

TETON SCHOOL DISTRICT NO. 401

Bond Election Planning
January 13, 2014

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Overview of property tax levies for Idaho Schools

Bonds – What are they?

Bonds are debt

School districts in Idaho can issue General Obligation Bonds. These bonds are:

- ◆ Repaid with property taxes
- ◆ Approved with 2/3rds super majority vote

Bonds are the primary method used by Idaho School Districts to finance capital projects because:

- ◆ Cash is generated up front
- ◆ Payments can be spread over time – typically 20 years but can be up to 30 years
- ◆ Districts have some control over taxpayer impacts
- ◆ School bonds typically qualify for “Levy Equalization” subsidy payments from the State

Bonded Debt Capacity

- ◆ Idaho School Districts legal debt limit is 5% of Full Market Value
- ◆ The District currently has over \$60 million of remaining legal debt capacity

Overview of property tax levies for Idaho Schools – continued

Special Plant Facilities Levy (Plant Levy)

- ◆ A Plant Levy provides another tool for capital repair and replacement
- ◆ Levy certified each year - “pay as you go”
- ◆ No interest cost
- ◆ Lower voter threshold (55% or 60%) than bond
- ◆ Up to ten year maximum term
- ◆ Construction cash flow challenges for large projects
- ◆ The District has a Plant Levy authorized for up to \$400,000 of annual collection through Fiscal Year 2016

Supplemental Maintenance and Operation Levy (Supplemental M&O)

- ◆ Typically for General Fund expenditures
- ◆ Levy certified each year
- ◆ Simple Majority (50% plus 1) approval
- ◆ Up to two year authorization
- ◆ The District has a Supplemental M&O Levy authorized for up to \$3.10 million of annual collection through Fiscal Year 2015

