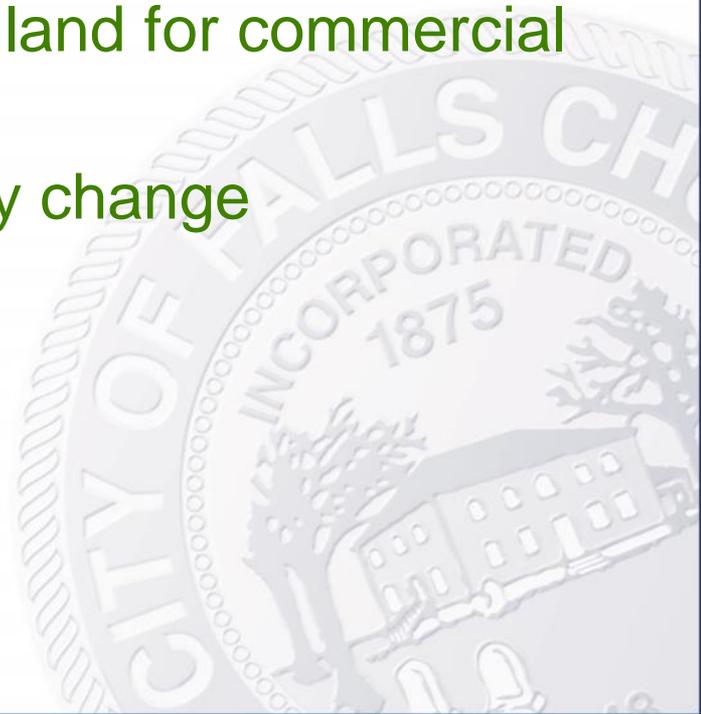


# School Financing

## KEY factors

- Other CIP projects (City Hall, Library, Schools)
- Capital Reserves, and how they are used
- The City's adopted fiscal policies
- The potential sale/lease of school land for commercial development
- The local economy and how it may change
- Interest rates
- Debt terms (20 yr, vs 30 yr)
- What tax payers are willing to pay
- What is a reasonable level of risk

