



FRISCO
INDEPENDENT SCHOOL DISTRICT

Financial Impact of Proposed 2018 Bond and Recommended Tax Rate

Administrative Recommendation

August 2, 2018

2018 Bond Recommendation Summary

Committee Recommendation

Recommendation	Bond Cost	Estimated M&O Impact
New Facilities	\$260,500,000	\$20,125,000
Life Cycle & Preventative Maintenance	\$130,000,000	\$1,500,000
Facility Refresh & Renewal	\$71,600,000	-
Security Upgrades	\$12,600,000	-
New Vehicles & Vehicle Technology	\$26,000,000	\$600,000
Transportation Facilities	\$20,800,000	\$475,000
Technology	\$71,500,000	\$2,650,000
Baseball/Softball Fields	\$10,000,000	-
Swim Facility Expansion	\$22,000,000	\$300,000
Fine Arts Auditorium	\$43,000,000	\$200,000
Parking Expansion/Marching Fields	\$6,000,000	-
CTE Center Annex	\$21,000,000	\$1,865,000
Total Estimated Cost	\$695,000,000	\$27,715,000

Estimated M&O impact of the committee's other operating recommendations is **\$29,835,000**

**Total M&O Need
\$57,550,000**

School Finance Refresher

Two Buckets of Money

Salaries

Utilities

Supplies



School Buildings

Facilities

Renovations



Two Buckets of Money



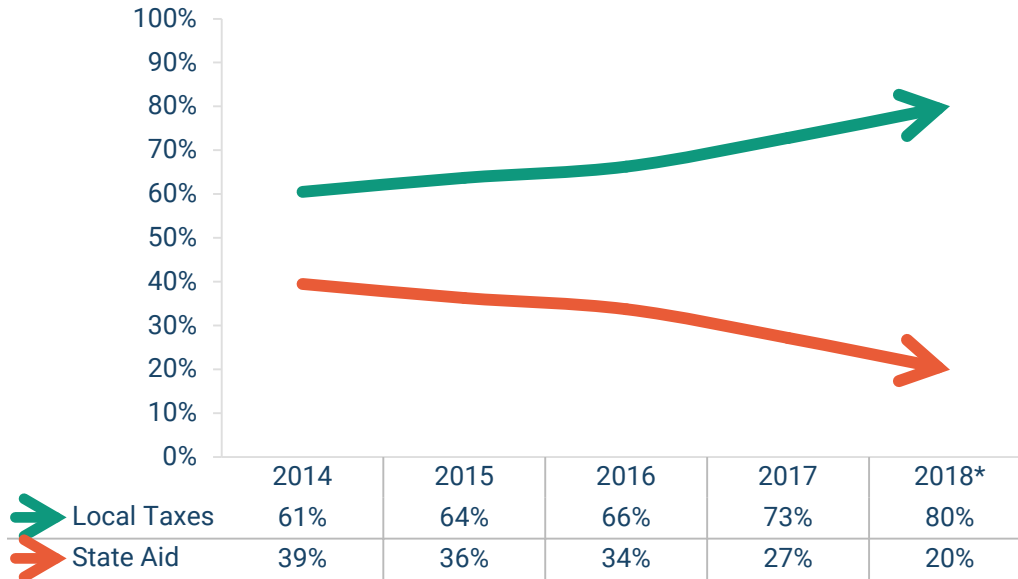
Students * District Allotment = Total Revenue
Property values * Rate = Local Portion
Local Portion + State Portion = Total



Property values * Rate = Total Revenue



State vs. Local Share of Funding



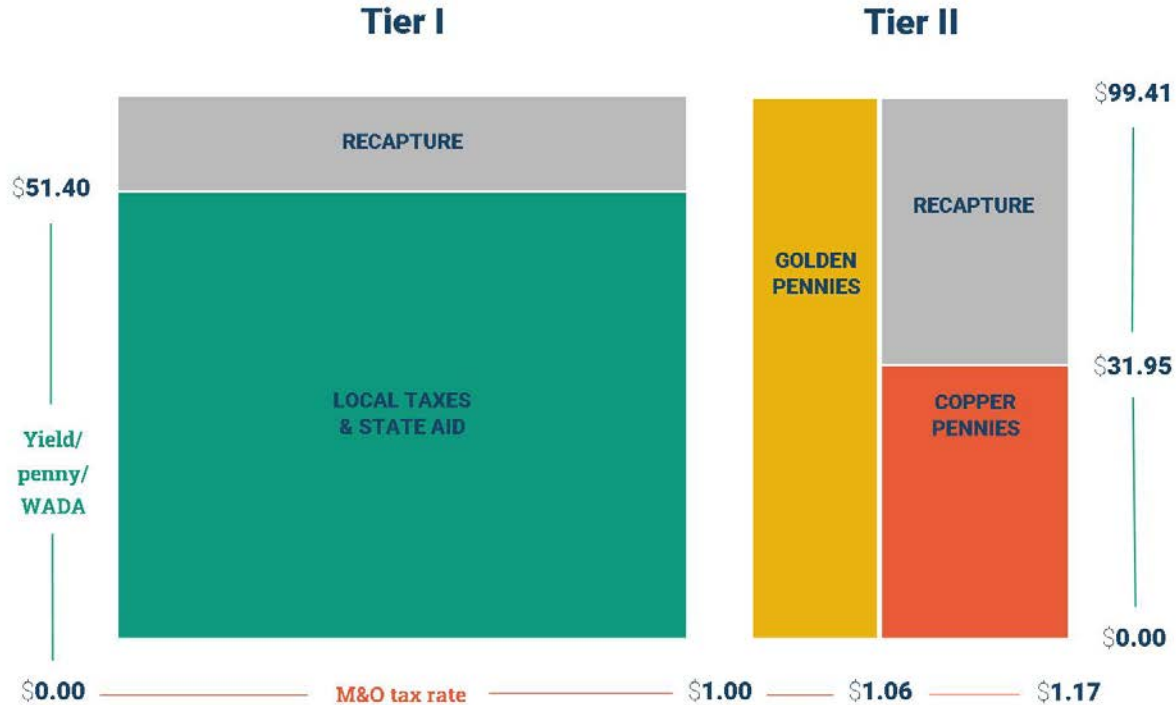
* Projected as of August 2017

When property values go up, state aid goes down.

