

Board Meeting January 19, 2016

Potential Bond Proposition

Recap of Task Force Recommendations

- **Projects Totaling \$524,725,000 including:**

Interim Report Amount	\$425,165,000
Added Buses	9,720,000
Added Performing Arts Venue	68,555,000
Added Early Childhood School	21,285,000
Total – Final Recommendation	<u>\$524,725,000</u>

- **Three financing options for consideration**



New Schools and Acquisitions

\$129,000,000

- New Elementary School
- Special Education Transition Center
- Employee Childcare Center #3
- Early Childhood School #4
- Fine Arts Venue
- Property Purchases



Major Renovations/Upgrades/Refurbishments

\$105,830,000

- Shepton High School
- Robinson Middle School
- ∞ ■ Elementary School Refurbishments (6)
- Middle School Refurbishments (2)
- High School Refurbishments (2)



Additions/Modifications/Capital Improvements

\$145,145,000

- **Safety & Security**
- **Transportation**
- **FANS**
- **Fine Arts and Academic Facilities**
- **Athletics**
- **Elementary Capacity Additions**
- **Permanent Classrooms to Replace Portables**
- **Re-roofing Projects**
- **Capital Improvement Projects**
- **Sustainability Projects**



Systems and Compliance

\$63,890,000

- **Carpet and Flooring**
- **Electrical**
- **Energy Management**
- **HVAC Systems**
- **Plumbing**
- **Site Improvements**
- **Pavement, Fire Lanes**
- **Specialties, Equipment**
- **Other**



Technology and Academic Initiatives

\$80,860,000

- **Technology Replacements**
- **Academic and Technology Initiatives**
- **Academic Services Initiatives**



Summary of Projects

New Schools and Acquisitions	\$129,000,000
Major Renovations/Upgrades/Refurbishments	105,830,000
Additions/Modifications/Capital Improvements	145,145,000
Systems and Compliance	63,890,000
Technology and Academic Initiatives	80,860,000
Total	\$524,725,000



Three Potential Financing Models

- **Model 1 – Decreased tax rate , level payments, 25 year max (historical strategy)**
- **Model 2 – Maintain current tax rate for next five years, accelerate principal, 20 year max**
- **Model 3 – Increase tax rate, accelerate principal, 20 year max, debt retired $\geq$ debt issued**

Comparison of Projected Tax Rates

Year	Model 1	Model 2	Model 3
Current	26.90	26.90	26.90
2017	26.90	26.90	30.71
2018	25.79	26.90	30.71
2019	25.79	26.90	30.71
2020	25.79	26.90	30.71
2021	25.79	26.90	30.71
2022	21.82	22.17	22.17
2023	18.32	20.18	20.18
2024	17.60	18.15	18.15
2025	16.88	16.72	16.11
2026	16.17	16.48	13.98
2030	14.71	15.02	12.52
2035	9.54	9.86	7.35
2040	6.24	1.09	0.28
2045	1.28	-	-

