



Staff Analysis and Report to the Board

Board Meeting/Work Session Date: July 16, 2019
Senior Lead: Stephanie Soden, Executive Chief of Staff
Claire Hertz, Deputy Superintendent

SUBJECT: Recommendation to refer renewal of Local Option Levy to voters for November 2019 General Election

I. BACKGROUND

Portland Public Schools' five-year local option levy was approved by 70% of the district's voters in November 2014 for a \$1.99 per \$1,000 of assessed property value. Similar to many districts across the state, PPS supplements dollars allocated through the state school fund by administering a local option levy. When passed in 2014, the goal was to fund an additional 640 teaching positions to relieve overcrowding in classrooms and ensure a more equitable staffing model across the district however the district was able to fund significantly more positions:

- 2015-16: 757 teaching positions
- 2016-17: 827 teaching positions
- 2017-18: 790 teaching positions
- 2018-19: 870 teaching positions

In 2019-20, PPS is projected to receive \$96,056,745 of revenue. In order to continue the levy and sustain this level funding for teaching positions in 2020-21, the Board will need to refer the renewal to district voters for approval at the November 5, 2019 general election.

II. RELATED POLICIES/BEST PRACTICES

N/A

III. ANALYSIS OF SITUATION

Portland Public Schools has received \$93,342,239 for 2018-19 as of May 2019 from Multnomah, Washington, and Clackamas Counties. Based on the 2018-19 receipts and an average teacher cost of \$107,344 including salaries and benefits, levy funds have supported approximately 870 teaching positions for the 2018-19 fiscal year. This meets the levy goal of supporting at least 640 teaching positions.

IV. FISCAL IMPACT

The local option levy is anticipated to generate \$96,056,745 in operating revenue to fund approximately 800 teaching positions in 2019-20. Failure to refer or approve the levy renewal in 2019 will result in the loss of these teaching positions in 2020-21 and beyond, as the levy serves as the sole funding source for this additional teaching capacity across the district.

On page two in the attached Local Option Levy analysis provided by the district's financial advisor, PiperJaffray, the report describes how school district local option collections are excluded from the State School Fund formula up to a prescribed limit. The limit is updated each year, and for the fiscal year 2018-19, the per student limit has applied for a total limit of \$116,835,420 for Portland Public Schools. It is important to note, if projected collections are close to the applicable limit, future growth in levy revenue could result in actual revenues exceeding the limit and impact the amount received by the district for the State School Fund formula.

V. COMMUNITY ENGAGEMENT

In its analysis of the district budget, the Community Budget Review Committee (CBRC) learned of the significant importance of levy revenues on the district's ability to attract and retain teachers and maintain relatively low teacher to student ratios and an equitable staffing model. In its May 2019 report to the Board the CBRC recommended that the Board consider the referral a levy renewal measure to the voters in fall of 2019 in order to maintain the current tax levy rate and sustain 800 teaching positions in the coming school year.

Staff presented a preliminary levy renewal concept and timelines in April 2019. In addition, the Board has retained third party consultants to advise on a potential levy renewal campaign which will include comprehensive public outreach and community engagement in the coming months, if the Board decides to refer the levy renewal measure. Staff will continue to provide factual information and analysis as necessary.

VI. TIMELINE FOR IMPLEMENTATION/EVALUATION

The Multnomah County Elections Division has established the following deadlines for measures coming before the voters on November 5, 2019:

- Friday, Aug 16, 2019 - Deadline for Special District to file notice of ballot title with County Elections for publication
- Thursday, Sept 5, 2019 - Measure filing deadline
- Sept 9, 2019 - Voters' Pamphlet deadline for measure arguments
- Nov 5, 2019 - Special Election date

Staff proposes the following activities to meet the timeline listed above:

- July 23, 2019: Board of Education public hearing
- Aug. 6, 2019: Board of Education public hearing
- Aug. 13, 2019: Board of Education consideration of referral

It is important to note that the Multnomah County Elections Division's timelines are different than in previous years, resulting in a two-step referral process. As outlined above, only the proposed ballot title is due in mid-August, followed by the full measure's referral in early September. Due to the possibility of a ballot title challenge by potential opponents, it is essential that the notice of ballot title be filed in advance of the Aug 16 deadline so that if the ballot title is challenged and not adjudicated by the Sept 5 deadline, the measure will be prevented from referral to the November 5 ballot.

VII. BOARD OPTIONS WITH ANALYSIS

To continue local option levy revenue and sustain the level of teaching positions in 2020-21, the Board will need to refer the levy renewal to the district voters for approval at the November 5, 2019 election. To maintain the current staffing level funded by the levy - roughly 800 positions - the Board would need to continue the same tax rate of \$1.99 per \$1,000 of assessed value.

Maintaining this level will keep receipts within the limitations for the exclusion from the State School Fund formula. An analysis of the impact of higher or lower rates is included in the attached Local Option Levy Revenue Projection for FY 2020 prepared by Piper Jaffray. If the district were to increase the rate to \$2.50 per \$1,000, it is possible future growth could reach the limitation for the State School Fund formula and impact the district negatively.

VIII. STAFF RECOMMENDATION

Staff recommends the Portland Public Schools Board of Directors refer the local option levy to voters to be considered in the November 2019 general election and maintain the rate of \$1.99 per \$1,000 of assessed property value.

