

Citizens' Advisory Committee

Meeting 5

November 29, 2022

Our Mission: Empowering lifelong learners to be engaged citizens who positively impact their local and global community.



Welcome from your Superintendent

Dr. Jamie Wilson
Superintendent
Denton ISD



Agenda

- WELCOME
- PROCESS REVIEW
- FINANCIAL ADVISOR
- TABLE VOTE
- CLOSING



TRANSCEND⁴

Collaboration | Communication | Critical Thinking | Creativity

Dr. Lizzy Johnson

Facilitator

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940.595.0251

Charge to Committee

To help the district plan for the future, the Citizens' Advisory Committee is charged to:

- Assess and prioritize the district's current and long-term facility needs, including, but not limited to:
 - District growth and capacity
 - Building age, safety and condition
 - Land acquisition
 - Evolving educational delivery and programs
 - Energy efficiency and sustainable features
- Develop and prioritize potential projects, including new construction, renovations/additions, technology, and other areas that may arise from community input
- Consider the educational needs of all students and align recommendations with the district's mission, vision and goals
- Represent the entire school district community, values and perceptions, and seek input from other residents
- Consider the district's current financial position and funding methods to develop a recommendation that is fiscally sound
- Make a recommendation to the Board of Trustees that addresses the district's growth and facility needs based on the Committee's identified priorities



Housekeeping

- All relevant materials and information will be distributed to you as handouts.
- Due to time constraints, no breaks have been scheduled. Please take care of your personal needs on your own.
- The Denton ISD Leadership Team is here to serve you and to be a resource. Ask questions.
- Your attendance at every meeting will help yield optimum results for this committee and your community.



Ground Rules

- Only one speaker at a time
- Respect the person who is speaking
- Listen with a desire to contribute & learn
- Engage in the ENTIRE meeting



Q&A Process

- Each table will discuss the information presented and select one question to ask.
- Unanswered questions or concerns will be placed on the 'parking lot' to be answered later via email or website post.



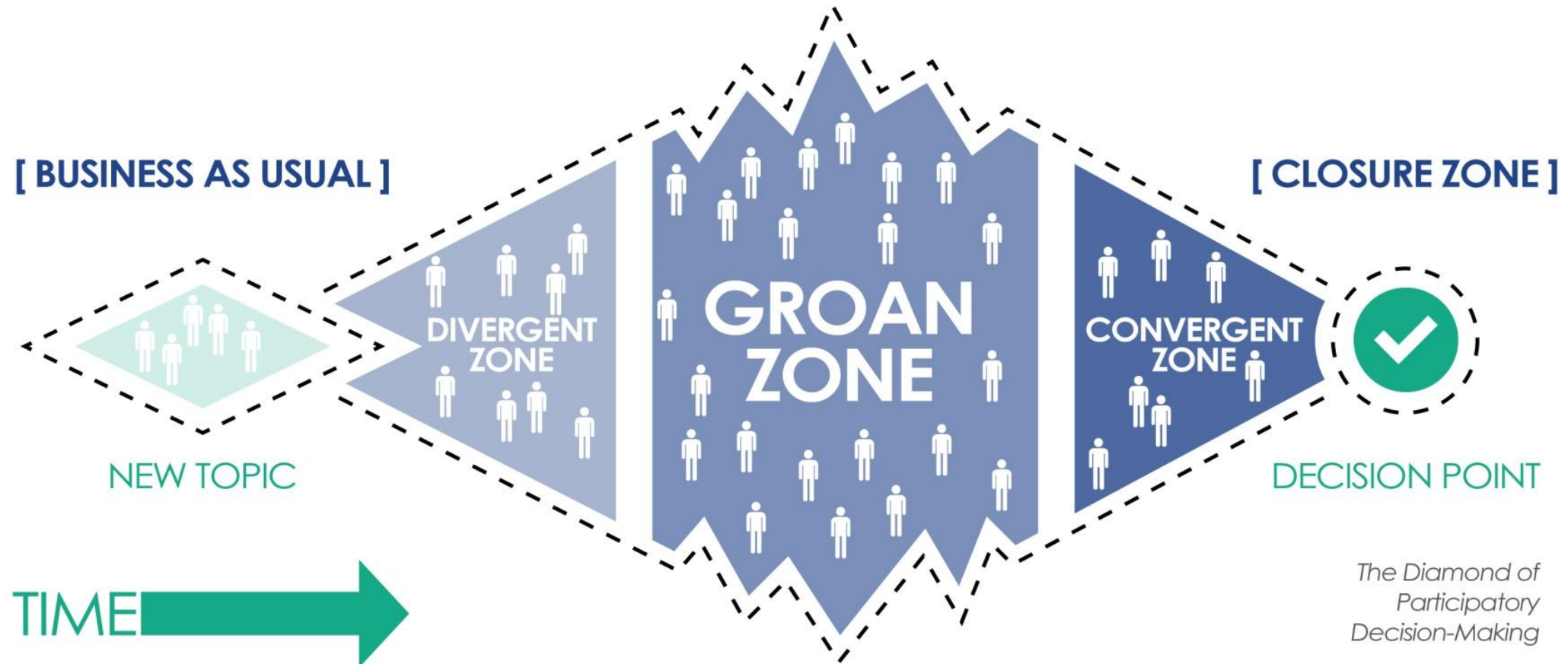
Consensus & Gradients of Agreement Model

ENDORSEMENT "I like it."	ENDORSEMENT WITH A MINOR POINT OF CONTENTION "Basically, I like it."	AGREEMENT WITH RESERVATIONS "I can live with it."	ABSTAIN "I have no opinion."	STAND ASIDE "I don't like this, but I don't want to hold up the group."	FORMAL DISAGREEMENT, BUT WILLING TO GO WITH THE MAJORITY "I want my disagreement noted in writing, but I'll support the decision."	FORMAL DISAGREEMENT, WITH REQUEST TO BE ABSOLVED OF RESPONSIBILITY "I don't want to stop anyone else, but I don't want to be involved in implementing it."	BLOCK "I veto this proposal."
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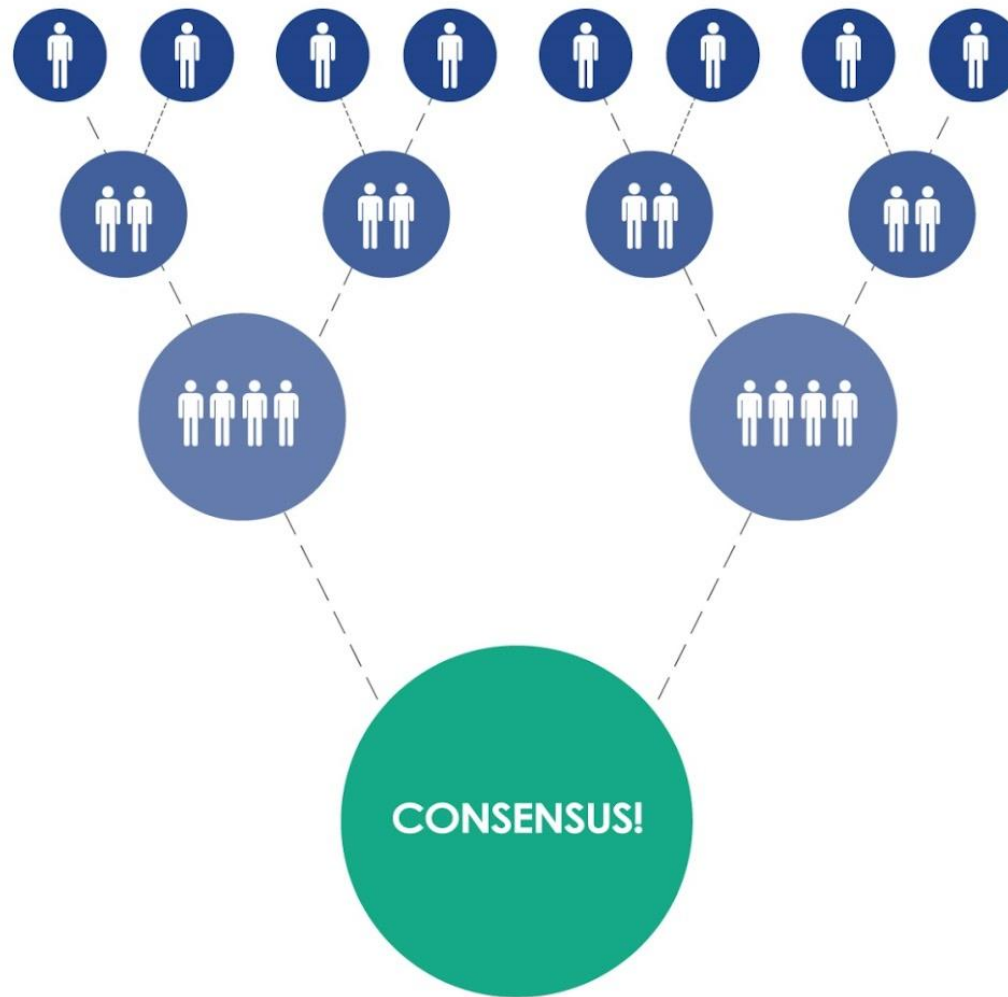
This scale makes it easier for participants to be honest. Using it, members can register less-than-whole hearted support without fearing that their statement will be interpreted as a veto.



Dynamics of Group Decision-Making



Consensus Building Model



Meeting Overview

Meeting #1

Process, timeline, vision, end goal
Charge from Board of Trustees
School Finance 101
Overview of 2018 Bond Projects

Meeting #2

Demographic Report
Facility Needs Assessment
Safety & Security
Technology & Infrastructure

Meeting #3

Athletics
Child Nutrition & Transportation
CTE & Fine Arts
Video Facility Tours

Meeting #4

Land Overview
Project Priority Presentation
Priority Worksheet

Meeting #5

Financial Advisor Presentation
Priority Worksheet and Mock Vote

Meeting #6

Bond Package Development with CoVoice
SWOT Analysis regarding potential bond



CAC Information Link
<https://www.dentonisd.org/cac2022>

Construction/2018 Bond Projects Link
www.dentonisd.org/construction

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Review of Current Debt Position and Preliminary Bond Capacity Analysis

Tuesday, November 29, 2022



Savings from District's Debt Management Practices

- ❑ Denton Independent School District (“DISD” 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 District taxpayers with more than \$311.2 million of direct savings since year 2005!