The only way to get more revenue per student is to **increase the tax rate** or **hope for legislative change.**

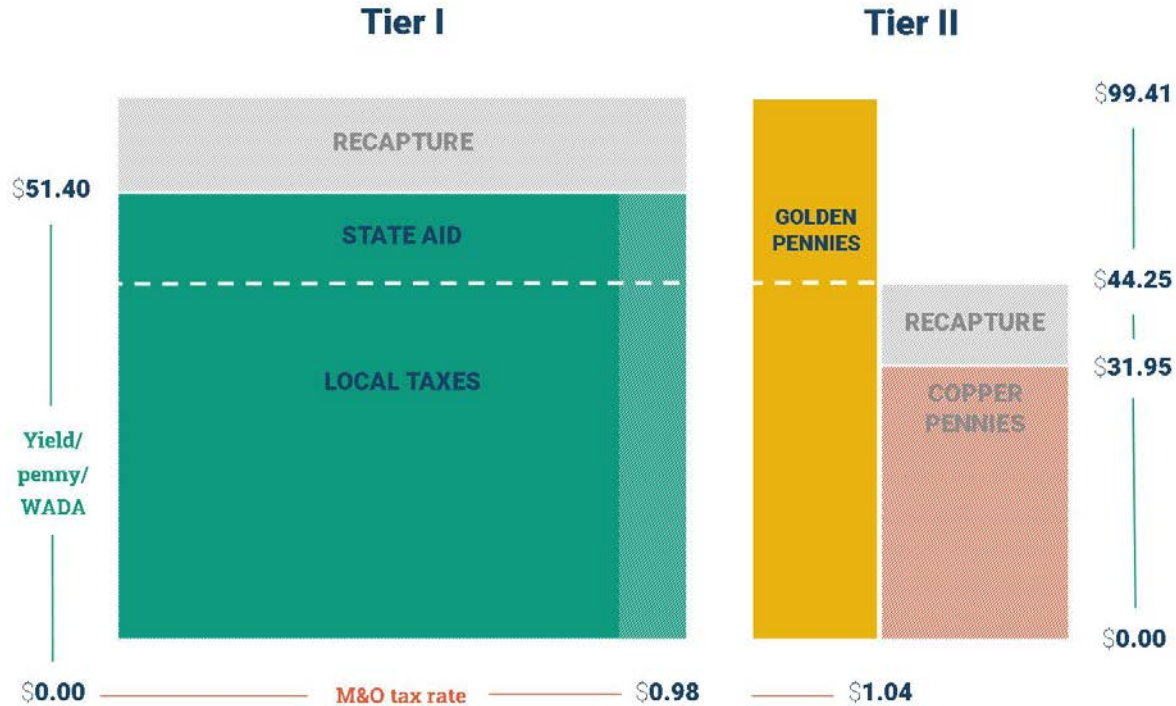
Texas School Finance Formula

2017-2018 School Year



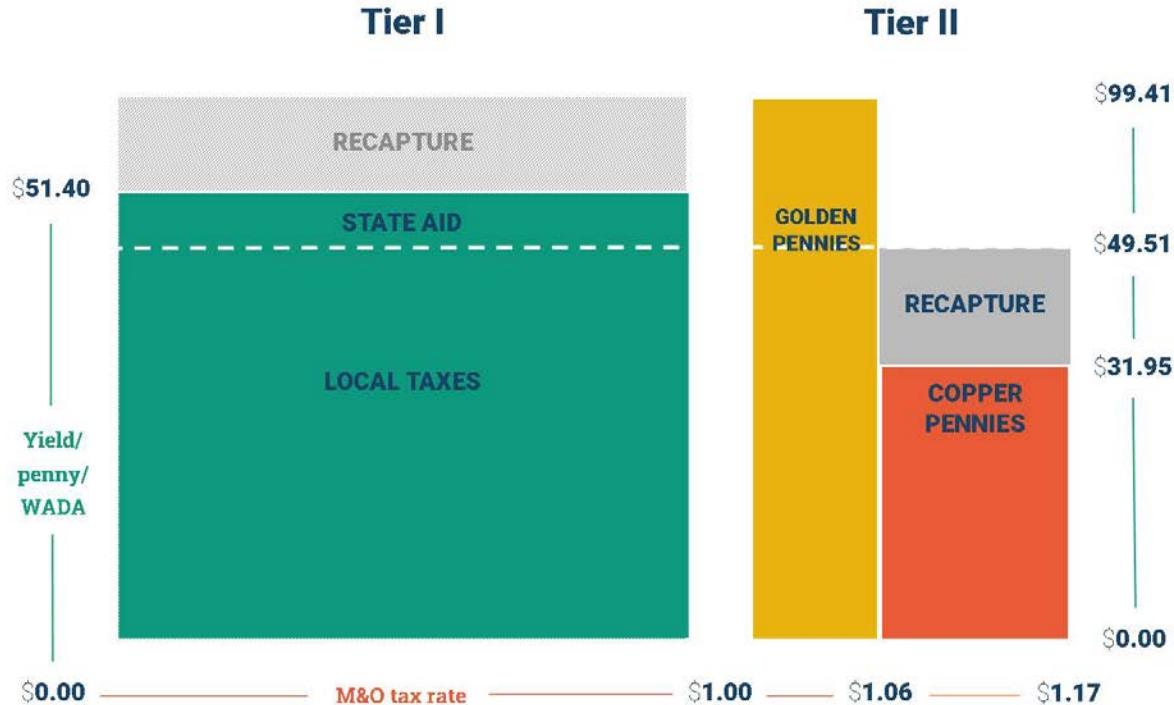
Frisco ISD Finance Formula

2017-2018 School Year



Frisco ISD Finance Formula

2018-2019 School Year @ \$1.17



M&O Needs

\$57,550,000 of recommended need

minus

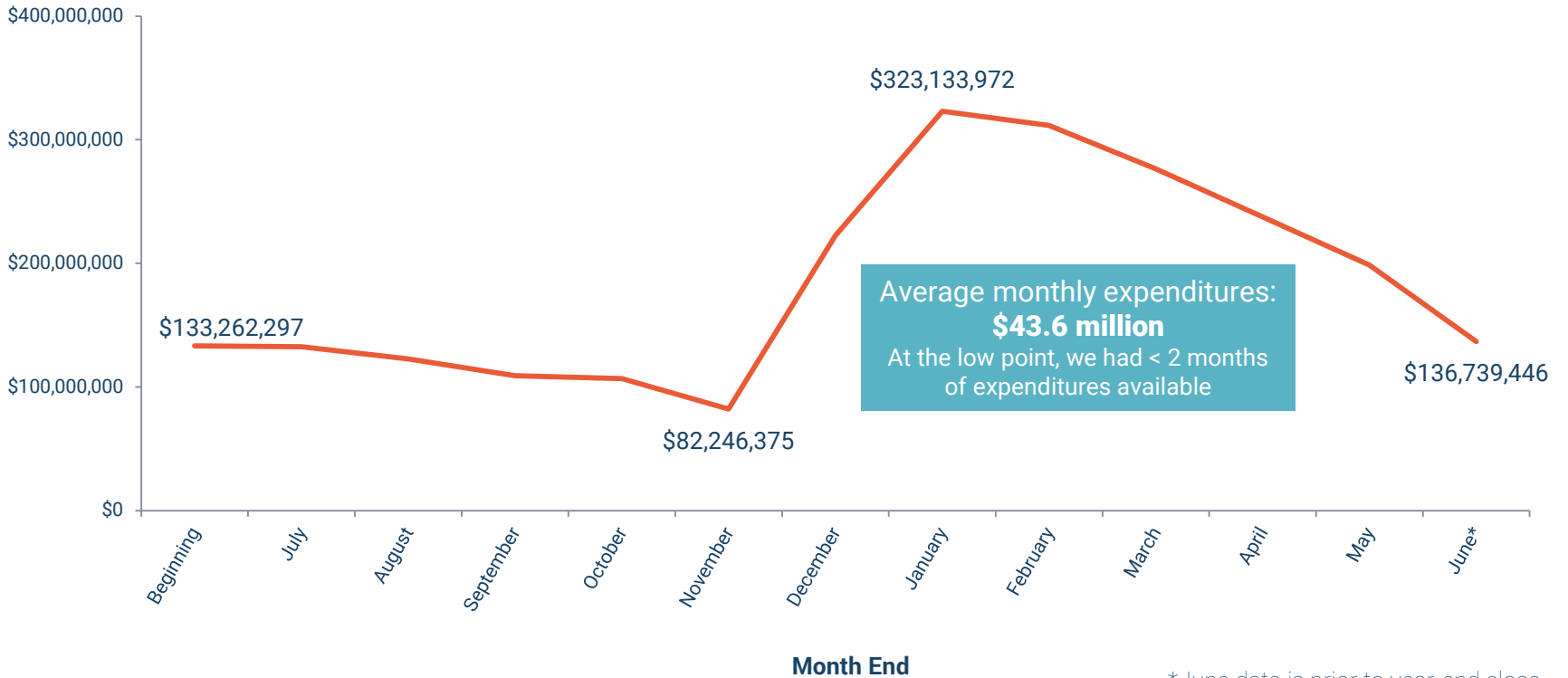
\$20,125,000 eventually covered by formula funding

equals

\$37,425,000 or 16.5 pennies of tax effort

M&O Fund Balance

2017-2018 School Year



*June data is prior to year-end close

Fund Balance is “Working Capital”

\$133,262,297

Fund Balance July 1, 2017

