



# Conroe Independent School District

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## Review of Current Debt Position and Preliminary Bond Capacity Analysis November 2023 Bond Election

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February 2023



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# Savings from District’s Debt Management Practices

- Conroe Independent School District (“CISD” 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 CISD taxpayers with **more than \$176.8 million of direct savings** since year 2009!

## Summary of Interest Cost Savings Since 2008

### Bond Refunding and Cash Defeasance Programs

Refunding Bond Issue	Bond Series Refunded	Principal Amount Refunded	Total Savings
U/L Tax Rfdg Bds, Srs 2009	1998, 1999, 2000, 2001A	\$ 17,965,000	\$ 1,828,610
U/L Tax Rfdg Bds, Srs 2011	2001A&B, 2003, 2003A, 2004A, 2005A, 2005C, 2006	140,845,000	9,242,972
U/L Tax Sch Bldg & Rfdg Bds, Srs 2012	2003, 2003A, 2004A, 2005C	46,740,000	7,477,526
U/L Tax Sch Bldg & Rfdg Bds, Srs 2012A	2001A, 2003A, 2005C	156,215,000	26,369,382
U/L Tax Sch Bldg & Rfdg Bds, Srs 2014	2003, 2004A, 2005A, 2005C, 2006	37,850,000	3,604,726
U/L Tax Rfdg Bds, Srs 2014B	2005B	22,500,000	4,130,224
U/L Tax Sch Bldg & Rfdg Bds, Srs 2014A	2005A, 2006, 2008	97,655,000	12,719,312
U/L Tax Rfdg Bds, Srs 2015	2008, 2009A	118,995,000	18,667,588
U/L Tax Sch Bldg & Rfdg Bds, Srs 2016	2006	28,080,000	5,891,870
U/L Tax Sch Bldg & Rfdg Bds, Srs 2016A	2010, 2011, 2011 Rfdg	72,295,000	9,314,300
U/L Tax Rfdg Bds, Srs 2017	2010, 2011, 2012, 2012A	102,775,000	14,509,251
Defeasance of Bonds (November 2018)	2010, 2011	7,515,000	2,064,461
U/L Tax Rfdg Bds, Srs 2019	2004B, 2009, 2011, 2011 Rfdg	73,945,000	8,321,522
U/L Tax Sch Bldg & Rfdg Bds, Srs 2020A	2012, 2012A	199,630,000	50,067,475
Defeasance of Bonds (February 2023)	2014	3,485,000	2,689,068
<b>Totals:</b>		<b>\$ 1,126,490,000</b>	<b>\$176,898,287</b>

