



Issue Paper #8: Bond & Finance 101

1. Background

At Bond Advisory Committee meeting #1 staff briefly presented bond financing information in Issue Paper # 3: Bond Capacity. Committee members were interested in learning more details on school financing options. The attached PowerPoint presentation provides additional information on School Financing and the various sources of funds for school facilities and operations. Adam Stewart will step through this presentation at Meeting #2.

Bonds & Finance 101

Bond Advisory Committee

November 16, 2016

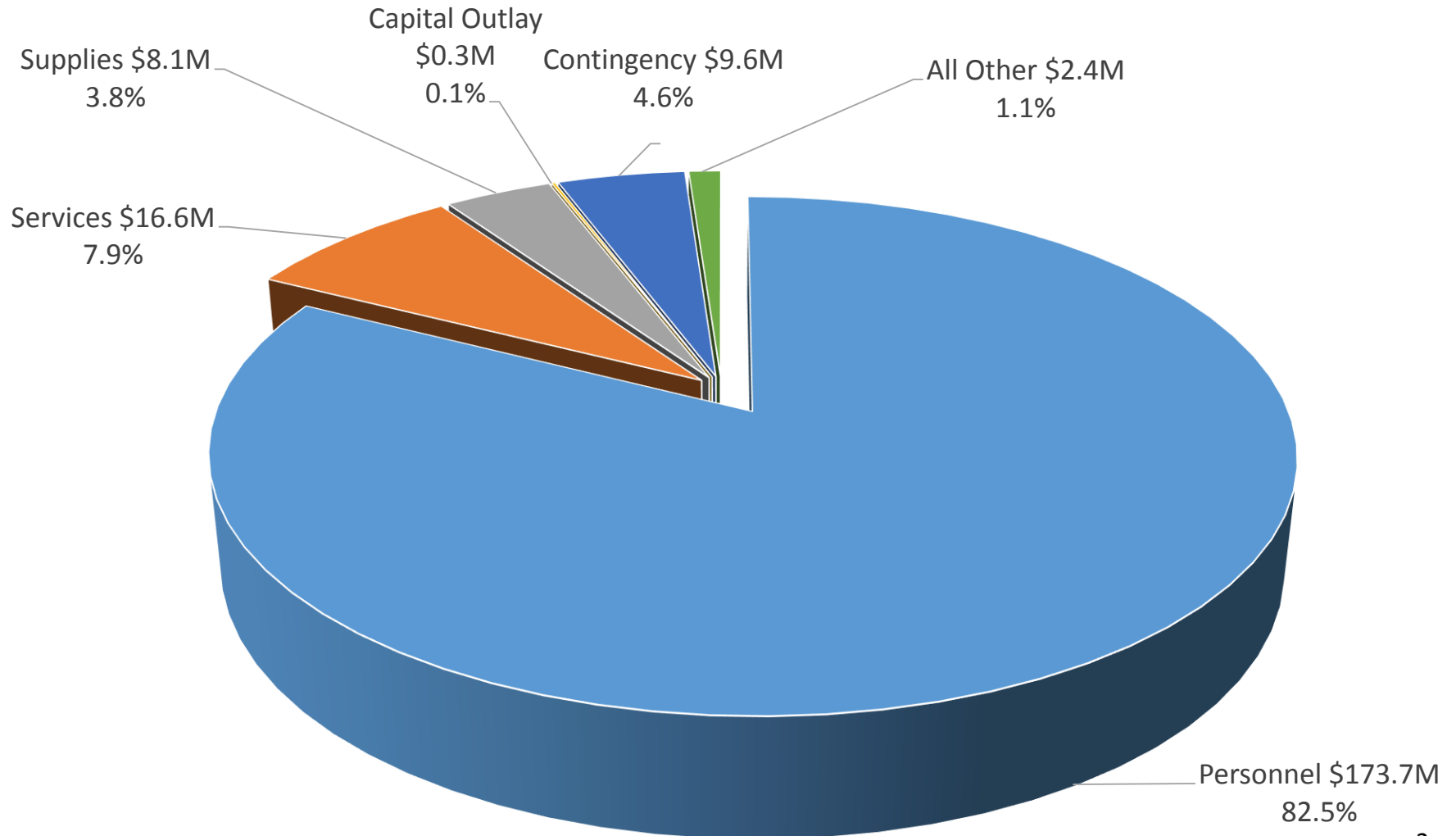


General Fund Operations

GENERAL FUND EXPENDITURES BY OBJECT

\$210,690,678

(\$ in millions)

