

Bonds 101 Presentation to Corvallis SD No. 509J

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What is a 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”.
- Interest on GO bonds is generally ‘tax exempt’, so rate is lower, but there are many rules to follow!
- Debt service on GO Bonds is repaid from an extra property tax levy.

GO Bonds in Oregon

- Subject to voter approval. 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. **For Corvallis SD, that's \$646.1 million!**
- Proceeds may be used for “capital construction and improvements” with a useful life of 1 year or more.
- Ballot title needs “not-to-exceed” amount, description of projects, and maximum maturity.

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:

$$\frac{\$950,000 + 50,000}{(\$500 \text{ million}/1,000)} = \$2.00$$

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

Election Schedule

Election Date	County Filing/ Voters' Pamphlet Deadline	Ballots Mailed	First FY Taxes Levied
May 16, 2017	March 16	April 28 - May 2	FY 2017-18
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	FY 2019-20
May 15, 2018	March 15	April 27 - May 1	
September 18, 2018*	July 19	Aug. 31 - Sept. 4	FY 2020-21
November 6, 2018	September 6	Oct. 19-23	
March 12, 2019*	January 10	Feb. 22-26	FY 2020-21
May 21, 2019	March 21	May 3-7	
September 17, 2019*	July 18	Aug. 30 - Sept. 3	FY 2020-21
November 5, 2019	September 5	Oct. 18-22	
March 10, 2020*	January 9	Feb. 21-25	FY 2020-21
May 19, 2020	March 19	May 1-5	

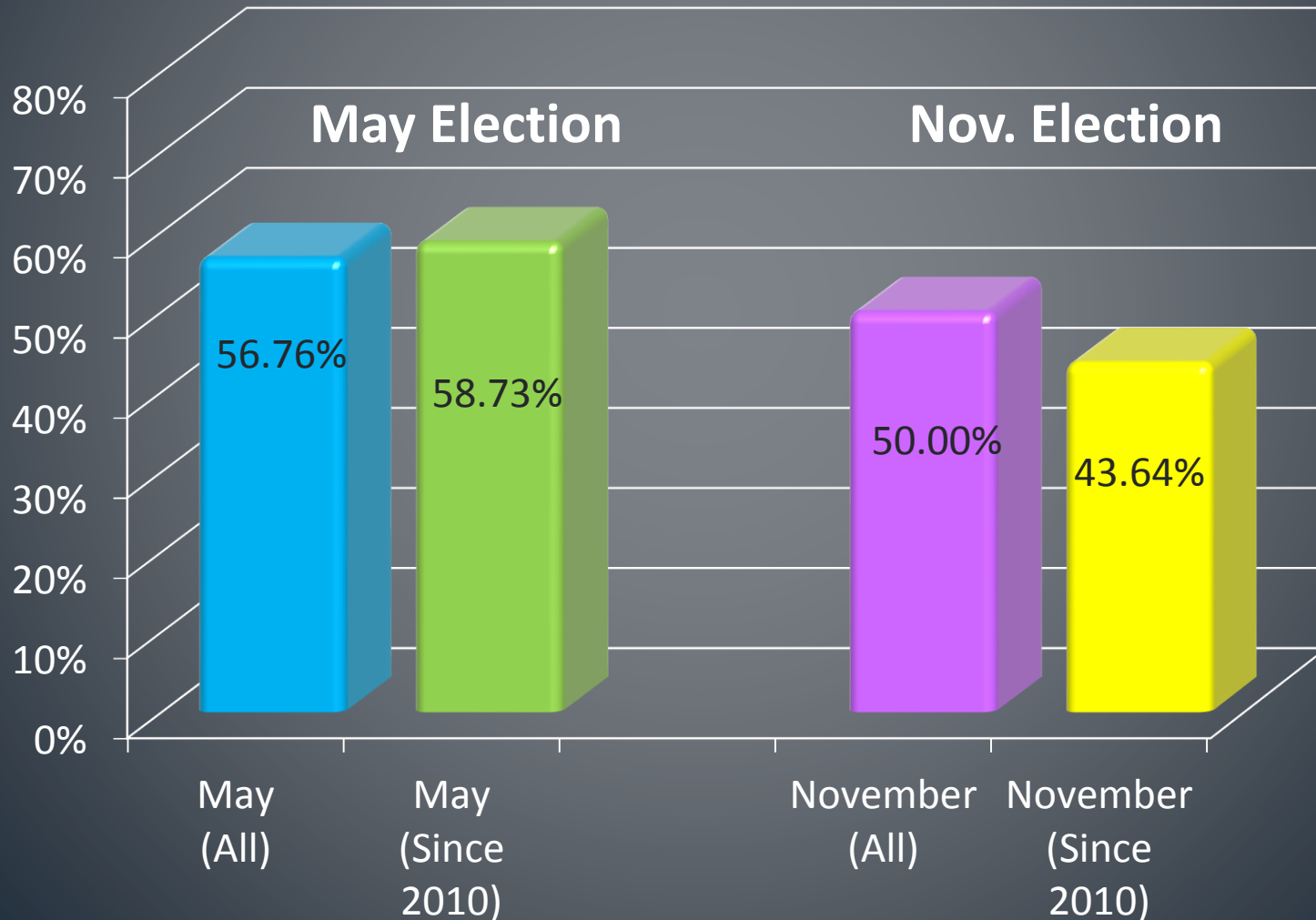
Note: Dates associated with this election date are tentative, subject to change.