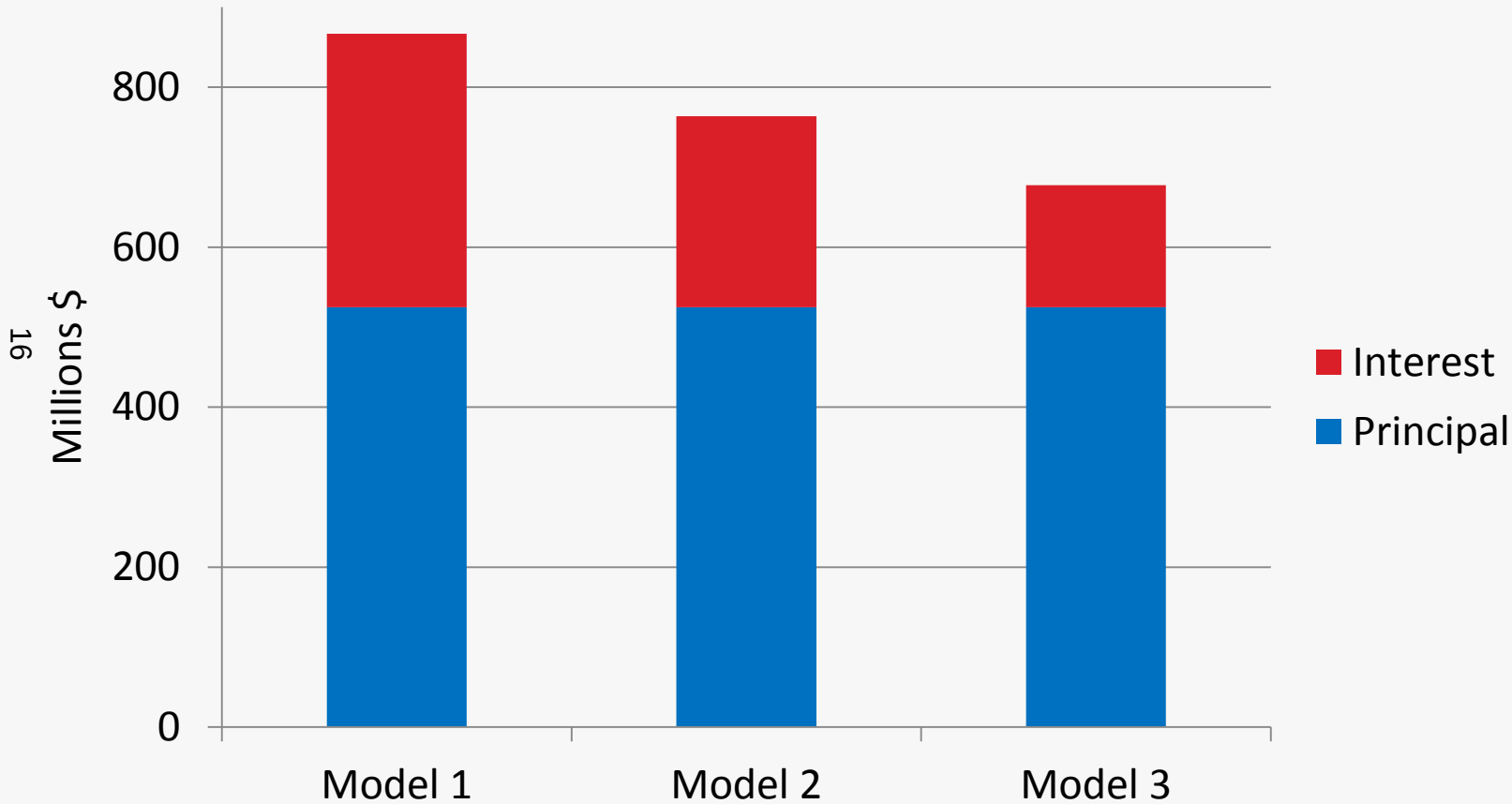


Comparative Summary of Options

	Model 1	Model 2	Model 3
Total Payments (New Debt Only)	\$866,597,532	\$763,693,009	\$677,545,588
Total Interest	\$341,872,532	\$238,968,009	\$152,820,588
Final Maturity	2045	2040	2040
Outstanding Debt Today	\$852,635,313	\$852,635,313	\$852,635,313
Outstanding Debt on Election Day	\$782,030,000	\$782,030,000	\$782,030,000
Ending Debt 5/15/21	\$909,580,000	\$882,640,000	\$782,025,000

