



# Capital Bond Update

## *Recent Elections and Implications for the Future*

Board of Directors 2020-21 Planning Workshop

Tuesday, August 18, 2020



## Strategic links

- 4.1.a Long-term planning in finances, staffing, technology, and facilities are intentionally and systematically driven by student enrollment, learning measures and strategic priorities.
- S.1.b Enhance board effectiveness through board study sessions, community engagement, and conferences
- S.3.b Determine capital bond priorities in support of the strategic plan
- S.4.b Monitor key strategic priorities progress



## Objectives

- Review the recent bond election and election history
- Review current levy and bond tax structure, and implications of options relating to possible future elections.
- Develop shared perspective to guide planning and development of possible future capital bond and levy proposals



## Capital facility needs

- New schools and property
- Modernizations
- Building system upgrades
- Program-related upgrades and enhancements
- Technology equipment and systems
- Site improvements

## Capital funding sources

- Capital bonds and levies
- State construction assistance funds (SCAP)
- School impact and mitigation fees
- Property leases and sales, interest, grants and miscellaneous



## Guiding principles for bond planning

1. Community Input: Consider in some manner the key themes raised by the community over the last several months as well as community input and feedback on the proposed Committee recommendation
2. Enrollment: Consider the need for new classrooms and property to house current and future students, particularly at the high school and elementary school levels in the south end of the district
3. Aging Facilities: Consider the need to modernize schools based on age as well as condition, and the need to replace or upgrade building systems such as HVAC, roofing, flooring, plumbing and electrical; and



## Guiding principles - continued

4. Educational Programs: Consider the need to upgrade existing buildings to accommodate new or enhanced educational programs such as science, technology, engineering, and math
5. Safety and Security: Consider the need to improve safety and security in district facilities to better protect staff and students, especially at Cascade High School and Everett High School
6. Technology: Consider the need to provide new, enhanced, and replacement technology infrastructure and equipment for instruction and support operations
7. Property Taxes: Consider the variables affecting future tax rates, the difficulties in predicting future tax rates, and the sensitivity the community has to increasing tax rates.



## Bond and levy framework

### Educational Programs & Operations Levy (aka M&O levy)

- State calls this an “Enrichment Levy”
- Deposited into the General Fund for non-basic education purposes
- Supports district operations, activities, athletics, and unfunded state programs
- 2-4 years in duration, and only one levy can be in effect at any one time

### Capital Levy

- Deposited into the Capital Fund and used for capital purposes
- Supports technology, software licenses, and building improvements
- Levies typically not big enough to support major construction (except Seattle)
- 2-6 years in duration and multiple levies can be in effect at the same time

### Capital Bonds

- More restrictive than capital levies
- Bonds are issued and repaid in 15 -20 years, and multiple bonds can be in effect at the same time
- Bonds are usually sold in separate packages of around \$50 million to \$75 million each



## Election information

- Levies require a simple majority (50% plus one) yes vote to pass
- Bonds require a super majority (60%) yes vote to pass and the election must meet validation requirements – voter turnout must equal or exceed 40% of the number of voters who voted in the last general election
- Four elections are held each year – February, April, August, and November





## Recent EPS capital bond elections

- 2014 February – Failed with 58.13 percent yes votes
- 2014 April – Failed with 58.58 percent yes votes
- 2016 April – **Passed** with 62.23 percent yes votes
- 2018 February – Failed with 55.44 percent yes votes
- 2020 August – Failed with 58.81 percent yes vote



## Bond and levy cycle - 1990 to 2030

|                                            | Previous Bonds and Levies |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | Potential Future Bonds and Levies |      |      |      |      |
|--------------------------------------------|---------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-----------------------------------|------|------|------|------|
|                                            | 1990                      | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2004 | 2006 | 2008 | 2010 | 2012 | 2014 | 2016 | 2018 | 2020 | 2022                              | 2024 | 2026 | 2028 | 2030 |
| Capital Bonds                              | X                         |      |      | X    |      |      | X    |      | X    |      |      |      |      | X    |      |      | O                                 |      | O    |      | O    |
| Capital Levies                             |                           | X    |      |      |      |      |      |      |      |      | X    |      |      | X    |      |      | O                                 |      |      | O    |      |
| Educational Programs And Operations Levies | X                         | X    | X    | X    | X    | X    | X    |      | X    |      | X*   |      | X    |      | X    |      | O                                 |      | O    |      | O    |