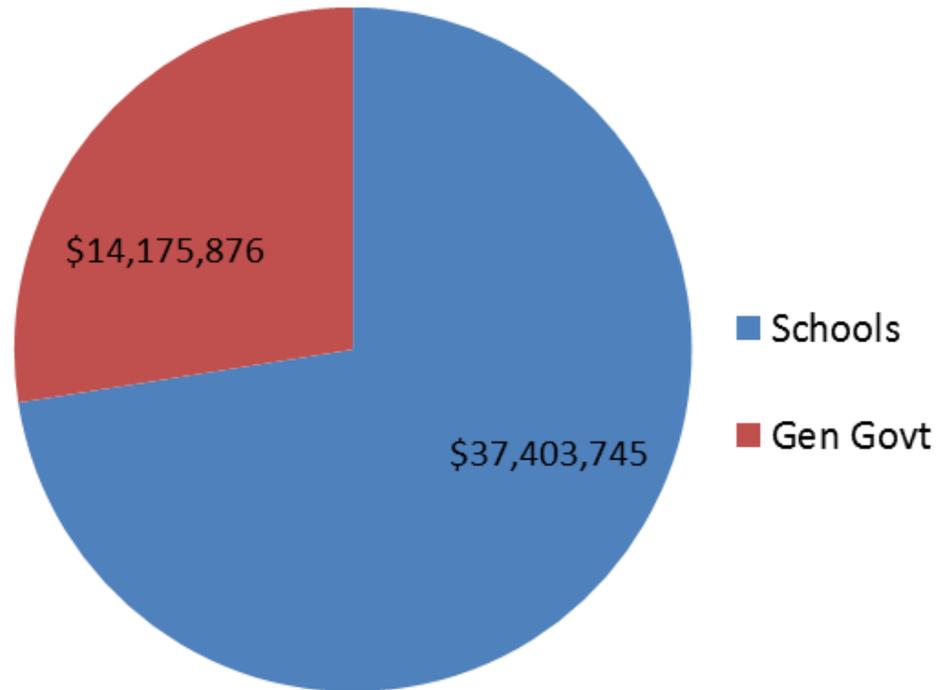


# Two Things Are Certain

- A new High School won't be free
- Affordability is complicated



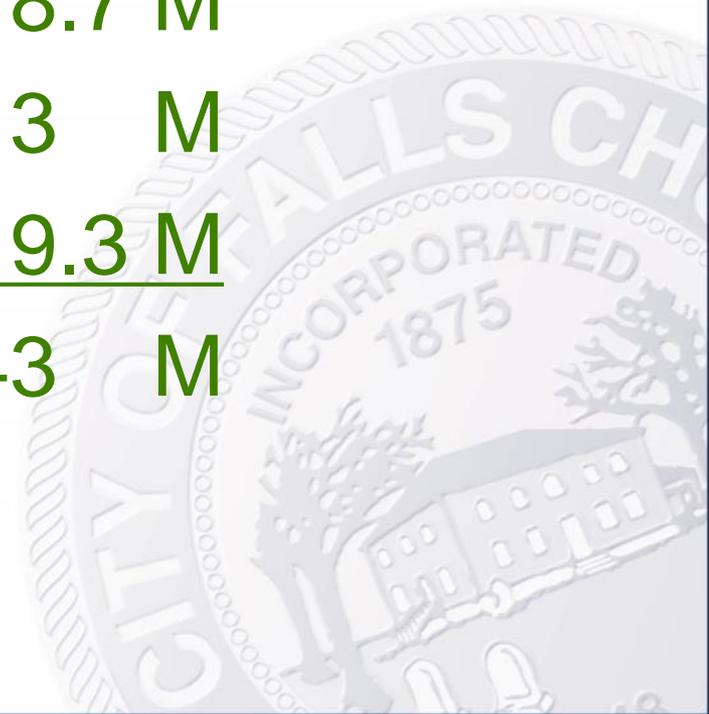
# Outstanding Tax-Supported Debt December 2016



**\$51.6 Million Total**  
**\$6.2 Million Annual Debt Service Cost**  
**16 Cents on RE Tax Bill**

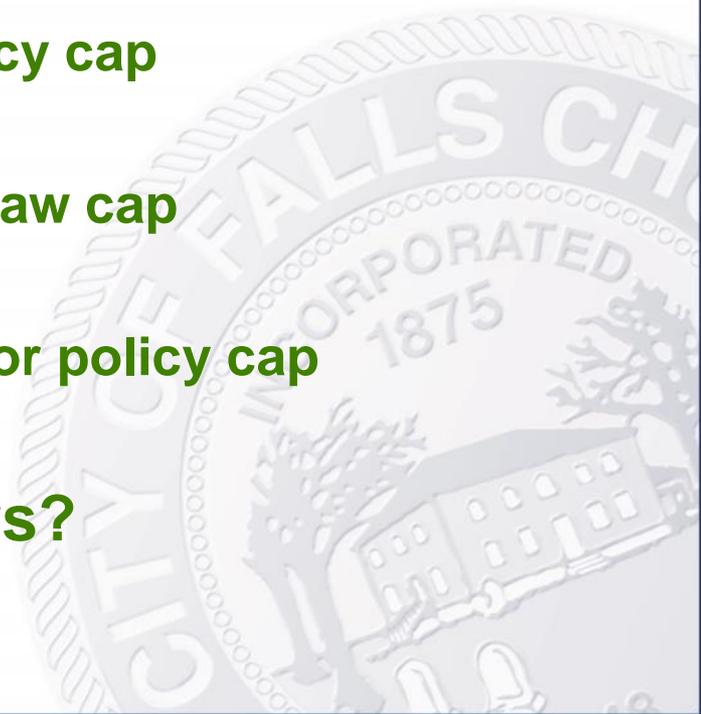
# Adopted Five Year Capital Improvements Program

- GMHS Project: \$112 M
- Library: \$ 8.7 M
- City Hall: \$ 13 M
- Other: \$ 9.3 M
- Total: \$143 M