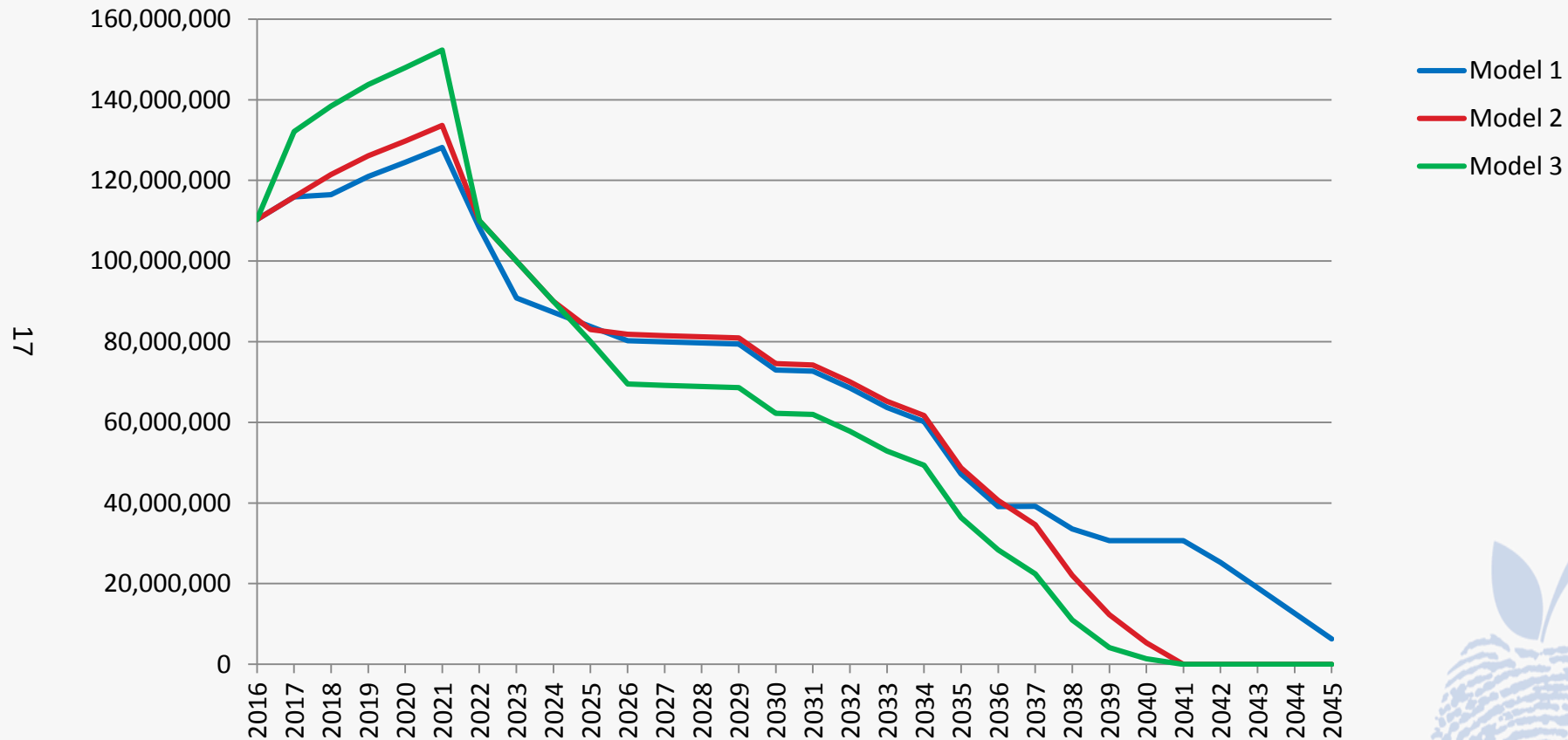
Total Payment Comparison

(New Debt Only)



