

Property Tax Measure Review

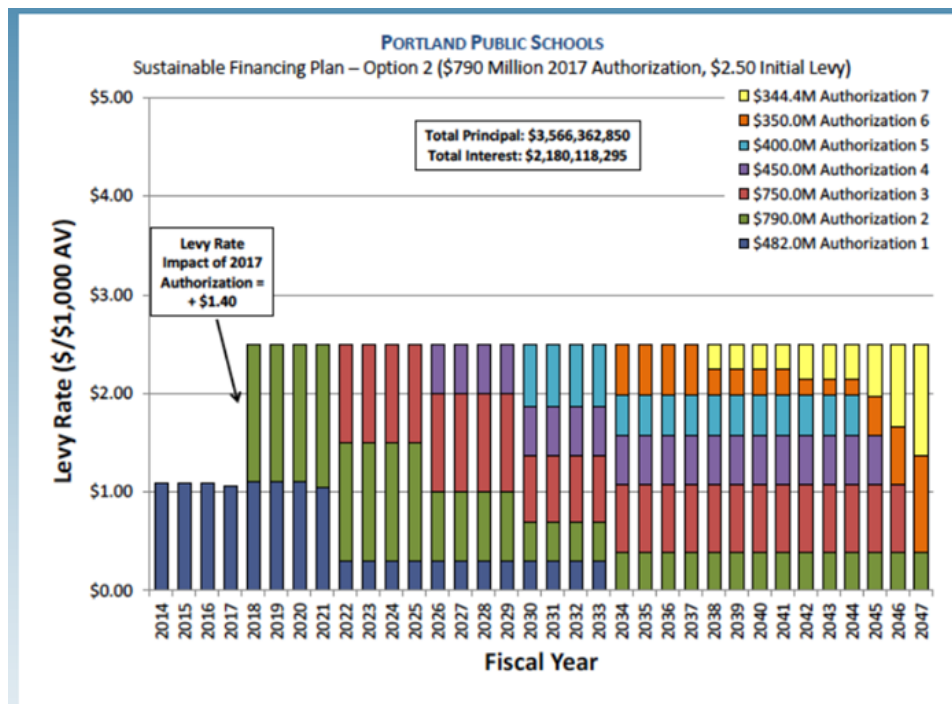


Tax Supervising and Conservation Commission

District	Portland Public Schools
Ballot Measure Title	26-215 Bonds to Improve Health, Safety, Learning by Modernizing, Repairing Schools (attached to this review)
Financial Details	Seeks authority to issue up to \$1.208 billion Maintains current rate of \$2.50 per \$1,000 Assessed Value
Hearing Date and Time	September 22 @ 5:00
Commissioner Discussion	September 15 @ 2:00
Date Review Prepared	September 8, 2020

Background

In 2010, Portland Public Schools completed a “Sustainable Financing Plan” based on a long-range facility plan¹ that showed a need to modernize most of its 88 schools, (the “Subway Tile” series of general obligation bond measures). The concept was to select three schools for modernization, seek voter approval for a bond measure to pay for those modernizations, and, in four years, complete the projects and pay down most of the debt service. Then the district would select another set of schools and seek voter approval for a second bond measure. In this way, the district could maintain a level debt service obligation and property tax rate of \$2.50 per \$1,000 Assessed Value for the three decades and seven bond authorizations it would take to complete the modernization projects.



¹ The 2012 update of that plan is at

[https://www.pps.net/cms/lib/OR01913224/Centricity/ModuleInstance/27137/2012%20LRFP - PDF_1_.pdf](https://www.pps.net/cms/lib/OR01913224/Centricity/ModuleInstance/27137/2012%20LRFP_-_PDF_1_.pdf)



This Ballot Measure, number 26-215, is the third of the planned seven bond authorizations. It is for \$1.2 billion and the district states that the measure is not expected increase its GO Bond tax rate above the current of \$2.50 per \$1,000 Assessed Value.

In the Sustainable Financing Plan, this authorization was planned as a \$750 million bond issue. It exceeds that amount by \$450 million. Again, the district says that this can be done while staying within the estimated \$2.50 rate.

The following charts show the three previous bond measure election results and the amount of debt issued to date.

