

Facility Finance Considerations

Idaho Falls SD No. 91
Work Session

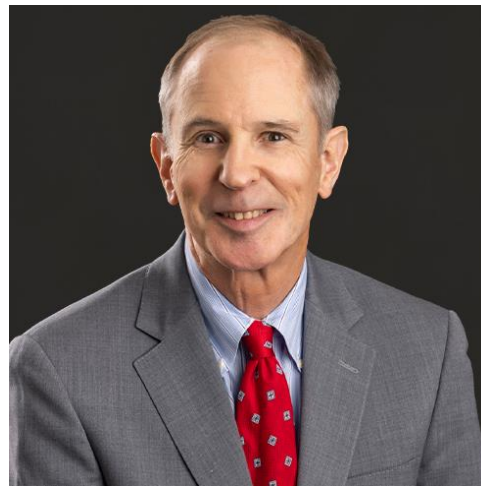
January 23, 2024



Presenters; January 23 Work Session



Brandon Helgeson
Associate



Nick Miller
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Presentation Topics

- Role of Bond Counsel
- Election Results 2022, 2023
- Update Board Analysis of Facility Needs
- Financing Alternatives, Election Strategies and Other Voter Approvals.
- Review of HB 292 Funding

Presentation Topics

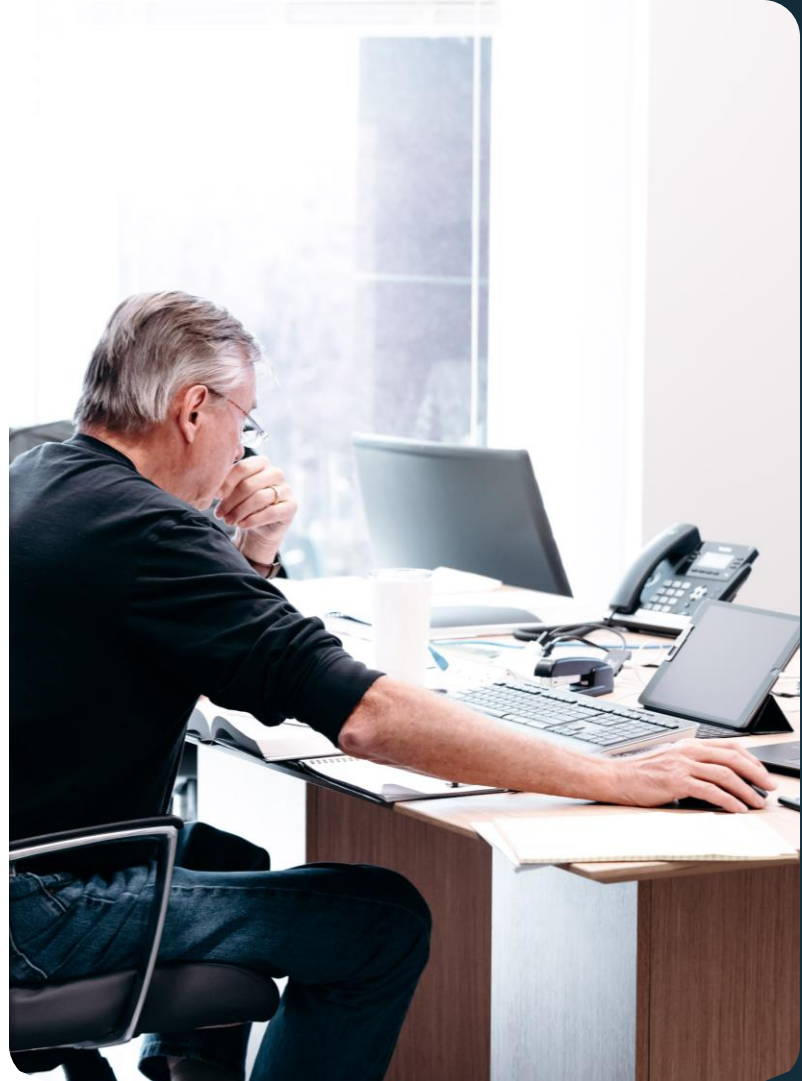
- 2024 Governor's Program
- 2024 Other Legislation
- Tax Impact Data and Disclosure
- Recommendations

Services of Bond Counsel

- Election Question and Advice
- Bond Issue Documents and Approvals
- Tax Exempt Bond Regulations
 - At bond issuance
 - On-going
- Disclosure Regulations
 - At bond issuance
 - On-going
- Legal Opinions at Bond Issuance
- Legislation—on-going as needed

