



Overview Of Current Debt Portfolio And Debt Capacity

Tuesday, October 7, 2008



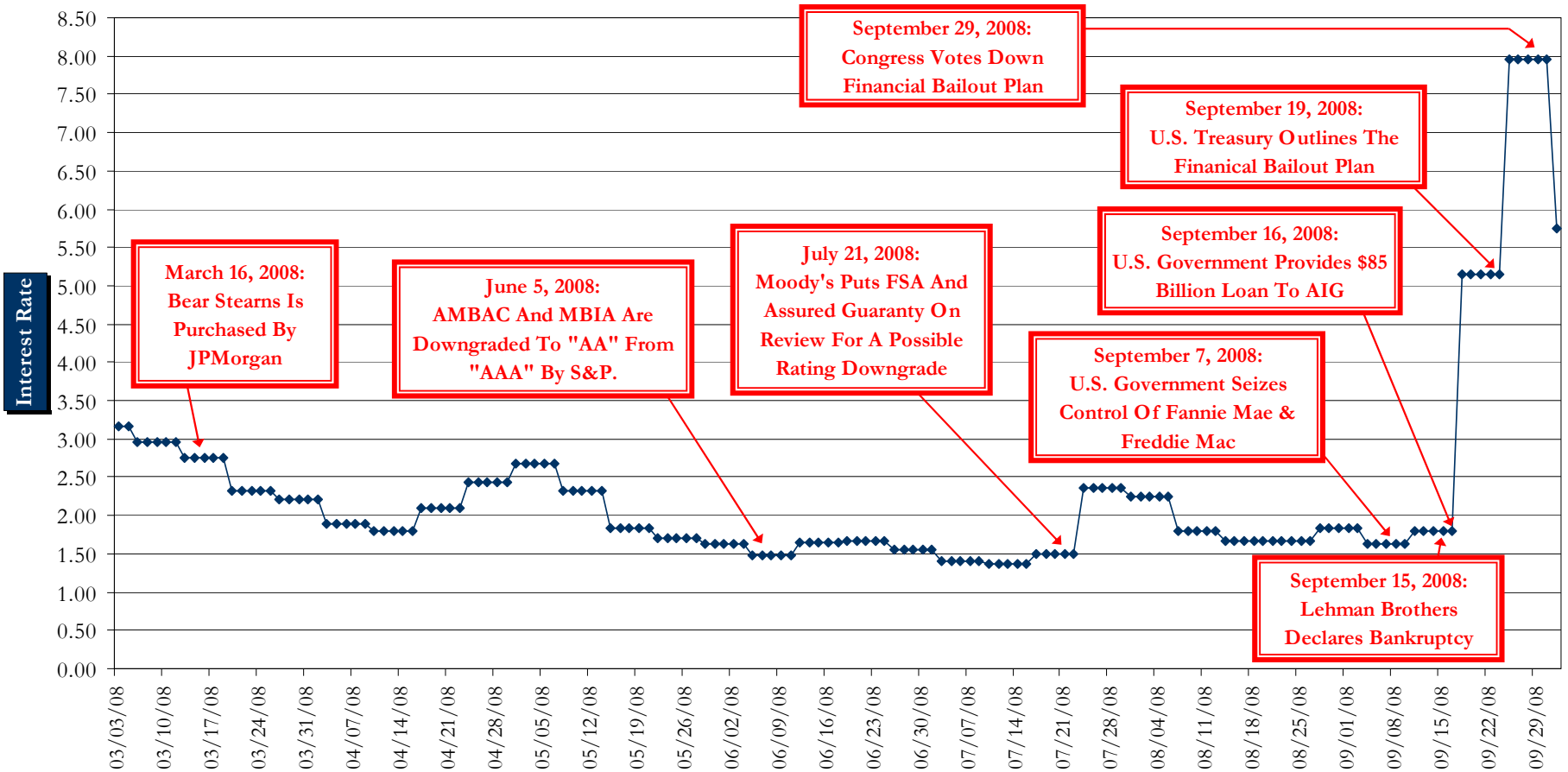


The Bond Buyer Tax-Exempt General Obligation Bond Yield Index January 1, 1997 To The Present



Based upon a \$116.745 million bond sale, a 0.25% interest rate change results in an interest cost differential of approximately \$14,725,000.

Short-Term Bonds - Historical Securities Industry and Financial Markets Association's ("SIFMA") Municipal Index - March 3, 2008 Through October 1, 2008





Overview Of Bonds – Definition, Purpose & Repayment

- ❑ **Definition** – A bond is a long-term debt instrument issued by a school district. Similar to a home mortgage, a bond is sold to investors to raise funds to pay the costs of: constructing and equipping new facilities, renovations to existing facilities, purchase of land for school sites, and the purchase of equipment and school buses. A school district repays the bond, plus interest over multiple years.
- ❑ **Purpose** – A bond is used since a school district does not have sufficient tax rate capacity to pay for certain improvements on a “pay as you go basis” from annual revenues. By using a bond, a school district is also able to spread the cost of the improvements over their useful life and allow future users of such improvements to assist in the payment thereof.
- ❑ **Repayment** – Bonds are issued in accordance with a school bond package (a “bond election”) that has been authorized by the voters. These bonds are repaid over multiple years from a levy of a district’s Interest & Sinking Fund tax rate. However, a school district does not have the legal authority to levy an Interest & Sinking Fund tax rate for the direct payment of capital expenditures. Most school districts in Texas utilize bonds to finance the construction, equipment and renovation of school facilities.



Review Of The 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.

Election Results	
Proposition: \$282,000,000 – For The 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.	
Number of Votes FOR the Bond Program:	4,002
Percentage of Votes:	59.19%
Number of Votes AGAINST the Bond Program:	2,759
Percentage of Votes:	40.81%



- The table below summarizes the bond sales completed and the bonds remaining to be sold from the 2007 Bond Program.

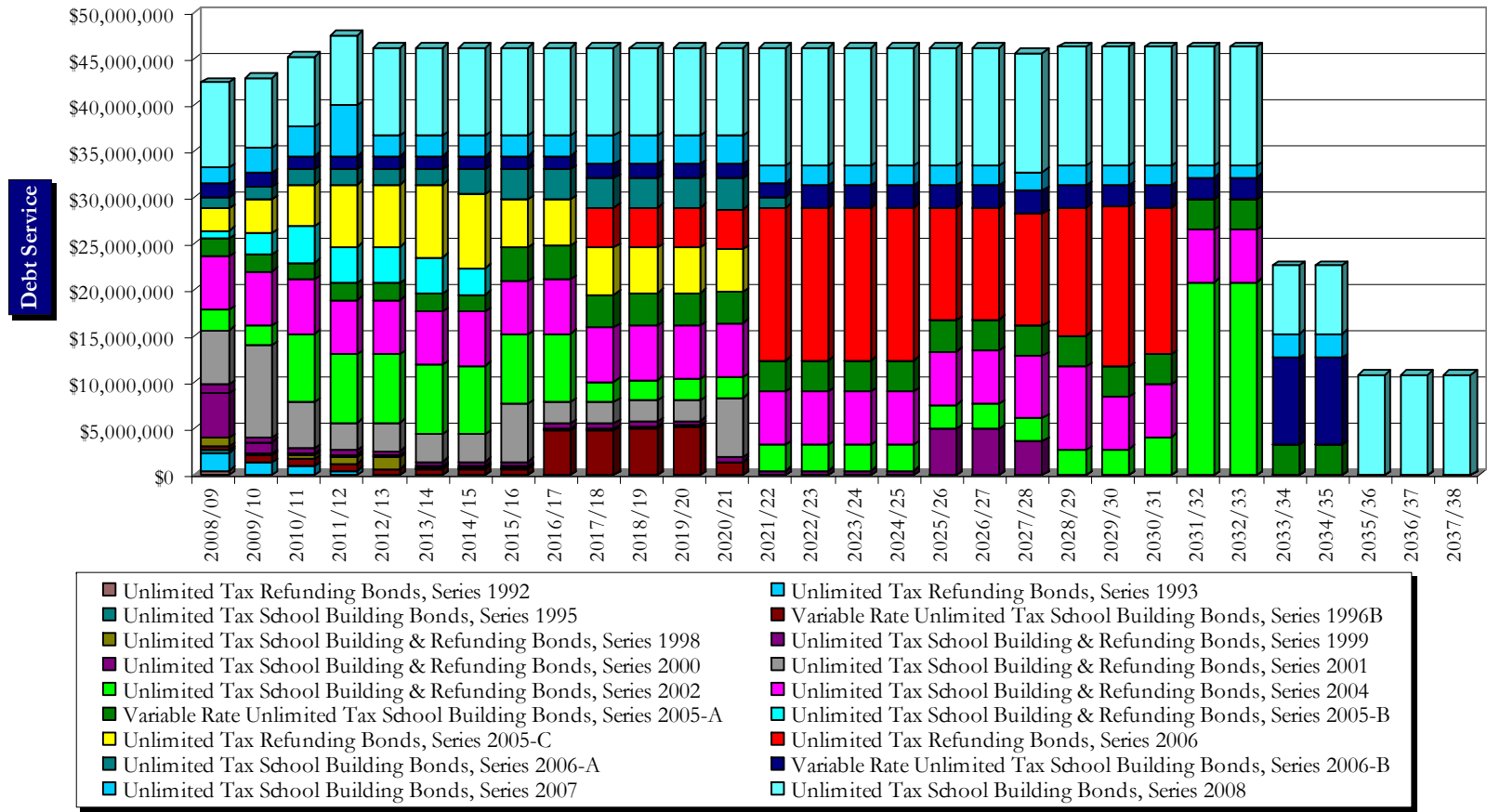
Bond Sales Completed – 2007 Bond Program