- ❖ \$188,961,491 – Bond Refundings

- ❖ \$ 76,200,600 – Prepayment of Bonds

- ❖ \$ 35,884,718 – Lower Interest Rates from Prudent Use of Variable Rate Put Bonds

- ❖ \$ 10,210,166 – Use of Synthetic Debt Structures

\$311,256,975 – Total Savings to Taxpayers



Savings from District's Debt Management Practices

- **Bond Refundings:** The District has implemented 13 refunding programs since year 2005, generating more than \$188.9 million of savings.

Summary of Interest Cost Savings – Bond Refunding Programs			
Issue	Series Refunded	Principal Amount Refunded	Total Savings
Unlimited Tax Refunding Bonds, Series 2005-C [March 2005]	1998, 1999, 2001	\$ 50,855,000	\$ 3,251,044
Unlimited Tax Refunding Bonds, Series 2006 [July 2006]	2002	48,329,192	12,125,000
Unlimited Tax Refunding Bonds, Series 2011 [June 2011]	1998, 1999, 2001, 2004	24,940,000	1,838,589
Unlimited Tax Refunding Bonds, Series 2012-B [May 2012]	2002, 2004, 2005-C	64,614,784	13,196,404
Unlimited Tax Refunding Bonds, Taxable Series 2012-C [November 2012]	2004, 2005-C	25,030,000	2,551,494
Unlimited Tax Refunding Bonds, Series 2012-D [November 2012]	2004	40,155,000	8,937,721
Unlimited Tax Refunding Bonds, Series 2014-C [December 2014]	2006-A	15,010,000	1,252,934
Unlimited Tax Refunding Bonds, Series 2015 [April 2015]	2007, 2008	125,110,000	17,203,964
Unlimited Tax Refunding Bonds, Series 2016 [May 2016]	2006, 2007, 2008, 2009	118,749,192	51,970,247
Unlimited Tax Refunding Bonds, Taxable Series 2020-A [December 2020]	2012-B, 2012-D, 2014-A, 2015-A	269,445,000	67,124,217
Unlimited Tax Refunding Bonds, Taxable Series 2021 [December 2021]	2014-A, 2015, 2015-A	89,785,000	8,401,015
Unlimited Tax Refunding Bonds, Series 2022-A [February 2022]	2005-A	35,180,000	28,987
Unlimited Tax Refunding Bonds, Series 2022-B & Taxable 2022-C [February 2022]	2006-B	30,000,000	1,079,875
Total - Bond Refunding Programs at a Lower Interest Rate	—	\$ 937,203,168	\$ 188,961,491



Savings from District's Debt Management Practices

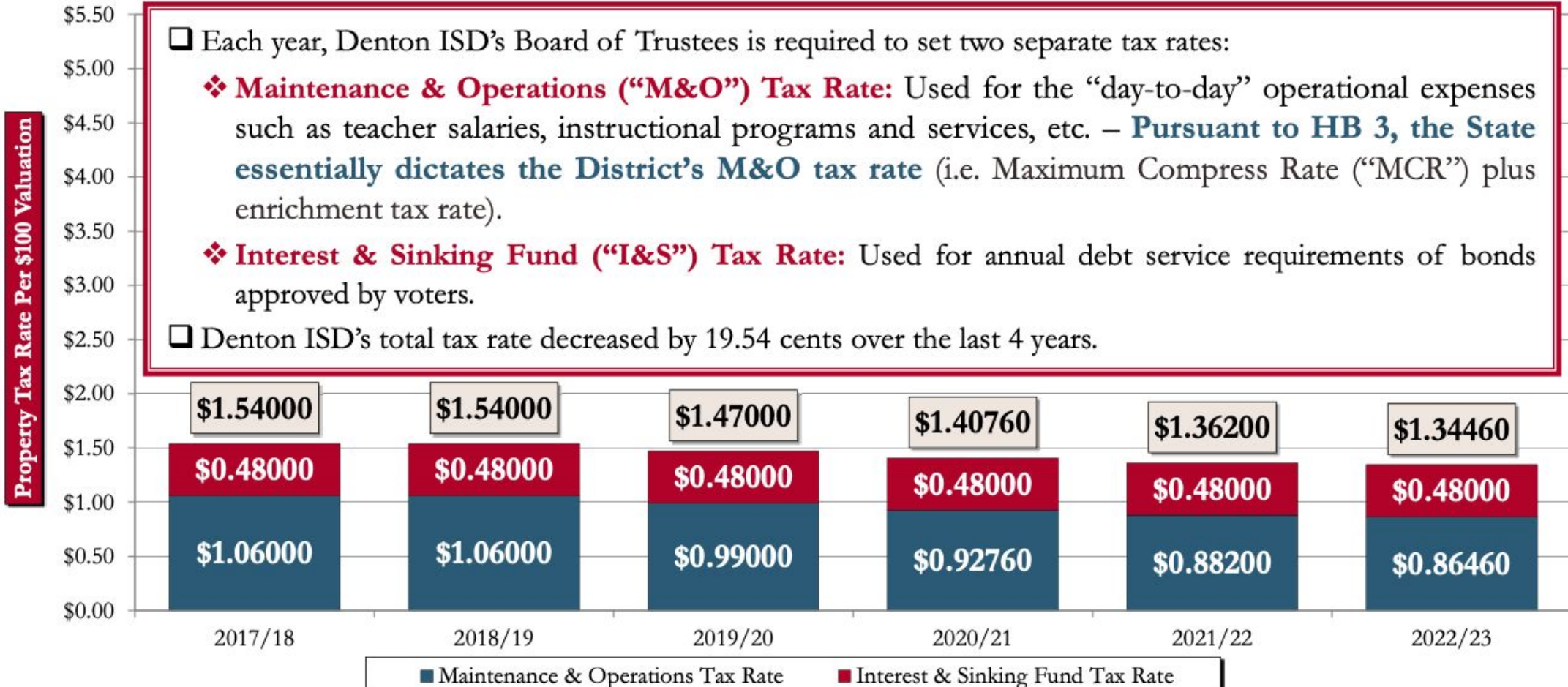
- **Prepayment of Bonds:** The District has prepaid \$98.335 million of existing bonds, generating more than \$76.2 million of savings.

Summary of Interest Cost Savings – Prepayment of Bonds			
Description	Series Redeemed	Principal Amount Redeemed	Total Savings
Prepayment of Series 1995 Bonds [November 2005]	1995	\$ 1,315,000	\$ 362,625
Prepayment of Series 2000 Bonds [February 2009]	2000	625,000	609,375
Prepayment of Series 2012-A Bonds [August 2015]	2012-A	5,120,000	5,529,600
Prepayment of Series 2013 Bonds [August 2016]	2013	7,000,000	7,507,600
Prepayment of Series 2012-A Bonds [February 2017]	2012-A	8,800,000	7,937,000
Prepayment of Series 2012-A Bonds [February 2018]	2012-A	17,700,000	13,962,000
Prepayment of Series 2012-A Bonds [August 2018]	2012-A	7,860,000	5,216,800
Prepayment of Series 2013 Bonds [February 2020]	2013	9,720,000	8,213,600
Prepayment of Series 2014-B Bonds [February 2022]	2014-B	9,190,000	7,352,000
Prepayment of Series 2013 and 2014-B Bonds [February 2023]	2013, 2014-B	31,005,000	19,510,000
Total - Prepayment of Bonds Prior to Scheduled Maturity	---	\$ 98,335,000	\$ 76,200,600



