

# **Bonds 101: Presentation to COSA New Superintendent Academy**

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## What is a General Obligation Bond?

- **“Bonds” are loans that are broken into pieces and sold to investors.**
- **“General Obligation Bonds” are secured by property taxes and District’s “full faith and credit”.**
- **Debt service is repaid by property tax levy on all properties within District.**
- **GO Bonds are considered to be the highest quality credit a school district can offer to market.**
- **Interest on GO bonds is generally exempt from both federal and state income taxes, so rate is lower.**

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## GO Bonds in Oregon

- Tax levy is not limited by Measure 5 or Measure 50.
- 4 election dates: March, May, September, November. November and May are not subject to double majority.
- Districts may have no more than 7.95% of RMV outstanding. This is usually a REALLY big number.
- Ballot title needs “not-to-exceed” amount, permitted use of proceeds and maximum years to maturity.

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## Use of Proceeds

Proceeds may be used for “capital construction and improvements” with a useful life of 1 year or more.

Land and other assets	Acquisition	Construction	Improvements
Remodeling	Furnishing & Equipping	Maintenance or Repair	

- “Weighted average life” of bonds may not exceed “weighted average life” of projects.
- “Routine” maintenance and supplies are not eligible.
- Any interest earnings on proceeds must be used in accordance with ballot title.

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## Calculating the Bond Levy Rate

- Debt service is payable from a dedicated property tax levy in addition to operating levy.
- Levy rate is calculated annually by the County Assessor:

$$\frac{\$950,000 + 50,000}{(\$500 \text{ million}/1,000)} = \$0.50$$

- Districts CANNOT guarantee a rate; actual rate paid will depend on AV in future.

# Election Schedule

Election Date	County Filing Date (SEL Form 805) <sup>(1)</sup>	County Filing/ Voters' Pamphlet Deadline (SEL Form 803) <sup>(1)</sup>	Ballots Mailed	First FY Taxes Levied
March 12, 2019 <sup>(2)</sup> <b>May 21, 2019</b>	December 21 <b>March 2</b>	January 10 <b>March 21</b>	Feb. 22-26 <b>May 3-7</b>	FY 2019-20
September 17, 2019 <sup>(2)</sup> <b>November 5, 2019</b>	June 28 <b>August 16</b>	July 18 <b>September 5</b>	Aug. 30 - Sept. 3 <b>Oct. 18-22</b>	FY 2020-21
March 10, 2020 <sup>(2)</sup> <b>May 19, 2020</b>	December 20 <b>February 28</b>	January 9 <b>March 19</b>	Feb. 21-25 <b>May 1-5</b>	
September 15, 2020 <sup>(2)</sup> <b>November 3, 2020</b>	June 26 <b>August 14</b>	July 16 <b>September 3</b>	Aug. 28 - Sept.1 <b>Oct. 16-20</b>	FY 2021-22
March 9, 2021 <sup>(2)</sup> <b>May 18, 2021</b>	December 18 <b>February 26</b>	January 7 <b>March 18</b>	Feb. 19-23 <b>April 30-May 4</b>	

