



School District of Grafton

School Board Meeting

Topic: Referendum Financing

Date: Monday, March 14, 2016

Originator: Mel Lightner, PhD, Superintendent of Schools; Kristin Sobocinski, Director of Business Services

Information:

On October 26, 2015 the Grafton School District Board of Education reviewed a referendum financing plan presented by the district’s financial advisor, Baird. Question 1 calls for borrowing \$47.7 million for additions, remodeling renovations and upgrades to all District buildings and construction of a new middle school building and technical education center. Question 2 calls for borrowing \$1.8 million for improvements and repairs to outdoor physical education, athletic and community recreation areas. If both questions are approved the district would borrow a total of \$49.5 million. This number is the amount the district would borrow and would have available to complete the projects authorized by the citizens.

The financing plan (see attachment) then was prepared so that the district could communicate to the citizens the impact that borrowing would have on property taxes. Based on very conservative estimates on interest rates (4.42%) and property value growth (2%), Baird has projected a property tax increase of \$1.49 per thousand dollars of property value. The district has estimated the yearly, monthly, weekly and daily cost of that increase for each question for property values of \$150,000, \$250,000 and \$350,000:

Question 1

Annual Tax Impact				
Property Value	Annual Tax Impact	Monthly Cost	Weekly Cost	Daily Cost
\$150,000	\$214.50	\$17.88	\$4.13	59c
\$250,000	\$357.50	\$29.79	\$6.88	98c
\$350,000	\$500.50	\$41.71	\$9.63	\$1.37

Question 2

Annual Tax Impact				
Property Value	Annual Tax Impact	Monthly Cost	Weekly Cost	Daily Cost
\$150,000	\$9.00	75c	17c	2 ½c
\$250,000	\$15.00	\$1.25	29c	4.1c
\$350,000	\$21.00	\$1.75	40c	5.8c

The debt would be paid back in 24 years.

Again, these numbers are based on conservative estimates of 4.42 % interest rates and 2% property value growth. The \$1.49 per thousand tax increase starts to decrease beginning in 2024 (see attachment).

Interest rates for municipal bonds are at or near historic lows, meaning that if the referendum is successful the district would be able to borrow money at extremely favorable rates, which in turn would mean there would be less needed from property taxes (see attachment). In fact, if rates were 1% lower than the projected 4.42% rate, then the tax rate increase would be \$1.24 per thousand. Furthermore, if the interest rate would be 1% less and the property value growth would be 1% more (3%), then the tax rate increase would be \$1.10. Investments in school facilities often bring investment in the community which results in higher home values, housing starts and business development. Although we have used very conservative estimates in interest rates and property growth, it is very possible that we would see lower interest rates and high property value growth, which would favorably affect our citizens. However, it is important to be very conservative in our projections.

In order to reduce the tax impact on our citizens while the debt from the 2000 referendum is paid off (until 2021), the financing plan calls for structuring the payments on the new debt to minimize large fluctuations in the tax rate from year to year. The current mill rate for the existing debt from the 2000 referendum is \$0.90 per \$1,000 of valuation. Until that debt is paid off (2021), the plan structures lower principal and interest payments on the new debt. If we did not do that there would be a larger increase/impact for the first five years until the old debt dropped off. It is advantageous for our citizens to structure the tax impact in this manner. When the old debt comes off the books then more principal and interest on the new debt is paid. However, there would not be a higher tax rate.

Attachments:

\$49.5 Million Example Financing Plan
Estimated Change in Mill Rate
General Obligation Municipal Interest Rates

<p>RECOMMENDED ACTION Information only <input checked="" type="checkbox"/> Discussion and/or Action <input type="checkbox"/></p>

