

SHOW ME THE MONEY - PART 2

Alternative Funding: Finding other ways to fund building and retrofitting

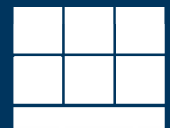
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LOCAL OPTION LEVIES

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SNW

Local Option Basics

Alternative for raising additional capital or operating funds from property taxes.

- Available for:
 - Operations (5 year limit)
 - Capital (10 years or useful life of project, whichever is less)
- Can be levied as fixed dollar amount or rate per thousand.
- May and November elections are not subject to “double majority” requirement.

Local Option Limit:

- School district local option levies are limited to lesser of
 - \$1,093 per ADMw in FY 2011 (increases at 3%/year)
 - 20% of State resources (total formula revenue)
 - M5 limit of \$5/\$1,000 real market value, less existing M50 collections
- Equalization Grants provided by State for low property value districts.

What can you use it for?

Operations:

- May be used for any legally allowable operating expenses of an Oregon municipality.

Capital:

- May be used for broad list of capital items. However, little reason to use for items allowed by GO bonds, as local option funds are unpredictable and subject to same voter test as GO.
- Measure 68 broadened uses of GO bonds considerably, which may create incentive to use GO bonds instead of local option for smaller scale capital items such as school busses, text books and library books. Assets with useful lives of less than a year, or “routine” maintenance might use local option.



The History

Measure 5 (1990)

- Capped property taxes at \$15/\$1,000 of the **real market** value of a property:
 - \$5 for education (school districts, community colleges and ESDs)
 - \$10 for general government (all others)

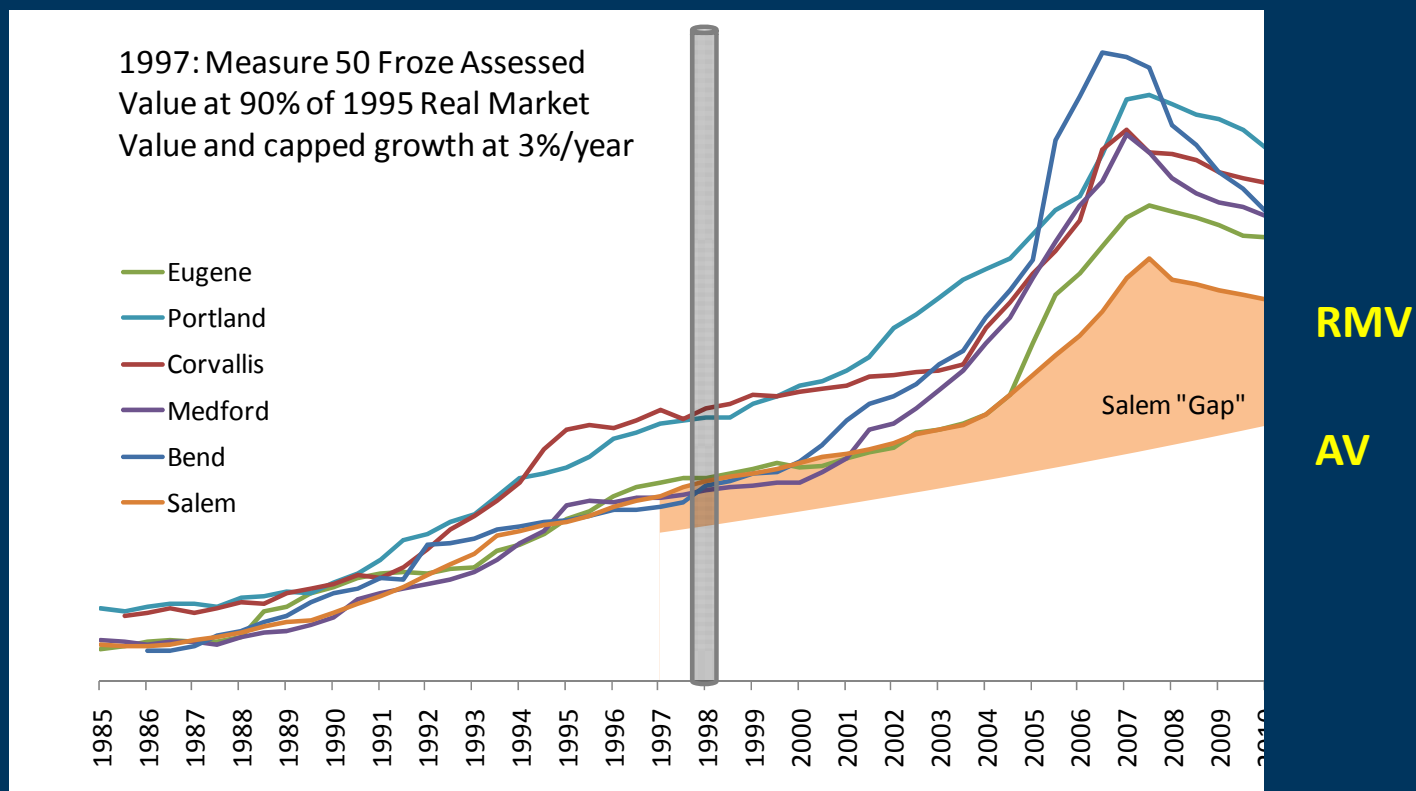
Measure 50 (1997)