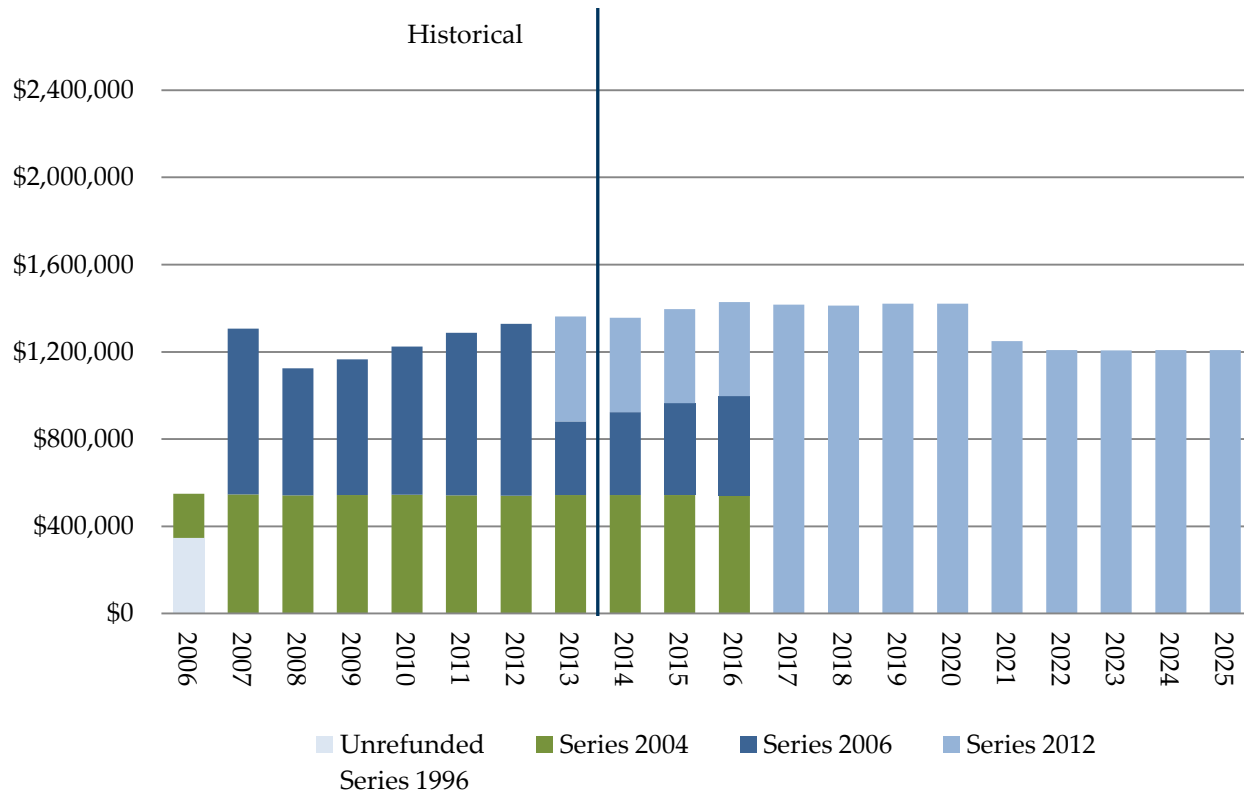
REVIEW OF EXISTING DEBT

The District has three series of bonds with a total par outstanding of \$12,375,000. An overview of the three outstanding issues are as follows:

Bond Issue	Credit Enhancement	Amount Outstanding	Coupons	Final Payment	Call Feature
2004 G.O. Ref. Bonds	ISBG	1,530,000	3.00-3.25%	August 15, 2016	August 15, 2014
2006 G.O. Bonds	FSA	1,150,000	4.25-4.50%	September 15, 2016	N/A
2012 G.O. Ref. Bonds	ISBG/CEP	9,695,000	3.25-5.00%	September 15, 2025	September 15, 2022
Total Debt Outstanding (10/11/2013)		12,375,000			

The District refinanced bonds in 2004 and 2012, resulting in \$1.3 million in interest cost savings to District taxpayers.

ANNUAL DEBT SERVICE



Pre-election bond tax rate projection: \$1.17

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Taxable Market Value	\$872,055,737	\$1,292,836,102	\$1,835,860,206	\$2,184,781,504	\$2,139,285,534	\$1,786,905,621	\$1,505,548,523	\$1,375,041,472	\$1,308,811,026
Bond Tax Rate (per \$1,000)	0.63	1.01	0.59	0.53	0.57	0.72	0.88	0.99	1.14

COMPARATIVE TAX RATES

Surrounding School District Total Tax Rates (FY 2014)

	School District	Taxable Market Value	Bond Tax Rate	School District Total Per \$1,000
215	Fremont County Joint	1,550,069,680	1.419	2.515
322	Sugar-Salem Joint	250,601,547	3.192	3.447
060	Shelley Joint	445,535,519	1.706	3.553
401	Teton County	1,308,188,937	1.147	3.961
091	Idaho Falls	2,863,187,826	1.182	4.251
251	Jefferson County Jt	837,681,961	4.176	4.271
321	Madison	1,227,385,372	2.889	4.461
253	West Jefferson	165,149,316	1.518	4.608
093	Bonneville Joint	2,280,994,541	2.279	5.448
252	Ririe Joint	127,662,581	4.310	7.355

Comparison of County-Wide Over-all Tax Burden

	Average Urban	Average Rural	Overall Average
Fremont County	1.051%	0.706%	0.770%
Teton County	1.148%	0.907%	0.962%
Bingham County	1.807%	1.140%	1.352%
Madison County	1.598%	1.331%	1.493%
Bonneville County	1.692%	1.070%	1.500%
Statewide	1.634%	1.048%	1.379%

BOND PLANNING

Things to consider for Bond

The affordability of a bond proposal is often determined by the taxpayer impact of the bond. The key factors that determine the tax rate necessary to repay Idaho School Bonds are:

- Interest Rates
- Taxable Assessed Value
- Bond Rating
- Additional Revenue Sources (Levy equalization from State)
- Bond Sale Timing
- Bond Sale Structure
- Future Levy Plans

Bond Rating

- Like your personal credit rating, a higher credit rating for an Issuer results in a lower borrowing cost.

S & P	Moody's
Highest Rated	
AAA	Aaa
AA+	Aa1
AA	Aa2
AA -	Aa3
A+	A1
A	A2
A -	A3
BBB+	Baa1
BBB	Baa2
BBB -	Baa3
"Junk Bonds"	

An issuer's bond rating will be determined by four major factors which include the issuer's financial management.