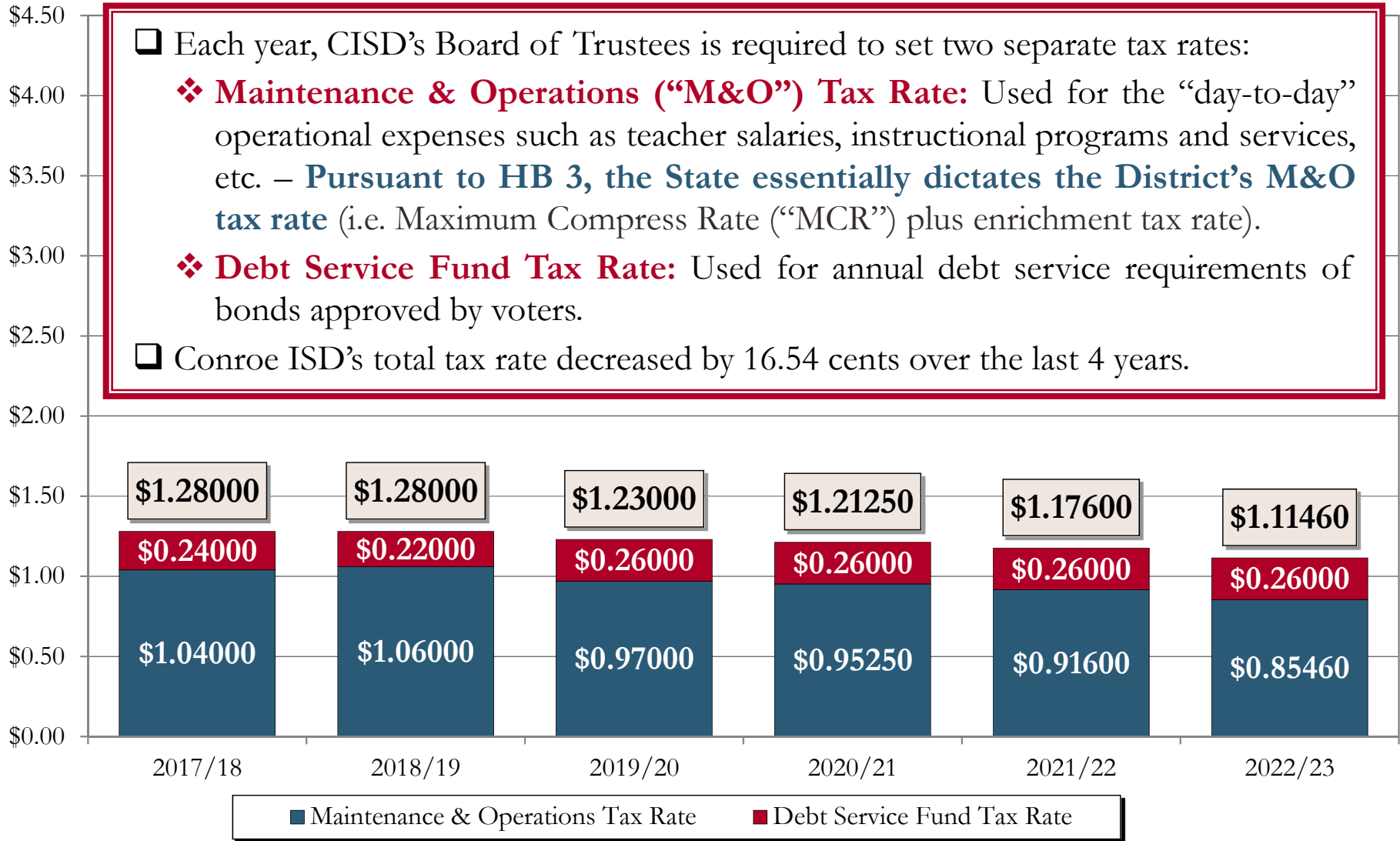


# Historical Tax Rates

## District's Historical Tax Rates

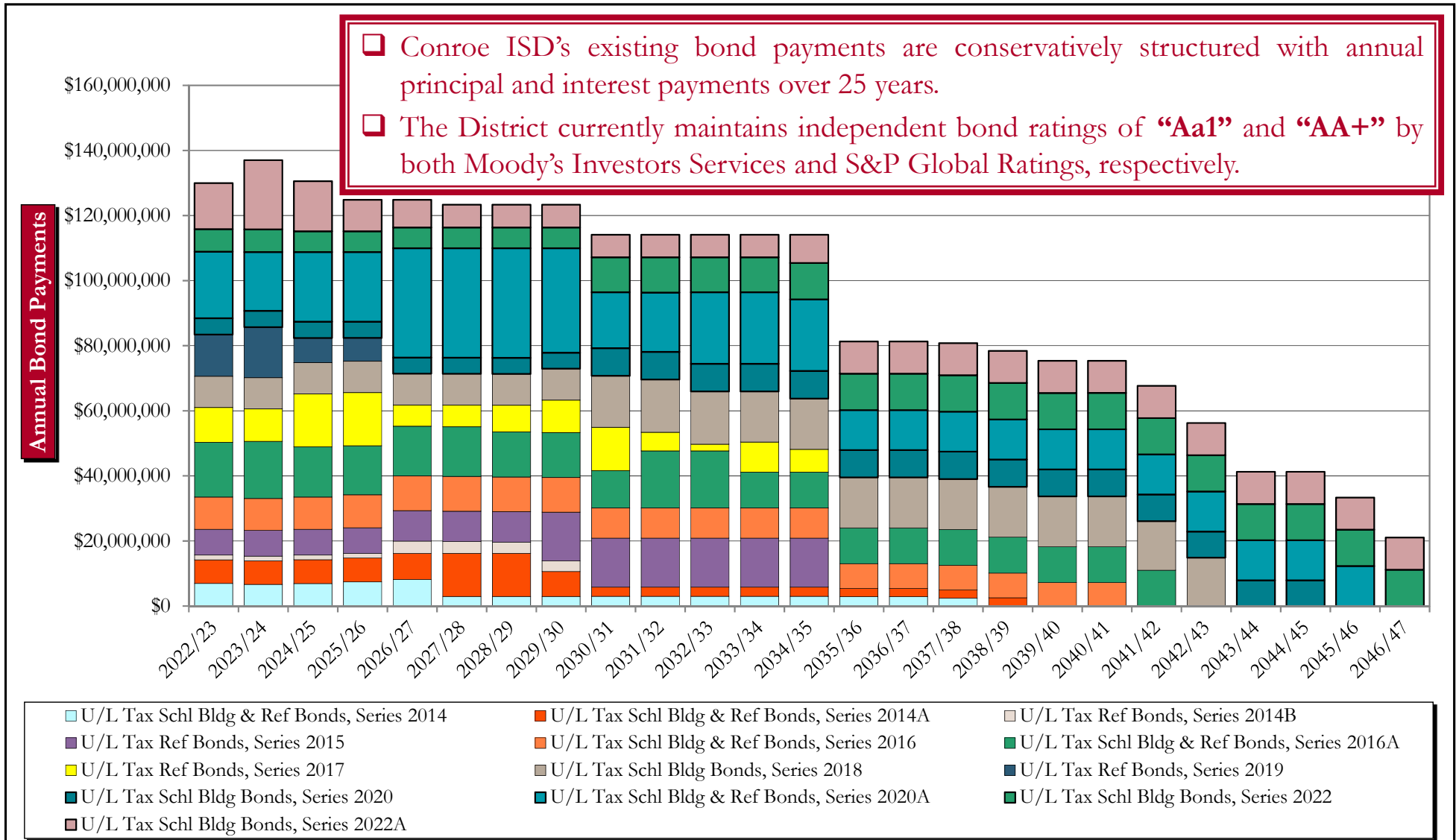
- ☐ Each year, CISD's Board of Trustees is required to set two separate tax rates:
  - ❖ **Maintenance & Operations ("M&O") Tax Rate:** Used for the "day-to-day" operational expenses such as teacher salaries, instructional programs and services, etc. – Pursuant to HB 3, the State essentially dictates the District's M&O tax rate (i.e. Maximum Compress Rate ("MCR") plus enrichment tax rate).
  - ❖ **Debt Service Fund Tax Rate:** Used for annual debt service requirements of bonds approved by voters.
- ☐ Conroe ISD's total tax rate decreased by 16.54 cents over the last 4 years.