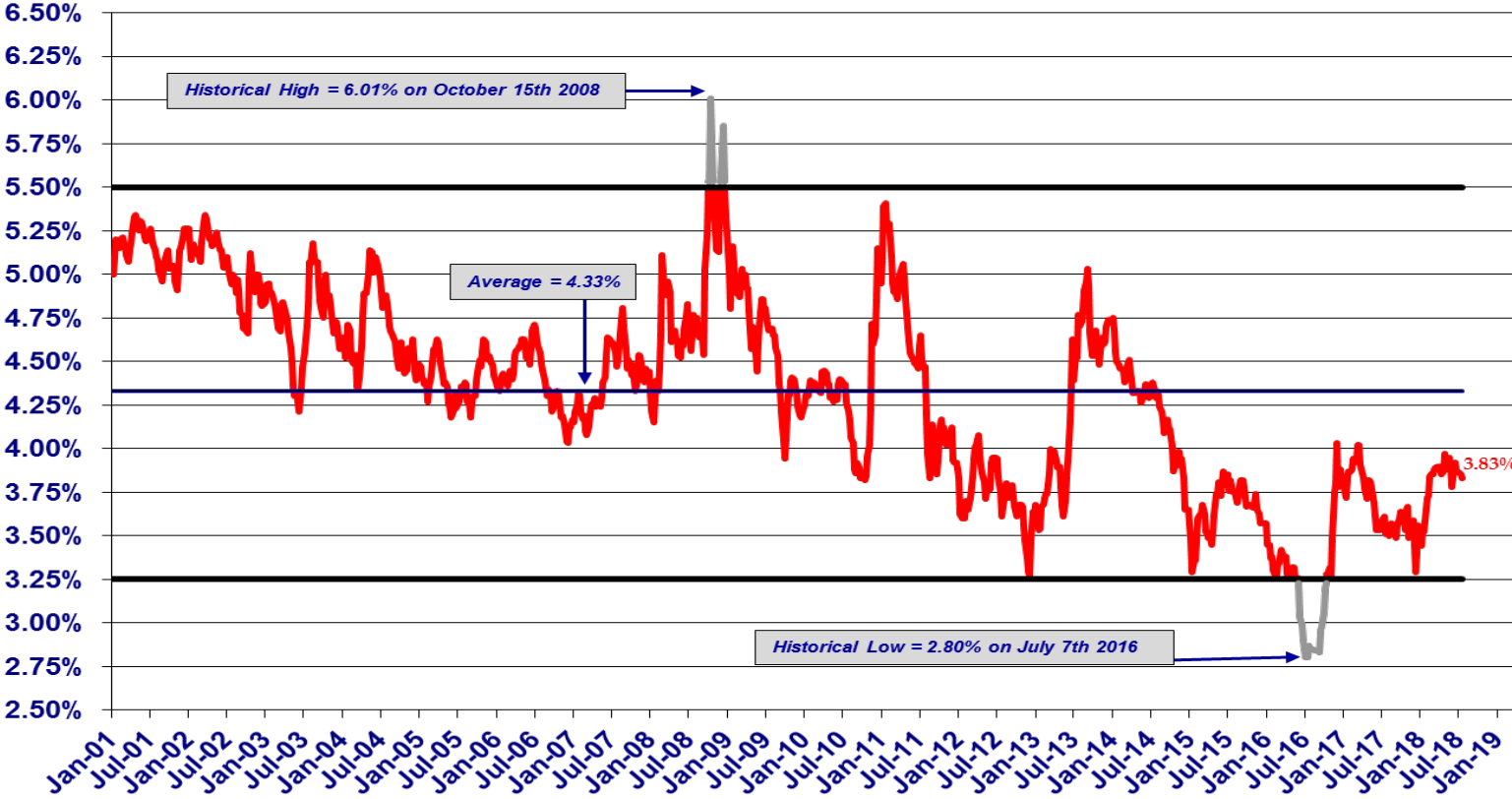
\$4,656,318 Not Spendable or assigned	905,361	Not spendable – prepaid expenditures
	750,957	Assigned for encumbrances
	1,000,000	Assigned for claims & judgments
	2,000,000	Assigned for extraordinary repair & replacement
\$122,726,524 Needed for cash flow*	51,015,922	Amount of cash flow deficits from September 2017 to December 2017
	71,710,602	Average of 2 months cash disbursements in 2017-2018
\$6,726,171 Planned to spend in the 2018-2019 budget	3,581,700	Additional 1% raise for all staff
	1,214,471	Additional \$1,000 on the teacher pay scale
	400,000	Increase substitute pay rates
	1,500,000	Reinstate 401(A) match
	30,000	Reinstate employee wellness benefit
(\$846,716)	Needed to meet “optimal” fund balance	