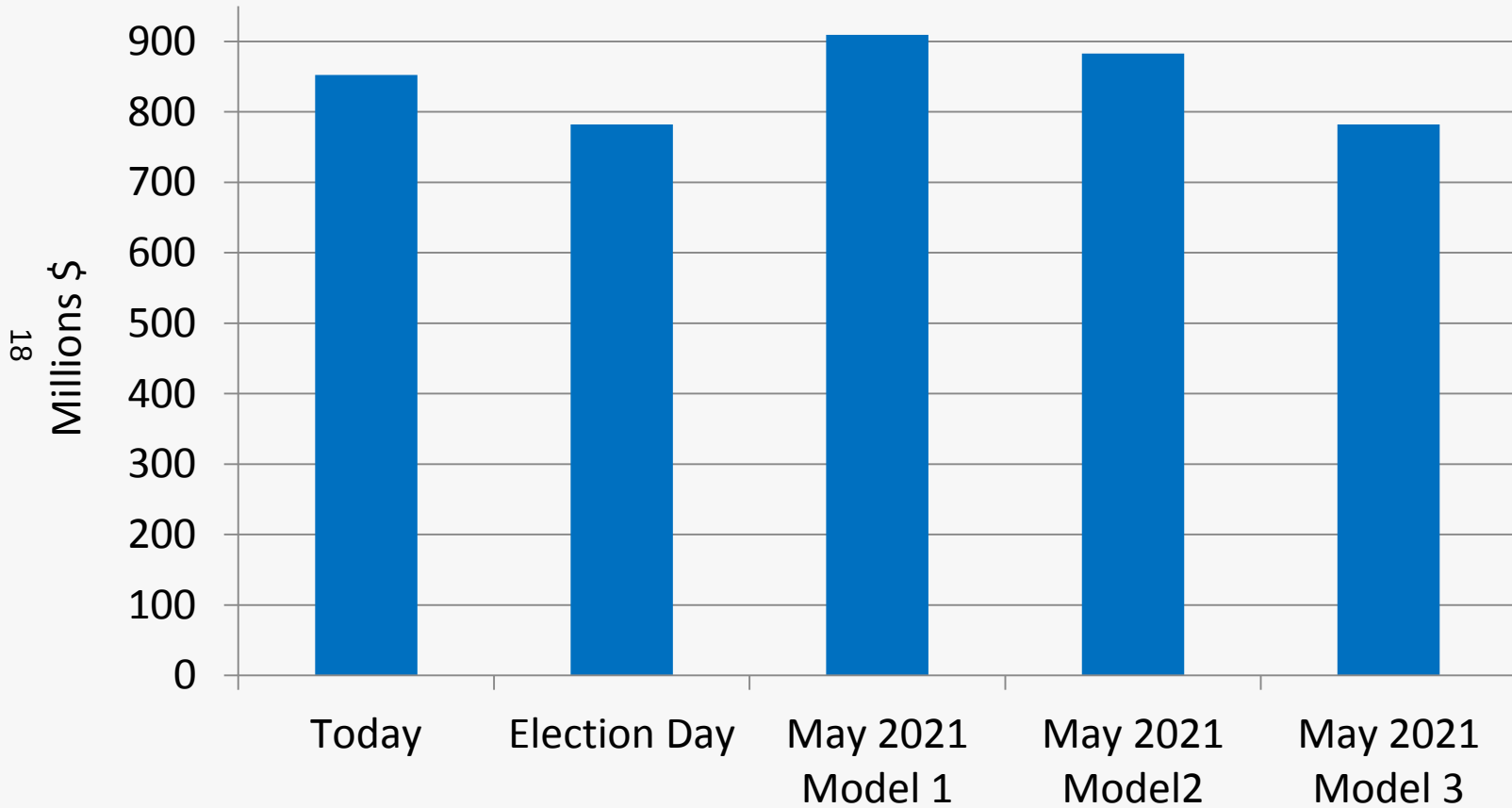
Annual Payment Comparison

(\$ in Millions – Includes New and Existing Debt)



Outstanding Debt Summary

(Includes New and Existing Debt)



Other Potential Financing Considerations



Potential Funding From Other Sources

- 1. Existing Capital Projects Fund**
- 2. Fund Balance – General Fund**
- 3. Unissued Bonds From 2008 Authorization**



Existing Capital Projects Fund

- **Staff has identified \$7.5 million in the existing Capital Projects Fund which could be used for projects recommended in the 2016 Bond Program.**