IX. I have reviewed this staff report and concur with the recommendation to the Board.

Guadalupe Guerrero
Superintendent
Portland Public Schools

Date

ATTACHMENTS

A. Local Option Levy Revenue Projection for FY 2020 prepared by PiperJaffray



Portland Public Schools

Local Option Levy Revenue Projection for FY 2020

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February 1, 2019

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School District Local Option Limits

School district local option collections are excluded from the State School Fund formula, up to a prescribed limit. The limit changes each year and for Fiscal Year 2019 is *the lesser of*:

- M5 gap capacity
- \$2,000.00 per student (ADMw); per student amount increases 3% per year
- 25% of total SSF revenues (includes general purpose, transportation, facility and high cost disability grants)

As of Fiscal Year 2019, the per student limit applied. A five year history of the District's limits is included below. **Be advised, if projected collections are close to the applicable limit, future growth could result in actual revenues exceeding the limit and impact the SSF formula.**

	Portland School District				
	2015	2016	2017	2018	2019
ADMw	55,058	57,491	57,764	57,994	58,418
SSF Revenues*	\$ 382,582,710	\$ 402,581,314	\$ 411,630,004	\$ 461,301,701	\$ 469,412,496
Permanent Tax Rates					
School District	\$ 5.2781	\$ 5.2781	\$ 5.2781	\$ 5.2781	\$ 5.2781
Community College	0.2828	0.2828	0.2828	0.2828	0.2828
Education Service District	0.4576	0.4576	0.4576	0.4576	0.4576
Total Education Rate	\$ 6.0185	\$ 6.0185	\$ 6.0185	\$ 6.0185	\$ 6.0185
Education Measure 5 Compression					
School District (actual)	\$ 2,534,846	\$ 2,036,552	\$ 1,842,398	\$ 1,606,771	\$ 1,562,770
Community College (est.)	135,817	109,118	98,715	86,091	83,733
Education Service District (est.)	219,766	176,565	159,732	139,304	135,489
Total Education Compression (est.)	\$ 2,890,429	\$ 2,322,234	\$ 2,100,845	\$ 1,832,165	\$ 1,781,992
District Total Property Values					
M5 Real Market Value	\$ 81,981,024,596	\$ 90,930,547,901	\$ 106,935,120,227	\$ 121,647,527,598	\$ 131,734,570,412
Net Assessed Value	43,636,787,103	45,575,691,370	47,344,868,407	49,705,613,789	51,112,491,202
AV as % of RMV	53%	50%	44%	41%	39%
Assessed Value per ADMw	\$ 792,561	\$ 792,745	\$ 819,631	\$ 857,077	\$ 874,949
Education Taxes in the District					
Education taxes before Compression	\$ 262,628,003	\$ 274,297,299	\$ 284,945,091	\$ 299,153,237	\$ 307,620,528
Less M5 Compression Loss	(2,890,429)	(2,322,234)	(2,100,845)	(1,832,165)	(1,781,992)
Education taxes collected	259,737,575	271,975,064	282,844,245	297,321,071	305,838,537
Education taxes at \$5/\$1,000 RMV	409,905,123	454,652,740	534,675,601	608,237,638	658,672,852
Measure 5 Gap Capacity	\$ 150,167,548	\$ 182,677,675	\$ 251,831,356	\$ 310,916,567	\$ 352,834,315
Local Option Levy Limits					
M5 Gap Capacity	\$ 150,167,548	\$ 182,677,675	\$ 251,831,356	\$ 310,916,567	\$ 352,834,315
Per Student Limit (beginning in FY19, \$2,000/ADMw + \$3% annually)	67,714,133	72,827,648	75,368,171	77,939,214	116,835,420
25% of SSF Limit (beginning in FY19, Previously, 20%)	76,516,542	80,516,263	82,326,001	92,260,340	117,353,124
Limit	\$1,229.87 Per Student	\$1,266.77 Per Student	\$1,304.77 Per Student	\$1,343.91 Per Student	\$2,000.00 Per Student