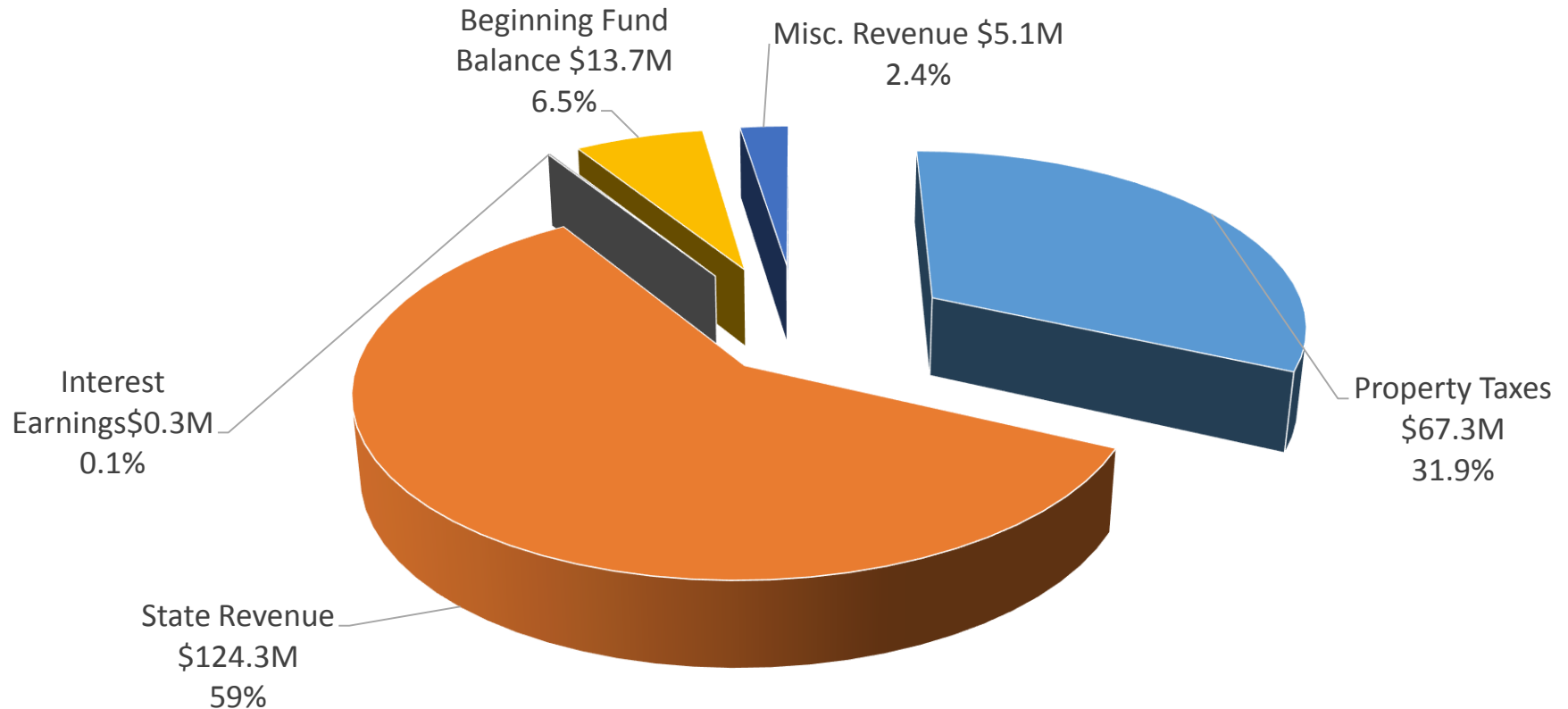


General Fund Operations

GENERAL FUND REVENUE BY SOURCE

\$210,690,278

(\$ in million)



General Bond Primer

- A “bond” is a loan that is broken into pieces and sold to investors
- Municipalities use bonds for major capital projects
- Bonds come in several varieties:
 - Tax-exempt bonds
 - Taxable bonds

What is a General Obligation Bond?

- Secured by property taxes and the “full faith and credit” of the District
- Repaid by a levy on all taxable property within the school district’s boundaries
- Levy is not limited by Measure 5 or Measure 50
- Tax exempt
- Considered highest quality credit a school district can offer to market
- Proceeds can be used for “capital construction and improvements” that have a useful life of more than one year

Bond Ballot

- Bond ballot approves:
 - “not-to-exceed” amount of bonds
 - permitted use of proceeds
 - maximum years to maturity
- Bond ballot cannot approve a “\$ per thousand” amount
- Elections in: March, May, September and November
- November and May elections are not subject to double majority provisions

State Debt Limits

K-12 districts are subject to a debt limit of no more than 7.95% of Real Market Value

Hillsboro School District:

2015-16 Real Market Value:	\$ 30,461,891,198
Statutory Debt Limit (7.95%):	2,421,720,350
(Less) Outstanding debt:	<u>(139,830,000)</u>
Remaining capacity:	<u>\$ 2,281,890,350</u>

Use of Proceeds

- Eligible projects are those where the “weighted average life” of bonds do not exceed the “weighted average life” of capital costs used to finance assets with a useful life of at least one year
- Projects that are “routine” maintenance are not eligible
- Technology, supplies, furnishings and large scale maintenance projects do qualify
- Interest earnings on proceeds must be used for projects in ballot title

Debt Repayment Options

Length of Issue — *What maturity do you want?*

- Useful life of items being financed
- Trade-off between annual and overall cost
- Specific community priorities and relationship with other outstanding debt

Levy Impact

- Structure of levy rate
- Focus on single issue or combined debt burden
- Future debt plans