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

* Subject to double majority provisions.

What are your odds?

53% of Oregon school district GO bond issues from May 2000 to November 2016 have been approved.



OSCIM Program

- SB 447 authorized \$125m State matching funds for SD GO Bonds in 2015-17.
- Roughly \$94m has been allocated thus far, leaving \$31m for May 2017 election. Must be reauthorized if program is to continue in 2017-19.
- Min = lesser of \$4m or SD bond amount. Max = \$8m.
- Formula sets exact amount, based on property value/ADMw and poverty statistics.
- 60% allocated in rank order based on property value and poverty. 40% allocated 'First in Time'.
- **Under current provisions, Corvallis SD is ranked 177th; max amount possible is \$5.8 million.**

OSCIM Updates

Of original \$125m, \$94m has been allocated thus far:

May 2016

- 29 applicants. 16 qualified before election. 22 ran. \$53m awarded. **59% approval.**

November 2016

- 29 applicants; 11 districts qualified; 20 ran. \$42m awarded, including to Seaside. **50% approval.**

May 2017 Election

- 24 applicants; 8 qualified. \$31 m available.

OSCIM Going Forward

- Needs to be reauthorized for program to continue.
- In Governor's budget at \$120 million.

Administrative changes under consideration:

- Possible changes in application/notification timing to give districts more time to market program to voters.
- Changes to how match is calculated if you issue less than \$4 million because of a bond premium
- New priority list expected to be published June 1.

Proposed New OSCIM Schedule

A calendar looks like this:

2017						2018													2019						
J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J		

	Timeline for November 2017
	Timeline for May 2018 election
	Timeline for November 2018 election
	Timeline for May 2019 election
	Final reconciliation for any remaining funds from previous elections

Technical Assistance Grants

Available as follows:

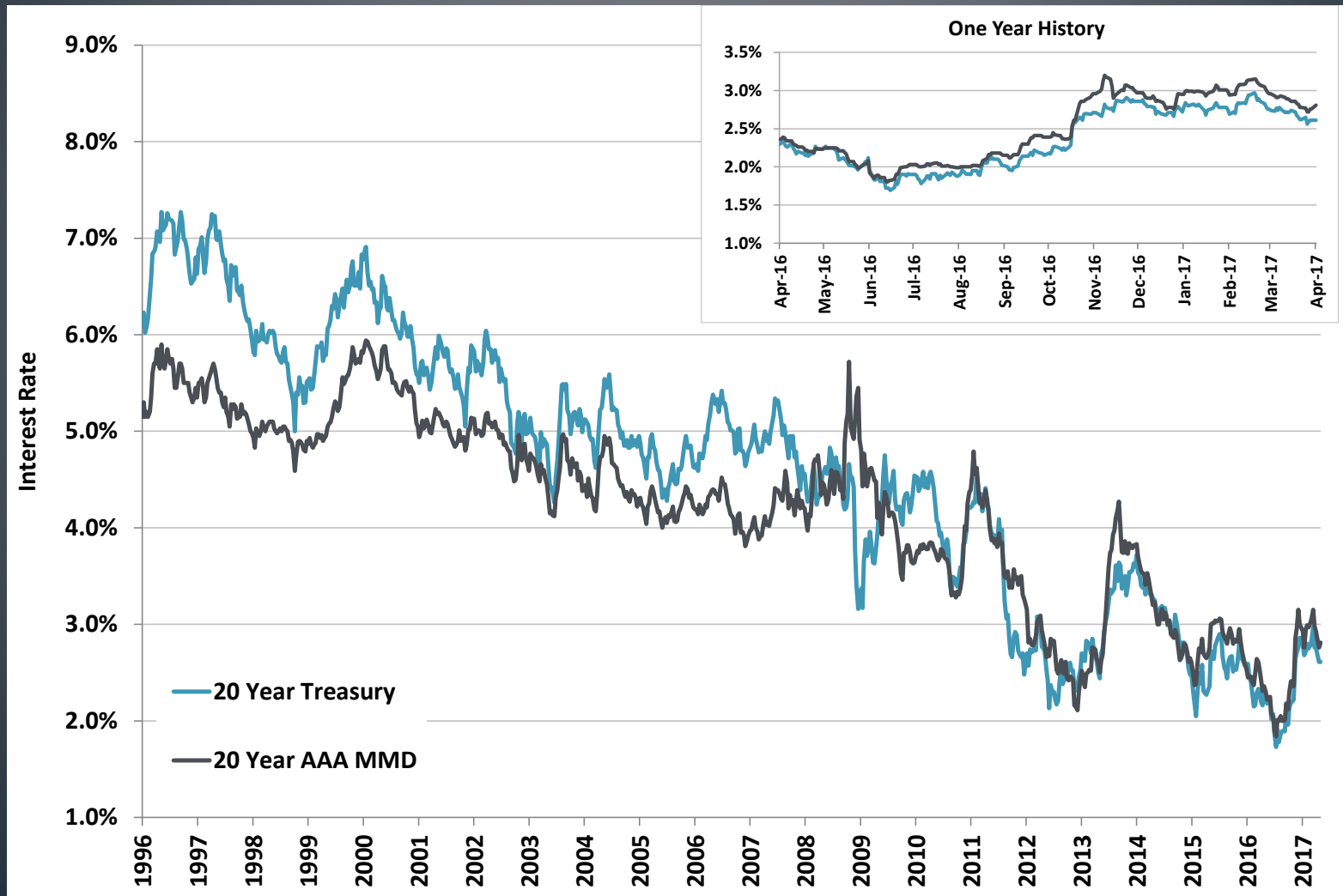
- A. Facilities Assessment (\$20,000)**
- B. Long-Range Facility Plans (\$25,000)**
- C. Seismic Assessments (\$25,000)**