*using calculation recommended by TEA

Debt Capacity

BOND BUYERS INDEX OF MUNICIPAL BONDS

January 2001 - July 2018



Most Recent Bond Ratings

- ❑ **AAA/Aaa** based on the Permanent School Fund Guarantee
- ❑ **AA+** Underlying Credit Rating Affirmed by Standard & Poor's Global Ratings
Aa1 Underlying Credit Rating Affirmed by Moody's Investors Service
- ❑ Analysts Cite:
 - Participation in the Dallas-Fort Worth Metroplex's Deep Economy
 - Rapid Economic Growth, Resulting in Increasing Property Values & Enrollment
 - Very Strong Finances
 - Strong Management Practices

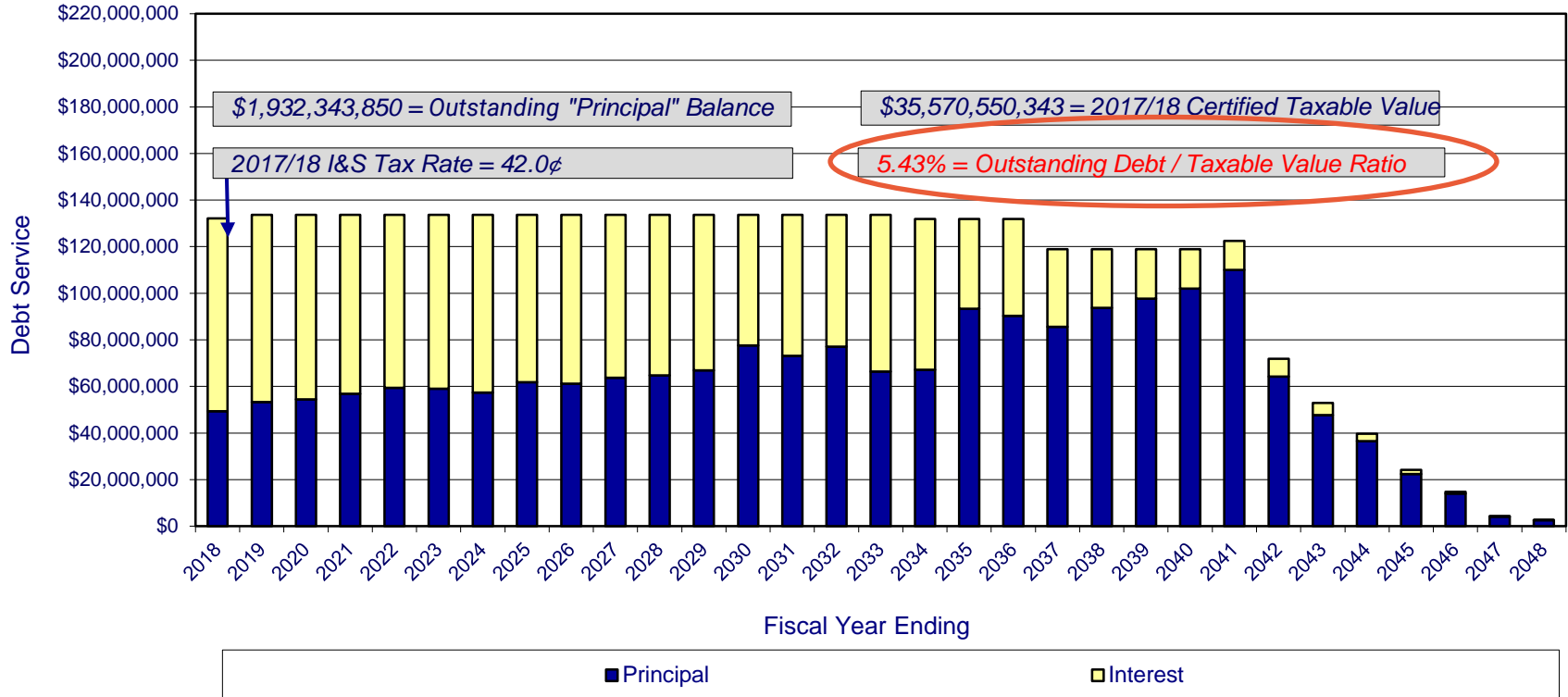
Texas ISD Bond Rating Comparison

Moody's		Standard & Poor's		Rating Description
Rating	Count	Rating	Count	
Aaa	7	AAA	-	Prime
Aa1	24	AA+	18	High Investment Grade
Aa2	52	AA	45	
Aa3	66	AA-	91	
A1	99	A+	273	Medium Investment Grade
A2	43	A	139	
A3	17	A-	3	
Baa1	12	BBB+	1	Low Investment Grade
Baa2	6	BBB	1	
Baa3	1	BBB-	1	
Total	327	Total	572	

Frisco ISD Bond Refinancing/Debt Retirement

- ❑ Since 2007, the District has completed 15 bond refinancing transactions that has generated over \$180.5 million of interest cost savings to the Frisco ISD taxpayers.
- ❑ In 2017, the District paid off \$11,790,000 of principal from bonds that were sold in 2005 with available I&S cash. The principal retirement of the 2005 bonds generated over \$8.5 million of interest cost savings to the Frisco ISD taxpayers.
- ❑ Future bond refinancing and/or principal retirement with cash are reviewed continuously as part of the I&S tax rate setting and bond sale process.

FISD Outstanding Voted Bond Debt Service



Taxable Value History

(1)	(2)	(3)	(4)	(5)	(6)
<u>Fiscal Year Ending</u>	<u>Net Taxable Value (Before Freeze)</u>	<u>Taxable Value Growth (\$)</u>	<u>Taxable Value Growth (%)</u>	<u>5-Year Average</u>	<u>10-Year Average</u>
2005/06	\$ 10,156,598,457				
2006/07	\$ 12,291,132,177	\$ 2,134,533,720	21.02%		
2007/08	\$ 14,921,727,758	\$ 2,630,595,581	21.40%		
2008/09	\$ 16,633,310,020	\$ 1,711,582,262	11.47%		
2009/10	\$ 17,179,508,143	\$ 546,198,123	3.28%		
2010/11	\$ 16,875,840,490	\$ (303,667,653)	-1.77%		
2011/12	\$ 17,504,186,578	\$ 628,346,088	3.72%		
2012/13	\$ 18,411,180,611	\$ 906,994,033	5.18%	4.38%	
2013/14	\$ 20,072,774,219	\$ 1,661,593,608	9.02%		
2014/15	\$ 23,005,771,528	\$ 2,932,997,309	14.61%		
2015/16	\$ 26,230,139,504	\$ 3,224,367,976	14.02%		
2016/17	\$ 30,621,651,034	\$ 4,391,511,530	16.74%		
2017/18	\$ 35,570,550,343	\$ 4,948,899,309	16.16%	14.11%	9.24%

Note: These values are before freeze exemptions and therefore differ from the values used for financial planning purposes. This is illustrative information provided by FISD's financial advisor.

