



FACT SHEET: Ed SPLOST 2021



Why is the Education SPLOST renewal held in advance of the collection period's expiration?

The renewal timeline is planned with two important goals in mind: to ensure adequate time for passage to avoid any discontinuation of collection; and, should collections increase toward the collection cap quicker than expected, to allow for the current Ed SPLOST to end and the next Ed SPLOST collection period to begin sooner. Additionally, the School Board must abide by State laws regulating when SPLOST elections can be held.



What happens when the Education SPLOST collections hit the limit that voters agreed upon in the referendum ballot?

When the Education SPLOST collections hit that limit, the collections must stop in the calendar quarter in which the limit is reached. This makes the timing of the election critically important, as should the Ed SPLOST collections stop, the required continued bond debt retirement payments (CCSD's "mortgage") against bonds issued for capital outlay projects during rapid enrollment growth over the last 20 years still must be made – and, without Ed SPLOST, the payments must be made entirely with property tax revenue.



If the Education SPLOST collections stop, how would CCSD continue to pay its bond debt retirement "mortgage"?

Without Ed SPLOST revenue, CCSD must use property tax revenue to make bond debt retirement "mortgage" payments, as explained and agreed to when the School Board has called for the renewal every time the issue has gone on the ballot since 2001. Just as when you want approval for a personal loan to borrow money, such as to expand your home, you must have collateral -- for the School Board's bond borrowing, the collateral is the ability

to levy property taxes. The amount of property tax needed to make the bond debt payments is approximately 5 mills, which represents a 25% increase from the current rate of 19.45 mills (18.2 mills for daily operations called "Maintenance and Operations" and 1.25 mills for Debt Service).

- The School Board has not raised the overall property tax millage rate in more than 11 years; increases in tax bills have been due to increases in property values ... an increase in the tax rate would further increase property tax bills. As our community's most knowledgeable Realtors know, our outstanding schools coupled with relatively low property taxes make Cherokee County a desirable place to live ... not only would increasing property taxes hurt residents' own budgets, it would negatively impact home sales and the economic development of our community.
- It's also important to note that of the 18.20 mills collected for M&O, CCSD never benefits from the first 5.6 mills collected, as State law requires that at least 5 mills levied on the statewide adjusted property tax digest be contributed toward funding the State's Quality Basic Education formula, effectively providing funds to counties determined by the State to have greater economic needs. Additionally, .39 mills are collected by the Board of Commissioners from CCSD's property taxes to pay

MILLAGE RATE BREAKDOWN	CCSD 2021-22 MILLAGE RATE
State of Georgia Required Local Effort Quality Basic Education	5.6
Assessment by County Government for Reimbursement of Tax Collection Costs (2.10%)	0.39
CCSD Maintenance and Operation	12.21
Debt Service	1.25
TOTAL MILLAGE	19.45

for tax collection costs. Then, of that remaining 13.46 mills, CCSD uses 1.25 mills to help speed up to retirement of bond debt ... leaving 12.21 mills in local property taxes for the day-to-day operations of the School District – everything from salaries and benefits to utilities and bus fuel. The State does provide funding from state income tax collection to help fund school districts, but the majority of operating costs, including the entirety of some costs, is dependent on local property taxes. Ed SPLOST revenue only can be used for capital costs, such as school construction and renovation projects and large purchases like school buses, technology infrastructure upgrades and land for future school sites.

2020 GENERAL ADMINISTRATION COSTS PER STUDENT

CHEROKEE COUNTY	\$143
CHEROKEE CHARTER	\$472
CLAYTON COUNTY	\$197
COBB COUNTY	\$182
DEKALB COUNTY	\$262
DOUGLAS COUNTY	\$151
FAYETTE COUNTY	\$142
FULTON COUNTY	\$199
GWINNETT COUNTY	\$187
HENRY COUNTY	\$116
ROCKDALE COUNTY	\$306

Source: GOSA

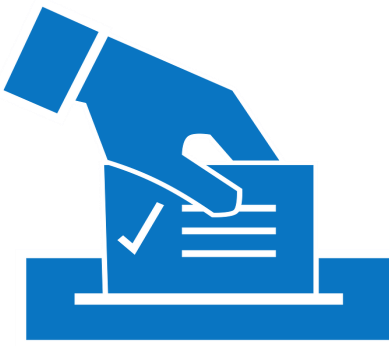


What else does the School Board do to be fiscally conservative?

