

TETON SCHOOL DISTRICT NO. 401

Bond & Levy Review
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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 \$69 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 2017

REVIEW OF EXISTING DEBT

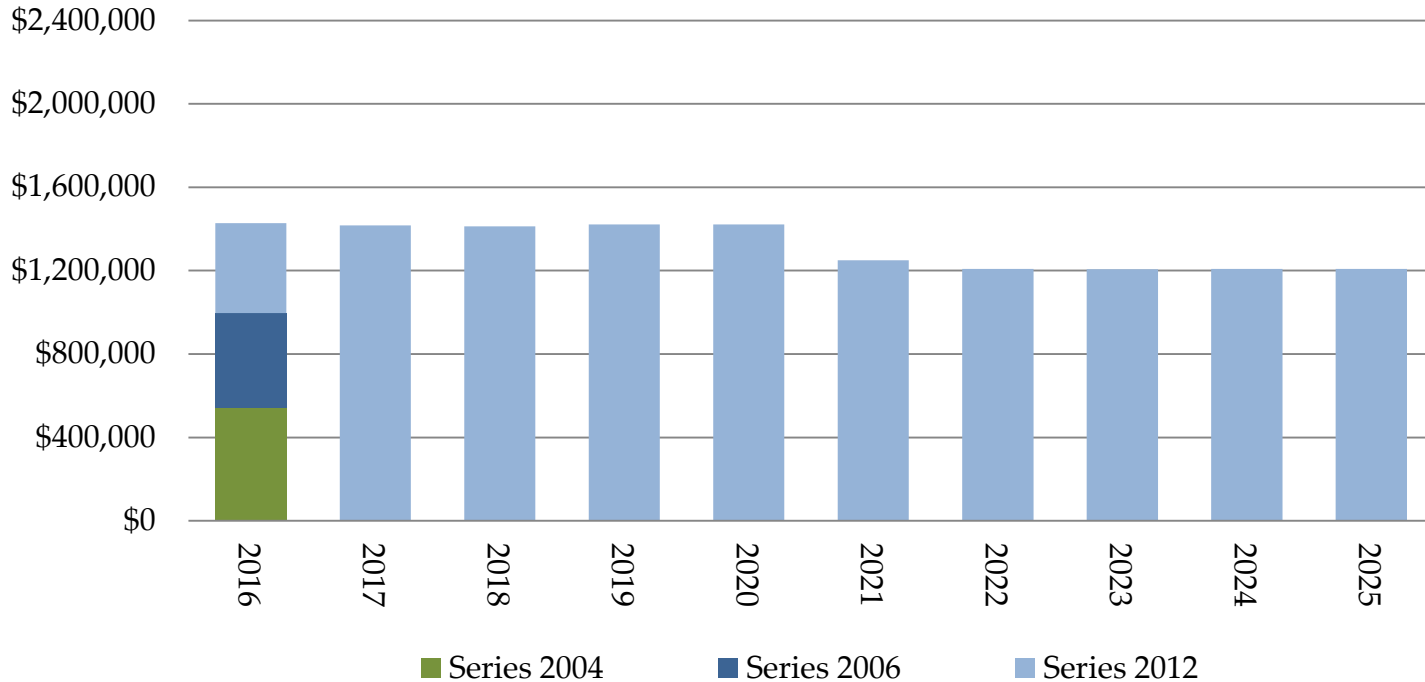
The District has three series of bonds with a total par outstanding of \$10,655,000. An overview of the three outstanding issues are as follows:

Bond Issue	Credit Enhancement	Amount Outstanding	Coupons	Final Payment	Call Feature
2004 G.O. Ref. Bonds	ISBG	525,000	3.25%	August 15, 2016	August 15, 2014
2006 G.O. Bonds	FSA	435,000	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 (2/3/2016)		10,655,000			

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

ANNUAL DEBT SERVICE

The Following graph illustrates the District's remaining annual bond payments.

