DEBT CAPACITY OVERALL

• Debt Capacity is capped by state law (RCW 39.36.020)

• Total Debt Ceiling - 5% of valuation of taxable property. All debt of the district that goes before the voters requires a 60% approval. The district levies taxes each year to pay the principal and interest for the life of the bonds.

• Non Voted Debt - .00375% of valuation of taxable property. This does not require a vote of the citizens. It is paid for out of the funds of the district that are used for the operations of the budget.

Total Assessed Valuation (2015) $4,150,073,287

5.00% of valuation of taxable property $207,503,650

.00375% valuation of taxable property $15,562,774
5% of valuation of taxable property $ 207,503,650
Debt Service Balance as of February, 2015 $ 5,700,810
QSCB Escrow account for Payment in 2024 $ 3,601,079

Total Debt Capacity as of February, 2015 $ 122,415,539

A school district can ask the voters for as much as the board deems is needed and acceptable; however, the district cannot issue bonds that exceed the statutory capacity.
The district levies an amount that is required to pay the principal and interest each year.
The tax rate is then calculated. This rate is the rate per thousand (\$X.XX/1000).
The largest factor for the change in tax rates for a school district bond or levy measure is the changes in assessed property values.
Changes in property values change the tax rates, but, not the amount of taxes collected.

- Increases in assessed values lowers the tax rate.
- Decreases in assessed values increases the tax rate.
PRELIMINARY TAX RATES

- Depending upon how the board would like to structure the bond, there are two different scenarios that are considered. We do this by structuring the principal repayment schedule at the time the bonds are sold.
- The board can decide to use a uneven or "stepped" tax rate.
- The board can decide to keep the rate per thousand even (or level).
Scenario 1 Example

- Combined Stepped Tax Rate
  As prior debt goes down, new debt obligation rises.

Assumes:
- Assessed Values increase at 3% per year
- Issue Bonds over 3 years ($40M/year)
- Rating is Aa1 with School Bond Guarantee

If the board determines the needs are greater, the board can place a larger amount on the ballot, but, the district cannot issue the bonds until there is debt capacity.

If issue the bonds for $140M, tax rates could increase anywhere from .10 to .20/1000 depending on assessed value growth and interest rates.
PRELIMINARY ESTIMATED TAX RATES

Scenario 2 Example

- Combined Level Tax Rate

As prior debt goes down, new debt obligation rises to maintain level tax rates.

Assumes:

- Assessed Values increase at 3% per year
- Issue Bonds over 3 years ($40M/year)
- Rating is Aa1 with School Bond Guarantee

If the board determines the needs are greater, the board can place a larger amount on the ballot, but, the district cannot issue the bonds until there is debt capacity.

If bonds are issued for $140M, tax rates could increase anywhere from .10 to .20/1000 depending on assessed value growth and interest rates.
## ESTIMATED COSTS OF SCHOOLS

Preliminary Estimates provided by Construction Services Group at ESD112
Include an inflation factor of 4% per year
State Share estimate provided by OSPI based on projected un-housed students

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Estimated Total Project Cost in 2017 (Rounded)</th>
<th>Estimated State Share (Rounded)</th>
<th>Estimated Local Share (Rounded)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Elementary School for 600 Students</td>
<td>$33,697,000</td>
<td>$0</td>
<td>$33,697,000</td>
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<tr>
<td>New Middle School for 900 Students</td>
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<td>High School Addition for 800 Students</td>
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<tr>
<td>Totals</td>
<td>$139,966,000</td>
<td>$8,000,000</td>
<td>$131,966,000</td>
<td>Notes</td>
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</tbody>
</table>

Cost estimates do not include the cost of land, off-site improvements such as roads, sidewalks and utilities, or mitigation of wetlands and other sensitive land issues.