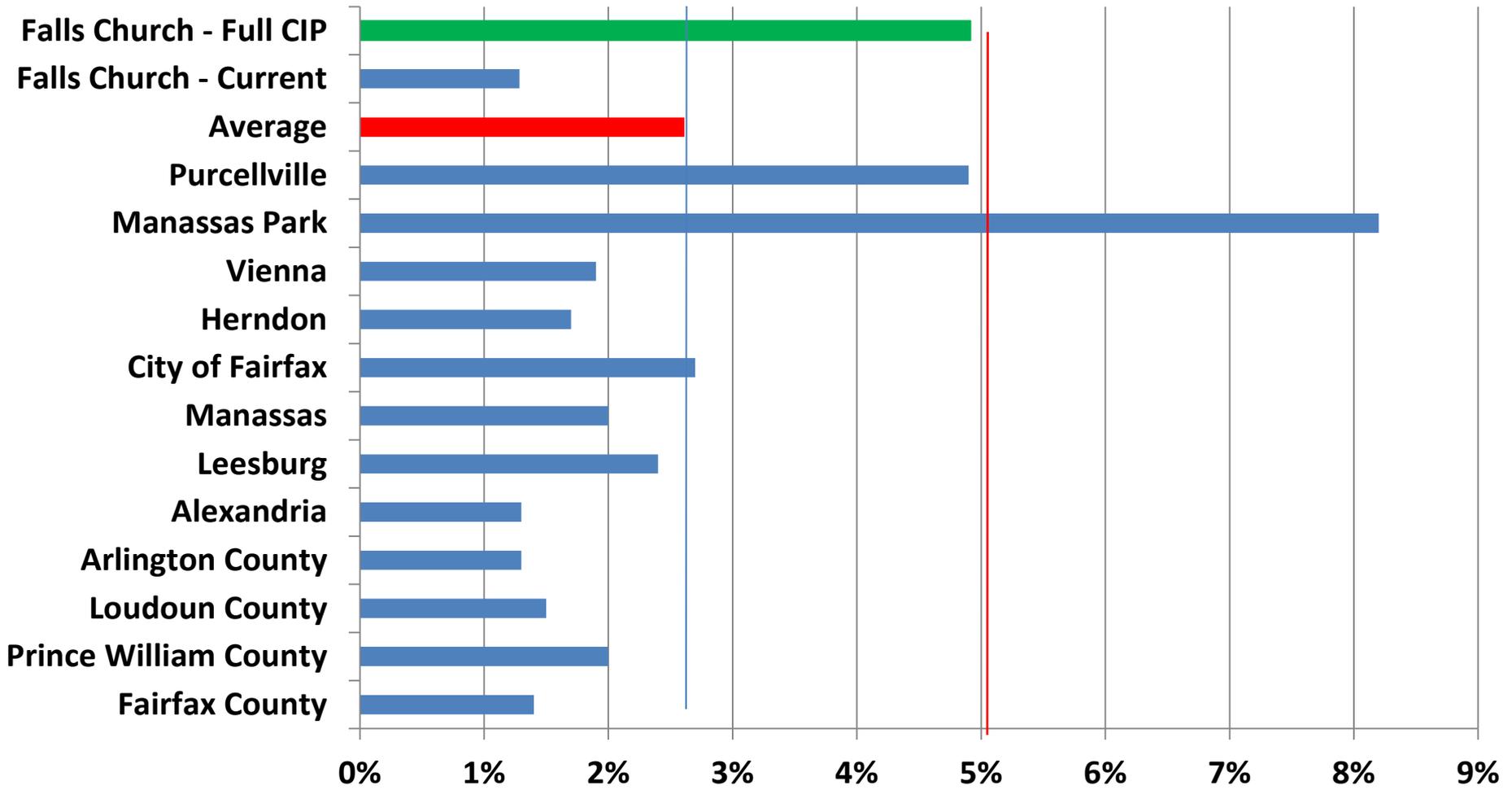


# What Can the City Afford?

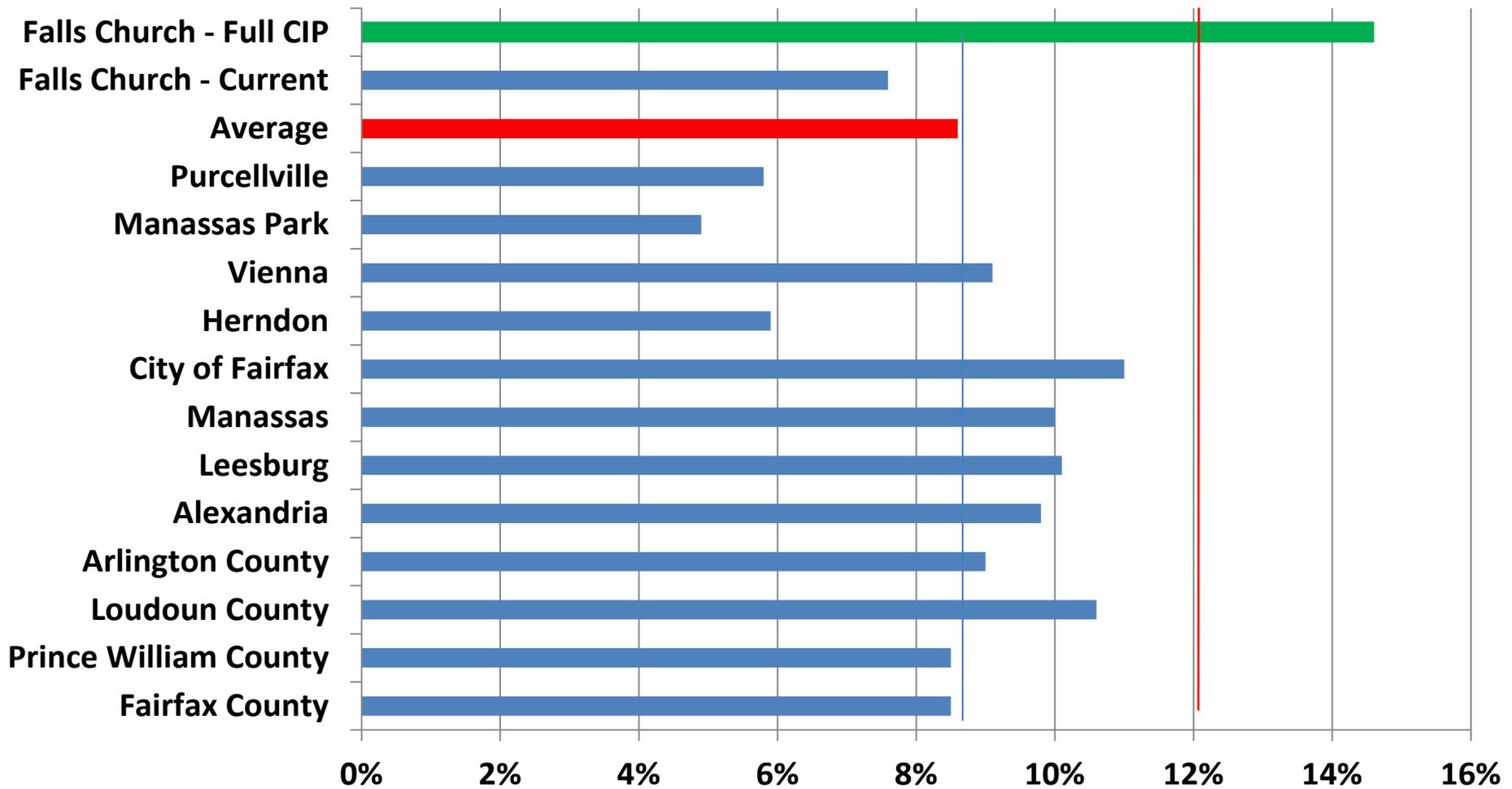
- **Affordability Metrics**
  - Debt to Assessed Value (AV)
    - 10% state law cap; 5% City policy cap
  - Debt service to total expenses
    - 12% City policy cap. No state law cap
  - Debt per capita
    - Regional comparisons; no law or policy cap
  - Others
- **What is reasonable for taxpayers?**