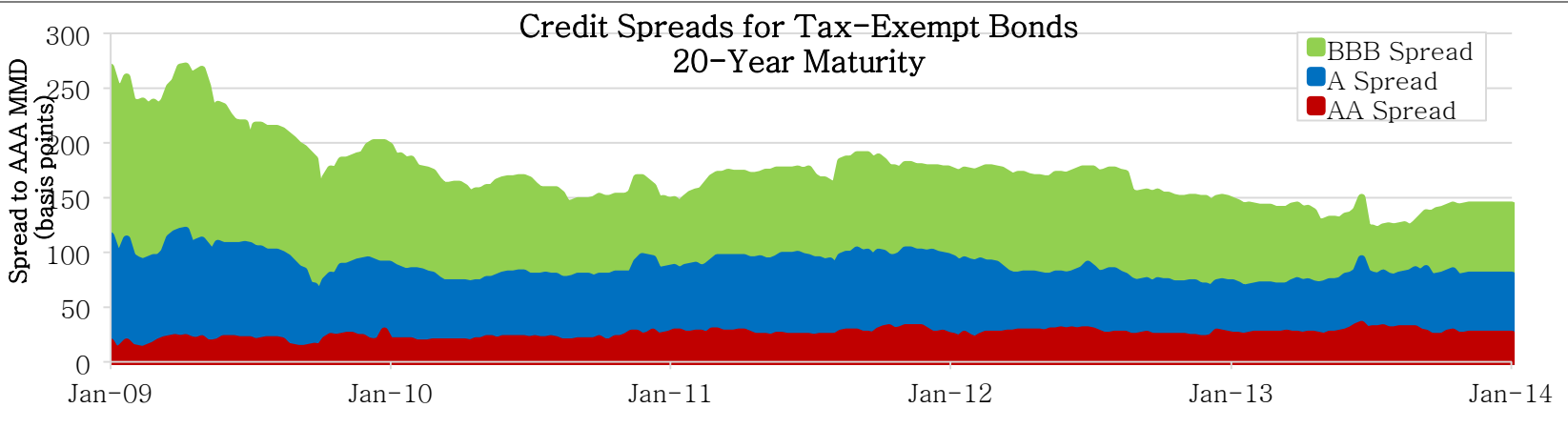


Bond Rating

Idaho School Bond Guaranty

The Idaho School Bond Guaranty Program (ISBG) allows Idaho School Districts to obtain credit enhancement without the added expense of buying municipal bond insurance. Following the 2009 legislative secession the Idaho School Bond Guaranty (ISBG) program created two tiers of credit enhancement:

- ◆ Tier 1 – The State provides its guaranty of the principal and interest on the bonds allowing the bonds to receive a credit enhancement of “Aa1”.
- ◆ Tier 2 - In addition to the guaranty provided by the State the bonds can be further secured by the Endowment Fund Investment Board (EFIB). The additional credit enhancement by the EFIB allows the bonds to be rated “Aaa”. A school District may have up to \$20M of school bonds guaranteed by the EFIB including any outstanding bonds already guaranteed by the EFIB.



BOND PLANNING –CONTINUED

Interest Rates

Future bond planning will be impacted by interest rates in the municipal bond market.

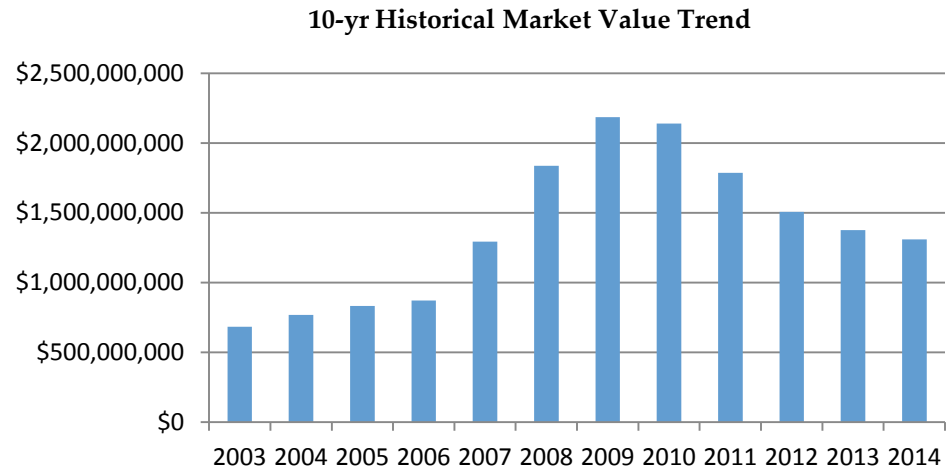
- Interest rates have increased substantially compared 1 year ago
- For planning purposes, we have added 0.75% cushion over current interest rates



