# Declining property values affecting LTUSD bond sales

**By Kathryn Reed**

Judging by the perplexed looks on the board members' faces, it was clear the decision they need to make regarding issuing the second series of bonds is going to take some soul searching, coming to grips with potential public outcry and a need to better understand economics.

The mathematician on Lake Tahoe Unified School District's board, Larry Green, vocally disagreed with staff's recommendation. Board member Judy Cefalu was in Green's corner simply because it would raise more money and therefore get more things built sooner.

Member Sue Novasel clearly wanted the option staff suggested.

It was not obvious which way board members Wendy David and Mike Doyle were learning.

In November 2008, voters approved a $64.5 million facilities bond for the South Shore district. In March 2009, $29 million in bonds was issued. Much of that money is being used to build two buildings at South Tahoe High School.

Joanna Bowes of KNN Public Finance and Charlie Feinstein of De La Rosa & Co. Investment Bankers spent a good portion of Tuesday's board meeting explaining to the board and audience the two main options the district has.

By the end of the meeting the board opted to postpone making a decision until it meets in March.

The problem, so to speak, is the assessed value on property in the district’s boundaries is not keeping pace with original projections. In the past 17 years it was growing at an annual rate of 6.64 percent. However, in the last year it has grown 1.02 percent.

The 2008 bond passed with the assumption property owners would pay $28 per $100,000 of assessed value for 35 years. The calculations predicted that rate would stay steady or go down for the voters as property values went up and turned over, therefore necessitating new owners contribute more because the value of their property would be greater.

Option 2, what staff recommends, is considered the more conservative approach. It would extend debt service for five years â€“ meaning property owners would pay for the bond that much longer.

The district would get $17 million to use for the construction projects.

Green believes this option doesn’t take inflation risks into consideration.

Option 1 is likely to raise $23 million for the district, but property owners are apt to pay about $31 per $100,000 of assessed value. This means $15 more a year for homes with an assessed value of $500,000.

Staff recommended Option 2 because it is more conservative.

It was brought up that as cash moves into the market it’s likely construction prices will shoot up. This means not having the money in hand now could result in paying higher prices down the road that might render fewer projects being completed.

Click on bonds and financing to review material presented to the board.

**Publisher's note:** ***On Saturday, find out how construction is going at South Tahoe High School.***