**Note: Dates associated with future elections are preliminary, subject to change.**

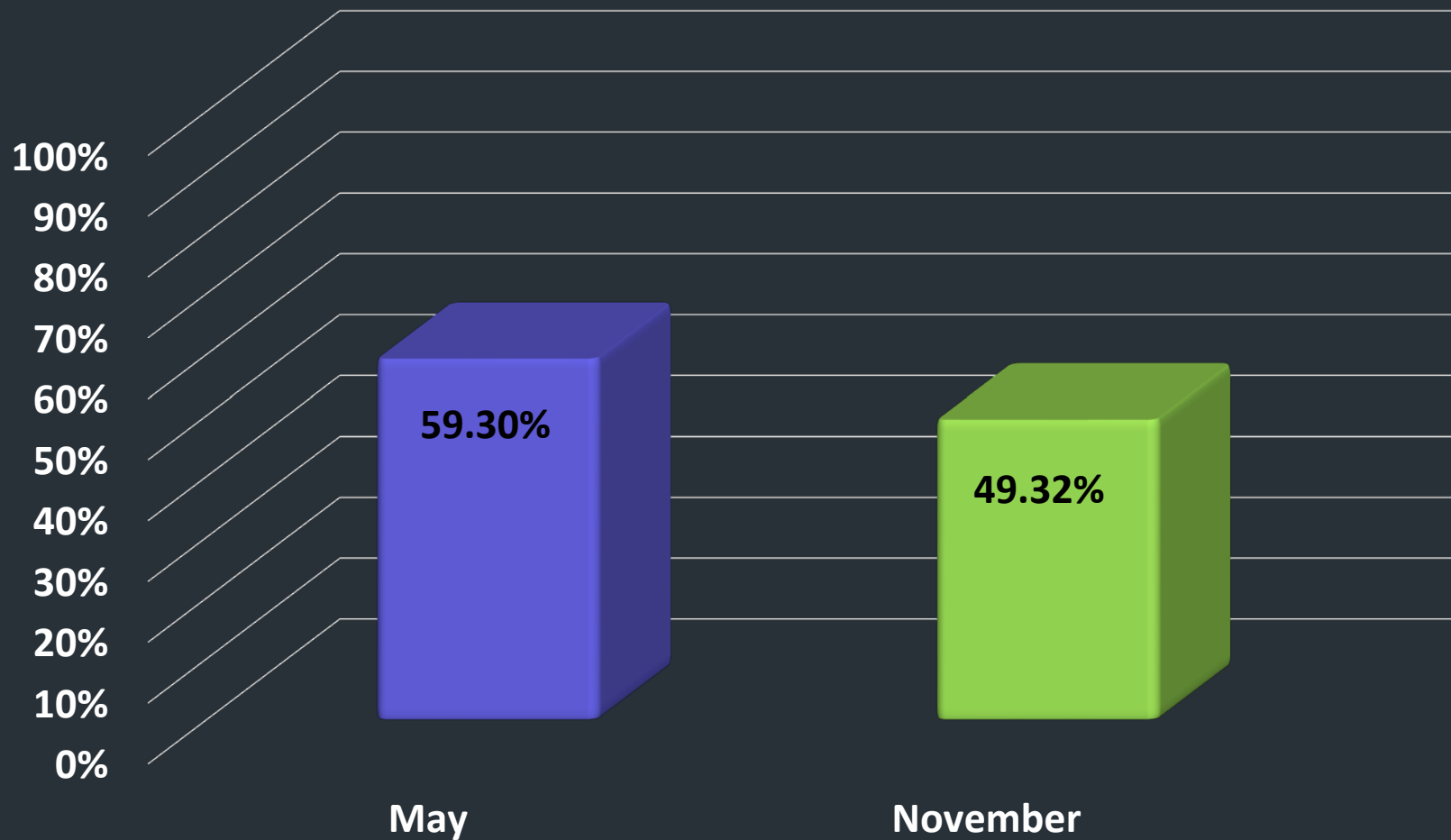
- ✓ **Check with your County elections office to verify filing deadlines.**
- ✓ **All elections are by mail.**

- 1) **SEL Form 805 includes ballot title, and may include explanatory statement. Must be filed 81 days prior to election to allow for challenge process. Final filing is 61 days prior to election (SEL Form 803).**
- 2) **Subject to double majority provisions.**

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## What are your odds?

54.7% of Oregon school district GO bond issues from May 2010 to November 2018 have been approved.



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## Improving your odds: OSCIM program

- Program provides State matching funds for SD GO Bonds.
- Originally approved in 2015; reauthorized for 2017-19 at \$100 million, or \$25m per election.
- **Program availability for 2019-21 depends on reauthorization by 2019 Legislature. Governor budgeted \$100 million.**
- Min grant = lesser of \$4m or SD bond amount. Max grant = \$8m. Formula based on property value per ADMw and poverty statistics sets exact amount.
- 60% of funds are allocated in rank order based on property value and poverty. 40% is allocated by lottery ('First in Time').
- Applications are typically due 9 months prior to election.
- ODE also requires facility assessment and plan to be submitted 2 weeks prior to application due date. TAP grants available.



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## OSCIM/Facility Plan Schedule

Anticipated Facility Plan/OSCIM Application timelines are as follows. Note that first election of biennium is off cycle given Legislative session:

- Nov. 2019 election: **July 1/July 15**
- May 2020 election: **Sept. 1/Sept. 15**
- Nov. 2020 election: **March 1/March 15**
- May 2021 election: **Sept. 1/Sept. 15**

Program availability for 2019-21 biennium depends on reauthorization by 2019 Legislature.