Numerical Analysis

Historic Interest Rates

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



Historic Valuation Trends

Corvallis School District No. 509J (2001-2017)

Fiscal Year	M5 Real Market Value	Total Assessed Value	% AV Growth
2017	\$ 8,127,238,233	\$ 6,075,498,088	5.55%
2016	7,722,322,533	5,755,861,571	2.68%
2015	7,375,558,638	5,605,379,979	4.08%
2014	7,011,396,669	5,385,618,438	1.76%
2013	6,975,636,288	5,292,437,015	1.07%
2012	7,203,344,495	5,236,650,183	2.99%
2011	7,172,132,821	5,084,614,147	4.08%
2010	7,512,131,197	4,885,216,732	2.57%
2009	7,545,473,403	4,762,663,986	4.12%
2008	7,032,297,654	4,574,370,892	4.09%
2007	6,470,013,946	4,394,777,742	1.73%
2006	5,654,138,690	4,319,922,523	4.03%
2005	5,299,419,711	4,152,438,451	5.47%
2004	4,722,666,242	3,937,017,453	2.52%
2003	4,707,506,342	3,840,301,361	9.36%
2002	4,226,133,572	3,511,553,495	-3.03%
2001	4,449,003,157	3,621,255,229	---

Source: Benton and Linn Counties Departments of Assessment and Taxation.

Outstanding General Obligation Bond Issues

Purpose		Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
General Obligation Bonds:					
Series 1999*	Construction of aquatic facilities (Osborne Aquatic Center)	06/01/99	06/01/09	\$ 8,240,000	\$ -
Series 2003*	Replace Corvallis High School and other capital projects	02/15/03	06/01/13	86,400,000	-
Series 2007	Advance refund Series 1999 and 2003 Bonds	03/15/07	06/15/20	55,800,000	26,820,000
Total General Obligation Bonds					<u>\$ 26,820,000</u>

*Refunded.

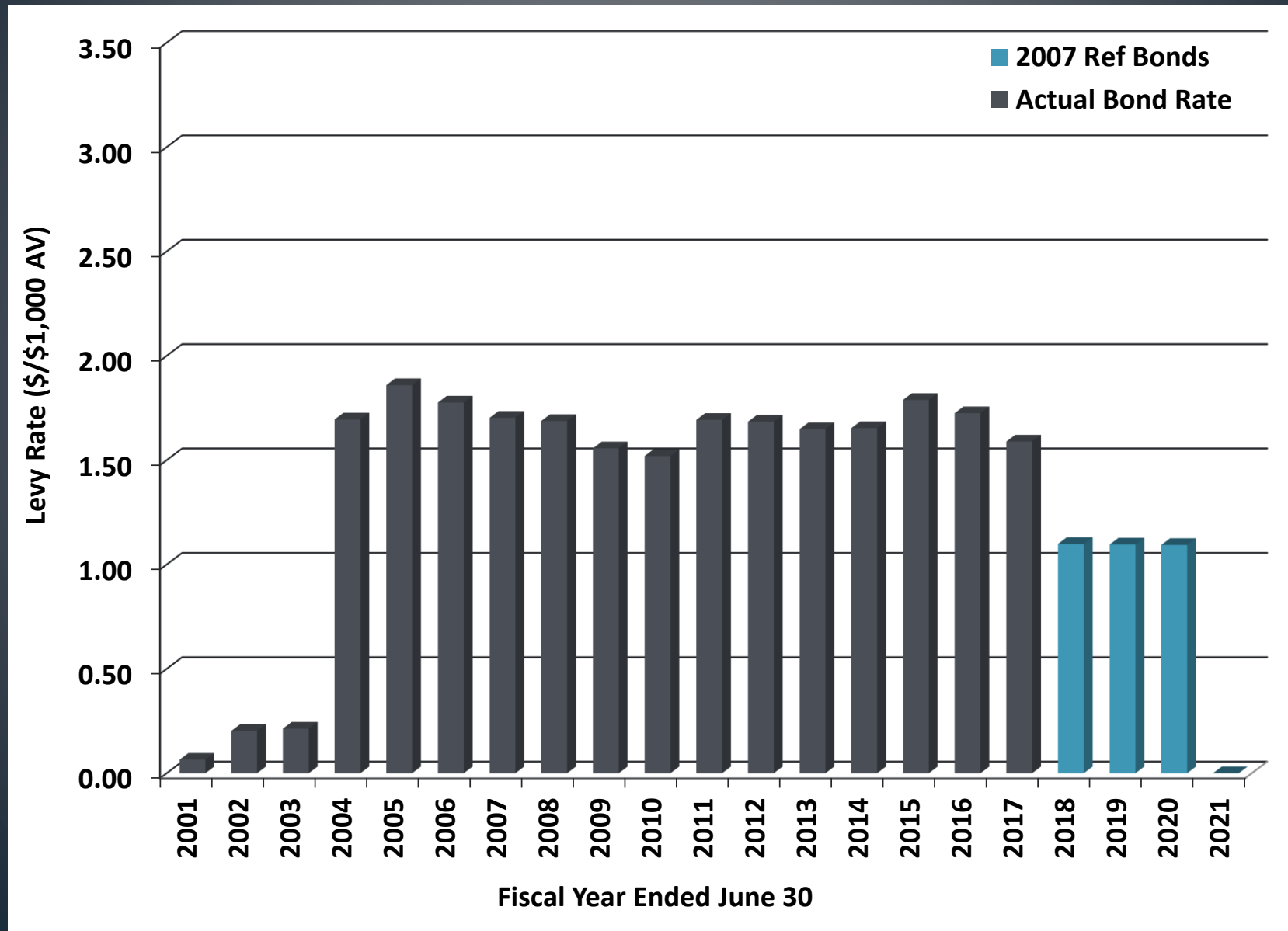
Outstanding GO Bonds – Actual and Projected Levy

