

For Discussion Purposes Only



Review of Existing Debt Portfolio And Current Bond Capacity

Thursday, January 17, 2013



Update of the District's 2007 Bond Program

- On November 6, 2007, the voters of the Denton Independent School District (the "District") approved the issuance of \$282,000,000 of bonds (the "2007 Bond Program") and the following are the District's bond sales previously completed from the 2007 Bond Program.

Summary of Bonds Sales				
Description	Sale Date	Dollar Amount	Interest Rate Type	Current Rate
Unlimited Tax School Building Bonds, Series 2008	January 2008	\$165,255,000	Fixed	4.11%
Variable Rate Unlimited Tax School Building Bonds, Series 2012-A	March 2012	40,000,000	Variable	1.10%
Total	---	\$205,255,000	---	---

The District has \$76,745,000 of authorized bonds remaining to be sold from the 2007 Bond Program.

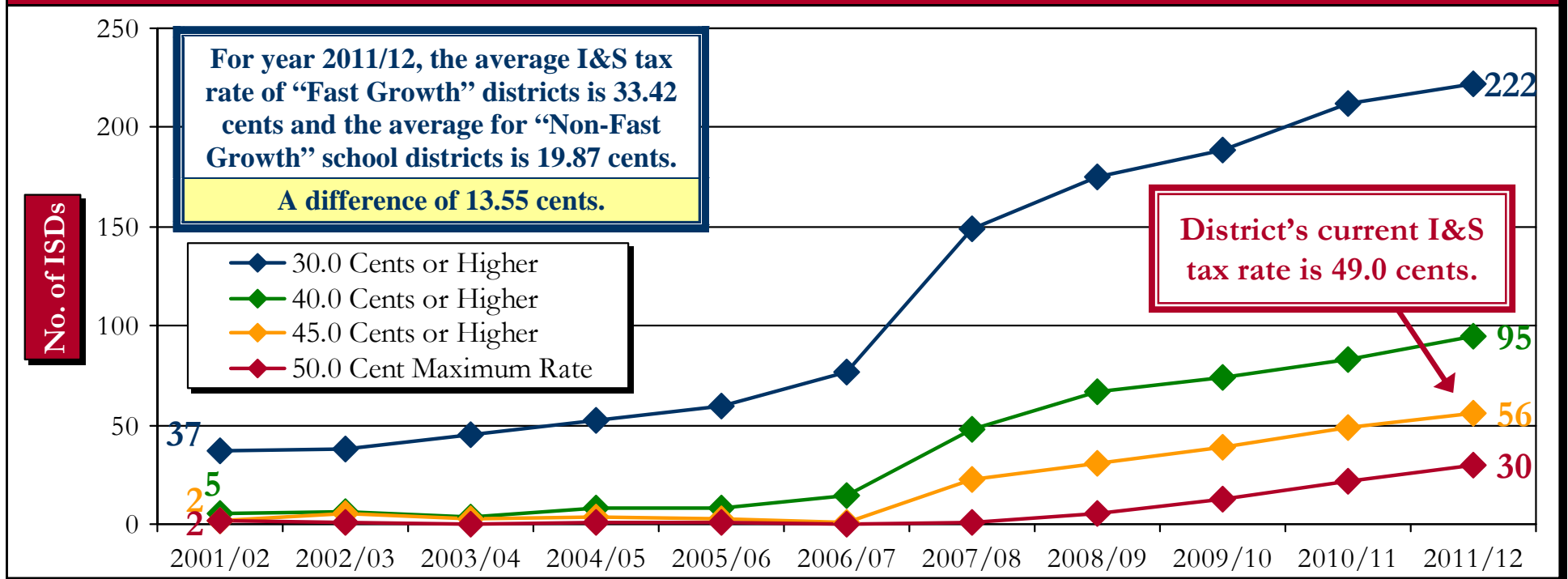


Factors Affecting District's Bond Capacity/Tax Rate

I. Debt Limitations – State Law – “50.0 Cent Bond Test”

- “50.0 Cent Bond Test” – The District may only issue new bonds to the degree it can prove, prior to sale, its Interest & Sinking Fund (“I&S”) tax rate will not exceed 50.0 cents.
- The legality of the “50.0 Cent Bond Test” has been included within the School Finance Lawsuit coordinated by Thompson & Horton, LLP.

Historical Trend of Texas School District I&S Tax Rates Years 2001/02 – 2011/12





Factors Affecting District's Bond Capacity/Tax Rate

Listing of Texas School District's with an I&S Tax Rate of 40.0 Cents or More – Year 2011/12

