

Manor Independent School District

**Debt Capacity & Bond Issuance Process
preliminary as of January 14, 2019**



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES

Financing Method

- Texas school districts are limited on methods for financing “new” construction.
- Maintenance Tax Notes do not require bond election, but cannot be used for new construction, just maintenance and renovation. Must be repaid from Maintenance tax rate.
- Unlimited Tax Bonds must be approved by voters during May or November general election.
- Unlimited Tax Bonds repaid from Interest & Sinking Fund (I&S) portion of the tax rate.
- Voted bonds qualify for the Permanent School Fund guarantee.
- Financing generally takes 2-3 months after successful bond election.

Chapter 313 Agreement

- Beginning in 2007, the District agreed to a tax abatement program with its largest taxpayer, Samsung, to spur economic development.
- As part of the agreement, Samsung's value for taxation purposes is capped for the Maintenance & Operations (M&O) portion of the tax rate.
- The Debt portion of the tax rate (Interest & Sinking) is not capped.
- As a result, pennies on the I&S side of the tax rate generate more dollars to MISD than M&O pennies.

Debt (I&S) Tax Rate

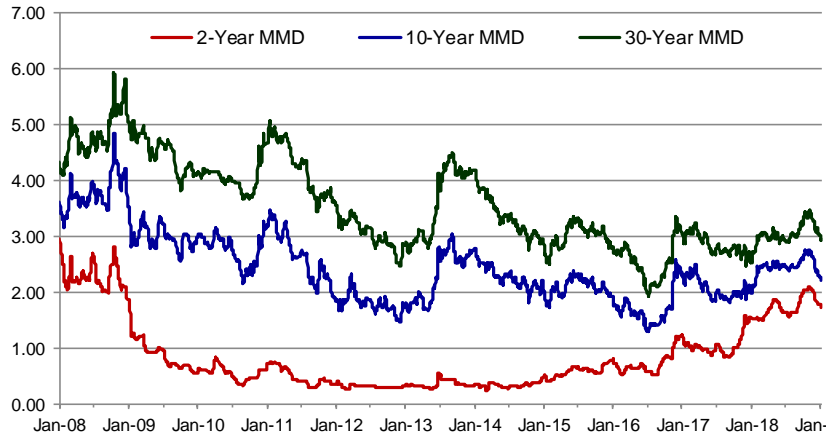
- The District's current I&S tax rate is 47.50 cents.
- The District has attempted to maintain this tax rate for several years to maximize dollars generated through the tax rate as a result of the Chapter 313 agreement.
- In years when no new bonds are issued, the District has been able to pay off bonds early to maintain the tax rate.
- Since 2013, MISD has paid off \$14.5 Million of bonds early, resulting in interest savings of nearly \$7 Million for taxpayers.
- Since 2012, The District has also refinanced \$165,120,000 in previously issued bonds, resulting in a total debt service reduction of \$30,953,955.

New Financing Capacity

- **State law limits a school district's Interest and Sinking Fund tax rate (debt rate) to 50 cents at the time of bond issuance**
- **District's current Interest and Sinking Fund tax rate is \$0.475**
- **Capacity is determined by several factors:**
 1. **Interest Rate on Bonds**
 2. **Existing Debt Profile**
 3. **Taxable Assessed Valuation of the District**