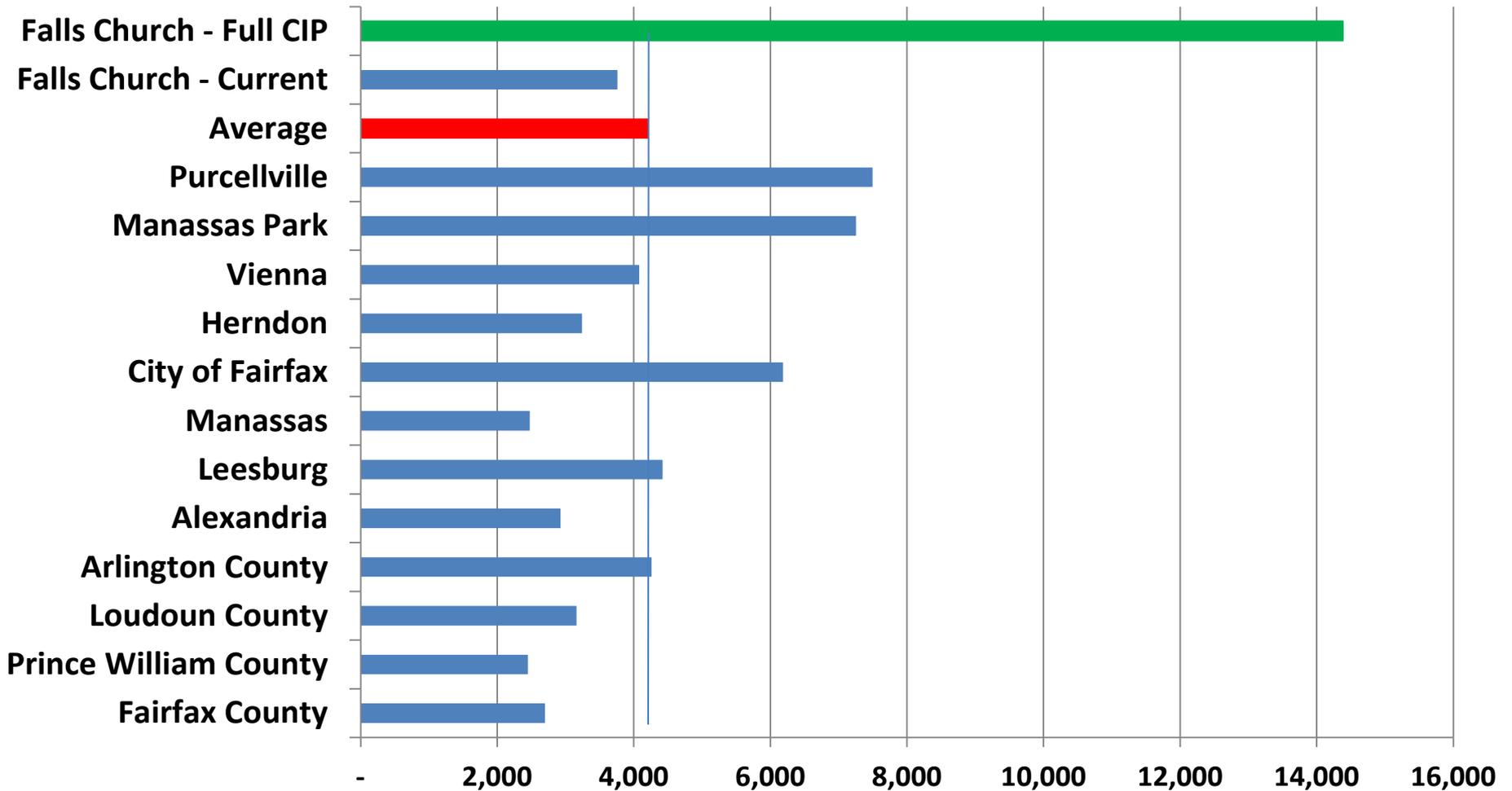
# Debt to Assessed Value



# Debt Svc vs. Expenditures



# Debt per Capita



# Three GMHS Campus Financing Scenarios

## 1) Renovation plus Addition

2021 project completion

No Commercial Development

## 2) Build New in Two Phases

2021: Phase 1 completion

2028: Phase 2 completion

2022 & 2029 Phased Commercial

## 3) Build New in One Phase

2021: School completion

2022: Commercial development able to proceed



# Three Options Financing Summary

	Cost	Completion Year	Commercial Development	Potential Sale/Lease Value	Annual Tax Yield*
<b>Renovation &amp; Addition</b>	<b>\$65 M</b>	<b>2021</b>	<b>No</b>	<b>\$0</b>	<b>\$0</b>
<b>Build New in 2 Phases</b>					
Phase 1	\$64 M	2021	~4 acres	\$14-18M	~\$2 in 2026
<u>Phase 2</u>	<u>\$83 M</u>	<u>2028</u>	<u>~2 acres</u>	<u>\$7-9M</u>	<u>~\$1 in 2033</u>
<b>Total</b>	<b>\$147 M</b>		<b>~6 acres</b>	<b>\$21-27M</b>	<b>\$3M</b>
<b>Build New in 1 Phase</b>	<b>\$117 M</b>	<b>2021</b>	<b>~8-10 acres</b>	<b>\$30-42M</b>	<b>\$4-5M '26</b>

\*Annual Tax Yield at year 5 after completion of School Facilities. Not guaranteed.  
 Chart does not include Operating Budget Costs of new facilities.

# 1) Renovation and Addition Summary

- **Lowest direct cost**
- **Higher annual maintenance costs**
- **No land sale**