■ Royal ISD (54.50 Cents)	■ Del Valle ISD (49.00 Cents)	■ Freer ISD (43.17 Cents)
■ Needville ISD (53.96 Cents)	■ Denton ISD (49.00 Cents)	■ Canton ISD (43.10 Cents)
■ Spring ISD (53.00 Cents)	■ Crandall ISD (48.36 Cents)	■ Huffman ISD (43.00 Cents)
■ Bishop Consolidated ISD (51.66 Cents)	■ Robstown ISD (48.00 Cents)	■ Rockwall ISD (43.00 Cents)
■ Joaquin ISD (50.70 Cents)	■ Floresville ISD (47.58 Cents)	■ North Forest ISD (42.93 Cents)
■ Skidmore-Tynan ISD (50.51 Cents)	■ Bloomington ISD (47.50 Cents)	■ Commerce ISD (42.65 Cents)
■ Allen ISD (50.00 Cents)	■ Lovejoy ISD (47.50 Cents)	■ Channelview ISD (42.55 Cents)
■ Anna ISD (50.00 Cents)	■ Manor ISD (47.50 Cents)	■ Grand Prairie ISD (42.50 Cents)
■ Aubrey ISD (50.00 Cents)	■ Longview ISD (47.30 Cents)	■ Irving ISD (42.50 Cents)
■ Blue Ridge ISD (50.00 Cents)	■ Banquete ISD (47.22 Cents)	■ Kingsville ISD (42.38 Cents)
■ Burleson ISD (50.00 Cents)	■ Newcastle ISD (47.00 Cents)	■ Hays Consolidated ISD (42.13 Cents)
■ Caddo Mills ISD (50.00 Cents)	■ Wylie ISD (47.00 Cents)	■ Springtown ISD (42.03 Cents)
■ Celina ISD (50.00 Cents)	■ Overton ISD (46.43 Cents)	■ Argyle ISD (42.00 Cents)
■ Dickinson ISD (50.00 Cents)	■ Bland ISD (46.00 Cents)	■ Frisco ISD (42.00 Cents)
■ Eagle Mountain-Saginaw ISD (50.00 Cents)	■ Forney ISD (46.00 Cents)	■ Hidalgo ISD (41.64 Cents)
■ Ennis ISD (50.00 Cents)	■ Frenship ISD (46.00 Cents)	■ Santa Getrudis ISD (41.57 Cents)
■ Hitchcock ISD (50.00 Cents)	■ Jacksboro ISD (46.00 Cents)	■ Angleton ISD (41.52 Cents)
■ Hutto ISD (50.00 Cents)	■ Hubbard ISD (45.99 Cents)	■ South San Antonio ISD (41.49 Cents)
■ Keller ISD (50.00 Cents)	■ Leander ISD (45.98 Cents)	■ Giddings ISD (41.00 Cents)
■ Krum ISD (50.00 Cents)	■ Lubbock-Cooper ISD (45.90 Cents)	■ Gunter ISD (41.00 Cents)
■ Lake Dallas ISD (50.00 Cents)	■ Mansfield ISD (45.60 Cents)	■ Taylor ISD (41.00 Cents)
■ Lake Worth ISD (50.00 Cents)	■ Community ISD (45.50 Cents)	■ Winona ISD (40.67 Cents)
■ Little Elm ISD (50.00 Cents)	■ Santa Fe ISD (45.50 Cents)	■ San Diego ISD (40.48 Cents)
■ McKinney ISD (50.00 Cents)	■ Dripping Springs ISD (45.00 Cents)	■ Cedar Hill ISD (40.00 Cents)
■ Melissa ISD (50.00 Cents)	■ Bastrop ISD (44.10 Cents)	■ DeSoto ISD (40.00 Cents)
■ Midlothian ISD (50.00 Cents)	■ Panhandle ISD (44.00 Cents)	■ Katy ISD (40.00 Cents)
■ New Caney ISD (50.00 Cents)	■ Pflugerville ISD (44.00 Cents)	■ Lefors ISD (40.00 Cents)
■ Prosper ISD (50.00 Cents)	■ Robert Lee ISD (44.00 Cents)	■ Sherman ISD (40.00 Cents)
■ Spring Hill ISD (50.00 Cents)	■ Royse City ISD (44.00 Cents)	■ Tioga ISD (40.00 Cents)
■ White Settlement ISD (50.00 Cents)	■ Woodsboro ISD (43.47 Cents)	■ Van Alstyne ISD (40.00 Cents)
■ Crowley ISD (49.50 Cents)	■ Iola ISD (43.39 Cents)	■ Waller ISD (40.00 Cents)
■ Millsap ISD (49.50 Cents)	■ Princeton ISD (43.36 Cents)	

Source: Texas Comptroller of Public Accounts – Property Tax Division

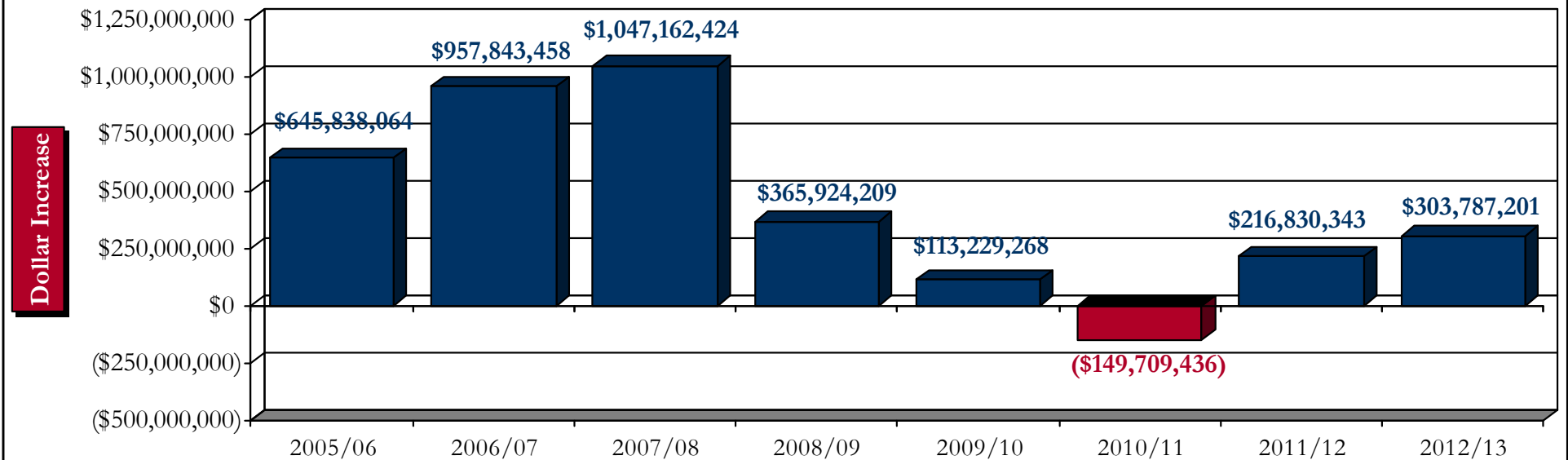


Factors Affecting District's Bond Capacity/Tax Rate

II. Taxable Valuation

- The District's taxable valuation is the primary factor that affects the District's bond capacity.
 - ❖ During the 3-years preceding the 2007 Bond Election, the District's tax base increased by an average of \$883,614,649 per year.
 - ❖ Since the 2007 Bond Election, the District's taxable value has increased by a total of \$850,061,585 or an annual average of \$170,012,317 – Directly reducing the District's bond capacity.

