



Review of Preliminary Financing Plan for Proposed \$40.0 Million Bond Sale from 2007 Bond Program and Refunding Program for Savings

Thursday, January 19, 2012



Review of the District's 2007 Bond Program

- On November 6, 2007, the voters of the District approved the issuance of \$282,000,000 of bonds. The actual results from the bond election (the “2007 Bond Program”) are summarized within the table below.

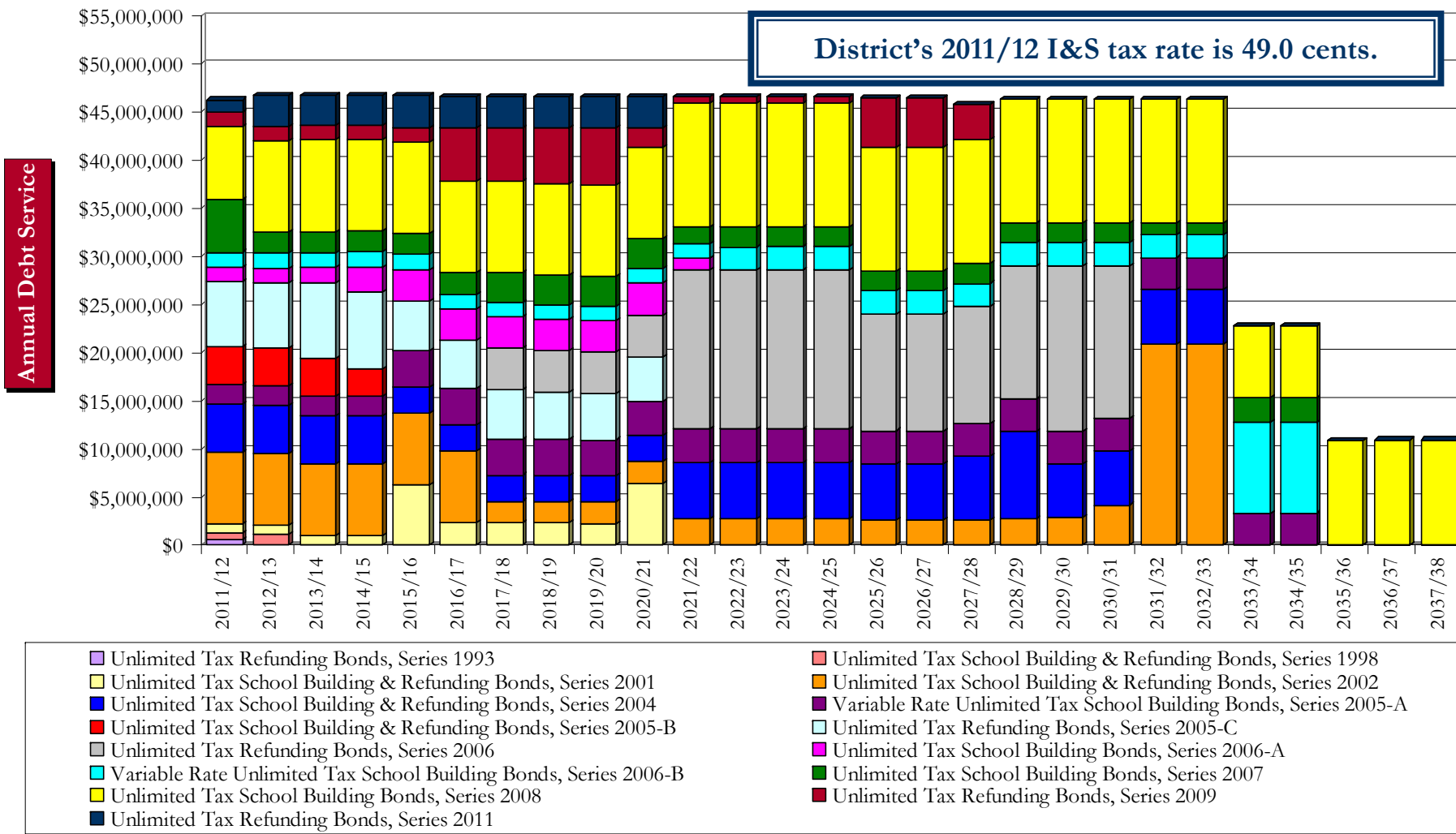
Bond Election Results – 2007 Bond Program				
Purpose	Dollar Amount	Votes For	Votes Against	Approval Rate
Construction, Renovation, Acquisition And Equipment Of School Buildings In The District, The Purchase Of Necessary Sites For School Buildings And The Purchase Of New School Buses	\$282,000,000	4,002	2,759	59.19%

- In January 2008, the District completed the initial bond sale from the 2007 Bond Program and \$116,745,000 of bonds remain to be sold. Upon the sale of the proposed \$40,000,000 bond sale, the District will have \$76,745,000 of bonds remaining to be sold.

