



Review of Current Debt Position and Preliminary Bond Capacity Analysis

Monday, November 28, 2022

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Savings from District's Debt Management Practices

- ❑ Aledo Independent School District (“AISD” or the “District”) has actively deployed various debt management practices to lower the borrowing costs of taxpayers. Such actions have reduced the cost of voter-approved bonds and provided AISD taxpayers with more than \$51.0 million of direct savings since year 2006!
 - ❖ \$ 43,745,451 – Bond Refundings and Prepayment of Bonds
 - ❖ \$ 7,352,011 – Lower Interest Rates from Prudent Use of Variable Rate Bonds
- \$ 51,097,462 – Total Savings to Taxpayers**



Savings from District's Debt Management Practices

- Bond Refundings and Prepayment of Bonds:** 9 bond refunding programs at a lower interest rate and prepayment of \$12.68 million of existing bonds – \$43.745 million of savings in future interest costs.

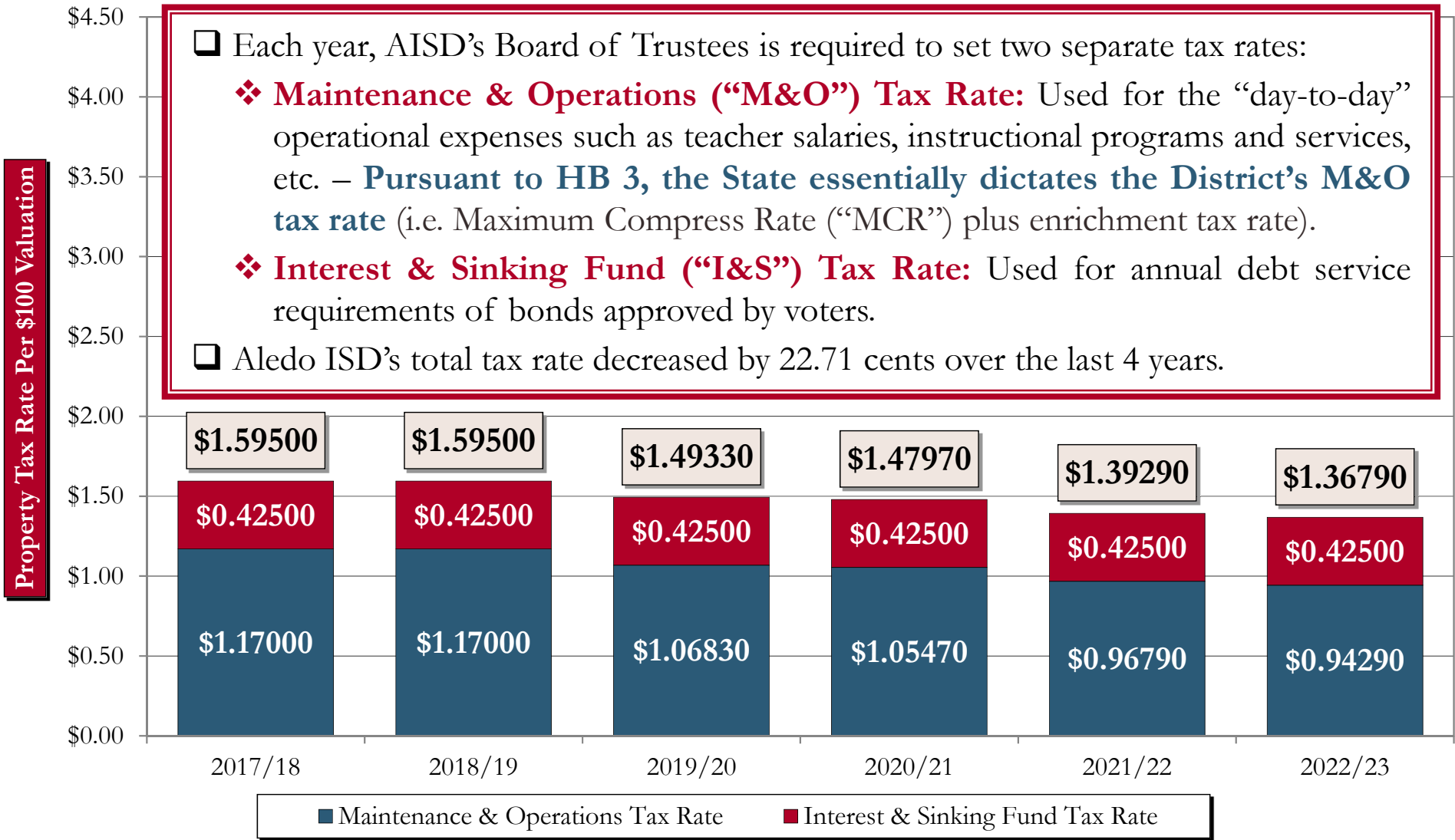
Summary of Interest Cost Savings – Bond Refunding Programs / Prepayment of Bonds			
Issue / Description	Series Refunded / Redeemed	Par Amount Refunded / Redeemed	Total Savings
Unlimited Tax Refunding Bonds, Series 2006	1998	\$ 23,035,000	\$ 1,172,515
Unlimited Tax Refunding Bonds, Series 2007	1998	7,520,000	988,788
Unlimited Tax Refunding Bonds, Series 2012	2001, 2005-A	8,519,919	1,075,426
Unlimited Tax Refunding Bonds, Series 2013-A	2005-A	8,985,000	2,344,653
Unlimited Tax Refunding Bonds, Taxable Series 2013-B	2005-A, 2006	17,010,000	2,204,602
Unlimited Tax Refunding Bonds, Series 2014	2005-A	9,330,000	1,866,979
Unlimited Tax Refunding Bonds, Series 2015	2005-A, 2006, 2008	13,195,000	3,502,667
Unlimited Tax Refunding Bonds, Series 2016	2008	56,615,000	12,467,671
Unlimited Tax Refunding Bonds, Taxable Series 2021	2012, 2013-A, 2013-B, 2014, 2015, 2015-A	55,385,000	12,097,525
Total - Bond Refunding Programs at a Lower Interest Rate	---	\$ 199,594,919	\$ 37,720,826
Prepayment of Series 2007 Bonds - February 2018	2007	\$ 1,275,000	\$ 552,750
Prepayment of Series 2007 Bonds - February 2019	2007	2,240,000	588,600
Prepayment of Series 2007 & 2012 Bonds - February 2020	2007, 2012	3,995,000	488,775
Prepayment of Series 2016 Bonds - August 2022	2016	1,860,000	1,581,000
Prepayment of Series 2016 Bonds - August 2023	2016	3,310,000	2,813,500
Total - Prepayment of Bonds Prior to Scheduled Maturity	---	\$ 12,680,000	\$ 6,024,625
Totals	---	\$ 212,274,919	\$ 43,745,451