Tax Rate & Fund Balance History

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Fiscal Year Ending	M&O Tax Rate	I&S Tax Rate	Total Tax Rate	I&S Fund Balance	General Fund Balance	& of Exp.
2005/06	\$1.3200	\$0.3100	\$1.6300	\$ 779,182 (a)	\$ 11,446,048 (a)	7%
2006/07	\$1.2100	\$0.3700	\$1.5800	\$ 4,965,217 (a)	\$ 26,675,356 (a)	15%
2007/08	\$0.9600	\$0.3900	\$1.3500	\$ 46,270,566 (b)	\$ 43,473,686 (b)	22%
2008/09	\$1.0000	\$0.3700	\$1.3700	\$ 59,011,864 (b)	\$ 44,962,721 (b)	18%
2009/10	\$1.0000	\$0.3900	\$1.3900	\$ 67,245,565 (b)	\$ 46,338,233 (b)	17%
2010/11	\$1.0000	\$0.3900	\$1.3900	\$ 63,198,994 (b)	\$ 43,070,395 (b)	15%
2011/12	\$1.0000	\$0.4200	\$1.4200	\$ 70,379,793 (b)	\$ 60,265,019 (b)	21%
2012/13	\$1.0400	\$0.4200	\$1.4600	\$ 71,265,715 (b)	\$ 72,665,802 (b)	23%
2013/14	\$1.0400	\$0.4200	\$1.4600	\$ 77,625,656 (b)	\$ 85,164,707 (b)	25%
2014/15	\$1.0400	\$0.4200	\$1.4600	\$ 79,809,387 (b)	\$ 92,479,106 (b)	24%
2015/16	\$1.0400	\$0.4200	\$1.4600	\$ 85,956,869 (b)	\$ 123,493,141 (b)	30%
2016/17	\$1.0400	\$0.4200	\$1.4600	\$ 107,502,072 (c)	\$ 133,262,297 (b)	29%
2017/18	\$1.0400	\$0.4200	\$1.4600			

Fiscal year changed from August 31 to June 30

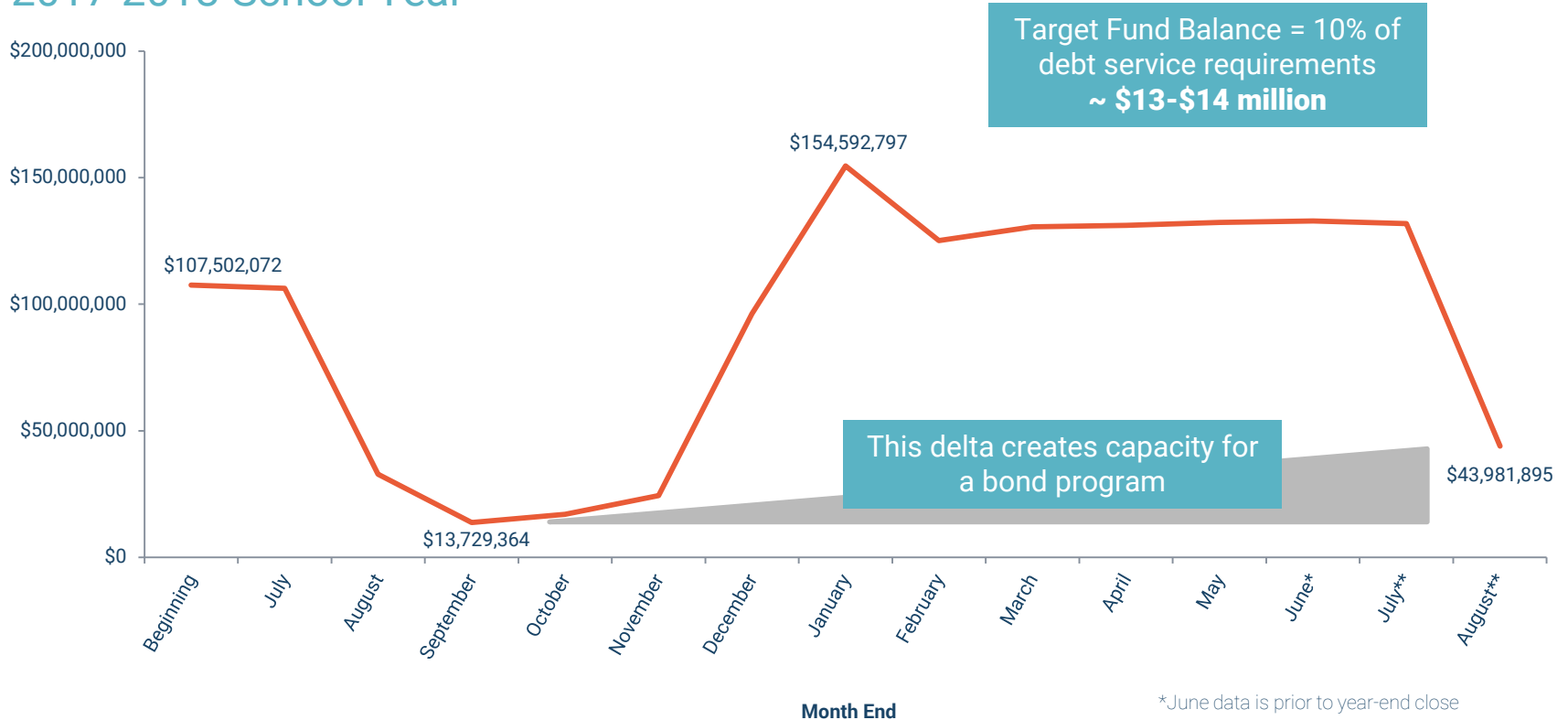
(a) Audited fund balance figures for the period ending August 31st.

(b) Audited fund balance figures for the period ending June 30th.

(c) Audited fund balance figures for the period ending June 30th. Estimated I&S fund balance on an August 31st basis is approximately \$13,518,550.