- Created a lower **assessed value** on which property taxes are calculated, and capped assessed value growth at 3% a year.
- Converted levy authority into permanent operating rates, which can never be increased.
- Created local option levies, which are levied in addition to permanent operating rates, but are still subject to Measure 5 limits, and require voter approval.

Mind the Gap – Salem Version

- Every property has a “gap” between real market value (RMV) and assessed value (AV).
- If a property’s market value increases faster than the 3% limit on AV growth, the gap grows. This was particularly the case for the residential housing market over the past decade.

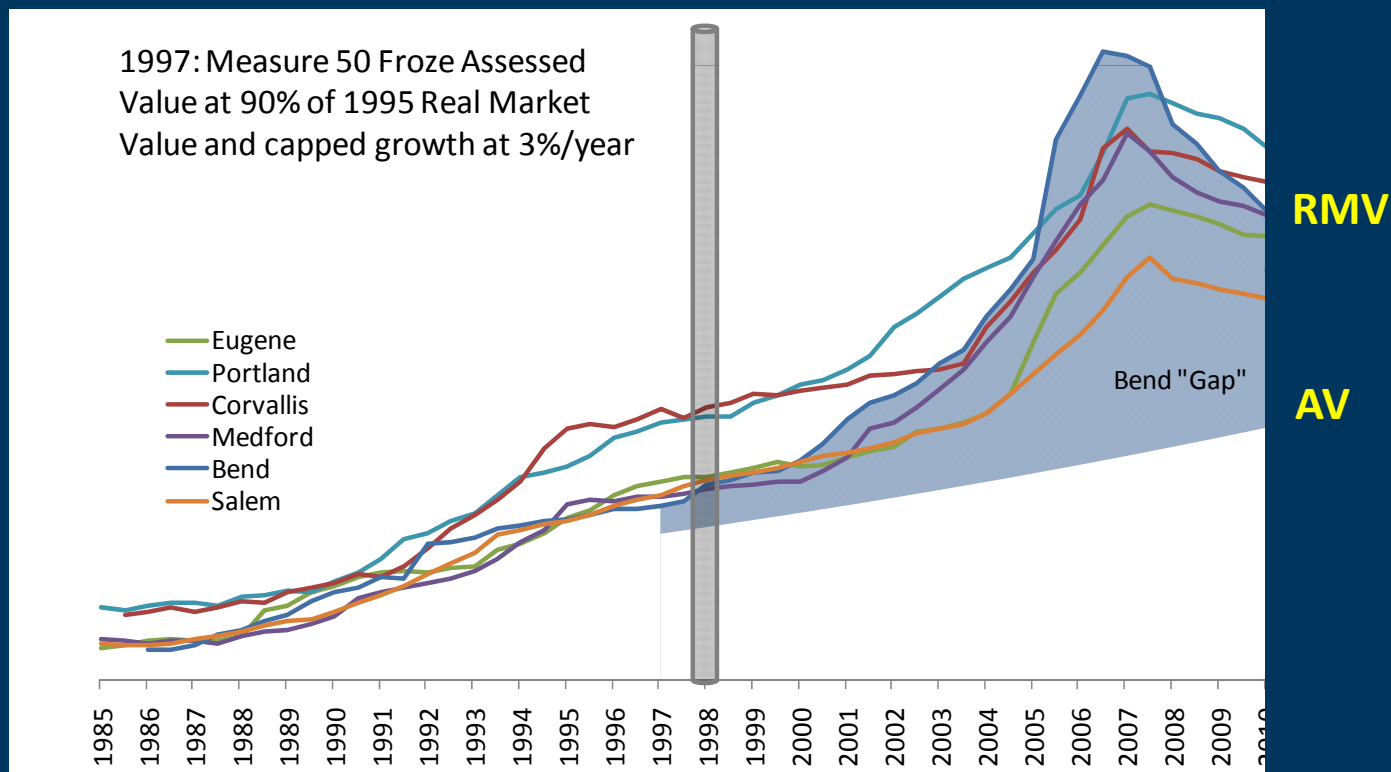
Oregon Metro Area Home Values



Mind the Gap – Bend Version

- Within the housing sector, the size of the gap can vary widely, depending on what home prices were like in 1995 and how they have behaved since 1997.
- Falling housing prices have caused the size of the gap to decrease in the past two years.

Oregon Metro Area Home Values



Different Properties Can Have Very Different Gaps

- The “gap” between the AV and RMV on commercial and industrial properties did not experience the same widening as residential property, and on average, properties have smaller gaps as a result.
- In some cases commercial and industrial property depreciate over time, causing the RMV and AV to be the same. AV can never be greater than RMV.



Salem House		Albany Target Store	
Real Market Value:	\$250,000	Real Market Value:	\$80,256,230
Assessed Value:	\$150,000	Assessed Value:	\$79,508,329
AV as a % of RMV:	60%	AV as a % of RMV:	99%

Local Option Levies Can “Capture” The Gap