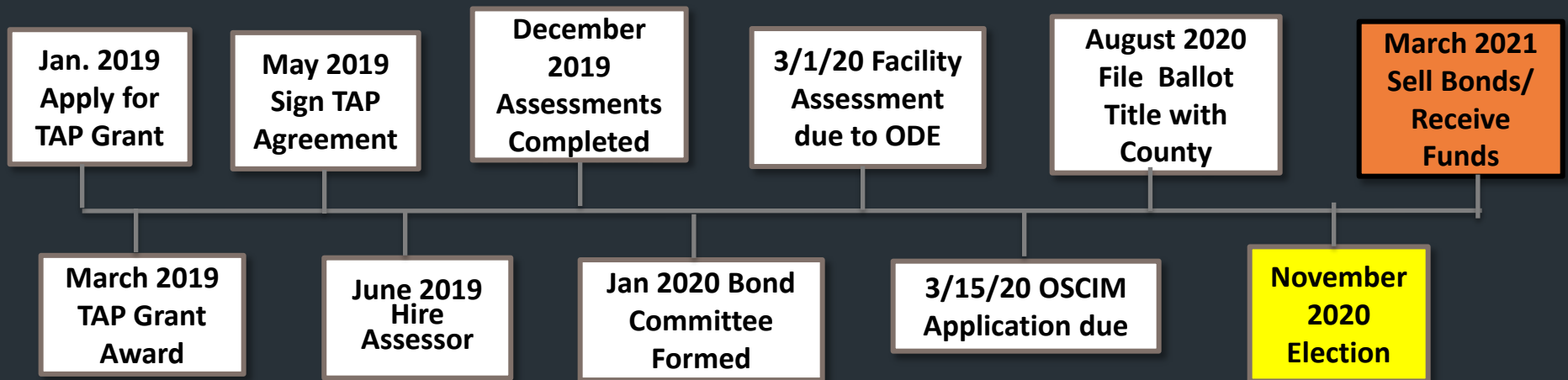
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## Technical Assistance Program (TAP) Grants

- Districts can apply for each type of assessment:
  - Facilities Assessment (\$20,000)
  - Long-Range Facility Plans (\$25,000)
  - Seismic Assessments (\$25,000)
- Point system used to rank applicants and award grants
- Issued once a year
  - \$2 – 2.5 million available each cycle
  - Application period from January 15th – February 15th
- Districts have 18 months to complete work

# Timelines for TAP/OSCIM for Nov. 2020 Election

If District can finish facilities assessments this year, November 2020 is still possible. Otherwise, target a later election:



ODE provides 18 months to complete assessments.

## OSCIM Program History

Average approval rate for OSCIM grantees over past six elections was 68.8%.

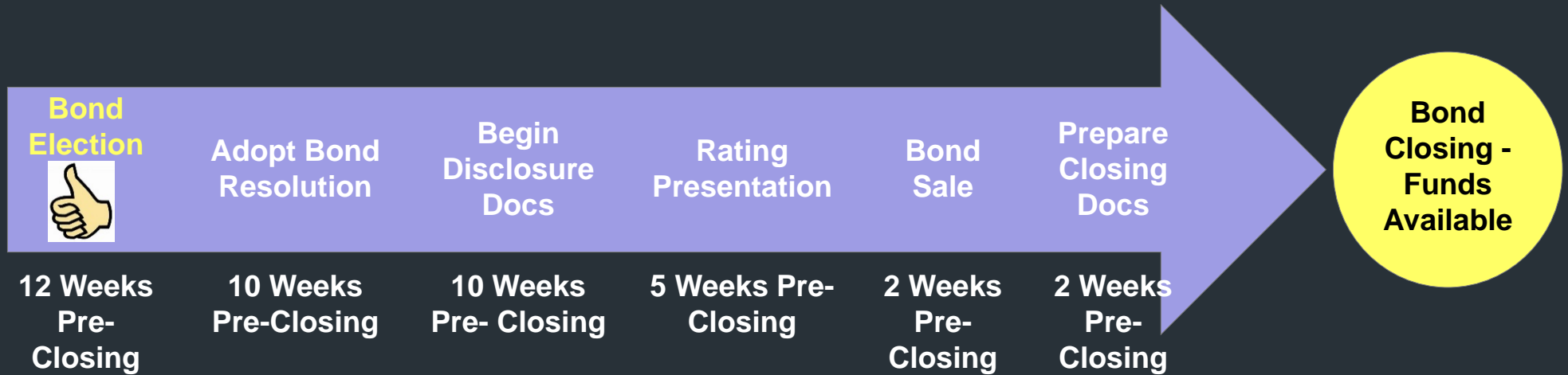
Election	May 2016	Nov. 2016	May 2017	Nov. 2017	May 2018	Nov. 2018	May 2019
Applicants	29	29	24	6	10	9	8
Recipients	16	11	8	6	5	6	8
Amount Awarded	\$53 m	\$42 m	\$31 m	\$25 m	\$25 m	\$26.7 m	\$25 m
% Approval*	50%	45%	75%	100%	60%	83%	TBD