I&S Fund Balance

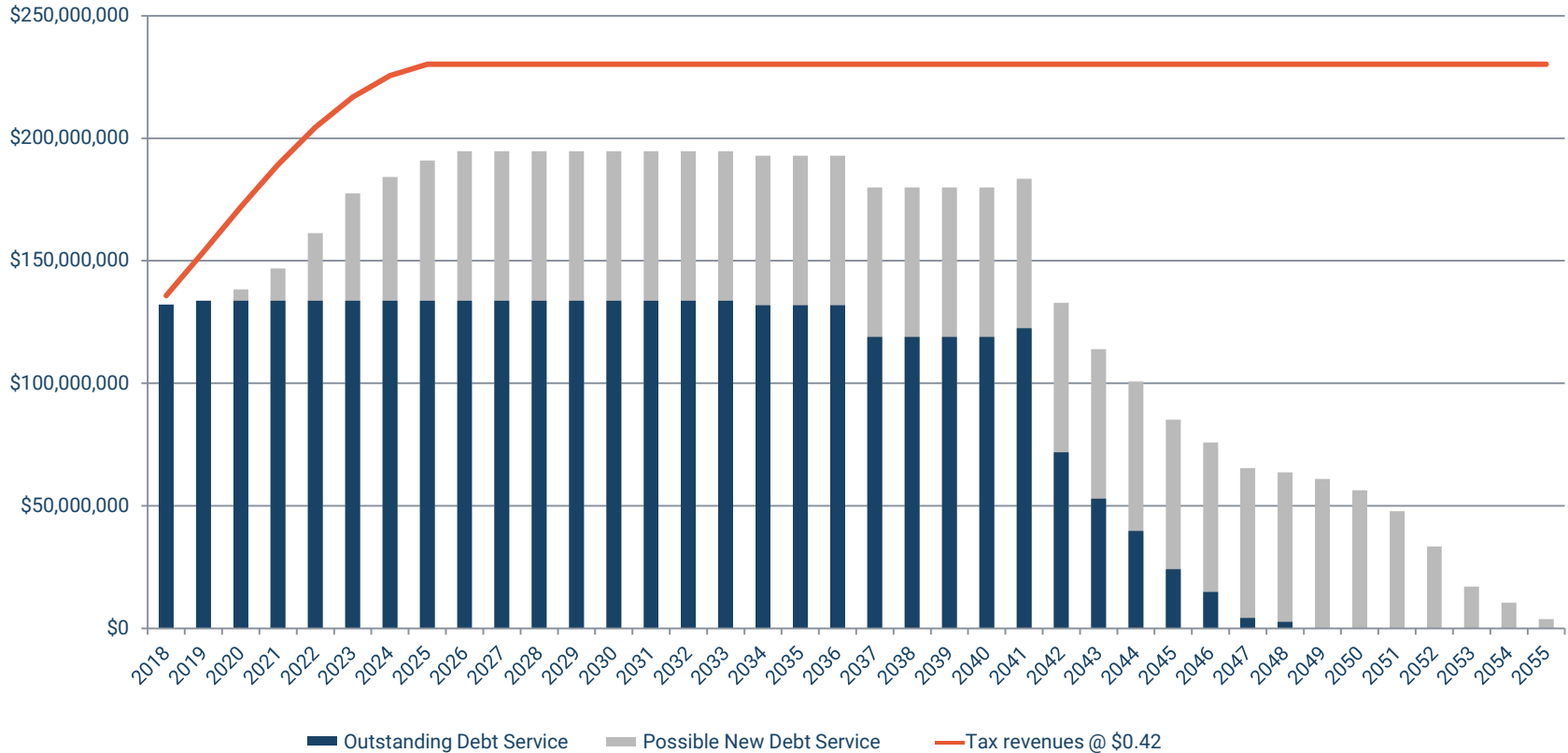
2017-2018 School Year



*June data is prior to year-end close

** July and August data are projected using prior year revenues and required debt service payments

FISD Debt Capacity at \$0.42



Tax Rate Recommendation

Current Tax Rate



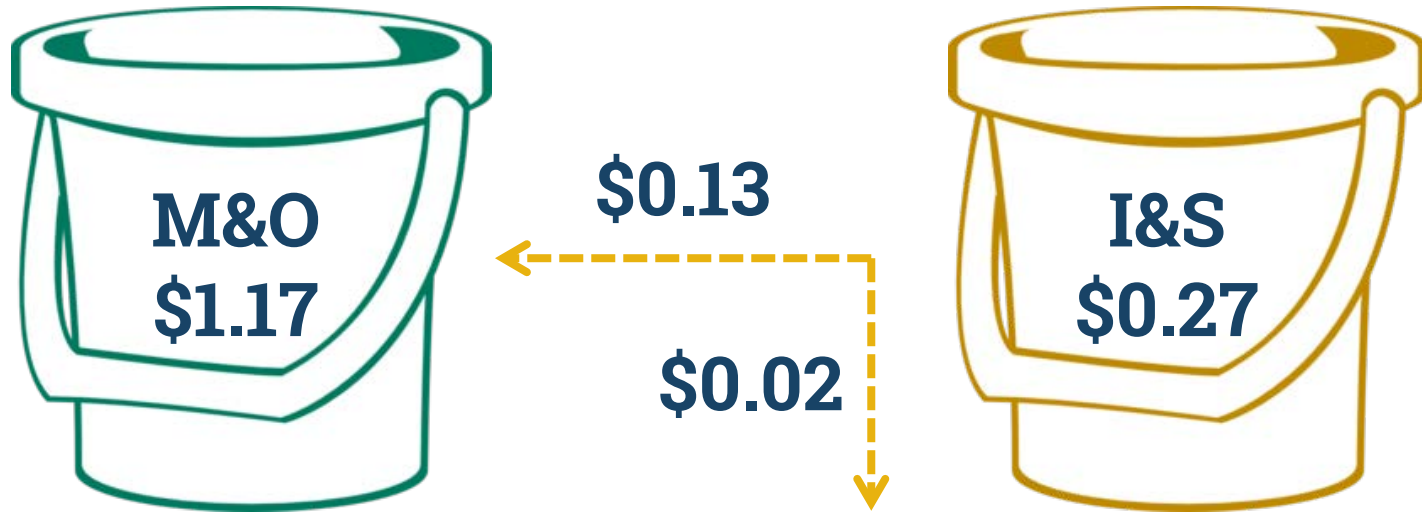
Total Tax Rate = \$1.46

Penny Swap



Total Tax Rate = \$1.46

Recommended Tax Rate (Swap & Drop)



Total Tax Rate = \$1.44

Total Effect

Total Tax Rate Reduction of \$0.02

\$1.46 → **\$1.44**

Second Lowest School District rate in Collin County
Fourth Lowest School District rate in Denton County