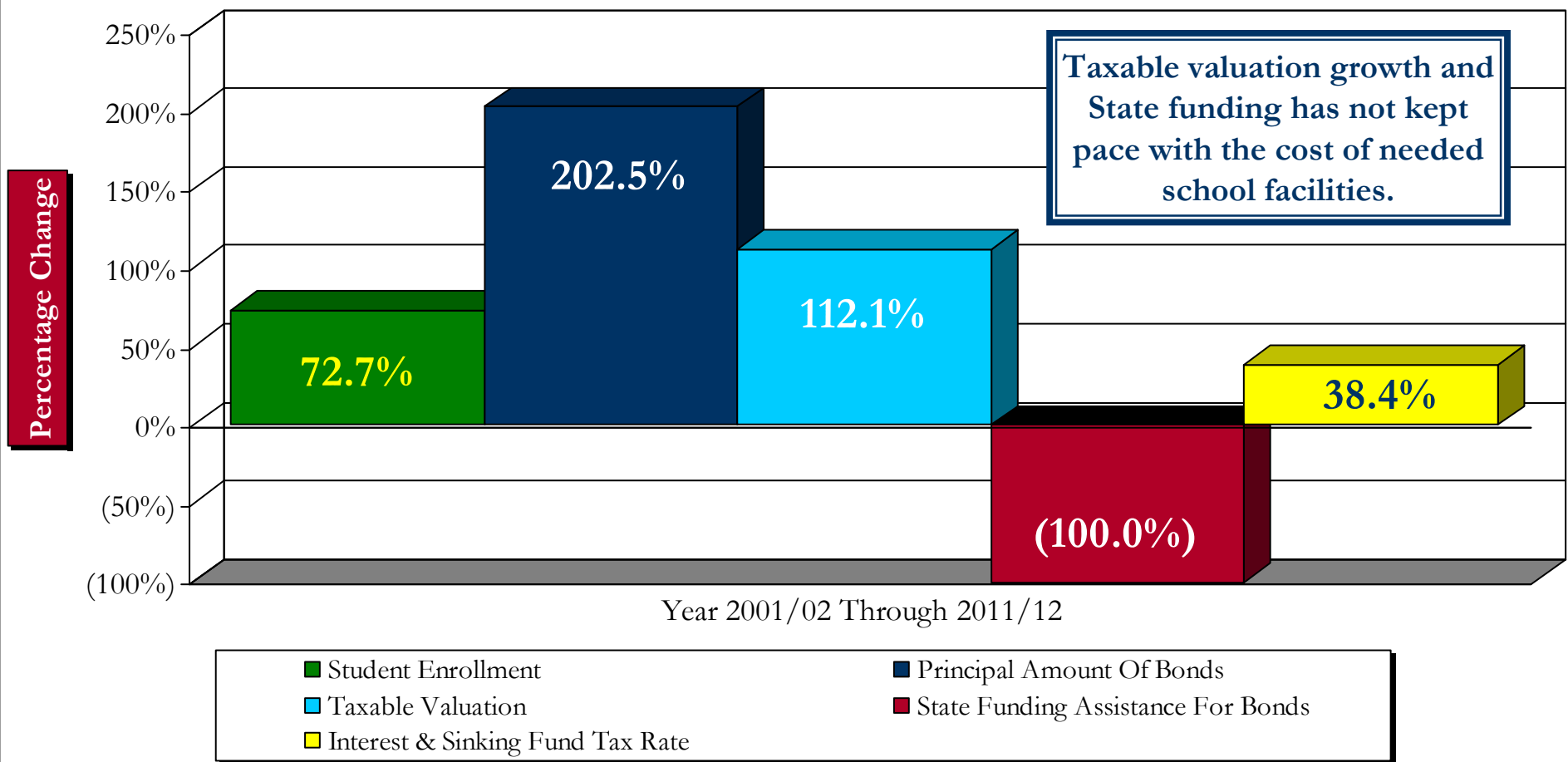
**Historical Increases in Taxable Valuations (After Frozen Values)
Years 2005/06 – 2012/13**





Percent Change of Factors Affecting Bond Capacity – Years 2001/02 Through 2011/12

Years 2001/02 Through 2011/12 – Percentage Change In Student Enrollment,
Principal Amount Of Bonds, Taxable Valuation,
State Funding Assistance For Bonds And I&S Tax Rate

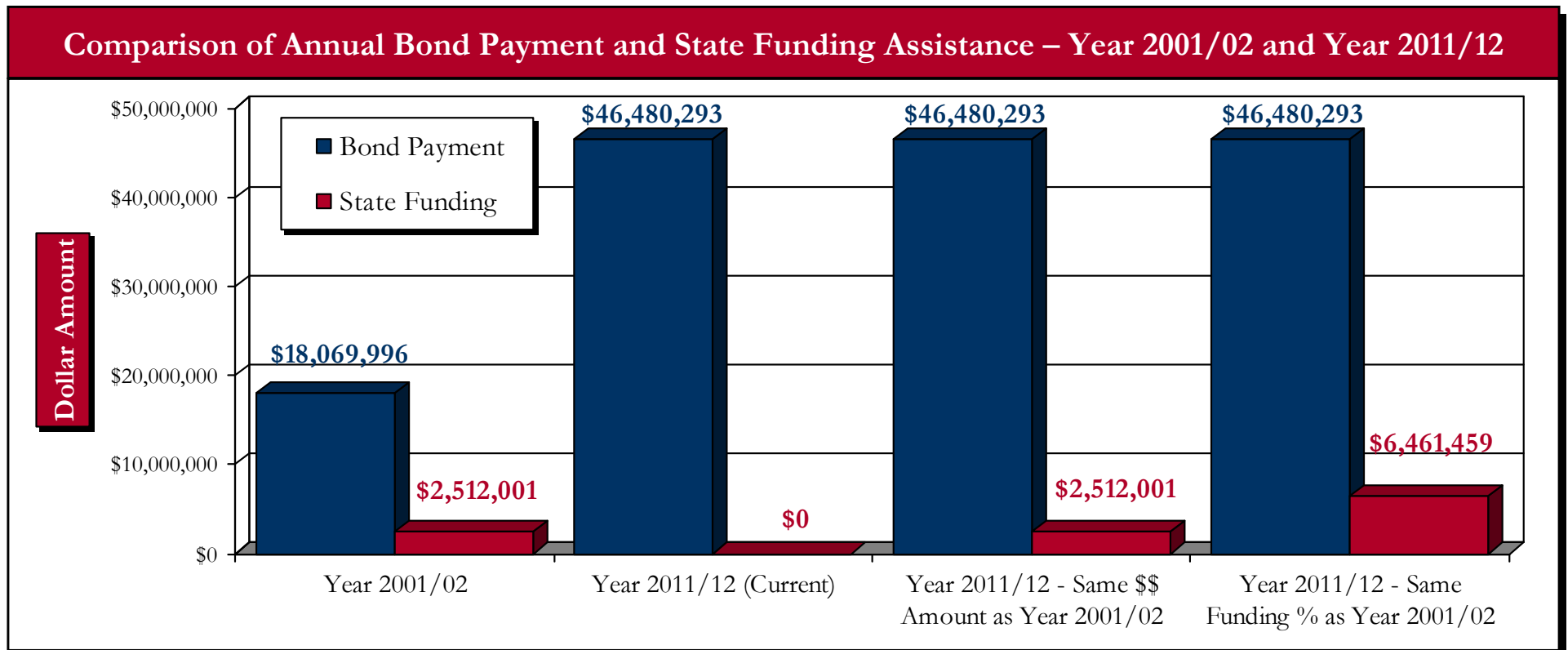


Source: District's Audited Financial Statements and Municipal Advisory Council of Texas.