- Local option levies are levied in addition to permanent operating levies, but are still subject to the Measure 5 limit of \$5/\$1,000 for education and \$10/\$1,000 for general government on the market value of a property.
- As a result, local option levies “tax the gap” between assessed value and market value.
- The sum of all gaps in a district is the total local option capacity in the district.
- In order to collect the full capacity, a district would need to set the local option rate at a level to capture the capacity of property with the largest gap in the district.

Measure 5 Compression

- When taxes on a property exceed the Measure 5 limit, all tax rates are reduced proportionally. This is called “Measure 5 Compression.”
- Local option levies compress to zero before there is any compression of permanent tax rates.

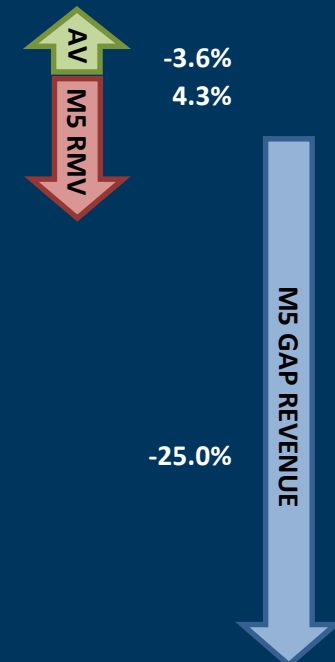
Local Option Example



	Salem House	Salem Neighbor	Target Store
Real Market Value	\$ 250,000	\$ 250,000	\$ 80,256,230
Assessed Value	150,000	175,000	79,508,329
M5 Capacity (\$5/\$1,000 RM)			
Measure 5 Capacity			
\$5.00 x RMV =	\$ 1,250	\$ 1,250	\$ 401,281
Education Tax Rates (\$/\$1,000 AV)			
School District Rate	\$ 4.50	\$ 4.50	\$ 4.50
Community College Rate	0.50	0.50	0.50
Education Service Dist. Rate	0.50	0.50	0.50
	<u>\$ 5.50</u>	<u>\$ 5.50</u>	<u>\$ 5.50</u>
Education Taxes			
Education Rate (\$1/\$1,000 AV)	\$ 5.50	\$ 5.50	\$ 5.50
x Assessed Value (\$1,000s)	150.00	175.00	79,508.33
Education Taxes Raised	<u>\$ 825.00</u>	<u>\$ 962.50</u>	<u>\$ 437,295.81</u>
Education Gap			
Education Capacity	\$ 1,250	\$ 1,250	\$ 401,281
Less: Education Taxes	825	963	437,296
Gap	<u>\$ 425</u>	<u>\$ 288</u>	<u>\$ (36,015)</u>