Series	Issuance Date	Bonds Issued	True Interest Rate	Bonds Remaining To Be Sold
Unlimited Tax School Building Bonds, Series 2008	January 17, 2008	\$ 165,255,000	4.11%	\$116,745,000

- At the time of the 2007 Bond Election, taxpayers were informed the District’s Interest & Sinking Fund (“I&S”) tax rate (i.e. the tax rate utilized for the repayment of bonds) would increase from 39.4 cents to a maximum I&S tax rate of 45.0 cents.
- The District’s I&S tax rate for year 2008/09 is 45.0 cents.



Outstanding Unlimited Tax Debt Service By Series

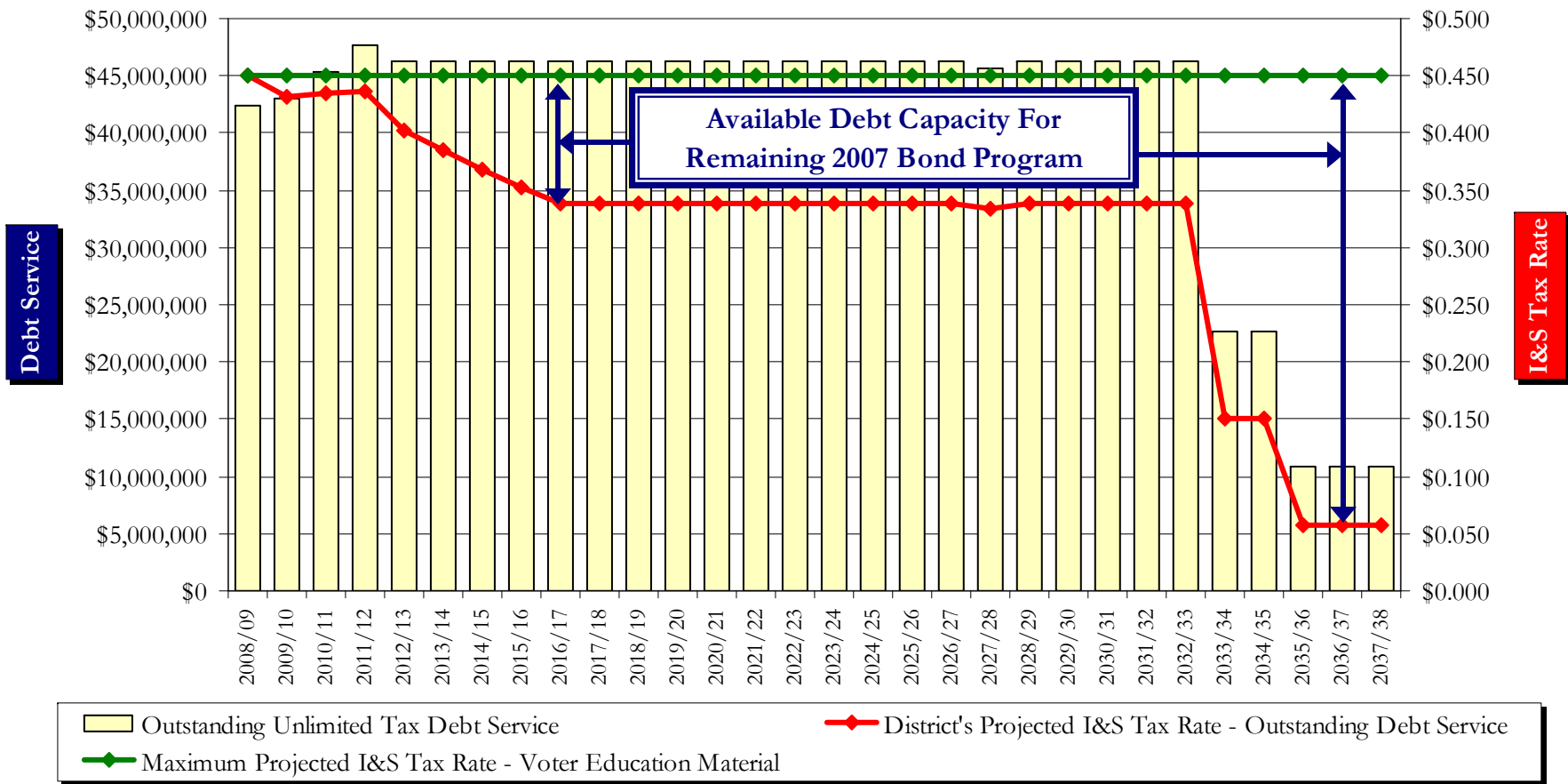


Note: Debt service payments reflect payments from September 1 through August 31.

The District has outstanding a total principal amount of bonds equal to \$641,749,534.71.