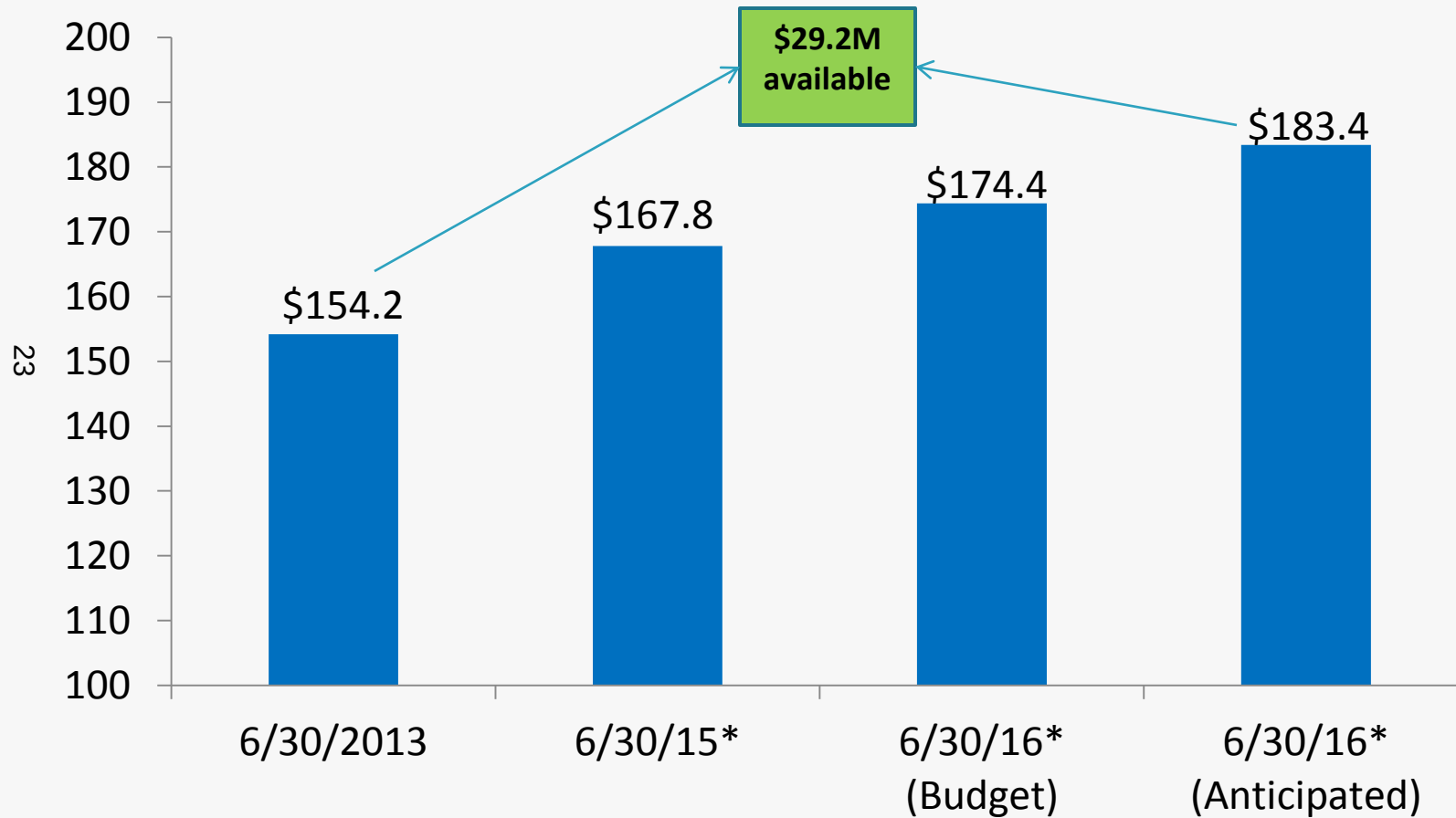
Fund Balance – General Fund

- Tax Ratification Election (“TRE”) passed in November 2013
- Part of financing strategy was to transfer surplus funds to Capital Projects Fund, until the next bond program
- Fund Balance (“FB”) at time of TRE was \$154.2 million
- Unassigned FB at 6/30/15 was \$167.8 million
- Based on revised budget, unassigned FB at 6/30/16 will be \$174.4 million
- Assuming 2% historical under expenditure of budget, unassigned FB at 6/30/16 will more likely be \$183.4 million +
- Amount available to maintain unassigned FB level of \$154.2 million is \$29.2 million (\$183.4 million minus \$154.2 million)



Fund Balance – General Fund

In Millions \$



*Unassigned fund balance only



Unissued Bonds From 2008 Authorization

- \$16,020,000 from 2008 authorization not yet issued
- Could be used for 2016 bond project(s)
- Would not lower financing model costs since these bonds would also be sold in next five years
- Would lower amount asked for in bond proposition

Summary of Potential Reductions From Other Sources

■ Existing Capital Projects Fund	\$7,500,000
■ Fund Balance – General Fund	29,200,000
■ Unissued Bonds From 2008 Authorization	16,020,000
■ Total Potential Reductions	<u>\$52,720,000</u>

■ Revised Total for May 2016 Proposition	\$472,005,000
■ Revised Total for Financing Models	\$488,025,000



Possible Projects to Fund From Other Sources

- **\$16,020,000 Authorization From 2008**

- ▣ Rationale – Allocate for projects that are certain
 - ▣ Portable Replacements \$15,815,000
 - ▣ Systems and Compliance \$205,000
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- **Capital Projects Fund and Fund Balance - General Fund - \$36.7 million**

- ▣ Rationale – Allocate for turf and projects that are less certain
- ▣ New Elementary School \$26,125,000
- ▣ Turf (Six Projects) \$4,600,000
- ▣ Land \$5,975,000

Note: Specific items are examples for illustrative purposes



Potential Refunding Opportunity

- **Opportunity exists to refund a portion (\$342,130,000) of 2006, 2007, 2008, and 2008A series bonds.**
- **Two Scenarios:**
 - A) **Uniform savings of \$2.5 million per year 2017-2034**
 - B) **Maintain current total payments until debt is paid in full. Eliminates last three years of payments (2032-2034), and reduces 2031 final payment by 71%. Higher debt retirement in early years reduces overall interest costs.**

Summary of Potential Refunding Savings

	Scenario A	Scenario B
Gross Savings in Total Payments	\$45,036,948	\$65,113,798
Present Value (PV) Savings	\$35,136,346	\$43,534,867
PV Savings/Refunded Principal	10.27%	12.72%
Final Payment	2034	2031
Average Life of Bonds	8.217	6.895
Reduction in principal outstanding at 5/15/21 compared to current payment schedule	\$24,610,000	\$38,475,000

Three Potential Financing Models

- **Model 1 – Decreased tax rate , level payments, 25 year max (historical strategy)**
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Comparison of Projected Tax Rates