Portland Public Schools General Obligation Bond Measure Election Results						
Election	Measure #	Amount	Yes Votes	No Votes	Total Votes	% Yes
May 2011	26-121	\$548 Million	60,337	61,005	121,342	49.7%
Nov 2012	26-144	\$482 Million	161,603	82,485	244,088	66.2%
May 2017	26-193	\$790 Million	80,111	41,254	121,365	66.0%

Nov 2012 Ballot Measure 26-144: \$482 Million		
Date	Issue Series	Par Amount
May 2013	2013A	76,265,000
May 2013	2013B	68,575,000
April 2015	2015A	30,300,000
April 2015	2015B	244,700,000
August 2017	2017B	62,160,000
Total Issued		482,000,000

May 2017 Ballot Measure 26-193 \$790 Million		
Date	Issue Series	Par Amount
August 2017	2017A	168,950,000
August 2017	2017B	179,730,000
April 2020	2020	441,320,000
Total Issued		790,000,000

These two prior bond measures have financed the following school modernizations and paid for roof replacements, seismic strengthening, improved building accessibility, middle school science lab updates, fire alarm and sprinkler system improvements, and clean water upgrades. Completed projects are noted as open, others show the planned date of completion.

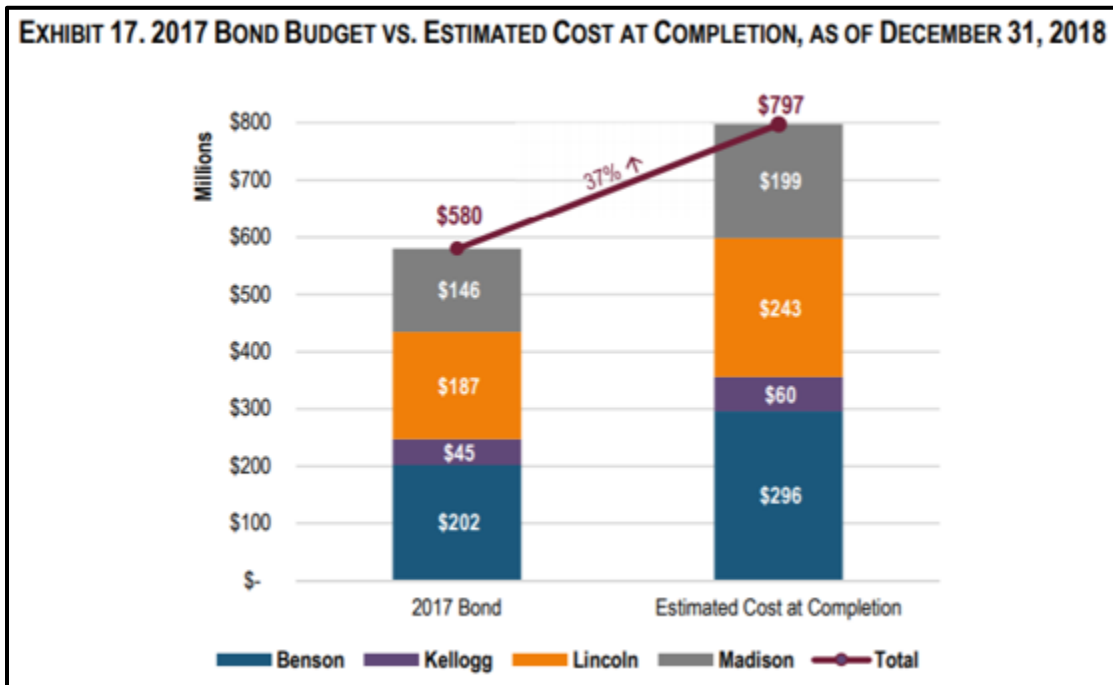
- Roosevelt High School (Open)
- Franklin High School (Open)
- Lincoln High School (2023)
- Madison High School (2021)
- Grant High School (Open)
- Benson Polytechnical High School and Multiple Pathways to Graduation program facilities ²
- Faubion PK-12 (Open)
- Kellogg Middle School (2020)

This bond measure is \$450 million higher (60%) than originally planned in the Financial Sustainability Plan. There are two reasons for this: cost overruns and the addition of projects not envisioned in the long-range facilities plan.

