The ABCs of Bonds!

OSBA Bonds & Ballots 2020
is for Ann!
Bonds are loans that are broken into pieces and sold to investors.

School Districts use bonds for major capital projects that cannot be financed on a pay as you go basis.

Bonds can either be taxable or tax-exempt.
GO Bonds are one type of Bond

- “General Obligation Bonds” are secured by property taxes and District’s “full faith and credit”.
- Debt service is repaid by an additional property tax levy, and is therefore subject to voter approval.
- GO Bonds are considered to be the highest quality credit a school district can offer to market.
- Interest on GO bonds is generally exempt from both federal and state income taxes, so rate is lower.
is for Carol!
Under Oregon law, K-12 districts are subject to a GO debt limit of no more than 7.95% of Real Market Value.

That’s a REALLY big number that would lead to very high property tax rates.

Realistically, what voters are willing to approve is your true constraint.
is for Election!

There are four election dates every year for GO bond authorizations: March, May, September and November. May and November are NOT subject to double majority.
is also for **Election Calendar!**

<table>
<thead>
<tr>
<th>Election Date</th>
<th>County Filing Date (SEL Form 805)</th>
<th>County Filing/ Voters' Pamphlet Deadline (SEL Form 803)</th>
<th>Ballots Mailed</th>
<th>First FY Taxes Levied</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 10, 2020</td>
<td>December 21</td>
<td>January 9</td>
<td>Feb. 21-25</td>
<td>FY 2020-21</td>
</tr>
<tr>
<td>May 19, 2020</td>
<td>February 29</td>
<td>March 19</td>
<td>May 1-5</td>
<td></td>
</tr>
<tr>
<td>September 15, 2020</td>
<td>June 27</td>
<td>July 16</td>
<td>Aug. 28 - Sept.1</td>
<td>FY 2021-22</td>
</tr>
<tr>
<td>November 3, 2020</td>
<td>August 15</td>
<td>September 3</td>
<td>Oct. 16-20</td>
<td></td>
</tr>
<tr>
<td>March 9, 2021</td>
<td>December 19</td>
<td>January 7</td>
<td>Feb. 19-23</td>
<td></td>
</tr>
<tr>
<td>May 18, 2021</td>
<td>February 27</td>
<td>March 18</td>
<td>April 30-May 4</td>
<td></td>
</tr>
<tr>
<td>September 21, 2021</td>
<td>July 3</td>
<td>July 22</td>
<td>Sept.3-7</td>
<td>FY 2022-23</td>
</tr>
<tr>
<td>November 2, 2021</td>
<td>August 14</td>
<td>September 2</td>
<td>Oct. 15-19</td>
<td></td>
</tr>
<tr>
<td>March 8, 2022</td>
<td>December 18</td>
<td>January 6</td>
<td>Feb. 18-22</td>
<td></td>
</tr>
<tr>
<td>May 17, 2022</td>
<td>February 26</td>
<td>March 17</td>
<td>April 29-May 3</td>
<td></td>
</tr>
</tbody>
</table>

Note: Dates associated with future elections are preliminary, subject to change.

- Check with your County elections office to verify filing deadlines.
- All elections are by mail.

1) SEL Form 805 includes ballot title. Must be filed 80 days prior to election to allow for challenge process. Final filing is 61 days prior to election (SEL Form 803) which includes explanatory statement if voters pamphlet.

2) Subject to double majority provisions.
One factor might be passage trends. Overall approval rate for Oregon school districts since 2010 has been 56.9%.

- May: 61.46%
- November: 51.28%
is for Factors in selecting an Election Date!

<table>
<thead>
<tr>
<th>MAY</th>
<th>NOVEMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy budgeting of debt service payments for the following fiscal year.</td>
<td>Election occurs after completion of budget and levy cycles. So, debt service cannot be paid until the following FY, leading to higher interest in first year.</td>
</tr>
<tr>
<td>Can hit the summer construction season immediately with shovel-ready projects.</td>
<td>Election occurs right after property tax bills arrive</td>
</tr>
<tr>
<td></td>
<td>Typically has higher turnout, particularly in presidential years. But there may be other things competing for attention.</td>
</tr>
</tbody>
</table>

Bottom line: Select the election that works best for YOUR District and YOUR community.
GBSD successfully obtained voter approval for $291m GO bond in 2016.