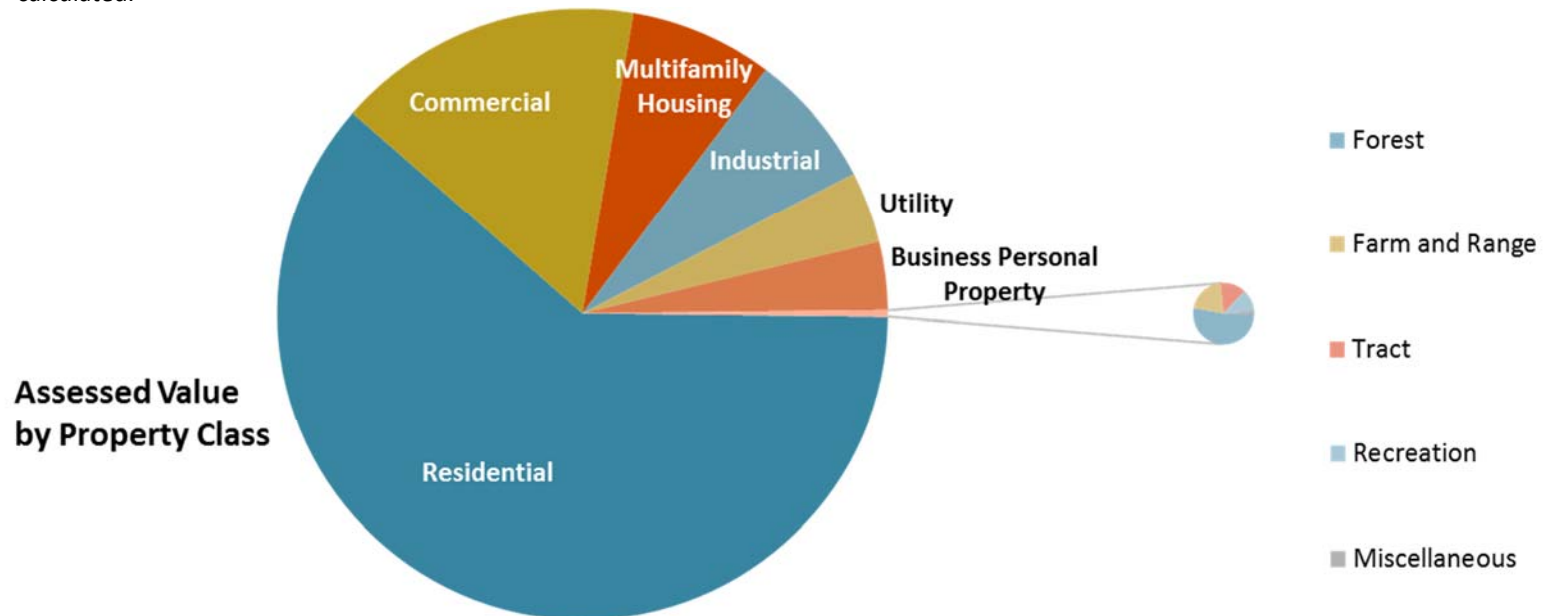
* Limit includes general purpose, transportation, facility and high cost disability grants. Facility and high cost disability grant info not usually available until May and therefore may not be included in amount listed.

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Summary of Properties by Class – Multnomah County Only

Property Class	# of Accounts	2019 Measure 5 Value ⁽¹⁾	2019 Assessed Value	% of District	AV as % of M5
Residential	170,765	77,925,900,470	35,284,693,070	61%	45%
Commercial	9,058	26,999,338,030	9,353,330,420	16%	35%
Multifamily Housing	2,954	13,523,927,210	4,369,532,400	8%	32%
Industrial	3,235	7,798,099,321	4,123,312,130	7%	53%
Utility	647	2,360,103,207	2,188,988,140	4%	93%
Business Personal Property	22,031	2,099,892,020	2,070,256,090	4%	99%
Forest	795	163,621,200	112,166,550	0%	69%
Farm and Range	150	61,910,370	43,659,180	0%	71%
Tract	113	48,497,620	29,005,310	0%	60%
Recreation	64	36,101,040	23,781,180	0%	66%
Miscellaneous, Manufactured Structures, Small Tract	300	7,011,760	4,274,400	0%	61%
TOTAL	210,112	\$131,024,402,248	\$ 57,602,998,870		44%

(1) Measure 5 Value is the real market value of a property after certain special assessments and is the value against which Measure 5 tax limits are calculated.



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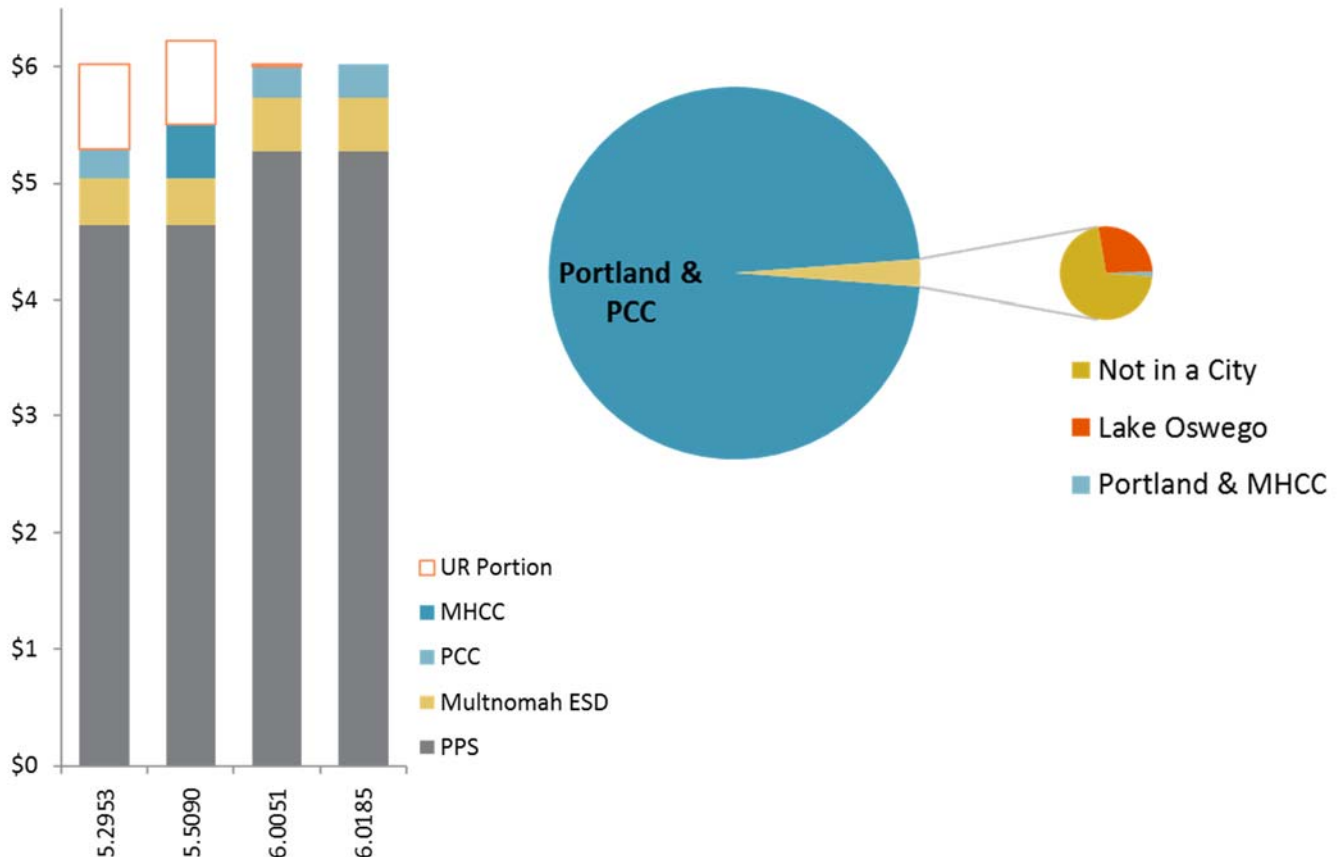
Summary of Education Tax Rates – Multnomah County Only

