

Facilities future year modernization projections

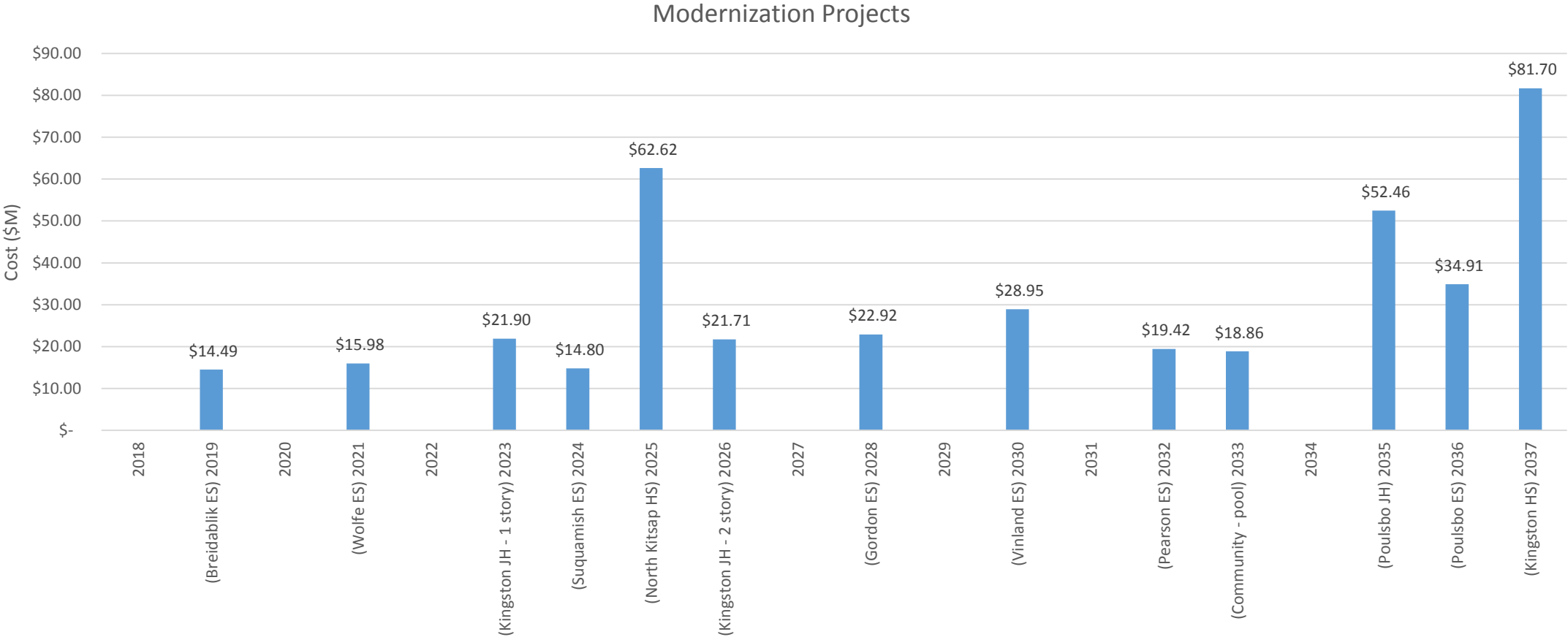
Discussion Agenda

- Review of last time
- List of needs
- Recommended strategy for future funding
- Updated funding scenarios
- Options for future elections
- Updated needs projections

Summary from Last Presentation

- From last presentation: To modernize on schedule with inflation escalation assumptions
 - ~\$411M
 - Does not include onsite modernizations (fields, grounds)
 - Does not include offsite modernizations (storm drain, traffic enhancements)
- New information
 - Did not include Administration, Transportation, Maintenance buildings
 - Did not include any mid-modernization cycle capital expenditures required before a 30 year cycle
 - HVAC, Roofs, Tech
- Around ~\$500M for in inflation adjusted dollars over next 30 years

Potential Modernization Projects



Immediate and upcoming needs

- Professional outside firm to Value Engineering assessment of all district facilities needs
- HVAC (6 schools past predicted useful service life)
 - PMS
 - Wolfle
 - Vinland (connect to natural gas)
 - Gordon
 - KMS
 - Briedablik
- Breidablik reopening (timing is enrollment/requirement dependent)
- Roofing – Suquamish, Pearson, Administration, PMS Bldg 3
- Security upgrades – Dual cylinder locks more than twice than expected
- Vinland connection to sewer
- Technology refresh