More on this later.
is for How can I spend the $$??

Under State law*, proceeds may be used for “capital costs” with a useful life of 1 year or more.

- “Weighted average life” of bonds may not exceed “weighted average life” of projects.
- “Routine” maintenance and supplies are not eligible.
- Any interest earnings on proceeds must be used in accordance with ballot title.

<table>
<thead>
<tr>
<th>Land and other assets</th>
<th>Acquisition</th>
<th>Construction</th>
<th>Improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remodeling</td>
<td>Furnishing &amp; Equipping</td>
<td>Maintenance or Repair</td>
<td></td>
</tr>
</tbody>
</table>

* School Districts are also limited by ORS 328.205 to real and personal property for District purposes and lending of credit prohibition under the state constitution.
is for the IRS!

Tax-exempt bonds are subject to federal tax law:

- **Use of Proceeds**
  - Public purpose projects are OK
  - Certain limitations on ‘partnerships,’ (e.g. non-profits)
- **Reimbursement of past expenditures allowed during a limited period with approval of a reimbursement resolution**
is for the IRS!

- Timing of Spending Proceeds:
  - Issuer must have ‘reasonable expectation’ it will spend 85% of the proceeds in 3 years
  - Includes any premium on proceeds

- Arbitrage and Rebate
  - General Rule
  - $15 Million Small Issuer Exception

- Bank Qualification
is for Jennifer!
is for Kittens!
Debt service on GO Bonds is payable from a dedicated property tax levy in addition to operating levy. Levy rate is calculated annually by the County Assessor:

\[
\frac{950,000 + 50,000}{(\$500 \text{ million}/1,000)} = \$2.00
\]

Districts CANNOT guarantee a rate; actual rate paid will depend on AV in future.
is also for **Levy Structure Options**!

**Things to think about:**

- Length of Issue
- Useful life of financed items?
- Annual vs overall cost
- Specific community priorities
- Levy Impact
- Focus on single issue or combined debt burden?
- Future debt plans?
is also for Levy Structure Options!

Expiration of existing bonds creates capacity for new bonds issued at “no tax rate increase”
is also for **Levy Structure Options**!
is also for **Levy Structure Options**!

**Existing Debt**

**New bonds structured to fill current window and create future opportunity for additional bonds**
is also for **Levy Structure Options!**
Is for Michael²!
is for **Notice of Measure Election!**

aka, the Ballot Title!

- Has caption (10 words), question (20 words) and summary (175 words).
- Provides for issuance of not-to-exceed amount over not-to-exceed maturity to finance identified projects.
- Authorizes amount of bonds, but may not guarantee a $/$1,000 levy rate.
- Explanatory statement is also required for voters’ pamphlet, if county prepares one. Limited to 500 words. Must be filed at the same time as final ballot title.
- SEL 805 must be filed no later than 80 days prior to election.
Ballot Title dos and don’ts!

- **DO** contain required legal language.
- **DO** be impartial (advocacy vs. information).
- **DO NOT** exceed word limits under ORS 250.035; and
- **DO** contain “a reasonably detailed, simple and understandable description of the use of proceeds” under ORS 250.037
NOTICE IS HEREBY GIVEN that a measure election will be held in Gresham-Barlow School District No. 10JT located in Multnomah and Clackamas Counties, Oregon on November 8, 2016. The following shall be the ballot title of the measure to be submitted to the District’s voters:

**CAPTION (10 words):**
Bond Projects Expanding Educational and Job Opportunities; Increasing Safety, Technology

**QUESTION (20 words):**
Shall Gresham-Barlow School District relieve over-crowding, repair/replace schools, increase technology and security by issuing $291,170,000 in Bonds? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.
SUMMARY: (175 words)

If approved, bonds are expected to fund projects to relieve over-crowding, increase safety and access to technology, and repair aging buildings. The District has been awarded $8 mil in state matching funds if measure is approved; reducing the amount financed by taxpayers. Independent audits and citizen oversight would be required.