Current Municipal Market Conditions

2, 10 and 30 Year MMD Yields Since January 2008

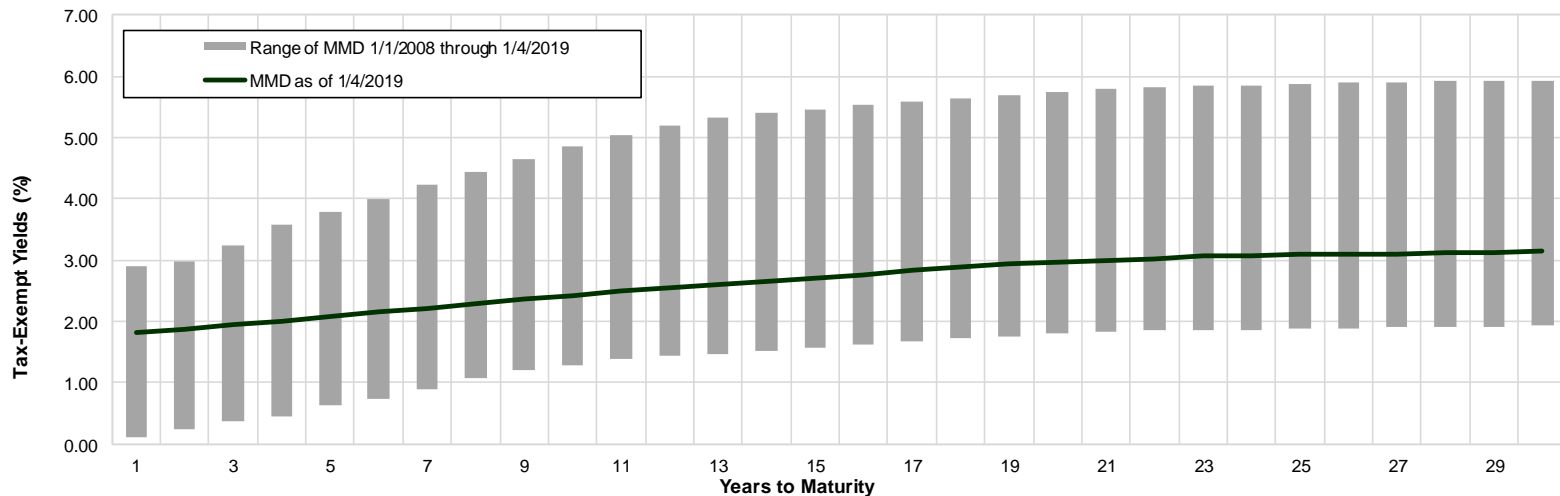


Current Municipal Market Yield Summary

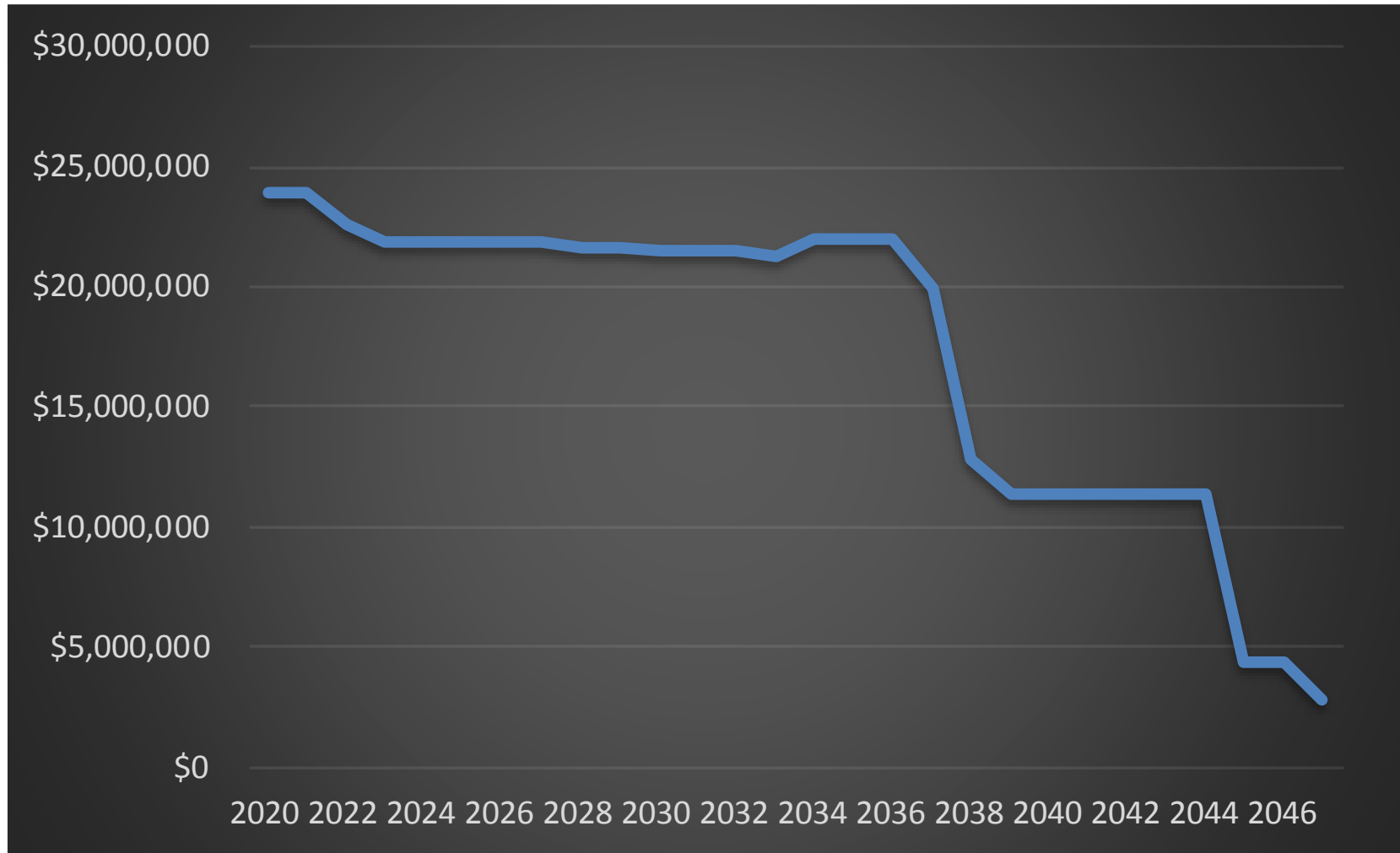
MMD	As of 1/4/2019	1 Week Prior	Change (in bps)	10 Year Average	% of Time Rates > Since Jan 2008
2-Year MMD	1.73	1.78	-5	0.70	13.5%
5-Year MMD	1.87	1.94	-7	1.35	21.2%
10-Year MMD	2.20	2.28	-8	2.31	59.3%
20-Year MMD	2.79	2.84	-5	3.15	69.5%
30-Year MMD	2.95	3.02	-7	3.43	73.0%