Property Tax Rate Per \$100 Valuation





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



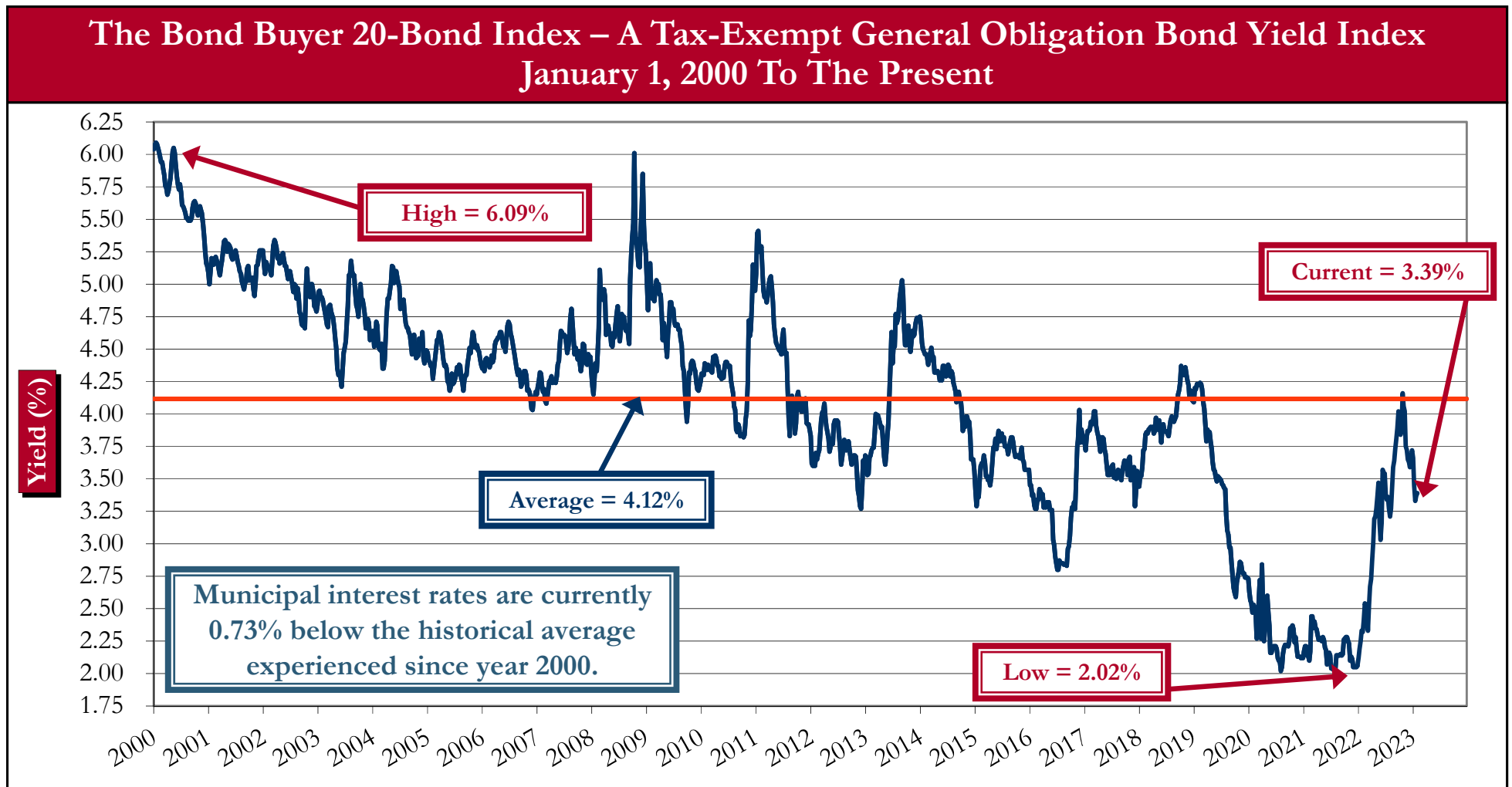
Note: Debt service payments reflect payments from September 1 through August 31. Includes a \$3,485,000 defeasance of the District's Unlimited Tax School Building and Refunding Bonds, Series 2014 prior to scheduled call date on February 15, 2024.

**CISD has a total principal amount of existing bonds equal to \$1,616,515,000 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.