About Hawley Troxell

- “Red Book” Listing Since 1985
- Leading Bond Counsel for Public Schools
- Offices in Boise, Idaho Falls, Pocatello, and Coeur d’ Alene
- Bond Counsel to District 91 Since 2008
- Annual Sponsor ISBA Conference



Bond Team



Nicholas
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Election Results 2022/2023

District's 2022 Facilities Master Plan

- Four Separate Projects
 - Construction of a new Idaho Falls High School
 - Renovations to Skyline High School
 - Construction of a new Elementary School
 - Construction of a new Temple View Elementary School

November 2022 Bond Election

November 2022 Bond Election Results

Bond Amount	\$250,000,000
Projects	Two new elementary schools Replace Idaho Falls H.S. Remodel Skyline H.S.
Election Result	Yes = 11,120 (57.98%) No = 8,059 Did not pass due to 2/3 requirement

December 2022 Board Meeting; Alternatives after November 2022 Results

- Do nothing
- Re-run bond for same projects – single question ballot
- Re-run bond for same projects – multiple question ballot
- Run smaller bond for limited # of projects
- Run plant levy for limited # of projects

March 2023, Decision RE: Plant Levy

May 16, 2023

QUESTION: Shall the Board of Trustees of School District No. 91, Bonneville County, State of Idaho (the “District”) be authorized and empowered, upon the affirmative vote of fifty-five percent (55%) of the electors of the District voting in the election, to levy a **School Plant Facilities Reserve Fund Levy** in the amount of up to Three Million Three Hundred Thousand Dollars (\$3,300,000) for Fiscal Year beginning July 1, 2023, and continuing each year in the amount of up to Three Million Three Hundred Thousand Dollars (\$3,300,000) for ten (10) years through fiscal year ending June 30, 2033, for the purposes permitted by law for school plant facilities levies, including lease purchase agreements, and specifically for constructing and acquiring a new elementary school through such lease purchase agreement?

Thought Process Behind the 2023 Plant Levy

Advantages

- 55% voter threshold
- Lower tax impact over 10 years than a 20-year bond

Disadvantages

- No Bond Levy Subsidy
- Higher (though not materially) interest rate

Results of May 2023 Election and Aftermath

- Plant Levy Passed with 70%
- Tax Commission Advised Not Valid
- June- July- August 2023 – Board decided to contest rather than re-run in August or November
- September– District filed Declaratory Judgment
- November 17, Court Ruled in Favor of Tax Commission
- January 26, 2024, time for appeal expires

Current Status of Facility Planning and Strategy

District's 2022 Facilities Master Plan

Do the District's needs remain largely unchanged?

- Construction of a new Idaho Falls High School
- Renovations to Skyline High School
- Construction of a new Elementary School
- Construction of a new Temple View Elementary School

Facility Needs Assessment

- Is District of a mind to address multiple projects in the near term?
 - If so, presentation at a later date on multiple and alternative ballot questions, omitted today.
- Or is District of a mind to take a “piece by piece” approach, at least in the near term?
- Do Cost Estimates need to be updated?

Financing Alternatives, Election Strategies and Related Considerations

Financing Alternatives

- Bond
 - 2/3 vote, up to 30 years, more than adequate debt capacity
- Plant Levy
 - Now limited to 8 remaining years of 2022 plant levy.
 - 55% vote, although legislative “rumors.”

Plant Levy

- Dollar limit at 55% is significantly less than bond capacity
 - could not finance all project needs.
- Same other disadvantages as before relating to interest rates and tax impact.

2024 Election Timelines

Election

May 21

August 27

November 5

Ballot Submission

March 22

July 8

September 6

2024 Election Considerations by Date

- May 21
Party Primaries, State Legislature, and County Offices, US House (no US Senate 2024, and GOP President is via caucus on March 2)
- August 27
Schools Only, but under scrutiny
- November 5
General Election

2025 Election Dates

Election

Profile

May 20

Schools and other ballot measures. Few if any candidate elections.

August 26

Schools Only

November 4

Off-year general election – school trustees and city candidates

Election Considerations; Supplemental Levy

In strategizing about presenting facility propositions to the voters, the District should be mindful that the \$6.8 million supplemental likely will need to be reapproved.

- Earliest election for reapproval: August 2024
- Latest election for reapproval: August 2025
- “Sweet Spot” election: May 2025

Strategy for Supplemental Reapproval, Cont'd

- “Sweet Spot” election: May 2025
 - Not a political election date.
 - Allows for certainty before budget is approved by the Board.
- “Riskiest” election: August 2025
 - Have to allow for reopening budget depending on result.
 - Last chance: no fallback plan.