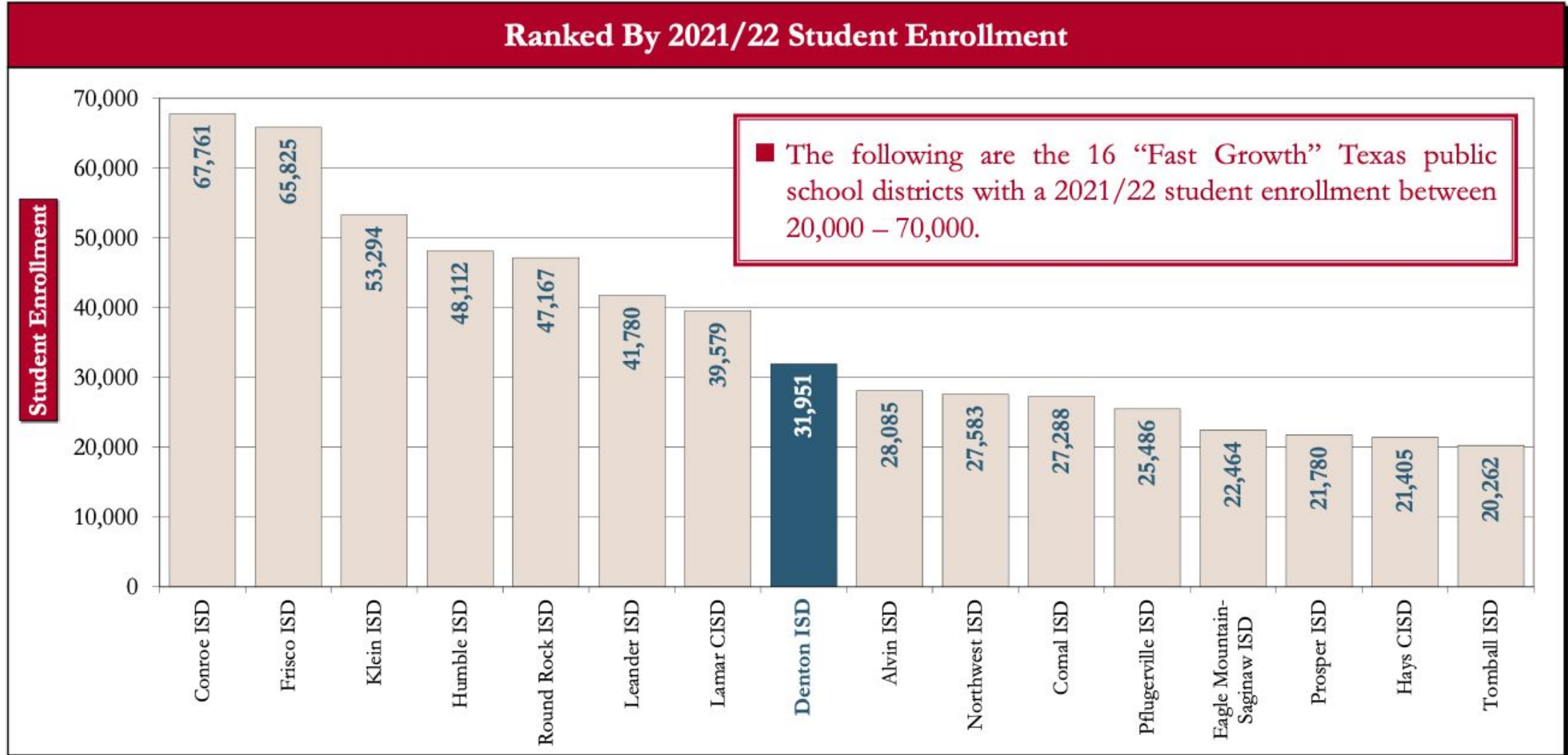
Historical Tax Rates

District's Historical Tax Rates





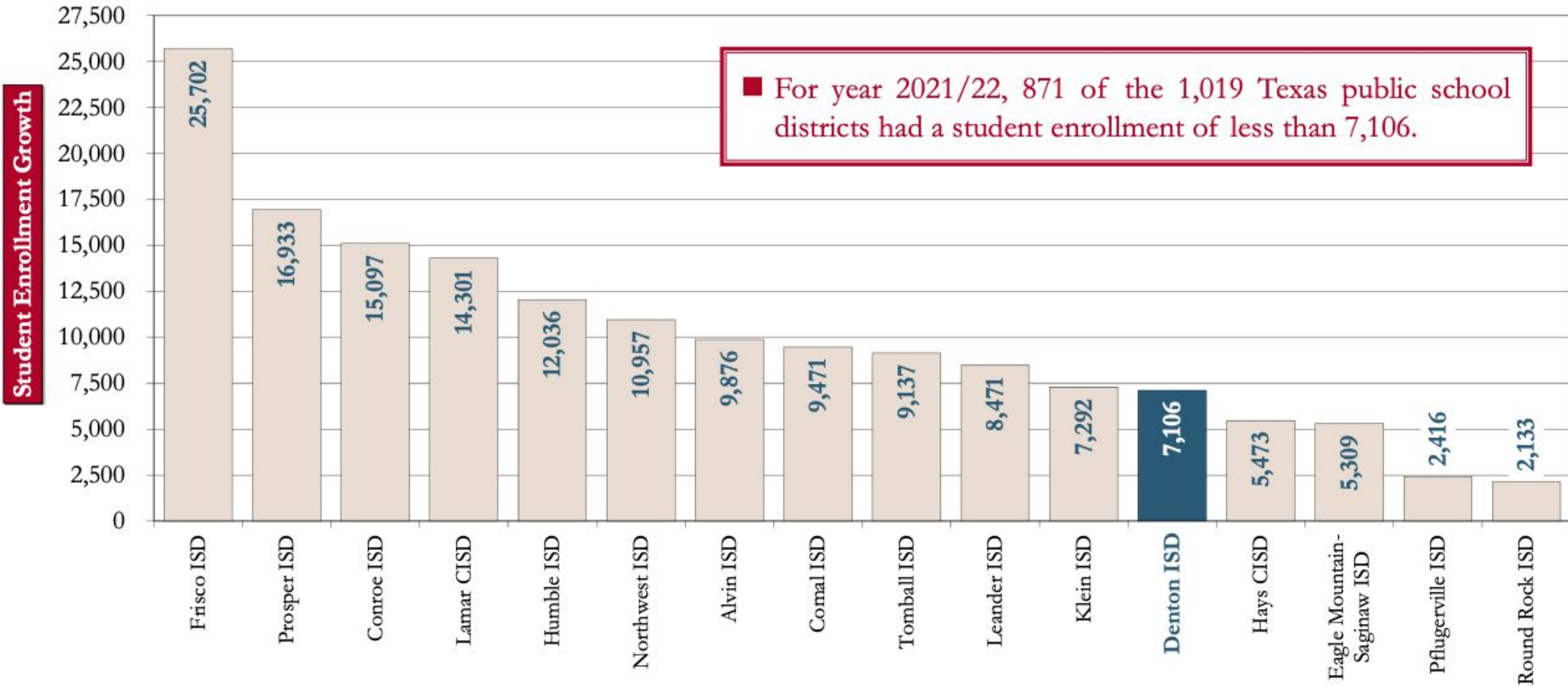
Comparison of “Fast Growth” Texas Public School Districts With Enrollment Between 20,000 – 70,000 Students





Comparison of “Fast Growth” Texas Public School Districts With Enrollment Between 20,000 – 70,000 Students

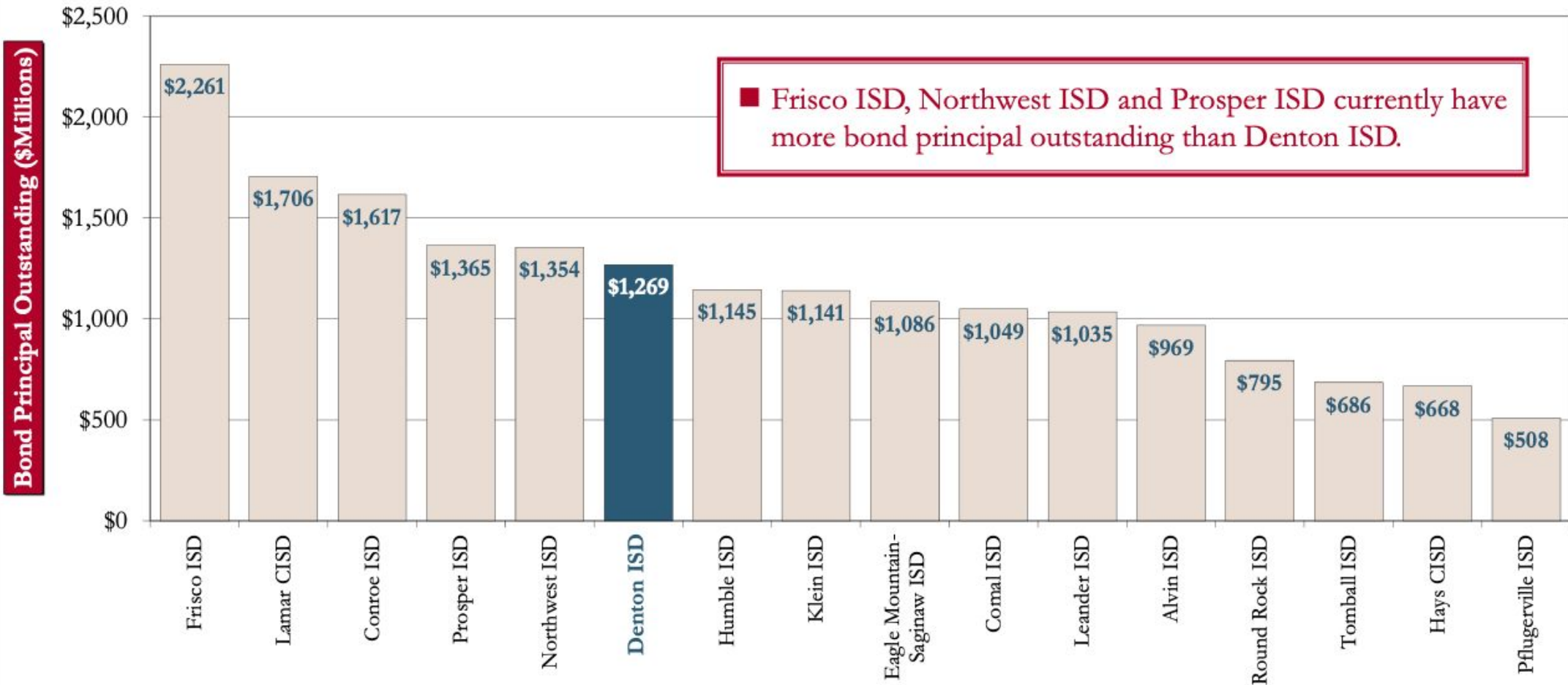
Ranked By Student Enrollment Growth – Last 10 Years





Comparison of “Fast Growth” Texas Public School Districts With Enrollment Between 20,000 – 70,000 Students