Taxpayers in Portland Public Schools are located within 38 different tax codes and pay total education rates ranging from \$5.2953 to \$6.0185 (excluding bond rates which are outside of Measure 5 limits and existing local option levies). Education tax rates in the District differ as a result of urban renewal areas in the cities of Portland and Lake Oswego and a small portion of the District overlaps Mount Hood Community College while the remainder overlaps Portland Community College. The entire District is served by Multnomah ESD.

Total Education Rate	Portion of District	Area Assessed Value	% of District
\$ 5.2953	Portland & PCC	\$ 56,236,845,450	98%
6.0185	Not in a City	972,220,500	2%
6.0051	Lake Oswego	373,504,970	1%
5.5090	Portland & MHCC	20,427,950	0%

Note: The urban renewal portion of the education districts' rates moves over to the general government side for purposes of calculating Measure 5 limits, thereby reducing the tax rate for education in those codes and reducing compression. To the extent an URA reduces in scope or closes down, the corresponding portion of the education districts' rates would move back under the education limit, increasing permanent rate collections but potentially increasing compression and reducing local option collections.

Total Education Rate



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Summary of Education Tax Rates – Multnomah County Only

Since the total education rate in all areas of the District is over \$5, any property with an Assessed Value equal to its Measure 5 (Real Market) Value is already in compression and will not pay a local option levy. In some tax codes, the total education rate is so far above \$5 that any property with an AV to RMV ratio higher than 83% will not pay any local option levy.

The amount of a local option levy that will be paid by properties with Assessed Values of 90%, 80%, 70%, 60% and 50% of their Measure 5 (Real Market) Values is shown in the table below. Properties with lower ratios (residential) in lower education rate tax codes (Portland) will pay more in local option taxes.

AV as % of RMV	Maximum Local Option Levy			
	\$5.2953	\$5.5090	\$6.0051	\$6.0185
90%	\$ 0.26	\$ 0.05	\$ -	\$ -
80%	0.95	0.74	0.24	0.23
70%	1.85	1.63	1.14	1.12
60%	3.04	2.82	2.33	2.31
50%	4.70	4.49	3.99	3.98

Because business personal and utility properties have assessed values close or equal to their Measure 5 (Real Market) Values, these types of properties will pay very little or no amount of a local option levy. Properties in the remaining categories will, on average, pay at least a portion of a local option levy.