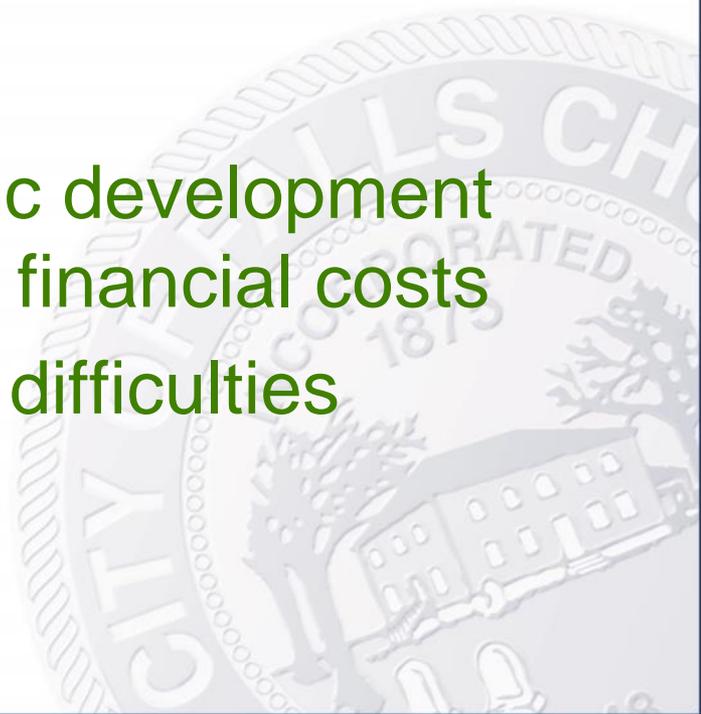
# 1) Renovation and Addition Cost Summary

- \$65 Million in debt
- 30 year Term; 4% Interest
- \$3.7 Million annual debt service
- **9.25 cents** on RE Tax Rate
- **\$650 per** year per avg household
  - \$700k home
- No Economic Development
- \$9 M could be used to reduce cost



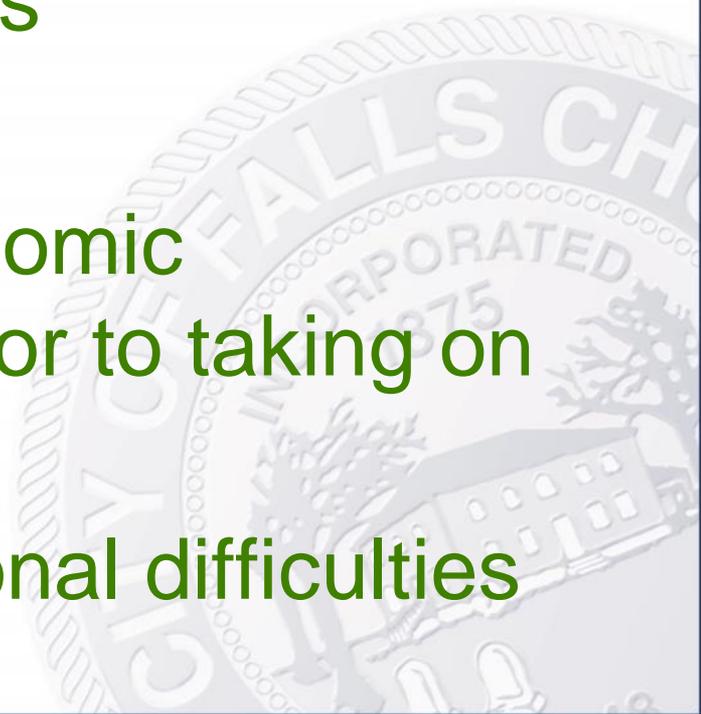
## 2) Build New in Two Phases Summary

- Highest Cost option
- Pushes ½ cost out 8 years
- Lowers financial risk
- Allows first phase of economic development to occur prior to taking on full financial costs
- Increases school operational difficulties
- Increased cost for 2<sup>nd</sup> phase