Bond Sales Completed – 2007 Bond Program					
Series	Sale Date	Dollar Amount	Dollar Amount Currently Remaining	Proposed Bond Sale – Year 2012	Dollar Amount Remaining
Unlimited Tax School Building Bonds, Series 2008	01/17/08	\$165,255,000	\$116,745,000	\$40,000,000	\$76,745,000



Existing Bonds – Debt Service by Series



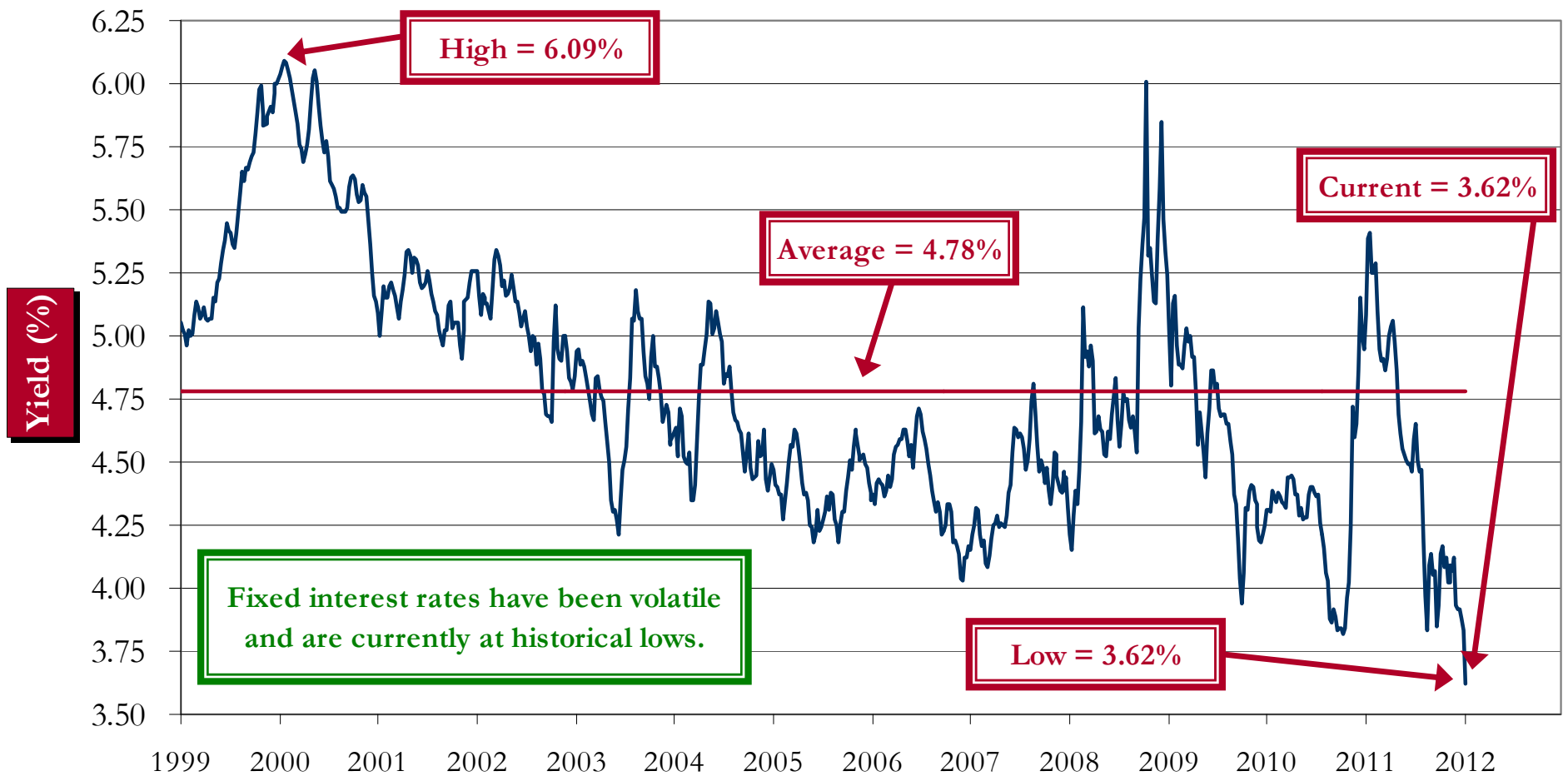
Note: Debt service payments reflect payments from September 1 through August 31.

The District has a total principal amount of existing bonds equal to \$592,214,142 and it has \$116,745,0000 remaining to be sold from the 2007 Bond Program.