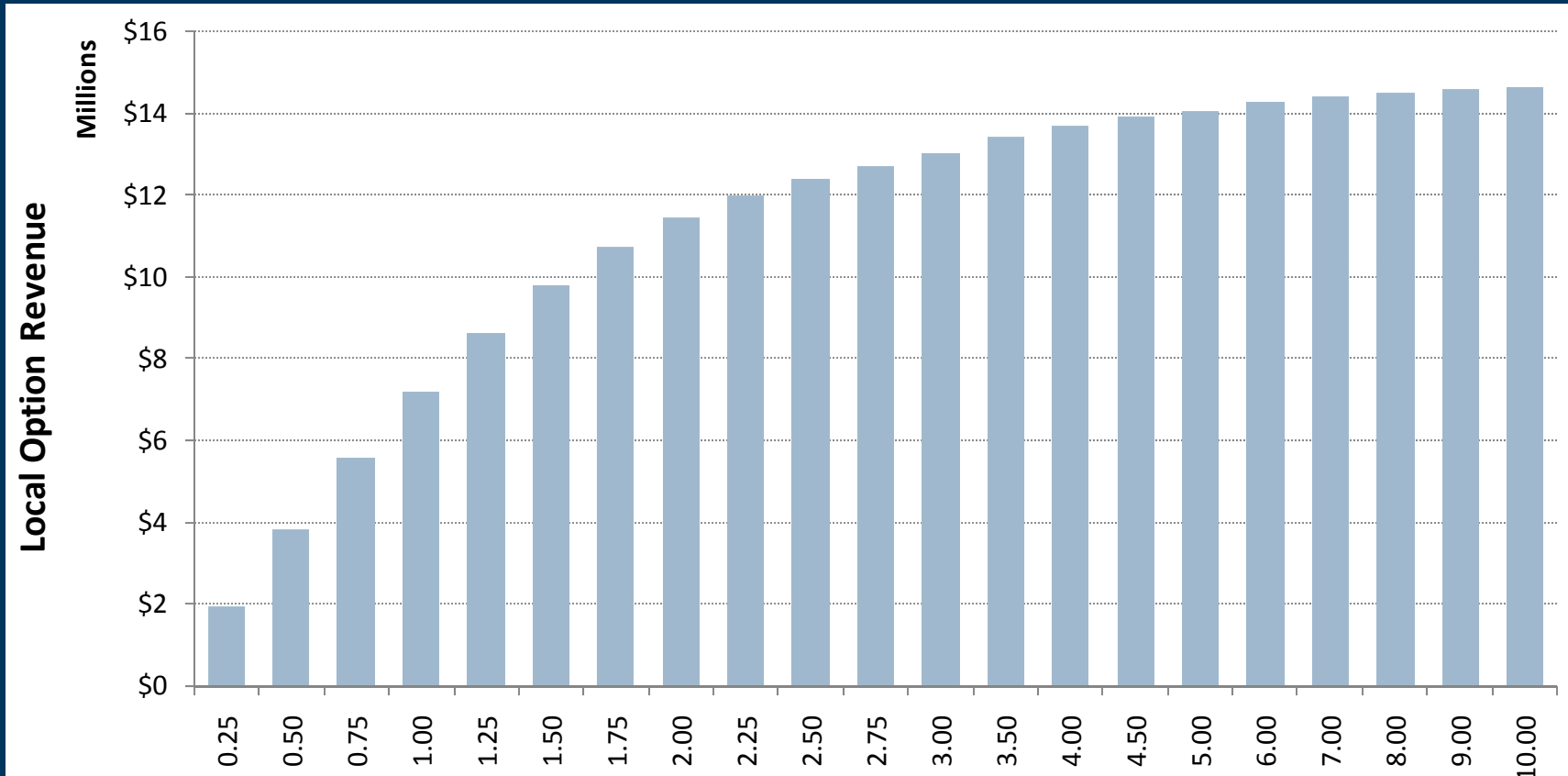
Local Option Capacity Example – Hillsboro School District