Fiscal Year ⁽¹⁾	Outstanding General Obligation Bonds				Total Assessed Value	% AV Growth	Actual Bond Rate	Taxes Collected ⁽²⁾	Projected Bond Rate
	1999 Bonds	2003 Bonds	2007 Ref Bonds	Total					
Actual	2001	\$ 725,815	\$ -	\$ -	\$ 725,815	\$ 3,621,255,229	--	\$ 0.0651	
	2002	731,190	-	-	731,190	3,511,553,495	-3.03%	0.2026	
	2003	770,785	-	-	770,785	3,840,301,361	9.36%	0.2138	
	2004	793,235	6,425,579	-	7,218,814	3,937,017,453	2.52%	1.6951	
	2005	788,635	6,535,894	-	7,324,529	4,152,438,451	5.47%	1.8594	
	2006	787,425	6,549,894	-	7,337,319	4,319,922,523	4.03%	1.7761	
	2007	702,903	5,301,441	1,342,600	7,346,943	4,394,777,742	1.73%	1.7030	
	2008	621,975	4,053,050	2,898,800	7,573,825	4,574,370,892	4.09%	1.6880	
	2009	611,325	4,073,900	3,105,200	7,790,425	4,762,663,986	4.12%	1.5569	
	2010	-	4,081,150	3,943,000	8,024,150	4,885,216,732	2.57%	1.5198	
	2011	-	4,101,263	4,156,600	8,257,863	5,084,614,147	4.08%	1.6932	
	2012	-	4,127,813	4,324,600	8,452,413	5,236,650,183	2.99%	1.6843	
	2013	-	4,144,813	4,508,400	8,653,213	5,292,437,015	1.07%	1.6488	
	2014	-	-	8,837,000	8,837,000	5,385,618,438	1.76%	1.6536	
	2015	-	-	9,069,750	9,069,750	5,605,379,979	4.08%	1.7886	
	2016	-	-	9,294,750	9,294,750	5,755,861,571	2.68%	1.7251	
Current	2017	-	-	9,501,000	9,501,000	6,075,498,088	5.55%	1.5893	
Projected	2018	-	-	6,688,000	6,688,000	6,242,574,285	2.75%	97.5%	1.10
	2019	-	-	6,855,250	6,855,250	6,414,245,078	2.75%	97.5%	1.10
	2020	-	-	7,029,750	7,029,750	6,590,636,818	2.75%	97.5%	1.09
	2021	-	-	-	-	6,771,879,330	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