Current Market Review – Interest Rates

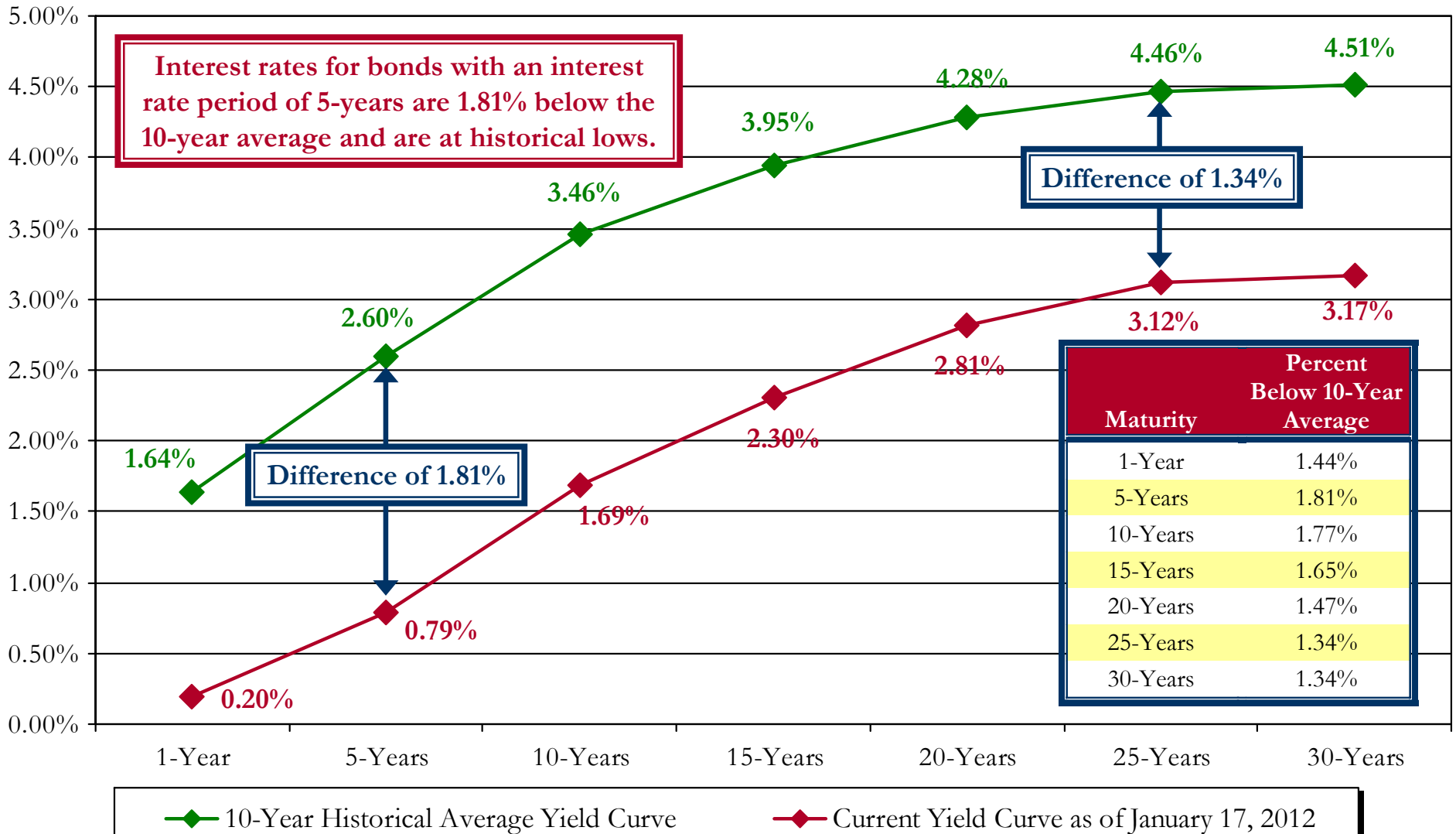
**The Bond Buyer 20-Bond Index -
A Tax-Exempt General Obligation Bond Yield Index
January 1, 1999 To The Present**





Current Market Review – Interest Rate Curve

Comparison of Tax-Exempt Interest Rates - Municipal Market Data "AAA" Yield Curves





Goals of Financing Plan

❑ **Goals of Financing Plan:**

- ❑ Comply with the “50-Cent Debt Test” and meet expectations of taxpayers;
- ❑ Minimize use of more costly “capital appreciation bonds” (i.e. zero-coupon or deferred interest bonds) and deferral of bond payments to reduce the District’s interest cost;
- ❑ Minimize the District’s potential interest cost;
- ❑ Maximize the District’s future bond capacity for capital improvements; and
- ❑ Provide flexibility to control the District’s annual bond payments and the opportunity to repay the bonds over a shorter time period, as taxable values increase in the future.

- ❑ **Incorporating debt management flexibility within the District’s bond portfolio is vital as the District is committing to payments for an extended period and the factors affecting the District’s bond capacity and I&S tax rate cannot be fully predicted.**
- ❑ **The District has the ability to approve amendments to its annual budget as circumstances require – With bonds potentially being a 30-year commitment, the District needs the same ongoing flexibility to manage its debt position over this time.**



Overview of Variable Rate Put Bonds

- ❑ Variable rate bonds have previously been a valuable “Debt Management” tool for the District as they: 1) Have historically provided a lower interest rate than fixed rate bonds; and 2) May be prepaid prior to scheduled maturity, providing the District with the flexibility to manage its annual bond payments and corresponding Interest & Sinking Fund (“I&S”) tax rates as taxable values and capital needs change in future years.
- ❑ The interest rate term of variable rate bonds may be converted to a “fixed rate” in the future, if deemed appropriate.
- ❑ The following is a representative listing of the Texas school districts that have previously utilized variable rate bonds.

Representative Listing of Texas School Districts Utilizing Variable Rate Bonds

■ Aledo ISD	■ Eagle Mountain-Saginaw ISD	■ Lubbock ISD	■ Plano ISD
■ Alvin ISD	■ El Paso ISD	■ Mansfield ISD	■ Richardson ISD
■ Beaumont ISD	■ Fort Bend ISD	■ Manor ISD	■ Rockwall ISD
■ Canutillo ISD	■ Garland ISD	■ Mesquite ISD	■ San Angelo ISD
■ Carroll ISD	■ Grand Prairie ISD	■ Midland ISD	■ Sherman ISD
■ Clear Creek ISD	■ Grapevine-Colleyville ISD	■ Midlothian ISD	■ Spring ISD
■ Conroe ISD	■ Houston ISD	■ Midway ISD	■ Spring Branch ISD
■ Cypress-Fairbanks ISD	■ Irving ISD	■ Northside ISD	■ Tomball ISD
■ Denton ISD	■ Katy ISD	■ Northwest ISD	■ Tyler ISD
■ Dickinson ISD	■ Lamar CISD	■ Pasadena ISD	■ Weatherford ISD