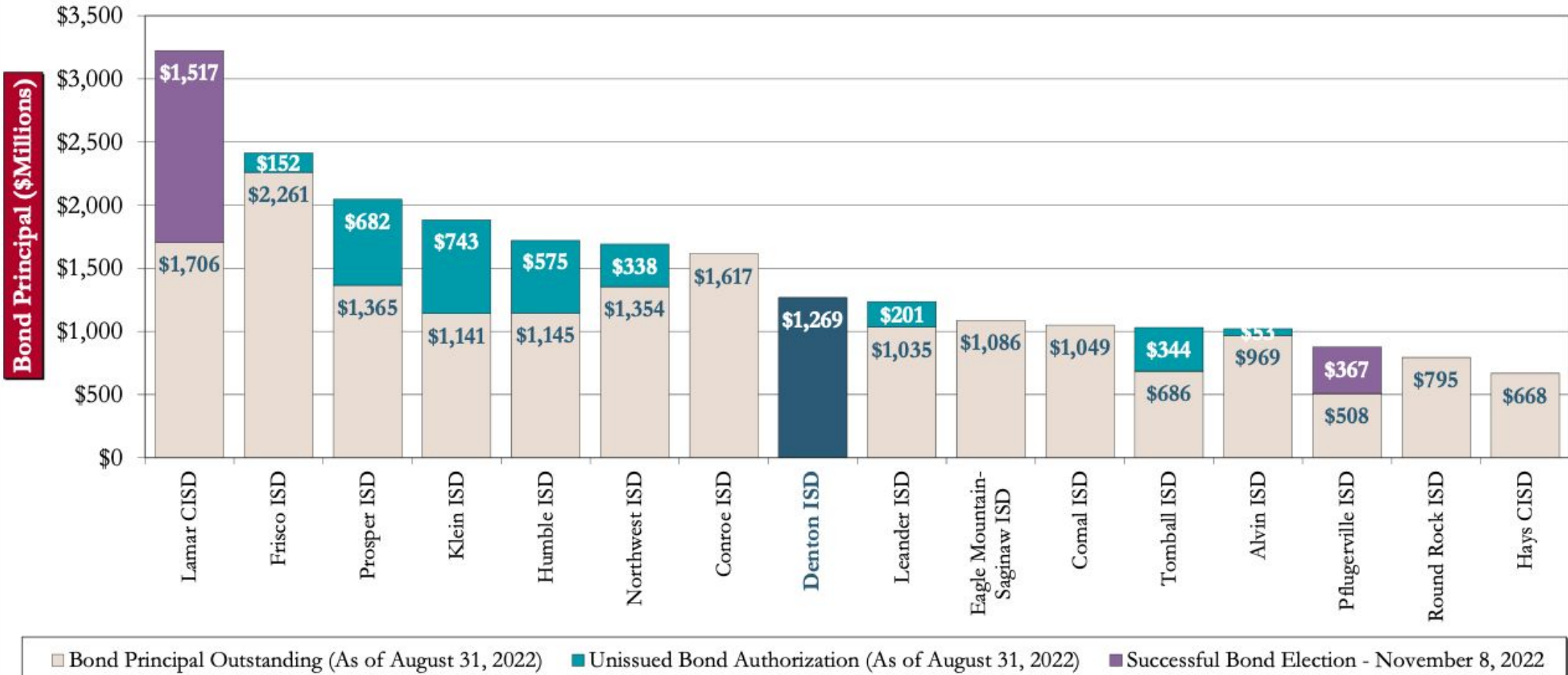
Ranked By Bond Principal Outstanding





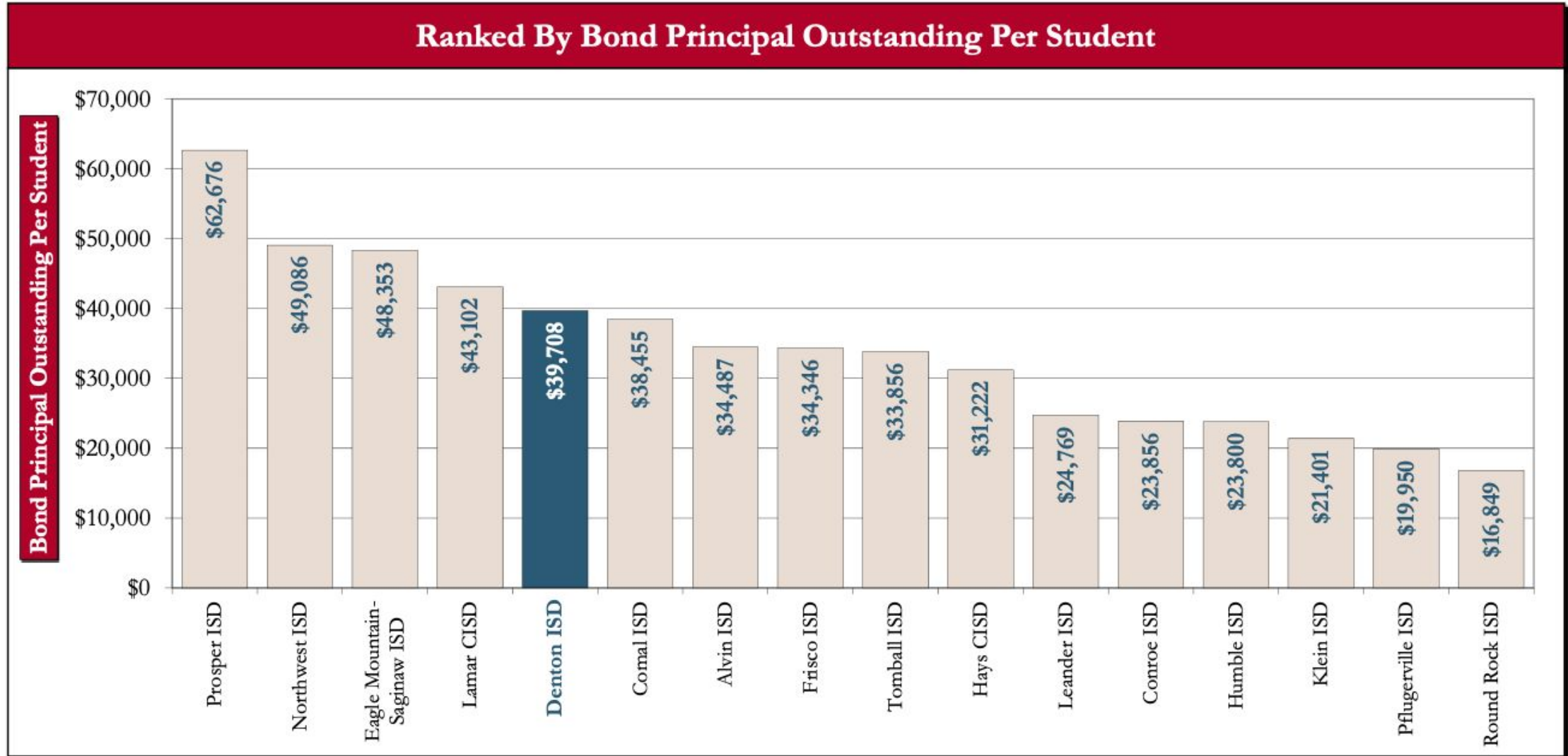
Comparison of “Fast Growth” Texas Public School Districts With Enrollment Between 20,000 – 70,000 Students

Ranked By Bond Principal Plus Unissued Bond Authorization and Proposed Bond Election



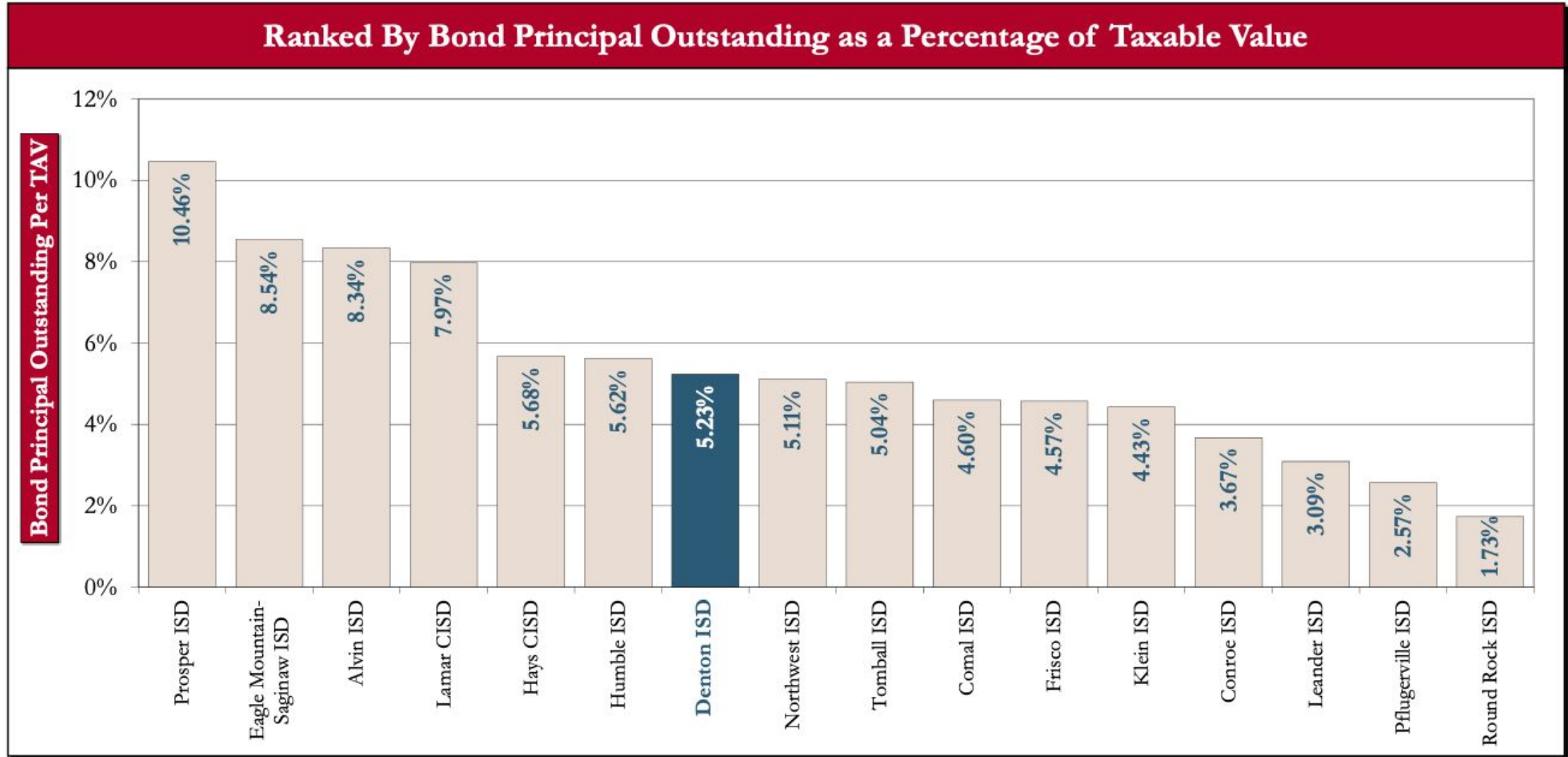


Comparison of “Fast Growth” Texas Public School Districts With Enrollment Between 20,000 – 70,000 Students





Comparison of “Fast Growth” Texas Public School Districts With Enrollment Between 20,000 – 70,000 Students