Immediate and upcoming needs

- Vinland/Gordon skylights
- PMS/KMS gym floor
- PMS Bldg 3 electrical upgrades
- NKHS Bldg 900 replacement
- Turf field replacement (PFD agreements)
- Elementary school traffic pattern upgrades
- KHS Baseball field drainage and irrigation
- NKHS softball backstop
- NKHS tech building approaching 30 years old with no modernization

Levy/Bond options

- From last presentation
 - Current Bond payments significantly reduce 2018
 - To maintain tax rates we would need to go to a vote in 2017 or 2018
 - Educational Programs and Operations Levy, EP&O (M&O) Levy to vote in Feb 2018
 - Options
 - Tax dip (vote in 2018)
 - Prepare for Capital Levy in conjunction with EP&O Levy in February 2018
 - Prepare for Capital Bond in conjunction with EP&O Levy in February 2018
 - Maintain tax levels (vote in 2017 and 2018, or 2017,2018,2019)
 - Prepare for 1 year Capital Levy in late spring or fall of 2017 with a following Capital Bond in February of 2018
 - Prepare for 2 year Capital Levy in late spring or fall of 2017 with a following Capital Bond in February of 2019

Levy/Bond options

- Updated recommendation

- In the past we have carried bond payments for modernization and build of KHS
- Future recommendation: run a Capital levy in same election cycles as M&O levies
 - Allows for updated estimates for current construction costs
 - Allows for more frequent assessment of actual factual needs
 - Allows stabilized tax rates
 - Allows for a continuous level loaded cycle of recapitalization of district facilities on a perpetual and cyclical basis
 - Supplement with “smaller” Bonds when big projects necessitate
 - Collects funding upfront with a pay-as-you-go philosophy instead of paying interest on loans

Maintain Current tax rates

Calculation Factors																						
Rating:	Aa1 (State Guarantee); Aa2 (Underlying)																					
Interest Rates:	2019 Issue: Current Plus 1.00 Percent All Other Issues: Current Plus 1.00 Percent																					
Assessed Value Increases at:	<table> <tr> <td></td> <td>R&P</td> <td>Timber</td> </tr> <tr> <td>2017</td> <td>9.43%</td> <td>25.94%</td> </tr> <tr> <td>2018</td> <td>2.50%</td> <td>0.00%</td> </tr> <tr> <td>2019</td> <td>2.50%</td> <td>0.00%</td> </tr> <tr> <td>2020 - 2066</td> <td>2.50%</td> <td>0.00%</td> </tr> </table>		R&P	Timber	2017	9.43%	25.94%	2018	2.50%	0.00%	2019	2.50%	0.00%	2020 - 2066	2.50%	0.00%						
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Issue Structure:	Combined Level Tax Rate																					
	<table> <tr> <td>Phase 1: \$25,250,000</td> <td>Phase 2: \$37,500,000</td> <td>Total</td> </tr> <tr> <td>Issue 1</td> <td>Issue 2</td> <td>Issue 3</td> </tr> <tr> <td>6/1/2019</td> <td>6/1/2020</td> <td>6/1/2025</td> </tr> <tr> <td>Issue 4</td> <td>6/1/2026</td> <td></td> </tr> <tr> <td>\$12,625,000</td> <td>\$12,625,000</td> <td>\$18,750,000</td> </tr> <tr> <td></td> <td></td> <td>\$18,750,000</td> </tr> <tr> <td></td> <td></td> <td>\$62,750,000</td> </tr> </table>	Phase 1: \$25,250,000	Phase 2: \$37,500,000	Total	Issue 1	Issue 2	Issue 3	6/1/2019	6/1/2020	6/1/2025	Issue 4	6/1/2026		\$12,625,000	\$12,625,000	\$18,750,000			\$18,750,000			\$62,750,000
Phase 1: \$25,250,000	Phase 2: \$37,500,000	Total																				
Issue 1	Issue 2	Issue 3																				
6/1/2019	6/1/2020	6/1/2025																				
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\$12,625,000	\$12,625,000	\$18,750,000																				
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		\$62,750,000																				
Bonds Issued:																						
Issue Size:																						

NOTES:
(1) Certified levy amount.
(2) Voter approved levy amount.