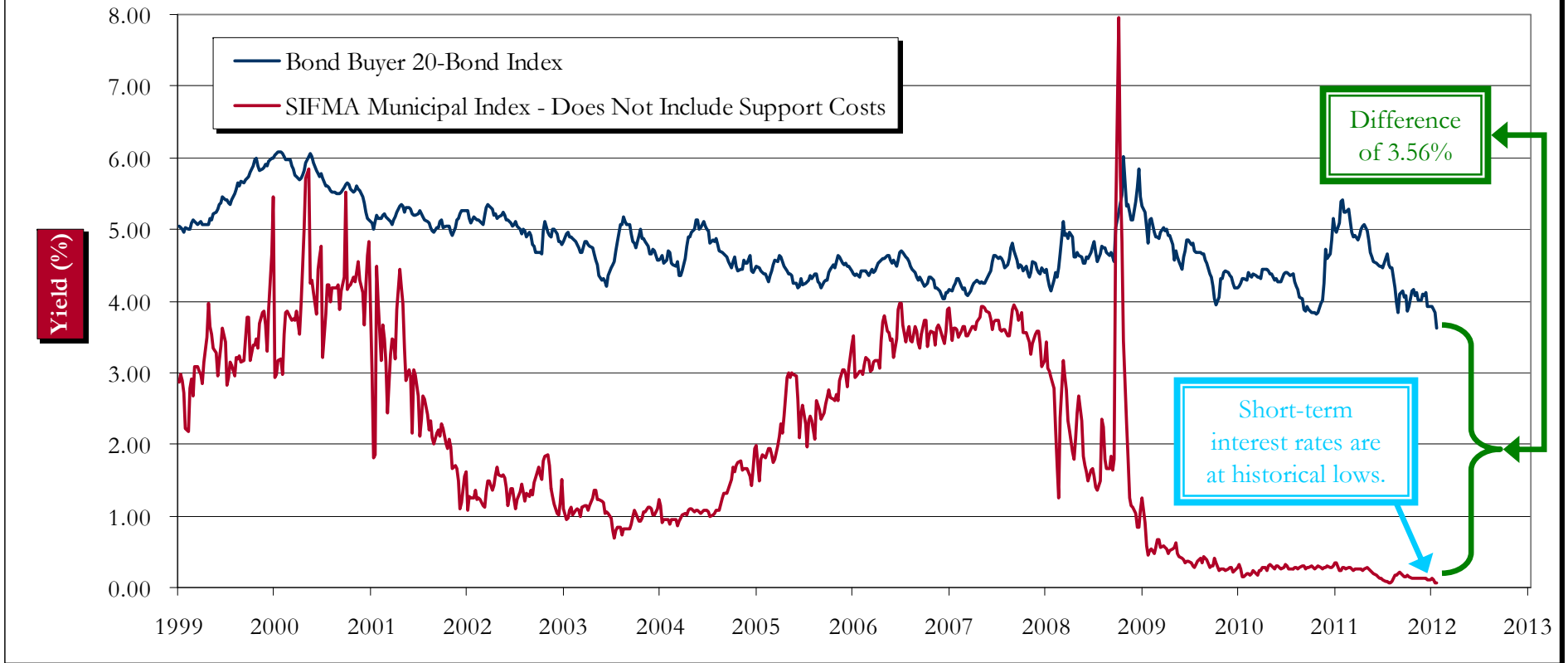


Overview of Variable Rate Put Bonds (Continued)

- As shown below, since year 1999 variable rates have averaged 2.01% (not including support costs) and fixed rates have averaged 4.78%. Currently, the difference between variable rates and fixed rates is historically wide, making shorter-term interest rates attractive to include within the District's financing plan.

Review Of Fixed And Variable Rates Of Interest Bond Buyer 20-Bond Index And SIFMA Municipal Index January 1999 Through The Present

Fixed Rates	Variable Rates	Difference
Current = 3.62%	Current = 0.06%	Current = 3.56%
Average = 4.78%	Average = 2.01%	Average = 2.77%





Variable Rate Put Bonds – Summary of Estimated Interest Rates and Interest Cost Savings

- Assuming a \$40.0 million Variable Rate Put Bond with a 30-year repayment period, the following is a comparison of current interest rates of Variable Rate Put Bonds and a fixed rate bond.

Comparison of Estimated Interest Rates and Interest Costs – \$40.0 Million Bond Sale			
Interest Rate Mode	Current Rates (Including Estimated Costs)	Average Annual Interest Cost – Current Rates	Total Interest Cost
Variable Rate Put Bond – 1-Year Initial Interest Rate Term	0.85%	\$ 334,947	\$ 10,048,409
Variable Rate Put Bond – 3-Year Initial Interest Rate Term	1.40%	494,171	14,825,121
Variable Rate Put Bond – 5-Year Initial Interest Rate Term	1.75%	618,244	18,547,326
Variable Rate Put Bond (Assuming 3.0% Interest Rate to Maturity)	3.00%	1,063,087	31,892,617
Fixed Rate Bond	4.24%	1,594,278	47,828,325

- A \$40.0 million Variable Rate Put Bond sale with a 5-year term would lock-in approximately \$5,455,000 of savings over the next 5-years in comparison to a fixed rate bond sale.
- Based upon prevailing market conditions and the historically low short-term interest rates, we recommend the District sell \$40.0 million of Variable Rate Put Bonds with an initial “5-Year Term.”