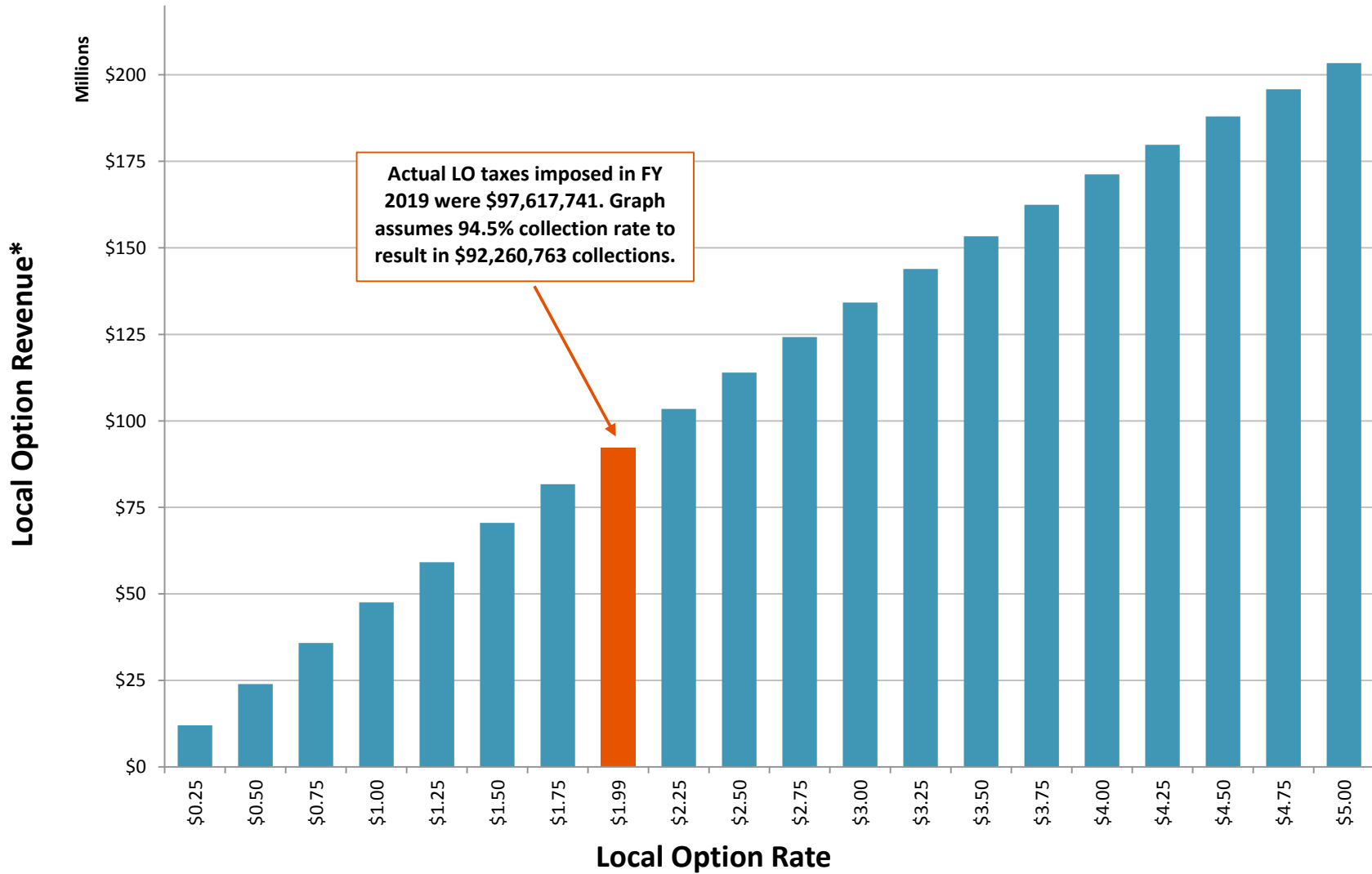
Property Class	AV as % of M5	% of District
Business Personal Property	99%	4%
Utility	93%	4%
Farm and Range	71%	0%
Forest	69%	0%
Recreation	66%	0%
Miscellaneous	61%	0%
Tract	60%	0%
Industrial	53%	7%
Residential	45%	61%
Commercial	35%	16%
Multifamily Housing	32%	8%

Farm, Forest, Recreation, Miscellaneous and Tract properties each represent very small portions of the District’s value. As a result, market value changes in these types of properties will have little to no impact on local option revenue projections.

Residential and Commercial properties are the main driver of local option revenues, followed to a lesser extent by Multifamily Housing and Industrial properties.

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Current Year (FY 2019) Pro-Forma Local Option Revenue Calculation – Multnomah County Only



* Assumes 94.5% year of levy collections as a result of prepayments and delinquencies.

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Historical Real Market Value and Assessed Value Growth Multnomah County Only

Fiscal Year	M5 Real Market Value	% RMV Growth	AV for Local Option	% AV Growth	Total Urban Renewal Excess	AV for Perm. Operating Levy	AV for Bonds	% AV Growth
2019	\$ 131,024,402,248	8.30%	\$ 57,602,998,870	3.28%	\$ 6,891,396,654	\$ 50,711,602,216	\$ 51,305,289,589	2.91%
2018	120,987,899,556	13.74%	55,776,309,186	5.53%	6,457,719,471	49,318,589,715	49,854,035,965	5.12%
2017	106,370,534,269	17.70%	52,854,229,849	4.76%	5,882,588,429	46,971,641,420	47,425,581,688	3.98%
2016	90,377,260,783	10.94%	50,450,823,502	4.68%	5,237,111,063	45,213,712,439	45,608,739,223	4.17%
2015	81,463,437,463	10.13%	48,194,163,160	4.22%	4,907,733,462	43,286,429,698	43,784,019,242	4.48%
2014	73,967,063,948	5.57%	46,241,489,321	3.52%	4,833,326,001	41,408,163,320	41,906,012,432	3.75%
2013	70,067,383,494	-1.32%	44,667,657,361	2.87%	4,653,498,847	40,014,158,514	40,392,367,811	2.86%
2012	71,007,668,166	-5.78%	43,419,649,621	2.80%	4,519,149,169	38,900,500,452	39,270,329,492	2.82%
2011	75,361,925,779	-2.65%	42,236,132,866	3.09%	4,425,352,593	37,810,780,273	38,194,999,648	2.80%
2010	77,417,188,865	-1.14%	40,971,128,917	4.72%	4,189,458,606	36,781,670,311	37,154,276,821	3.75%
2009	78,309,285,452	7.48%	39,125,246,987	5.18%	3,635,372,101	35,489,874,886	35,811,158,039	4.48%
2008	72,856,984,736	15.76%	37,196,733,276	5.92%	3,200,929,276	33,995,804,000	34,276,928,111	5.35%
2007	62,939,222,543	11.59%	35,118,582,238	4.36%	2,830,223,819	32,288,358,419	32,537,547,196	3.72%
2006	56,402,922,730	11.61%	33,652,394,102	4.04%	2,512,764,455	31,139,629,647	31,370,010,150	3.01%
2005	50,533,542,411	6.19%	32,345,746,583	3.53%	2,107,472,811	30,238,273,772	30,453,982,619	3.08%
2004	47,587,647,864	5.62%	31,242,341,080	2.90%	1,909,048,311	29,333,292,769	29,543,790,054	2.66%
2003	45,055,970,138	5.37%	30,360,551,305	3.22%	1,791,089,577	28,569,461,728	28,778,061,944	2.84%
2002	42,757,788,617	9.64%	29,413,773,524	5.42%	1,643,925,096	27,769,848,428	27,982,031,642	4.84%
2001	38,997,713,565	--	27,901,741,030	--	1,388,176,081	26,513,564,949	26,690,692,318	--