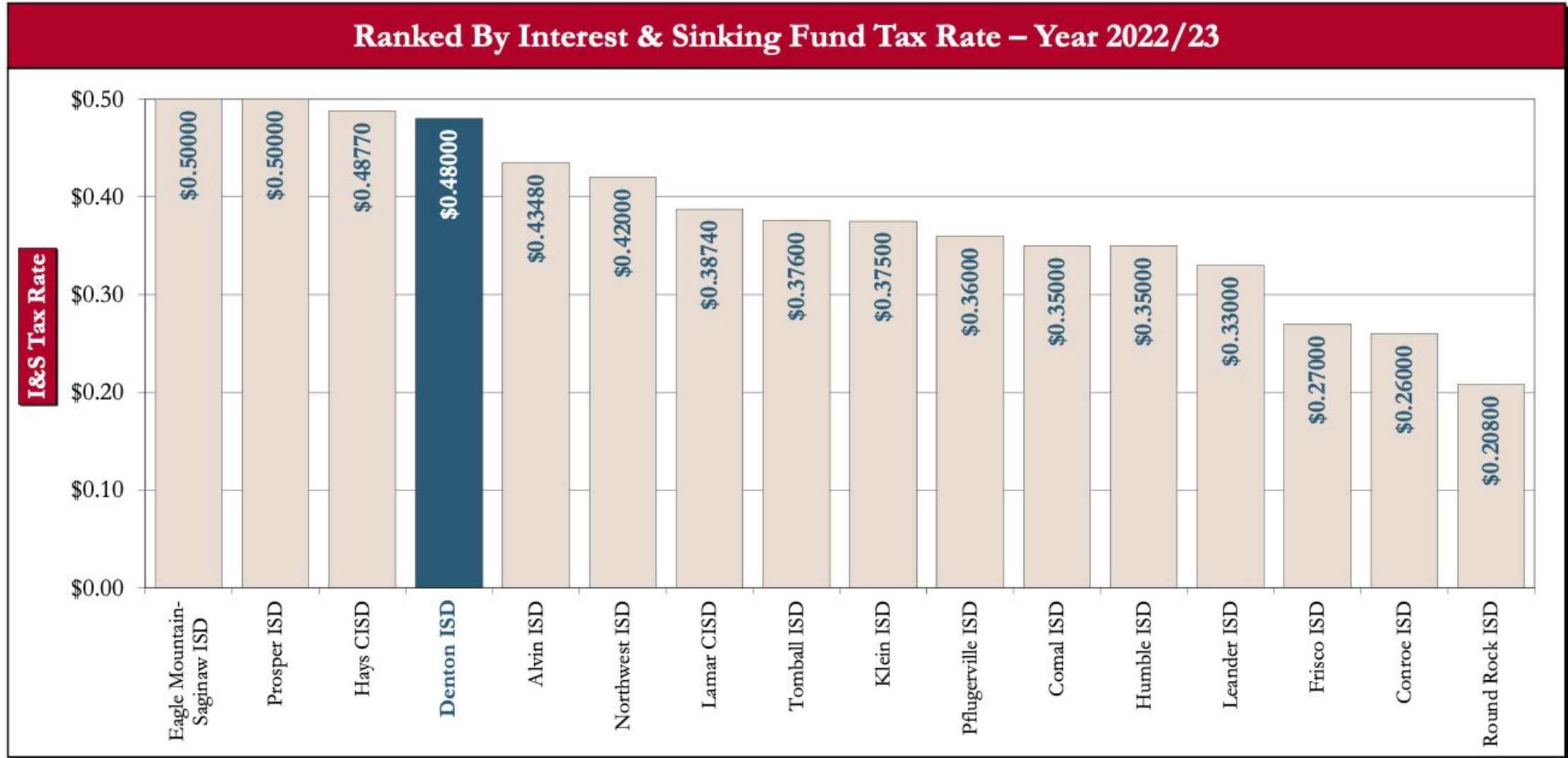


Comparison of “Fast Growth” Texas Public School Districts With Enrollment Between 20,000 – 70,000 Students





Comparison of “Fast Growth” Texas Public School Districts With Enrollment Between 20,000 – 70,000 Students





Review of the 2018 Bond Program

- ☐ Voters of Denton ISD approved the issuance of \$750,500,000 of bonds on May 5, 2018 (the “2018 Bond Program”).

District’s Successful 2018 Bond Election Results				
Election Date	Election Amount	Votes For	Votes Against	Approval Rate
May 5, 2018	\$ 750,500,000	7,980	2,744	74.41%

- ☐ The District sold the 2018 Bond Program in two (2) bond sales, as summarized below.

Summary of Bond Sales Completed – 2018 Bond Program					
Series Description	Sale Date	Dollar Amount	Interest Rate Type	All-In True Interest Rate	Final Maturity
Unlimited Tax School Building Bonds, Series 2018	August 14, 2018	\$ 442,430,000	Fixed	3.944%	2048
Unlimited Tax School Building Bonds, Series 2020	August 19, 2020	308,070,000	Fixed	1.935%	2048

- ☐ At the time of the bond election, DISD’s I&S tax rate was 48.0 cents and voters were informed the 2018 Bond Program would not impact the District’s I&S tax rate.



Bond Capacity Considerations

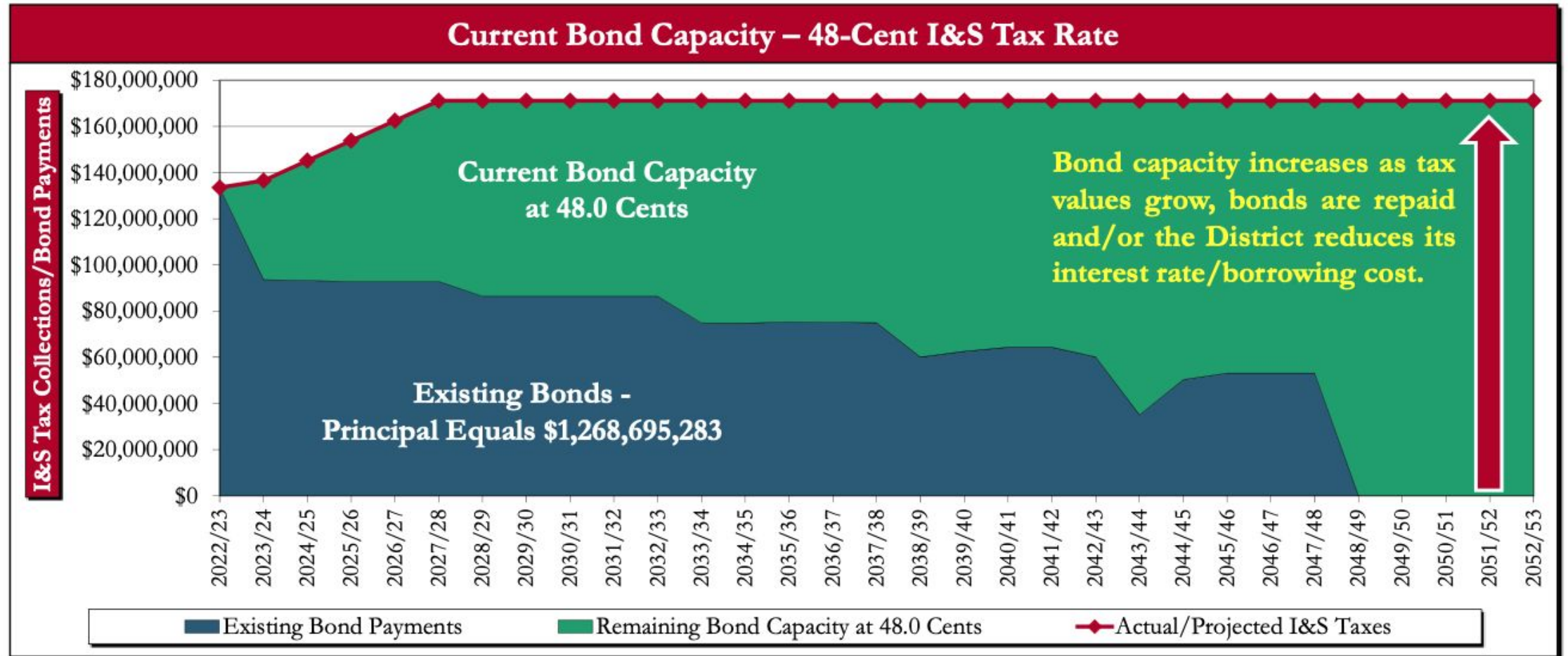
- ❑ Pursuant to State law, Denton ISD may only issue new bonds to the degree it can demonstrate its I&S tax rate will not exceed 50.0 cents (the so-called State mandated “50-Cent Debt Test”).
- ❑ That said, there is not a limit on the amount of bonds that may be authorized in a bond election.
- ❑ In order to gain flexibility regarding the timing of future bond sales, including taking advantage of optimal market conditions (both interest rates and construction costs), without having to conduct multiple elections, several Texas public school districts have begun to propose long-term growth initiatives (also known as “Growth Bonds”) to their communities.
- ❑ Below are certain examples of recent Growth Bond elections by Texas public school districts:

School District	Election Date	Election Amount	2021/22 Enrollment
Prosper ISD	May 4, 2019	\$ 1,337,000,000	21,780
Forney ISD	May 7, 2022	1,294,000,000	14,349
Anna ISD	November 8, 2022	873,735,000	4,447
Community ISD	May 7, 2022	650,000,000	3,349
Celina ISD	May 4, 2019	600,000,000	3,359
Crandall ISD	May 7, 2022	400,000,000	5,451
Melissa ISD	May 1, 2021	400,000,000	4,874
Aubrey ISD	May 7, 2022	385,900,000	3,112
Van Alstyne ISD	May 1, 2021	325,000,000	2,048



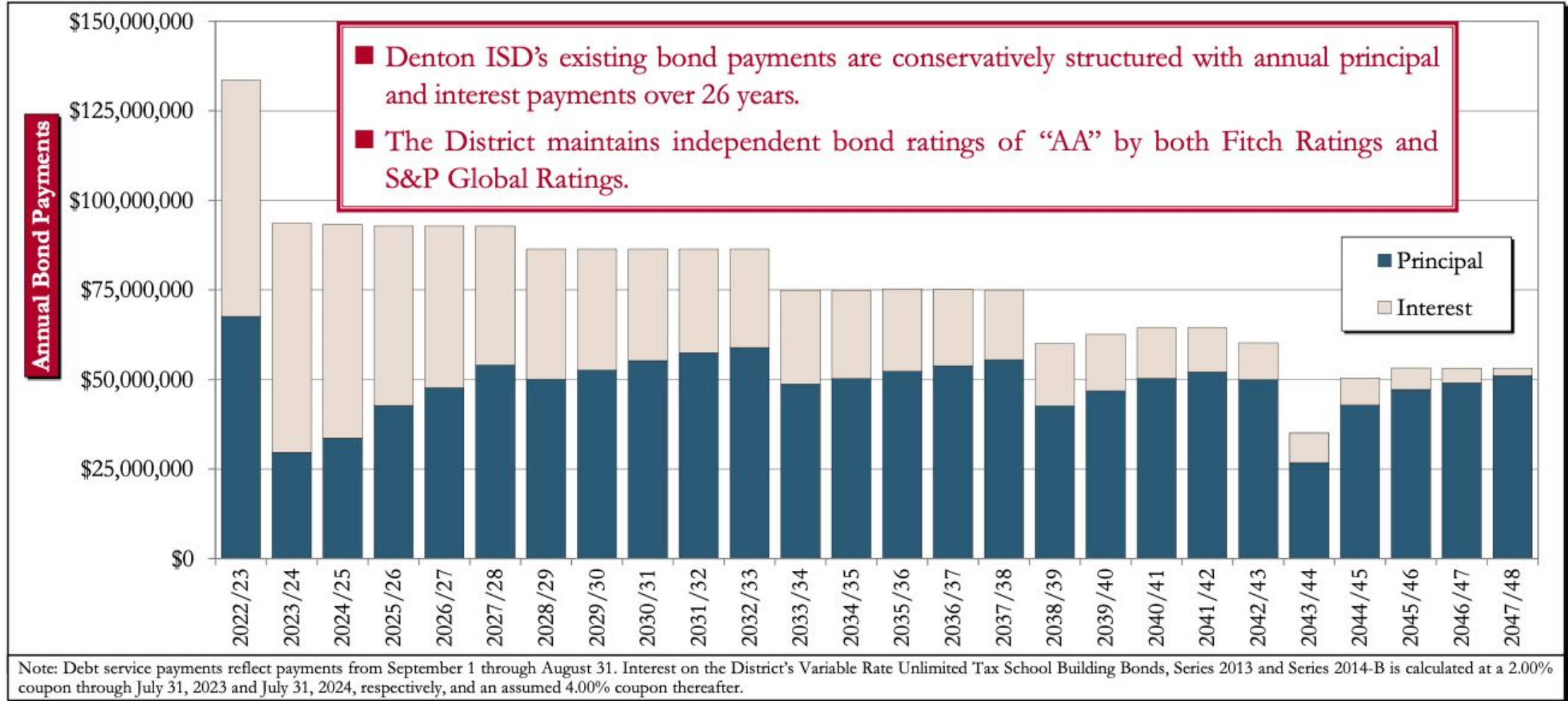
What is Bond Capacity?