Preliminary Financing Plan

The remainder of this Preliminary Financing Plan is based upon the assumptions detailed herein. To the extent the District's actual results differ from the assumptions herein, the financial impact to the District will correspondingly change.

☐ Scenario Presented

- Fund The Construction Of Middle School No. 7 With The Issuance Of \$40.0 Million Of Bonds From The 2007 Bond Program.

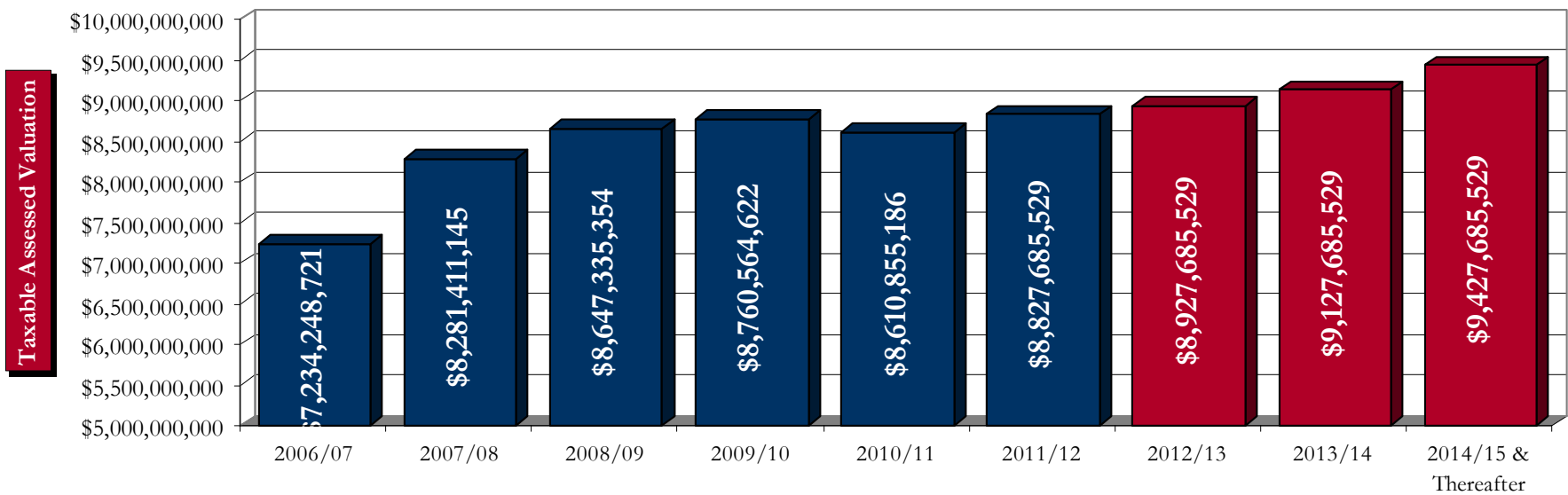
☐ Assumptions

- Bonds will be structured as Variable Rate Put Bonds and maintain an I&S tax rate of 49.0 cents.
- Bonds are repaid over a 30-year period and are structured to allow the District to prepay the bonds prior to scheduled maturity, without penalty.
- District will not receive State assistance for the repayment of existing or new bonds.
- Tax collection percentage of 97.57%.



Historical and Assumed Taxable Assessed Valuations

**Historical and Assumed Taxable Valuations
(Net of Frozen Levy)**



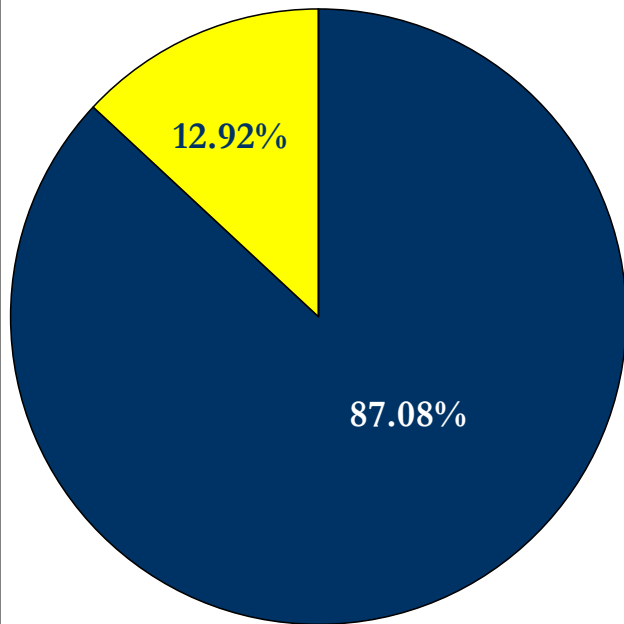
Fiscal Year	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Average Annual Increase – Years 2006/07 – 2011/12
Taxable Assessed Valuation	\$7,234,248,721	\$8,281,411,145	\$8,647,335,354	\$8,760,564,622	\$8,610,855,186	\$8,827,685,529	---
Dollar Change	---	\$1,047,162,424	\$365,924,209	\$113,229,268	(\$149,709,436)	\$216,830,343	\$318,687,362

