



Issue Paper #3: Bond Financing Capacity

1. Background

For Oregon school districts, bonds are the primary tool for financing school facility needs. There is a legal maximum debt capacity of 7.95% of real market value within the District. The Hillsboro School District has remaining bond capacity of \$2.38 billion. The real limitation is the capacity made available by the voters in the District. In 2017, the District's levy rate is estimated to be \$2.2374 per \$1,000 of assessed value. As obligations to past bonds are met, this rate is projected to drop to \$0.9914 in 2019. This is a potential good timeframe for a bond issue to replace the debt that is being repaid without raising the current tax rate. Looking beyond 2019 to 2025, the rate is projected to drop to \$0.3981 offering an additional possibility for debt issuance.

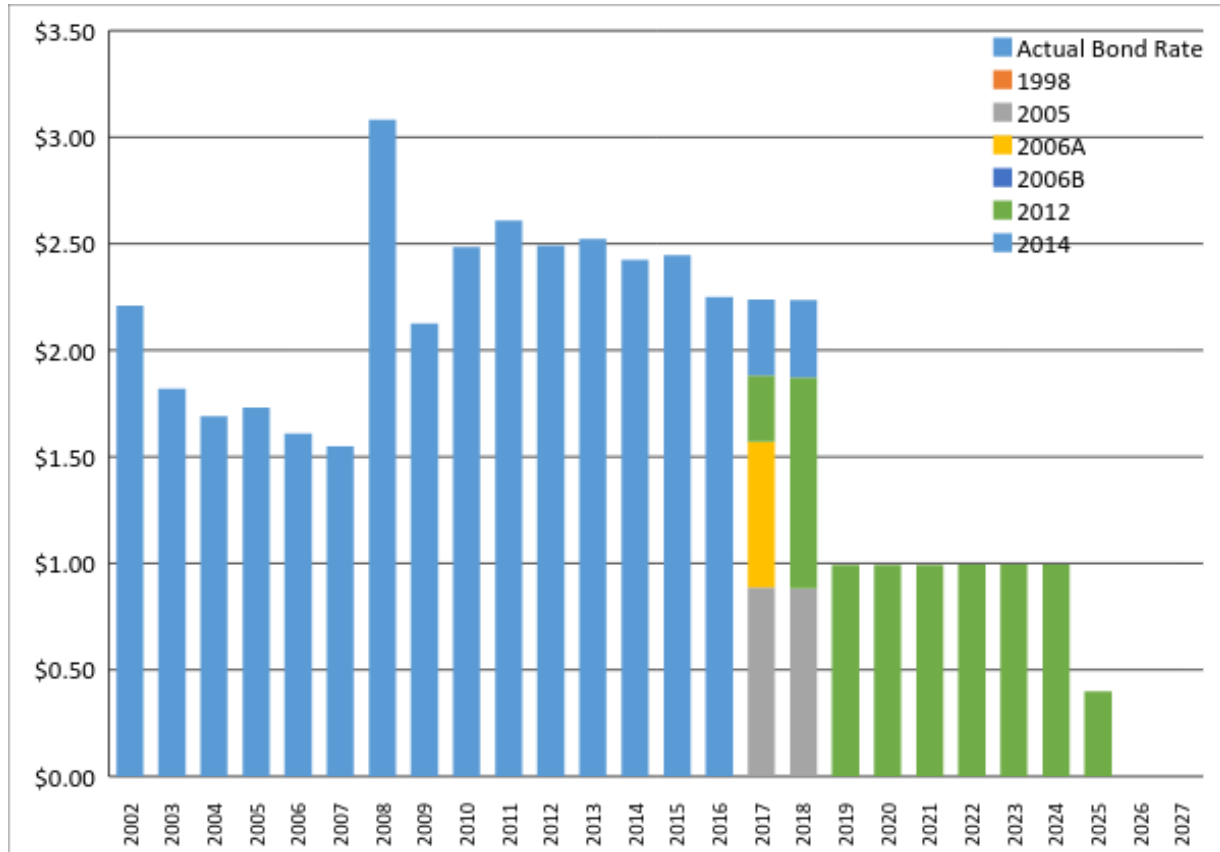
Table 1: Hillsboro School District Schedule of Outstanding and Refunded Bonds (For the Year Ended June 30, 2015)

Issue Date	Original Issue	At June 30, 2015	Interest Rates	Pay-off Year
<u>General Obligation Bonds</u>				
May, 2005	\$78,055,000	\$33,680,000	3.70 - 5.12	June, 2018
December, 2006	\$168,996,712	\$17,565,000	4.00 - 5.00	June, 2017
November, 2012 220122012	\$98,950,000	\$98,015,000	1.50 - 5.00	June, 2025
August, 2014	\$18,290,000	\$14,065,000	3.00 - 5.00	June, 2018
<i>Subtotal</i>		<i>\$163,325,000</i>		
<u>Full Faith and Credit Obligations</u>				
March, 2008	\$4,390,000	\$2,365,000	2.50 - 5.13	June, 2036
Total		\$165,690,000		

As can be seen in Table 2, in terms of capacity and timing for assuming new debt, the District will have paid off a series of bonds with the result being a reduction of roughly \$1.23 in the District's tax rate per \$1,000 assessed value from roughly \$2.23 to \$1.00 in 2018-19. If voters were to pass a bond measure that didn't increase the tax rate beyond its current \$2.23 per \$1,000, early estimates are the District could finance roughly \$300 million in badly needed modernization, new construction and other capital projects to keep pace with anticipated enrollment growth.



Table 2: Hillsboro School District Outstanding GO Bonds – Actual and Projected Levy Rates



2. Why this is Relevant to the Bond Program

Debt capacity and tax rates are important considerations in that they have a financial impact on the community and therefore affect the potential public support for a new bond measure. A comprehensive long-range capital program that utilizes the new debt capacity could be recommended by the Committee.

3. Conclusions

- a) Hillsboro School District will have available new general obligation bonded debt capacity of roughly \$300 million after 2018 without increasing current tax rates.



b) If the timing of new debt is delayed beyond the May 2018 election, the tax rate will fall and will need to be subsequently increased in order to support new debt obligations in the future obligations in the future.