BOND PLANNING –CONTINUED

Market Values

Fiscal Year	Net Taxable Value	% Growth
2014	1,308,811,026	-4.82%
2013	1,375,041,472	-8.67%
2012	1,505,548,523	-15.75%
2011	1,786,905,621	-16.47%
2010	2,139,285,534	-2.08%
2009	2,184,781,504	19.01%
2008	1,835,860,206	42.00%
2007	1,292,836,102	48.25%
2006	872,055,737	4.62%
2005	833,548,836	8.52%
2004	768,137,277	12.52%
2003	682,679,592	- - -



Fiscal Year 2014 Urban Renewal Value of \$25,461,637 is added (available) to support new bonds, but not existing bonds. The Urban Renewal Value also supports the existing Plant and Supplemental M&O levies.

BOND PLANNING –CONTINUED

Levy Equalization

Fiscal Year	Index Factor	% of P&I
2014	1.6028	N/A
2013	1.7182	N/A
2012	1.8058	N/A
2011	1.9680	N/A
2010	2.0417	N/A
2009	1.8829	N/A
2008	1.6411	N/A
2007	1.4983	Minimum
2006	1.4772	Minimum
2005	1.4941	Minimum

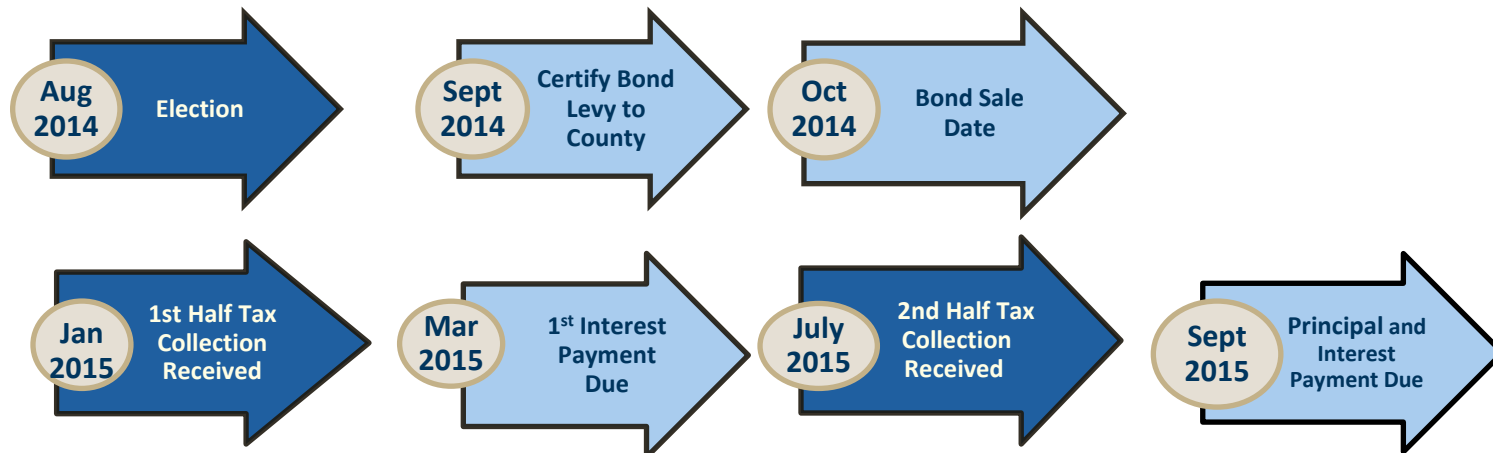
Idaho School Bond Levy Equalization Subsidy is a direct payment to the District based on an index created from the following factors:

- ◆ **Market value per support unit (50% of formula)**
- ◆ **Unemployment rate in the County (25% of formula)**
- ◆ **Per capita income in the County (25% of formula)**

Index Factor	Subsidy
1.50 or greater	No subsidy
1.00 to 1.50	Minimum 10% of Interest Cost
Below 1.00	Portion of Principal and Interest paid

The subsidy has been in place for over ten years and the Idaho Legislature has continued to fund this program even in difficult economic times.