- ❑ Bond capacity refers to Denton ISD's capacity to issue new bonds in light of the limitations imposed by the State mandated "50-Cent Debt Test" and the District's I&S tax rate.





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

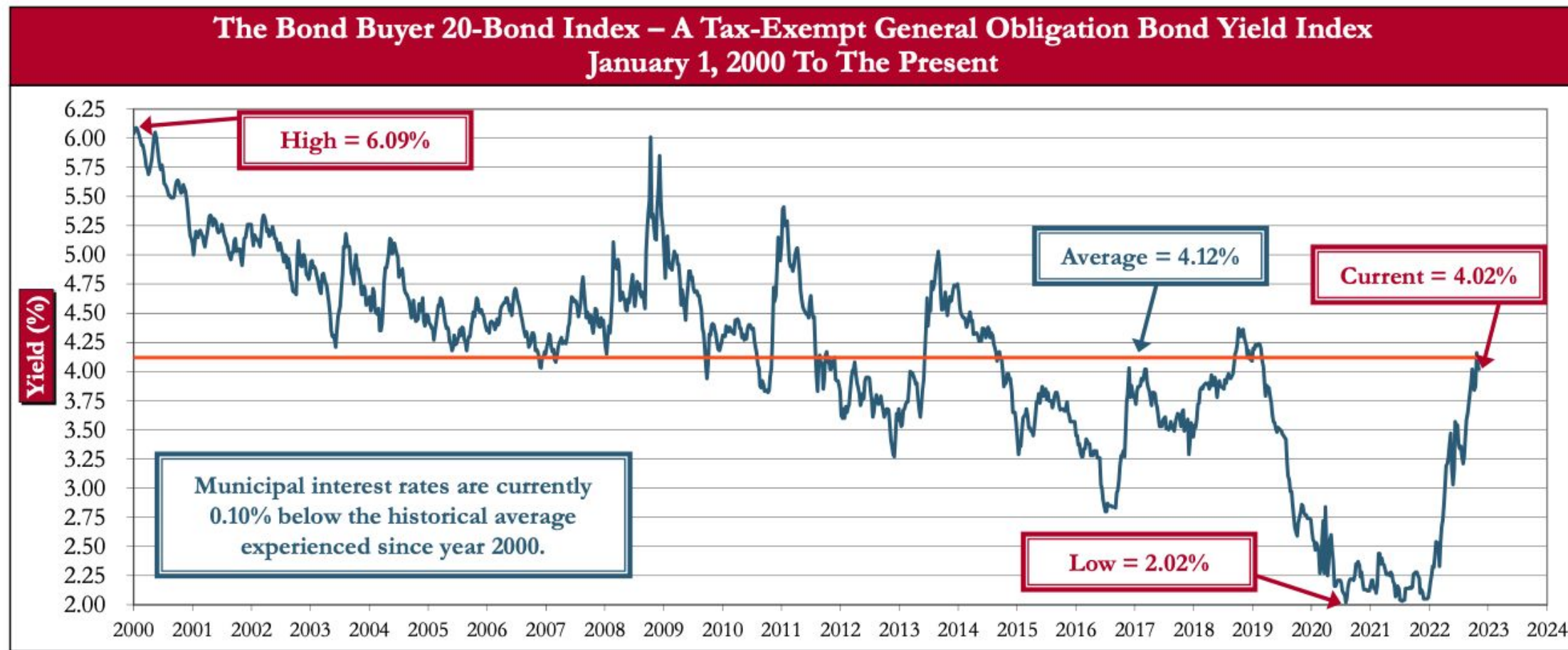


Denton ISD has a total principal amount of existing unlimited tax bonds equal to \$1,268,695,283 as of November 15, 2022.



Bond Capacity Factors: Current Market, Fixed Rates of Interest

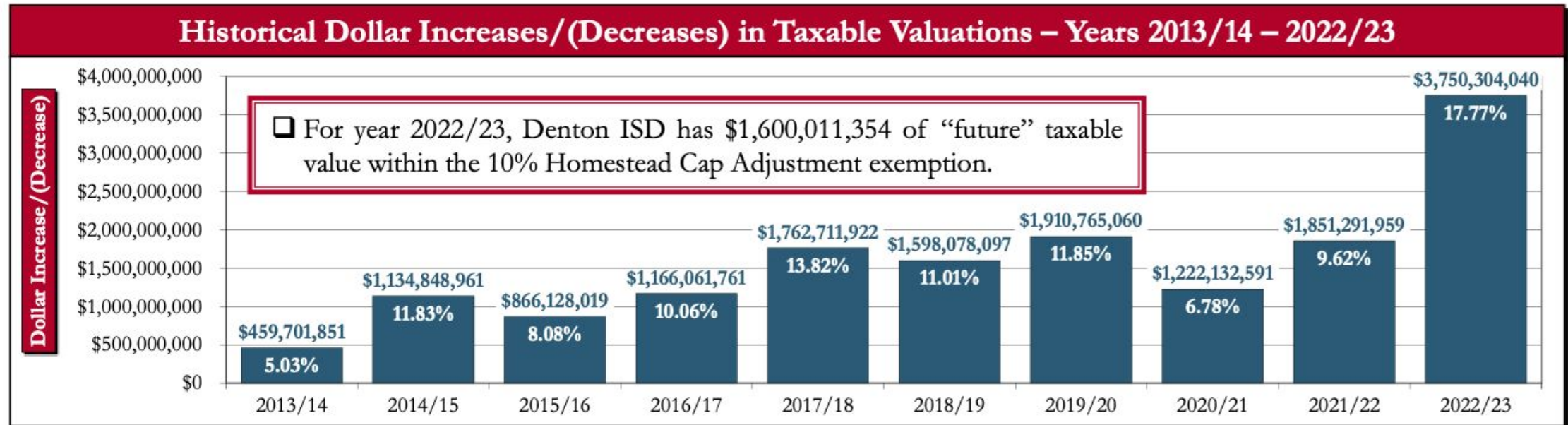
- ❑ As demonstrated by the Bond Buyer 20-Bond Index below, municipal fixed rates of interest are currently below their historical average, but higher due to inflationary concerns. Generally speaking, the lower the interest rate, the more borrowing capacity available to the District.





Bond Capacity Factors: District's Historical Taxable Assessed Valuation

- ❑ The value of Denton ISD's tax base is the primary factor impacting DISD's bond capacity, as this determines the annual revenues generated from the District's I&S tax rate.
- ❑ Denton ISD's taxable assessed valuation (net of frozen values) is \$24,853,496,991 for fiscal year 2022/23.
- ❑ The following summarizes certain taxable value growth statistics over the last decade:
 - Maximum tax base increase occurred in Year 2022/23: \$3,750,304,040 or 17.77%;
 - Average tax base increase last 10 years: \$1,572,202,426 or 10.53%; and
 - Average tax base increase last 5 years: \$2,066,514,349 or 11.35%.