Summary of Structuring Scenarios

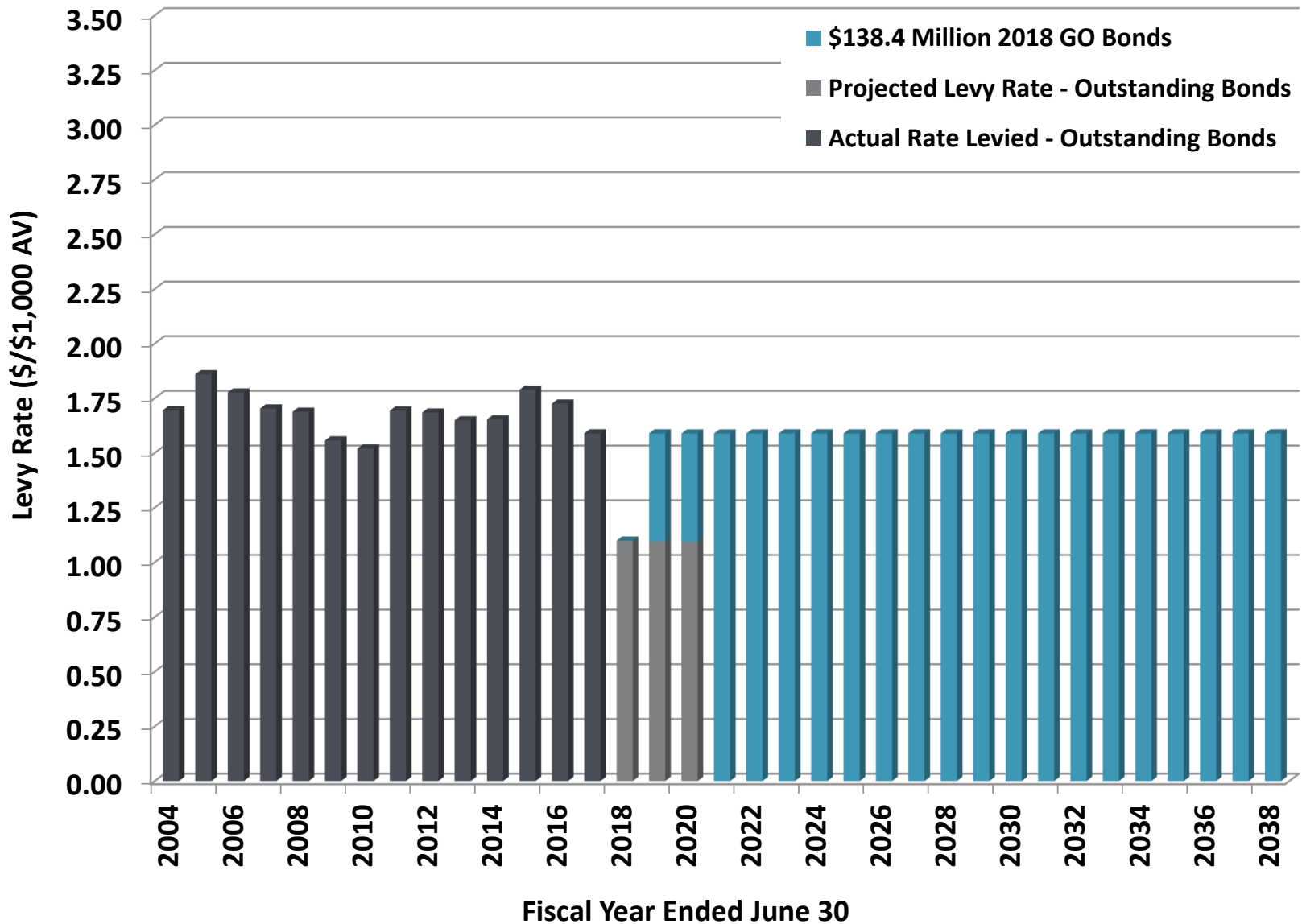
General Obligation Bonds, Series 2018 | Assumes Spring 2018 Election

Structure		20 Year Amortization					
		Projected "Continuation" Levy		Projected \$1.75 Level Levy		Projected \$2.00 Level Levy	
Par Amount							
Current Interest Bonds		\$	68,780,000	\$	94,005,000	\$	119,505,000
Deferred Interest Bonds			69,669,583		59,994,645		58,407,967
Total Par Amount		\$	138,449,583	\$	153,999,645	\$	177,912,967
% Current Interest Bonds			50%		61%		67%
% Deferred Interest Bonds			50%		39%		33%
Dated Date			6/15/2018		6/15/2018		6/15/2018
Final Maturity			6/15/2038		6/15/2038		6/15/2038
Amortization Period			20 Years		20 Years		20 Years
Levy Rates*							
	Prior Debt	New Bonds	Combined	New Bonds	Combined	New Bonds	Combined
2017.....	\$ 1.59	\$ -	\$ 1.59	\$ -	\$ 1.59	\$ -	\$ 1.59
2018.....	1.10	-	\$ 1.10	-	1.10	-	1.10
2019.....	1.10	0.49	1.59	0.65	1.75	0.90	2.00
2020.....	1.09	0.49	1.59	0.66	1.75	0.91	2.00
2021-2038.....	-	1.59	1.59	1.75	1.75	2.00	2.00
Interest							
Current Interest Rates		+ 2.00%		+ 2.00%		+ 2.00%	
True Interest Cost (TIC)		5.25%		5.23%		5.24%	
Total Interest Cost		\$107,593,862		\$118,289,976		\$135,205,288	
Total Interest Cost % of Par		78%		77%		76%	