Levy Year	Bond Assessed Value	M&O Assessed Value	(in 1,000's)						Total Bonds	Capital Levy	M&O Levy
			Prior Debt	2019 Issue	2020 Issue	2025 Issue	2026 Issue				
2017	\$6,674,340	\$6,669,186	\$8,341	\$0	\$0	\$0	\$0	\$8,341	\$0	\$17,457 (1)	
2018	6,840,941	6,835,787	3,894	0	0	0	0	3,894	6,500	17,950 (2)	
2019	7,011,707	7,006,553	0	0	0	0	0	0	6,500	18,399	
2020	7,186,742	7,181,588	0	2,740	0	0	0	2,740	6,663	18,859	
2021	7,366,153	7,360,999	0	1,452	1,334	0	0	2,786	6,829	19,330	
2022	7,550,049	7,544,895	0	1,488	1,357	0	0	2,845	7,000	19,813	
2023	7,738,542	7,733,389	0	1,520	1,394	0	0	2,914	7,175	20,309	
2024	7,931,748	7,926,594	0	1,558	1,427	0	0	2,985	7,354	20,816	
2025	8,129,784	8,124,630	0	1,597	1,467	0	0	3,064	7,538	21,337	
2026	8,332,771	8,327,617	0	430	673	2,048	0	3,151	7,726	21,870	
2027	8,540,833	8,535,679	0	442	686	811	1,279	3,218	7,920	22,417	
2028	8,754,096	8,748,942	0	452	703	996	1,175	3,326	8,118	22,978	
2029	8,972,691	8,967,537	0	461	723	1,020	1,209	3,413	8,321	23,552	
2030	9,196,750	9,191,596	0	470	747	1,042	1,235	3,493	8,529	24,141	
2031	9,426,411	9,421,257	0	482	764	1,068	1,269	3,582	8,742	24,744	
2032	9,661,814	9,656,660	0	492	783	1,097	1,296	3,669	8,960	25,363	
2033	9,903,101	9,897,948	0	507	796	1,124	1,336	3,764	9,184	25,997	
2034	10,150,421	10,145,267	0	520	817	1,150	1,368	3,855	9,414	26,647	
2035	10,403,924	10,398,770	0	532	841	1,178	1,401	3,952	9,649	27,313	
2036	10,663,765	10,658,611	0	541	862	1,210	1,437	4,050	9,891	27,996	
2037	10,930,101	10,924,947	0	555	885	1,238	1,470	4,148	10,138	28,696	
2038	11,203,096	11,197,942	0	571	901	1,275	1,504	4,250	10,391	29,413	
2039	11,482,915	11,477,762	0	0	1,508	1,303	1,545	4,356	10,651	30,148	
2040	11,769,731	11,764,577	0	0	0	2,884	1,581	4,465	10,917	30,902	
2041	12,063,716	12,058,562	0	0	0	2,951	1,624	4,575	11,190	31,675	
2042	12,365,051	12,359,898	0	0	0	3,029	1,662	4,691	11,470	32,467	
2043	12,673,920	12,668,766	0	0	0	3,102	1,705	4,807	11,757	33,278	
2044	12,990,510	12,985,357	0	0	0	3,179	1,747	4,926	12,051	34,110	
2045	13,315,015	13,309,862	0	0	0	0	5,049	5,049	12,352	34,963	
2046	13,647,633	13,642,479	0	0	0	0	0	0	12,661	35,837	
Total Debt Service:				\$16,811	\$18,668	\$31,705	\$30,892			\$265,589	
Total Interest:				\$4,186	\$6,043	\$12,955	\$12,142				
Net Interest Cost:				4.31%	4.46%	4.62%	4.58%				