	2010	2011
ADMw	23,971	23,614
SSF Total Formula Revenue	\$ 144,037,732	\$ 139,650,951
Permanent Tax Rates		
School District	\$ 4.9749	\$ 4.9749
Community College	0.2828	0.2828
Education Service District	0.1538	0.1538
Total Education Rate	\$ 5.4115	\$ 5.4115
Education Measure 5 Compression		
School District (actual)	\$ 930,258	\$ 1,103,165
Community College (estimated)	52,881	62,710
Education Service District (estimated)	28,759	34,105
Total Education Compression in District	\$ 1,011,898	\$ 1,199,980
District Total Property Values		
Assessed Value (Net of Urban Renewal)	\$ 15,094,001,521	\$ 14,546,832,813
M5 Real Market Value	10,462,732,422	10,908,553,101
AV as % of RMV	69%	75%
Education Taxes in the District		
Education taxes before Compression	\$ 56,619,077	\$ 59,031,635
Less M5 Compression Loss	(1,011,898)	(1,199,980)
Education taxes collected	55,607,178	57,831,655
Education taxes at \$5/\$1,000 RMV	75,470,008	72,734,164
Measure 5 Gap Capacity	\$ 19,862,829	\$ 14,902,509
Local Option Levy Limits		
M5 Gap Capacity	\$ 19,862,829	\$ 14,902,509
Per Student Limit	25,430,940	25,803,289
20% of SSF Total Formula Limit	28,807,546	27,930,190
Limit	M5 Limit	M5 Limit
GO Bonding Capacity		
7.95% of Real Market Value	\$ 1,199,973,121	\$ 1,156,473,209



Hillsboro School District

Local Option Revenue (Fiscal Year 2011)



Local Option Levies are Unpredictable

- Measure 5 limits affect each property differently, thus the amount to be collected is difficult to calculate and will vary from year to year.
- Some properties may already be at the limit, thus not everyone will pay local option; some will pay more than others.
- Local option revenues decline as market values decline and the gap gets squeezed.
- Unless every property is raised to Measure 5 maximum, the District will not receive amount calculated as local option “capacity” under M5.
- The District can only ensure maximum collections if it identifies property with lowest M5 rate and imposes rate necessary to raise it to maximum.
- Compression may cause reductions if overlapping jurisdictions have competing levies.

2011-2012 Election Schedule

Election Date	Filing Deadline / Voters' Pamphlet Deadline	Ballots Mailed
May 17, 2011	March 17	April 27 - May 3
September 13, 2011 *	July 14	August 24 - August 30
November 1, 2011	September 1	October 12 - October 18
March 6, 2012 *	January 5	February 15 - February 21
May 15, 2012	March 15	April 25 - May 1
September 11, 2012 *	July 12	August 22 - August 28
November 6, 2012	August 30	October 10 - October 16

*Subject to double majority provisions.

- Check with your County elections office to verify filing deadlines.
- All elections are by mail.
- Revision to double majority provisions makes 5 year operating levy easier on election timing
- Applies to both GOs and Local Option Levies.

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CONSTRUCTION EXCISE TAX

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Portland Public Schools



Construction Excise Tax

New taxing authority for school districts

Tax on new square footage

Minimum Exemptions

Dedicated to capital construction

Locally determined



CET Particulars

Tax on new square footage

- Maximum of \$1.05/sq. ft. residential
- Maximum of \$.53/sq. ft. non-res. (\$26,400 cap)
- Paid by person undertaking the construction at the time a permit is issued

Minimum Exemptions

- Private Schools; Public Bldgs; HUD Affordable Housing; Hospitals; Churches; Agriculture Bldgs; non-profit senior care facilities

Annual Rate Increases

- Increases in construction cost index
- Determined by Dept. of Revenue



Steps for Implementation

1) Adopt long-term facilities plan

- No specific requirements in SB 1036
- Comply with SB 336 (2007) by **1/1/2010**
(for SDs over 2,500 ADM)
- Adopt by board resolution

2) Enact construction excise tax

- Adopt by board resolution

3) Enter into IGA with local governments

- Cities & Counties

4) Begin Collections

5) Involve your community!