HB 292 Discussion

HB 292 Funding

- HB 292 requires that tax relief funds are first applied to pay bonds, then reduce supplemental levy.
 - District now has no bonds, so all 292 receipts reduce supplemental levy.
- District received \$3,751,488 and \$210,811 in Property Tax Replacement funds in 2023. Reduced Supplemental assessed to taxpayers decreasing from \$6.8 million to \$2,837,191

HB 292 Funding

- Estimating slightly less in 2024 because of the way the formula changes. Probably at least \$3,000,000
- If pass a bond authorization, HB 292 funds will go to the bond and thus less available to reduce the supplemental.
- See Recommendations Page to Come

HB 292 Funding

- Can HB 292 funds be invoked as a reason to “pivot” to a bond from the plant levy?
- It is true that “state funds will pay for the bonds.”
- However, this communication strategy arguably backfired in Pocatello. Like D91, D25 has a sizeable supplemental levy that is reduced by HB 292 funds if the district has no bonds. Adding a bond issue will reduce tax relief on the supplemental levy.
- Better view now is to not refer to HB 292 funds on the Ballot at all. Net Net, tax burden increases with a bond so be up front and say so.

2024 Governor's Program

Governor's Facility Program

- Provide “grants” to Districts for facilities under a formula combining ADA and some version of weighting toward “disadvantaged” districts.
- Grants are not debt, no vote necessary

Governor's Facility Program

- Might provide sufficient funds for a school but more likely require a District match in bonds for most projects and for large projects.
- Unclear whether it has legislative support.
- Other details unclear as of January.

Other 2024 Legislation

Other Facilities Legislative Action

- ISBA Monitoring other Proposals.
- Speaker Moyle possible attaching conditions to Governor's proposal that would eliminate August election for school districts.
- Discussion that Bond Levy Subsidy Program would be eliminated, and funds (approx. \$25 mm) transferred to lower fiscal impact of Governor's program.

Tax Impact Numbers

Tax Impact

How disclosure would look for a \$30,000,000 bond proposal:

The interest rate anticipated on the proposed bond issue is 3.59% per annum. The total amount estimated to be repaid over the life of the bonds, based on the anticipated interest rate, is \$37,280,702, consisting of \$30,000,000 in principal and \$12,528,750 of interest, less \$5,248,048 in estimated bond levy equalization payments. The term of the bonds will not exceed twenty (20) years from the date of issuance.

The estimated average annual cost to the taxpayer on the proposed bond is a tax of \$22 per \$100,000 of taxable assessed value, per year, based on current conditions.

Tax Impact - Discussion

- Can extrapolate tax impact from shown—essentially linear (e.g., a \$90 million bond would be \$66 per \$100,000).
- Improved from 2023—tax impact for plant levy proposal was \$44 per \$100,000.
- Interest rates down, District's market value up.

Tax Impact

- Caution about legislation re: bond levy—we may not be able to offset this
- Even so, the tax impact for a \$30,000,000 bond is small
- Loss of Bond Levy would increase tax impact from \$22 per \$100,000 to \$25 per \$100,000.
- Trend to not explain on Ballot

Tax Impact – Ballot Disclosure

- Provided examples to prior sessions of other District's methods for adding ballot language to explain tax impact.
- Trend is away from more than the required minimum
- Accentuated by Complexity of HB 292
- In case of D91 with no current bonds, the impact requires little explanation

Summary and Recommendations

Recommendations – District Decisions

- District assess its facilities strategy
 - If multiple projects sought, more financial tax impact information will need to be developed.
- District to decide if it has eliminated the Plant Facilities Strategy in light of (i) 8 year maximum, (ii) HB 292 and Governor's proposed plan money, and (iii) prior flaws

Recommendations – District Decisions

- Monitor Legislative Actions
 - Unlikely to have clear legislation by March 22 to integrate legislative actions into a bond for May 21.
 - However, “clock is ticking” on the new school
- Be prepared for a May 21 Election if legislation is still uncertain.
 - For example, if “bond levy” is still “on the chopping block” adjust the tax impact disclosure.
 - run in May preferred because August election may be eliminated.
 - Message that “Regardless of State Funding, District will need local bonding contribution”

Recommendations – Next Meetings

- Obtain more in-depth tax impact and bond interest rate numbers if want to pursue multiple projects

Because of Legislative Actions, a “quality” decision probably cannot be made before March Board Meeting

- Assess needs and costs in the meantime.
- Prepare extensive presentation at or just before March Board Meeting.

Questions?

Thank you!



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