² Phase three construction of these facilities is scheduled to begin in 2021 using funding from this 2020 bond measure.



The cost overruns on the current projects were identified two years ago. The chart on the next page shows the scope of the problem. The chart comes from an April 2019 report by a consulting firm hired by the district to determine the cause of the cost overruns³. The report provided a number of reasons for the overruns, but the upshot is that this bond measure includes a second round of funding for Benson and defers funding for other high school modernizations.



The project expansion issue is the inclusion in the last bond measure and this one, of tangential facilities issues triggered by current issues. In 2017, the issue was the public disclosure of the presence of lead in school drinking water and this year it is the COVID-19 pandemic and cultural equity issues. Additionally, this bond measure includes curriculum materials.

The Purpose of the Bond Measure

The purpose of this bond measure is to modernize Jefferson High School, complete the modernization of Benson High School, design and do pre-construction work on Cleveland and Wilson High Schools, and plan for additional capacity at Roosevelt High School. Multiple smaller projects and acquisitions are also planned.

The Impact on Property Taxes

In conformance with the Sustainable Financing Plan, the district states that this ballot measure will not increase GO Bond taxes above the current rate of \$2.50. That is because by the time the district issues the bonds, its annual debt service will be reduced enough to allow for the additional debt service bonds to be generated by this ballot measure. The following chart shows that the debt service for Series 2017A

³ <https://www.pps.net/cms/lib/OR01913224/Centricity/Domain/219/Final%20Bond%20Packet.pdf>



was retired last year and a \$43 million debt service payment for Series 2015B this year will reduce the debt service load for FY22 allowing for new debt service due to this bond measure.

Portland Public Schools - Debt Service Requirements as of 6-30-20						
\$ Millions						
Debt Series:	2013B	2015 B	2017 A	2017 B	2020	Total Annual
Amount:	\$ 145	\$ 245	\$ 169	\$ 253	\$ 441	Debt Service
FY19	\$ 5	\$ 28	\$ 78	\$ 9	\$ -	\$ 120
FY20	\$ 5	\$ 29	\$ 19	\$ 72	\$ -	\$ 124
FY21	\$ 5	\$ 43	\$ -	\$ 8	\$ 55	\$ 111
FY22	\$ 5	\$ 11	\$ -	\$ 8	\$ 60	\$ 84
FY23	\$ 5	\$ 11	\$ -	\$ 9	\$ 53	\$ 77
FY24	\$ 5	\$ 11	\$ -	\$ 9	\$ 54	\$ 80
FY25	\$ 6	\$ 11	\$ -	\$ 9	\$ 56	\$ 82
FY26	\$ 6	\$ 12	\$ -	\$ 9	\$ 36	\$ 63

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The ability to not exceed the \$2.50 depends on:

- the size of the debt issuance,
- the interest rate on the bonds sold, and
- the future assessed value growth of properties in the district’s geographic boundaries.

Of these three factors, the district controls only the size of the issue.

Of course, if the ballot measure does not pass, the district’s GO Bond tax rate will decrease as debt service is paid down. If this measure fails, a rough estimate of the FY22 composite bond rate is \$1.55.

Portland Public Schools	
FY20 Property Tax Rates	
Permanent Rate	\$ 5.2771
Local Option Rate	1.9900
GO Bond Rate	2.4053
Total	\$ 9.6724

Portland Public Schools has the highest total tax rate of any district in the county, \$9.6742.

The total combined tax rates for all taxing districts within the geographic boundaries of the district varies based on the conglomeration of multiple taxing districts located in any one geographic area (formally called Levy Code Areas). In Levy Code Area 072, for instance, (Far northwest Portland), the total rate is \$19.9914 and PPS’ portion is 48% of that rate. In Levy Code Area 001, the total rate is \$25.3208 and PPS’ portion is 38% of the total. The primary difference between the two Tax Code Areas is that the City of Portland is in the latter.

Compression is not an issue for this property tax measure because bond measures are exempt from property tax limitations.



Use of the Funds

The bond measure materials state that funds will be used for the following projects.