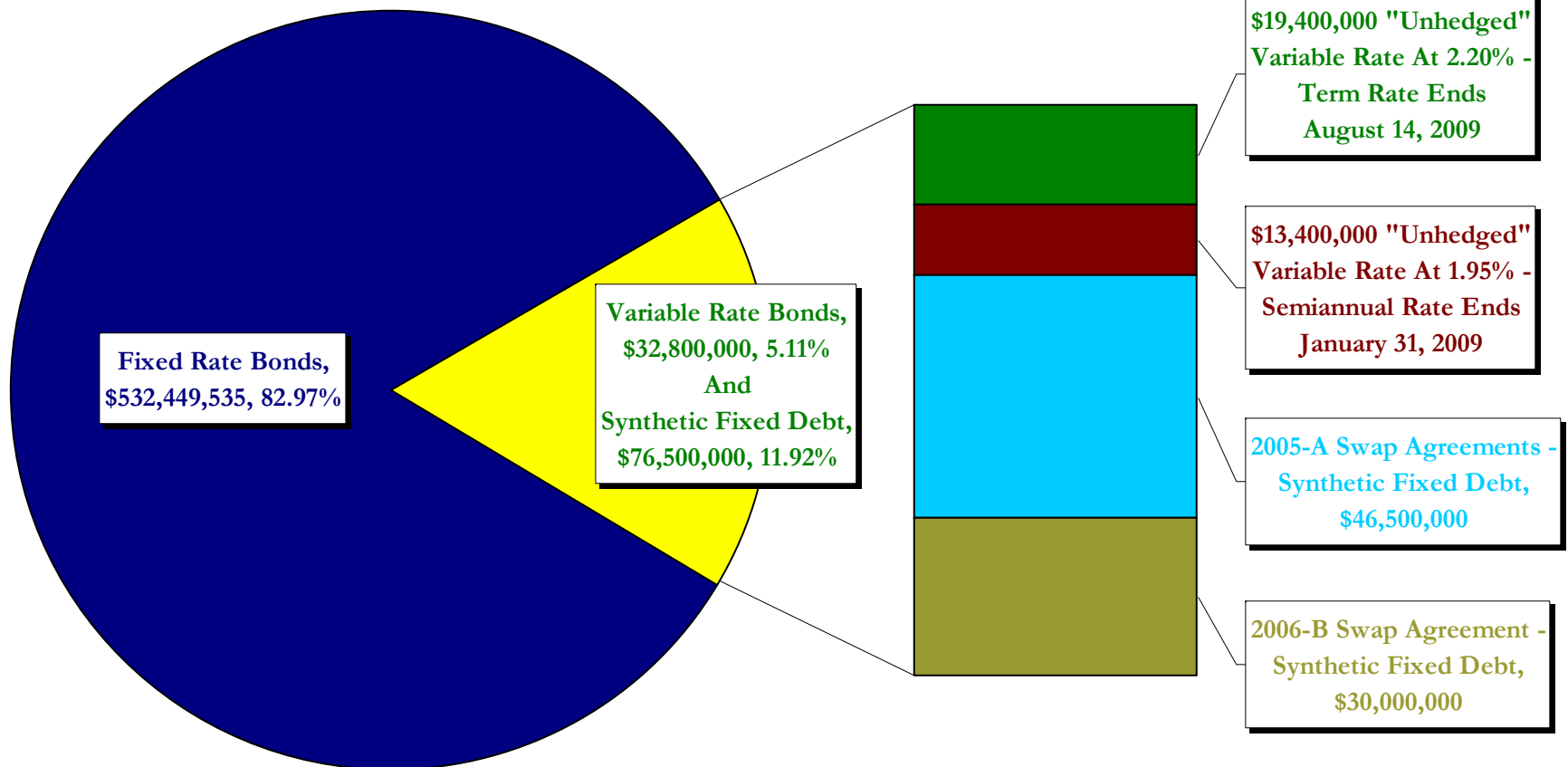
Average Annual Debt Service = \$40,901,643 **Maximum Annual Debt Service = \$47,599,075**

Outstanding Unlimited Tax Debt Service And Projected Interest & Sinking Fund Tax Rates



* Debt service payments reflect payments from September 1 through August 31. Projected Interest & Sinking Fund tax rates are based upon certain assumptions. The District's actual Interest & Sinking Fund tax rates will be set by the Board of Trustees in each year based upon prevailing taxable assessed valuations and other revenues available at such time.

Composition Of District's Debt Portfolio - As Of October 1, 2008





Historical Savings From Variable Rate Bonds And Other Financial Products

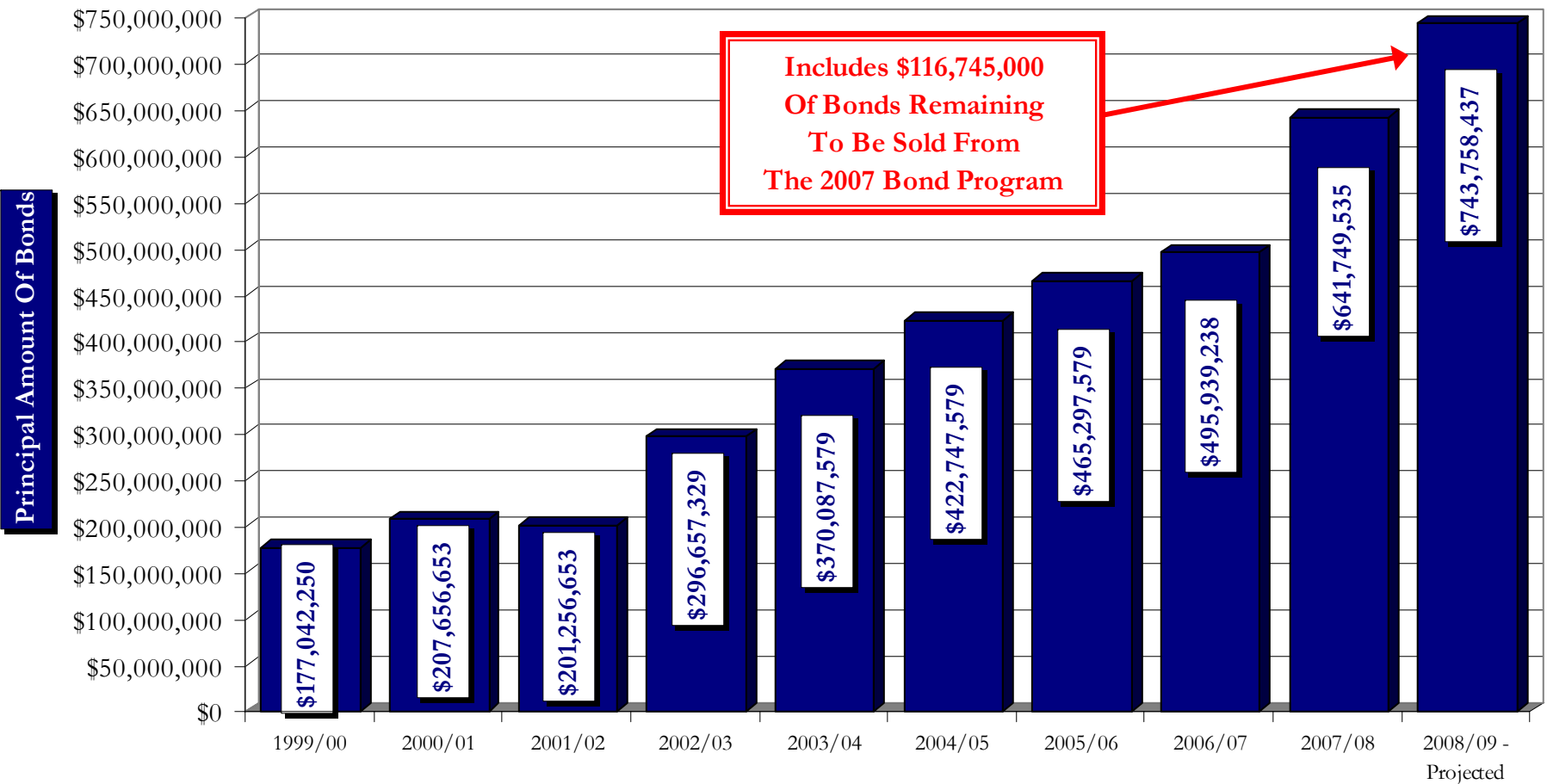
Historical Interest Rates And Interest Rate Modes – Series 1996B Bonds		
<u>Interest Rate Mode</u>	<u>Interest Rate Time Period</u>	<u>Variable Rate Of Interest</u>
Initial Term Interest Rate Mode	August 15, 1996 – August 14, 1997	3.98%
Annual Interest Rate Mode	August 15, 1997 – August 14, 1998	3.90%
Annual Interest Rate Mode	August 15, 1998 – August 14, 1999	3.65%
Annual Interest Rate Mode	August 15, 1999 – August 14, 2000	3.65%
Annual Interest Rate Mode	August 15, 2000 – August 14, 2001	4.40%
Annual Interest Rate Mode	August 15, 2001 – August 14, 2002	2.65%
Annual Interest Rate Mode	August 15, 2002 – August 14, 2003	1.55%
Annual Interest Rate Mode	August 15, 2003 – August 14, 2004	1.15%
Annual Interest Rate Mode	August 15, 2004 – August 14, 2005	1.55%
Annual Interest Rate Mode	August 15, 2005 – August 14, 2006	3.00%
Annual Interest Rate Mode	August 15, 2006 – August 14, 2007	3.90%
Annual Interest Rate Mode	August 15, 2007 – August 14, 2008	3.75%
Annual Interest Rate Mode	August 15, 2008 – August 14, 2009	2.20%
Average		3.03%

Historical Interest Rates And Interest Rate Modes – Series 2000 Bonds		
<u>Interest Rate Mode</u>	<u>Interest Rate Time Period</u>	<u>Variable Rate Of Interest</u>
Initial Term Interest Rate Mode	April 1, 2000 – January 31, 2001	4.33%
Semi-Annual Interest Rate Mode	February 1, 2001 – July 31, 2001	3.30%
Semi-Annual Interest Rate Mode	August 1, 2001 – January 31, 2002	2.60%
3-Year Term Interest Rate Mode	February 1, 2002 – January 31, 2005	3.45%
3-Year Term Interest Rate Mode	February 1, 2005 – January 31, 2008	3.00%
Semi-Annual Interest Rate Mode	February 1, 2008 – July 31, 2008	1.90%
Semi-Annual Interest Rate Mode	August 1, 2008 – January 31, 2009	1.95%
Average		3.15%

- ❑ It is important to note that if the Series 1996B Bonds and Series 2000 Bonds were sold in a fixed rate mode, the interest rates would have been approximately 5.85% and 5.00%, respectively. **Based upon the lower interest rates achieved through the use of variable rate bonds and the early redemptions thereof, the District has reduced its interest cost by approximately \$25,100,000 by utilizing variable rate bonds within its debt portfolio.**

- ❑ In addition, the District has reduced its interest cost by \$1,527,310 by entering into swap agreements to “synthetically” fix the variable rate of interest on its Variable Rate Unlimited Tax School Building Bonds, Series 2005-A and 2006-B in comparison to the interest cost on traditional fixed rate bonds.