\$49.5 Million Example Financing Plan

Year Due	Existing Debt	New Issue Total	Existing Plus New Total	State Aid Impact	Combined Cost	Equalized Value Estimate	Est. Mill Rate	Est. Inc. in Mill Rate from 2016
2016	\$ 1,367,537		\$ 1,367,537	\$ -	\$ 1,367,537	1,516,941,077	\$ 0.90	
2017	\$ 1,477,017	\$ 2,225,733	\$ 3,702,750	\$ -	\$ 3,702,750	1,547,279,899	\$ 2.39	\$ 1.49
2018	\$ 1,047,012	\$ 2,387,300	\$ 3,434,312	\$ 336,407	\$ 3,770,719	1,578,225,497	\$ 2.39	\$ 1.49
2019	\$ 1,372,000	\$ 1,997,525	\$ 3,369,525	\$ 477,196	\$ 3,846,721	1,609,790,006	\$ 2.39	\$ 1.49
2020	\$ 1,371,400	\$ 2,109,513	\$ 3,480,913	\$ 438,697	\$ 3,919,610	1,641,985,807	\$ 2.39	\$ 1.49
2021	\$ 1,417,800	\$ 2,103,038	\$ 3,520,838	\$ 478,931	\$ 3,999,769	1,674,825,523	\$ 2.39	\$ 1.49
2022		\$ 3,613,425	\$ 3,613,425	\$ 473,152	\$ 4,086,577	1,708,322,033	\$ 2.39	\$ 1.49
2023		\$ 3,704,050	\$ 3,704,050	\$ 469,052	\$ 4,173,102	1,742,488,474	\$ 2.39	\$ 1.49
2024		\$ 3,673,850	\$ 3,673,850	\$ 566,401	\$ 4,240,251	1,777,338,243	\$ 2.39	\$ 1.48
2025		\$ 3,711,475	\$ 3,711,475	\$ 557,130	\$ 4,268,605	1,812,885,008	\$ 2.35	\$ 1.45
2026		\$ 3,696,344	\$ 3,696,344	\$ 569,470	\$ 4,265,814	1,849,142,708	\$ 2.31	\$ 1.41
2027		\$ 3,702,056	\$ 3,702,056	\$ 565,202	\$ 4,267,258	1,886,125,562	\$ 2.26	\$ 1.36
2028		\$ 3,701,975	\$ 3,701,975	\$ 567,788	\$ 4,269,763	1,923,848,074	\$ 2.22	\$ 1.32
2029		\$ 3,702,944	\$ 3,702,944	\$ 567,256	\$ 4,270,200	1,962,325,035	\$ 2.18	\$ 1.27
2030		\$ 3,701,363	\$ 3,701,363	\$ 567,736	\$ 4,269,099	2,001,571,536	\$ 2.13	\$ 1.23
2031		\$ 3,698,413	\$ 3,698,413	\$ 567,876	\$ 4,266,289	2,041,602,967	\$ 2.09	\$ 1.19
2032		\$ 3,697,838	\$ 3,697,838	\$ 568,323	\$ 4,266,161	2,082,435,026	\$ 2.05	\$ 1.15
2033		\$ 3,701,413	\$ 3,701,413	\$ 569,186	\$ 4,270,599	2,124,083,726	\$ 2.01	\$ 1.11
2034		\$ 3,698,157	\$ 3,698,157	\$ 571,153	\$ 4,269,310	2,166,565,401	\$ 1.97	\$ 1.07
2035		\$ 3,698,094	\$ 3,698,094	\$ 569,874	\$ 4,267,968	2,209,896,709	\$ 1.93	\$ 1.03
2036		\$ 3,697,826	\$ 3,697,826	\$ 570,669	\$ 4,268,495	2,254,094,643	\$ 1.89	\$ 0.99
2037		\$ 3,693,213	\$ 3,693,213	\$ 571,432	\$ 4,264,645	2,299,176,536	\$ 1.85	\$ 0.95
2038		\$ 3,692,863	\$ 3,692,863	\$ 572,096	\$ 4,264,959	2,345,160,067	\$ 1.82	\$ 0.92
2039		\$ 3,696,581	\$ 3,696,581	\$ 571,680	\$ 4,268,261	2,392,063,268	\$ 1.78	\$ 0.88
2040		\$ 3,690,000	\$ 3,690,000	\$ 576,667	\$ 4,266,667	2,439,904,534	\$ 1.75	\$ 0.85
2041		\$ -	\$ -	\$ 577,255	\$ 577,255	2,488,702,624	\$ 0.23	\$ (0.67)
	\$ 8,052,766	\$ 80,994,989	\$ 89,047,755	\$ 12,920,629	\$ 101,968,384			

**This example is based on Baird projection estimates - tertiary aid -31.97%, 2% annual equalized value growth, net of defeasance.*

Estimated Increase in Mill Rate from 2016

2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.48	\$ 1.45	\$ 1.41	\$ 1.36	\$ 1.32	\$ 1.27

2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
\$ 1.23	\$ 1.19	\$ 1.15	\$ 1.11	\$ 1.07	\$ 1.03	\$ 0.99	\$ 0.95	\$ 0.92	\$ 0.88	\$ 0.85	\$ (0.67)

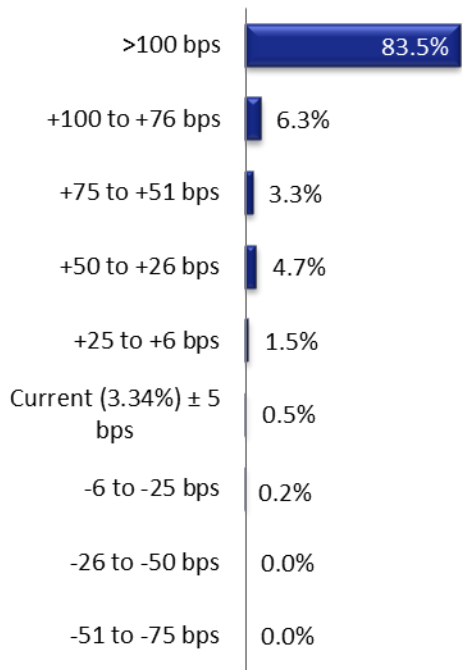
G.O. Municipal Interest Rates Bond Buyer-20 Index¹ (1981 to Present)