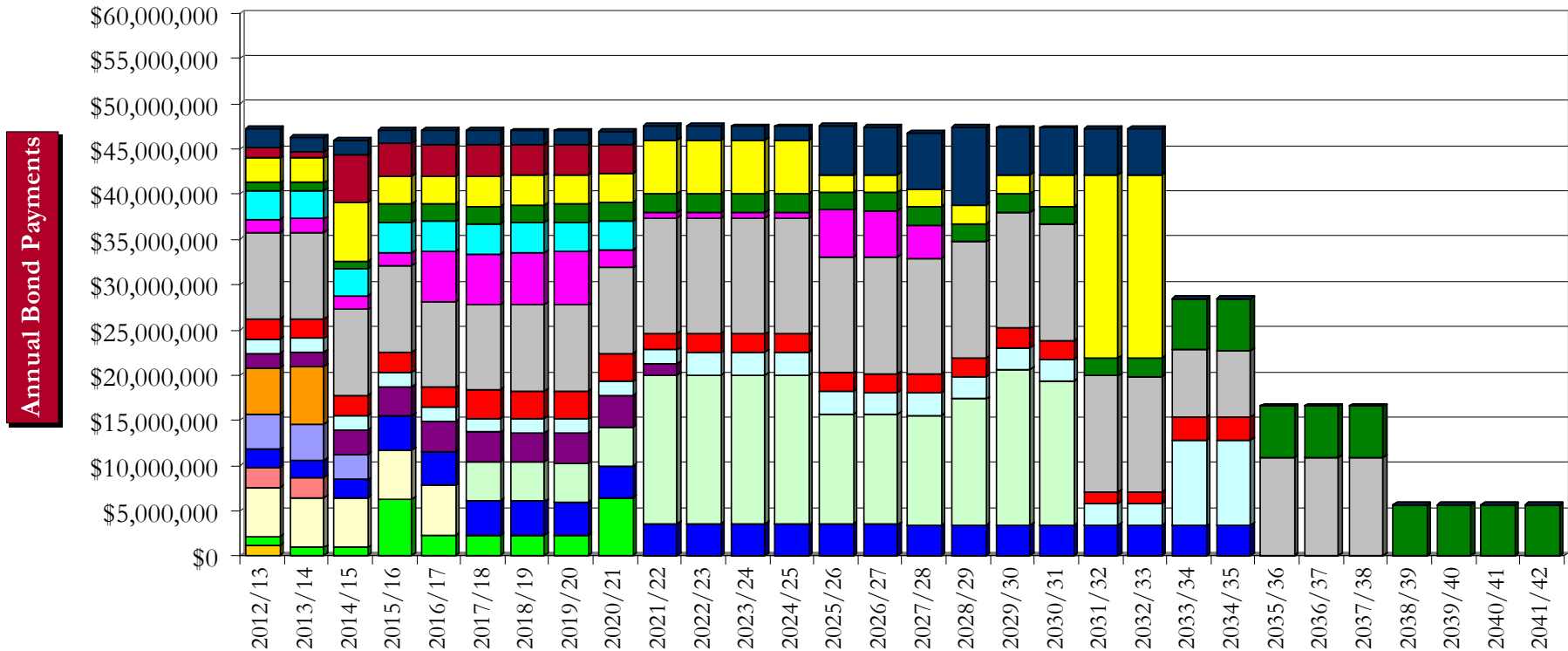
Comparison of Annual Bond Payment and State Funding Assistance – Year 2001/02 and Year 2011/12

- ❑ In year 2001/02, the District received \$2,512,001 (13.9% of its annual bond payment) of State funding assistance for the repayment of bonds and in year 2011/12, no State funding was received for bond repayments.
- ❑ **Over a 30-year bond repayment period:**
 - **The dollar reduction of State funding assistance equals \$75.4 million; and**
 - **The percentage reduction in State funding assistance (from 13.9% to 0%) equals \$193.8 million.**





Existing Bonds – Bond Payments by Series



- Unlimited Tax School Building & Refunding Bonds, Series 1998
- Unlimited Tax School Building & Refunding Bonds, Series 2001
- Unlimited Tax School Building & Refunding Bonds, Series 2002
- Unlimited Tax School Building & Refunding Bonds, Series 2004
- Variable Rate Unlimited Tax School Building Bonds, Series 2005-A
- Unlimited Tax School Building & Refunding Bonds, Series 2005-B
- Unlimited Tax Refunding Bonds, Series 2005-C
- Unlimited Tax Refunding Bonds, Series 2006
- Unlimited Tax School Building Bonds, Series 2006-A
- Variable Rate Unlimited Tax School Building Bonds, Series 2006-B
- Unlimited Tax School Building Bonds, Series 2007
- Unlimited Tax School Building Bonds, Series 2008
- Unlimited Tax Refunding Bonds, Series 2009
- Unlimited Tax Refunding Bonds, Series 2011
- Unlimited Tax School Building Bonds, Series 2012-A
- Unlimited Tax Refunding Bonds, Series 2012-B
- Unlimited Tax Refunding Bonds, Taxable Series 2012-C
- Unlimited Tax Refunding Bonds, Series 2012-D