Fiscal Year	2012/13	2013/14	2014/15	Average Annual Increase – Years 2012/13 – 2014/15
Taxable Assessed Valuation	\$8,927,685,529	\$9,127,685,529	\$9,427,685,529	---
Dollar Change	\$100,000,000	\$200,000,000	\$300,000,000	\$200,000,000



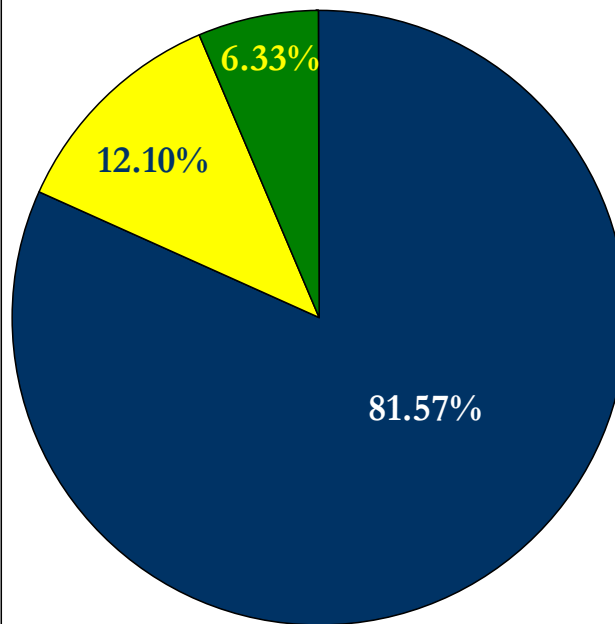
Composition of Debt Portfolio Upon Completion of the \$40.0 Million Variable Rate Bond Sale

Composition of Current Bond Portfolio



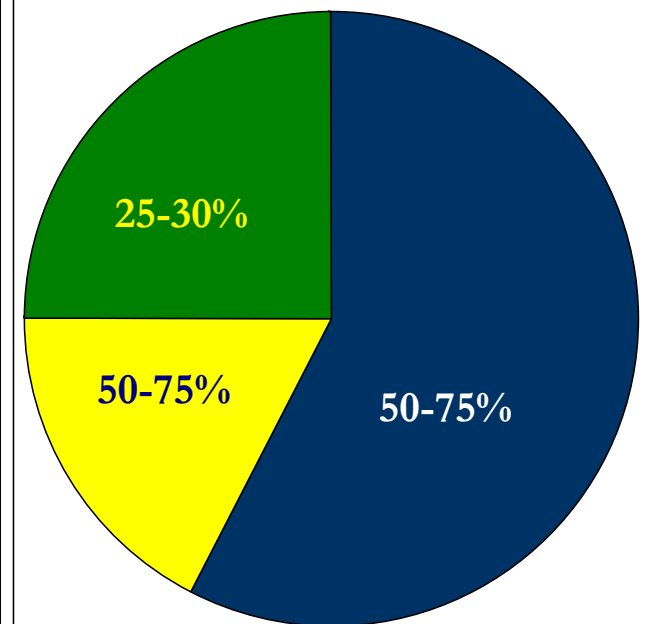
- Fixed Rate
- Synthetic Debt Structures
- Variable Rate

Bond Portfolio - With \$40.0 Million Bond Sale



- Fixed Rate
- Synthetic Debt Structures
- Variable Rate

Composition of Targeted Bond Portfolio



- Fixed Rate
- Synthetic Debt Structures
- Variable Rate



Opportunity – Refund Existing Bonds at Lower Interest Rate

- ❑ Based upon current municipal interest rates, the District has an opportunity to reduce its interest cost by refunding a portion of its existing bonds (collectively, the “Bonds to be Refunded”) at a lower interest rate.
- ❑ Assuming current rates of interest prevail at the time of the refunding, the table below summarizes the savings available to the District.

Summary of Savings Available	
Description	Summary Of Results
Principal Amount of the Bonds to be Refunded	\$104,234,784
Maturity Amount of the Bonds to be Refunded	110,015,000
Interest Rate on the Bonds to be Refunded	5.07%
True Interest Rate on the Refunding Bonds	2.96%
Escrow Yield	0.49%
Total Debt Service Savings	\$16,432,625
Average Annual Savings – Years 2012/13 – 2032/33 (i.e. 21-Years)	782,506
Present Value Debt Service Savings	11,850,217
Present Value Savings as a Percentage of the Principal Amount of the Bonds to be Refunded	11.20%
Opportunity Cost of Advance Refunding (i.e. “Negative Arbitrage”)	\$2,997,679



Refunding Existing Bonds at Lower Interest Rate (Continued)