For all schools, bonds and grants expected to fund:

• **Improved Learning Spaces**: Expanded classrooms to relieve over-crowding; Increased access to technology; Modernized areas for science, engineering & vocational education;

• **Safety Projects**: Secured entries, Emergency communications equipment, Classroom door locks

• **Significant Projects**: Improve water and air quality, Major Renovations to Sam Barlow and Gresham High, Replace North Gresham and East Gresham Elementaries, Replace North Gresham and East Gresham Elementaries, Improvements to Deep Creek Damascus K-8

• **Additional Costs**: Refinancing capital costs, Land acquisition, site and building improvements, demolition, Furnishing, equipping projects and bond, issuance costs.

Bonds maturity will not exceed 21 years, may be issued in series. The estimated incremental tax rate is approximately $1.89 per $1,000 of assessed property.
is for the OSCIM Oregon Department of Education!
Before we move on, let's get some prerequisites straight. If you're a math whiz, we'll use the formula we discussed earlier to calculate the final answer.

Here's a quick refresher:

1. Identify the variables:
   - \( x \) is the number of apples
   - \( y \) is the number of oranges

2. Set up the equation:
   \[ x + y = 10 \]

3. Solve for one variable:
   \[ x = 10 - y \]

4. Substitute the values into the formula:
   \[ f(x, y) = 3x^2 + 2y^2 \]

Now, let's solve for the final answer:

\[ f(4, 6) = 3(4)^2 + 2(6)^2 = 48 + 72 = 120 \]

As you can see, the final answer is 120. Thank you for your patience and attention to detail. We're now ready to move on to the next topic.
is for OSCIM!

- Must apply 9 months before bond election
- Can only apply for elections in November and May
- Must submit a Long-Range Facility Plan and Facility Assessment
- See TAP
is for OSCIM!

Application timelines are as follows. Facility plans are due 2 weeks prior:

- May 2020: August 30/September 13, 2019
- November 2020: February 28/March 14, 2020
- May 2021: September 1/September 15, 2020

Results are posted two weeks after application due date.
<table>
<thead>
<tr>
<th></th>
<th>2015-17</th>
<th>2017-19</th>
<th>2019-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts with Commitments</td>
<td>35</td>
<td>23</td>
<td>5</td>
</tr>
<tr>
<td>Commitments that passed</td>
<td>17</td>
<td>18</td>
<td>4</td>
</tr>
<tr>
<td>Amount Awarded</td>
<td>$125 m</td>
<td>$100 m</td>
<td>$27.7 m</td>
</tr>
<tr>
<td>% Approval with OSCIM Grant</td>
<td>49%</td>
<td>78%</td>
<td>80%</td>
</tr>
<tr>
<td>Overall Passage Rate</td>
<td>57%</td>
<td>66%</td>
<td>80%</td>
</tr>
</tbody>
</table>
is for the Players!

Before the election, there are two key categories of service providers: financial professionals and legal professionals.

Most will not charge fees prior to the election.
Underwriters or Municipal Advisors provide the following financial services:

Pre-election:

• Bond structuring, tax rate calculations
• Review of ballot title

Post-election:

• Coordinate schedule of events
• Prepare disclosure documentation
• Assist with bond rating
• Assist with bond sale
• Coordinate closing details

is for the Players!
Bond Counsel is a specialized attorney that provides bond-related services, including:

- Guidance on eligible projects under Oregon law
- Assistance with preparing ballot title
- Preparation of documentation authorizing bond sale
- Guidance on federal tax law ramifications
- Providing investors with required validity and tax opinions

Both financial and legal professionals will likely require an engagement agreement prior to providing services
is for pop Quiz!

