\$364,227
• South Transportation Drive	\$301,096
• Katy High School Parking Lot	\$1,476,346
• Memorial Parkway Elementary Parking Lot	\$392,045
• Morton Ranch High School Track	\$614,505
• Morton Ranch High School Ductwork	\$111,800

*Construction of these projects allowed the District to push the next bond out by at least one year and addressed additional projects that would have been funded by future bonds.

The remaining balance of unallocated 2010 bond savings to be used on future capital projects totals \$645,729.

The 2010 bond authorization included budget for future design fees related to the following new campuses in the 2014 authorization. These projects are noted as follows:

- Elementary #38 \$844,800
- Junior High #14 \$1,000,000
- High School #8 \$5,088,400

8) Why did the Board of Trustees approve the second stadium shell space build-out, along with the parent drop off, maintenance building and exterior LED building lighting (alternates) at the December 7, 2015 Work Study as opposed to the December 14 Regular Board meeting?

The second stadium shell space build-out with alternates was first discussed with the Board of Trustees at the July 27, 2015 Regular Board Meeting. It was reviewed in detail at the November 16, 2015 Board Work Study Meeting, and again at the Regular Board Meeting on November 23, at which time it was referred by the Board of Trustees to the Community Bond Review Committee (CBRC) for a recommendation. The item was placed on the Board Work Study agenda for action at the December 7, 2015 meeting following the CBRC's December 3rd recommendation. Board action on this item was taken in an effort to avoid existing and future inflation costs given current market and construction conditions. The CBRC determined that this course will save taxpayer dollars in the short and long term. Action at this meeting also provided Facilities, Planning and Construction staff the week before the holiday break to move the project forward.

Additionally, because the District was able to capitalize on favorable market conditions in 2010, value engineering cost reductions, as well as bundling projects that same year, millions of dollars in savings were realized. Katy ISD is in the fortunate position of being able to capitalize on past bond savings due to having a very experienced staff responsible for fiscal management and project planning.

The District is in an excellent position to meet 2014 bond authorization promises. The two primary goals of the 2014 Bond Committee — meet near-term enrollment growth needs and have little to zero impact on the tax rate for Katy residents, have been met. In fact, the tax rate has been lowered. The Board and 2014 Bond Committee anticipated additional resources (such as cost savings from the 2010 bond) would be available should the bids on 2014 projects come in higher due to a more volatile construction market to ensure delivery of each project recommended by the Committee and approved by the voters.

Factoring in all remaining 2014 bond projects yet to be bid, we continue to be confident that we have the resources available to fund these projects.

To learn more about the 2014 Bond Program, [click here](#).