- The School Board, in addition to avoiding a property tax increase for more than 11 years, also requires the Superintendent lead a zero-based budget development process. Through this process, his senior staff must present a new budget each year that includes re-evaluating current expenditures to determine whether they should continue and, if so, to calculate actual costs for the coming year. New expenses also must be closely reviewed and presented to the budget development committee before the Superintendent determines his recommended budget for School Board consideration. This zero-based budgeting process has allowed the School Board to withstand significant State “austerity budget reductions” over the last decade without raising the property tax millage rate.
- The School Board additionally has shifted 1.25 mills of property taxes from its Maintenance and Operations (M&O) budget to its debt retirement budget to help with covering the debt service payments and, in some cases, even speed up the retirement of bond debt. This move is in keeping with the School Board’s conservative fiscal approach and the goal to move further toward a “pay as you go” model using sales tax receipts as they come in rather than issuing bonds. Unfortunately, the county tax digest’s continued overreliance on residential development – which does not fully pay for its impact on infrastructure including public schools -- and the coun-

ty’s continued residential growth, make a full “pay as you go” model impossible at this time. Communities that use this model either maintain a better balance with commercial and industrial development and/or have seen slower residential growth over the last 20 years. It’s also important to note that Cherokee County seniors who are 62 and older do not pay the school portion of property taxes (at 18.2 mills), with the exception of homes that exceed reasonable value limits, which also makes a full “pay as you go” model more challenging.

- The School Board’s decision to shift 1.25 mills of property tax from the M&O budget to debt repayment accomplishes many fiscally conservative goals, including the ability to “pay as you go” for some expenses, such as Technology hardware for classrooms. By ensuring that Ed SPLOST payments will be made, through a combination of property taxes and Ed SPLOST revenue, the School District is able to use more sales tax revenue for capital outlay purchases instead of relying on bond revenue. This model is a more fiscally appropriate choice whenever possible for purchases that more quickly depreciate, such as Technology hardware, so that CCSD is not paying bond interest on equipment years after its purchase and, potentially, after its retirement due to age.



15 of the county's 43 voting precinct locations are CCSD schools, which is why schools are closed on Election Day. Security concerns, as well as traffic and parking, are less of an issue when students are not on campus.

HISTORY OF ED SPLOST ELECTION RESULTS

CCSD ED SPLOST RESULTS				
ELECTION	YES	NO	TOTAL	% APPROVAL
SEPT. 1997	7,402	5,927	13,329	55.5%
SEPT. 2001	4,474	1,041	5,515	81.1%
NOV. 2006	34,400	13,524	47,924	71.8%
NOV. 2011	11,647	9,743	21,390	54.5%
NOV. 2016	78,796	29,720	108,516	72.6%
NOV. 2021	10,949	3,718	14,667	74.7%

Other important fiscally conservative steps taken by the School Board include spending less than authorized borrowing amounts, for example, the current Ed SPLOST allows for borrowing \$115 Million, but through careful budgeting, the actual borrowing will be less than \$100 Million. The School Board also has strengthened its reserve funds through conservative spending on daily operations, which has improved CCSD's credit rating and eliminated the need for short-term tax-anticipation note (TAN) borrowing.

tal expenses through a "pay as you go" model. Additionally, the School Board in recent years has gradually shifted 1.25 mills of property taxes from its Maintenance and Operations (M&O) budget to its debt retirement budget, which has helped repay the bond debt and repay it more quickly.



How are debt retirement reserve funds utilized?

The 1.25 mills of property taxes designated for debt retirement as well as a portion of Ed SPLOST revenue are used to pay off bond debt through semi-annual "mortgage" payments. By shifting this portion of property taxes to debt service, the School Board may elect to repay the bond debt more quickly and improve its long-term debt obligations ... just as when a homeowner pays more than their monthly mortgage payment to reduce their overall debt. Additionally, the School Board has set a goal to maintain enough funds in the debt service account to build up an emergency reserve, similar to the "rainy day" fund for the operating budget, to ensure that CCSD does not miss a bond debt payment should sales tax collections temporarily dip due to economic recession. This conservative practice put into place by the School Board also has improved the School District's credit ratings with Moody's and Standard & Poor's credit rating agencies, which, in turn, reduces the interest rate for borrowing – both for Ed SPLOST bonds and for Tax Anticipation Notices when they are needed to bridge the gap between the start of the budget year and the receipt of property taxes.