Intergovernmental Agreement

Sample IGA at OSBA.org

Negotiated with entity that will collect tax on behalf of the district

Must contain:

- Collection duties & responsibilities
- School District account to deposit funds & frequency of deposits
- Administrative fee for local government; no more than 4%



Allowable Expenditures

Capitol Improvements

- Acquisition of Land
- Construction, reconstruction or improvement of school facilities; and related costs
- Acquisition or installation of equipment, furnishings or other tangible property
- Payment of obligations to finance or refinance capital improvements

Does NOT include “operating costs” or “routine maintenance”



Status of Implementation - (as of March 2009, OSBA)

49 Districts have adopted

- Beaverton, Bethel, Culver, Canby, Cascade, Centennial, Central Point, Corvallis, Cove, Creswell, Culver, David Douglas, Fern Ridge, Forest Grove, Gaston, Gervais, Gladstone, Greater Albany, Gresham-Barlow, Hillsboro, Hood River County, Klamath County, Klamath Falls, Lincoln County, McKenzie, McMinnville, Molalla River, Neah-Kah-Nie, Newberg, North Clackamas, North Santiam, North Wasco County, Oakridge, Oregon City, Oregon Trail, Parkrose, Portland, Reynolds, Riverdale, Saint Helens, Sherwood, Silver Falls, Siuslaw, South Lane, Tigard-Tualatin, Tillamook, West Linn-Wilsonville, Woodburn, Yamhill-Carlton





Energy Efficiency and Renewable Energy for Sustainable Schools



Origins of Energy Trust

- Emerged from 1999 energy restructuring legislation (SB 1149)
- Mandate from the Oregon Public Utility Commission created Energy Trust as a nonprofit organization
- Funded by public purpose funds collected from Oregon customers of Portland General Electric, Pacific Power, NW Natural and Cascade Natural Gas
- Began work in March 2002
- NW Natural signed on in 2003, Cascade Natural Gas in 2006

Public Purpose Charge Allocation



Public Purpose Charge Distribution

- Oregon Department of Energy
 - K-12 Public Schools, 10%
- Oregon Housing and Community Services
 - Low Income Weatherization, 16%
- Energy Trust of Oregon, 74%

Energy Trust & K-12 Public Schools

- Primary Role
 - New school buildings
 - Energy Trust New Buildings Program
 - Existing non-instructional buildings
 - Energy Trust Existing Buildings Program
- Secondary Role
 - Existing instructional school buildings



Project Scenario – Existing Building Efficiency Upgrade

- School District uses value of SB1149 funds through 2025
- Energy Trust Incentives
 - Reduce project cost and loan amount
- Project Financing (SELP or other)
 - To get deeper energy savings
 - Structure loan for positive cash flow

Energy Trust Programs

K-12 Public Schools
Existing Buildings
New Buildings



Standard Incentives Existing Buildings

- Lighting
- Premium Heating & Cooling
- Heat Pump
- Natural Gas equipment
- Insulation
- Food Service
- Compressed Air
- Data Center Servers and PC Monitoring





Lighting Standard Incentives

LIGHTING

EQUIPMENT AND EFFICIENCY TYPE

INCENTIVE PER FIXTURE

4-Foot Fluorescent Fixture, T12 to T8 and Electronic Ballast

One lamp	\$15*
Two, three or four lamp	\$20*
De-lamping (Per 4-foot lamp removed)	\$5

4-Foot Fluorescent Fixture, T12 or T8 to Reduced Wattage T8 and New Electronic Ballast

Two or more reduced wattage lamps (25 or 28 watt) with low ballast factor ballast \$22 (25 watt)*\$20 (28 watt)*

De-lamp to two reduced wattage lamps (25 or 28 watt) with low ballast factor ballast & reflector \$27 (25 watt)*\$25 (28 watt)*

De-lamp to two reduced wattage lamps (25 or 28 watt) with low ballast factor ballast, high performance lens and reflector kit (fixture efficiency must be \geq 80%) \$42 (25 watt)*\$40 (28 watt)*



Insulation Standard Incentives

INSULATION—GAS AND ELECTRIC HEAT (No Existing Insulation)