Historical Tax Rates

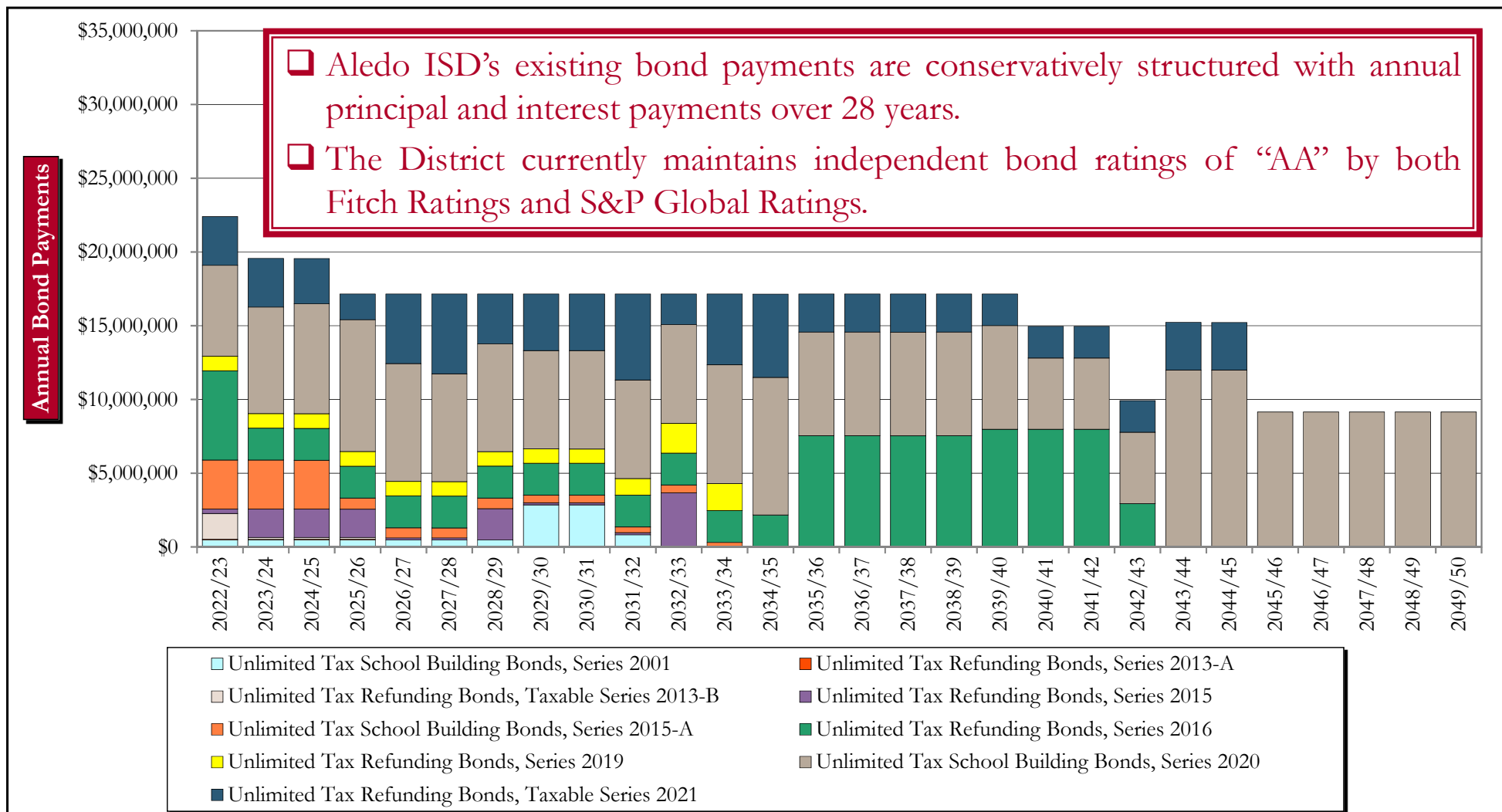
District's Historical Tax Rates

- ❑ Each year, AISD's Board of Trustees is required to set two separate tax rates:
 - ❖ **Maintenance & Operations ("M&O") Tax Rate:** Used for the "day-to-day" operational expenses such as teacher salaries, instructional programs and services, etc. – Pursuant to HB 3, the State essentially dictates the District's M&O tax rate (i.e. Maximum Compress Rate ("MCR") plus enrichment tax rate).
 - ❖ **Interest & Sinking Fund ("I&S") Tax Rate:** Used for annual debt service requirements of bonds approved by voters.
- ❑ Aledo ISD's total tax rate decreased by 22.71 cents over the last 4 years.





Bond Capacity Factors: Dollar Amount and Structure of District's Existing Bonds



Note: Debt service payments reflect payments from September 1 through August 31. Includes a \$3,310,000 defeasance of the District's Unlimited Tax Refunding Bonds, Series 2016 prior to scheduled maturity on August 15, 2023.

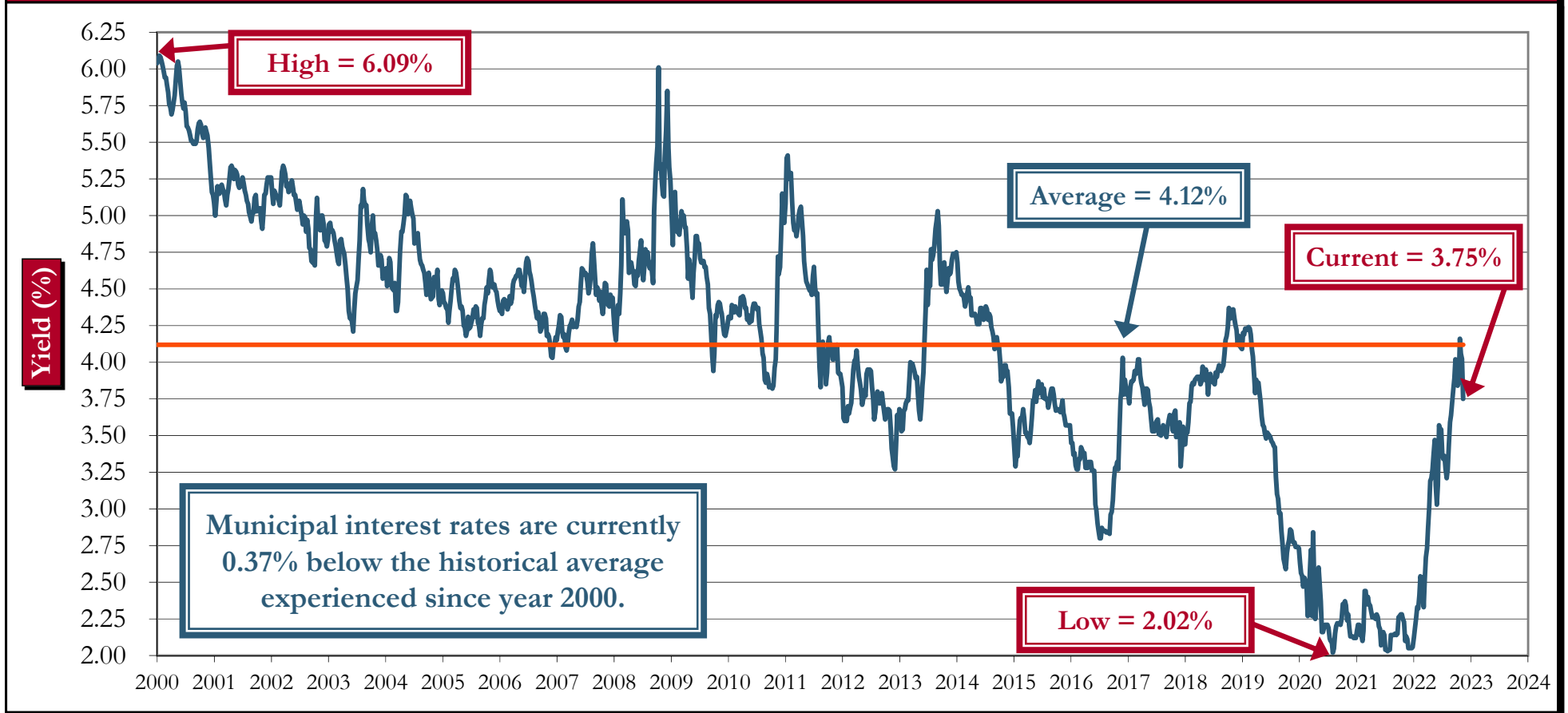
AISSD has a total principal amount of existing bonds equal to \$270,192,278 as of August 31, 2022.



Bond Capacity Factors: Current Market, Fixed Rates of Interest

- As demonstrated by the Bond Buyer 20-Bond Index below, municipal fixed rates of interest are currently below their historical average, but higher due to inflationary concerns. Generally speaking, the lower the interest rate, the more borrowing capacity available to the District.