Source: Thomson Financial.

Historical MMD Ranges vs. MMD Yield Curve as of January 4, 2019



Existing Bond Debt – Annual Payments



New Financing Capacity

- If the District wishes to maintain its 47.50 cent I&S tax rate (without an increase or decrease), MISD can borrow between \$78,415,000 and \$169,935,000, depending on assumptions
- “Most Conservative” capacity assumes no growth in taxable assessed valuation (TAV) and no cash defeasance:
 1. Capacity = \$78,415,000 in new bonds
- “Tax Base Growth” capacity assumes some growth in taxable assessed valuation (TAV) and \$10MM cash defeasance:
 1. Capacity = \$169,935,000 in new bonds if TAV grows 5%
 2. Capacity = \$150,570,000 in new bonds if TAV grows 3%

New Financing Capacity

- **The assumptions used in the capacity analysis are conservative and include:**
 - 1. Interest Rate on Bonds includes 0.50% cushion over January 9, 2019 rates**
 - 2. Thirty year repayment term on Bonds**
 - 3. Growth in I&S Taxable Assessed Valuation of the District between 0-5% over next 5 years**
 - 4. Assumes using \$10 Million of existing excess I&S fund balance to prepay existing bonds for interest savings**
- **Future bonding capacity is still available because existing debt profile is structured to allow for future bond issuances**
- **By using bonds to fund capital expenditures that would have been funded by M&O taxes, the District is freeing up additional monies for the General Fund.**

Conservative Assumptions

- In past elections, District has assumed no growth in tax base and when growth occurred, has used the excess tax collections to pay off debt early.
- Assuming no growth may no longer be realistic and does limit District's debt capacity since bonds will be issued with next year's certified values.
- When preliminary values are received from TCAD in April, we can refine these estimates.
- All of our assumptions begin conservatively and as date of election approaches, we can dial in tax base and interest rate assumptions – plan is to always be able to deliver what we promised the voters.
- These numbers **WILL CHANGE** as November approaches.