Summary Of District's Principal Amount Of Bonds Outstanding As Of August 31, 2000 Through 2009 (Projected)





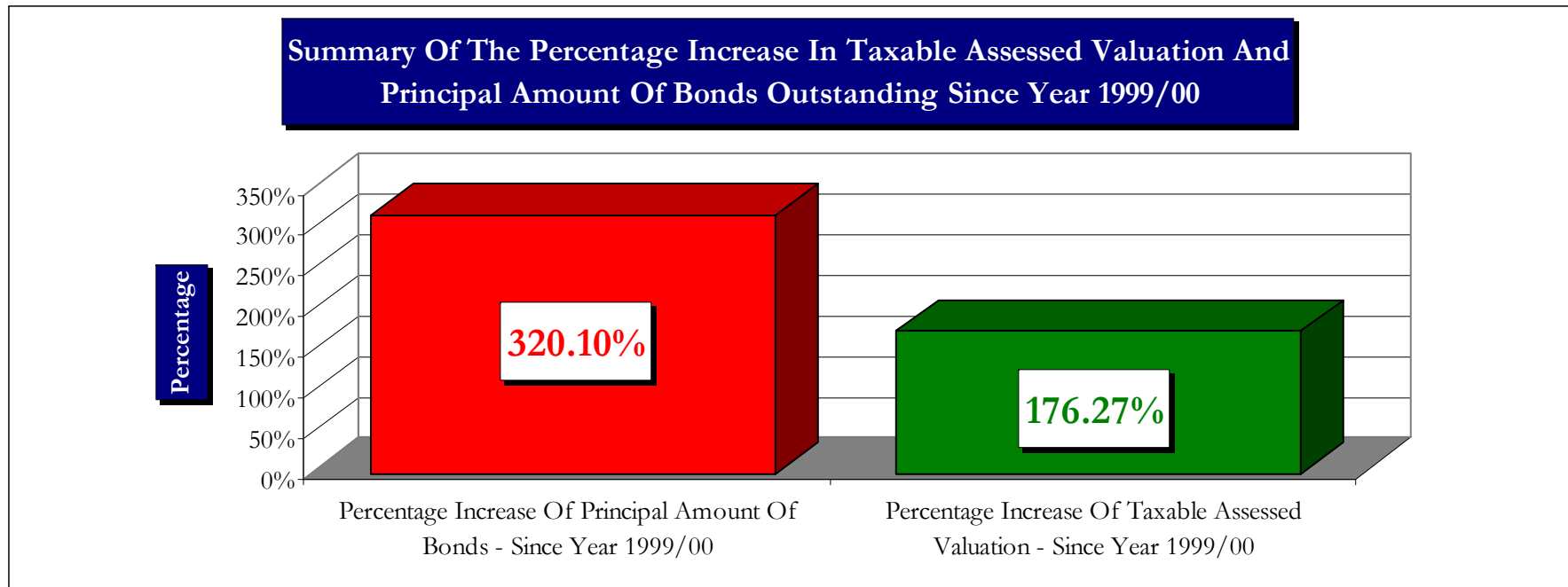
Factors Affecting Debt Capacity

I. Debt Limitations – Overview Of “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 tax rate will not exceed 50.0 cents, based upon its current taxable assessed valuation or a projection thereof.
- ❑ The District is able to pledge its Maintenance & Operations Tier I State funding to comply with this test.
- ❑ To the extent the District considers its Tier I State funding to comply with the “50.0 Cent Bond Test,” the District must utilize such revenues for the payment of debt service prior to increasing its Interest & Sinking Fund tax rate above 50.0 cents. **As a result, since Tier I funds are used for operating expenditures, the District’s maximum I&S tax rate is essentially 50.0 cents.**
- ❑ With a current I&S tax rate of 45.0 cents, the District has 5.0 cents of additional tax rate capacity for the issuance of additional debt.
- ❑ The following is a representative listing of school districts within the D/FW Metroplex that have an I&S tax rate above 45.0 cents:
 - ❖ Crowley Independent School District
 - ❖ DeSoto Independent School District
 - ❖ Eagle Mountain-Saginaw Independent School District
 - ❖ Lake Dallas Independent School District
 - ❖ Lake Worth Independent School District
 - ❖ Little Elm Independent School District
 - ❖ Lovejoy Independent School District
 - ❖ McKinney Independent School District
 - ❖ Prosper Independent School District
 - ❖ White Settlement Independent School District

II. Taxable Assessed Valuation

- ❑ The size of the District's tax base directly impacts the dollar amount of bonds that may be issued for capital improvements, as this determines the annual revenues generated from the District's I&S tax rate for the repayment of bonds.
- ❑ The District's taxable assessed valuation is currently \$8.647 billion.
 - ❖ Over the last 5-years, the District's tax base has increased by an average of \$713.3 million per year.
 - ❖ The District's tax base increased \$365.9 million in year 2008/09.





III. State Funding Receive For Payment Of Debt

- Due to the District's current "Wealth Per Student," the District does not receive any State funding assistance for the repayment of bonds.