Educational Investments

- Replace outdated, incomplete textbooks and curriculum materials with comprehensive, culturally relevant, and current curriculum materials across core and supplemental subject areas;
- Replace or provide student tablets and laptops to provide equitable access and to support classroom and distance learning, and update classroom and district technology; and
- Provide flexible, adaptive special education learning spaces and technology tools.

Health & Safety Investments

- Remove barriers to accessibility in schools across the district;
- Repair or replace leaking or deteriorating school roofs;
- Seismically retrofit up to three schools;
- Repair or replace high-priority mechanical systems (heating, cooling and ventilation); and
- Update classroom door locks, install security camera systems, and upgrade or replace intrusion alarm systems to strengthen security.

School Modernizations & Rebuilds

- Modernize Jefferson High School; master plan and design toward a Center for Black Student Excellence community vision, and fund initial focused investments in neighborhood schools and facilities in North and Northeast Portland aligned with the plan.
- Design and complete pre-construction work to modernize Cleveland and Wilson High Schools; plan and design for additional capacity, including at Roosevelt High School; and
- Complete Benson Polytechnic High School and construct an alternative school programs building on Benson's campus.

The district has modified the original intent of the sequential bond measure program slightly since it was established in 2010. The first bond issue was limited in scope to facility improvements only. Three schools were renovated, one was replaced, roofs in several schools were replaced, buildings were strengthened against earthquakes, science classrooms were upgraded and ADA improvements made.

The second bond measure deviated slightly from the facilities improvement purpose of the sequential bond program. Just as the measure was being prepared for a 2016 election, it was waylaid by the public disclosure that lead was in the drinking water of district facilities. To make a long story short, the public alarm over lead in the water sent district officials off to test for lead paint, asbestos, radon, and alarm and fire sprinkler system deficiencies. The district identified \$150 million in hazard remediation needs and the bond measure was revamped and put forth in 2017 with \$150 million of the \$790 million measure slated for district-wide health and safety upgrades.



Just as the current events of that period altered plans for the last bond measure, this 2020 measure includes items that respond to current issues: COVID-19, the Black Lives Matter movement, and the needs of special education students. Along with facility renovations and repairs, the measure expands the use of the Sustainable Financing Plan to include “Educational Improvements” such as “culturally relevant” curriculum materials, laptop computers to provide “equitable access” and support distance learning, and “flexible and adaptive” special education learning supports.

Allocation of the Funds

Early this year, the PPS Board proposed three options for this bond measure: \$584 million, \$785 million, or \$1 billion. The following chart shows the projects and costs included in each option and the configuration of the final, bond measure project list and costs.

Portland Public Schools				
Componets of Options and Final Choice				
\$ Millions				
	Option 1	Option 2	Option 3	Measure 26-215
Educational Improvements	\$157	\$189	\$161	\$229
Health and Safety Projects	151	209	199	184
Modernization and Rebuilds:				
Benson Polytechnical HS Completion	138	138	138	152
Jefferson High School Modernizatin	---	---	320	311
Multiple Paths to Graduation Program Building	62	62	62	64
Design/Pre-construction of 3 High Schools	---	75	---	---
Design/Pre-construction of 2 High Schools	---	---	40	40
Other Improvements/Design	---	10	---	12
Center for Black Student Excellence	---	---	---	60
Management (@ 5% in each option/6% in Measure)	25	34	44	63
Project Contingency (10%)	51	68	87	93
Totals	\$584	\$785	\$1,051	\$1,208

The following chart summarizes the specific changes that went into the final package and the chart on the following page details the components of the package selected for the bond measure.

Portland Public Schools				
Bond Measure Proposal v Final Configuration				
\$ Millions				
Expenditure Category	Option 3	BM 26-215	Change	
Educational and Accessibility Improvements	\$ 161	\$ 229	\$ 68	42%
Health and Safety Projects	\$ 199	\$ 184	\$ (15)	-7%
Modernizations and Rebuilds	\$ 560	\$ 639	\$ 79	14%
Management Costs (6%)	\$ 44	\$ 63	\$ 19	44%
Contingency (excluding Curr & Tech) (10%)	\$ 87	\$ 93	\$ 6	7%
Total	\$ 1,051	\$ 1,208	\$ 157	15%