North Kitsap 42

Projected Tax Rates									
Prior Debt	2019 Issue	2020 Issue	2025 Issue	2026 Issue	Total Bonds	Capital Levy	M&O Levy	Combined Tax Rates	
\$1.25	\$0.00	\$0.00	\$0.00	\$0.00	\$1.31	\$0.00	\$2.62	\$3.93	
0.57	0.00	0.00	0.00	0.00	0.57	0.95	2.63	4.15	
0.00	0.00	0.00	0.00	0.00	0.00	0.93	2.63	3.55	
0.00	0.38	0.00	0.00	0.00	0.38	0.93	2.63	3.93	
0.00	0.20	0.18	0.00	0.00	0.38	0.93	2.63	3.93	
0.00	0.20	0.18	0.00	0.00	0.38	0.93	2.63	3.93	
0.00	0.20	0.18	0.00	0.00	0.38	0.93	2.63	3.93	
0.00	0.20	0.18	0.00	0.00	0.38	0.93	2.63	3.93	
0.00	0.20	0.18	0.00	0.00	0.38	0.93	2.63	3.93	
0.00	0.05	0.08	0.25	0.00	0.38	0.93	2.63	3.93	
0.00	0.05	0.08	0.09	0.15	0.38	0.93	2.63	3.93	
0.00	0.05	0.08	0.11	0.13	0.38	0.93	2.63	3.93	
0.00	0.05	0.08	0.11	0.13	0.38	0.93	2.63	3.93	
0.00	0.05	0.08	0.11	0.13	0.38	0.93	2.63	3.93	
0.00	0.05	0.08	0.11	0.13	0.38	0.93	2.63	3.93	
0.00	0.05	0.08	0.11	0.13	0.38	0.93	2.63	3.93	
0.00	0.05	0.08	0.11	0.13	0.38	0.93	2.63	3.93	
0.00	0.05	0.08	0.11	0.13	0.38	0.93	2.63	3.93	
0.00	0.00	0.13	0.11	0.13	0.38	0.93	2.63	3.93	
0.00	0.00	0.00	0.25	0.13	0.38	0.93	2.63	3.93	
0.00	0.00	0.00	0.24	0.13	0.38	0.93	2.63	3.93	
0.00	0.00	0.00	0.24	0.13	0.38	0.93	2.63	3.93	
0.00	0.00	0.00	0.24	0.13	0.38	0.93	2.63	3.93	
0.00	0.00	0.00	0.00	0.13	0.38	0.93	2.63	3.93	
0.00	0.00	0.00	0.00	0.38	0.38	0.93	2.63	3.93	
0.00	0.00	0.00	0.00	0.00	0.00	0.93	2.63	3.55	

The \$515M bond/levy scenario

Calculation Factors					
Rating:	Aa1 (State Guarantee); Aa2 (Underlying)				
Interest Rates:	2019 Issue: Current Plus 1.00 Percent All Other Issues: Current Plus 1.00 Percent				
Assessed Value Increases at:		R&P	Timber		
	2017	9.43%	25.94%		
	2018	2.50%	0.00%		
	2019	2.50%	0.00%		
	2020 - 2066	2.50%	0.00%		
Issue Structure:	Combined Level Tax Rate				
Bonds Issued:	Phase 1: \$100,000,000		Phase 2: \$150,000,000		Total
	Issue 1 6/1/2019	Issue 2 6/1/2020	Issue 3 6/1/2025	Issue 4 6/1/2026	
Issue Size:	\$50,000,000	\$50,000,000	\$75,000,000	\$75,000,000	\$250,000,000

NOTES:
 (1) Certified levy amount.
 (2) Voter approved levy amount.

Levy Year	Bond Assessed Value	M&O Assessed Value	(in 1,000's)							Capital Levy	M&O Levy	
			Debt Service									
			Prior Debt	2019 Issue	2020 Issue	2025 Issue	2026 Issue	Total Bonds				
2017	\$6,674,340	\$6,669,186	\$8,341	\$0	\$0	\$0	\$0	\$8,341	\$0	\$17,457	(1)	
2018	6,840,941	6,835,787	3,894	0	0	0	0	3,894	6,500	17,950	(2)	
2019	7,011,707	7,006,553	0	0	0	0	0	0	6,500	18,399		
2020	7,186,742	7,181,588	0	10,965	0	0	0	10,965	6,663	18,859		
2021	7,366,153	7,360,999	0	3,247	7,945	0	0	11,193	6,829	19,330		
2022	7,550,049	7,544,895	0	3,330	8,062	0	0	11,392	7,000	19,813		
2023	7,738,542	7,733,389	0	3,415	8,259	0	0	11,674	7,175	20,309		
2024	7,931,748	7,926,594	0	3,499	8,467	0	0	11,966	7,354	20,816		
2025	8,129,784	8,124,630	0	3,585	8,679	0	0	12,264	7,538	21,337		
2026	8,332,771	8,327,617	0	3,027	1,267	8,326	0	12,620	7,726	21,870		
2027	8,540,833	8,535,679	0	3,102	1,298	3,236	5,250	12,885	7,920	22,417		
2028	8,754,096	8,748,942	0	3,179	1,332	3,986	4,704	13,201	8,118	22,978		
2029	8,972,691	8,967,537	0	3,259	1,362	4,090	4,818	13,529	8,321	23,552		
2030	9,196,750	9,191,596	0	3,341	1,395	4,188	4,943	13,868	8,529	24,141		
2031	9,426,411	9,421,257	0	3,424	1,430	4,296	5,065	14,216	8,742	24,744		
2032	9,661,814	9,656,660	0	3,509	1,467	4,401	5,194	14,571	8,960	25,363		
2033	9,903,101	9,897,948	0	3,594	1,505	4,510	5,322	14,930	9,184	25,997		
2034	10,150,421	10,145,267	0	3,684	1,539	4,626	5,454	15,303	9,414	26,647		
2035	10,403,924	10,398,770	0	3,774	1,584	4,738	5,590	15,686	9,649	27,313		
2036	10,663,765	10,658,611	0	3,870	1,620	4,856	5,728	16,075	9,891	27,996		
2037	10,930,101	10,924,947	0	3,964	1,661	4,979	5,875	16,479	10,138	28,696		
2038	11,203,096	11,197,942	0	4,064	1,702	5,103	6,021	16,890	10,391	29,413		
2039	11,482,915	11,477,762	0	0	5,908	5,230	6,173	17,311	10,651	30,148		
2040	11,769,731	11,764,577	0	0	0	11,416	6,325	17,740	10,917	30,902		
2041	12,063,716	12,058,562	0	0	0	11,701	6,485	18,186	11,190	31,675		
2042	12,365,051	12,359,898	0	0	0	11,991	6,647	18,639	11,470	32,467		
2043	12,673,920	12,668,766	0	0	0	12,292	6,813	19,105	11,757	33,278		
2044	12,990,510	12,985,357	0	0	0	12,596	6,983	19,579	12,051	34,110		
2045	13,315,015	13,309,862	0	0	0	0	20,070	20,070	12,352	34,963		
2046	13,647,633	13,642,479	0	0	0	0	0	0	12,661	35,837		
Total Debt Service:			\$73,833	\$66,484	\$126,561	\$123,458			\$265,589			
Total Interest:			\$23,833	\$16,484	\$51,561	\$48,458						
Net Interest Cost:			4.47%	4.33%	4.61%	4.58%						