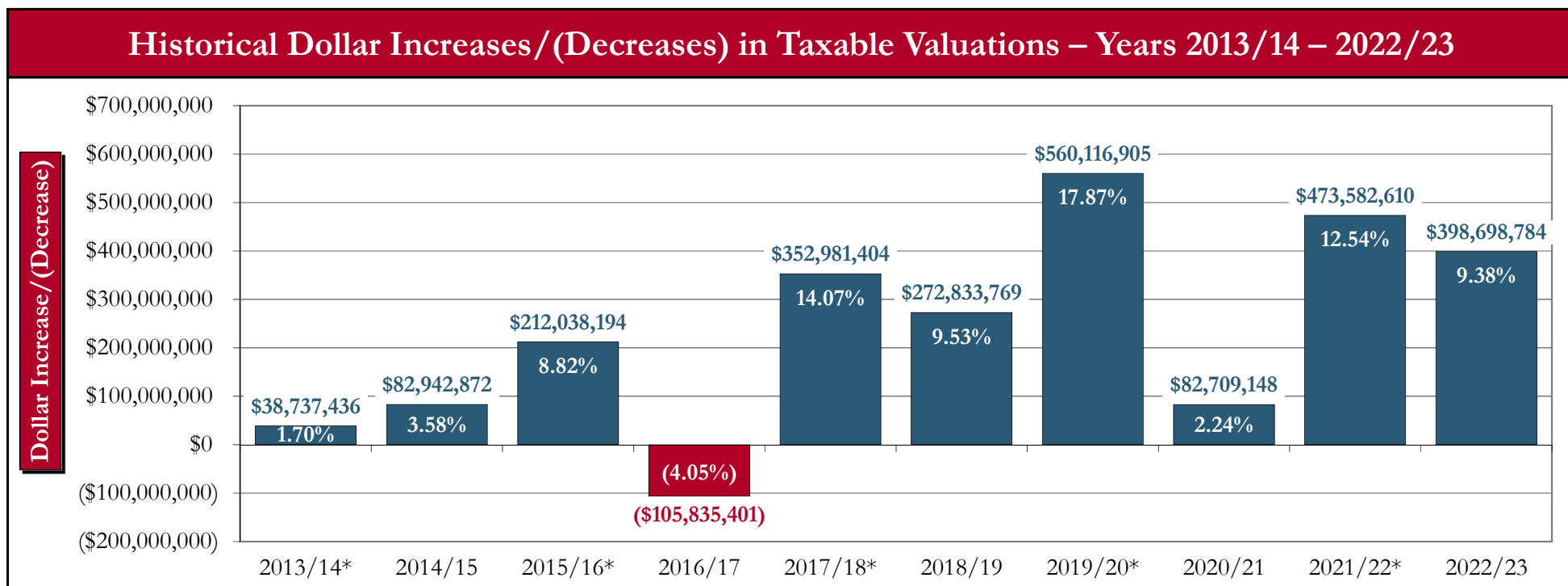
The Bond Buyer 20-Bond Index – A Tax-Exempt General Obligation Bond Yield Index January 1, 2000 To The Present





Bond Capacity Factors: Summary of District’s Historical Taxable Assessed Valuation

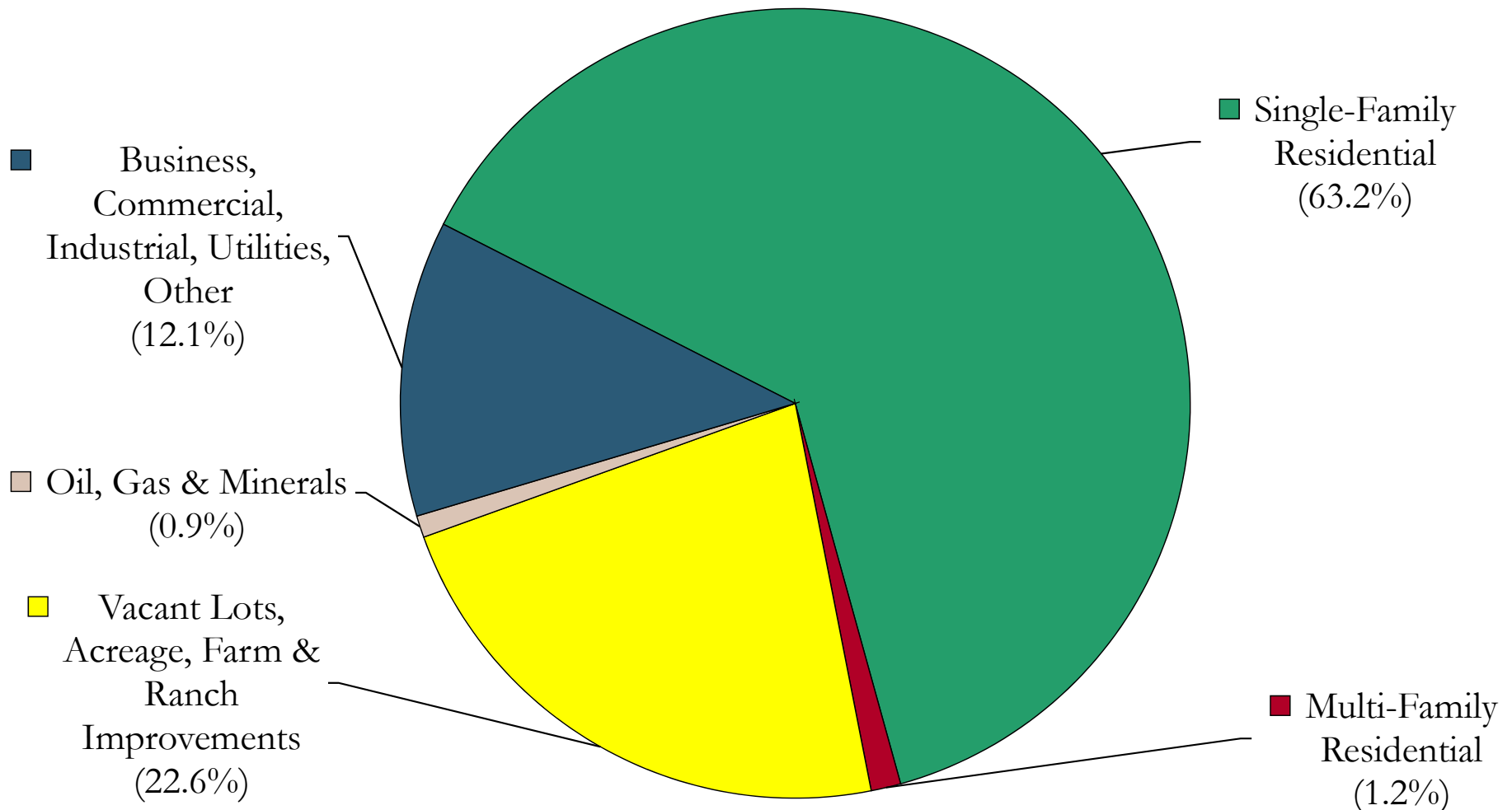
- ❑ The value of Aledo ISD’s tax base is the primary factor impacting AISD’s bond capacity, as this determines the annual revenues generated from the District’s I&S tax rate.
- ❑ AISD’s taxable assessed valuation (net of frozen values) is \$4,650,119,025 for fiscal year 2022/23.
- ❑ The following summarizes certain taxable value growth statistics over the last decade:
 - Maximum tax base increase occurred in Year 2019/20: \$560,116,905 or 17.87%;
 - Average tax base increase – “Non-Reappraisal Years”: \$146,269,834 or 4.14%; and
 - Average tax base increase – “Reappraisal Years”: \$327,491,310 or 11.00%.





Composition of Total Assessed Valuation – Year 2021/22

For year 2021/22, Single-Family Residential properties comprise 63.2% of the District's total assessed valuation, while Business, Commercial, Industrial and Utility properties comprise **ONLY** 12.1%.





Preliminary Bond Capacity Analysis

This Preliminary Bond Capacity Analysis is based upon the assumptions summarized herein. To the extent the District's actual results differ from the assumptions herein, the financial impact to Aledo ISD will correspondingly change.

□ Scenarios Presented – Potential New Bond Program

- Determine Aledo ISD's projected bond capacity for a May 2023 bond election at a maximum I&S tax rate of **42.5 cents**, **45.0 cents**, **47.5 cents** and **50.0 cents** assuming:
 - ❖ **Moderate TAV Growth:** Taxable values increase by 5% for “Non-Reappraisal” years and 8% for “Reappraisal” years during the years 2024/25 – 2027/28 (i.e. 4 years) and remain constant thereafter.
 - ❖ **Optimistic TAV Growth:** Taxable values increase by 6% for “Non-Reappraisal” years and 11% for “Reappraisal” years.
 - ❖ **Aggressive TAV Growth:** Taxable values increase by 7% for “Non-Reappraisal” years and 14% for “Reappraisal” years.



Preliminary Bond Capacity Analysis

- The following summarizes the dollar and percentage growth, on an annual basis and in total, for each of the tax base growth assumptions.