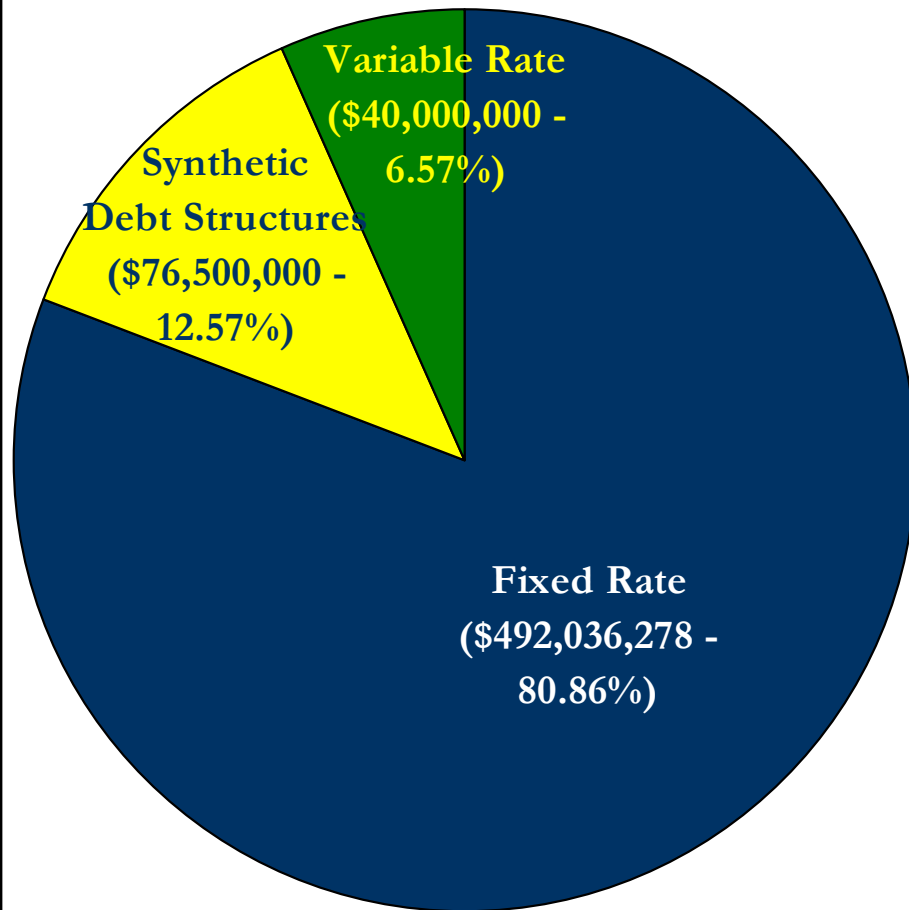
Note: Debt service payments reflect payments from September 1 through August 31.

The District has a total principal amount of existing bonds equal to \$608,536,278 and interest cost of \$509,431,202 – An “Interest/Principal ratio” of 0.84 to 1.

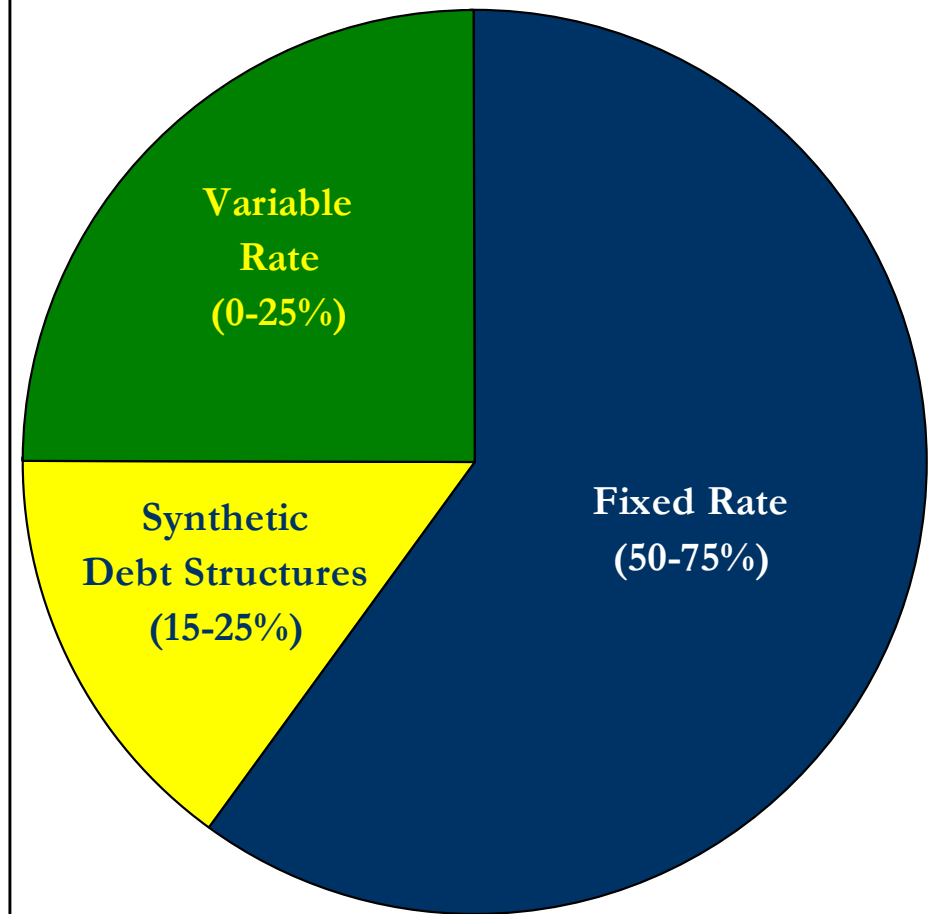


Existing Bonds – Composition of Debt Portfolio

Current Bond Portfolio



Targeted Portfolio – With Future Bond Sales





Summary of Interest Cost Savings Achieved by Managing the District's Debt Portfolio

- ❑ The District has actively managed its' existing bond portfolio to lower the borrowing costs of the District and its taxpayers – Such actions have reduced the District's borrowing costs by approximately \$50.75 million since year 2005.
- ❑ **Refunding Existing Bonds at Lower Interest Rate** – As demonstrated within the table below, since year 2005 the District has identified and implemented 6 separate refinancing programs to lower the interest rate on a portion the District's previously issued bonds, generating more than \$41.9 million of savings for District taxpayers.