Bond Sale Timing



FUTURE PLANNING - ANALYSIS GOALS AND ASSUMPTIONS

Goals of Analysis:

- Analyze tax impact of \$10,000,000 Bond
- Consider 15,20 and 25 year repayment terms

Assumptions for Analysis:

- *Bond Planning Assumptions*
 - ▶ Market Value: No change from 2013-2014 values. Include URA Value for new bonds
 - ▶ Bond Election Date: August 2014
 - ▶ Bond Sale Date: October 15, 2014
 - ▶ Interest Rates: Current (as of 1/7/2014) Plus 0.75% (not Bank Qualified)
 - ▶ Bond Ratings "Aa1" (ISBG), "A1" underlying
 - ▶ Levy Equalization: None

BOND PLANNING SCENARIOS

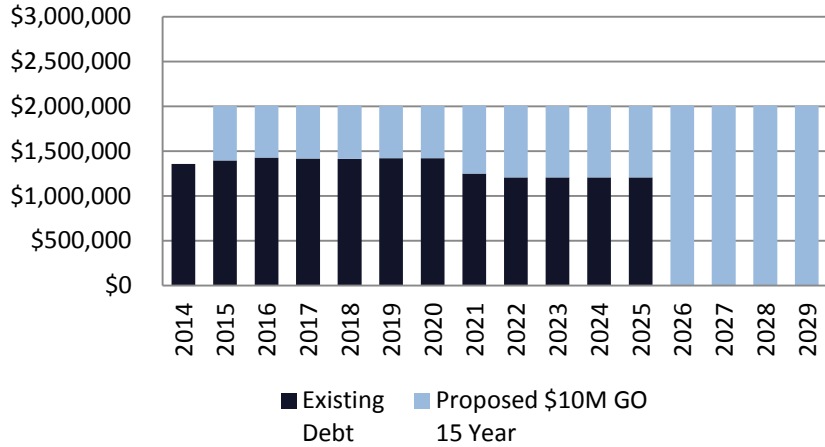
Teton County School District No. 401
 Summary of Bond Analysis
 January 8, 2014

Summary of Scenarios						
Term	15 years		20 years		25 years	
True Interest Cost (TIC)	4.60%		4.98%		5.15%	
Par Amount	\$10,000,000		\$10,000,000		\$10,000,000	
Interest Cost	<u>\$5,494,850</u>		<u>\$7,738,242</u>		<u>\$9,372,502</u>	
Total Cost	\$15,494,850		\$17,738,242		\$19,372,502	
Projected 2015 Tax Rate	\$1.53		\$1.48		\$1.48	
Average Payment 2015-2025	\$2,004,743		\$1,917,987		\$1,935,660	
Average Payment 2026 and after	\$2,004,743		\$1,246,297		\$904,038	
2014 Bond Tax Rate (Per \$1,000)	\$1.14		\$1.14		\$1.14	
Projected Tax Rate Increase for 2015 (Per \$1,000)	\$0.39		\$0.34		\$0.34	
Projected Impact on \$100,000 of net taxable value	<u>Annual</u>	<u>Monthly</u>	<u>Annual</u>	<u>Monthly</u>	<u>Annual</u>	<u>Monthly</u>
	\$39.00	\$3.25	\$34.00	\$2.83	\$34.00	\$2.83

