

Mt. Hood Community College

Public Hearing

\$75 million General Obligation Bond Measure No. 26-190

“Bonds to construct Applied Technology Center, Enhance Safety and Security”

(May 16, 2017 Special District Election)

Date: April 12, 2017
Time: 6:00 PM
Place: MHCC Board Room
26000 SE Stark Street
Gresham, Oregon

General Obligation Bond Issue Measures

The Oregon Constitution and statutes give municipal corporations authority to incur debt to finance government functions.

One form of debt is Unlimited Tax General Obligation Bonds (GO Bonds). When GO Bonds are issued, the municipality pledges to make payments on the bonds from any unrestricted resources. Few municipal corporations have enough unrestricted revenue available for this purpose, so they commonly ask the voters to authorize a dedicated property tax levy to generate revenue to pay the debt service.

The Oregon Constitution and statutes confine the use of GO Bonds to:

...costs of land and of other assets having a useful life of more than one year, including costs associated with acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance or repair.

GO Bond levies have the advantage that they are not subject to property tax limitations. Passing a GO Bond measure does not reduce a jurisdiction's other property tax revenue, nor does it impinge upon overlapping districts' property tax revenues. GO Bond measures are not reduced by compression.

GO Bond levies are dollar-amount levies. A district with a GO Bond levy determines the amount of money it needs to pay debt service on the issue in the coming year and instructs the County Assessor to levy that dollar amount. The Assessor converts that dollar amount into a rate.

While the rate will not be reduced by compression, it may be reduced by an urban renewal levy if any portion of the district is in an urban renewal area. And all property tax revenues



are subject to a percentage lost to discounts taken by taxpayers and by non-payment by taxpayers. So the taxing district has to gauge its dollar amount request to incorporate these losses.

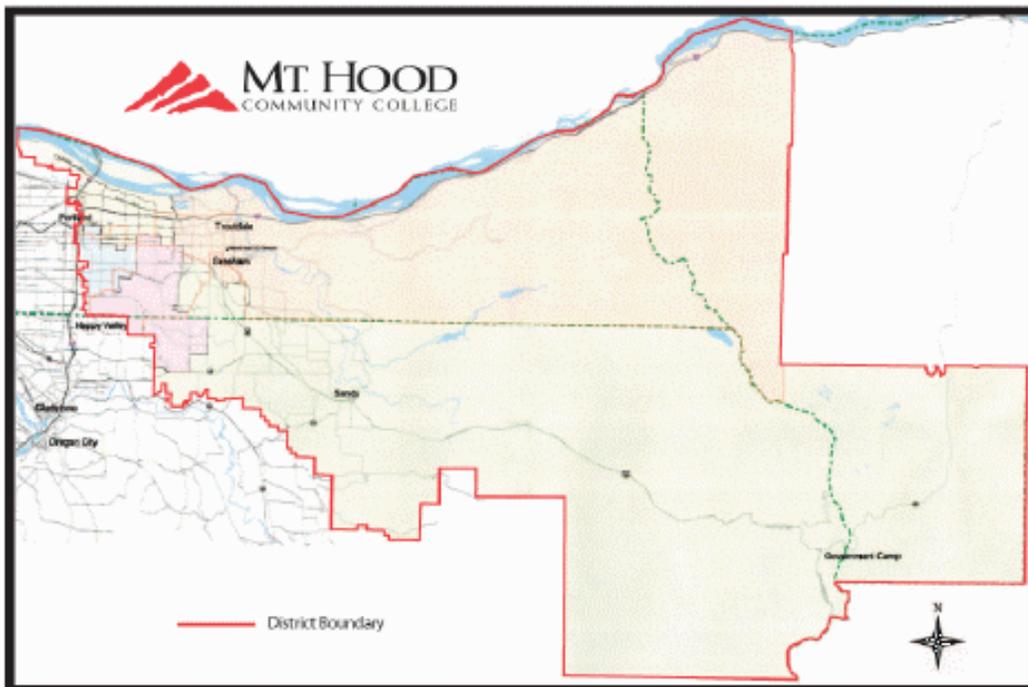
The project information in the bond measure is the taxing district's commitment on how the bond proceeds will be spent. Should the district spend the proceeds in ways contrary to the bond measure, then the tax levy loses its exemption to tax limitations.