Proposed Bond Renewal Option	
BONDS TO IMPROVE HEALTH, SAFETY, LEARNING BY MODERNIZING, REPAIRING SCHOOLS <i>Shall Portland Public Schools repair, modernize schools; replace technology, and update curriculum; by issuing bonds estimated to maintain current tax rate?</i>	
Educational & Accessibility Improvements:	\$228.8M
Curriculum	53.4M
Technology	128.2M
Special Education Investments	13.4M
ADA Accessibility	33.8M
Health & Safety Projects	\$183.8M
Roofs	65.7M
Mechanical	75.0M
Security	25.9M
Seismic	17.2M
Modernizations & Rebuilds:	\$639.0M
Jefferson High School: Modernization	311.0M
Center for Black Student Excellence: Planning, Design, Phased Construction	60.0M
Cleveland/Wilson High Schools: Planning, Design, Pre-Construction	40.0M
Benson Polytechnic High School: Completion	152.0M
Multiple Pathways to Graduation: Facility Construction	64.0M
Capacity/Enrollment/Design	12.0M
Management (6%):	63.0M
Program Contingency excluding Curriculum and Technology (10%):	93.3M
Total	\$1.208B

Other Provisions

The ballot measure title includes this provision:

Oversight and Accountability - A group of community members will review reports and independent audits of bond expenditures to provide accountability to the public.

This is a reference to a long-standing citizen oversight committee that meets quarterly to take public comment, review project progress and budget reports, and contribute to planning of future projects and bond measures. The committee web site is at <https://www.pps.net/Page/464>.



Summary of the Tax Measure

This bond measure is the third of a planned seven bond measures to be issued over three decades to modernize or replace many of the district's over 100 buildings. The bond measures comprise the Sustainable Funding Plan, developed in 2010 following the conclusion of a long-range facilities plan.


These bond authorizations were planned with four-year terms that match to the time it takes to design and construct the schools. This 4-year cycle will allow the district to maintain a constant debt service tax levy for the duration of the effort. The target levy is \$2.50 and after issuing bonds under the first two measures, the rate has not exceeded that amount. Sufficient debt service will be retired in the next 18 months to allow for the debt service required by the new bonds issued under this measure and not exceed the \$2.50 levy rate.

Notice of Measure Election and Attachments

Notice of Measure Election District

26-215

SEL 803
FOR ELECTIONS AND MEASURES
REGISTRATION, FILING, AND FILING FEES

Notice			
Date of Notice 8/26/20	Name of District Portland Public Schools	Name of County or Counties Multnomah, Washington	Date of Election 11/3/20
Final Ballot Title The following is the final ballot title of the measure to be submitted to the district's voters. The ballot title notice has been published and the ballot title challenge process has been completed.			
Caption 10 words which reasonably identifies the subject of the measure.			
Bonds to Improve Health, Safety, Learning by Modernizing, Repairing Schools			
Question 20 words which plainly phrases the chief purpose of the measure.			
Shall Portland Public Schools repair, modernize schools; replace technology, curriculum; by issuing bonds estimated to maintain current tax rate? 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 which concisely and impartially summarizes the measure and its major effect.			
See attached			
			
Explanatory Statement 500 words that impartially explains the measure and its effect.			
If the county is producing a voters' pamphlet an explanatory statement must be drafted and attached to this form for: → any measure referred by the district elections authority; or → any initiative or referendum, if required by local ordinance.			
			Explanatory Statement Attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Authorized District Official Not required to be notarized.			
Name Guadalupe Guerrero		Title Superintendent	
Mailing Address 501 N. Dixon St. Portland, OR 97227		Contact Phone 503-916-3200	
By signing this document: → I hereby state that I am authorized by the district elections authority to submit this Notice of Measure Election; and → I certify that notice of receipt of ballot title has been published and the ballot title challenge process for this measure completed.			


Signature

08/26/2020
Date Signed

Notice of Measure Election and Attachments

Portland Public Schools

November 3, 2020 election

CAPTION (10 words)

Bonds to Improve Health, Safety, Learning by Modernizing, Repairing Schools

QUESTION (20 words + required language)

Shall Portland Public Schools repair, modernize schools; replace technology, curriculum; by issuing bonds estimated to maintain current tax rate?