Preliminary Bond Capacity Analysis - Projected Taxable Values																											
A	B			C			D			E			F			G			H			I			J		
Fiscal Year	Moderate TAV Growth (i.e. 5%/8%)			Optimistic TAV Growth (i.e. 6%/11%)			Aggressive TAV Growth (i.e. 7%/14%)																				
	Taxable Value	Dollar Growth	Percentage Growth	Taxable Value	Dollar Growth	Percentage Growth	Taxable Value	Dollar Growth	Percentage Growth																		
2022/23	\$4,650,119,025	---	---%	\$ 4,650,119,025	---	---%	\$ 4,650,119,025	---	---%																		
2023/24	5,231,383,903	581,264,878	12.50%	5,231,383,903	581,264,878	12.50%	5,231,383,903	581,264,878	12.50%																		
2024/25	5,492,953,098	261,569,195	5.00%	5,545,266,937	313,883,034	6.00%	5,597,580,776	366,196,873	7.00%																		
2025/26	5,932,389,346	439,436,248	8.00%	6,155,246,300	609,979,363	11.00%	6,381,242,085	783,661,309	14.00%																		
2026/27	6,229,008,813	296,619,467	5.00%	6,524,561,078	369,314,778	6.00%	6,827,929,031	446,686,946	7.00%																		
2027/28	6,727,329,518	498,320,705	8.00%	7,242,262,797	717,701,719	11.00%	7,783,839,095	955,910,064	14.00%																		
Totals	---	\$2,077,210,493	44.67%	---	\$2,592,143,772	55.74%	---	\$3,133,720,070	67.39%																		
Average	---	\$ 415,442,099	7.67%	---	\$ 518,428,754	9.27%	---	\$ 626,744,014	10.85%																		

- Note: While Aledo ISD’s taxable values may increase in future years, the projected current bond capacity only utilizes 5 years of growth to permit “future growth to fund future bond sales for capital improvements” (assumes next bond election would either be in November 2027 or May 2028).



Preliminary Bond Capacity Analysis

□ Assumptions

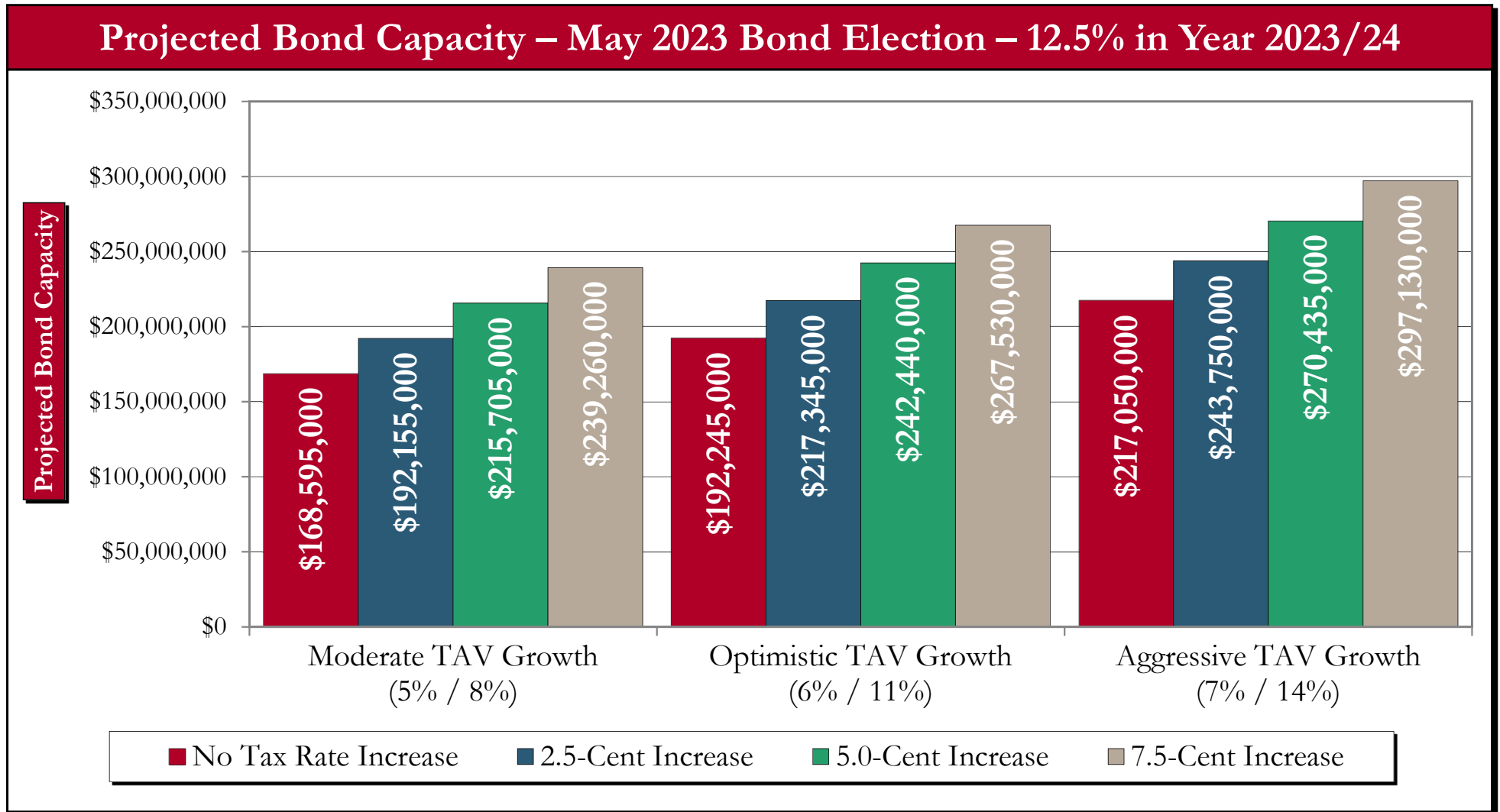
- The new bond program is sold in August 2023 at an interest rate of 5.50% (current market rates of interest are approximately 4.50%).
- The new bond program will initially be structured with annual principal payments over the next 30 years (i.e. final maturity of February 15, 2053) to maximize AISD's bond capacity. However, the District will have the flexibility to prepay the bonds prior to scheduled maturity, without penalty.
- **Short-Term Projects:** Fully repay bonds issued for certain short-term projects over their useful lives (e.g. devices – 5 years and infrastructure, buses, etc. – 10 years).
- AISD will not receive any State assistance for the repayment of bonds.
- Tax collection rate of 99.0%.

Note: The State Property Tax Code allows for school property taxes on an individual homestead to be “frozen” at the age of 65. If you are 65 years of age or older and you have filed for the “Over 65 Homestead Exemption,” there is a ceiling on the amount of school taxes to be paid – The only exception is if improvements are made to a home. As such, a tax increase from a new bond program cannot increase the applicable tax ceiling of a taxpayer that has qualified for the “Over 65 Homestead Exemption.”