Ultimately, the exact levy amount and rate cannot be known until the bonds are sold, so all the bond-specific information in the bond measure (except the maximum amount of the issue) is an estimate.

District Background

Geography and Governance

Mt. Hood Community College (MHCC) is one of 17 community college districts in the state. The district encompasses an area of about 950 square miles with a population of more than 300,000. The district boundaries extend as far east as the lofty peak of Mt. Hood and to the Wasco County line, south into Clackamas County including the communities of Boring and Damascus and west into the city limits of Portland. The Columbia River, from 33rd Street to Cascade Locks, is the northern boundary. Within this area are seven school districts; Corbett, David Douglas, Gresham-Barlow, Parkrose, Reynolds, Centennial, and the Oregon Trail School District.



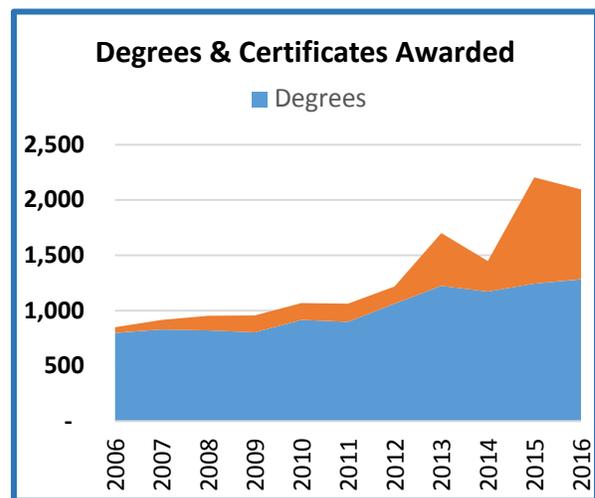
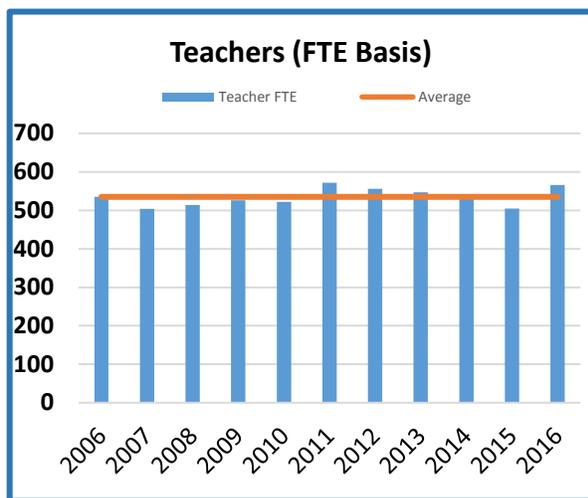
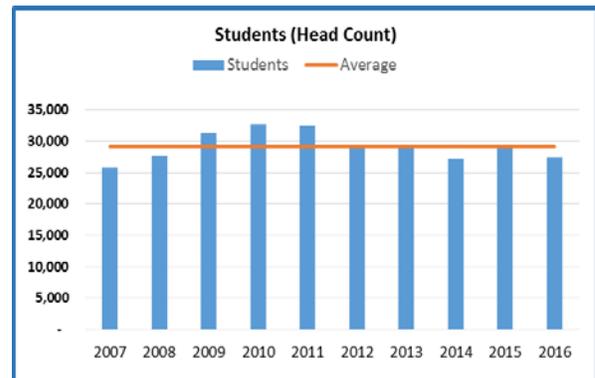
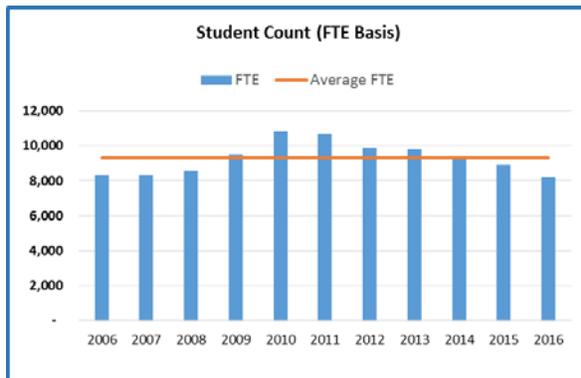
The college opened in 1966 and is celebrating its 51st anniversary this year. It is governed by an elected board of directors who appoint a president to oversee the school's operations. The Board Chair is Susie Jones, a former instructor of music at the college. The president is Dr. Debra Derr, formerly an administrator at the college, who returned to MHCC in 2013 to serve as its tenth president.