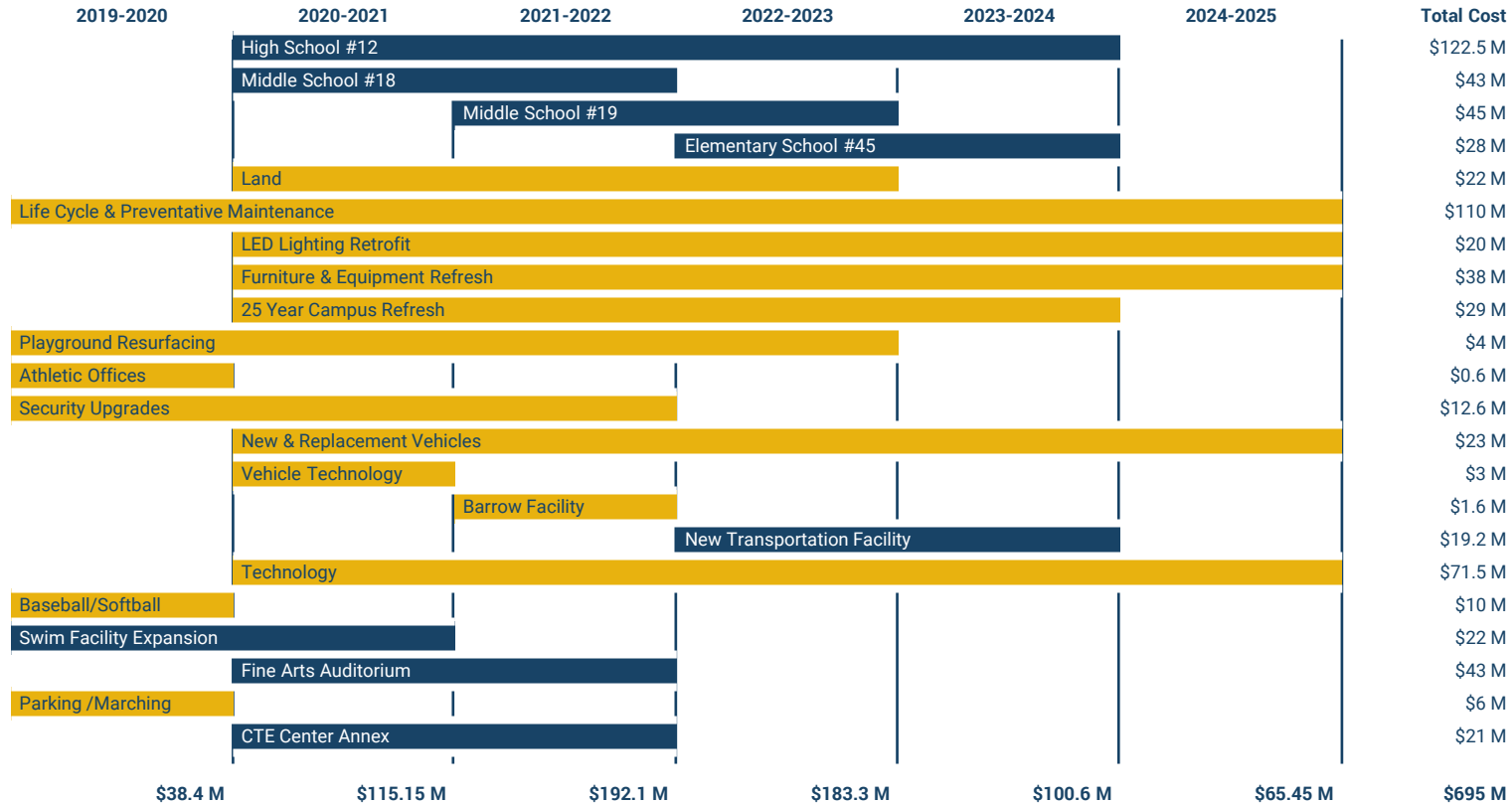
Swap & Drop Impact – I&S

2018 Bond Program Analysis

Key Assumptions

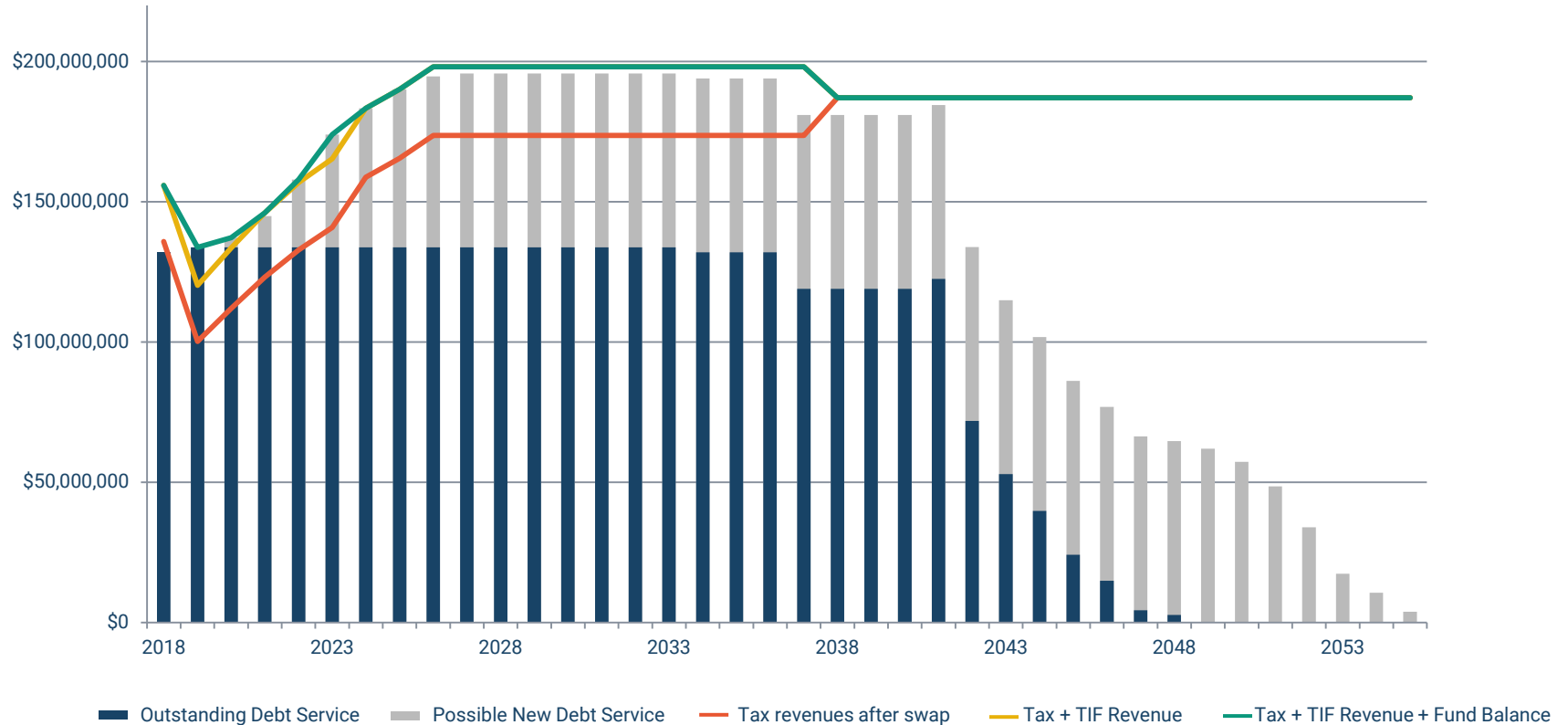
Bond Election:	Assumed to be November 6, 2018
Issuance Date:	Assumed to be sold in multiple installments through 2024
Amortization:	Assumed to be 30 years
Interest Rate:	Assumed to be 4.75%
Tax Collection Percentage:	Assumed to be 98%
Taxable Values:	Assumes taxable value growth at a declining % beginning 2019-20 thru 2024-25 and remaining constant thereafter