IV. 40-Year Amortization Limitation

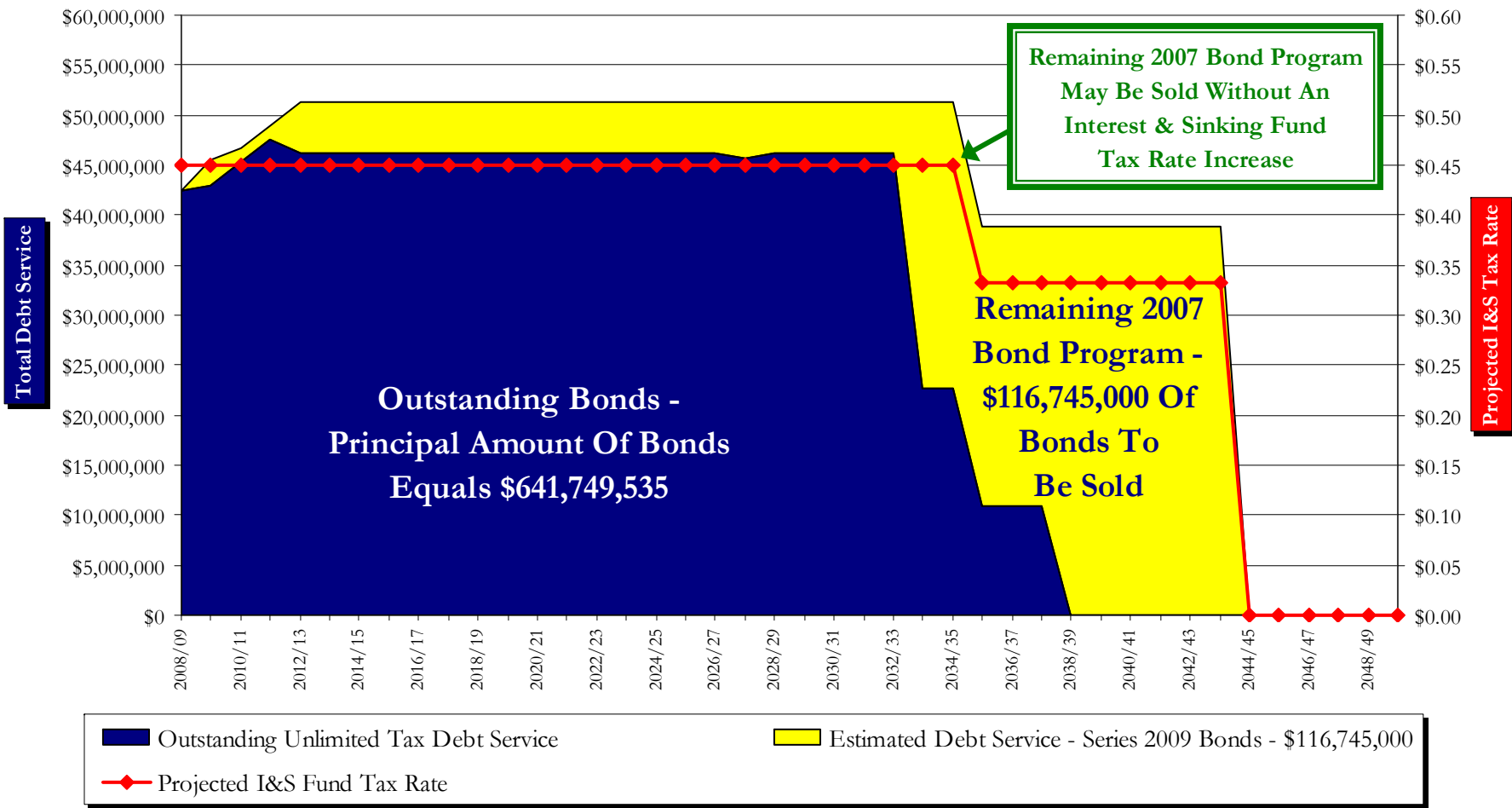
- Pursuant to State law, the maximum amortization period of any District bond sale is 40 years.
- The District's outstanding debt is amortized over 30-years.
- The following is a representative listing of school districts within the D/FW Metroplex that have a bond amortization longer than 30-years:

- | | |
|--|--|
| ❖ Aledo Independent School District | ❖ Eagle Mountain-Saginaw Independent School District |
| ❖ Argyle Independent School District | ❖ Frisco Independent School District |
| ❖ Aubrey Independent School District | ❖ Lake Dallas Independent School District |
| ❖ Burleson Independent School District | ❖ Little Elm Independent School District |
| ❖ Crowley Independent School District | ❖ Prosper Independent School District |
| ❖ DeSoto Independent School District | ❖ White Settlement Independent School District |

V. Interest Rate On Outstanding And Future Debt

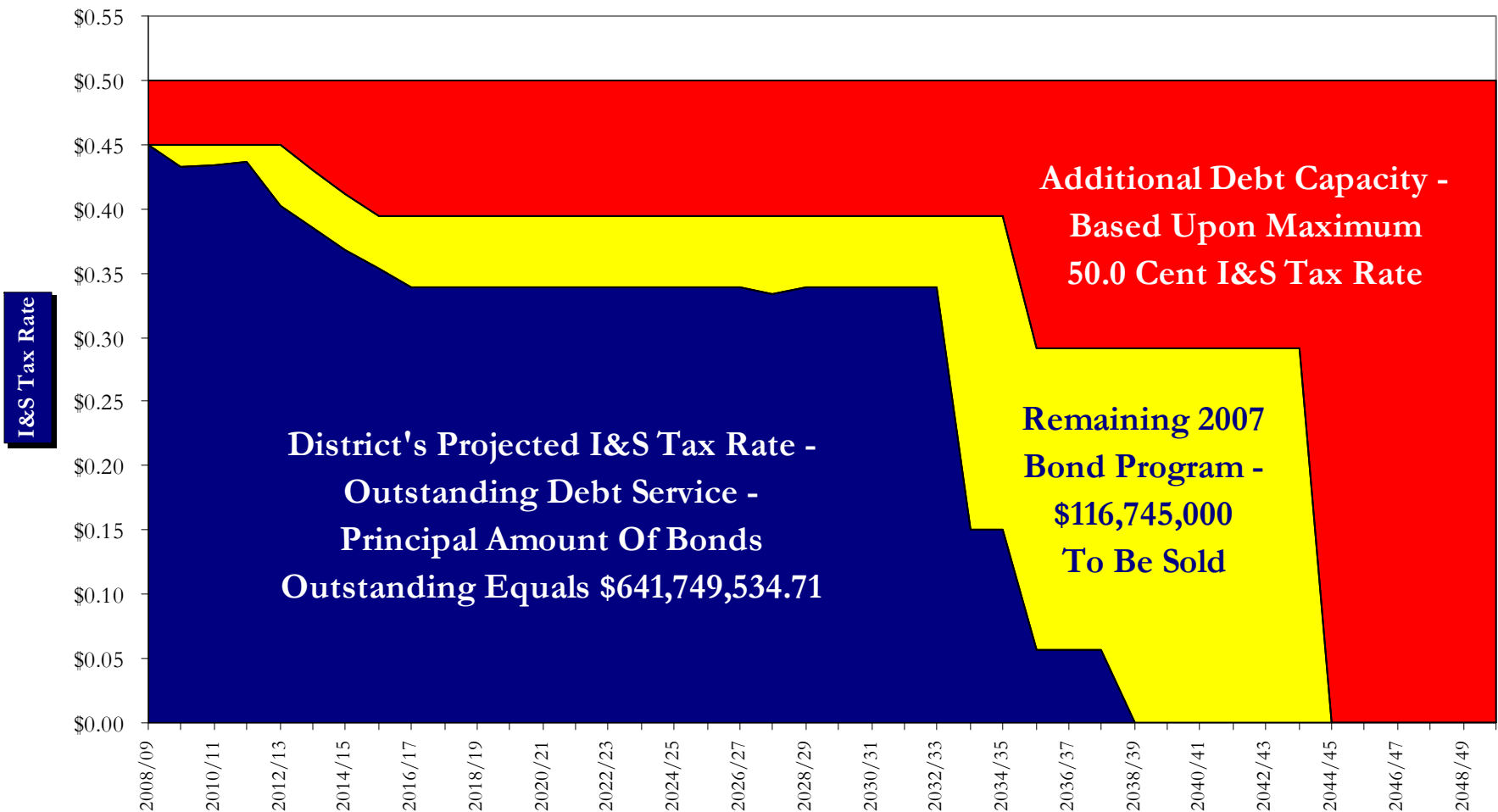


**Summary Of Debt Service And Projected Interest & Sinking Fund Tax Rates -
Assuming Annual Taxable Assessed Valuation Growth Of \$500.0 Million**