Facilities

The college operates three classroom facilities: the Gresham campus, the Bruning Center for Allied Health Education in Gresham, and a campus in the city of Maywood Park. In general, the facilities date from the 1970's. The district's last approved GO bond measure was passed in 1974.

Students

Growing from an initial enrollment of 500 students in 1966, MHCC now enrolls about 29,000 students annually. Enrollment fluctuates with the economy and the enrollment graph tends to parallel the region's unemployment rate graph.



2017 General Obligation Bond Measure

Projects

The district is asking its voters to approve a \$75 million bond levy. Proceeds from the bond sale will be used to replace the Applied Technology Building and upgrade other existing structures and systems. A portion of the college's \$27 million of existing capital debt will be paid off with this bond issue as well. The working estimates of the allocation of the proceeds are shown in the following chart¹.

Project	Location	Cost
1. Applied Technology Center	Gresham Campus	\$ 36.3 Million
2. Seismic Retrofits	Gresham Campus	\$ 6.7 Million
3. Security & Technology Upgrades	College-Wide	\$ 8.4 Million
4. Capital Debt Payoff/bond project administration		\$ 25.0 Million

The measure is \$50 million less than the measure that the voters turned down in May of 2016. To achieve that reduction, College removed the \$23 million Maywood Park Campus replacement project, reduced the seismic retrofitting project from \$22.6 million to \$6.7 million, and decreased other costs.

1. Applied Technology Center – The Workforce and Applied Technology Center will be housed in a new 105,000 square foot building on the Mt. Hood Community College Gresham Campus. The Workforce and Applied Technology Building will replace the aging Industrial Technology Building and facilitate the introduction of new technologies that are so critical to the industries in the MHCC district.



The New Applied Technology Building

¹ These are working cost estimates of the contemplated work. The measure itself mentions these projects but does not assign an individual cost to them.

The Workforce and Applied Technology Center will house three current programs: machine tool technology, automotive technology, and welding. The building will also allow for expansion into needed program areas such as mechatronics which combines multidisciplinary engineering fields and applies those skills to the complex systems involved in the design and manufacture of products. The current industrial technology building houses the three programs noted above: automobile technology, welding, and manufacturing/machine tool technology. All are enrolled at or near capacity in a building built in 1969 and modified significantly since then. The building is out of compliance for ADA and seismic standards, and its multiple enlargements have complicated building ingress and egress. It is not a building that is efficient or effective for modern pedagogy. The demand for training in these technical areas make it incumbent on MHCC to provide a new building. When the new building is completed, the existing building will be demolished. See attachment A for architect's images of similar buildings.

2. Seismic Retrofitting – The Measure includes funding to retrofit the Academic Center Library and portions of the gymnasium complex for seismic protection. To reduce costs (by \$16 million) the Board selected areas for retrofitting that were critical in case of emergency and areas that would serve as emergency centers in the event of an earthquake. These costs could be offset by state grants.

3. Security and Technology Upgrades – This project involves upgrading security and technology to provide for effective improvements in areas such as lock down capability, alarm monitoring, mass notification capability, vehicle controls and barriers, video surveillance systems, and improved wireless access.

4. Capital Debt Payoff – MHCC has six prior debt series for which the total payoff at 7-1-16 will be \$27 million. The College has used unrestricted general fund revenues to pay the debt service on these issues. A portion of the proposed bond measure will be used to reduce that debt, freeing up general fund dollars for other college functions. The existing debt has an annual average debt service payment of \$2.14 million in debt service over the next 18 years.

Bond administration costs are expenditures dedicated to the management of the bond proceeds and projects. The configuration and costs for this function are being developed. Bond issuance expenditures will be paid from bond proceeds.