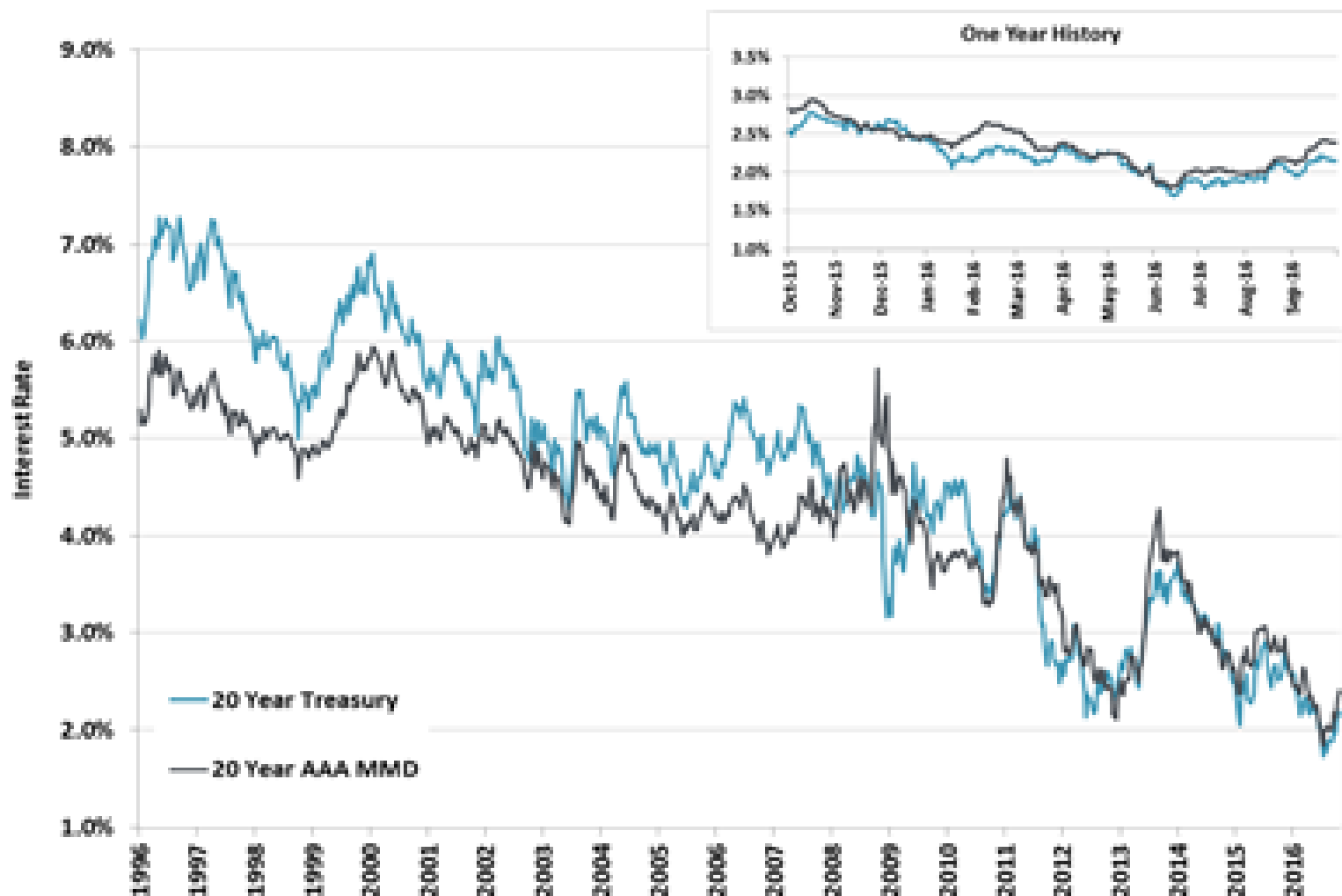
Hillsboro School District: Historic Valuation Trends

HILLSBORO SCHOOL DISTRICT No. 1J			
Historical Property Values			
Fiscal Year	M5 Real Market Value (RMV)	Net Assessed Value (AV)	% AV Growth
2016	\$30,461,891,198	\$14,104,447,560	11.99%
2015	\$28,201,320,228	\$12,594,359,207	5.11%
2014	\$24,543,076,570	\$11,981,668,967	4.59%
2013	\$18,982,362,391	\$11,456,148,320	0.75%
2012	\$19,234,244,249	\$11,371,005,915	4.21%
2011	\$19,939,708,354	\$10,912,092,039	4.27%
2010	\$20,154,296,388	\$10,465,349,538	3.63%
2009	\$20,607,793,123	\$10,098,797,357	5.31%
2008	\$19,852,392,859	\$9,589,976,937	4.74%
2007	\$18,546,213,050	\$9,156,346,239	

Source: Washington and Multnomah County Department of Assessment and Taxation.