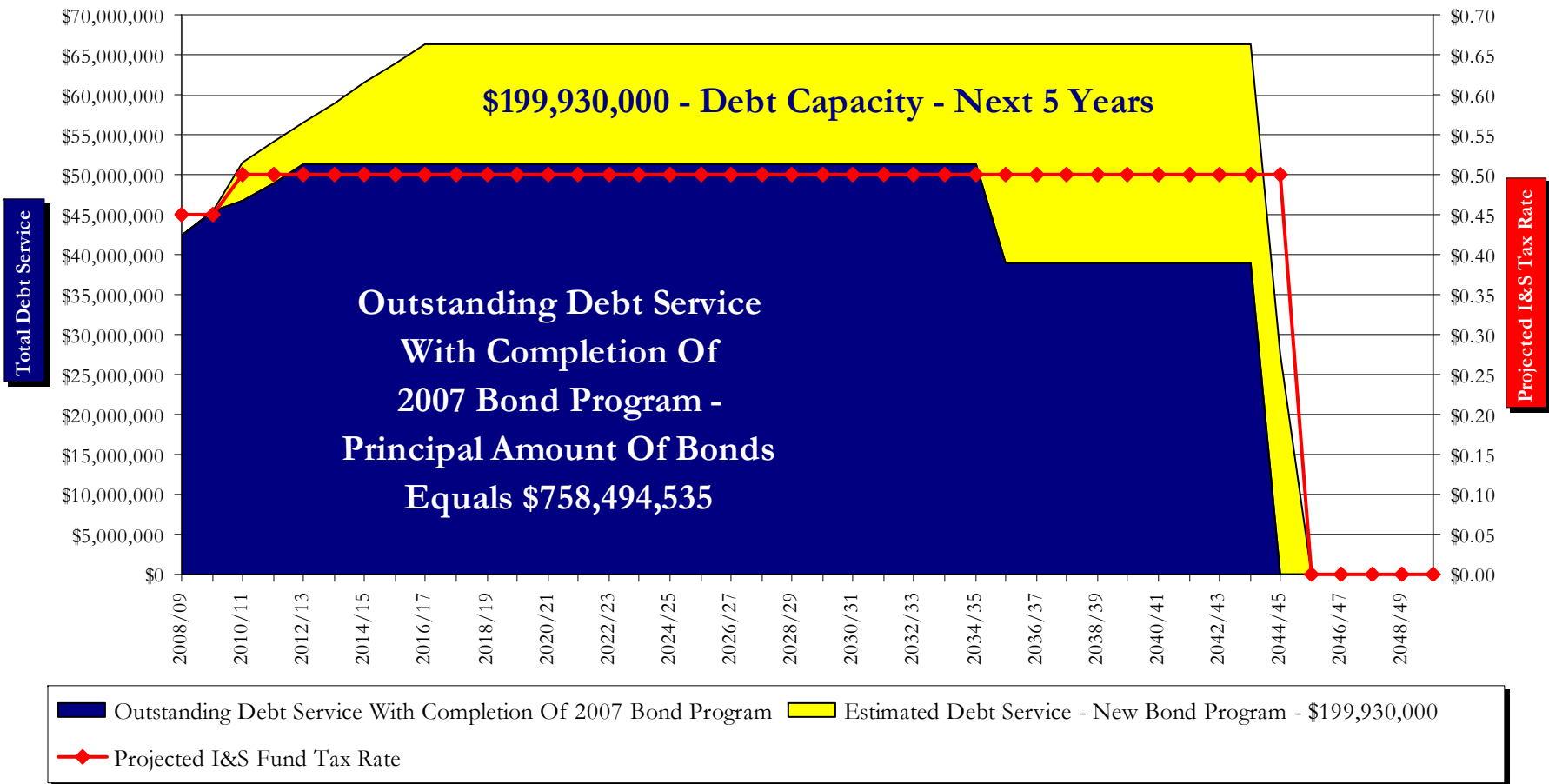


**Summary Of Projected I&S Tax Rates And Additional Debt Capacity -
Assuming Annual Taxable Assessed Valuation Growth Of \$500.0 Million**



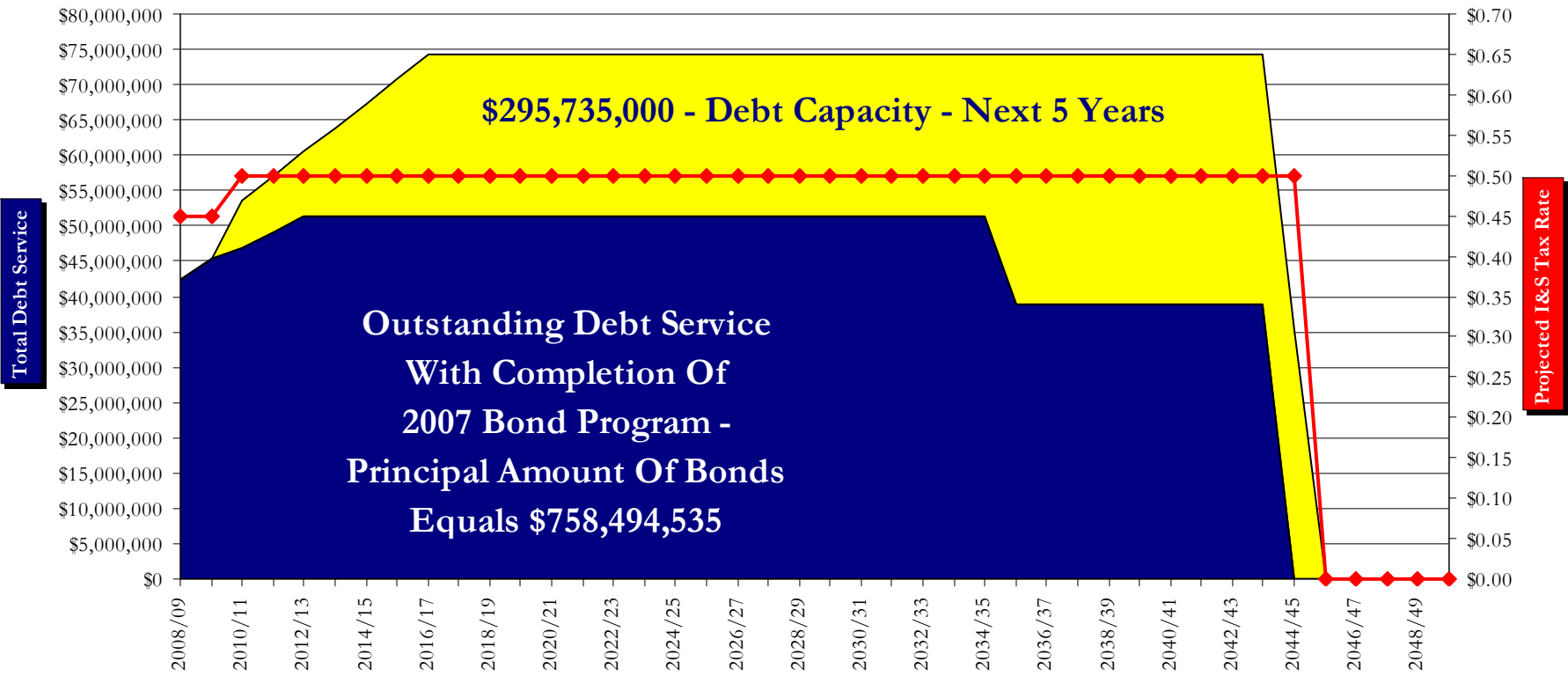


**Summary Of Debt Service And Projected Interest & Sinking Fund Tax Rates -
Assuming Annual Taxable Assessed Valuation Growth
Of \$500.0 Million - 35 Year Amortization**





**Summary Of Debt Service And Projected Interest & Sinking Fund Tax Rates -
Assuming Annual Taxable Assessed Valuation Growth
Of \$700.0 Million - 35 Year Amortization**