\* Denotes approval rate for districts awarded grants prior to the election

New facility assessment and long-range plan requirements for 2017-19 biennium have reduced number of applicants.

# GO Bond Sale Process

**Bond Sales generally take 60-90 days from start to finish.**

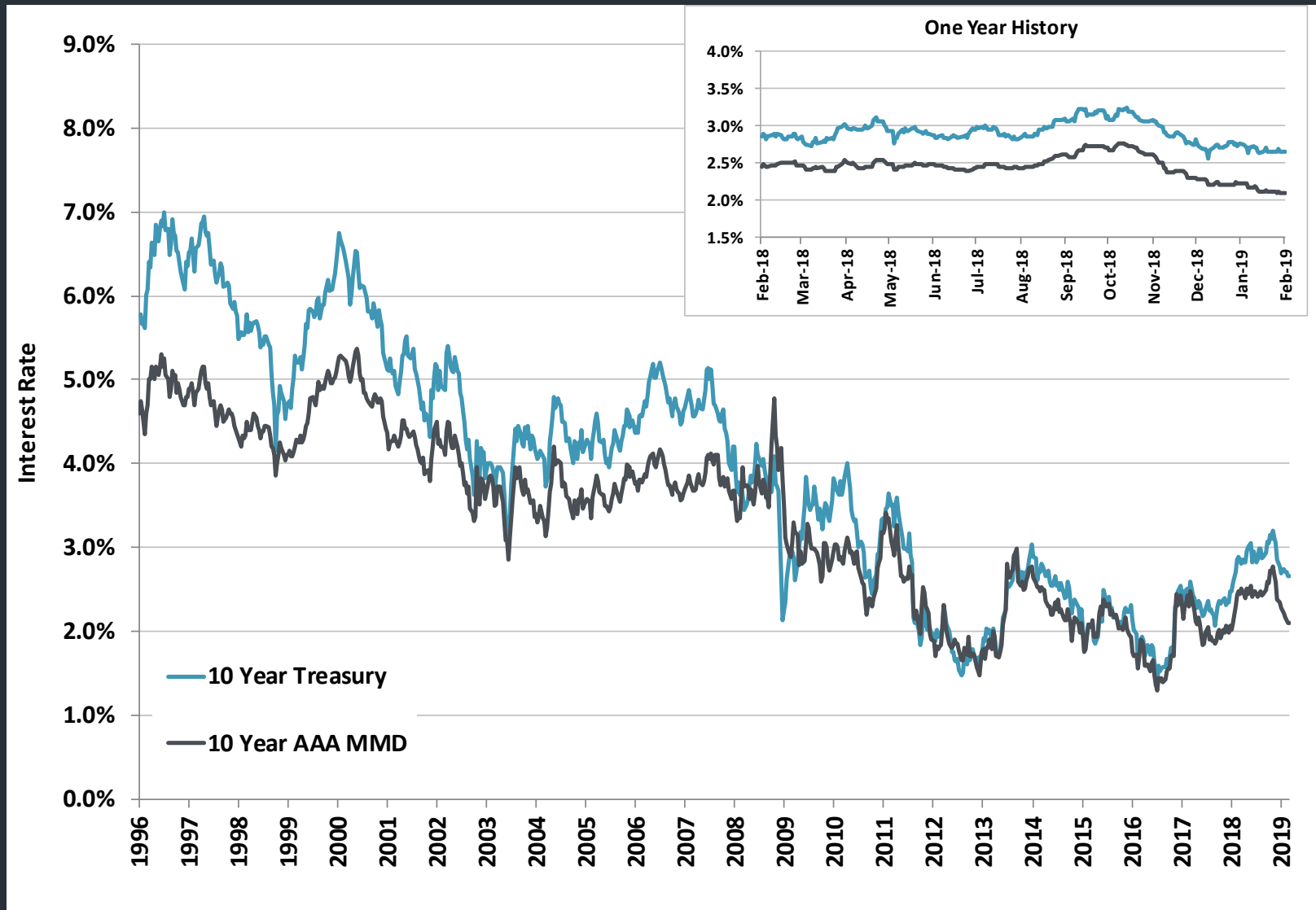


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# **Bond Analysis Case Study: Jefferson School District 14J**

# Historical Interest Rates

## 10 Year Tax-Exempt (AAA MMD) vs. 10 Year Treasury Rates



# Historical Valuation Trends

## Jefferson School District No. 14J

Fiscal Year	M5 Real Market Value	Total Assessed Value	% Total AV Growth
2019	\$ 760,725,783	\$ 484,050,814	3.48%
2018	690,018,385	467,780,670	3.91%
2017	628,943,105	450,194,915	3.36%
2016	577,782,121	435,575,209	2.91%
2015	549,571,435	423,242,625	3.74%
2014	522,439,415	407,964,504	3.95%
2013	491,659,730	392,455,425	1.63%
2012	527,771,775	386,156,351	3.08%
2011	556,941,503	374,620,595	4.41%
2010	581,959,497	358,794,348	4.47%
2009	581,692,890	343,436,969	7.02%
2008	531,942,314	320,905,208	7.74%
2007	437,025,872	297,845,897	6.81%
2006	385,992,910	278,850,063	4.41%
2005	357,017,463	267,081,491	3.94%
2004	337,560,677	256,957,291	3.78%
2003	329,384,534	247,605,008	2.27%
2002	323,719,017	242,105,593	4.46%
2001	304,957,100	231,758,071	---

Source: Marion and Linn Counties Departments of Assessment and Taxation, and Oregon Department of Revenue.

**District's debt limit is set at 7.95% of M5 RMV. As of FY 2019, equals \$60,477,700.**



# Outstanding Bond Issues

Purpose		Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
<b>General Obligation Bonds:</b>					
Series 2017A	Construct new middle school and gym	08/01/17	06/15/47	\$ 2,105,768	\$ 2,105,768
Series 2017B	Construct new middle school and gym	08/01/17	06/15/41	12,240,000	12,095,000
<b>Total General Obligation Bonds</b>					<u><u>\$ 14,200,768</u></u>

\*Refunded.