Historic Interest Rates

20 Year Tax-Exempt (AAA MMD) vs. 20 Year Treasury Rates

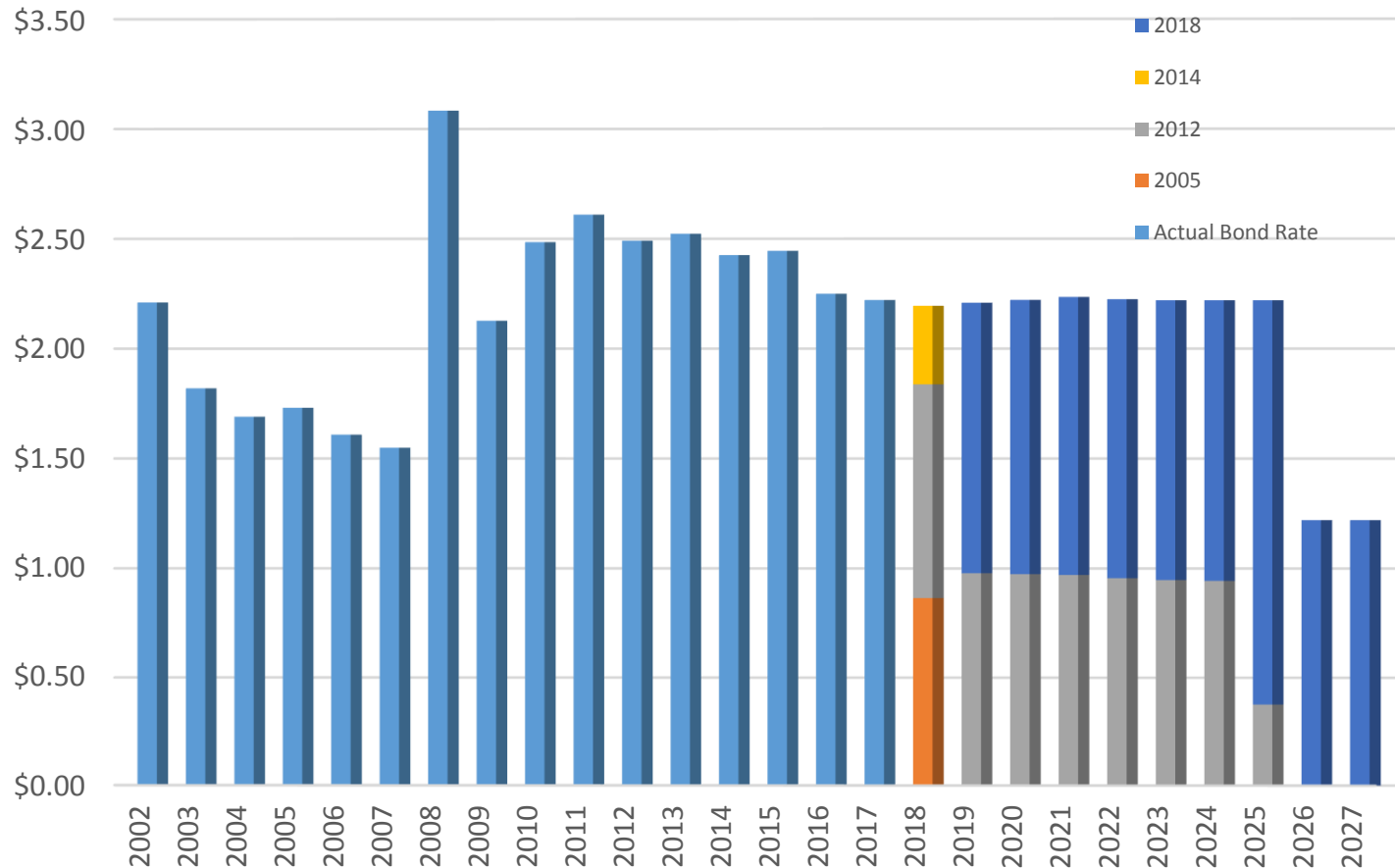


Outstanding General Obligation Bonds – Actual and Projected Levy Rates

		Outstanding General Obligation Bonds										
	Levy							Total Assessed	% AV	Actual	Taxes	Projected
	Year	1998	2005	2006A	2012	2014	Total	Value	Growth	Bond Rate	Collected	Bond Rate
Actual	2007	\$3,046,938	\$4,854,263	\$0			\$7,901,201	\$9,156,346,239	3.54%	\$1.5491		
Actual	2008	\$3,038,438	\$3,871,013	\$10,989,414			\$17,898,865	\$9,589,976,937	4.74%	\$3.0832		
Actual	2009	\$3,051,425	\$4,186,013	\$11,465,950			\$18,703,388	\$10,098,797,357	5.31%	\$2.1267		
Actual	2010	\$3,052,250	\$6,530,263	\$12,057,550			\$21,640,063	\$10,465,349,538	3.63%	\$2.4851		
Actual	2011	\$3,057,750	\$6,856,513	\$12,613,950			\$22,528,213	\$10,912,092,039	4.27%	\$2.6097		
Actual	2012	\$3,057,000	\$11,454,763	\$12,930,350			\$27,442,113	\$11,371,005,915	4.21%	\$2.4914		
Actual	2013	\$3,065,000	\$11,650,263	\$8,421,088	\$4,668,050		\$27,804,400	\$11,456,148,320	0.75%	\$2.5228		
Actual	2014	\$3,066,000	\$11,906,263	\$8,729,538	\$4,340,088		\$28,041,888	\$11,981,668,967	4.59%	\$2.4257		
Actual	2015		\$11,834,238	\$8,919,112	\$4,337,388	\$4,502,352	\$29,593,090	\$12,594,359,207	5.11%	\$2.4451		
Actual	2016		\$12,133,200	\$9,262,550	\$4,336,538	\$4,752,300	\$30,484,588	\$14,104,447,560	11.99%	\$2.2498		
Current	2017		\$12,434,038	\$9,612,750	\$4,335,613	\$4,999,225	\$31,381,626	\$14,734,544,857	4.47%	\$2.2213		
Projected	2018		\$12,740,513		\$14,314,613	\$5,259,300	\$32,314,426	\$15,102,908,478	2.50%		97.50%	\$2.1945
Projected	2019				\$14,684,213		\$14,684,213	\$15,480,481,190	2.50%		97.50%	\$0.9729
Projected	2020				\$15,059,325		\$15,059,325	\$15,867,493,220	2.50%		97.50%	\$0.9734
Projected	2021				\$15,452,325		\$15,452,325	\$16,264,180,551	2.50%		97.50%	\$0.9744
Projected	2022				\$15,848,650		\$15,848,650	\$16,670,785,064	2.50%		97.50%	\$0.9751
Projected	2023				\$16,260,400		\$16,260,400	\$17,087,554,691	2.50%		97.50%	\$0.9760
Projected	2024				\$16,679,400		\$16,679,400	\$17,514,743,558	2.50%		97.50%	\$0.9767
Projected	2025				\$6,838,000		\$6,838,000	\$17,952,612,147	2.50%		97.50%	\$0.3907
Projected	2026						\$0	\$18,401,427,451	2.50%		97.50%	\$0.0000
Projected	2027						\$0	\$18,861,463,137	2.50%		97.50%	\$0.0000