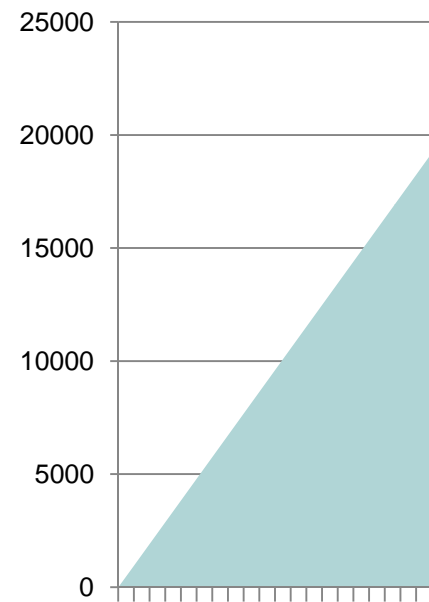
EQUIPMENT & EFFICIENCY TYPE	UNIT INCENTIVE	ESTIMATED AVERAGE SAVINGS
Electric Customers		
Attic Insulation Minimum R-19	\$0.30 per sq ft	4.14 kWh/sq ft
Roof Insulation Minimum R-11	\$0.30 per sq ft	6.97 kWh/sq ft
Wall Insulation Minimum R-11	\$0.30 per sq ft	4.68 kWh/sq ft
Gas Customers		
Attic Insulation Minimum R-19	\$0.30 per sq ft	0.18 therms/sq ft
Roof Insulation Minimum R-11	\$0.30 per sq ft	1.39 kWh and 0.24 therms/sq ft



Custom Incentives Existing Buildings

- Calculated Energy Savings
- \$0.25/ kWh - electric
- \$1.00/ therm – natural gas
- Up to 50% of eligible cost

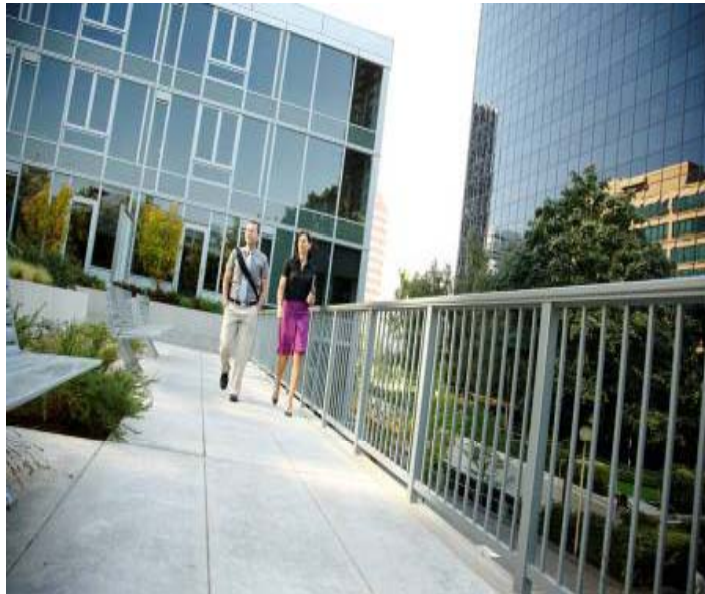
Dollar Savings



**Energy
Savngs**



New Buildings Projects & incentives



Free Lighting and HVAC
Calculators

Projects we serve:

- Commercial new construction
- Major renovations
- Tenant build-outs
- Additions to existing buildings