Preliminary Bond Capacity Analysis

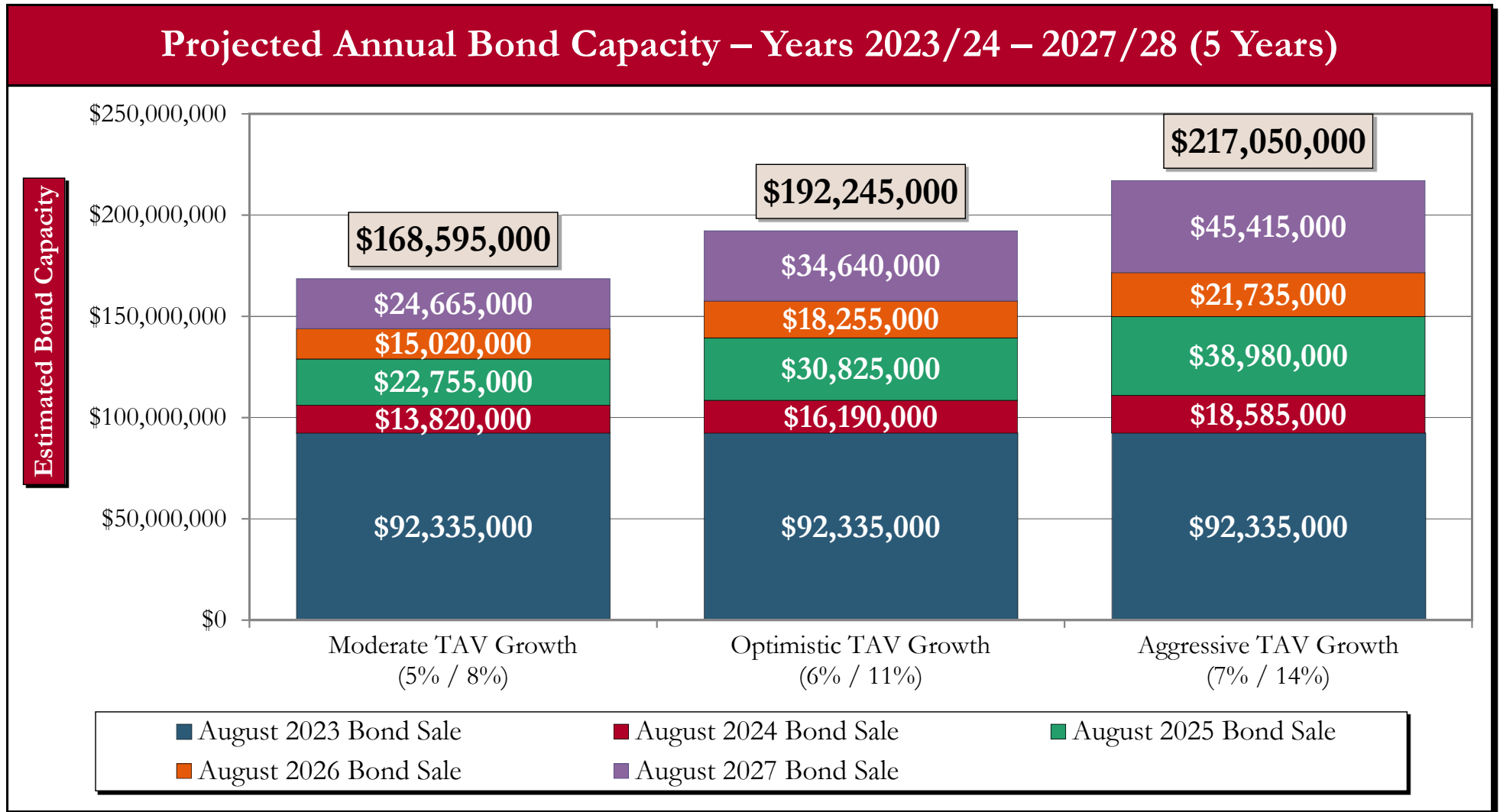
- The following demonstrates Aledo ISD’s projected bond capacity for a May 2023 bond election based upon the assumptions summarized herein.





Preliminary Bond Capacity Analysis

- ❑ The following demonstrates Aledo ISD’s projected annual bond capacity over the next 5 years for no tax rate increase based upon the assumptions summarized herein.





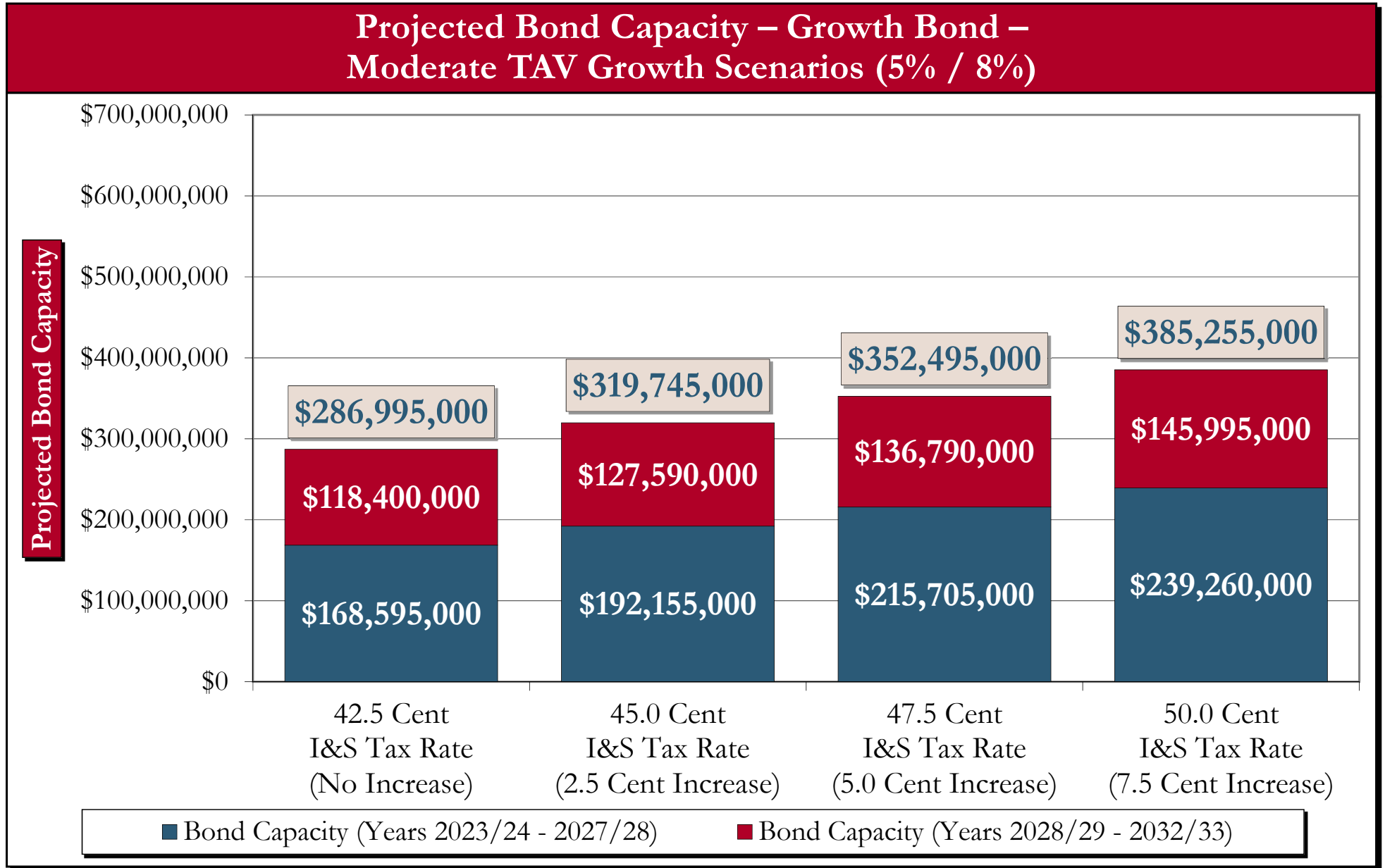
Preliminary Bond Capacity Analysis – Growth Bond

- ❑ As previously mentioned, Aledo ISD has the option of asking its community to support a “Growth Bond” to fund its future capital improvement needs.
- ❑ For a potential Growth Bond, the following summarizes the dollar and percentage growth, on an annual basis and in total, for each of the tax base growth assumptions.

Preliminary Bond Capacity Analysis - Growth Bond - Projected Taxable Values									
A	B			C			D		
	Moderate TAV Growth (i.e. 5%/8%)			Optimistic TAV Growth (i.e. 6%/11%)			Aggressive TAV Growth (i.e. 7%/14%)		
Fiscal Year	Taxable Value	Dollar Growth	Percentage Growth	Taxable Value	Dollar Growth	Percentage Growth	Taxable Value	Dollar Growth	Percentage Growth
2022/23	\$4,650,119,025	---	---%	\$ 4,650,119,025	---	---%	\$ 4,650,119,025	---	---%
2023/24	5,231,383,903	581,264,878	12.50%	5,231,383,903	581,264,878	12.50%	5,231,383,903	581,264,878	12.50%
2024/25	5,492,953,098	261,569,195	5.00%	5,545,266,937	313,883,034	6.00%	5,597,580,776	366,196,873	7.00%
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2027/28	6,727,329,518	498,320,705	8.00%	7,242,262,797	717,701,719	11.00%	7,783,839,095	955,910,064	14.00%
2028/29	7,063,695,994	336,366,476	5.00%	7,676,798,565	434,535,768	6.00%	8,328,707,832	544,868,737	7.00%
2029/30	7,628,791,674	565,095,680	8.00%	8,521,246,407	844,447,842	11.00%	9,494,726,928	1,166,019,096	14.00%
2030/31	8,010,231,258	381,439,584	5.00%	9,032,521,191	511,274,784	6.00%	10,159,357,813	664,630,885	7.00%
2031/32	8,651,049,759	640,818,501	8.00%	10,026,098,522	993,577,331	11.00%	11,581,667,907	1,422,310,094	14.00%
2032/33	9,083,602,247	432,552,488	5.00%	10,627,664,433	601,565,911	6.00%	12,392,384,660	810,716,753	7.00%
Totals	---	\$4,433,483,222	95.34%	---	\$5,977,545,408	128.55%	---	\$7,742,265,635	166.50%
Average	---	\$ 443,348,322	6.93%	---	\$ 597,754,541	8.62%	---	\$ 774,226,564	10.30%