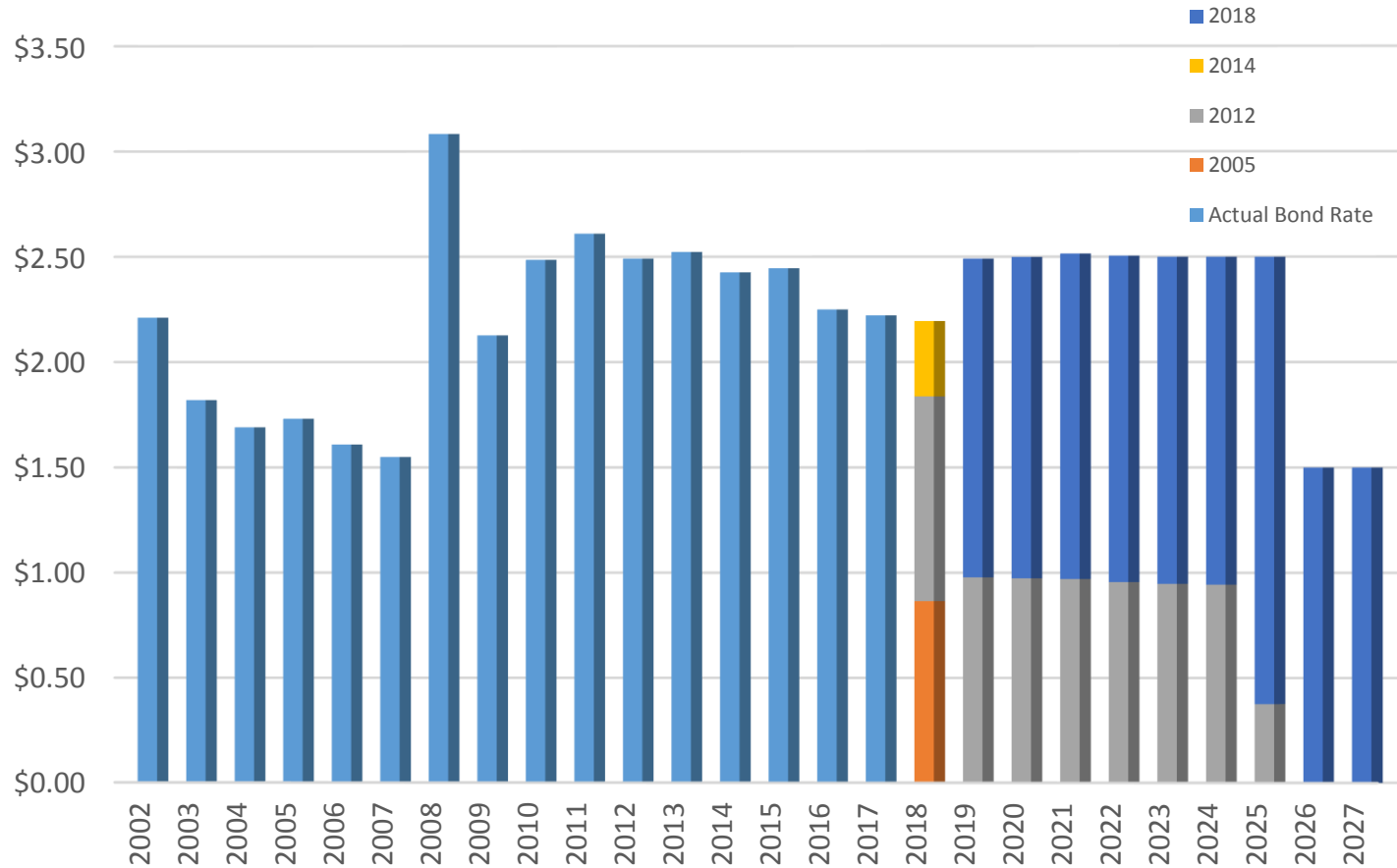
Outstanding General Obligation Bonds – Actual and Projected Levy Rates

Hillsboro School District No. 1J
2018 GO Bonds - \$2.22/\$1,000 AV
Estimate - \$324.9 Million