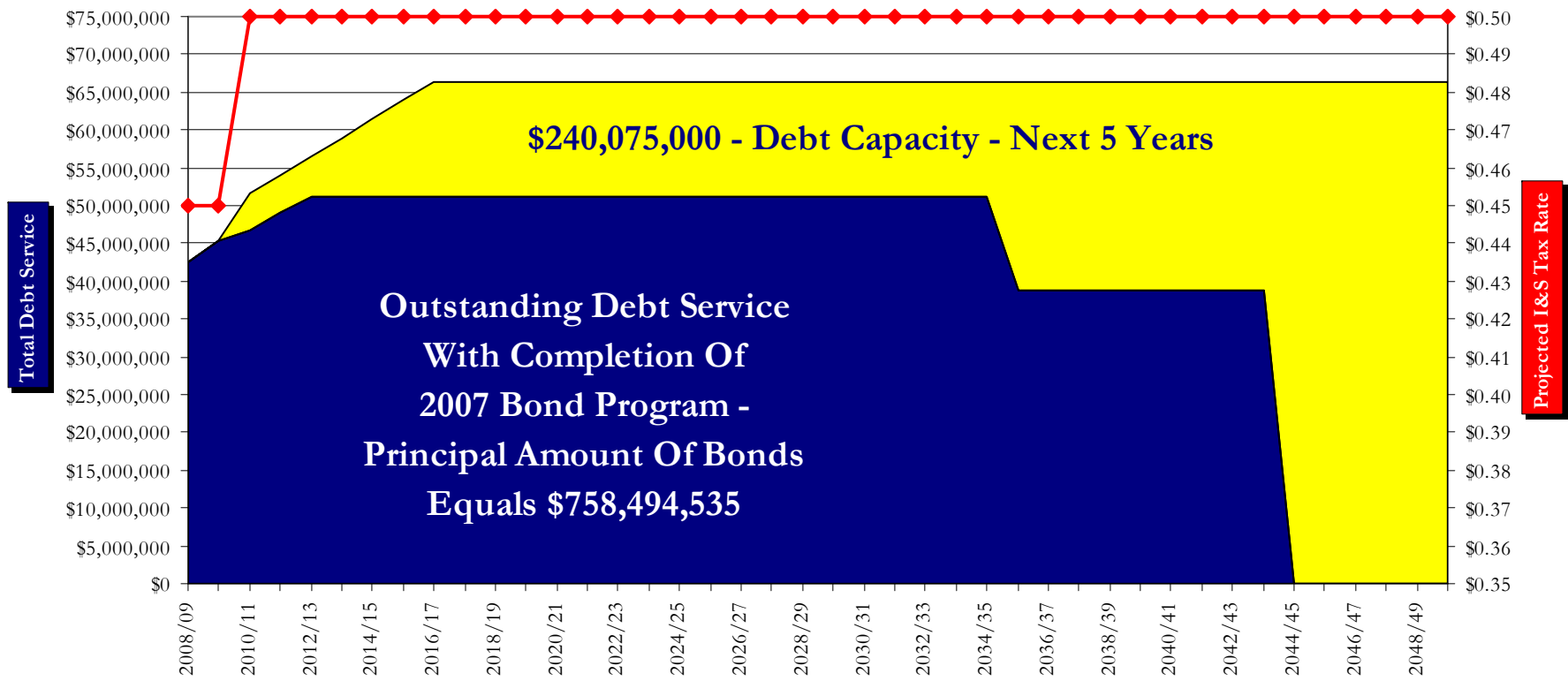


Outstanding Debt Service With Completion Of 2007 Bond Program
 Estimated Debt Service - New Bond Program - \$295,735,000

Projected I&S Fund Tax Rate



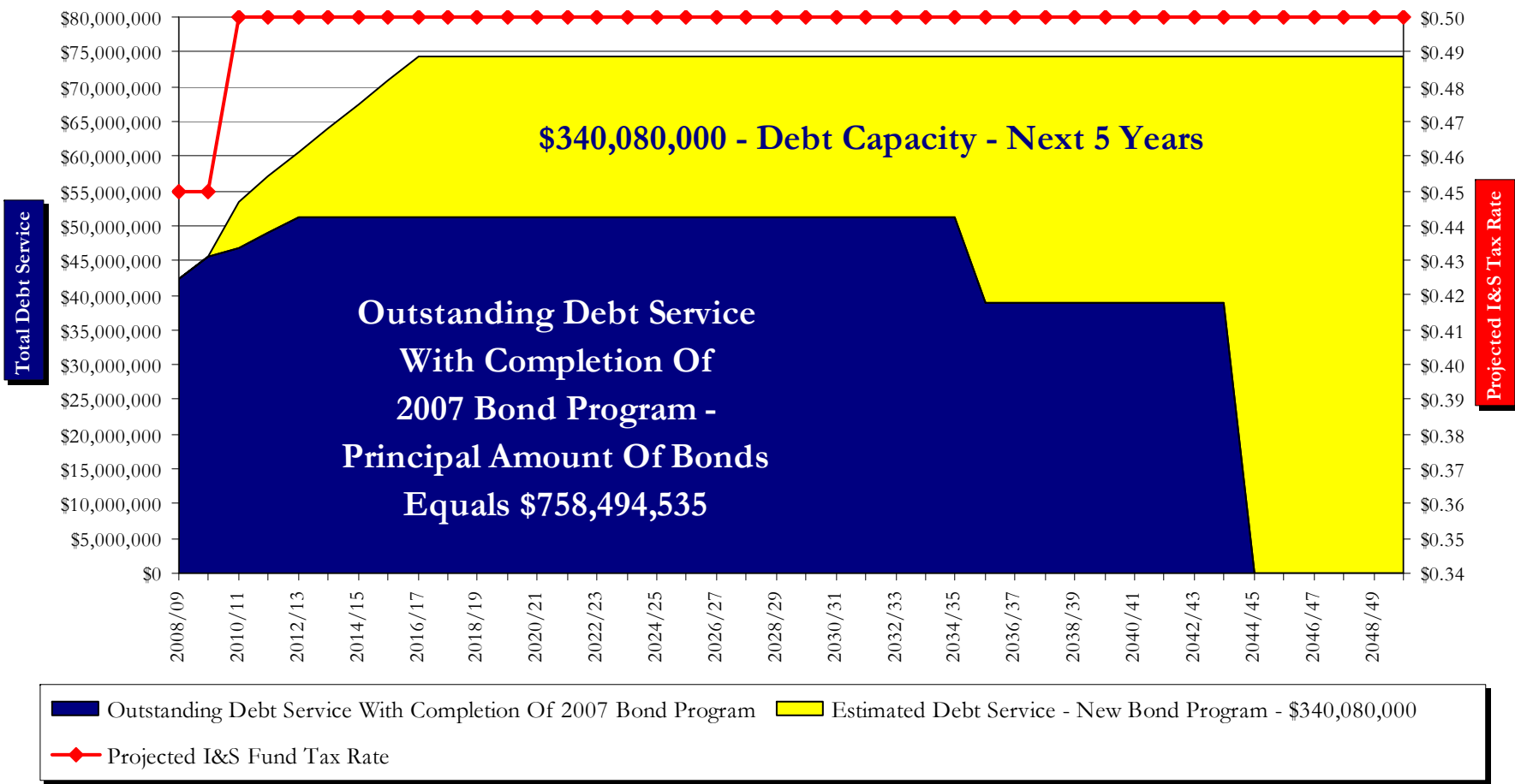
**Summary Of Debt Service And Projected Interest & Sinking Fund Tax Rates -
Assuming Annual Taxable Assessed Valuation Growth
Of \$500.0 Million - 40 Year Amortization**



■ Outstanding Debt Service With Completion Of 2007 Bond Program
 ■ Estimated Debt Service - New Bond Program - \$240,075,000
◆ Projected I&S Fund Tax Rate



**Summary Of Debt Service And Projected Interest & Sinking Fund Tax Rates -
Assuming Annual Taxable Assessed Valuation Growth
Of \$700.0 Million - 40 Year Amortization**





Summary Of Debt Capacity Over Next 5-Years

Description	Annual TAV Growth Of \$500.0 Million – 35-Year Amortization	Annual TAV Growth Of \$500.0 Million – 40-Year Amortization	Annual TAV Growth Of \$700.0 Million – 35-Year Amortization	Annual TAV Growth Of \$700.0 Million – 40-Year Amortization
Dollar Amount Of Bonds Outstanding	\$641,749,535	\$641,749,535	\$641,749,535	\$641,749,535
Dollar Amount Of Remaining Bonds To Be Sold From 2007 Bond Program	<u>\$116,745,000</u>	<u>\$116,745,000</u>	<u>\$116,745,000</u>	<u>\$116,745,000</u>
Dollar Amount Of Bonds Outstanding Upon Completion Of 2007 Bond Program	\$758,494,535	\$758,494,535	\$758,494,535	\$758,494,535
Debt Capacity – Next 5-Years	\$199,930,000	\$240,075,000	\$295,735,000	\$340,080,000



Selected Dallas/Fort Worth “Fast Growth” School Districts – Comparison Of Enrollment – Years 2002/03 – 2007/08 (5-Years)