Prior Debt	Projected Tax Rates					Total Bonds	Capital Levy	M&O Levy	Combined Tax Rates
	2019 Issue	2020 Issue	2025 Issue	2026 Issue					
\$1.25	\$0.00	\$0.00	\$0.00	\$0.00	\$1.31	\$0.00	\$2.62	\$3.93	
0.57	0.00	0.00	0.00	0.00	0.57	0.95	2.63	4.15	
0.00	0.00	0.00	0.00	0.00	0.00	0.93	2.63	3.55	
0.00	1.53	0.00	0.00	0.00	1.51	0.93	2.63	5.06	
0.00	0.44	1.08	0.00	0.00	1.51	0.93	2.63	5.06	
0.00	0.44	1.07	0.00	0.00	1.51	0.93	2.63	5.06	
0.00	0.44	1.07	0.00	0.00	1.51	0.93	2.63	5.06	
0.00	0.44	1.07	0.00	0.00	1.51	0.93	2.63	5.06	
0.00	0.44	1.07	0.00	0.00	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	1.00	0.00	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.38	0.61	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.36	0.15	0.46	0.54	1.51	0.93	2.63	5.06	
0.00	0.00	0.00	0.97	0.54	1.51	0.93	2.63	5.06	
0.00	0.00	0.00	0.97	0.54	1.51	0.93	2.63	5.06	
0.00	0.00	0.00	0.97	0.54	1.51	0.93	2.63	5.06	
0.00	0.00	0.00	0.00	1.51	1.51	0.93	2.63	5.06	
0.00	0.00	0.00	0.00	0.00	0.00	0.93	2.63	3.55	

Levy Election options

- 5 year Capital Levy Nov 2017 – 4 year M&O Levy Feb 2018
 - Separate elections - Risk that M&O may not be approved
 - Brings in Capital funding in 2018

Levy Election options

- 5 year Capital Levy Nov 2017 – 4 year M&O Levy Nov 2017 (delay M&O collection until 2019)
 - Synchronized current election – need to get approval from Kitsap County Prosecutor
 - Synchronized future elections
 - Brings in Capital funding in 2018
 - Brings in M&O funding on time in 2019
 - Tax dip minimized in 2018
 - Future elections synchronized
- 4 year Capital Levy Feb 2018 – 4 year M&O Levy Feb 2018
 - Synchronized current election
 - Synchronized future elections
 - Delays Capital funding until 2019 – may need non-voted debt for emergent capital needs. Payoff with Levy funds when received.
 - Tax dip in 2018
 - Future elections synchronized

Summary

- Future facilities funding- run a Capital levy in same election cycles as M&O levies
 - Supplement with smaller Bonds
- Decision point:
 - Separate elections
 - Synchronized elections
 - Nov 2017
 - Feb 2018