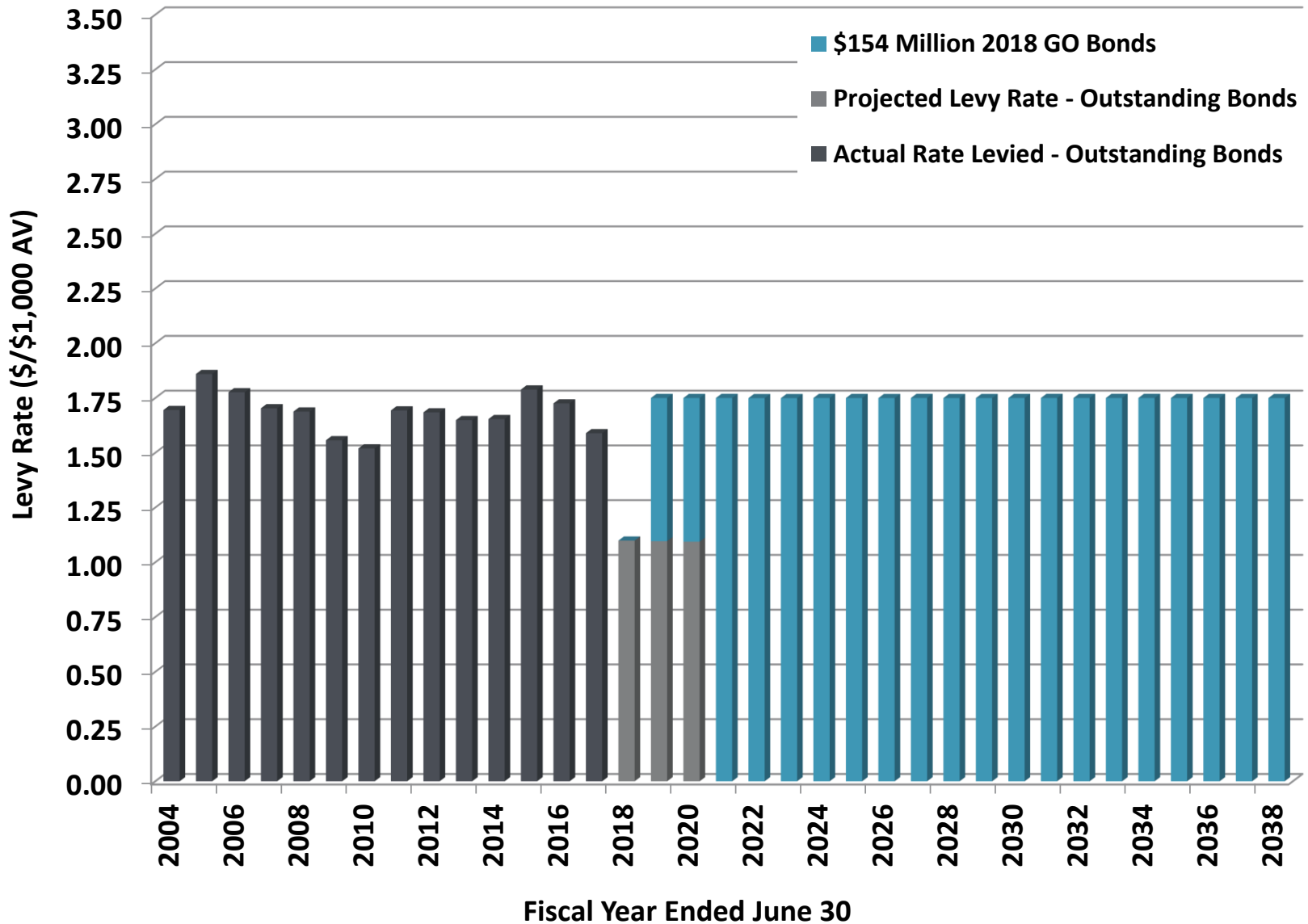
* Projected levy rates are based on a variety of assumptions regarding AV growth, tax collections & interest rates. Debt service will be fixed when bonds are sold but levy rates are preliminary until the assessor certifies values each year.

Note: Deferred interest bonds are a tool used by issuers to manage the amount of annual debt service due and the resulting levy rate. Interest accrues until the maturity date and interest is calculated every 6 months based on the accreted value. Since the accreted interest is not paid to the investor in the period it accrues, the levy rate is lower than it otherwise would be with all current interest bonds. The bonds typically come at higher interest rates since investors do not receive any money until the maturity date. We try to minimize the use as much as possible while keeping projections within an issuer's parameters. The exact amount of deferred interest bonds will not be determined until the bonds are sold.