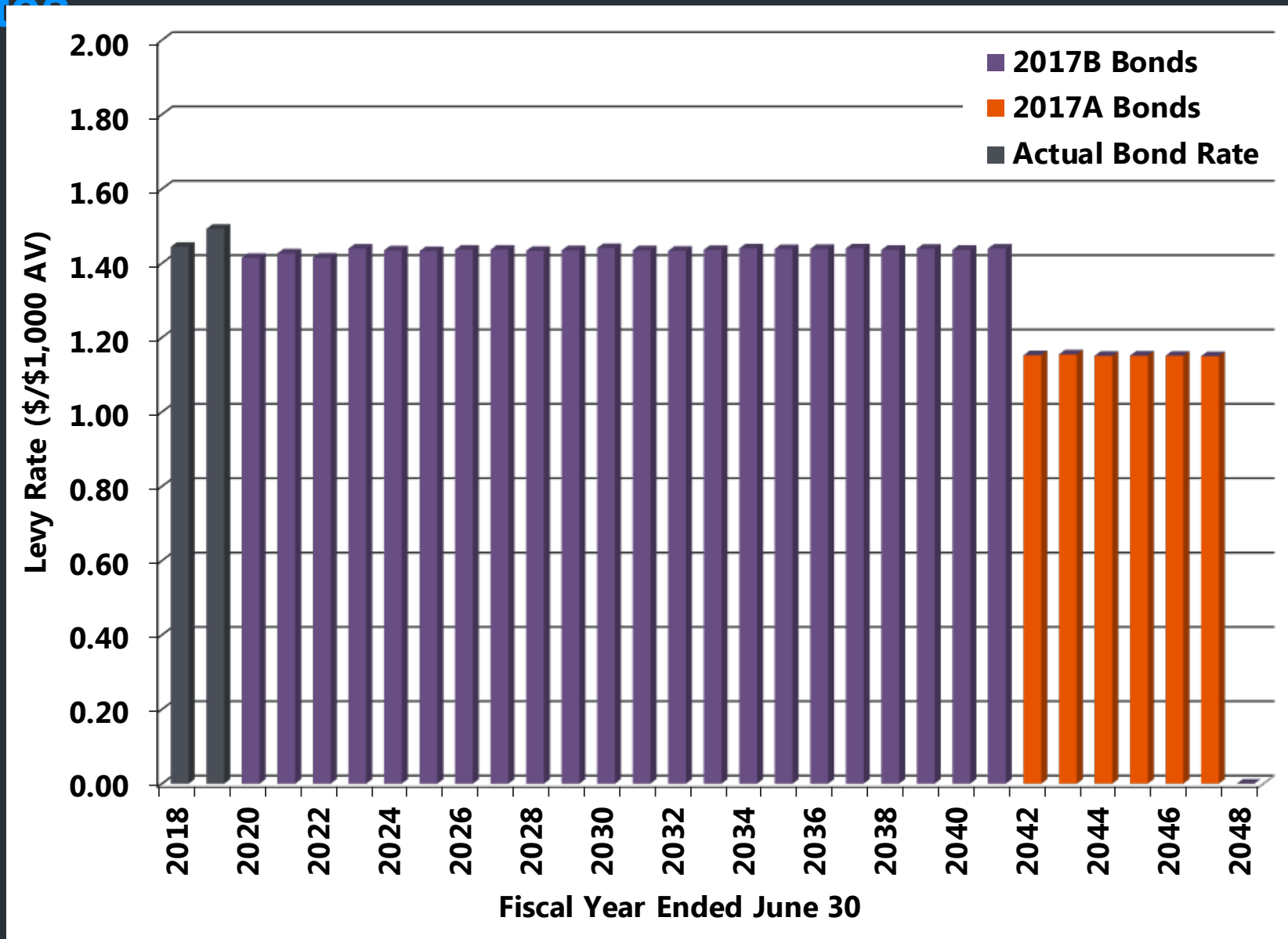
# Detailed Levy Rate History

Outstanding General Obligation Bonds								
Fiscal Year <sup>(1)</sup>	Debt Service			Total Assessed Value	% AV Growth	Actual Bond Rate	Taxes Collected <sup>(2)</sup>	Projected Bond Rate
	2017A Bonds	2017B Bonds	Total					
2018	-	635,004	635,004	467,780,670	3.91%	1.4441		
Current 2019	-	658,888	658,888	484,050,814	3.48%	1.4924		
Projected	2020	-	685,888	685,888	497,362,211	2.75%	97.5%	1.41
	2021	-	710,688	710,688	511,039,672	2.75%	97.5%	1.43
	2022	-	724,288	724,288	525,093,263	2.75%	97.5%	1.41
	2023	-	757,088	757,088	539,533,328	2.75%	97.5%	1.44
	2024	-	775,300	775,300	554,370,494	2.75%	97.5%	1.43
	2025	-	795,500	795,500	569,615,683	2.75%	97.5%	1.43
	2026	-	819,500	819,500	585,280,114	2.75%	97.5%	1.44
	2027	-	842,100	842,100	601,375,317	2.75%	97.5%	1.44
	2028	-	863,300	863,300	617,913,139	2.75%	97.5%	1.43
	2029	-	888,100	888,100	634,905,750	2.75%	97.5%	1.43
	2030	-	916,300	916,300	652,365,658	2.75%	97.5%	1.44