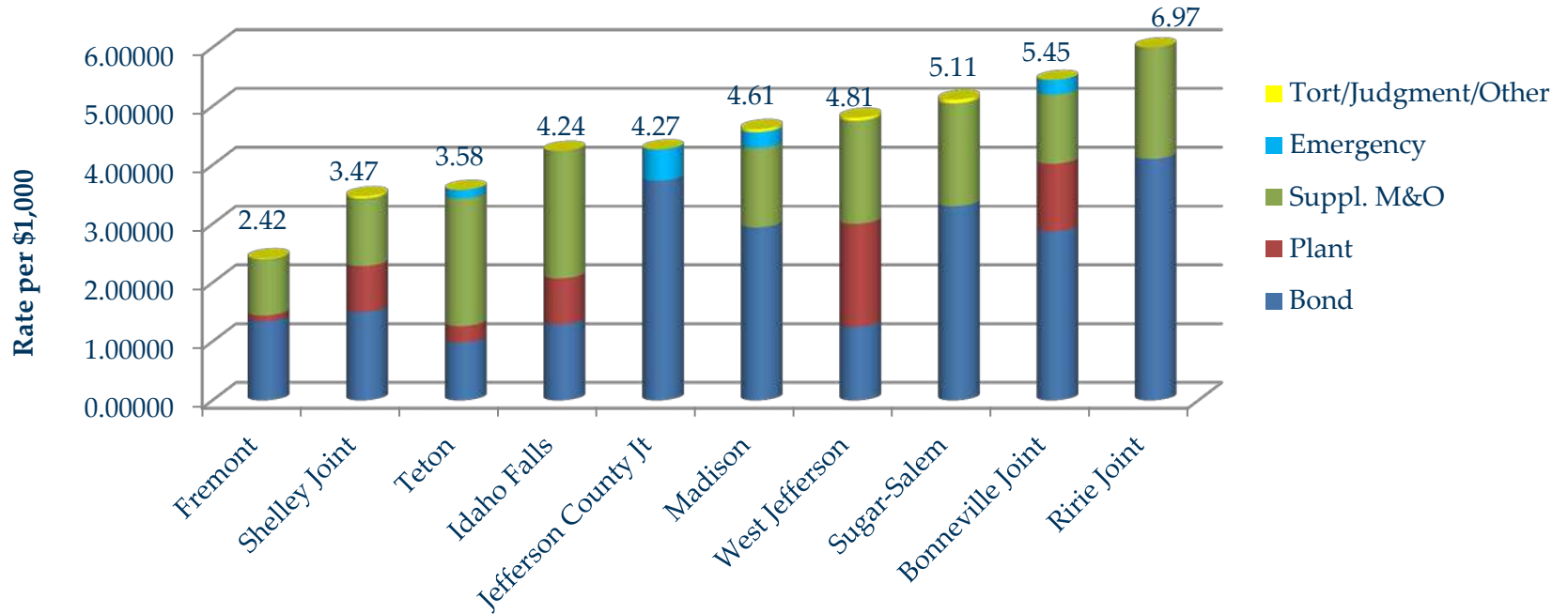


2006 Bond Election Tax Rate projection: \$1.17 per \$1,000

Fiscal Year 2016 Actual Bond Tax Rate : \$0.98 per \$1,000

COMPARATIVE TAX RATES

Surrounding School District Total Tax Rates (FY 2016)



Comparison of County-Wide Over-all Tax Burden

	Average Urban	Average Rural	Overall Average
Fremont County	1.207%	0.843%	0.909%
Teton County	1.230%	0.977%	1.034%
Bingham County	2.071%	1.283%	1.521%
Madison County	1.716%	1.426%	1.612%
Bonneville County	1.743%	1.072%	1.524%
Statewide	1.574%	1.027%	1.341%

COMPARATIVE TAX RATES - CONTINUED

School District	FY 2016 Tax Rate per \$1,000	FY 2016 Market Value	URA?	FY 2016 Total Tax Levy Amount	FY 2016 Enrollment (fall)	FY 2016 Tax Levy Per Student
Fremont (SD 215)	2.42	1,563,399,203	Yes	3,772,757	2,197	1,717
Shelley (SD 60)	3.47	499,476,397	No	1,733,046	2,255	769
Teton (SD 401)	3.58	1,430,296,570	Yes	5,094,355	1,777	2,867
Idaho Falls (SD 91)	4.24	3,132,735,306	Yes	13,292,805	10,380	1,281
Jefferson Co. (251)	4.27	930,108,638	Yes	3,949,850	5,423	728
Madison (SD 321)	4.61	1,483,589,285	Yes	6,558,240	5,286	1,241
West Jefferson (SD 253)	4.81	171,162,859	No	822,484	622	1,322
Sugar-Salem (SD 322)	5.11	257,439,953	No	1,316,529	1,573	837
Bonneville (SD 93)	5.45	2,435,991,401	Yes	13,271,281	11,851	1,120
Ririe (SD 252)	6.97	133,994,278	No	934,556	722	1,294

