

BOARD UPDATE

FEBRUARY 1, 2020

INFORMATION AND DISCUSSION

- Financial Integrity Rating System of Texas (FIRST)
- Tier II Penny
- HB 3 Tax Compression

FIRST INDICATORS

7) Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?

2018 Current Assets	<u>358,760,393</u>		2019	<u>303,439,286</u>
2018 Current Liabilities	128,808,990	= 2.7852	2019	128,215,653 = 2.3666

10	8	6	4	2	0
>=3.00	<3.00 >=2.50	<2.50 >=2.00	<2.00 >=1.50	<1.50 >=1.00	<1.00

Increase Fund Balance

TIER II PENNY

- HB 3 allows Districts that have 4 - Tier II pennies in 19-20 to access 1 additional penny in 20-21, with a unanimous vote of the Board.
- Based on a 5% Taxable Value Increase the 1 additional penny would raise an additional \$ **2.7** million dollars in M&O revenue.
- Any additional Tier II pennies would require the passage of a Tax Ratification Election (TRE)

FIRST INDICATORS

8) Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the District's 5 Year % Change in Students was 7% or more, the school district passes this indicator)

2018 Long Term Liabilities 619,785,482
 2018 Total Assets 843,852,547 = 0.7345

2019 606,858,985
 2019 838,448,373 = 0.7238

10	8	6	4	2	0
<=0.60	>0.60 <=0.70	>0.70 <=0.80	>0.80 <=0.90	>0.90 <=1.00	>1.00

Reduce Outstanding Debt

HB 3 TAX COMPRESSION

	2018	2019	2020
Tier 1	1.000000	0.930000	0.916400
Tier 2	0.040000	0.040000	0.050000
Tax Rate	1.040000	0.970000	0.966400

<u>Local Value Growth</u>	M&O Compression					
	<u>5%</u>	<u>6%</u>	<u>7%</u>	<u>8%</u>	<u>9%</u>	<u>10%</u>
Current M&O Compressed Rate	0.9300					
Estimated State Value Growth	0.0401					
2.5% limitation on State Groth	0.916498					
Estimated Local Value Growth	0.0500	0.0600	0.0700	0.0800	0.0900	0.1000
2.5% limitation on Local Value Growth	0.907857	0.899292	0.890888	0.882639	0.874541	0.866591
Net	0.0221	0.0307	0.0391	0.0474	0.0555	0.0634

HB 3 TAX COMPRESSION

Local Value Growth		I&S Tax Rate					
		<u>5%</u>	<u>6%</u>	<u>7%</u>	<u>8%</u>	<u>9%</u>	<u>10%</u>
2019 I&S Tax Rate	0.3884						
2019 Certified Value	10,287,390,000						
Estimated Value		10,801,759,500	10,904,633,400	11,007,507,300	11,110,381,200	11,213,255,100	11,316,129,000
Debt Payment	41,000,000						
Est. Tax Needed to make payment		0.379568	0.375987	0.372473	0.369024	0.365639	0.362315
Net		0.008832	0.012413	0.015927	0.019376	0.022761	0.026085

HB 3 TAX COMPRESSION

- The District pass a Defeasance Resolution in May that would allow the District to reduce debt principal and interest expenses in the 20-21 school year.

<u>Local Value Growth</u>	-	<u>5%</u>	<u>6%</u>	<u>7%</u>	<u>8%</u>	<u>9%</u>	<u>10%</u>
Principal Reduction		4,000,000	5,000,000	6,500,000	8,000,000	9,000,000	10,500,000
Interest Reduction		3,800,000	4,750,000	6,175,000	7,600,000	8,550,000	9,975,000

SUMMARY

- Taking the 5th Tier II Penny will provide an additional \$2.7 million in M&O Revenue
- Using Tax Compression and passing a Defeasance Resolution will allow for the reduction of outstanding debt.
- Tax Rate would remain the same as this year at \$1.3854