State Grant

With this bond in hand, the College will receive an \$8 million state grant to help offset the costs of replace the Allied Technology Building. The grant award is contingent on this measure. The savings will be used to finance other campus improvements that are within the projects listed in the notice of measure election.

The College has applied for a state seismic grant to augment the seismic projects that can be done with the proceeds of the bond.

Bond Financial Information

In February 2017, the College’s underwriter updated the financial projections for a bond that would generate \$75 million. The following chart illustrates two probable bond sale results for a sale immediately following the election.

MT. HOOD COMMUNITY COLLEGE²
 General Obligation Bonds, Series 2017 – Summary of Structuring Scenarios

Structure		Level Levy		10 Year Levy Drop	
Par Amount		\$	75,760,000	\$	75,760,000
Estimated Total COI (1% of Par)			<u>(757,600)</u>		<u>(757,600)</u>
Estimated Project Deposit		\$	75,002,400	\$	75,002,400
Dated Date			6/15/2017		6/15/2017
Final Maturity			6/15/2037		6/15/2037
Amortization Period			20 Years		20 Years
Levy Rates*					
	Prior Debt	New Bonds	Combined	New Bonds	Combined
2017.....	\$ -	\$ -	\$ -	\$ -	\$ -
2018-2027.....	-	0.19	0.19	0.23	0.23
2028-2037.....	-	0.19	0.19	0.12	0.12
Interest					
Current Interest Rates			+ 1.00%		+ 1.00%
True Interest Cost (TIC)			4.97%		4.60%
Total Interest Cost			\$51,030,849		\$37,931,949
Total Interest Cost % of Par			67%		50%

* Projected levy rates are based on a variety of assumptions regarding AV growth, tax collections & interest rates. Debt service will be fixed when bonds are sold but levy rates are preliminary until the assessor certifies values each year.

The Board gave the college administrators the latitude to ultimately select one or more bond issues that will serve to finance the bond projects.

If the full amount is issued and the bond market generates the above financial results, and the college chooses a level levy rate, then property owners would see an increase in their MHCC tax bills of \$19 per \$100,000 of Assessed Value for the initial years of the

² This chart and the two on the following page were provided by MHCC.



issue. The rate could increase depending on interest rates and unanticipated changes in assessed value.

The MHCC permanent levy rate is \$0.4917, placing it 13th on the list of 16 Community Colleges in the state, according to the chart to the right, provided by the underwriter.

If the College chose to issue \$75 million of bonds, the total district rate would increase to \$0.6817, placing the College right in the middle of the ranking.

Community College	Net Assessed Value	2017 Levy Rates			Total District Rate
		Permanent Rate	Local Option Rate	Bond Rate	
Treasure Valley	1,961,033,816	1.2235	-	-	1.2235
Clatsop	5,875,646,334	0.7785	-	0.1708	0.9493
Chemeketa	34,493,344,837	0.6259	-	0.2759	0.9018
Blue Mountain	12,015,288,337	0.6611	-	0.2093	0.8704
Lane	31,914,775,141	0.6191	-	0.2228	0.8419
Central Oregon	26,109,824,764	0.6204	-	0.1221	0.7425
Southwestern	8,398,487,825	0.7017	-	-	0.7017
Portland	61,549,785,748	0.2828	-	0.3957	0.6785
Linn-Benton	16,491,636,088	0.5019	-	0.1748	0.6767
Columbia Gorge	4,334,793,530	0.2703	-	0.3420	0.6123
Clackamas	34,442,335,779	0.5582	-	0.0374	0.5956
Rogue (Jackson Co Bonds)	26,445,076,491	0.5128	-	0.0567	0.5695
Mt. Hood	6,669,787,360	0.4917	-	-	0.4917
Umpqua	8,430,964,010	0.4551	-	-	0.4551
Tillamook Bay	4,643,768,539	0.2636	-	0.1639	0.4275
Klamath	5,117,910,145	0.4117	-	-	0.4117

Debt Service

As shown in the chart to the right (provided by the underwriter), debt service on the bond will require \$4.7 million initially, growing to \$8.1 million in the final year of the term. The underwriter has structured this debt service to match the revenue that the \$0.1900 levy will generate over the term of the bond. The estimate assumes the increased revenue required for debt service will be generated by the growth in assessed value. That, of course is a forecast, not a commitment.