Notes:

Market Value includes URA value if any

URA values apply differently to different levy components (math may not track if URA value)

Total Tax Levy is actual amount certified per Idaho Department of Education data

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.

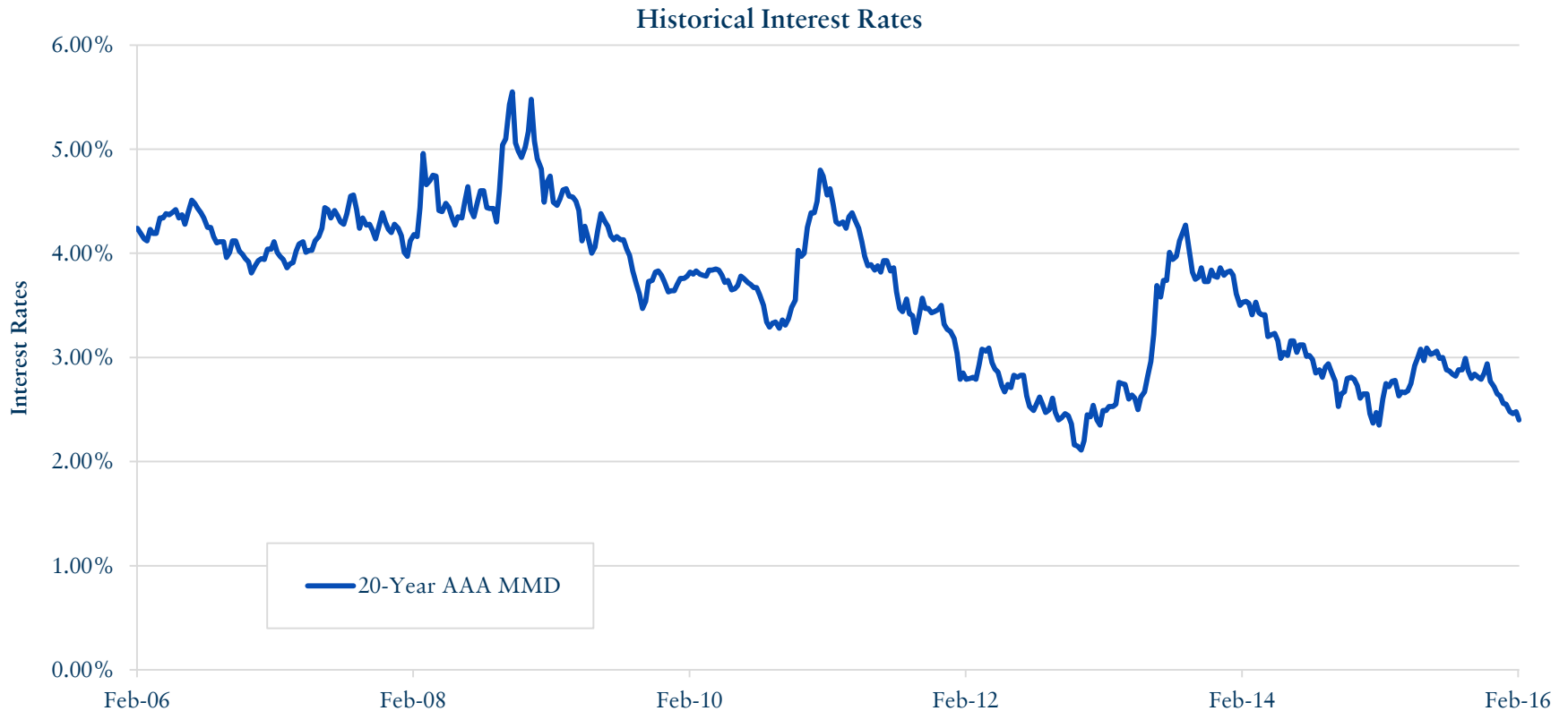


The District's current Moody's Bond Rating is "A1".