Average RMV Growth since 2001	7.15%	Average AV Growth since 2001	4.11%
Median RMV Growth since 2001	7.89%	Median AV Growth since 2001	4.13%

As Real Market Value growth outpaces Assessed Value growth, the District’s capacity to generate funds with a local option grows. If Real Market Values decline and Assessed Values continue to grow, the District’s capacity to generate funds with a local option could shrink.

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Summary of Projection Assumptions for FY 2020

NOTE: Projections for future local option collections depend heavily on future value growth. We cannot predict future value growth and are establishing a range for a collection estimate based on historical trends and average property class growth. If AV grows more than projected, or RMV grows less, the amount generated in each scenario could be lower. The District may wish to review these estimates with the County Assessor. Additional projections can be run if the District has different growth projections in mind.

TAX COLLECTIONS:

Year of Levy Collections	94.5%
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ASSESSED VALUE GROWTH ON EXISTING PROPERTIES: 3.00%

All projections assume that the Assessed Value of existing properties will increase 3% or up to the Measure 5 (Real Market) Value. Assessed Value growth above 3% is the result of new construction or improvements to existing properties. **Both are reflected in the assumption “New Construction Growth in Accounts.”**

“LOW” GROWTH SCENARIO

Property Class	Existing Properties	New Construction	
	M5 (RMV) Value Growth	Growth In Accounts	# of New Accounts
Residential	4.0%	0.00%	-
Commercial	5.0%	0.00%	-
All others	0.0%		
Total RMV Growth in District	3.4%		

“MIDDLE” GROWTH SCENARIO

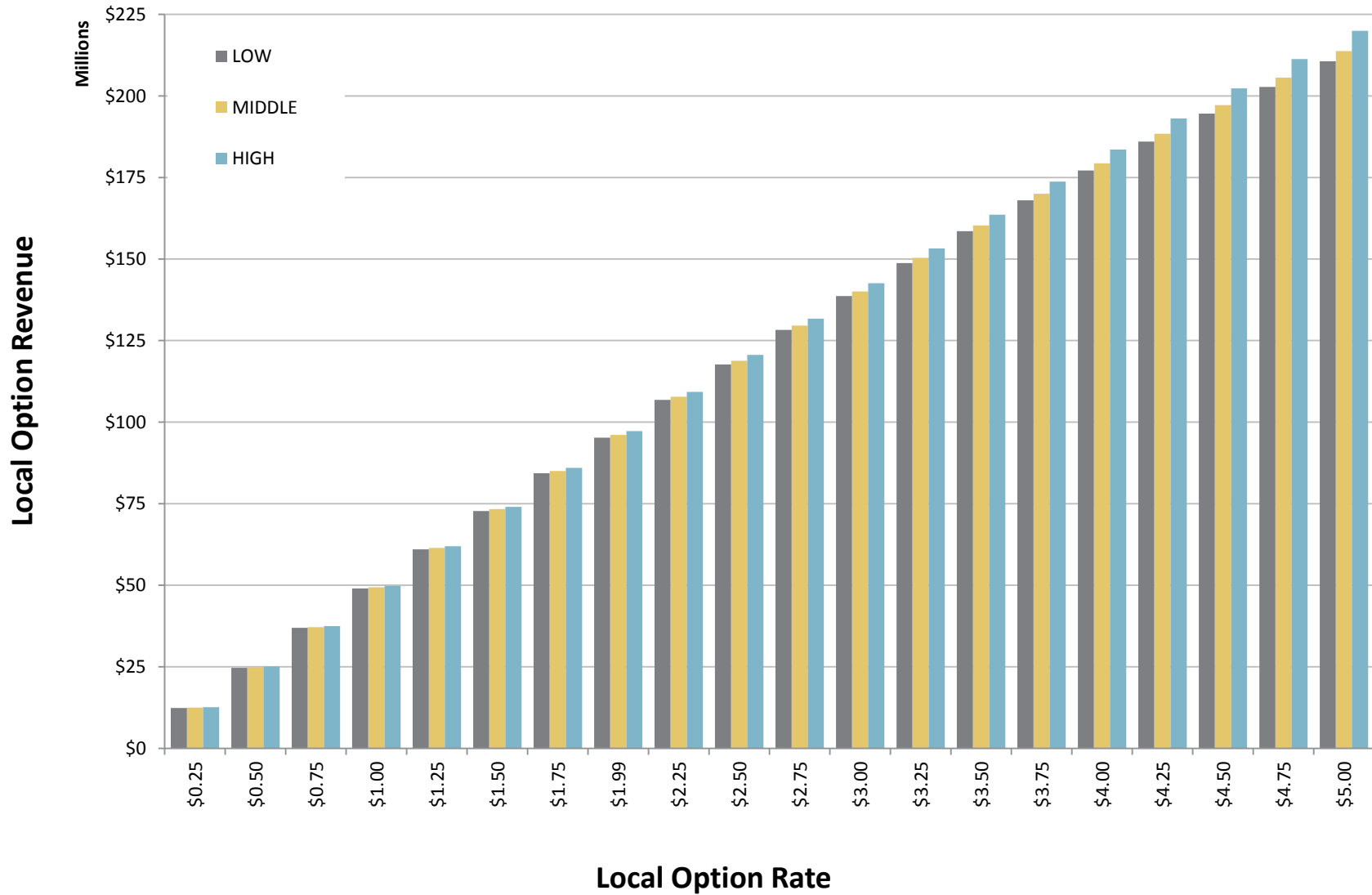
Property Class	Existing Properties	New Construction	
	M5 (RMV) Value Growth	Growth In Accounts	# of New Accounts
Residential	5.0%	0.50%	850
Commercial	10.0%	0.00%	-
All others	3.0%		
Total RMV Growth in District	5.9%		