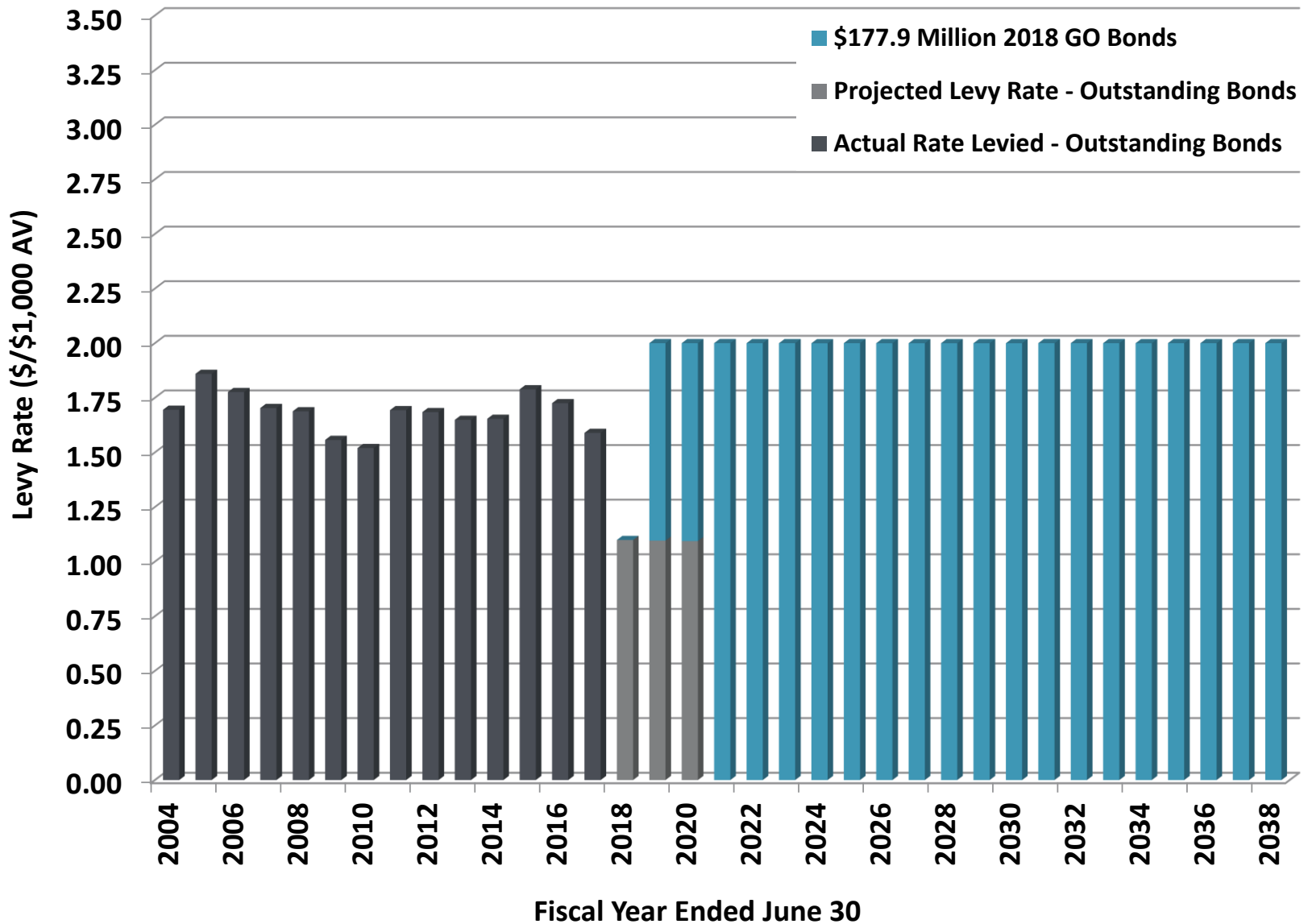
GO Bonds, Series 2018 – Maintain \$1.59 Levy (20 Years)



GO Bonds, Series 2018 –\$1.75 Levy (20 Years)



GO Bonds, Series 2018 –\$2.00 Levy (20 Years)