Interest Rates

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

- Interest rates have declined over the past 2 months and are currently near historic lows.
- For planning purposes, we typically add 0.75% cushion over current interest rates.



BOND PLANNING –CONTINUED

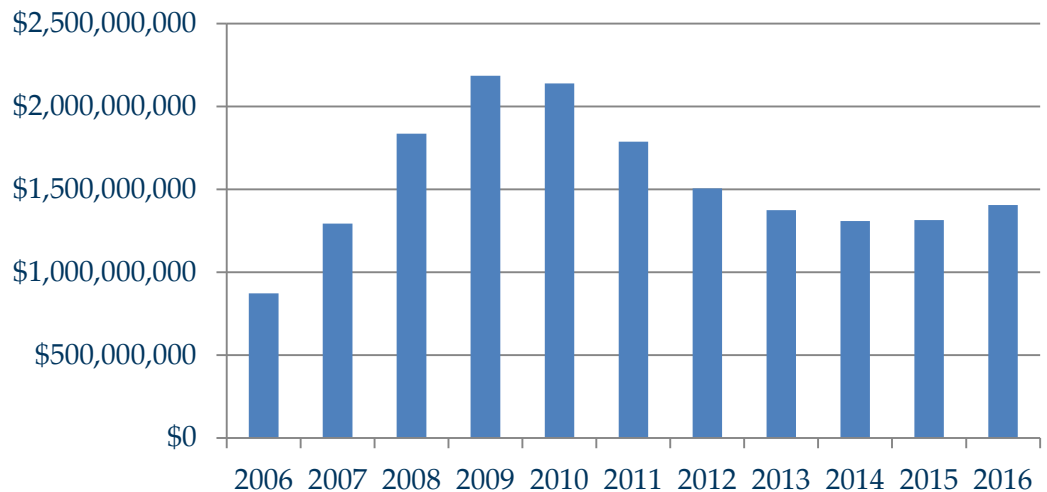
Market Values

The District's most recent 20-year compound growth rate was 8.02%

Fiscal Year	Net Taxable Value*	% Growth
2016	1,405,396,201	6.86%
2015	1,315,144,603	0.53%
2014	1,308,185,937	-4.86%
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	---

*Does not include Urban Renewal Area (URA) Value.

10-yr Historical Market Value Trend



Fiscal Year 2016 Urban Renewal Value of \$24,900,369 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
2016	1.4613	Minimum
2015	1.5110	N/A
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

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 and Tax Collection Cycle



PLANT LEVY

What about a Plant Levy?

- The District's existing Plant Levy in the amount of \$400,000 expires this year.
- Plant Levy analysis assumes the election would take place in May 2016 to renew the Plant Levy.
- The Plant Levy calculation below calculates the maximum annual Plant Levy that the District could obtain at the 55% approval threshold for a May 2016 election.
- A \$1.4 million annual Plant Levy would require a tax increase of \$0.74 per \$1,000, or \$74.00 for every \$100,000 of property value.

Plant Levy "capacity" at 55% approval		
September 2013 Taxable Market Value ("TAV")	\$	1,405,396,201
0.200% of TAV	\$	2,810,792
Less: Outstanding debt collection for 2017	\$	<u>(1,400,000)</u>
Plant Levy "capacity" at 55% approval	\$	1,410,792

2016 Election Timelines

Election Date ⁽¹⁾	Deadline for Filing with County Clerk
March 8, 2016	January 18, 2016 ⁽²⁾
May 17, 2016	March 18, 2016 ⁽³⁾
August 30, 2016	July 11, 2016 ⁽²⁾
November 8, 2016	September 9, 2016 ⁽³⁾

- (1) Election dates for school district property tax levy questions (bonds, plant and supplemental levies) are the 2nd Tuesday in March, 3rd Tuesday in May, last Tuesday in August 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 (odd number years require 50 days).