	2031	-	937,700	937,700	670,305,714	2.75%	97.5%	1.43
	2032	-	962,500	962,500	688,739,121	2.75%	97.5%	1.43
	2033	-	990,500	990,500	707,679,447	2.75%	97.5%	1.44
	2034	-	1,020,500	1,020,500	727,140,631	2.75%	97.5%	1.44
	2035	-	1,047,500	1,047,500	747,136,999	2.75%	97.5%	1.44
	2036	-	1,076,500	1,076,500	767,683,266	2.75%	97.5%	1.44
	2037	-	1,107,250	1,107,250	788,794,556	2.75%	97.5%	1.44
	2038	-	1,134,500	1,134,500	810,486,406	2.75%	97.5%	1.44
	2039	-	1,168,250	1,168,250	832,774,783	2.75%	97.5%	1.44
	2040	-	1,198,000	1,198,000	855,676,089	2.75%	97.5%	1.44
	2041	-	1,233,750	1,233,750	879,207,182	2.75%	97.5%	1.44
	2042	1,015,000	-	1,015,000	903,385,379	2.75%	97.5%	1.15
	2043	1,045,000	-	1,045,000	928,228,477	2.75%	97.5%	1.15
	2044	1,070,000	-	1,070,000	953,754,760	2.75%	97.5%	1.15
	2045	1,100,000	-	1,100,000	979,983,016	2.75%	97.5%	1.15
	2046	1,130,000	-	1,130,000	1,006,932,549	2.75%	97.5%	1.15
	2047	1,160,000	-	1,160,000	1,034,623,194	2.75%	97.5%	1.15
	2048	-	-	-	1,063,075,332	2.75%	97.5%	-