“HIGH” GROWTH SCENARIO

Property Class	Existing Properties	New Construction	
	M5 (RMV) Value Growth	Growth In Accounts	# of New Accounts
Residential	10.0%	0.50%	850
Commercial	15.0%	0.25%	20
All others	3.0%		
Total RMV Growth in District	10.0%		

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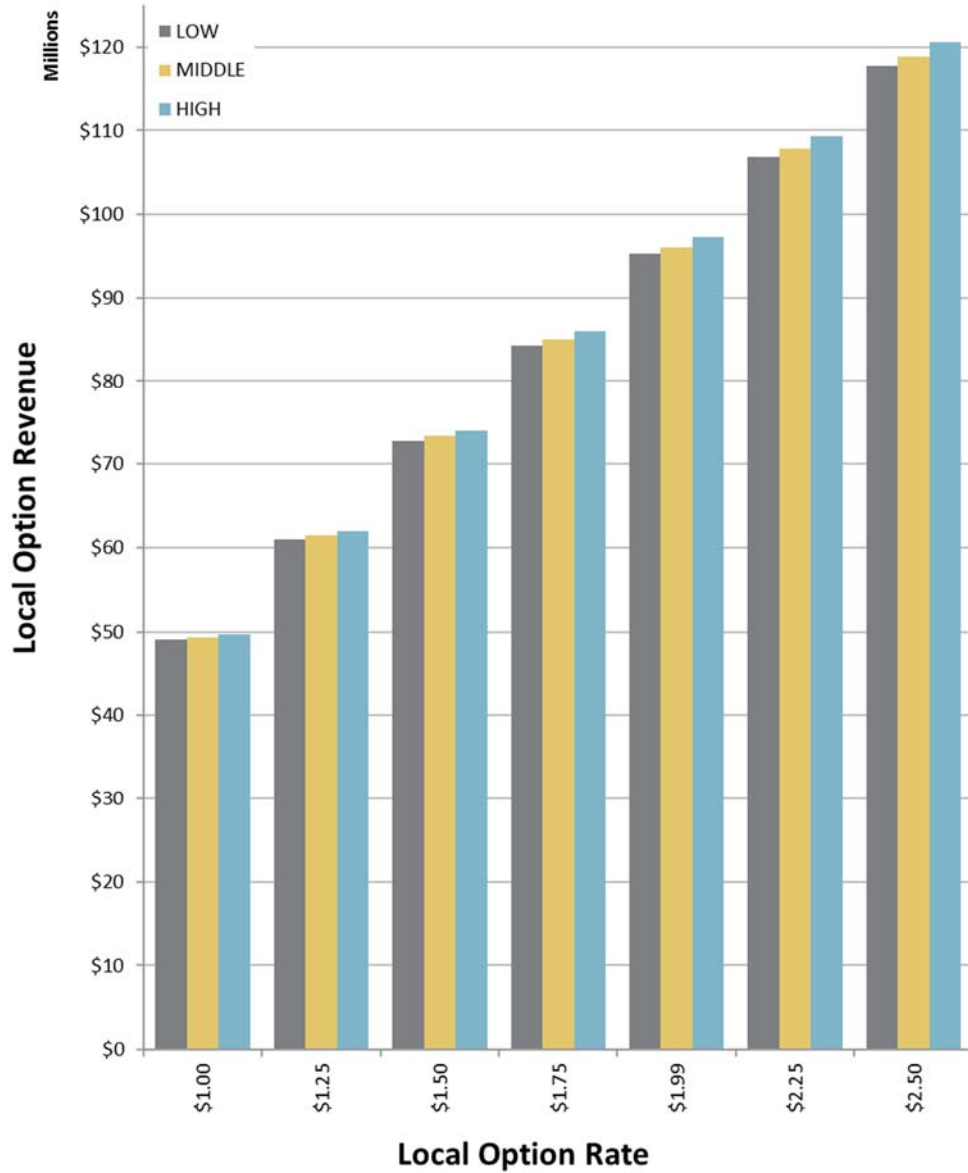
Fiscal Year 2020 Local Option Revenue Projections



* Assumes 94.5% year of levy collections as a result of prepayments and delinquencies.