Year	Model 1	Model 2	Model 3
Current	26.90	26.90	26.90
2017	26.90	26.90	27.66
2018	25.45	26.90	27.65
2019	25.45	26.90	27.66
2020	25.45	26.90	27.65
2021	25.29	26.90	27.66
2022	21.28	22.17	22.17
2023	17.78	20.18	20.18
2024	17.06	18.15	18.15
2025	16.35	16.72	16.72
2026	15.63	15.41	14.92
2030	14.17	13.94	13.46
2035	9.01	8.78	8.30
2040	5.70	0.47	0.11
2045	1.17	-	-



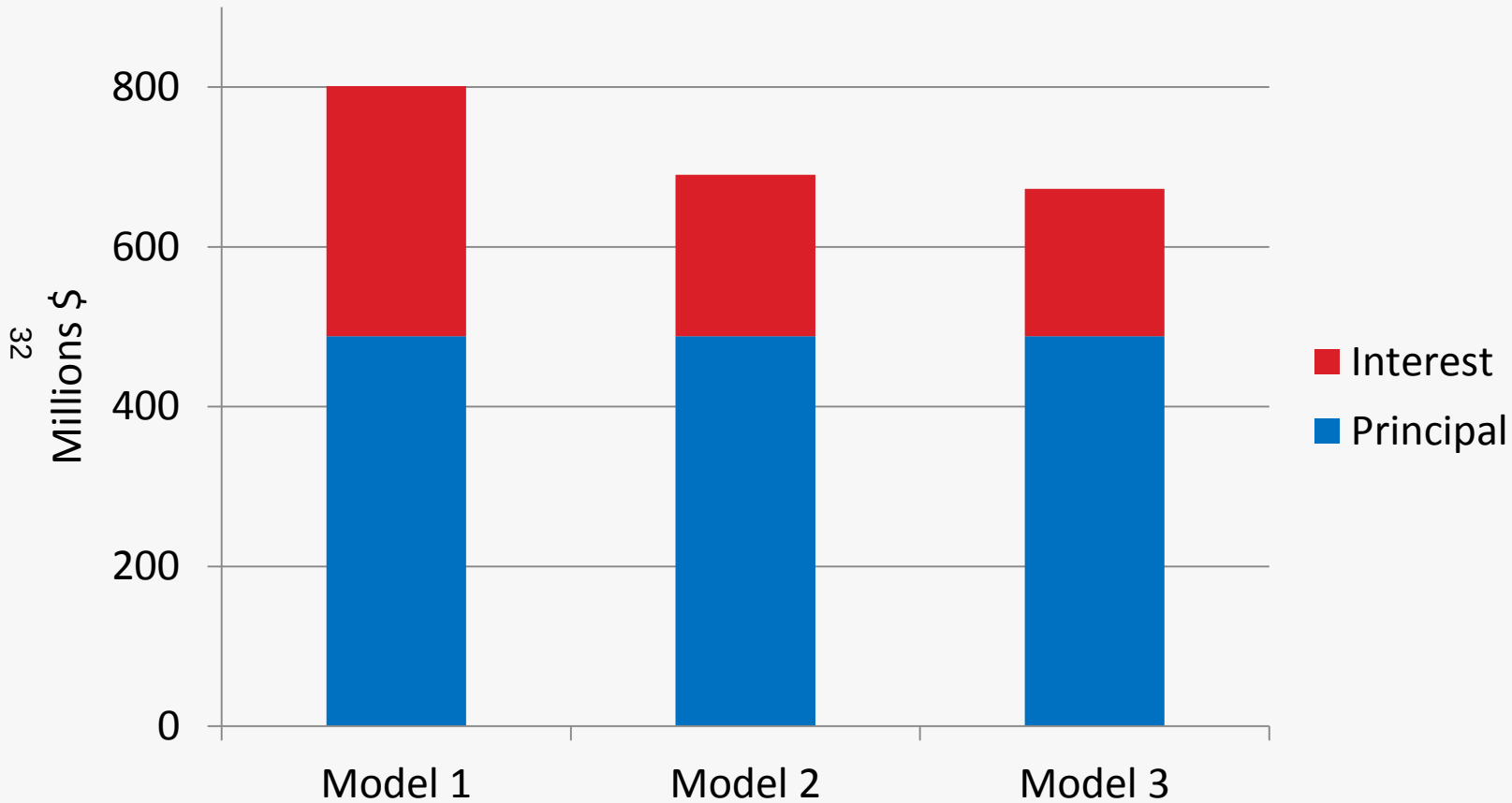
Combined Impact of Using Other Financing Sources and Refunding Scenario B