Preliminary Spend Schedule



FISD Future Projected Debt Service

Issuance of remaining \$170,000,000 May 2014 Authorization + \$695,000,000 Nov 2018 Authorization



Swap & Drop Impact – M&O

Financial Projections Comparison

	2018-2019 Adopted	2019-2020 Forecasted	2020-2021 Forecasted
ADOPTED BUDGET @ \$1.04 M&O Tax Rate			
Revenue	515,301,750	551,908,350	594,828,950
Expenditures	514,780,618	528,020,618	540,515,618
Recapture	-	23,615,000	61,614,200
Expected Surplus (Deficit)	521,132	272,732	(7,300,868)

Budget is balanced for 2 years with no changes to class size, no new choice programs, and no additional plans to meet market salaries.

\$1.17 M&O TAX RATE WITH FIRST PHASE OF PROPOSED BOND			
Revenue	566,611,950	608,376,250	657,405,150
Expenditures	517,293,918	534,533,918	547,721,618
Recapture	14,796,200	48,530,000	92,263,900
Expected Surplus (Deficit)	34,521,832	25,312,332	17,419,632

This is the most we should plan to spend in year 1 if the rate is ratified.
The committee identified \$29.8M of needs to be considered.

Disclaimer: This forecast is based on data available as of 7.24.2018. Financial projections are always considered fluid and are expected to change over time as new data becomes available.

Committee Recommendations

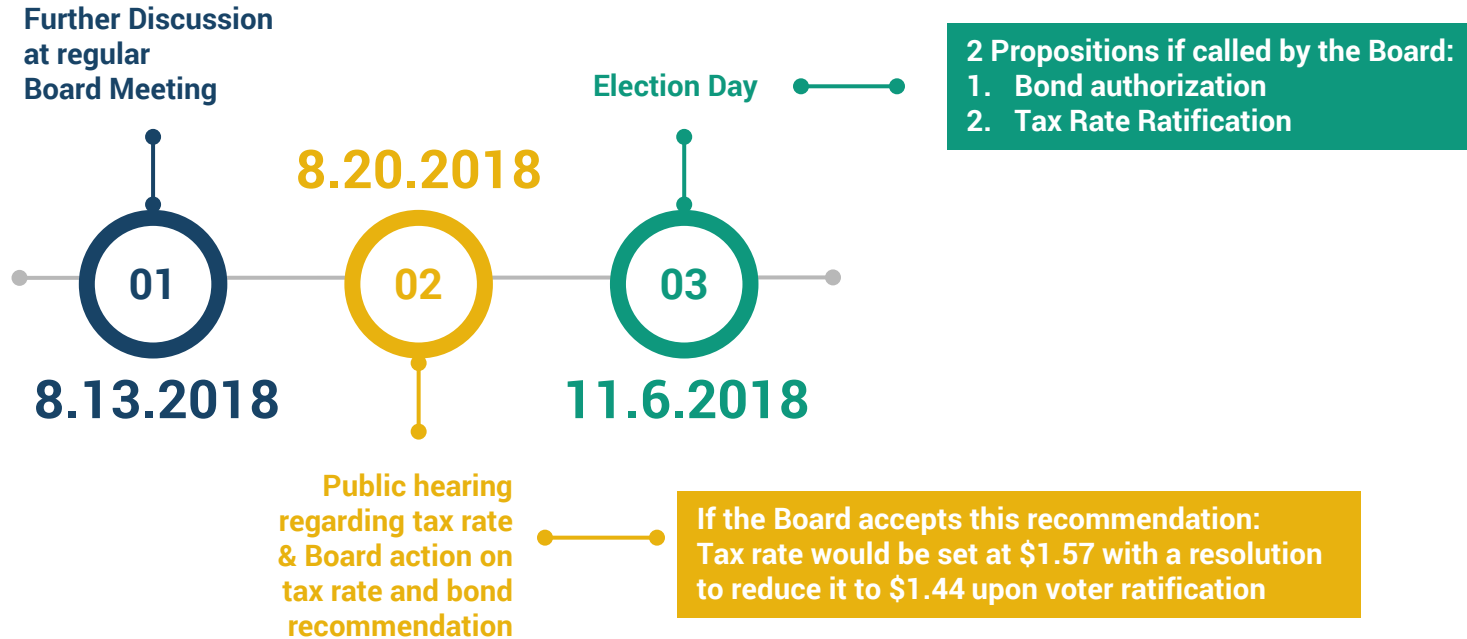
In addition to the recommended bond projects, the committee recommended that the **Long-Range Planning Committee** be engaged in a **priorities based budgeting** exercise if a tax swap is called by the Board and approved by voters. Recommendations from this committee to be reviewed include:

- More competitive compensation
- Class size reduction at all levels
- Additional personnel for student intervention
- Expansion of choice programs at all levels
- Expansion of early childhood and pre-k programs
- Modified block scheduling at the middle school level

\$29.8 million worth of recommendations to be prioritized down to \$17.4 million.

What's Next?

Possible Next Steps



What if...

What happens if the propositions as proposed pass?

BOND

- ❑ Continue to evaluate demographic projections before building new schools
- ❑ Begin work on first round of projects:
 - Design of High School #12
 - Design of swim facility expansion
 - Continuation of life cycle & preventative maintenance projects
- ❑ Utilize shorter term debt for shorter term assets

TAX SWAP

- ❑ Continue priorities based budgeting with Long-Range Planning Committee
- ❑ Address any immediate needs with available funds (e.g. safety/security)

What happens if the propositions as proposed fail?

BOND

- ❑ Review how to best utilize remaining \$170 million of bond authorization: Community wants the student opportunity model, but aging facilities will take priority
- ❑ Schools will begin to exceed capacity

TAX SWAP

- ❑ No flexibility for additional choice programs
- ❑ Continue priorities based budgeting with Long-Range Planning Committee
- ❑ Watch for unfunded mandates from the 2019 legislative session

THANK YOU

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