Does CCSD use bonds to repay debt?

No -- CCSD does not use bond proceeds to repay debt. This is a legally allowable expense so the language is included in the referendum. Bonds allow the School District to borrow large amounts of funding needed for costly capital expenses ... for example, it costs about \$100 Million to build a new high school and \$100,000 to purchase a new school bus. The Ed SPLOST revenue, which is distributed to CCSD on a monthly basis by the State Department of Revenue, is used, in part, to repay bonds, as well as to make some less costly capi-

COUNTY SALES TAX INFO

Georgia Counties at 6% (lowest rate):

- Cherokee
 - Cobb
 - Gwinnett
 - Glynn
- The other 155 counties in Georgia are at 7% or higher!*



Who pays the sales tax collected by the Education SPLOST?

Sales tax is paid by anyone who purchases taxable goods in Cherokee County. Not only does Cherokee County attract shoppers from the entire metro Atlanta and north Georgia region to its outlet mall in Woodstock, but many major stores and restaurants in Cherokee County are the most northern locations in Georgia. Any shopper who has walked a parking lot aisle of shopping centers including Canton Marketplace or Riverstone Plaza can attest to seeing license plates

from counties far to the north of Cherokee, likewise at warehouse club stores and specialty stores that attract shoppers from throughout northwest Georgia to Cherokee County. Downtown Woodstock is considered a regional destination for shopping and entertainment, and downtown Canton and downtown Ball Ground attract shoppers from throughout metro Atlanta and north Georgia to their unique shops and festivals. All of these visitors help pay for Cherokee County’s new schools and renovations, school buses and technology ... thus greatly reducing the cost to residents.

SALES TAX COMPARISON DATA FOR METRO ATLANTA SCHOOL DISTRICTS

School District	Expected Revenue	Current Student FTE Count	Amount Per Student	Total Sales Tax
Atlanta Public Schools	\$650.8M	49,691	\$13,097	8.9%
City Schools of Decatur	\$40.8M	5,614	\$7,268	8%
DeKalb County School District	\$742.8M	94,745	\$7,840	8%
Cobb County School District	\$895M	109,620	\$8,165	6%
Fulton County Schools	\$1.2B	88,701	\$13,529	7.75%
Marietta City Schools	\$71M	8,808	\$8,061	6%
Cherokee County School District	\$290M	41,984	\$6,907	6%

OF FINANCIAL INTEREST:

- CCSD’s Moody’s Rating: AA2 (Stable)
- CCSD’s S&P Rating: AA+ (Stable)
- CCSD has received eight consecutive “clean” financial audits.
- In August of 2021, CCSD’s Office of Financial Management, which prepares all financial reports and the annual budget among its many responsibilities, received the Certificate of Achievement for Excellence in Financial Reporting from the national Government Financial Officers Association for its Fiscal Year 2020 Comprehensive Annual Financial Report.