	Model 1	Model 2	Model 3
Total Payments (New Debt Only)	\$801,177,393	\$690,032,683	\$672,544,005
Total Interest	\$313,152,393	\$202,007,683	\$184,519,005
Final Maturity	2045	2040	2040
Outstanding Debt Today	\$852,635,313	\$852,635,313	\$852,635,313
Outstanding Debt on Election Day	\$782,030,000	\$782,030,000	\$782,030,000
Ending Debt 5/15/21	\$836,410,000	\$801,695,000	\$782,015,000



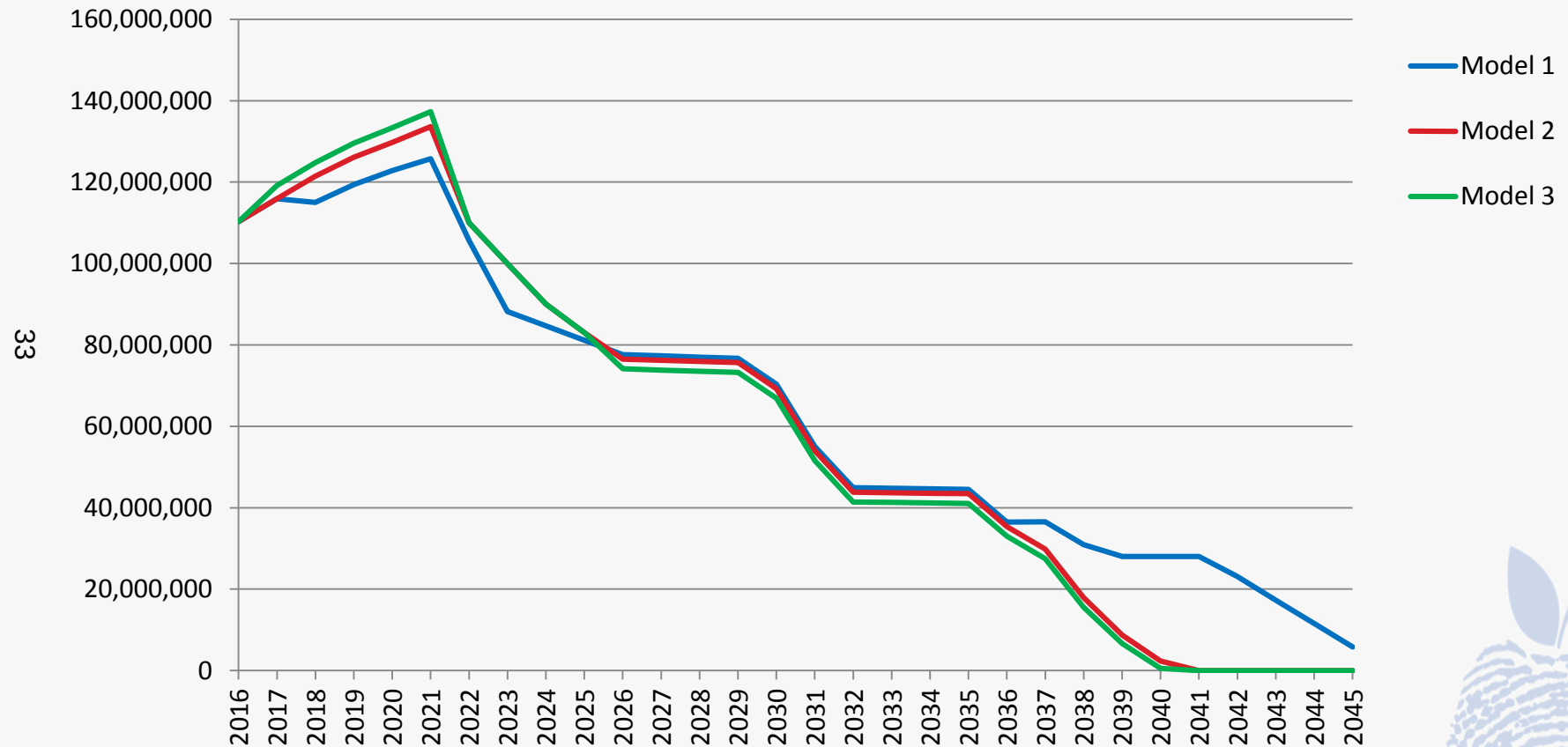
Total Payment Comparison

(New Debt Only)