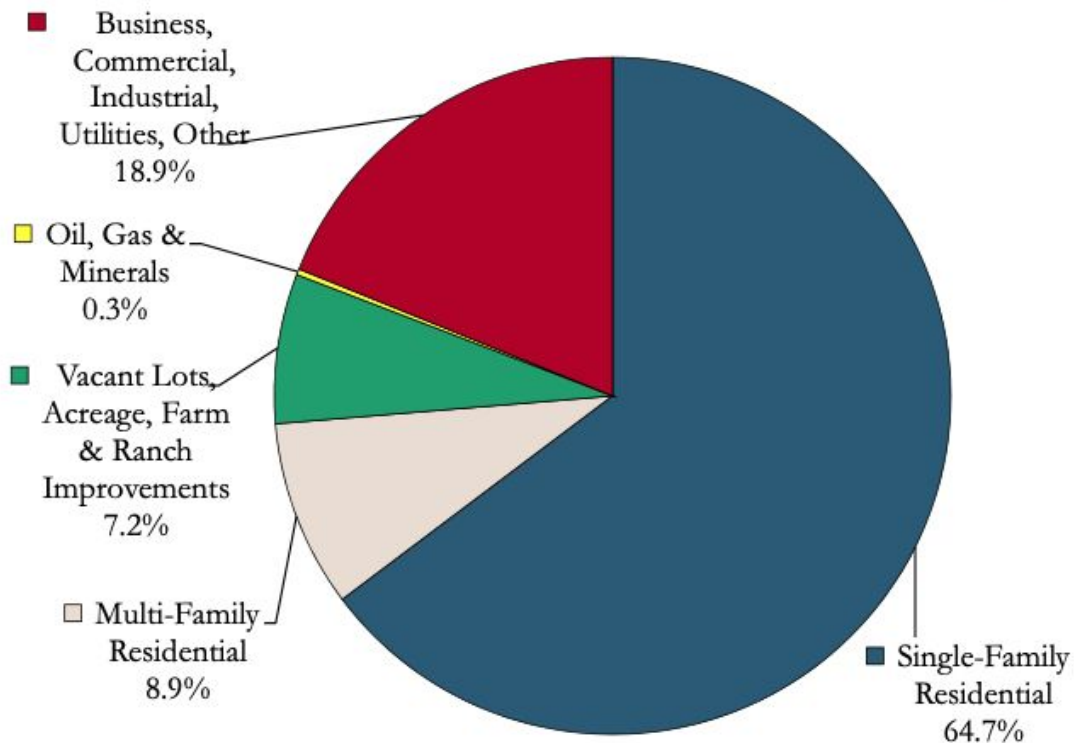


Composition of the District's Tax Base and New Construction Tax Values

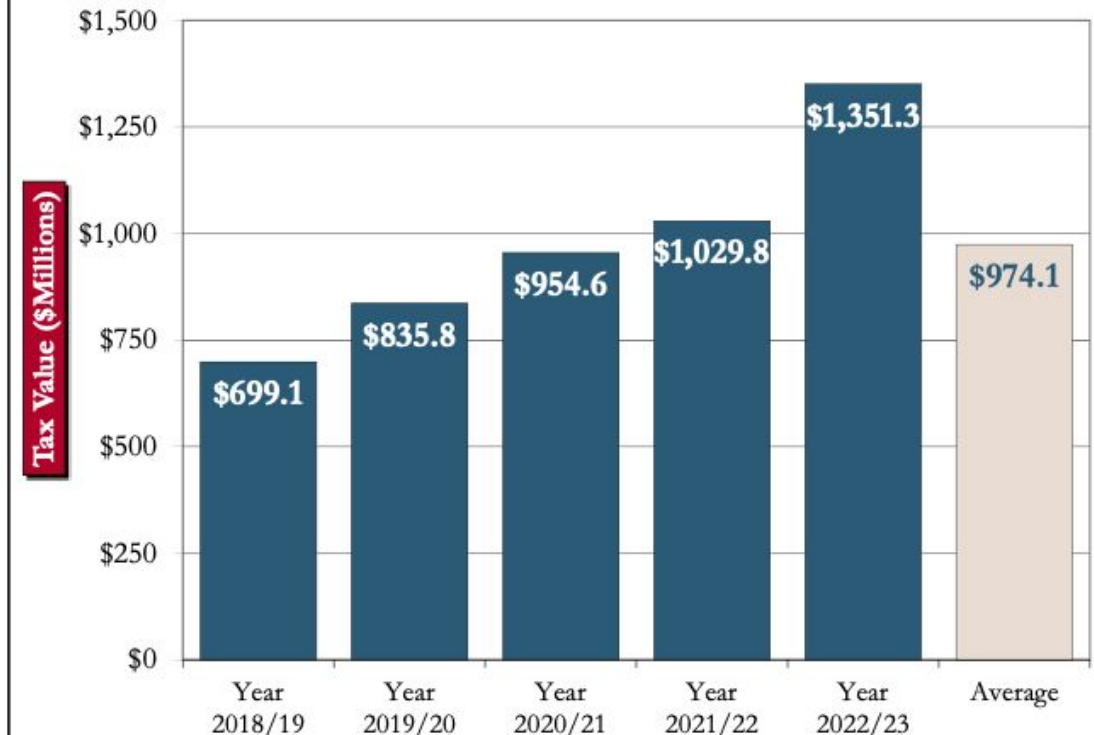
- ❑ For year 2022/23, Single-Family Residential properties comprise 64.7% of DISD's total assessed valuation, while Business, Commercial, Industrial and Utility properties comprise 18.9%.

- ❑ On average, Denton ISD's tax base has annually increased by \$974.1 million over the last 5 years as a result of "new construction" within the District.

Composition of Total Assessed Valuation – Year 2022/23



New Construction Tax Values – Last 5 Years





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 Denton ISD will correspondingly change.

□ Scenarios Presented

- Determine Denton ISD's projected bond capacity for a May 2023 bond election at a maximum I&S tax rate of **48.0 cents** (i.e. no tax rate increase) and **48.5 cents** (i.e. 0.5-cent tax rate increase) assuming:
 - ❖ **Estimated TAV Growth:** Taxable values increase by \$1,819,358,388 (i.e. midpoint between the 5-year average tax base increase of \$2,066,514,349 and the 10-year average tax base increase of \$1,572,202,426) in each of the next 5 years (i.e. years 2023/24 – 2027/28) and remain constant thereafter.
 - ❖ **Alternative TAV Growth:** Taxable values increase by \$2,500,000,000 in each of the next 5 years and remain constant thereafter.



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
Fiscal Year	Estimated TAV Growth			Alternative TAV Growth		
	Taxable Value	Dollar Growth	Percentage Growth	Taxable Value	Dollar Growth	Percentage Growth
2022/23	\$ 24,853,496,991	---	---%	\$ 24,853,496,991	---	---%
2023/24	26,672,855,379	1,819,358,388	7.32%	27,353,496,991	2,500,000,000	10.06%
2024/25	28,492,213,767	1,819,358,388	6.82%	29,853,496,991	2,500,000,000	9.14%
2025/26	30,311,572,155	1,819,358,388	6.39%	32,353,496,991	2,500,000,000	8.37%
2026/27	32,130,930,543	1,819,358,388	6.00%	34,853,496,991	2,500,000,000	7.73%
2027/28	33,950,288,931	1,819,358,388	5.66%	37,353,496,991	2,500,000,000	7.17%
Totals	---	\$ 9,096,791,940	36.60%	---	\$12,500,000,000	50.29%
Average	---	\$ 1,819,358,388	6.44%	---	\$ 2,500,000,000	8.49%

- ❑ While Denton 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

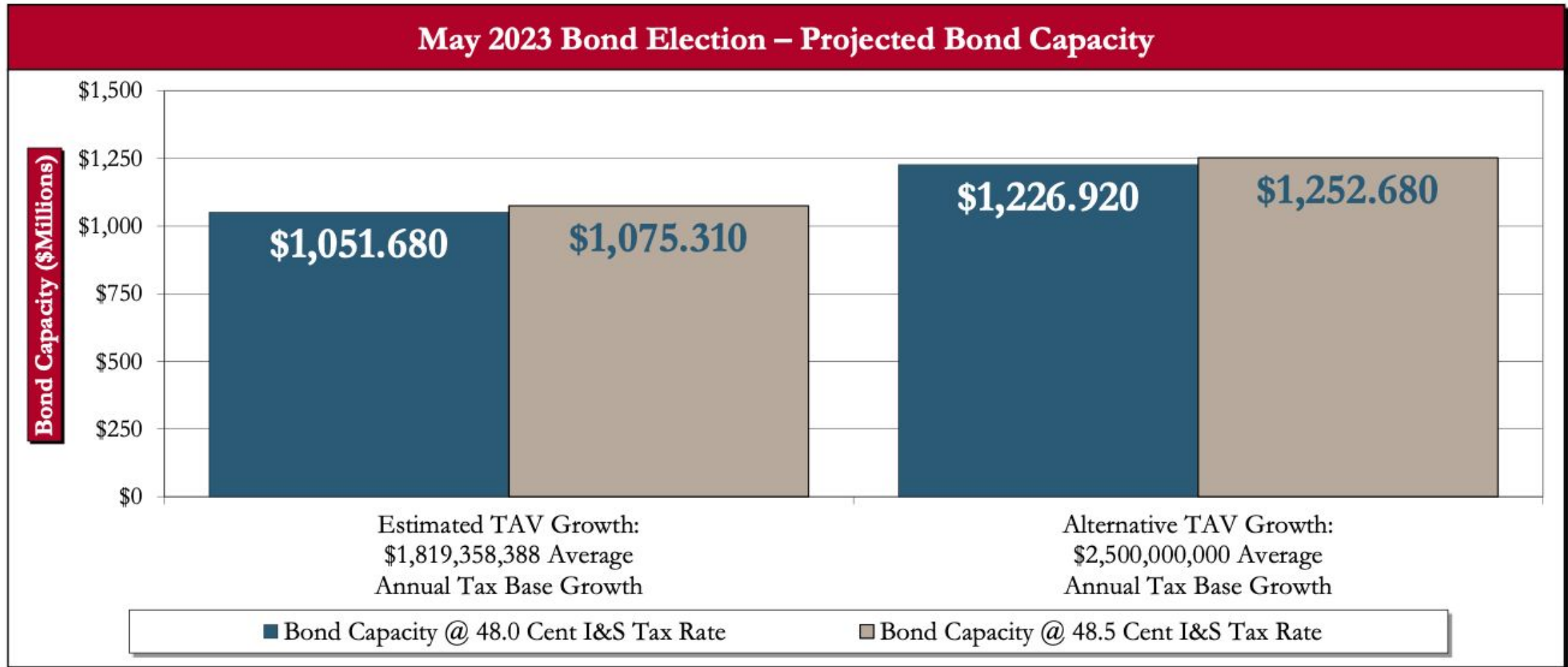
- The new bond program is sold in August 2023 at an interest rate of 5.50% (current market rates of interest are approximately 4.75%).
- The new bond program will initially be structured with annual principal payments over the next 30 years (i.e. final maturity of August 15, 2053) to maximize DISD's 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).
- Denton ISD 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 Denton ISD's projected bond capacity for a May 2023 bond election based upon the scenarios and assumptions presented herein.





Notable Changes in Bond Election Laws

☐ House Bill 3 – “Tax” Language on the Ballot

- Requires ballot propositions for school district bond elections to now include the statement: **“THIS IS A PROPERTY TAX INCREASE.”**

☐ Senate Bill 30 – Separate Propositions for Certain Items

- Historically, school districts have been able to use a single ballot proposition for the construction, acquisition and equipment of school buildings, including the purchase of land for school building sites, and the purchase of new school buses.
- Now, should a district conduct an election for any of the purposes described below, each must be stated in a separate proposition:
 - 1) Stadium with seating capacity for more than 1,000 spectators;
 - 2) Natatorium;
 - 3) Another recreational facility other than a gymnasium, playground or play area;
 - 4) Performing arts facility;
 - 5) Teacher housing; and
 - 6) Technology equipment, other than equipment used for school security purposes or technology infrastructure integral to the construction of a facility.