School District	Year 2002/03 Enrollment	Year 2007/08 Enrollment	5-Year Enrollment Growth	5-Year Enrollment Growth As A Percentage
1.) Frisco Independent School District	11,145	27,418	16,273	146.01%
2.) Mansfield Independent School District	19,162	29,696	10,534	54.97%
3.) Keller Independent School District	20,109	29,458	9,349	46.49%
4.) McKinney Independent School District	15,279	22,426	7,147	46.78%
5.) Lewisville Independent School District	43,122	49,636	6,514	15.11%
6.) Eagle Mountain-Saginaw Independent School District	7,809	14,165	6,356	81.39%
7.) Denton Independent School District	15,149	20,892	5,743	37.91%
8.) Northwest Independent School District	6,211	11,898	5,687	91.56%
9.) Wylie Independent School District	5,710	10,743	5,033	88.14%
10.) Allen Independent School District	12,585	17,102	4,517	35.89%
11.) Crowley Independent School District	10,818	14,969	4,151	38.37%
12.) Grand Prairie Independent School District	21,582	25,317	3,735	17.31%
13.) Forney Independent School District	3,350	7,015	3,665	109.40%
14.) Rockwall Independent School District	9,616	13,064	3,448	35.86%
15.) Little Elm Independent School District	2,989	5,409	2,420	80.96%
16.) Burleson Independent School District	6,863	9,047	2,184	31.82%
17.) Lancaster Independent School District	4,318	6,243	1,925	44.58%
18.) Midlothian Independent School District	5,090	6,830	1,740	34.18%
19.) Royse City Independent School District	2,494	4,144	1,650	66.16%
20.) Lovejoy Independent School District	902	2,501	1,599	177.27%
21.) Duncanville Independent School District	10,956	12,467	1,511	13.79%
22.) Prosper Independent School District	1,244	2,675	1,431	115.03%
23.) DeSoto Independent School District	7,592	8,889	1,297	17.08%
24.) Aledo Independent School District	3,412	4,444	1,032	30.25%
25.) White Settlement Independent School District	4,787	5,716	929	19.41%
26.) Everman Independent School District	3,845	4,746	901	23.43%
27.) Waxahachie Independent School District	5,812	6,561	749	12.89%
28.) Lake Worth Independent School District	2,156	2,853	697	32.33%
29.) Lake Dallas Independent School District	3,460	3,978	518	14.97%
30.) Princeton Independent School District	2,247	2,674	427	19.00%
31.) Sanger Independent School District	2,163	2,571	408	18.86%

Source: Texas Education Agency and Municipal Advisory Council of Texas.

A “fast growth” school district is identified by the following criteria:

- 1) Enrollment of at least 2,500 students in year 2007/08; and
- 2) Enrollment growth over the last five years of at least 10.0%; or
- 3) A net increase of at least 3,500 students.

There are approximately 112 “fast growth” school districts within Texas and 31 of these school districts, including Denton ISD, are located within the Dallas/Fort Worth Metroplex.



Selected Dallas/Fort Worth “Fast Growth” School Districts – Comparison Of Final Bond Amortizations – Existing Bonds

School District	Final Bond Payment Due As Of August 31, 2008
1.) Eagle Mountain-Saginaw Independent School District	2048
2.) White Settlement Independent School District	2045
3.) Aledo Independent School District	2043
4.) Prosper Independent School District	2043
5.) Lake Dallas Independent School District	2042
6.) Little Elm Independent School District	2042
7.) Burleson Independent School District	2040
8.) DeSoto Independent School District	2040
9.) Frisco Independent School District	2040
10.) Crowley Independent School District	2039
11.) Denton Independent School District	2038
12.) Everman Independent School District	2038
13.) Forney Independent School District	2038
14.) Lovejoy Independent School District	2038
15.) Princeton Independent School District	2038
16.) Grand Prairie Independent School District	2037
17.) Lake Worth Independent School District	2037
18.) Rockwall Independent School District	2037
19.) Royse City Independent School District	2037
20.) Sanger Independent School District	2037
21.) Waxahachie Independent School District	2037
22.) Midlothian Independent School District	2036
23.) Wylie Independent School District	2036
24.) Lancaster Independent School District	2035
25.) Duncanville Independent School District	2033
26.) Mansfield Independent School District	2033
27.) McKinney Independent School District	2033
28.) Northwest Independent School District	2033
29.) Keller Independent School District	2032
30.) Allen Independent School District	2028
31.) Lewisville Independent School District	2028

Source: Municipal Advisory Council of Texas.



☐ The average final bond amortization among the selected D/FW school districts is year 2037 or 29 years.



Selected Dallas/Fort Worth “Fast Growth” School Districts – Comparison Of Outstanding Debt Per Student – Year 2007/08

School District	Principal Amount Of Bonds Outstanding As Of August 31, 2008	2007/08 Enrollment	2007/08 Debt Per Student
1.) Prosper Independent School District	\$240,482,100	2,675	\$89,900
2.) Lovejoy Independent School District	111,171,900	2,501	44,451
3.) Northwest Independent School District	454,313,735	11,898	38,184
4.) Frisco Independent School District	978,469,342	27,418	35,687
5.) Aledo Independent School District	153,546,492	4,444	34,551
6.) Eagle Mountain-Saginaw Independent School District	465,267,701	14,165	32,846
7.) White Settlement Independent School District	182,900,644	5,716	31,998
8.) Denton Independent School District	641,749,535	20,892	30,717
9.) Forney Independent School District	214,491,584	7,015	30,576
10.) Royse City Independent School District	117,260,010	4,144	28,296
11.) Lake Worth Independent School District	80,116,322	2,853	28,081
12.) Rockwall Independent School District	358,778,119	13,064	27,463
13.) Princeton Independent School District	68,919,148	2,674	25,774
14.) Little Elm Independent School District	137,989,763	5,409	25,511
15.) Burleson Independent School District	229,452,975	9,047	25,362
16.) Midlothian Independent School District	169,159,131	6,830	24,767
17.) Lake Dallas Independent School District	98,415,901	3,978	24,740
18.) Mansfield Independent School District	701,849,741	29,696	23,634
19.) Wylie Independent School District	239,223,562	10,743	22,268
20.) Crowley Independent School District	316,773,144	14,969	21,162
21.) McKinney Independent School District	467,467,223	22,426	20,845
22.) Keller Independent School District	603,100,492	29,458	20,473
23.) Grand Prairie Independent School District	471,703,963	25,317	18,632
24.) Lancaster Independent School District	108,470,897	6,243	17,375
25.) DeSoto Independent School District	154,400,389	8,889	17,370
26.) Allen Independent School District	273,791,580	17,102	16,009
27.) Lewisville Independent School District	786,977,223	49,636	15,855
28.) Waxahachie Independent School District	99,297,289	6,561	15,134
29.) Duncanville Independent School District	174,703,485	12,467	14,013
30.) Everman Independent School District	62,240,000	4,746	13,114
31.) Sanger Independent School District	30,927,685	2,571	12,029

Source: Texas Education Agency and Municipal Advisory Council of Texas.



□ The average “Debt Per Student” ratio among the selected D/FW school districts is \$26,672.



Selected Dallas/Fort Worth “Fast Growth” School Districts – Comparison Of Interest & Sinking Fund Tax Rates

School District	2008/09 Interest & Sinking Fund Tax Rate
1.) Lake Worth Independent School District	\$0.5000
2.) McKinney Independent School District	0.5000
3.) Prosper Independent School District	0.5000
4.) Crowley Independent School District	0.4950
5.) Little Elm Independent School District	0.4900
6.) Lake Dallas Independent School District	0.4800
7.) Lovejoy Independent School District	0.4750
8.) DeSoto Independent School District	0.4700
9.) Eagle Mountain-Saginaw Independent School District	0.4700
10.) White Settlement Independent School District	0.4584
11.) Denton Independent School District	0.4500
12.) Princeton Independent School District	0.4500
13.) Allen Independent School District	0.4303
14.) Rockwall Independent School District	0.4300
15.) Burleson Independent School District	0.4288
16.) Grand Prairie Independent School District	0.4250
17.) Forney Independent School District	0.4200
18.) Mansfield Independent School District	0.4100
19.) Royse City Independent School District	0.3900
20.) Aledo Independent School District	0.3852
21.) Duncanville Independent School District	0.3780
22.) Lancaster Independent School District	0.3780
23.) Keller Independent School District	0.3769
24.) Frisco Independent School District	0.3700
25.) Midlothian Independent School District	0.3675
26.) Lewisville Independent School District	0.3400
27.) Wylie Independent School District	0.3400
28.) Northwest Independent School District	0.3350
29.) Sanger Independent School District	0.3300
30.) Everman Independent School District	0.3200
31.) Waxahachie Independent School District	0.3200

Source: Municipal Advisory Council of Texas.



□ The average Interest & Sinking Fund tax rate among the selected D/FW school districts is 41.66 cents for year 2008/09.