X = Approved

O = Future - TBD

X\* = Educational Programs and Operations Levy + Supplemental Educational Programs and Operations Levy



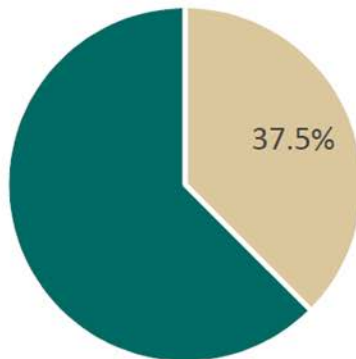
= Years when a bond or levy failed



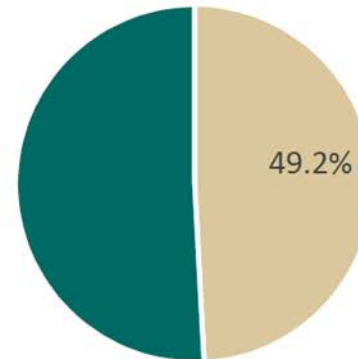
## Discussion

- When there are two capital measures on a ballot, is there less support than if there was only one?

Multiple Proposition Bond Issues  
(w/Capital Projects Levy) Passage Rate  
Since 2016



Total Bond Passage Rate  
Since 2016



Source: DA Davidson



## Discussion

### Election Analysis

Ballots with Multiple Propositions (Capital Projects Levy and Bond) - Since 2016

| School District | Date   | Bond   | CPF    | Notes  | Additional Results                                  |
|-----------------|--------|--------|--------|--------|-----------------------------------------------------|
| Tukwila         | Feb-16 | 68.24% | 71.89% |        |                                                     |
| Bethel          | Feb-18 | 53.98% | 53.12% | W/EP&O | Previous solo bond 59.22%, passed next solo attempt |
| Lake Washington | Feb-18 | 54.02% | 55.24% | W/EP&O |                                                     |
| Northshore      | Feb-18 | 60.78% | 61.76% | W/EP&O |                                                     |
| South Kitsap    | Nov-18 | 55.86% | 57.05% |        | Previous solo bond 51.93%                           |
| Arlington       | Feb-20 | 52.72% | 52.91% | W/EP&O | Previous solo bond 52.57%                           |
| Edmonds         | Feb-20 | 56.33% | 58.26% |        |                                                     |
| Pullman         | Feb-20 | 78.26% | 80.55% | W/EP&O |                                                     |

Passed 3 37.5%

Historical School Bonds Pass Average (Since 2000) 42.7% (804 attempts/issues)

Historical School Bonds Pass Average (Since 2016) 49.2% (177 attempts/issues)

Source: DA Davidson



## Discussion

- Could we have two capital levies in effect at the same time?
  - Yes - the current capital levy passed in 2016 was a six-year levy and will expire in 2022
- Could we use a new capital levy to meet critical needs and utilize the lower tax rates until we pass a bond?
  - Yes – but the earliest election possible would be February 2021 and if successful it would not impact tax rates until 2022
  - Tax rates will still go down in 2021 from an estimated \$4.78 per thousand dollars of assessed valuation to about \$3.90 per thousand.
  - By 2022 tax rates are estimated to go down to \$3.66 per thousand



## Potential future bonds and levies

Potential Future Bonds and Levies

|                                               | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-----------------------------------------------|------|------|------|------|------|------|------|------|------|------|
| Capital Bonds                                 |      | O    |      |      |      | O    |      |      |      | O    |
| Capital Levies                                |      | O    |      |      |      |      |      | O    |      |      |
| Educational Programs<br>And Operations Levies |      | O    |      |      |      | O    |      |      |      | O    |

X = Approved

O = Future - TBD

X\* = Educational Programs and Operations Levy + Supplemental Educational Programs and Operations Levy

## Election information

- The deadline has passed for a November 2020 ballot measure
- Tax measures typically begin impacting tax rates a year later



## Discussion

- What did the board learn from the review of election results and history?
- What are the key factors the board must consider in moving forward?
- What will be the board's shared perspective regarding future capital ballot elections?