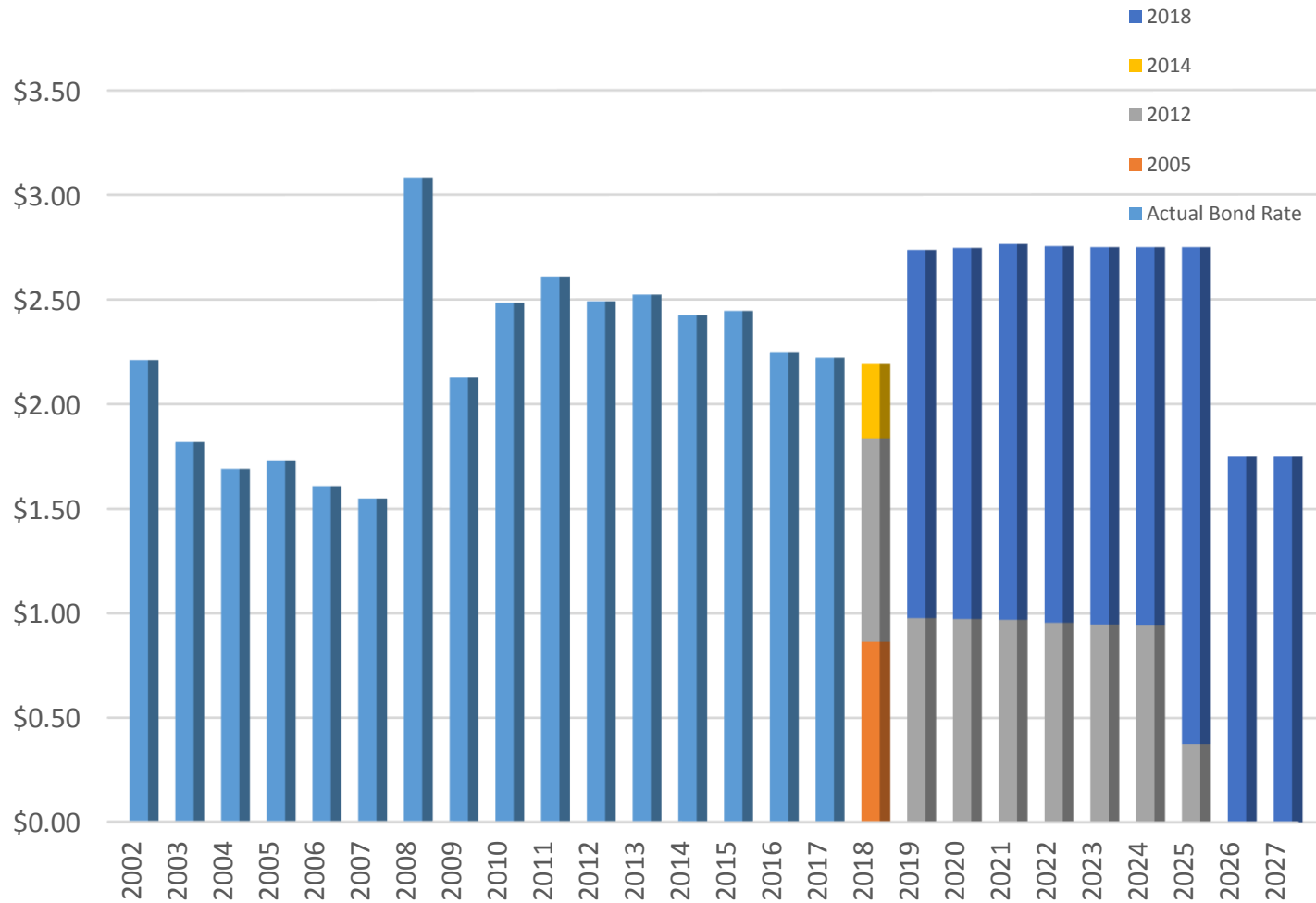
Outstanding General Obligation Bonds – Actual and Projected Levy Rates

Hillsboro School District No. 1J
2018 GO Bonds - \$2.50/\$1,000 AV
Estimate - \$396.5 Million