Which presenter is Michael?
is for Rabbits!
Is for SEC Rule 15c2-12!

aka, Continuing Disclosure!

- SEC Rule 15c2-12 requires issuers to provide bond holders with annual financial information for life of issue.
- SDs must agree to provide certain updated information annually including financial statements, operating data and, if applicable, material event notices.
- Filings must be made on EMMA.
- Underwriters are required to check SD’s filing history prior to sale of new debt:
  - Previous five years
  - Address any issues prior to sale
  - Report any late filings in OS
is for TAP Grants!

- Provides $20,000 to $25,000 to
  - Assess facilities ($20,000)
  - Long-range facility plan ($25,000)
  - Seismically assess buildings ($25,000)
  - Radon test ($25,000)
- Applications opened January 15 and close February 15, 2020
- Have 2 years to do the work
- Can use work started previous year as basis for grant application
- ~$2.4 million per year available as grants
Your bond issue ... 

is for Unique!

Do not use a one-size-fits-all plan for your one-of-a-kind issue!
Is for Visioning!

- Long Range Planning = Community + District Educational Vision
- Population
- 10 years
- Critical Step!!!
Is for White Dog!
Is for **eXample!**

Gresham-Barlow Case Study
Gresham-Barlow School District: Background

- District population: about 78,000
- Just over 11,000 students (12,000 including charters)
- 18 schools, 4 charters
- Over 1,100 staff
- $130 million operating budget
- Conservative voters (especially on taxes)
- Ranked 22 of 25 Metro districts in overall tax burden
- Last passed a bond in 2000 after a failed attempt
- $210 million levy in 2013 failed (61% no)
After failure in 2013, what now?

- Scraped the 2013 plan
- 2014-2015
  - Listening sessions at each school (blank sheet of paper)
  - Established Bond Measure Planning Committee (mostly community & partners)
  - Hired facilitator for planning
- Used 2012 facility assessment with modification and adjustment
- 2015-2016
  - Hired public affairs organization and polling firm
The Teams

- **Core Team (weekly meeting May 2015-November 2016):**
  - School Board member
  - Superintendent
  - Communications Director
  - Facilities Director
  - CFO
  - Public affairs & facilitator

- **Bond Measure Planning Committee:**
  - 33 member committee
  - 7 Sub committees
  - 8 Workshops
The Process

- **Core Team**
  - ✓ Collect information and data
  - ✓ Plan communications and information

- **Bond Measure Planning Committee**
  - ✓ Organized into 7 sub-committees
    - Elementary
    - Middle
    - High
    - Enrollment/Capacity
    - Building Futures (think replacement schedule)
    - Safer Schools
    - Community Use
The Process (cont’d)

- Bond Measure Planning Committee

  - Process
    - 8 Committee workshops
    - 20+ Sub committee meetings
    - 4 Community investment advisory meetings
    - 1 District Advisory Council Meeting
    - 18 Staff listening sessions
    - 18 Community listening sessions
    - 4 Visioning workshops
    - 3 Tours of other facilities
    - 2 Comprehensive phone surveys
    - 6 Key Communicator meetings
The Process (cont’d)

- Bond Measure Planning Committee
  - Sticky Issues
    - Closing West Gresham Elementary (everyone went to school at West)
    - Phased replacement of Gresham High and Sam Barlow High
    - Replacement elementary schools
    - What’s the number?
      - Polling suggested $50 million
      - $210 million failed in 2013
      - Final recommendation $299 million (tax rate from $1/$1,000 to $2.89/$1,000)
The Result – Success!! Approved 51%/49%
GBSD Key Takeaways

- Include what your community believes in and will support – sometimes it’s hard to figure out – and hard to accept!
- Communicate, communicate, communicate
- What if your tax base doesn’t match your estimate?
- You’ll spend more than you think on information, communication and consultation
- Confront conflict
is for Bond Yields!
is for don’t let your process become a Zoo!
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