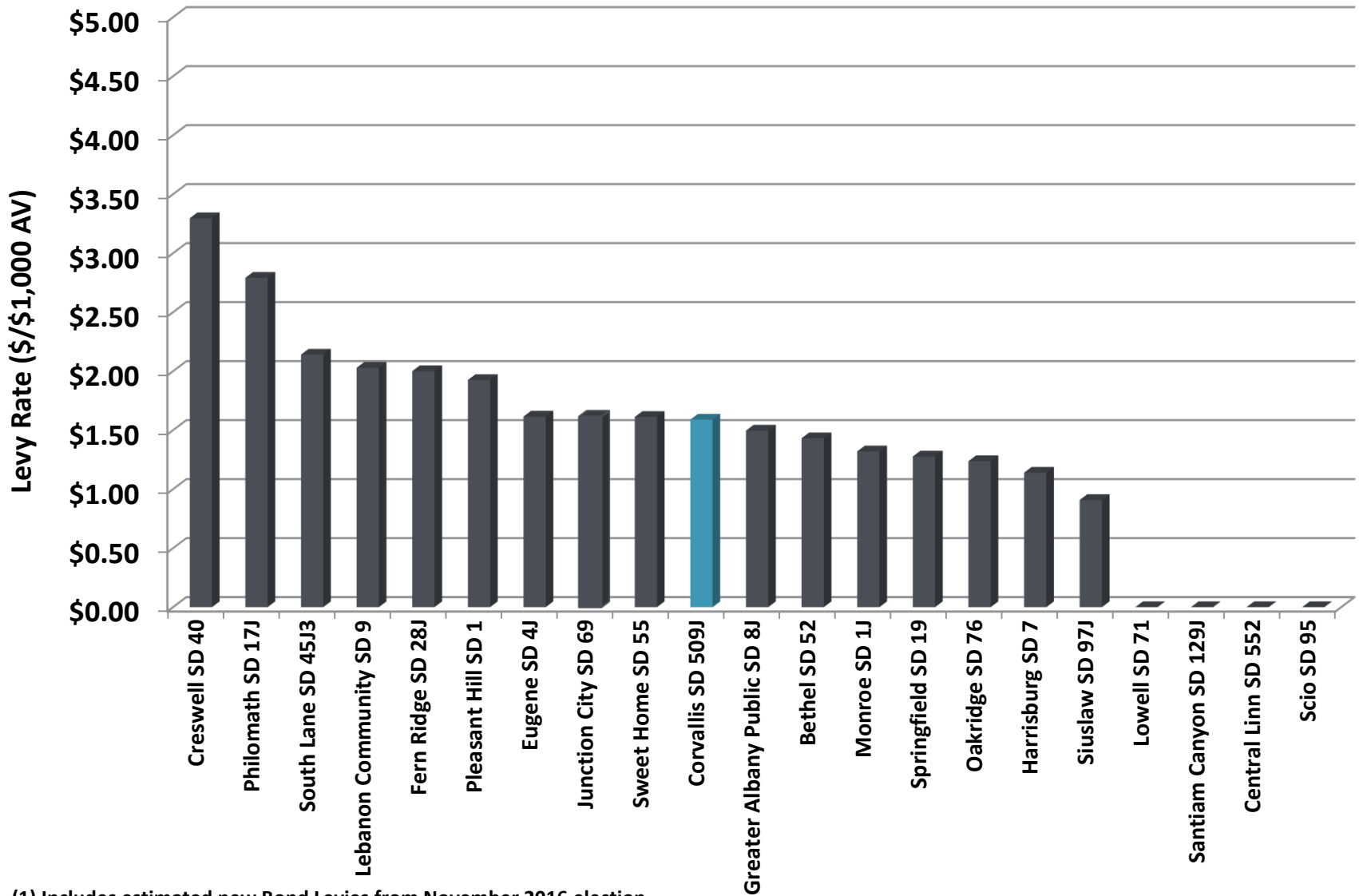
School District Levy Rates in Neighboring Districts

District	Extended ADMw (12-05-16)	Assessed Value (Net of Urban Renewal)	2017 Levy Rates			
			Permanent Rate	Local Option Rate	Bond Rate	Total District Rate
Philomath SD 17J	1,888	738,872,642	4.8664	1.5000	2.7914	9.1578
Creswell SD 40	1,575	673,618,221	4.6426	-	3.2963	7.9389
Eugene SD 4J	20,039	14,643,088,833	4.7485	1.5000	1.6152	7.8637
Corvallis SD 509J	8,030	6,075,498,088	4.4614	1.5000	1.5893	7.5507
Lebanon Community SD 9	5,058	2,096,854,373	4.9925	-	2.0289	7.0214
Sweet Home SD 55	2,789	922,668,336	5.0057	0.3200	1.6117	6.9374
South Lane SD 45J3	3,367	1,445,082,785	4.7532	-	2.1401	6.8933
Fern Ridge SD 28J	1,727	921,329,931	4.8240	-	2.0001	6.8241
Pleasant Hill SD 1	1,180	609,669,979	4.6414	-	1.9250	6.5664
Junction City SD 69	1,993	1,067,263,603	4.5604	-	1.6141	6.1745
Greater Albany Public SD 8J	11,597	5,355,092,539	4.5855	-	1.4962	6.0817
Oakridge SD 76	726	256,678,311	4.8223	-	1.2372	6.0595
Monroe SD 1J	636	250,944,057	4.6341	-	1.3200 ⁽¹⁾	5.9541
Bethel SD 52	6,797	3,310,845,485	4.5067	-	1.4314	5.9381
Springfield SD 19	12,997	5,440,544,611	4.6412	-	1.2769	5.9181
Harrisburg SD 7	1,087	415,448,155	4.6552	-	1.1397	5.7949
Siuslaw SD 97J	1,606	1,797,063,648	3.8928	0.7500	0.9082	5.5510
Lowell SD 71	887	219,575,723	5.0409	-	-	5.0409
Santiam Canyon SD 129J	4,955	365,676,019	4.8880	-	-	4.8880
Central Linn SD 552	853	678,698,603	4.6179	-	-	4.6179
Scio SD 95	927	294,142,337	4.5080	-	-	4.5080

(1) Includes estimated new Bond Levies from November 2016 election.

Comparative School District Bond Rates

2017 School District Bond Rates⁽¹⁾



(1) Includes estimated new Bond Levies from November 2016 election.

Contact Information

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