

# How the Cost Estimates Were Created

## Construction Costs

The construction cost estimates are based on both industry standards and the expertise of local architecture firm HGE, Inc, partnered with IGI Engineers and DOW-IBI Group, a national architecture firm specializing in school construction.

Estimates for new school construction are based on the actual, average per-square-foot costs of comparable new schools built in Oregon in 2015 and 2016.

## Bond Costs

The estimated tax cost of the bonds comes from an analysis by the bond and investment banking team at PiperJaffray. The official estimate from this analysis is that property taxes would increase by \$1.60 for each \$1000 of assessed value to repay the bonds.

Bond repayment costs depend on four factors: the amount of the bonds, the length of repayment, the interest rate, and the size of the tax base. We know the amount of the bonds--\$59,995,000—and the term—25 years. The interest rate won't be known for certain until the bonds are issued because they are sold on the financial markets. The size of the tax base from year to year and its growth also can't be known in advance.

To create the estimate, PiperJaffray assumed that the interest rate on the bonds would be 1% higher the rate for similar bonds at the time the estimate was made (August 2017). This is an intentionally conservative or safe estimate. If the bond measure passes, the bonds would be issued in early 2018. It is possible that interest rates could rise by 1%, or even more, by that time. But it is also possible that interest rates could rise by less than 1% in the next few months, or stay the same, or even fall. In any of those cases, the actual tax cost would likely be less than the \$1.60/\$1000 in the estimate.

The estimate also assumes that the tax base (the assessed value of all property in the Coos Bay School District) will rise 2.5%/year during the life of the bonds. This is based on the average rate of increase over the past 15 years. PiperJaffray also regards this as a conservative estimate. If the actual rate of growth is more, the tax rate for bond repayment would gradually fall.

The estimate does not include the potential construction of the Jordan Cove Energy Project (JCEP). The JCEP site is in the Coos Bay School District (even though the north spit is not connected to the rest of the district). If built, the County Assessor estimates that JCEP would triple the value of the tax base in the District. This would have a dramatic impact on repayment of the bonds, whether through direct property tax payments, or through increased Community Enhancement Plan payments that could be put directly toward the principal.