Summary of Savings from Refunding Programs – Since Year 2005

Issue	Bond Series Refunded	Principal Amount Refunded	Total Savings
Unlimited Tax Refunding Bonds, Series 2005-C	1998, 1998 & 2001	\$ 50,855,000	\$ 3,251,044
Unlimited Tax Refunding Bonds, Series 2006	2002	48,329,192	12,125,000
Unlimited Tax Refunding Bonds, Series 2011	1998, 1998, 2001 & 2004	24,940,000	1,838,589
Unlimited Tax Refunding Bonds, Series 2012-B	2002, 2004 & 2005-C	64,614,784	13,196,404
Unlimited Tax Refunding Bonds, Taxable Series 2012-C	2004 & 2005-C	25,030,000	2,551,494
Unlimited Tax Refunding Bonds, Series 2012-D	2004	40,155,000	8,937,721
Totals	---	\$253,923,976	\$ 41,900,252



Summary of Interest Cost Savings Achieved by Managing the District's Debt Portfolio (Continued)

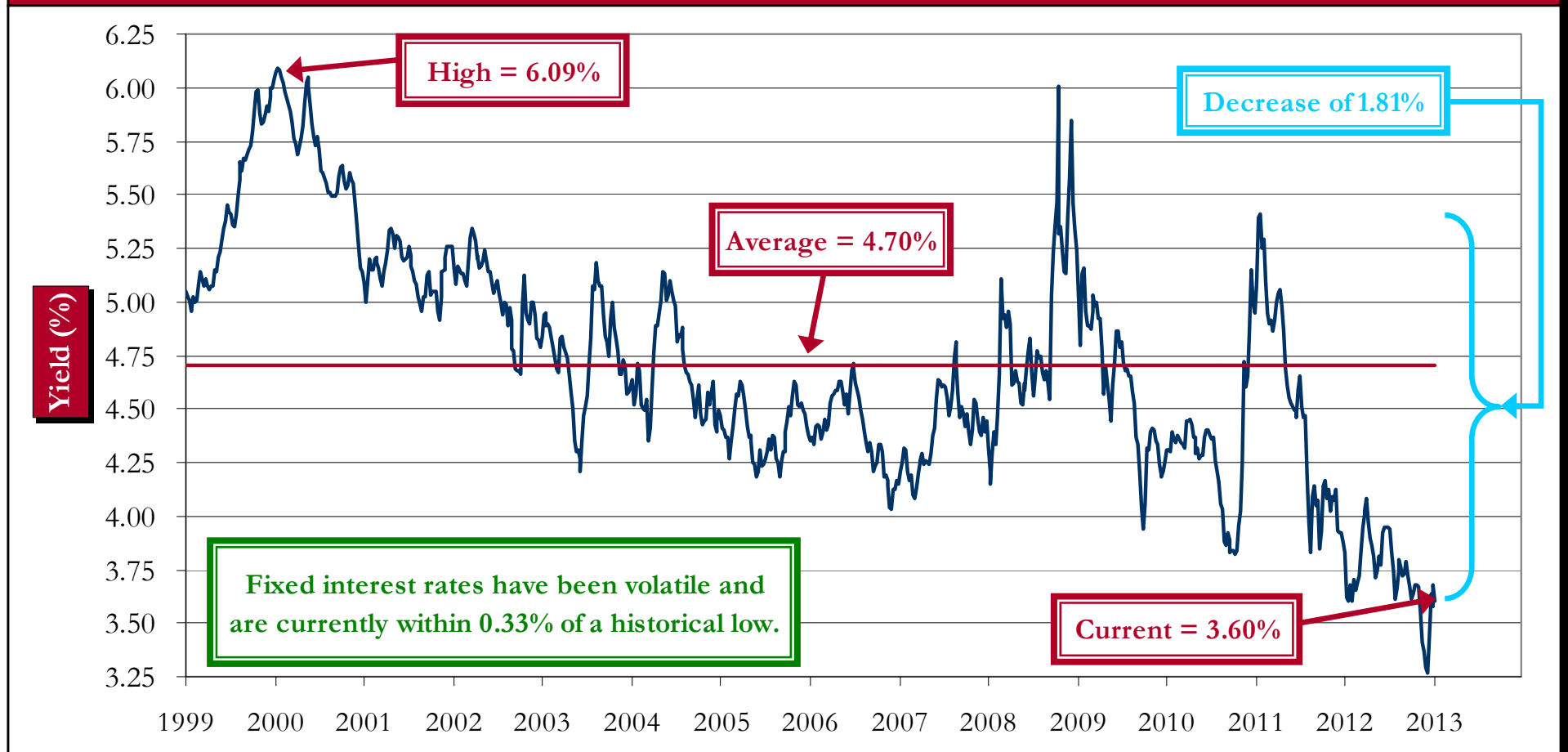
- ❑ **Variable Rate Unlimited Tax School Building Bonds, Series 2012-A** – Based upon the initial 1.10% interest rate realized on the sale of the District's Variable Rate Unlimited Tax School Building Bonds, Series 2012-A on April 24, 2012, the District locked-in an interest cost savings of \$3,299,687 over the next 3-years in comparison to traditional fixed rate bonds.
- ❑ **Synthetic Debt Structures** – The District has implemented two “synthetic debt structures” to potentially reduce the District's interest cost – To date, these structures have reduced the District's interest cost by more than \$5.55 million.



Current Market Review – Interest Rates

- As shown in the graph below, municipal interest rates have declined by approximately 1.81% over the last 24-months.

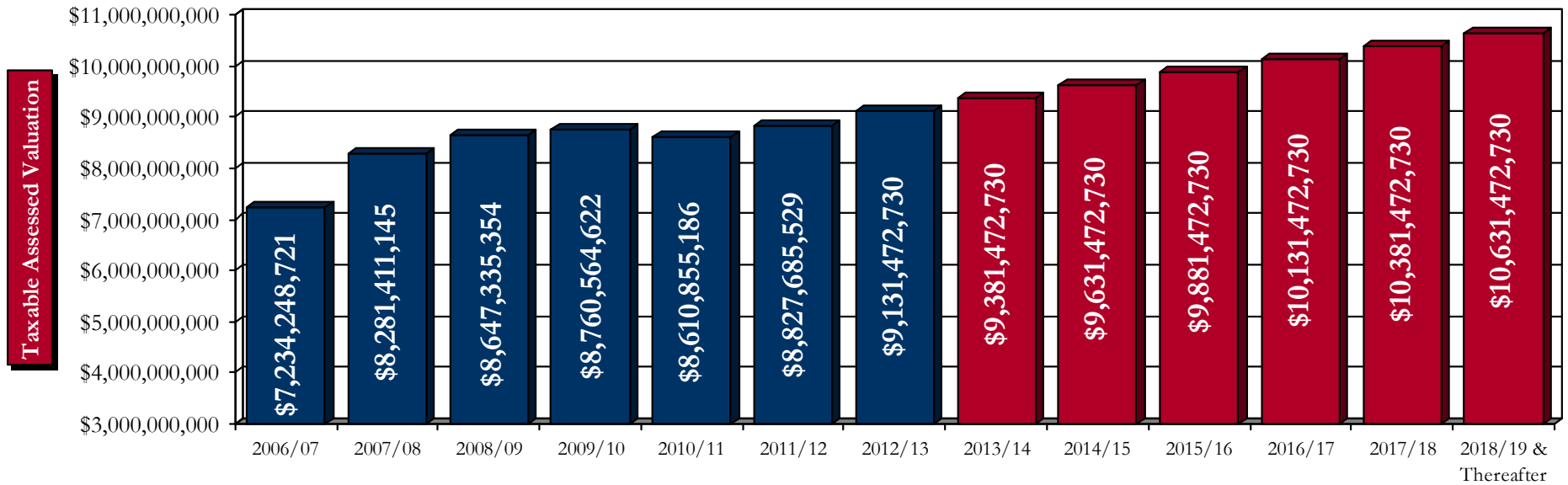
The Bond Buyer 20-Bond Index – A Tax-Exempt General Obligation Bond Yield Index – January 1, 1999 To The Present