FUTURE BOND PLANNING

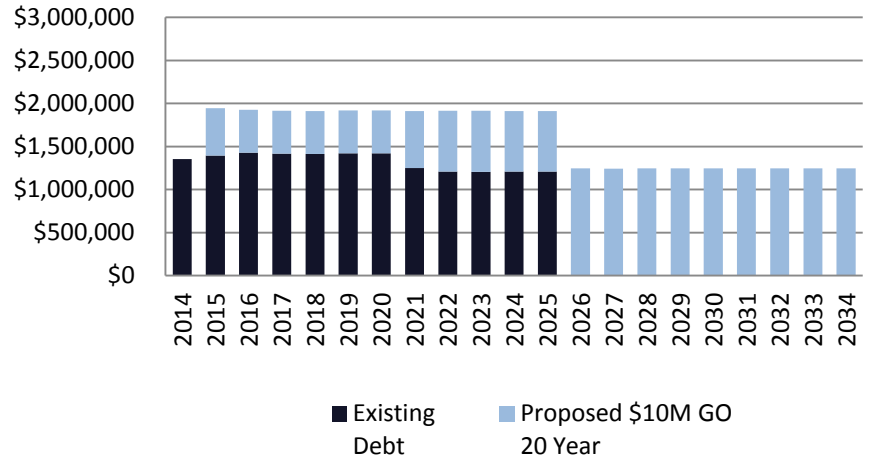
**Proposed \$10M, 15yr Bond
Wrapped around Existing Debt**

\$0.39 tax rate increase. \$5.5 million interest cost



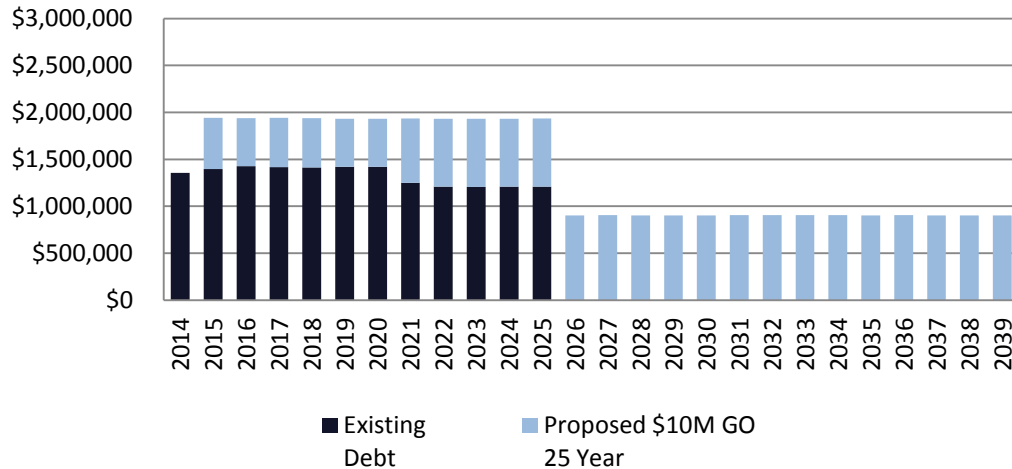
**Proposed \$10M, 20yr Bond
Wrapped around Existing Debt**

\$0.34 tax rate increase. \$7.7 million interest cost



**Proposed \$10M, 25yr Bond
Wrapped around Existing Debt**

\$0.34 tax rate increase. \$9.4 million interest cost



PLANT LEVY

What about a Plant Levy?

- Plant Levy analysis assumes the election would take place in 2014 to increase and extend the existing Plant Levy with increased collections beginning in 2015
- The Plant Levy calculation below assumes a 55% approval which would allow the District to collect an additional \$870,000 annually for up to 10 years.
- A \$870,000 increase to the annual Plant Levy would require a tax increase of \$0.65 per \$1,000.

Plant Levy "capacity" at 55% approval		
September 2013 Taxable Market Value ("TAV")	\$	1,333,647,574
0.200% of TAV	\$	2,667,295
Less: Existing Plant Levy authorized for 2015	\$	(400,000)
Less: Outstanding debt collection for 2015	\$	<u>(1,396,350)</u>
Plant Levy "capacity" at 55% approval	\$	870,945

2014 ELECTION TIMELINES

Election Date ⁽¹⁾	Deadline for Filing with County Clerk
March 11, 2014	January 17, 2014 ⁽²⁾
May 20, 2014	March 20, 2014 ⁽³⁾
August 26, 2014	July 3, 2014 ⁽²⁾
November 4, 2014	September 4, 2014 ⁽³⁾

- (1) Election dates for school district bond and other property tax levy questions are the 2nd Tuesday in March, 3rd Tuesday in May, last Tuesday in September and the Tuesday after the 1st Monday in November
- (2) March and August elections require filing more than 50 days prior to the election
- (3) May and November elections of even number years, require filing more than 60 days prior to the election date