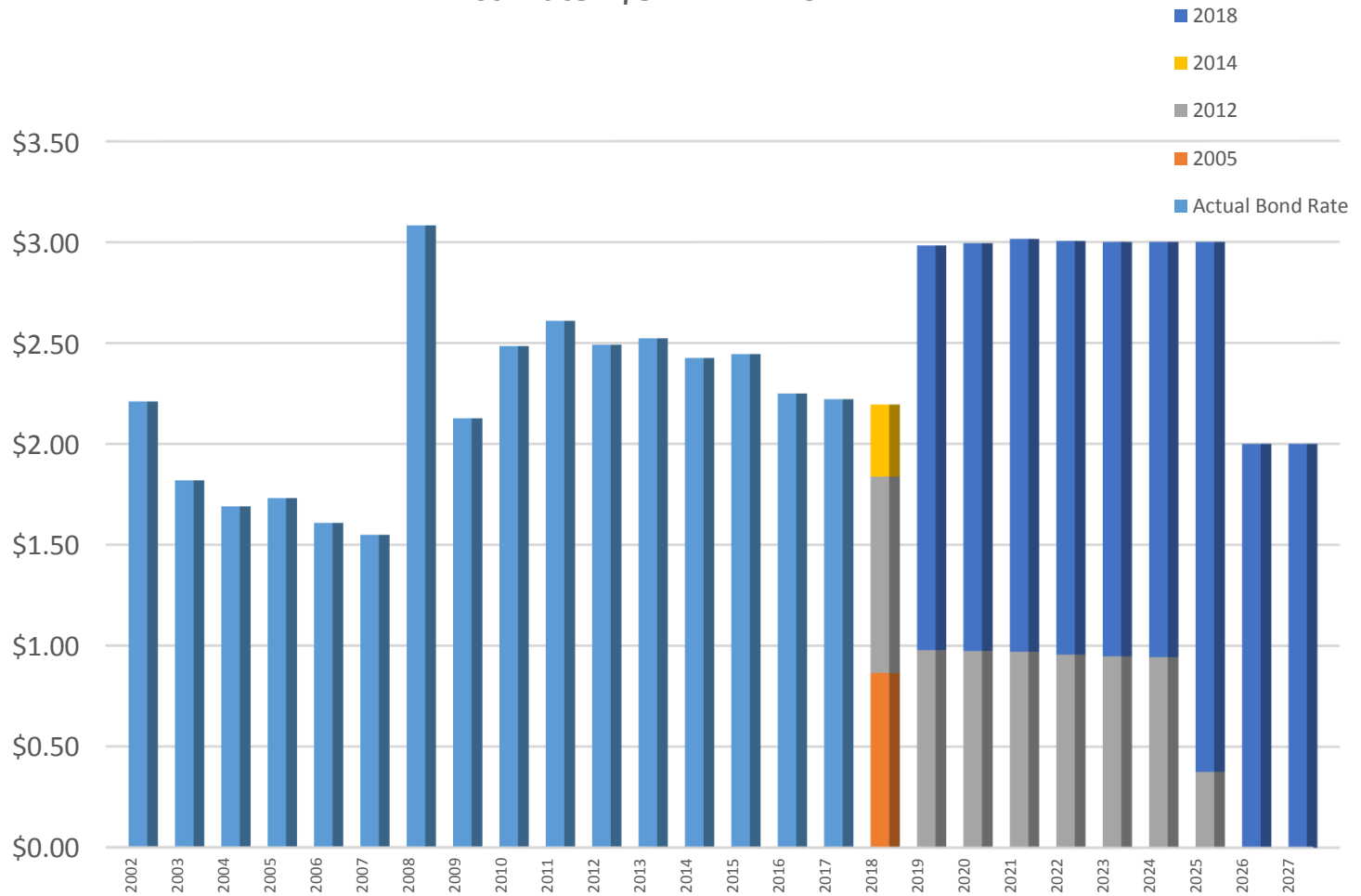
Outstanding General Obligation Bonds – Actual and Projected Levy Rates

Hillsboro School District No. 1J
2018 GO Bonds - \$2.75/\$1,000 AV
Estimate - \$460.3 Million



Outstanding General Obligation Bonds – Actual and Projected Levy Rates

Hillsboro School District No. 1J
2018 GO Bonds - \$3.00/\$1,000 AV
Estimate - \$524.2 Million



School District Levy Rates in Large Districts

HILLSBORO SCHOOL DISTRICT NO. 1J

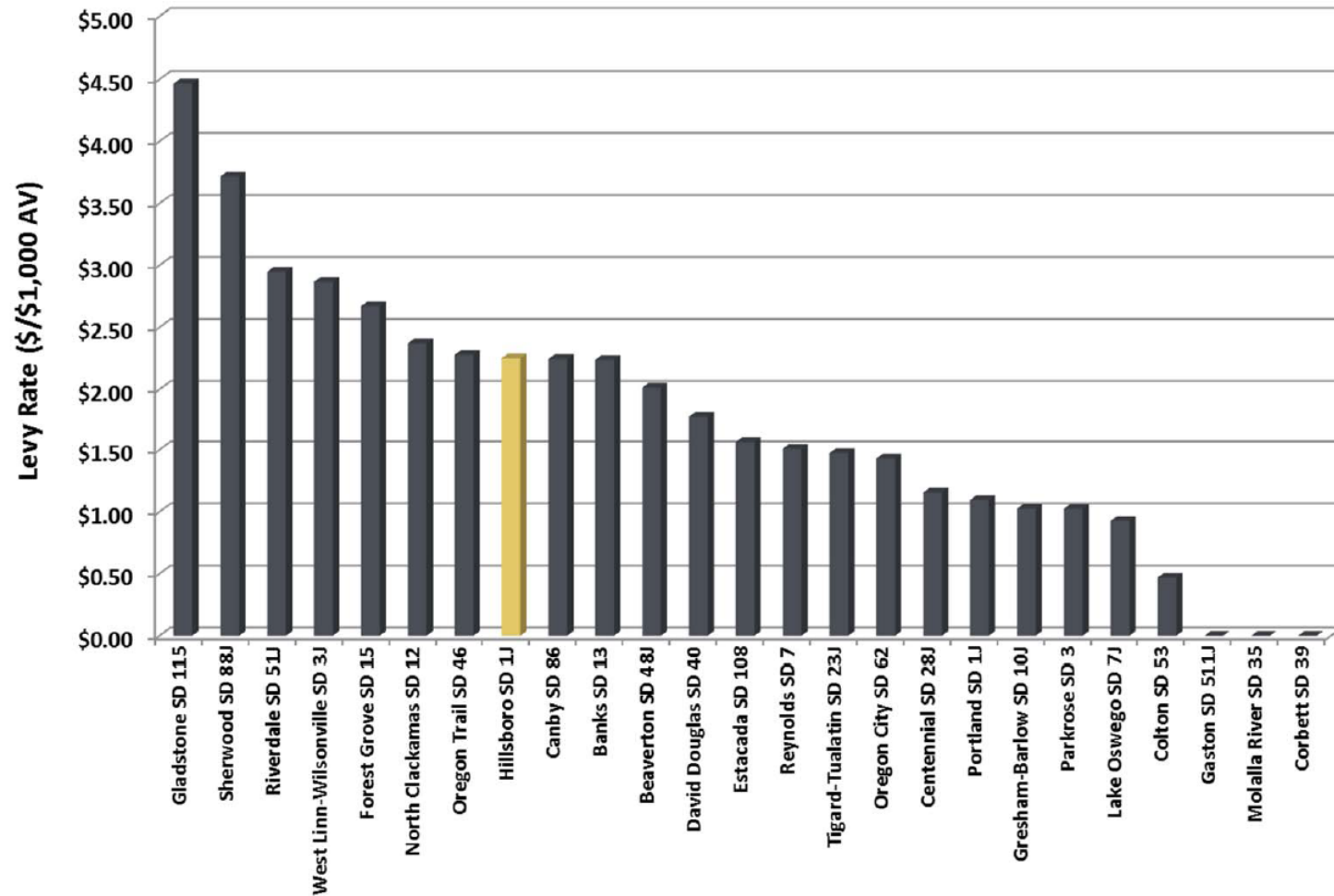
School District Levy Rates in Neighboring Districts