Bond Issue Data		2017 Property Tax Data (000s)	
Dated Date:	06/15/2017	Total Assessed Value:	\$ 26,183,887
First Coupon:	12/15/2017	Less Standard Rate Urban Renewal Value:	681,297
Final Maturity:	06/15/2037	Assessed Value (Bonds Approved After 2001)	\$ 25,502,590
Term (years):	20.00	Less Reduced Rate Urban Renewal Value:	330,442
Current Market Rates Plus:	1.00%	Net Assessed Value (Bonds Approved Before 2001)	\$ 25,172,148

Summary		Structuring Assumptions	
Issue Amount:	\$ 75,760,000	AV Growth	
Current Interest Bonds	100% \$ 75,760,000	2018	3.00%
Deferred Interest Bonds	0% \$ -	2019	3.00%
Total Interest Cost:	\$ 51,030,849	2020	3.00%
Interest Cost as a Percent of Par:	67%	2021	3.00%
		Thereafter	2.75%

Fiscal Year Ending 6/30	AV for New Bond Levies (000s)	Estimated Debt Service Requirements			Projected Levy Rates ⁽¹⁾		
		Total Prior Debt	New Bonds	FY Total	Prior Debt ⁽²⁾	New Bonds	Combined Levy Rate
2017	\$ 25,502,590	\$ -	\$ -	\$ -	\$ -	\$ -	-
2018	26,267,668	-	4,719,021	4,719,021	-	0.19	0.19
2019	27,055,698	-	4,886,055	4,886,055	-	0.19	0.19
2020	27,867,369	-	5,056,003	5,056,003	-	0.19	0.19
2021	28,703,390	-	5,238,050	5,238,050	-	0.19	0.19
2022	29,492,733	-	5,410,560	5,410,560	-	0.19	0.19
2023	30,303,783	-	5,558,085	5,558,085	-	0.19	0.19
2024	31,137,137	-	5,710,572	5,710,572	-	0.19	0.19
2025	31,993,409	-	5,866,839	5,866,839	-	0.19	0.19
2026	32,873,227	-	6,030,905	6,030,905	-	0.19	0.19
2027	33,777,241	-	6,191,906	6,191,906	-	0.19	0.19
2028	34,706,115	-	6,365,406	6,365,406	-	0.19	0.19
2029	35,660,534	-	6,538,452	6,538,452	-	0.19	0.19
2030	36,641,198	-	6,718,754	6,718,754	-	0.19	0.19
2031	37,648,831	-	6,903,534	6,903,534	-	0.19	0.19
2032	38,684,174	-	7,094,218	7,094,218	-	0.19	0.19
2033	39,747,989	-	7,289,093	7,289,093	-	0.19	0.19
2034	40,841,058	-	7,491,512	7,491,512	-	0.19	0.19
2035	41,964,188	-	7,694,043	7,694,043	-	0.19	0.19
2036	43,118,203	-	7,905,117	7,905,117	-	0.19	0.19
2037	44,303,953	-	8,122,730	8,122,730	-	0.19	0.19
		\$ -	\$ 126,790,849				

(1) Includes estimated delinquencies. Beginning in FY 2019 assumes collection year delinquencies will be offset by back tax collections.
(2) 2016 prior debt rate shown is actual rate levied.



Accounting Funds

Oregon's Local Budget Law requires that revenue legally dedicated for specific purposes be budgeted in a separate fund to ensure that revenue is only spent for the purposes authorized. As such, MHCC will be required to create two new funds: one for the receipt and expenditure of the bond proceeds, and the other to receipt tax revenues and make principal and interest payments on the debt.

Monitoring

The Explanatory Statement filed with Multnomah County states: "If bonds are approved, a citizen committee would oversee use of proceeds."

In addition, as part of TSCC's annual budget review process, the taxes imposed to cover General Obligation Debt, will be reviewed and compared to the payment schedule and other fund resources. TSCC staff will question proposed levies in excess of revenue reasonably needed to pay current debt service.