Historical and Assumed Tax Values

Historical and Assumed Taxable Valuations (Net of Frozen Levy)



Fiscal Year	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Average Annual Increase – Years 2008/09 – 2012/13
Taxable Valuation	\$8,281,411,145	\$8,647,335,354	\$8,760,564,622	\$8,610,855,186	\$8,827,685,529	\$9,131,472,730	---
Dollar Change	--	\$365,924,209	\$113,229,268	(\$149,709,436)	\$216,830,343	\$303,787,201	\$170,012,317
Percentage Change	--	4.42%	1.31%	(1.71%)	2.52%	3.44%	1.97%

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Average Annual Increase – Years 2013/14 – 2018/19
Taxable Valuation	\$9,381,472,730	\$9,631,472,730	\$9,881,472,730	\$10,131,472,730	\$10,381,472,730	\$10,631,472,730	---
Dollar Change	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000
Percentage Change	2.74%	2.66%	2.60%	2.53%	2.47%	2.41%	2.57%



Current Debt Position

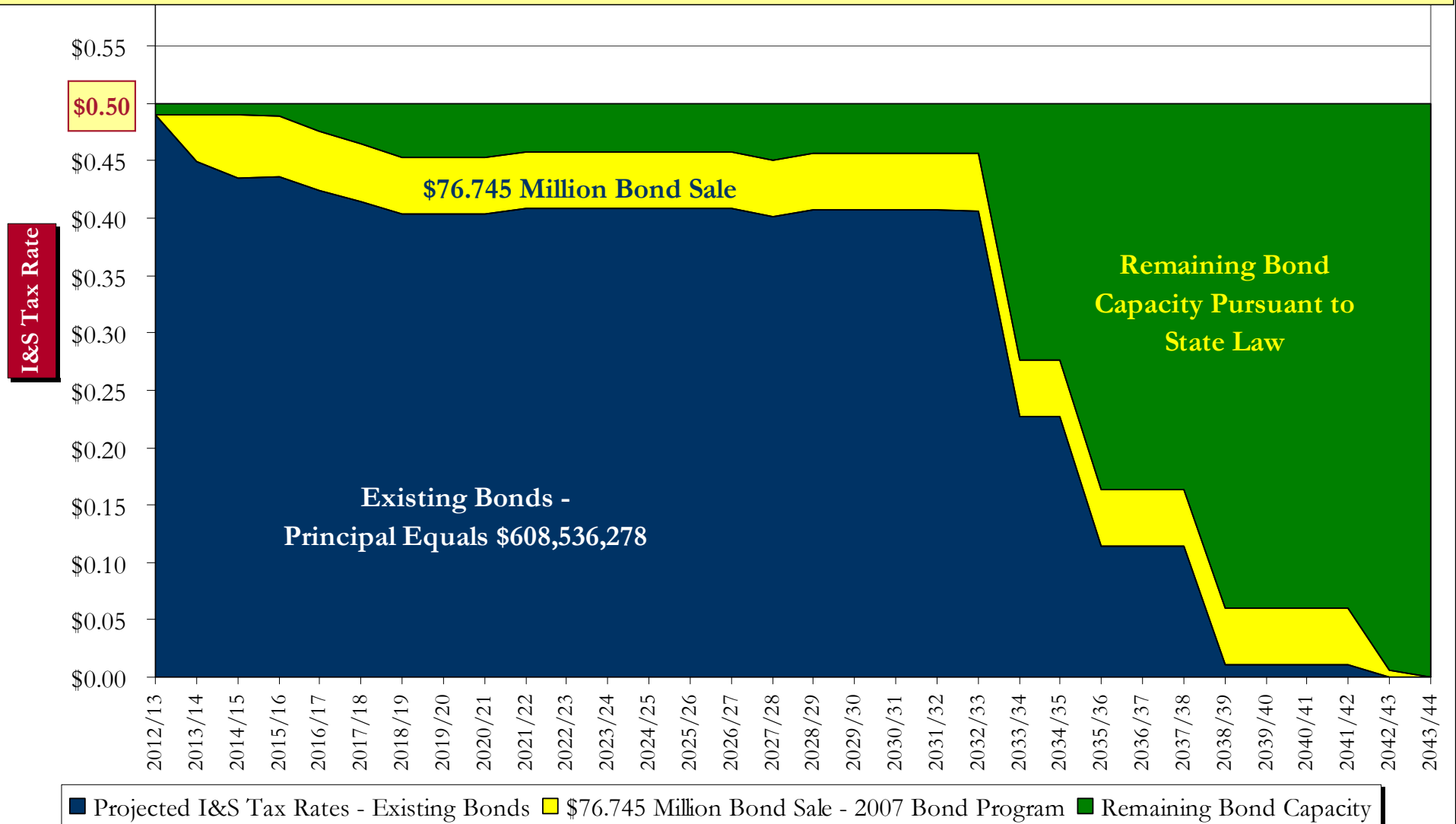
A	B	C	D	E	F	G	H	I	J
Year	Total Outstanding Bonds Payments ^(A)	Less: Projected State Funding Assistance	Less: Frozen Levy, Delinquent Tax Collections & Interest Earnings	Less: I&S Fund Balance	Net Combined Bond Payments	Assumed Taxable Valuation (Net of Frozen)	Projected I&S Tax Rate	Other Revenues Required For A 50.0 Cent I&S Tax Rate	Additional Taxable Valuation Required For A 50.0 Cent I&S Tax Rate
2012/13	\$47,183,351	\$0	\$4,548,959	\$0	\$42,634,392	\$9,131,472,730	\$0.4900	\$0	\$0
2013/14	46,185,986	0	4,548,959	0	41,637,027	9,381,472,730	0.4493	0	0
2014/15	45,952,330	0	4,548,959	0	41,403,371	9,631,472,730	0.4352	0	0
2015/16	47,103,380	0	4,548,959	0	42,554,421	9,881,472,730	0.4360	0	0
2016/17	47,011,868	0	4,548,959	0	42,462,909	10,131,472,730	0.4243	0	0
2017/18	46,998,635	0	4,548,959	0	42,449,676	10,381,472,730	0.4140	0	0
2018/19	46,980,680	0	4,548,959	0	42,431,720	10,631,472,730	0.4041	0	0
2019/20	46,957,300	0	4,548,959	0	42,408,340	10,631,472,730	0.4039	0	0
2020/21	46,949,426	0	4,548,959	0	42,400,467	10,631,472,730	0.4038	0	0
2021/22	47,467,055	0	4,548,959	0	42,918,096	10,631,472,730	0.4087	0	0
2022/23	47,460,490	0	4,548,959	0	42,911,531	10,631,472,730	0.4087	0	0
2023/24	47,449,491	0	4,548,959	0	42,900,531	10,631,472,730	0.4085	0	0
2024/25	47,443,790	0	4,548,959	0	42,894,831	10,631,472,730	0.4085	0	0
2025/26	47,472,217	0	4,548,959	0	42,923,258	10,631,472,730	0.4088	0	0
2026/27	47,407,292	0	4,548,959	0	42,858,333	10,631,472,730	0.4081	0	0
2027/28	46,719,100	0	4,548,959	0	42,170,141	10,631,472,730	0.4016	0	0
2028/29	47,301,406	0	4,548,959	0	42,752,447	10,631,472,730	0.4071	0	0
2029/30	47,283,691	0	4,548,959	0	42,734,732	10,631,472,730	0.4070	0	0
2030/31	47,277,616	0	4,548,959	0	42,728,656	10,631,472,730	0.4069	0	0
2031/32	47,265,643	0	4,548,959	0	42,716,683	10,631,472,730	0.4068	0	0
2032/33	47,252,433	0	4,548,959	0	42,703,474	10,631,472,730	0.4067	0	0
2033/34	28,375,810	0	4,548,959	0	23,826,851	10,631,472,730	0.2269	0	0
2034/35	28,349,491	0	4,548,959	0	23,800,532	10,631,472,730	0.2267	0	0
2035/36	16,533,500	0	4,548,959	0	11,984,541	10,631,472,730	0.1141	0	0
2036/37	16,537,500	0	4,548,959	0	11,988,541	10,631,472,730	0.1142	0	0
2037/38	16,537,750	0	4,548,959	0	11,988,791	10,631,472,730	0.1142	0	0
2038/39	5,627,750	0	4,548,959	0	1,078,791	10,631,472,730	0.0103	0	0
2039/40	5,626,250	0	4,548,959	0	1,077,291	10,631,472,730	0.0103	0	0
2040/41	5,628,250	0	4,548,959	0	1,079,291	10,631,472,730	0.0103	0	0
2041/42	5,628,000	0	4,548,959	0	1,079,041	10,631,472,730	0.0103	0	0
Total	\$1,117,967,479	\$0	\$136,468,774	\$0	\$981,498,704			\$0	\$0