Summary of Savings Available					
A	B	C	D	E	F
Fiscal Year	Existing Unlimited Tax Debt Service	Less: Debt Service – Bonds to be Refunded	Plus: Debt Service – Refunding Bonds	Unlimited Tax Debt Service After Refunding Program	Savings (Col. B-E)
2011/12	\$ 46,255,826	\$ 2,551,303	\$ 2,551,303	\$ 46,255,826	\$ -
2012/13	46,711,440	5,102,605	4,672,050	46,280,885	430,555
2013/14	46,715,165	5,102,605	4,672,050	46,284,610	430,555
2014/15	46,714,909	8,557,605	7,737,050	45,894,354	820,555
2015/16	46,715,809	5,704,855	4,885,750	45,896,704	819,105
2016/17	46,622,597	5,671,105	4,850,250	45,801,742	820,855
2017/18	46,610,414	5,909,250	5,090,350	45,791,514	818,900
2018/19	46,593,108	5,878,000	5,060,550	45,775,658	817,450
2019/20	46,569,103	5,866,250	5,046,150	45,749,003	820,100
2020/21	46,561,280	5,818,000	4,996,850	45,740,130	821,150
2021/22	46,556,309	8,545,000	7,728,350	45,739,659	816,650
2022/23	46,551,244	8,540,500	7,721,750	45,732,494	818,750
2023/24	46,543,284	8,543,500	7,722,500	45,722,284	821,000
2024/25	46,536,016	8,543,250	7,725,000	45,717,766	818,250
2025/26	46,513,443	8,344,500	7,523,750	45,692,693	820,750
2026/27	46,453,178	8,352,000	7,533,500	45,634,678	818,500
2027/28	45,765,357	9,204,750	8,383,750	44,944,357	821,000
2028/29	46,353,115	11,700,000	10,882,000	45,535,115	818,000
2029/30	46,341,906	8,397,000	7,578,250	45,523,156	818,750
2030/31	46,333,033	9,722,250	8,900,750	45,511,533	821,500
2031/32	46,322,818	26,476,750	25,655,500	45,501,568	821,250
2032/33	46,311,068	26,481,000	25,662,000	45,492,068	819,000
2033/34	22,724,530	-	-	22,724,530	-
2034/35	22,707,331	-	-	22,707,331	-
2035/36	10,905,250	-	-	10,905,250	-
2036/37	10,909,250	-	-	10,909,250	-
2037/38	10,909,500	-	-	10,909,500	-
Totals:	\$ 1,100,806,282	\$ 199,012,078	\$ 182,579,453	\$ 1,084,373,657	\$ 16,432,625



Refund Existing Bonds at Lower Interest Rate (Continued)

❑ The following table summarizes the District’s existing bonds potentially to be refunded at a lower interest rate.

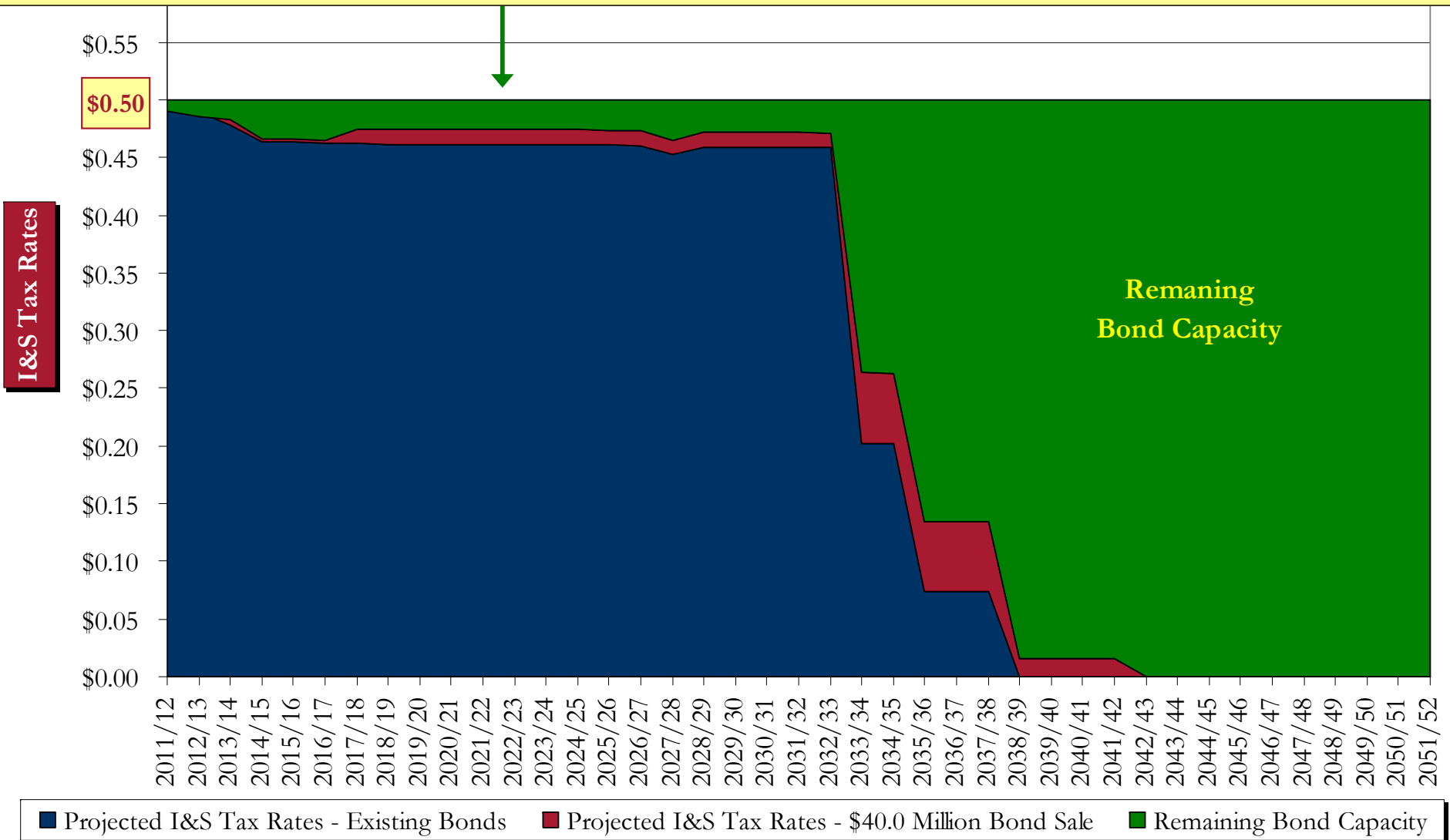
Summary of Potential Bonds to be Refunded