Summary

Type of Levy: General Obligation Bonds for Facilities Capital Projects and Refunding of Existing Debt

Funding Provided: \$75.0 Million, restricted to listed capital projects and debt refunding.

Period: Anticipated term of bonds is no more than 21 years. Multiple issues would probably extend that time line.

Rate: \$0.19000 to 0.2300 per \$1,000 AV (Estimate, assuming one issue of \$75 Million and continuation of general bond market conditions of January 2017). The levy rate may vary over the life of bonds.

Forecast Revenue Generated: \$4.7 million initially, increasing to \$8 million over the 20 year term; sufficient to pay annual debt service

Projects: This bond measure will allow the College to:

- Demolish and replace the Allied Technology Building,
- Provide safer and more secure facilities with seismic and security upgrades,
- Refinance existing capital obligations, freeing up general fund dollars for other uses, and
- Prevent the loss of an \$8M state award to be used in the construction of the Workforce and Applied Technology Building (offer expires 7-30-17).



APPLIED TECHNOLOGY CASE STUDIES

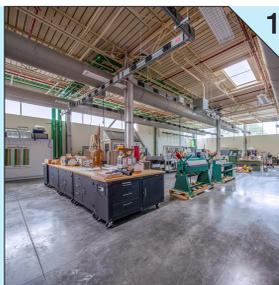
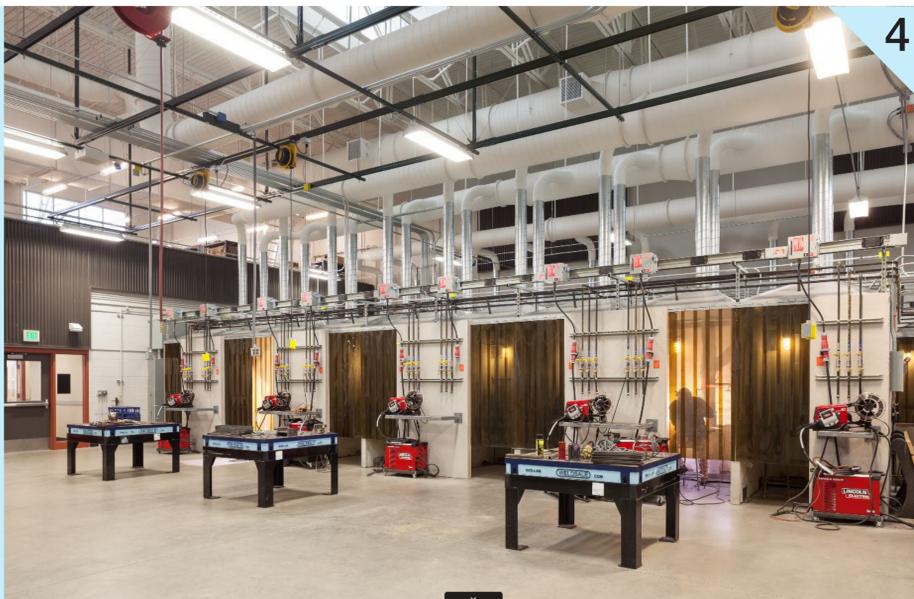
26000 SE Stark St, Gresham, OR 97030



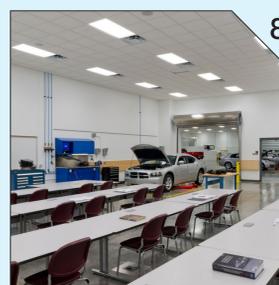
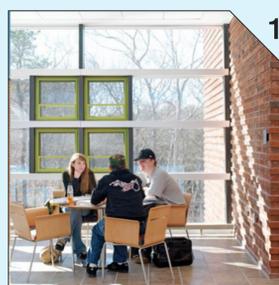
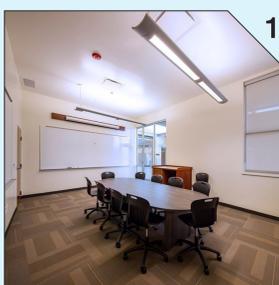
EXTERIOR



SHOP



LEARNING



COLLABORATION