^(A) Assumes a 2.125% interest rate on the District's Variable Rate Unlimited Tax School Building Bonds, Series 2012-A until July 31, 2015 and a 5.00% interest rate thereafter.



Projected I&S Tax Rates Required to Repay Existing Bonds and \$76.745 Million of Bonds Remaining From the 2007 Bond Program

Based upon the assumed taxable valuation growth herein, the District may issue the remaining \$76.745 million of bonds authorized from the 2007 Bond Program and maintain a maximum I&S tax rate of 49.0 cents.





Review of District's Current Debt Position/Bond Capacity – With I&S Tax Rate of 50.0 Cents

- Upon the sale of the District's remaining \$76.745 million of bonds from the 2007 Bond Program, the following table projects the District's taxable valuation growth required to permit the sale of additional bonds over the next 6-years.

Taxable Valuation Growth Necessary to Permit Sale of Additional Bonds				
A	B	C	D	E
Dollar Amount – Additional Bond Program	District's Current Taxable Valuation	Necessary Taxable Valuation Growth	Annual Taxable Valuation Growth – Next 6-Years	District's Total Taxable Valuation
\$ 50 Million	\$9.13 Billion	\$1.50 Billion	\$250 Million	\$10.63 Billion
\$100 Million	\$9.13 Billion	\$1.66 Billion	\$276 Million	\$10.79 Billion
\$150 Million	\$9.13 Billion	\$2.23 Billion	\$371 Million	\$11.36 Billion
\$200 Million	\$9.13 Billion	\$2.80 Billion	\$467 Million	\$11.93 Billion
\$250 Million	\$9.13 Billion	\$3.37 Billion	\$562 Million	\$12.51 Billion



Preliminary Bond Election Timetable – November 5, 2013

Financing Team Members

DISD	---	Denton Independent School District – Issuer
BOSC	---	BOSC, Inc. – Financial Advisor
MPH	---	McCall, Parkhurst & Horton L.L.P. – Bond Counsel

Preliminary Bond Election Timetable – November 5, 2013

Date	Action	Responsibility
On or Prior to August 19, 2013^(A)	Board Meeting – Board of Trustees Calls the Bond Election	DISD, BOSC, MPH
October 6 – 28, 2013	Publish Notice of Election	DISD, MPH
Prior to October 15, 2013	Post Notice of Election	DISD, MPH
October 21 – November 1, 2013	Early Voting Period	DISD
November 5, 2013	Bond Election	DISD, BOSC
November 13 – 18, 2013	Board Meeting – Canvass Election Results	DISD, BOSC
December 13 – 18, 2013	30-Day Contest Period Ends	N/A
January / February 2014	Bond Sale	DISD, BOSC, MPH
February / March 2014	Bond Closing (District Receives Bond Proceeds)	DISD, BOSC, MPH

^(A) For bond elections held on the November uniform election date, State law requires a bond election to be called by the Board of Trustees at least 62 days prior to the date of the election and the Department of Justice requires 60 days for approval of election procedures. Should the District desire to receive Department of Justice approval prior to the beginning of “Early Voting” (i.e. the 17th day before the election), the District must call the election at least 78 days prior to the election date.



Specialized Texas School District Finance Team



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Managing Director, Director of Texas Public Finance



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Investment Banker, Texas Public finance



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