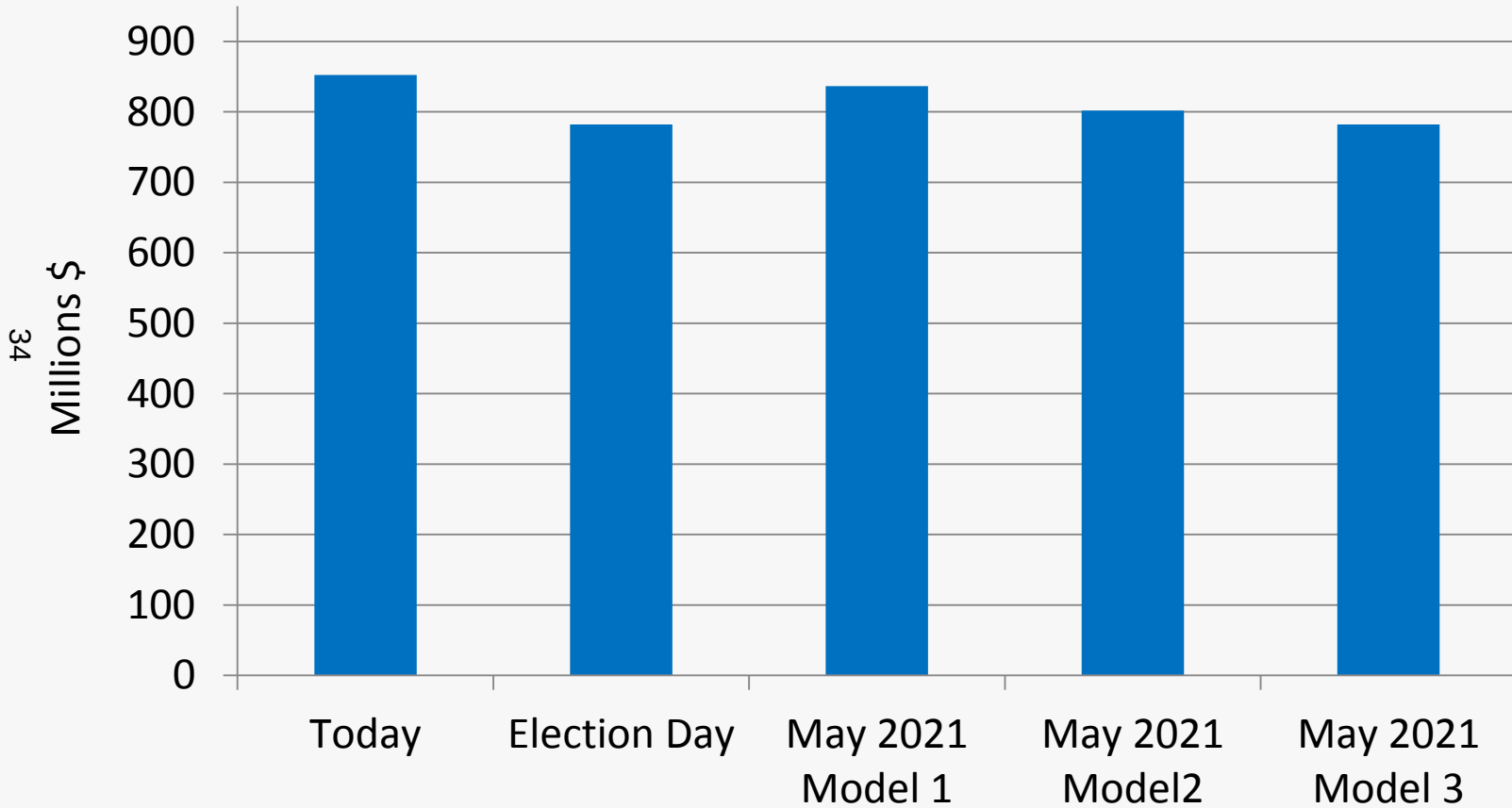
Annual Payment Comparison

(\$ in Millions - Includes New and Existing Debt and Refunding Scenario B)



Outstanding Debt Summary

(Includes New and Existing Debt)



How does this position PISD for 2021?

- Assuming Model 1's 25.29 cent tax rate in 2021 is maintained in 2022-2026, interest rates increase to 6% and no property value growth; capacity for a new five year program would be \$550M.
- Assuming Model 2's 26.9 cent tax rate in 2021 is maintained in 2022-2026, interest rates increase to 6% and no property value growth; capacity for a new five year program would be \$650M.

Summary of Other Potential Financing Considerations

- Reallocate \$7.5M of existing capital projects fund budget.
- Transfer \$29.2M of projected 6/30/16 general fund–fund balance to capital projects fund.
- Fund \$36.7M of listed projects from capital projects fund (new elementary school, turf, land?).
- Fund \$16,020,000 of projects (portable replacements and systems & compliance?) from remaining 2008 bonds.
- Call election for \$472,005,000.
- Proceed with potential refunding using Scenario B.



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