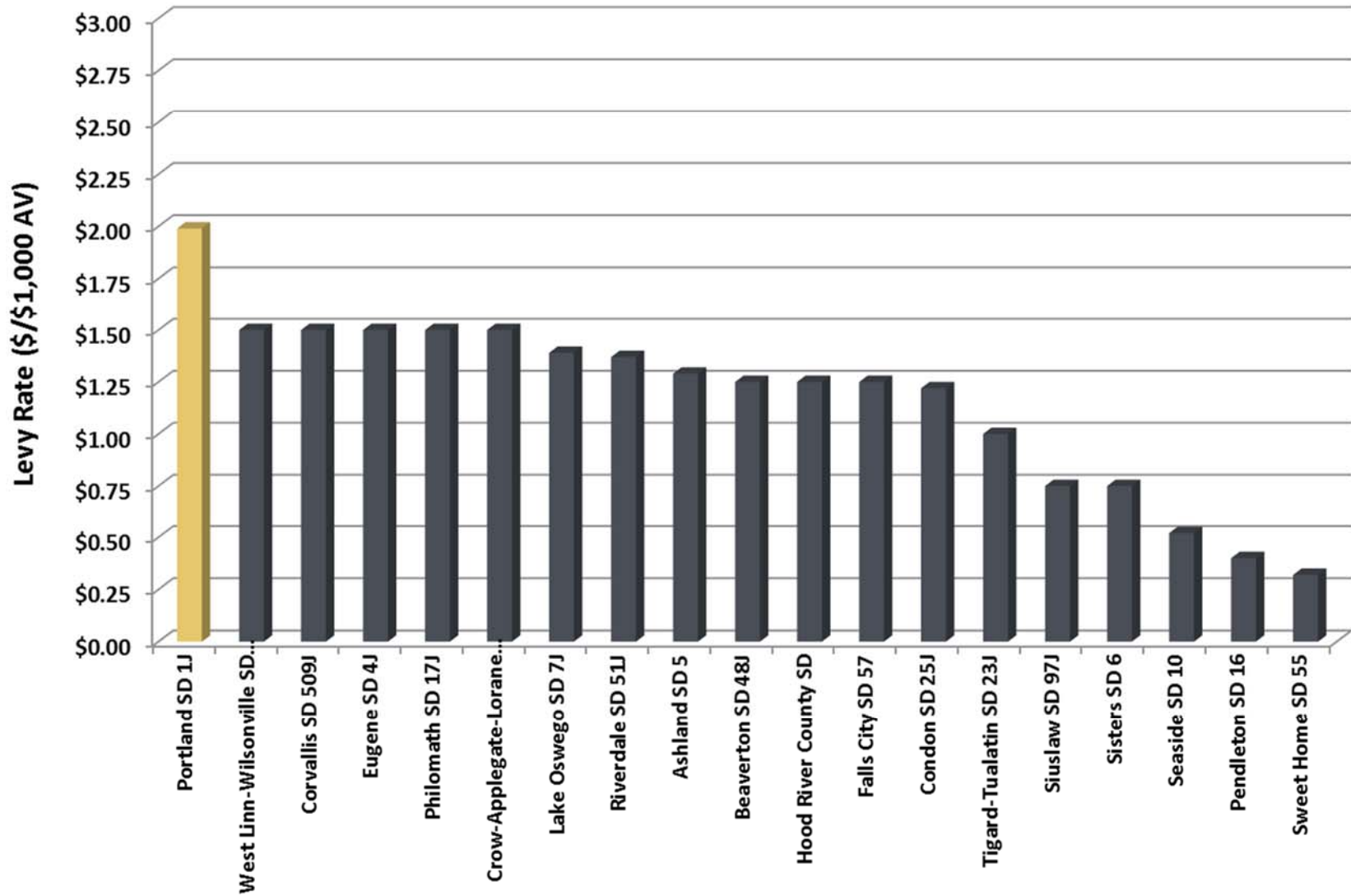
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Fiscal Year 2020 Local Option Revenue Projections



Rate per \$1,000 of AV	2020		
	LOW	MIDDLE	HIGH
\$0.25	\$12,384,994	\$12,483,071	\$12,595,069
0.50	24,694,138	24,863,061	25,058,663
0.75	36,920,018	37,173,651	37,434,381
1.00	49,026,636	49,385,852	49,744,673
1.25	60,983,590	61,445,312	61,966,772
1.50	72,753,298	73,334,305	74,044,097
1.75	84,328,096	85,025,904	85,968,447
1.99	95,241,818	96,056,745	97,248,305
2.25	106,815,043	107,784,372	109,266,490
2.50	117,682,985	118,806,698	120,602,644
2.75	128,299,909	129,578,994	131,718,254
3.00	138,659,228	140,093,139	142,587,471
3.25	148,749,411	150,343,785	153,221,119
3.50	158,556,733	160,327,163	163,597,783
3.75	168,000,126	170,001,728	173,723,702
4.00	177,152,708	179,350,776	183,572,969
4.25	186,014,280	188,409,452	193,097,550
4.50	194,561,632	197,173,835	202,340,631
4.75	202,768,711	205,626,149	211,313,139
5.00	210,638,161	213,737,800	219,986,821

2019 School District Local Option Rates



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