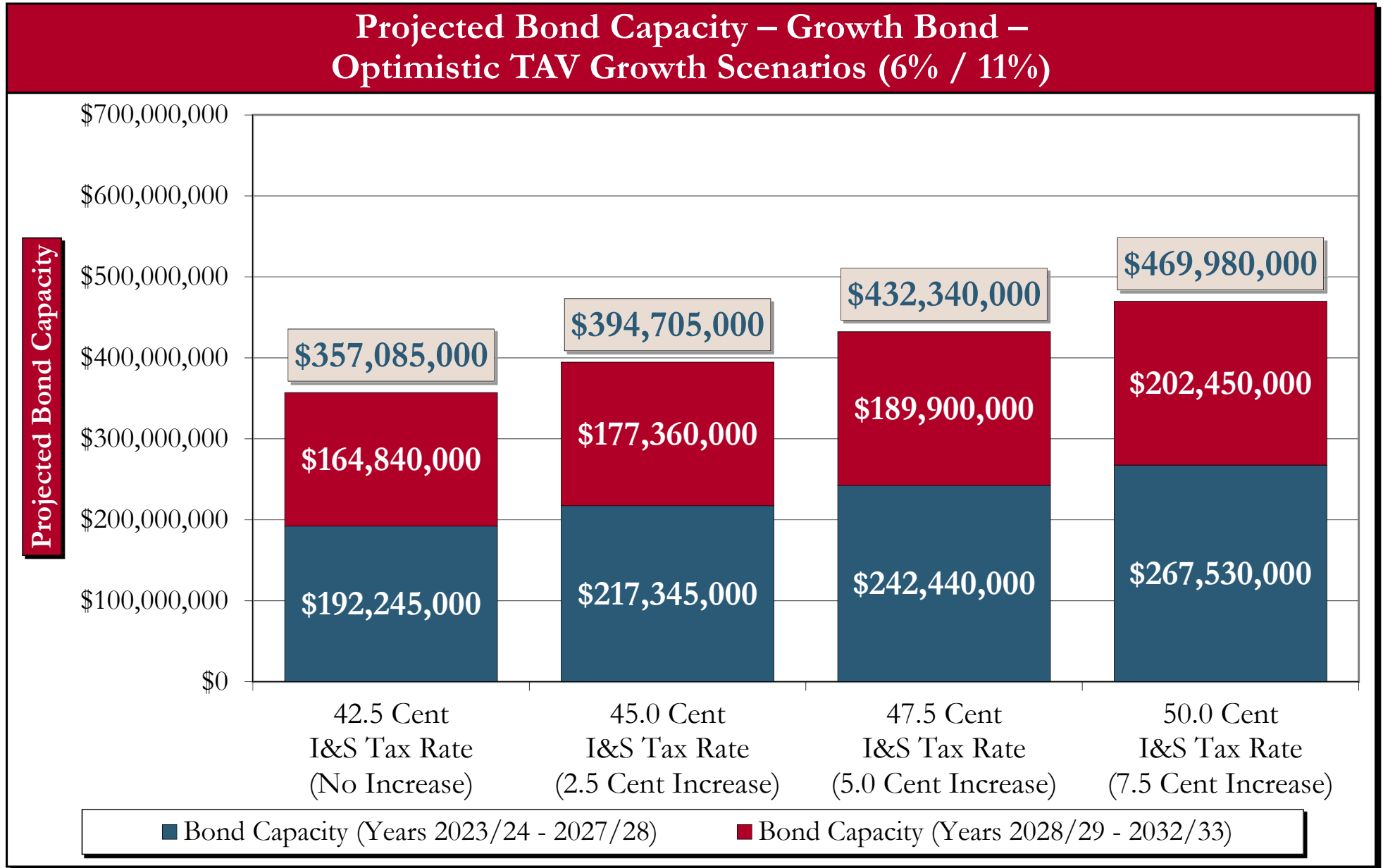


Preliminary Bond Capacity Analysis – Growth Bond: Moderate TAV Growth Scenarios



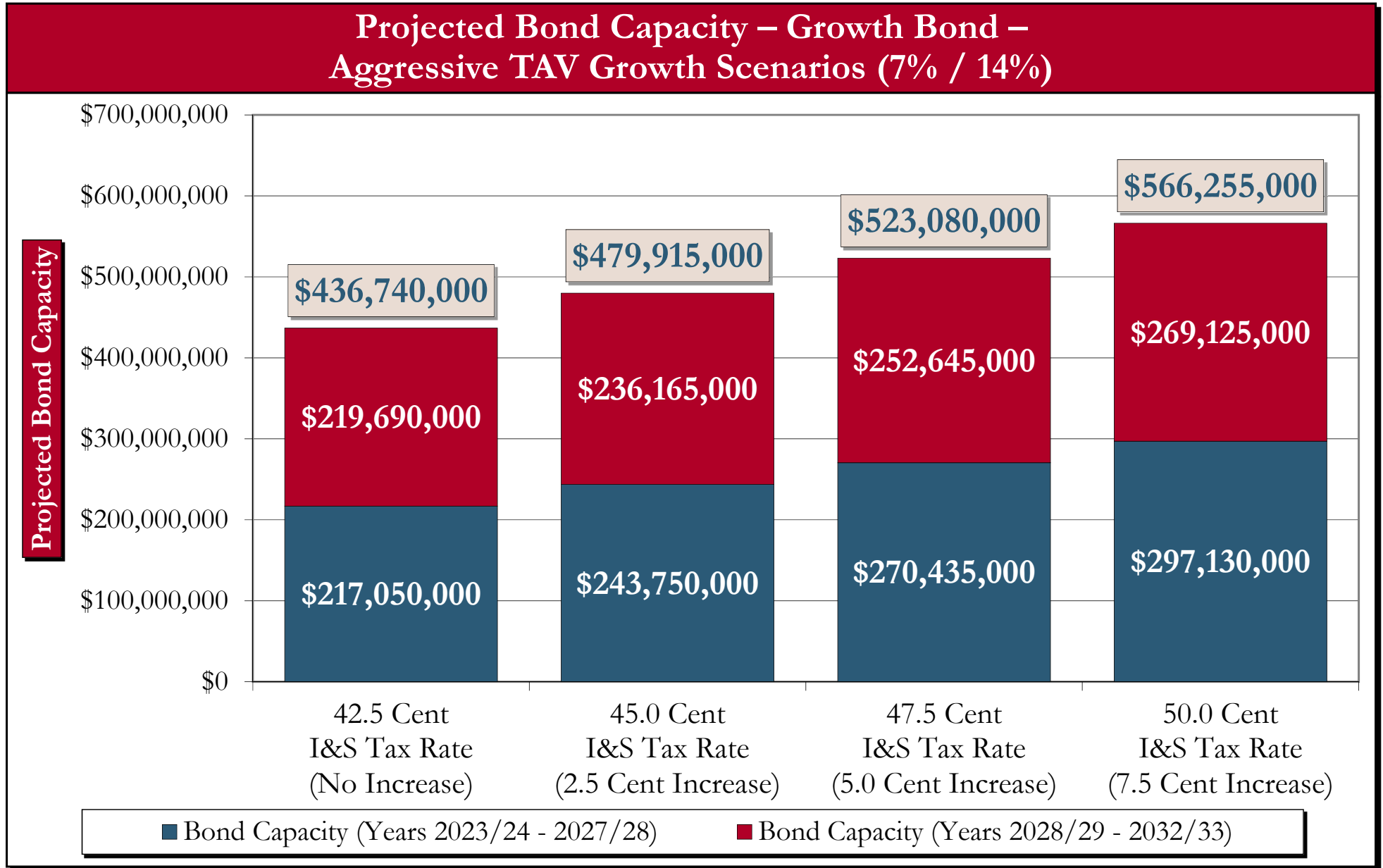


Preliminary Bond Capacity Analysis – Growth Bond: Optimistic TAV Growth Scenarios





Preliminary Bond Capacity Analysis – Growth Bond: Aggressive TAV Growth Scenarios





“Traditional” Versus “Growth” Bond Elections

- ❑ While not all-inclusive, the following summarizes certain distinctions between “Traditional” and “Growth” bond elections.