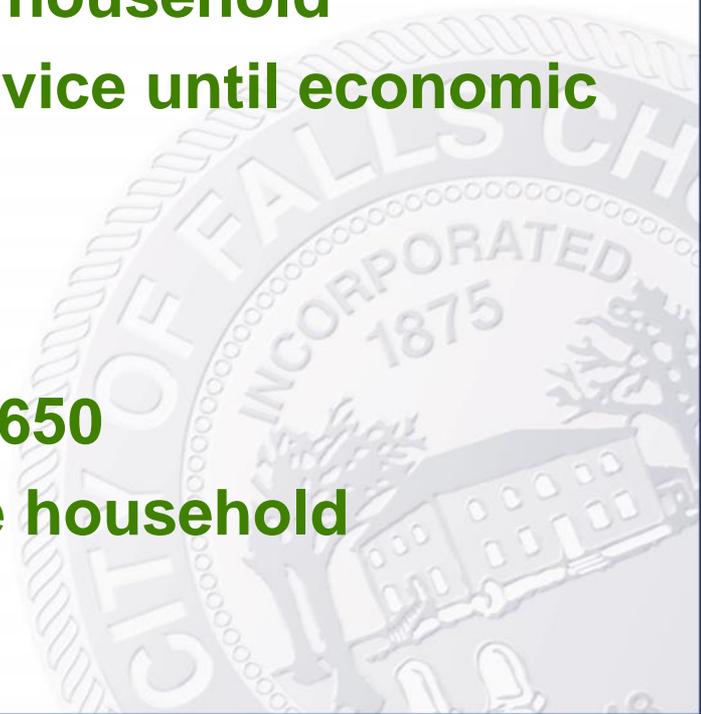
## 2) Build New in Two Phases Summary

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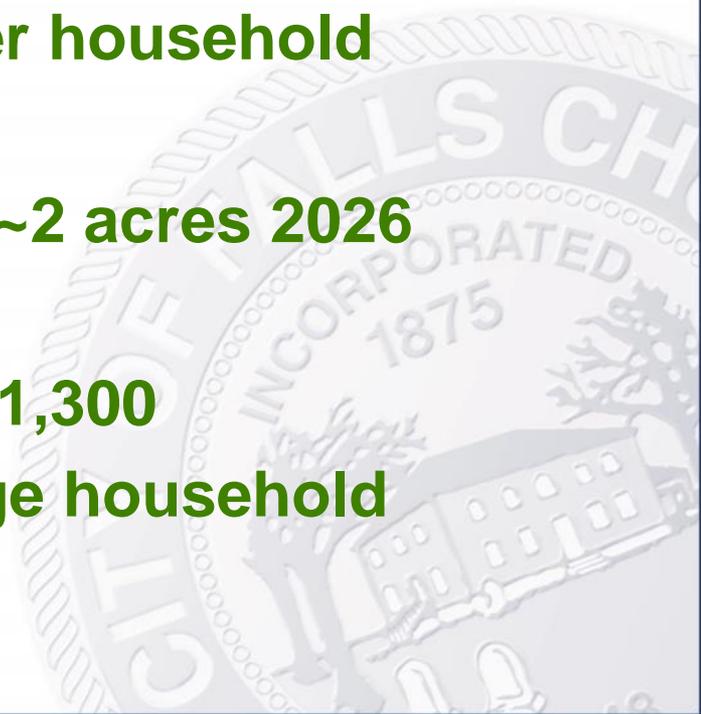
## 2) Two Phase Cost Summary

- **Phase 1: \$64 Million 2019**
  - \$3.7 M annual debt service
  - 9.25 cents; \$650 per average household
  - \$9 M used to reduce debt service until economic development comes on line
  - **Economic Development**
    - Sale/Lease for ~4 acres in 2026
    - Potential reduction from \$650 to \$325 - \$216 per average household



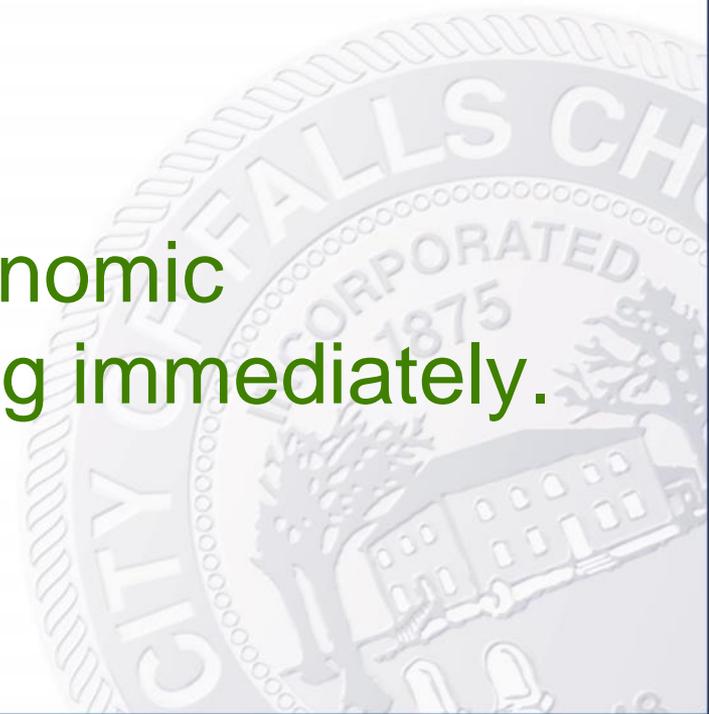
## 2) Two Phase Cost Summary

- **Phase 2: \$83 M in 2026**
  - Additional 9.25 cents
  - Total of 18.5 cents; \$1,300 per household
  - Economic Development
    - Sale/Lease for additional ~2 acres 2026
    - Total ~6 acres
    - Potential reduction from \$1,300 to \$650 to \$450 per average household