(1) Fiscal years ended June 30.

(2) Assumes collection year delinquencies will be offset by back tax collections.

# Outstanding GO Bonds – Actual and Projected Levy Rates

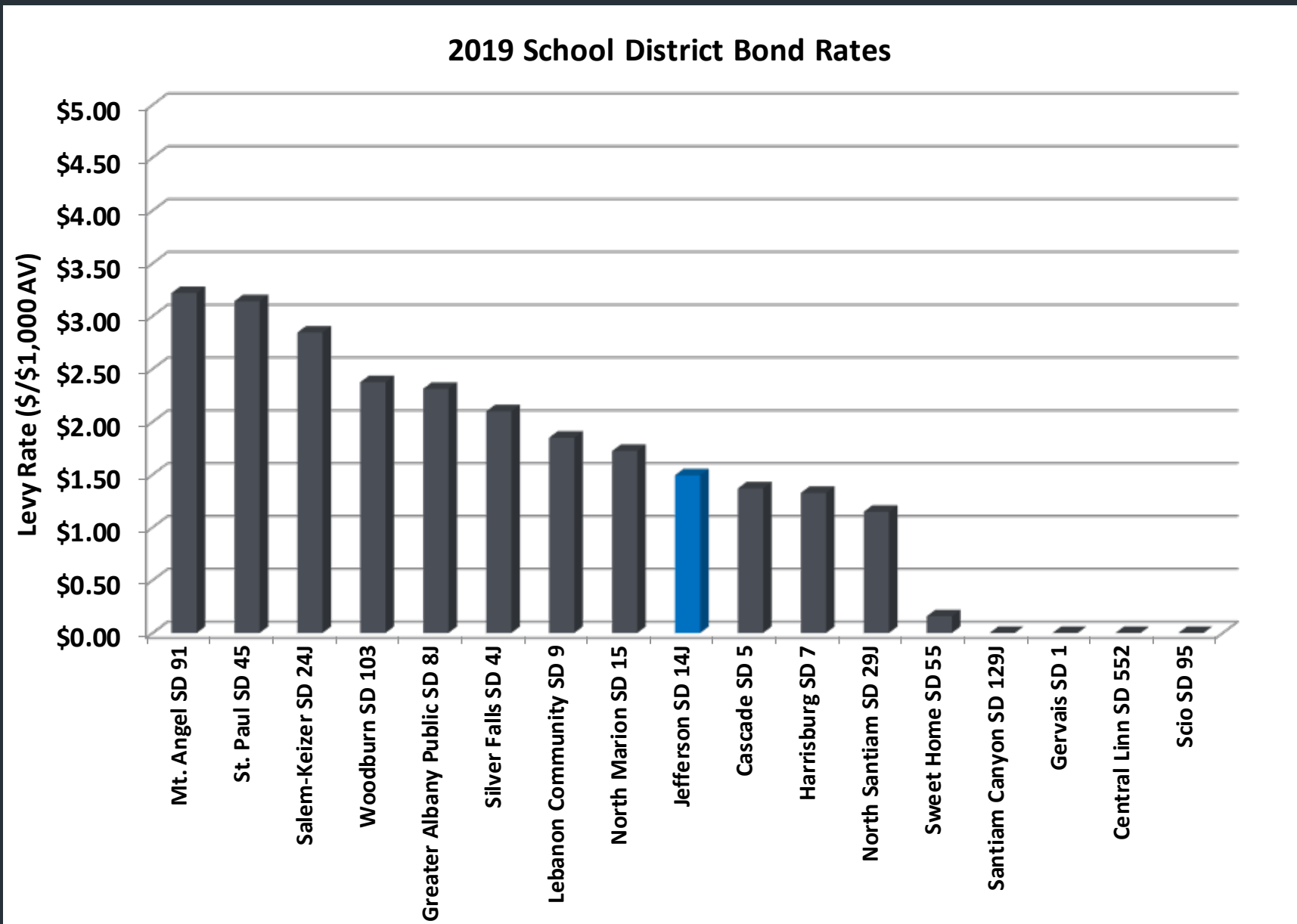


# Comparable Levy Rates

## School District Levy Rates in Neighboring Districts of Jefferson SD 14J

District	Extended ADMw (6-12-18)	Assessed Value (Net of Urban Renewal)	Permanent Rate	2019 Levy Rates		
				Local Option Rate	Bond Rate	Total District Rate
St. Paul SD 45	379.39	170,552,133	4.7763	-	3.1409	7.9172
Mt. Angel SD 91	1,002.17	261,404,753	4.6268	-	3.2182	7.8450
Salem-Keizer SD 24J	52,821.38	18,615,395,463	4.5210	-	2.8443	7.3653
Woodburn SD 103	7,710.10	1,846,509,160	4.5247	-	2.3747	6.8994
Greater Albany Public SD 8J	11,227.12	5,614,830,027	4.5855	-	2.3113	6.8968
Lebanon Community SD 9	4,920.24	2,106,712,379	4.9925	-	1.8490	6.8415
Silver Falls SD 4J	4,526.60	1,788,804,673	4.5458	-	2.0987	6.6445
<b>Jefferson SD 14J</b>	<b>3,969.33</b>	<b>484,050,814</b>	<b>4.8468</b>	<b>-</b>	<b>1.4924</b>	<b>6.3392</b>
Cascade SD 5	2,662.91	1,168,629,637	4.6405	-	1.3691	6.0096
Harrisburg SD 7	1,030.46	418,466,743	4.6552	-	1.3265	5.9817
North Santiam SD 29J	2,667.49	1,423,969,038	4.3973	-	1.1474	5.5447
Sweet Home SD 55	2,756.22	993,009,830	5.0057	0.3200	0.1589	5.4846
North Marion SD 15	2,314.75	1,078,339,491	3.3333	-	1.7229	5.0562
Santiam Canyon SD 129J	5,118.16	395,225,754	4.8880	-	-	4.8880
Gervais SD 1	1,654.29	555,626,496	4.6427	-	-	4.6427
Central Linn SD 552	612.52	725,006,125	4.6179	-	-	4.6179
Scio SD 95	949.56	319,021,560	4.5080	-	-	4.5080

# Comparative School District Bond Rates



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## What is all the noise about bond premiums?

- **Municipal investors are often high net worth individuals who construct bond portfolios to provide income streams.**
- **When interest rates are low, these investors often prefer ‘premium’ coupons to maintain cash flow. In exchange, they pay a premium price.**
- **Example:**
  - **Market rate is 0.5%.**
  - **Investor prefers interest payment of 2.0%**
  - **Investor pays 110% of principal amount to issuer, bringing yield down to 0.5%.**
  - **10% premium may be used on projects.**
  - **At maturity, issuer pays back 100% of principal.**

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## More on Premiums

- Under Oregon law, premiums must be 'market driven' and must be spent on projects identified in ballot title or for debt service payments.
- Not all bond structures carry premiums.
- Longer term issues tend to have higher premiums than shorter term.
- Premiums are wholly dependent on market conditions and should not be assumed in any pre-election analysis.

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# Questions?





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## Contact Information

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