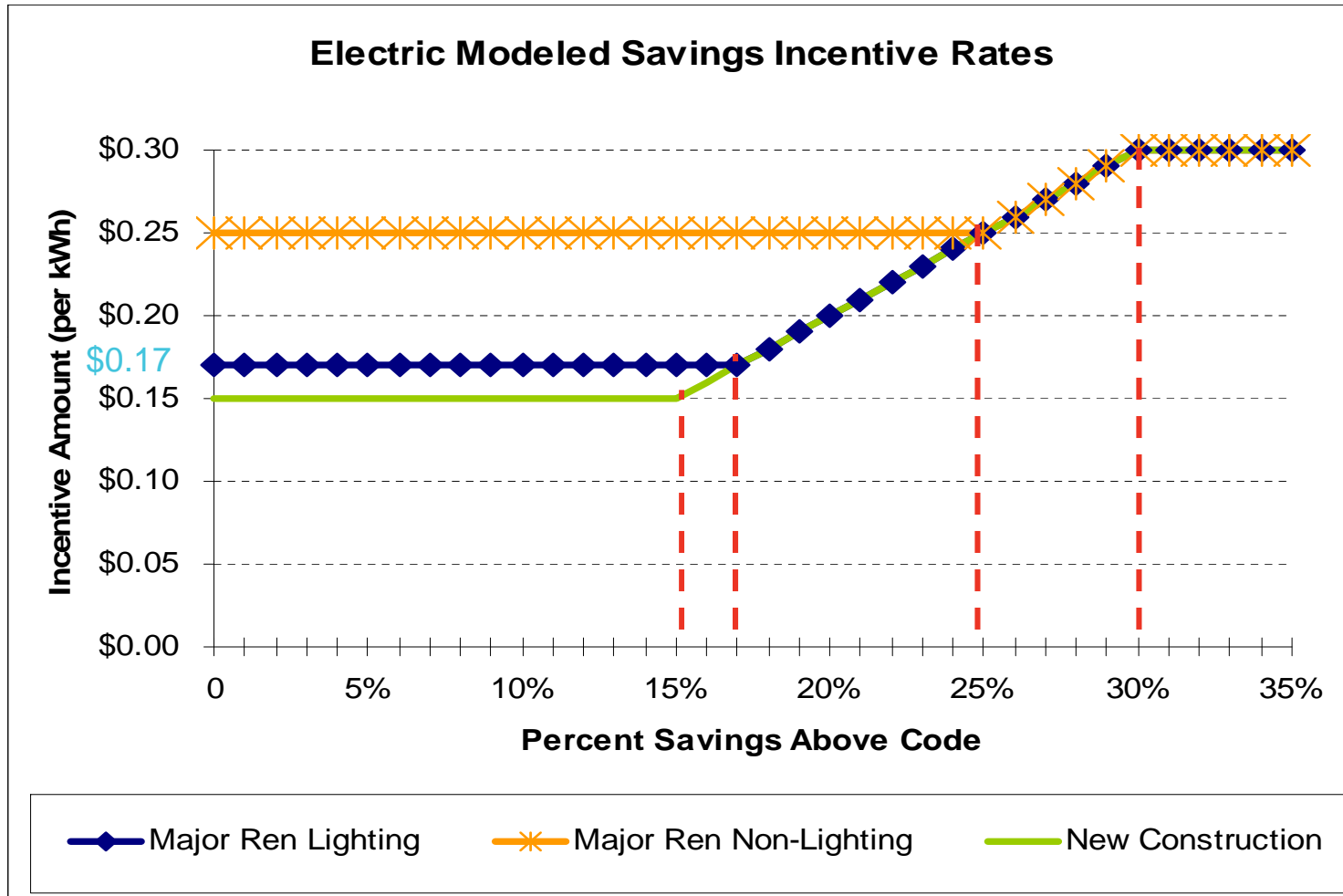
Financial Incentives:

Incentives for energy-efficient commercial buildings that exceed 2010 Oregon Energy Efficiency Specialty Code requirements.

- Early Design Assistance
- Energy Modeling
- Energy Efficiency Measures
- Commissioning
- Post Construction – Energy Star



Custom New Buildings Incentive



Renewable Energy

Solar Electric
Solar Water Heating
Hydroelectric Power
Biopower
Wind Power

Energy Trust PV Incentives



Public and Non Profit Organizations



Commercial Projects	Systems under 30,000 watts	Systems over 30,000 watts	Max. Incentive (200,000 watts)
Pacific Power	\$1.25/watt	Varies from \$1.25 to \$0.75/watt	\$150,000
PGE	\$1.50/watt	Varies from \$1.50 to \$1.00/watt	\$200,000

PGE Only – Large or Multiple Systems (>200 kW total per owner per year)	Per watt incentive rate	Max. Incentive (800,000 watts)
For-profit and Third Party Owned	\$0.75/watt	\$600,000 per customer \$500,000 per site
Non-profit or government	Not Available	-----



Energy Trust Solar Water Heating Incentives



Commercial Projects	PGE/Pacific Power with Electric Water Heating	Northwest or Cascade Natural Gas with gas water heating	Maximum Incentive
Commercial Hot Water	\$0.40 per first year kilowatthour savings	\$6.00 per first year Therm savings	35% of project cost
Commercial Pool Heating	\$0.10 per first year kilowatt-hour savings (or for small pools \$3.00 per square foot of solar collector)	\$1.50 per first year Therm savings (or for small pools, \$2.25 per square foot of solar collector)	35% of project cost



How can Energy Trust help you?

- Since 2002, Energy Trust has helped Oregon utility ratepayers save more than \$600 million in energy costs
- Investment in energy services supports the local economy
 - Our trade allies are located statewide—
 - Local contractors will benefit from your projects
 - Energy service investments are local investments
 - Jobs!

You keep the savings!

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