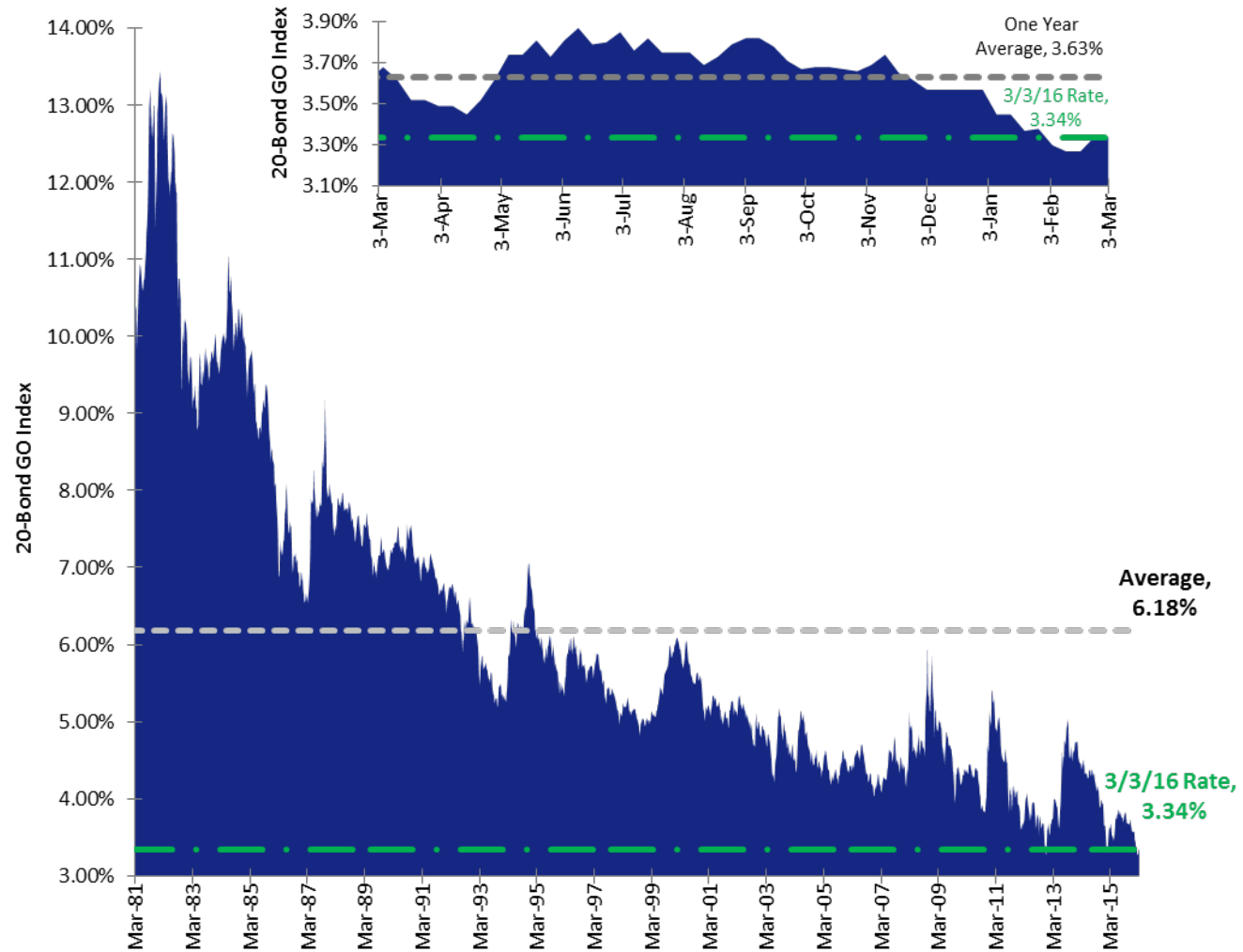
Rate Statistics Since 1981:

- All-time High: 13.44%
- All-time Low: 3.27%
- 12-month High: 3.87%
- 12-month Low: 3.27%

% of Time Rates Have Been Above or Below Their Current Level Since 1981



One Year Snapshot



SOURCE: The Bond Buyer as of March 3, 2016

1) General obligation bonds maturing in 20 years are used in compiling these indexes. The 20-bond index has an average rating equivalent to Moody's Aa2 and S&P's AA