Historical Texas School District Bond Elections Since Year 2015

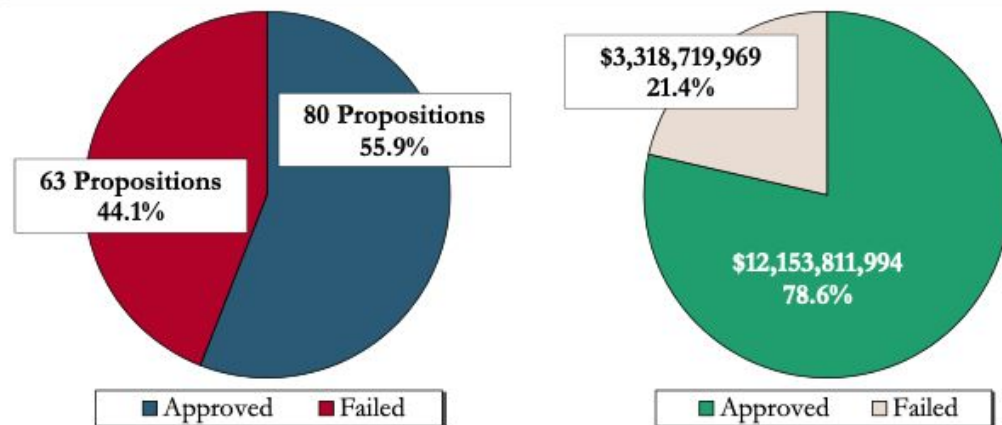


Year	No. of Elections	Dollar Amount Of Elections	No. of Propositions	Dollar Amount Approved		Propositions Approved	
				Dollar Amount	Percentage	Number	Percentage
2015	126	\$10,968,064,264	139	\$9,644,168,689	87.9%	114	82.0%
2016	110	7,617,304,038	127	6,985,124,038	91.7%	96	75.6%
2017	128	14,058,707,791	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%

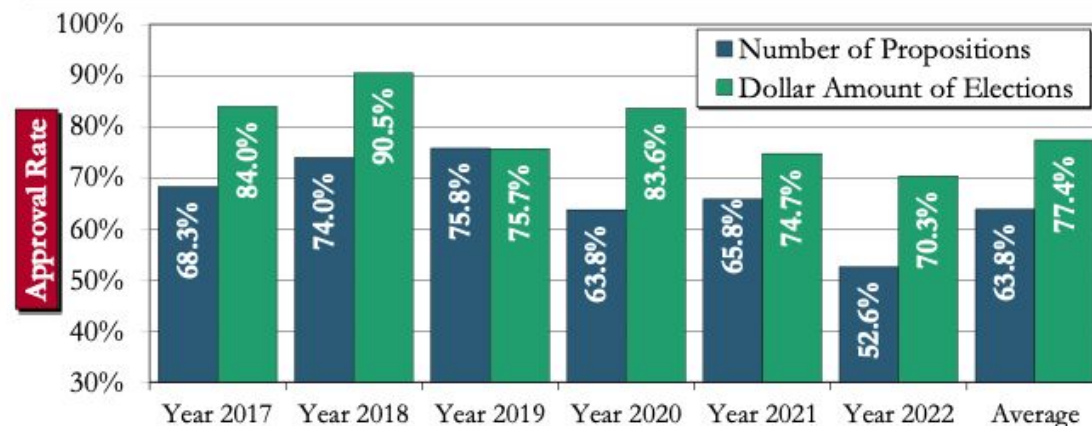


Texas Public School Districts – Bond Election Results for November 8, 2022

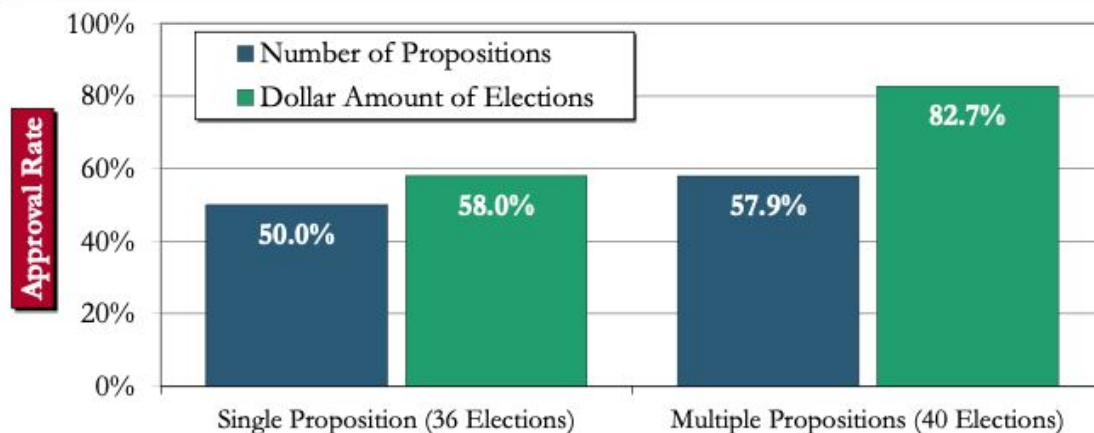
November 8, 2022 Texas ISD Bond Elections – By Number of Propositions and Dollar Amount



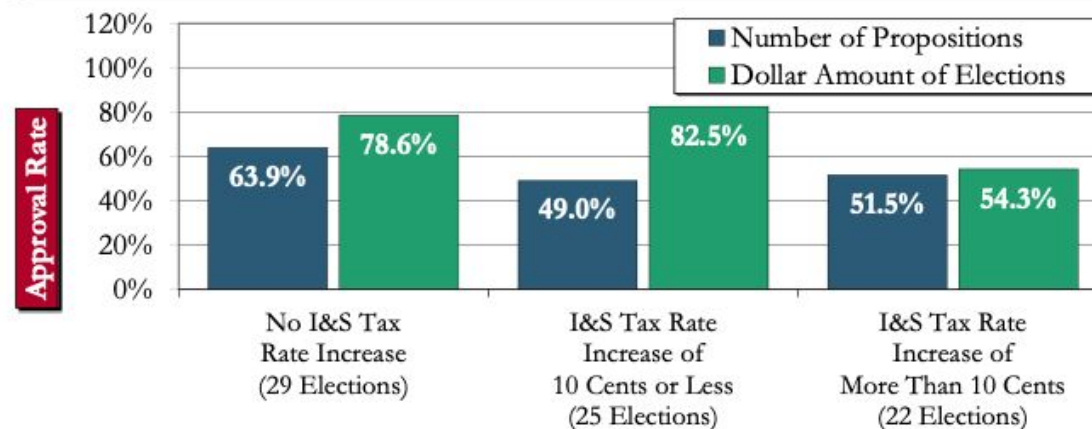
Historical Approval Rates – Year 2017 to the Present



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

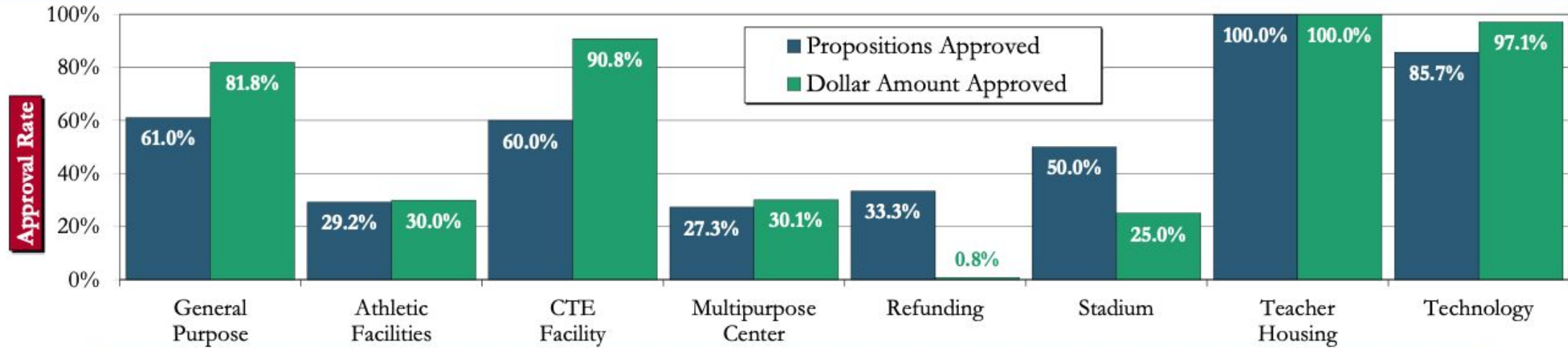


November 8, 2022 Approval Rates – By Interest & Sinking Fund (“I&S”) Tax Rate Increase





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%



Preliminary Bond Election Timetable – May 6, 2023

Financing Team Members

DISD	---	Denton Independent School District – Issuer
BOKFS	---	BOK Financial Securities, Inc. – Financial Advisor
MPH	---	McCall, Parkhurst & Horton L.L.P. – Bond Counsel

Preliminary Bond Election Timetable – May 6, 2023

Date	Action	Responsibility
On or Prior to February 17, 2023 ^(A)	Board Meeting – Board of Trustees Calls the Bond Election	DISD, BOKFS, MPH
April 6 – 26, 2023	Publish Notice of Election	DISD, MPH
Prior to April 17, 2023	Post Notice of Election	DISD, MPH
April 24 – May 2, 2023	Early Voting Period	DISD
May 6, 2023	Bond Election	DISD, BOKFS
May 9 – 17, 2023	Board Meeting – Canvass Election Results	DISD, BOKFS
June 8 – 16, 2023	30-Day Contest Period Ends	N/A
July 2023 or Thereafter	Bond Sale	DISD, BOKFS, MPH
August 2023 or Thereafter	Bond Closing (District Receives Bond Proceeds)	DISD, BOKFS, MPH

^(A) For bond elections held on the May uniform election date, State law requires a bond election to be called by the Board of Trustees at least 78 days prior to the date of the election.

Table Talk Q&A Process

Our Mission: Empowering lifelong learners to be engaged citizens who positively impact their local and global community.



Table Vote

Our Mission: Empowering lifelong learners to be engaged citizens who positively impact their local and global community.





Telling the Story



Thursday, December 1st

5:30pm Dinner
6pm-8pm Meeting

Curtis Ramsey
Professional
Development Center



Our Mission: Empowering lifelong learners to be engaged citizens who positively impact their local and global community.