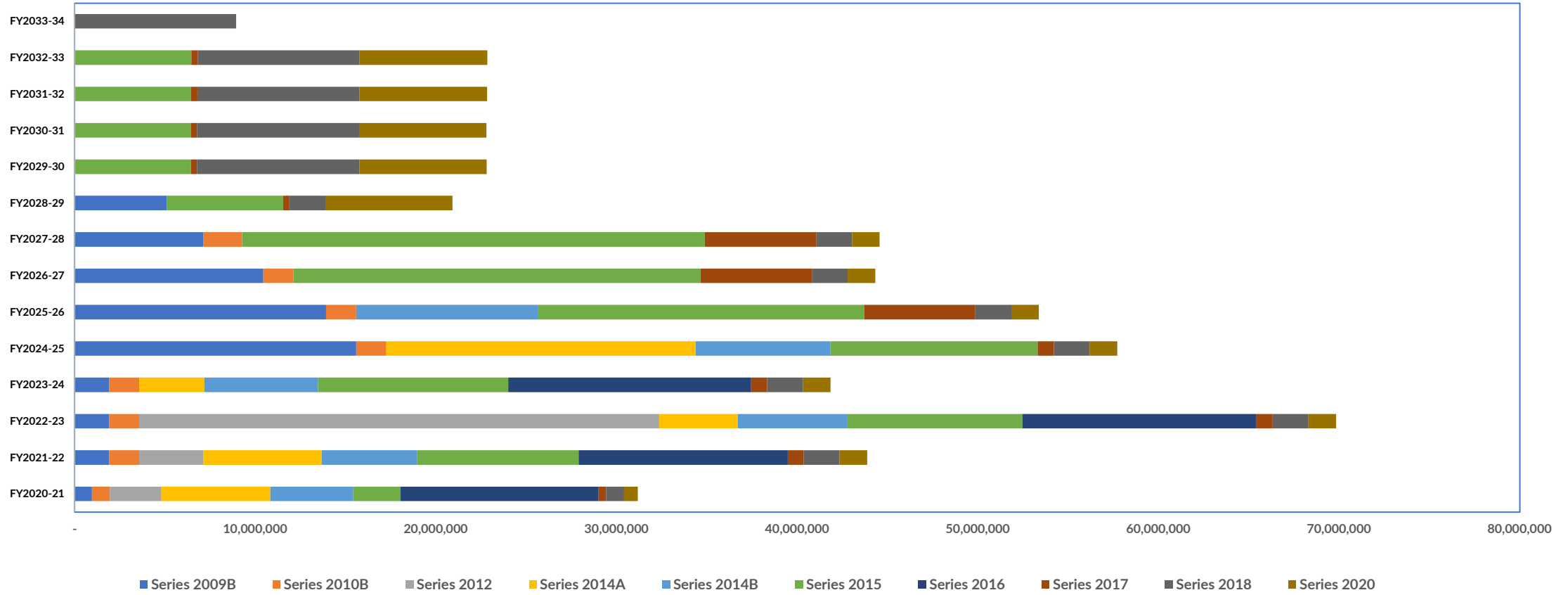
How many Georgia Counties have an Ed SPLOST?

157 of 159. Burke County and Towns County are the only ones without an active sales tax to support public schools.

Source: Georgia Department of Revenue



Debt Service by Fiscal Year and Series



Debt Service Fund Analysis With Series 2012 and Series 2014 Bonds Defeased

FISCAL YEAR	DEBT SERVICE PAYMENT (PRINCIPAL + INTEREST)	PROJECTED Ed-SPLOST COLLECTIONS IN BUILDING FUND	PROJECTED PAY-AS-YOU-GO FROM ED- SPLOST	PROJECTED PROPERTY MIL (1.25) COLLECTIONS	PROJECTED SUBSIDY REVENUES	PROJECTED FUND BALANCE
Debt Service Fund 6/30/2021						76,803,110
2020-21	(42,671,306)	47,481,652	(5,250,000)	9,682,000	2,964,948	89,010,404
* 2021-22	(74,874,945)	49,855,735	(14,887,000)	12,102,500	2,936,976	64,143,670
2022-23	(43,364,695)	49,980,374	(20,000,000)	12,163,013	2,936,976	65,859,338
2023-24	(43,310,945)	50,230,276	(20,000,000)	12,223,828	2,936,976	67,939,473
** 2024-25	(59,294,833)	50,481,428	(20,000,000)	12,284,947	2,803,945	54,214,959
2025-26	(54,505,866)	50,733,835	(20,000,000)	12,346,371	2,548,750	45,338,049
2026-27	(45,587,257)	50,987,504	(20,000,000)	12,408,103	2,323,876	45,470,275
*** 2027-28	(62,497,461)	51,242,441	(20,000,000)	12,470,144	1,698,791	28,384,190
2028-29	(43,068,346)	51,498,654	(20,000,000)	12,532,495	588,208	29,935,201
2029-30	(22,819,788)	51,756,147	(20,000,000)	12,595,157	-	51,466,717
2030-31	(22,807,038)	52,014,928	(20,000,000)	12,658,133	-	73,332,739
2031-32	(22,833,438)	52,275,002	(20,000,000)	12,721,423	-	95,495,727
2032-33	(22,854,813)	52,536,377	(20,000,000)	12,785,031	-	117,962,322
2033-34	(8,948,250)	52,799,059	(20,000,000)	12,848,956	-	154,662,086
TOTAL	(537,012,977)	518,358,626	(134,887,000)	157,332,500	18,774,498	177,227,733
<p>*Refunding Series 2012 @\$29,484,000 (Original Maturity date is August 2033) avoiding \$7,801,250 in future interest payments **Refunding Series 2014 @\$24,440,000 (Original Maturity date is August 2034) avoiding \$3,767,019 in future interest payments ***Includes Invested Sinking Fund of \$21.5M that pays the Series 2010B Bonds</p>						