“Traditional”

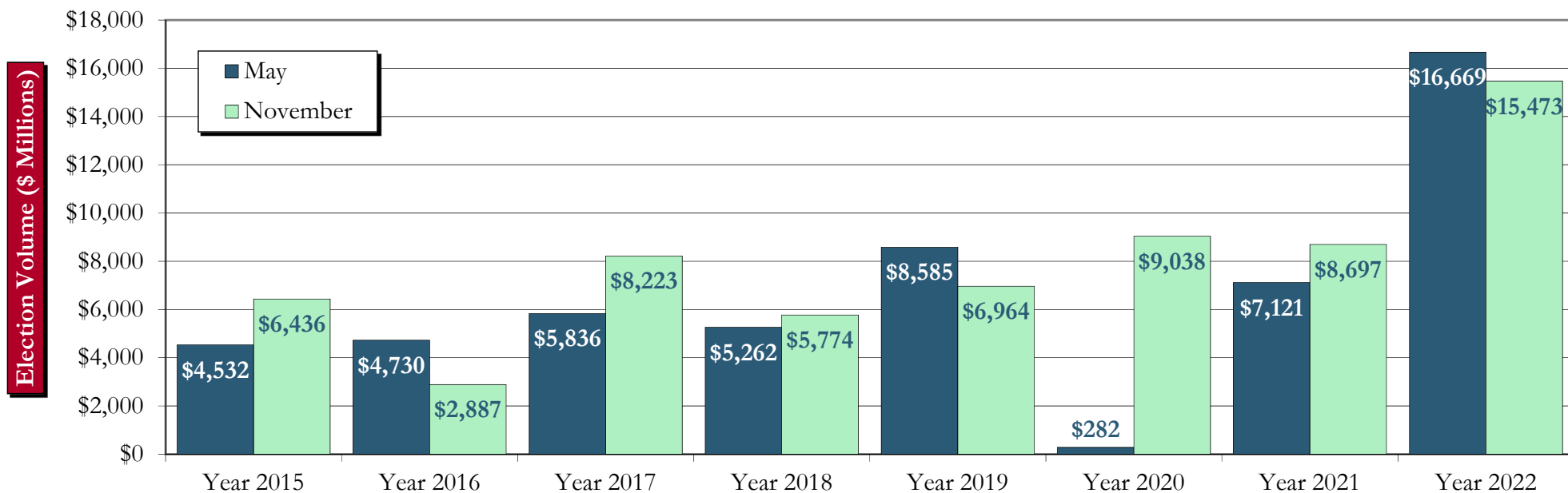
- ❖ “Traditional” bond elections focus on the near-term capital needs of the District (i.e. 1-5 years).
- ❖ Given the near-term nature of the capital needs, the required timing of such projects is better known, which results in:
 - More reliable cost estimates (all things being equal) as less construction inflation is included within the estimates; and
 - Better projections of bond capacity and any tax rate increase needed to support the proposed bond program.
- ❖ Requires more frequent bond elections, especially for fast growing districts like AISD, to fund capital needs.
- ❖ Subjects the District to changes in State election law on a more frequent basis.

“Growth”

- ❖ “Growth” bond elections focus on both the near-term and long-term capital needs of the District (i.e. 1-10+ years).
- ❖ Provides the District with maximum long-term flexibility regarding the implementation of capital improvement projects and the structuring and timing of bond sales (although there is less clarity on future construction costs).
- ❖ On an annual basis after AISD receives its tax value for the subsequent year, the District’s bond capacity is reassessed, along with project costs, and bonds are potentially sold, subject to Board approval, to fund additional capital improvements.
- ❖ A new bond election is conducted only after the District’s bond authorization is exhausted or the District needs additional funds to complete a proposed project.



Historical Texas School District Bond Elections Since Year 2015

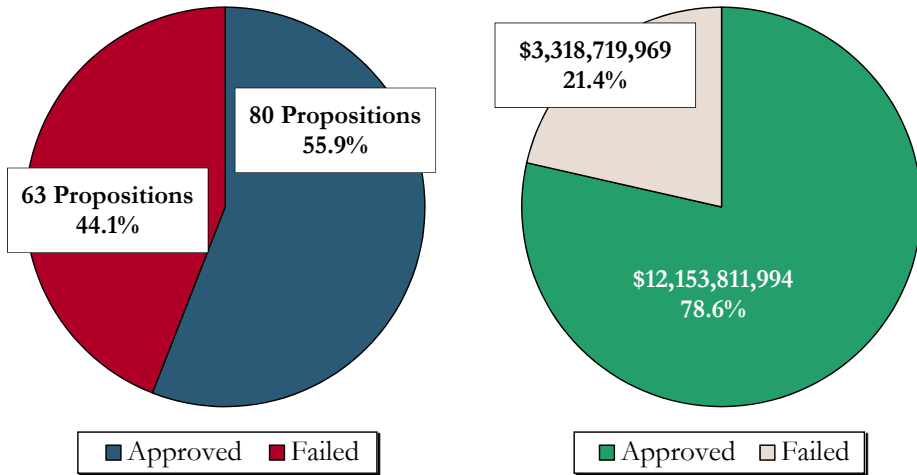


Year	No. of Elections	Dollar Amount Of Elections	No. of Propositions	Dollar Amount Approved		Propositions Approved	
				Dollar Amount	Percentage	Number	Percentage
2015	126	\$10,968,064,264	139	\$9,644,168,689	87.9%	114	82.0%
2016	110	7,617,304,038	127	6,985,124,038	91.7%	96	75.6%
2017	128	14,058,707,791	145	11,803,977,500	84.0%	99	68.3%
2018	105	11,036,331,959	123	9,988,977,659	90.5%	91	74.0%
2019	128	15,561,804,220	132	11,783,620,085	75.7%	100	75.8%
2020	44	9,320,371,214	80	7,793,163,864	83.6%	51	63.8%
2021	129	15,817,637,080	237	11,821,967,158	74.7%	156	65.8%
2022	201	32,141,347,188	350	22,600,792,874	70.3%	184	52.6%
Totals	971	\$116,521,567,754	1,333	\$92,421,791,867	79.3%	891	66.8%

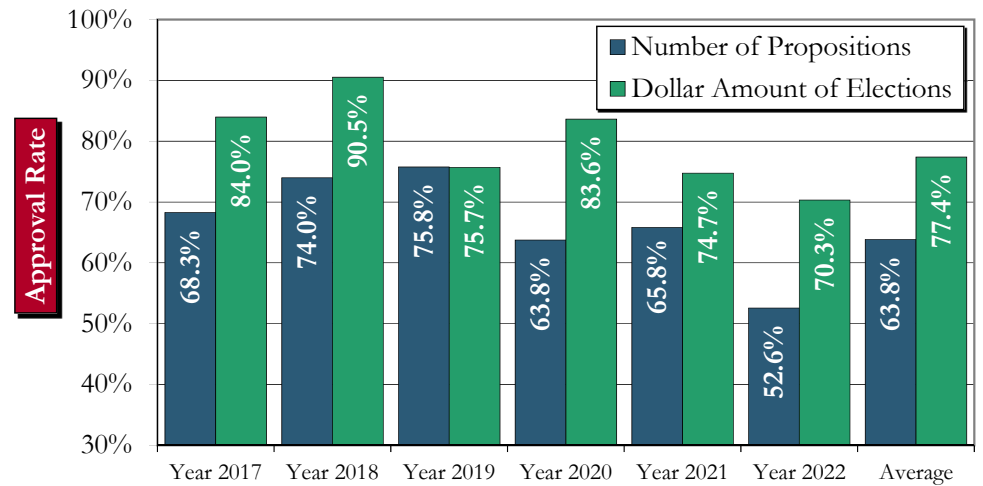


Texas Public School Districts – Bond Election Results for November 8, 2022

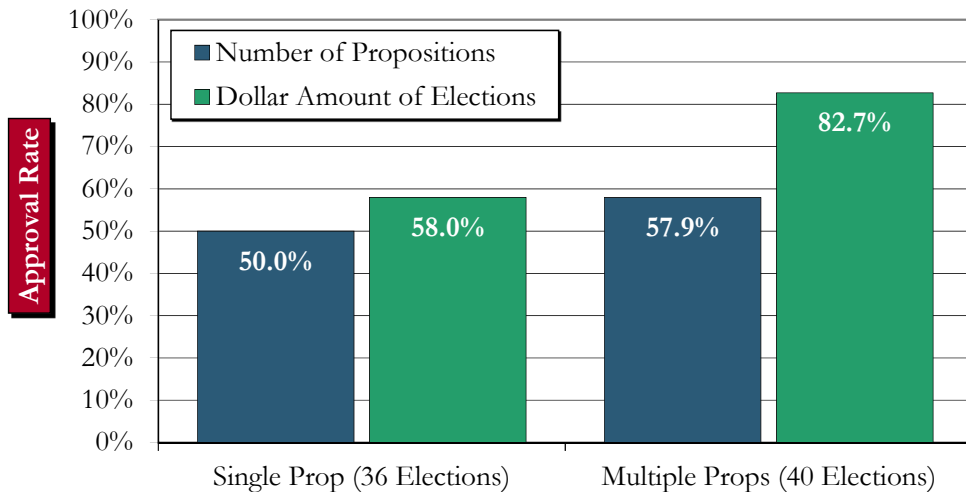
November 8, 2022 Texas ISD Bond Elections – By Number of Propositions and Dollar Amount