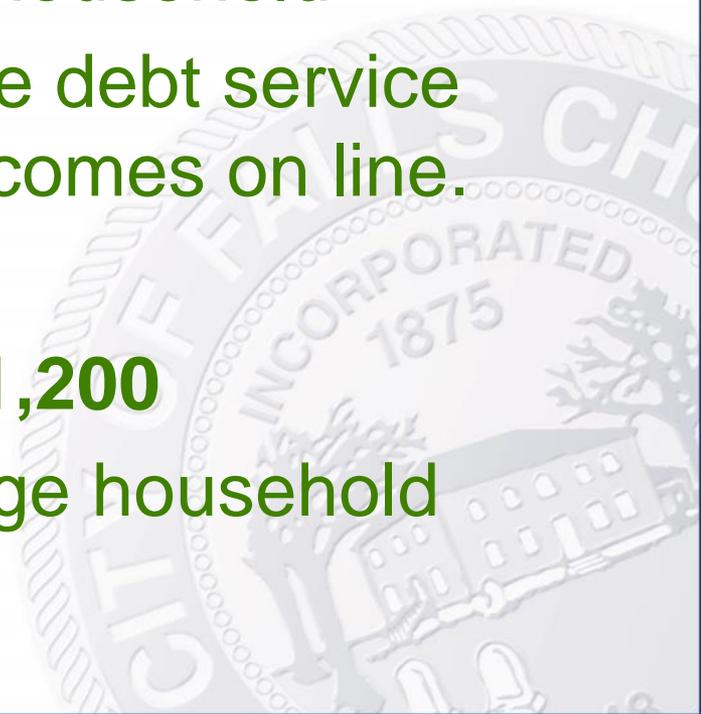
## 3) One Phase Build New

- Delivers new school most rapidly
- Highest “up front” cost
- Risk of land sale and economic development not occurring immediately.



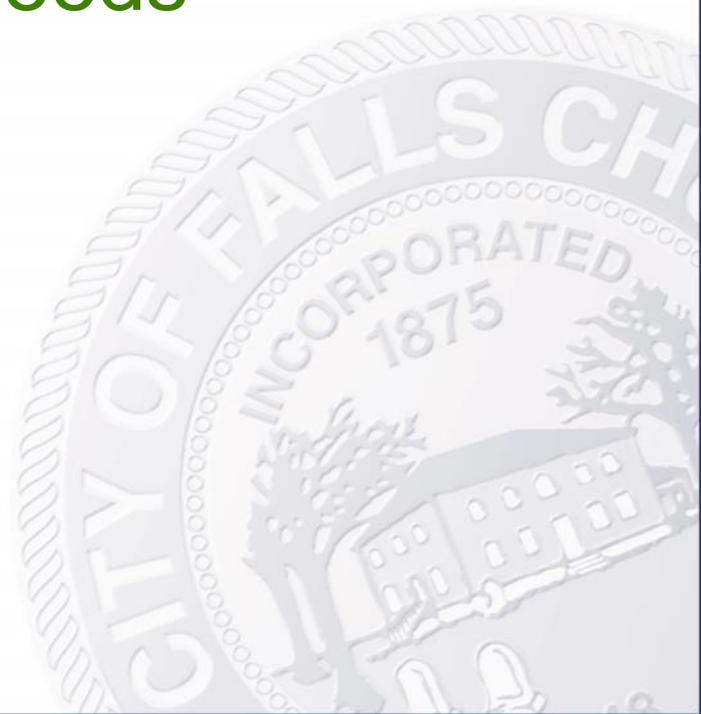
### 3) One Phase Build New

- \$117 Million 2019
- \$6.9 M annual debt service
- 17.25 cents; **\$1,200** per avg household
- \$9M Reserves used to reduce debt service until economic development comes on line.
- Economic Development
  - Potential reduction from **\$1,200** to **\$600 to \$400** per average household



# Risks

- Interest Rate Risk (modeled 4%)
- Market Risk for Sale Proceeds (modeled \$30M)
- Credit Downgrade
- Cost Control Risk
- Other Financing Needs



# Mitigating Strategies

- Enhanced General Fund Reserves
  - 20% would be recommended
- Comprehensive Plan of Finance
  - Public support (referendum)
  - Clear & public discussion of the tax implications
  - Plan not overly reliant on external risk such as property proceeds