District	2016 ADMw (09-09-15)	Assessed Value (Net of Urban Renewal)	2016 Levy Rates			
			Permanent Rate	Local Option Rate	Bond Rate	Total District Rate
Gladstone SD 115	2,522.3	765,934,112	4.8650	-	4.4654	9.3304
West Linn-Wilsonville SD 3J	10,382.0	6,554,638,102	4.8684	1.5000	2.8668	9.2352
Sherwood SD 88J	5,961.5	3,049,708,073	4.8123	-	3.7162	8.5285
Portland SD 1J	57,918.2	45,575,695,380	5.2781	1.9900	1.0951	8.3632
Beaverton SD 48J	48,331.3	26,293,550,348	4.6930	1.2500	2.0141	7.9571
Riverdale SD 51J	630.7	637,943,845	3.8149	1.0700	2.9481	7.8330
Forest Grove SD 15	7,579.0	2,315,106,556	4.9142	-	2.6699	7.5841
Tigard-Tualatin SD 23J	14,806.5	10,184,197,687	4.9892	1.0000	1.4734	7.4626
Banks SD 13	1,317.6	561,250,695	5.0152	-	2.2378	7.2530
North Clackamas SD 12	20,424.1	12,348,071,877	4.8701	-	2.3709	7.2410
Hillsboro SD 1J	25,157.9	14,016,631,577	4.9749	-	2.2498	7.2247
Oregon Trail SD 46	5,057.2	2,941,601,362	4.6397	-	2.2776	6.9173
Canby SD 86	5,629.3	2,885,540,705	4.5765	-	2.2447	6.8212
Lake Oswego SD 7J	7,663.6	7,126,988,534	4.4707	1.3900	0.9260	6.7867
David Douglas SD 40	14,155.8	3,107,020,204	4.6394	-	1.7664	6.4058
Oregon City SD 62	9,417.2	4,930,191,731	4.9629	-	1.4305	6.3934
Reynolds SD 7	15,663.4	5,463,046,679	4.4626	-	1.5075	5.9701
Parkrose SD 3	4,262.8	3,538,715,920	4.8906	-	1.0245	5.9151
Centennial SD 28J	8,134.9	2,528,607,377	4.7448	-	1.1559	5.9007
Estacada SD 108	3,175.7	1,308,788,860	4.1476	-	1.5632	5.7108
Gresham-Barlow SD 10J	14,653.9	6,045,007,070	4.5268	-	1.0251	5.5519
Colton SD 53	794.1	333,949,962	4.9801	-	0.4678	5.4479
Gaston SD 511J	799.1	228,000,314	5.0494	-	-	5.0494
Molalla River SD 35	3,217.9	1,627,255,937	4.7001	-	-	4.7001
Corbett SD 39	1,425.8	388,707,691	4.5941	-	-	4.5941

Based on 2016 Actual Bond Rate

COMPARISON OF DISTRICT BOND RATES - 2016

2016 School District Bond Rates



Real Market and Assessed Value of Average Home in Hillsboro School District

Average Real Market Value (RMV) and Assessed Value (AV) of a typical residential property* in the Hillsboro School District - District 28

Tax Year	RMV	AV
16-17	\$301,373	\$206,205
15-16	\$268,922	\$199,553
14-15	\$255,894	\$193,108
13-14	\$223,694	\$187,018
12-13	\$208,791	\$181,025
11-12	\$222,486	\$176,332

- Typical residential properties are used to calculate the averages for Real Market Value, and Assessed Value each year. These are improved residential properties with a living area greater than 100 sq. ft. that are in residential neighborhoods. This list excludes properties with partial construction, exempt property, code-split accounts, pro-rated accounts, property with special use value, rural property, tract property, condominiums, and plexes.

Information provided by Washington County Assessors Office

Election Schedule

Election Date	County Filing/ Voters' Pamphlet Deadline	Ballots Mailed	First FY Taxes Levied
November 8, 2016	September 8	Oct. 21-25	FY 2017-18
March 14, 2017*	January 12	Feb. 24-28	
May 16, 2017	March 16	April 28 - May 2	
September 19, 2017*	July 20	Sept. 1-5	FY 2018-19
November 7, 2017	September 7	Oct. 20-24	
March 13, 2018*	January 11	Feb. 23-27	
May 15, 2018	March 15	April 27 - May 1	

- All elections are by mail
- Dates apply to both GOs and Local Option Levies

* Subject to double majority provisions.