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)

Measure authorizes up to \$1.208 billion in principal amount of general obligation bonds for facilities and education investments. Measure is not expected to increase tax rates above previous targets, because debt service is scheduled to decline.

If approved, this measure would finance capital costs, including projects that:

- Provide curriculum materials, technology, accessibility improvements;
- Repair/replace roofs, mechanical systems;
- Renovate/replace schools, including Jefferson, Benson, a facility for alternative school programs; design renovation/replacement of Cleveland and Wilson; plan and add additional capacity;
- Develop a culturally-responsive community plan, make targeted investments in facilities in North/Northeast Portland;
- Strengthen building security; seismic safety.

Requires citizen accountability/oversight; independent audits of projects and expenditures.

Bonds may be issued in one or more series, with each series maturing in 30 years or less.

Due to declining debt service, measure is not expected to increase PPS's bond tax rate above \$2.50/\$1,000 assessed value, the same rate that has been targeted since the 2017 bond issue. Actual rates may differ based on interest rates and changes in assessed value.

Notice of Measure Election and Attachments

**Portland Public Schools Bond Renewal
Measure Explanatory Statement
November 3, 2020 election**

EXPLANATORY STATEMENT (500 words)

In 2012 and 2017, voters approved capital bonds that funded improvements to many of Portland Public Schools' aging buildings, creating modern, safer places for students to learn. Over the past eight years:

- Roosevelt, Franklin, and Grant High Schools were modernized, Faubion PK-8 rebuilt, full plans for Benson High School's modernization were completed; and
- Madison High School's modernization and rebuilds of Lincoln High School and Kellogg Middle School are underway.

In addition, the bond program has addressed infrastructure needs at every school throughout district:

- Replacing plumbing to remove lead, improve water quality;
- Removing or encapsulating exposed lead paint and asbestos;
- Upgrading fire alarm and sprinkler systems;
- Repairing or replacing leaking or deteriorating roofs, with improved seismically strengthened roofs;
- Seismic retrofitting;
- Improving accessibility for people with disabilities;
- Mitigating radon exposure;
- Strengthening school safety and security; and
- Upgrading science labs.

The proposed bonds would fund additional health, safety, and learning needs in schools across the district, while continuing PPS's plan to comprehensively address facility needs by modernizing all of our schools over the long term. These priorities are informed by the recently released Facilities Condition Assessment and community engagement.

If approved, this measure would finance capital costs, including projects that address COVID-related needs.

If approved by voters, this measure is not expected to increase tax rates above the level targeted by the 2017 bond.

What would the bonds fund?

Notice of Measure Election and Attachments

Educational Investments

- Replace outdated textbooks and curriculum materials with comprehensive, culturally relevant, and current curriculum materials across core and supplemental subject areas;
- Replace or provide student tablets and laptops to provide equitable access and to support classroom and distance learning, and update classroom and district technology; and
- Provide flexible, adaptive special education learning spaces and technology tools.

Health & Safety Investments

- Remove barriers to accessibility in schools across the district;
- Repair/replace leaking or deteriorating school roofs;
- Seismically retrofit up to three schools;
- Repair/replace high-priority mechanical systems (heating, cooling and ventilation); and
- Update classroom door locks, install security camera systems, and upgrade or replace intrusion alarm systems to strengthen security.

School Modernizations & Rebuilds

- Modernize Jefferson High School; master plan and design toward a Center for Black Student Excellence community vision; and fund initial focused investments in neighborhood schools and facilities in North and Northeast Portland aligned with the plan;
- Design and complete preconstruction work to modernize Cleveland and Wilson High Schools and to add capacity to Roosevelt High School; plan/add additional capacity, potentially for middle schools; and
- Complete Benson Polytechnic High School and construct an alternative school programs building on Benson's campus.

What would the bonds cost?

Because the tax rate on existing bonds is scheduled to decline, PPS's bond tax rate is not expected to exceed \$2.50 per \$1,000 assessed value, the same level previously targeted in the 2017 bond.

The total principal amount of bonds authorized by this measure cannot exceed \$1.208 billion.

Oversight and Accountability

A group of community members will review reports and independent audits of bond expenditures to provide accountability to the public.

Submitted by:
Guadalupe Guerrero
Superintendent, Portland Public Schools