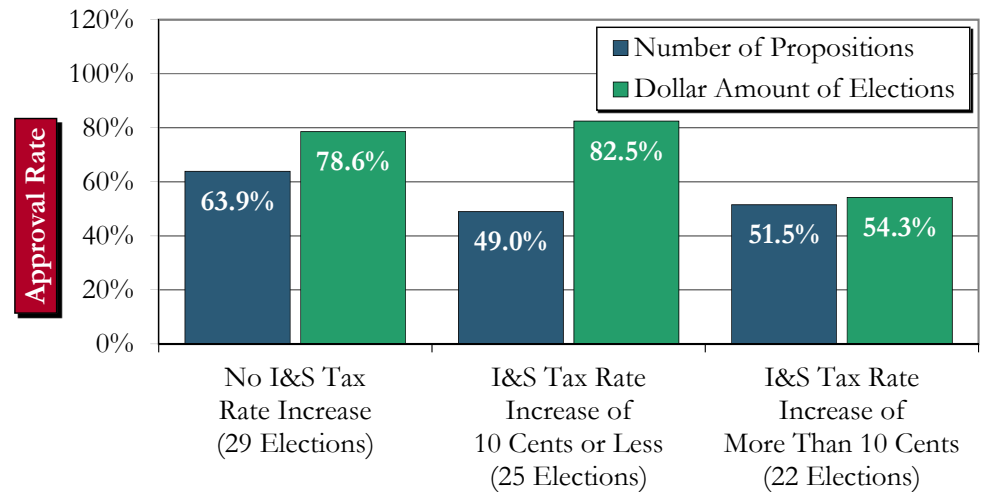
Historical Approval Rates – Year 2017 to the Present



November 8, 2022 Approval Rates – By Single Proposition Or Multiple Propositions

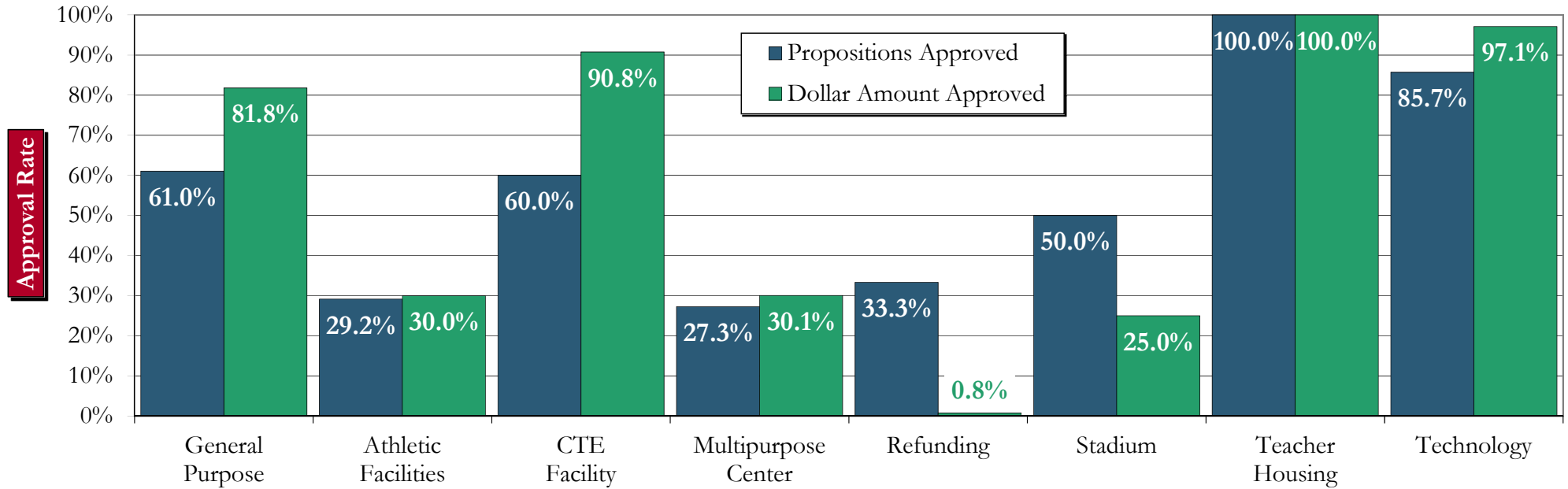


November 8, 2022 Approval Rates – By Interest & Sinking Fund (“I&S”) Tax Rate Increase





Texas Public School Districts – Bond Election Results by Purpose for November 8, 2022



November 8, 2022 Texas Public School District Bond Election Results by Purpose										
Purpose	No. of Propositions	Dollar Amount By Purpose	Approved				Failed			
			Props.	% Pass	Dollar Amount	% Pass	Props.	% Fail	Dollar Amount	% Fail
General Purpose	77	\$13,459,600,497	47	61.0%	\$11,008,865,577	81.8%	30	39.0%	\$2,450,734,920	18.2%
Athletic Facilities	24	375,908,343	7	29.2%	112,654,000	30.0%	17	70.8%	263,254,343	70.0%
CTE Facility	5	357,241,920	3	60.0%	324,241,920	90.8%	2	40.0%	33,000,000	9.2%
Multipurpose Center	11	492,326,906	3	27.3%	148,000,000	30.1%	8	72.7%	344,326,906	69.9%
Refunding	3	11,909,100	1	33.3%	95,000	0.8%	2	66.7%	11,814,100	99.2%
Stadium	4	269,873,537	2	50.0%	67,468,837	25.0%	2	50.0%	202,404,700	75.0%
Teacher Housing	5	55,174,000	5	100.0%	55,174,000	100.0%	0	0.0%	0	0.0%
Technology	14	450,497,660	12	85.7%	437,312,660	97.1%	2	14.3%	13,185,000	2.9%
Totals	143	\$15,472,531,963	80	55.9%	\$12,153,811,994	78.6%	63	44.1%	\$3,318,719,969	21.4%



Texas Public School Districts – Bond Election Results for November 8, 2022

- ❑ Below are a few interesting statistics from the November 2022 bond election cycle:
 - ❖ In total, 80 (55.9%) of the Texas public school district bond propositions totaling over \$12.15 billion (78.6%) were approved by voters. For comparison purposes, the average bond election approval rate has been 63.8% by bond proposition and 77.4% by dollar amount since year 2017.
 - ❖ Of the 76 elections, 40 had multiple propositions and 36 had a single proposition. Of the single proposition elections, 18 (50.0%) were successful totaling over \$1.508 billion (58.0%). The multiple proposition elections passed 62 (57.9%) of the 107 propositions, totaling over \$10.645 billion (82.7%).
 - ❖ Of the 76 total elections, 29 elections were for no tax rate increase, representing 61 propositions, with 39 (63.9%) of such propositions passing for a total over \$5.419 billion (78.6%). Clearly, it appears voters are still confused by the “This is a Property Tax Increase” ballot language.
 - ❖ Of the 63 total propositions that failed, more than half (33) related to athletic facilities, CTE facilities, multipurpose centers, refundings, stadiums or technology, with athletic facilities (17) being the “biggest loser”.
 - ❖ Voters overwhelmingly supported the “General Purpose” propositions, approving over \$11 billion or 81.8% of the total dollar amount proposed. While only 61% of the actual propositions passed, voters seemingly did not shy away from higher dollar amounts on the ballots.
 - ❖ “Teacher Housing” was the most successful category posting a 100% approval rate for five propositions totaling \$55,174,000.



Questions