Issue Outstanding	Principal Amount To Be Refunded	Principal Amount To Be Refunded	Maturities To Be Refunded	Interest Rate	Redemption Date	Redemption Price
Unlimited Tax School Building & Refunding Bonds, Series 2002	\$ 42,374,784	\$ 48,155,000	08/15/2018 – 2031; 2033	5.16%	08/15/2012	100.0%
Unlimited Tax School Building & Refunding Bonds, Series 2004	55,655,000	55,655,000	08/15/2015; 2022 – 2024; 2027; 2029; 2033	5.00%	08/15/2014	100.0%
Unlimited Tax Refunding Bonds, Series 2005-C	6,205,000	6,205,000	08/15/2015 – 2021	4.97%	08/15/2014	100.0%
Totals:	\$104,234,784	\$110,015,000	---	5.07%	---	---



Debt Capacity After Sale of \$40.0 Million of Bonds and Refunding Program

■ Upon completion of the \$40.0 million bond sale and anticipated Refunding Program, the District will have the current capacity to issue approximately \$28.25 million of additional bonds and maintain a 49.0 cent I&S tax rate.





Components of the Preliminary Financing Plan

□ Components of the Preliminary Financing Plan

- **Step No. 1:** In January 2012, adopt a separate “Parameter Order” to authorize the issuance of \$40 million of bonds from the 2007 Bond Program and the Refunding Program;
- **Step No. 2:** In February 2012, issue \$40.0 million of bonds from the 2007 Bond Program utilizing Variable Rates Put Bonds (“Series 2012-A Bonds”);
- **Step No. 3:** In March/April 2012 (preliminary, subject to change), implement the Refunding Program to lower the District’s interest cost on existing bonds (the “Series 2012-B Bonds”); and
- **Step No. 4:** At a date to be determined and based upon future growth of the District’s tax base, issue the remaining \$76.745 million of bonds from the 2007 Bond Program.



Step One – Approval of Parameters Order – \$40.0 Million Variable Rate Put Bond Sale

- ❑ Pursuant to Chapter 1371 of the Texas Government Code, as amended, the District’s Board of Trustees may designate the ability to approve the issuance of the Series 2012-A Bonds to the District’s Administration, so long as the issuance of the bonds meets certain parameters previously approved by the Board of Trustees.

- ❑ Pursuant to a Bond Order to be approved by the District’s Board of Trustees, the following is a representative listing of the parameters to be used for the District’s Series 2012-A Bonds.
 - 1) A maximum of \$40,000,000 (principal amount) may be issued;
 - 2) The initial interest rate on the Series 2012-A Bonds does not exceed the highest lawful rate;
 - 3) The final maturity of the Series 2012-A Bonds must not exceed 30-years; and
 - 4) The District must receive the proceeds from the sale of the Series 2012-A Bonds on or prior to July 15, 2012.

- ❑ Unless the parameters detailed above can be achieved, the Series 2012-A Bonds would not be issued unless additional direction was received from the District.



Step One – Approval of Parameters Order – Refunding Program

- Pursuant to a Bond Order to be approved by the District’s Board of Trustees, the following is a representative listing of the parameters that could be used for the District’s Refunding Program.
 - 1) The District achieves at a present value debt service savings of at least 5%, net of any District cash contribution;
 - 2) A maximum of \$104,234,783.30 (principal amount) of the Series 2012-B Bonds may be issued;
 - 3) The interest rate (Federal arbitrage yield) on the Series 2012-B Bonds cannot exceed 4.00%;
 - 4) The final maturity of the Series 2012-B Bonds may not exceed August 15, 2033 – the same final maturity as the Bonds to be Refunded; and
 - 5) The refunding program is completed prior to January 15, 2013.

- Unless the parameters detailed above are achieved, the Series 2012-B Bonds would not be issued unless additional direction was received from the District.



Preliminary Timetable

January 2012						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

February 2012						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29			

March 2012						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

April 2012						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

May 2012						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Board Meeting

Potential Pricing Date

Closing – Receipt of Funds

Preliminary Timetable	
Date*	Action Necessary
January 24, 2012	Board Meeting – Discuss Preliminary Financing Plan And Consider “Parameters Orders” Authorizing Issuance Of \$40.0 Million From The 2007 Bond Program And Refunding Program.
February 13, 2012	Completion Of All Items Necessary To Sell The Bonds (i.e. Preliminary Official Statement Completed, Ratings Received, Permanent School Fung Guarantee Received, etc.).
February 15, 2012	Pricing – Negotiated Sale Of The Series 2012-A Bonds Within The Specified Parameters – Interest Rates Locked-In At This Time.
March 14, 2012	Closing – District Receives The Proceeds Of The Series 2012-A Bonds.
March/April 2012	Pricing – Negotiated Sale Of The Series 2012-B Bonds Within The Specified Parameters – Savings Locked-In At This Time.
To Be Determined.	Closing – Refunding Program Is Completed And The Bonds To Be Refunded Are No Longer Outstanding.

* Preliminary, subject to change.



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