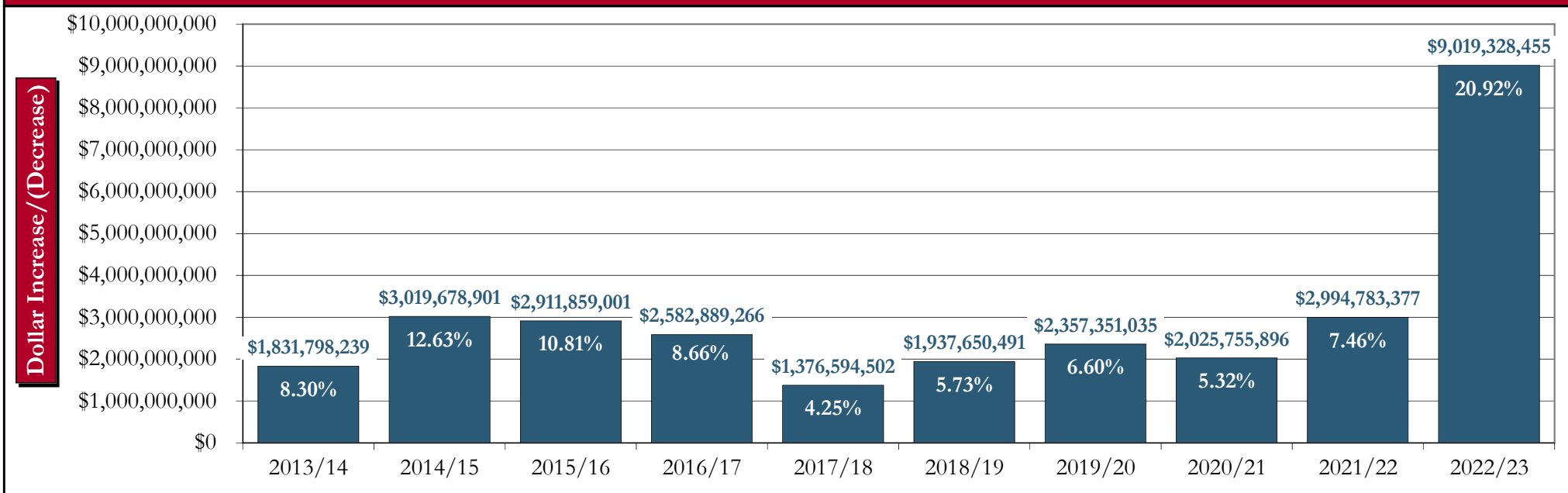




# Bond Capacity Factors: District's Historical Taxable Assessed Valuation

- ❑ The value of Conroe ISD's tax base is the primary factor impacting CISD's bond capacity, as this determines the annual revenues generated from the District's I&S tax rate.
- ❑ CISD's taxable assessed valuation is \$52,134,762,079 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: \$9,019,328,455 or 20.92%;
  - Average tax base increase last 10 years: \$3,005,768,916 or 8.97%; and
  - Average tax base increase last 5 years: \$3,666,973,851 or 9.05%.

**Historical Dollar Increases/(Decreases) in Taxable Valuations – Years 2013/14 – 2022/23**





# 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 Conroe ISD will correspondingly change.

## □ Scenarios Presented – Potential November 2023 Bonds Election

- Determine Conroe ISD's projected bond capacity for a November 2023 bond election assuming the following debt structures and Interest and Sinking ("I&S") tax rates:
  - ❖ **Option 1: 25-Year Debt Structure**
    - *Scenario 1: No Tax Rate Increase.* Maintain the Districts current I&S Tax Rate of 26 cents.
    - *Scenario 2: 1 Cent Tax Rate Increase.* Maximum I&S Tax Rate of 27 cents.
    - *Scenario 3: 2 Cent Tax Rate Increase.* Maximum I&S Tax Rate of 28 cents.
    - *Scenario 4: 3 Cent Tax Rate Increase.* Maximum I&S Tax Rate of 29 cents.
  - ❖ **Option 2: 30-Year Debt Structure**
    - *Scenario 1: No Tax Rate Increase.* Maintain the Districts current I&S Tax Rate of 26 cents.
    - *Scenario 2: 1 Cent Tax Rate Increase.* Maximum I&S Tax Rate of 27 cents.
    - *Scenario 3: 2 Cent Tax Rate Increase.* Maximum I&S Tax Rate of 28 cents.
    - *Scenario 4: 3 Cent Tax Rate Increase.* Maximum I&S Tax Rate of 29 cents.



# Preliminary Bond Capacity Analysis

## □ Assumptions

- The projected bond sales and estimated interest rates are summarized below:
  - ❖ February 2024 Bond Sale: 4.50%
  - ❖ February 2025 Bond Sale: 4.75%
  - ❖ February 2026 Bond Sale: 4.75%
  - ❖ February 2027 Bond Sale: 5.00%
- Any I&S tax rate increase for the new bond program will occur in year 2024/25.
- Each series of bonds will be repaid over 25 years (Option 1) or 30 years (Option 2) to maximize the District's bond capacity, although the amortization of the principal payments will be structured to match the useful life of the projects being financed. For example, debt issued for school buses will be amortized over 10 years and debt issued for technology will be amortized over 3 to 10 years, depending on the technology.
- Conroe ISD will not receive any State assistance for the repayment of bonds.
- Tax collection rate of 100.0%.
- In order to maintain a 26 cent I&S tax rate for year 2022/23 and 2023/24, Conroe ISD completes a prepayment of a portion of its Series 2014 Bonds in February 2023 and February 2024.

*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.”*

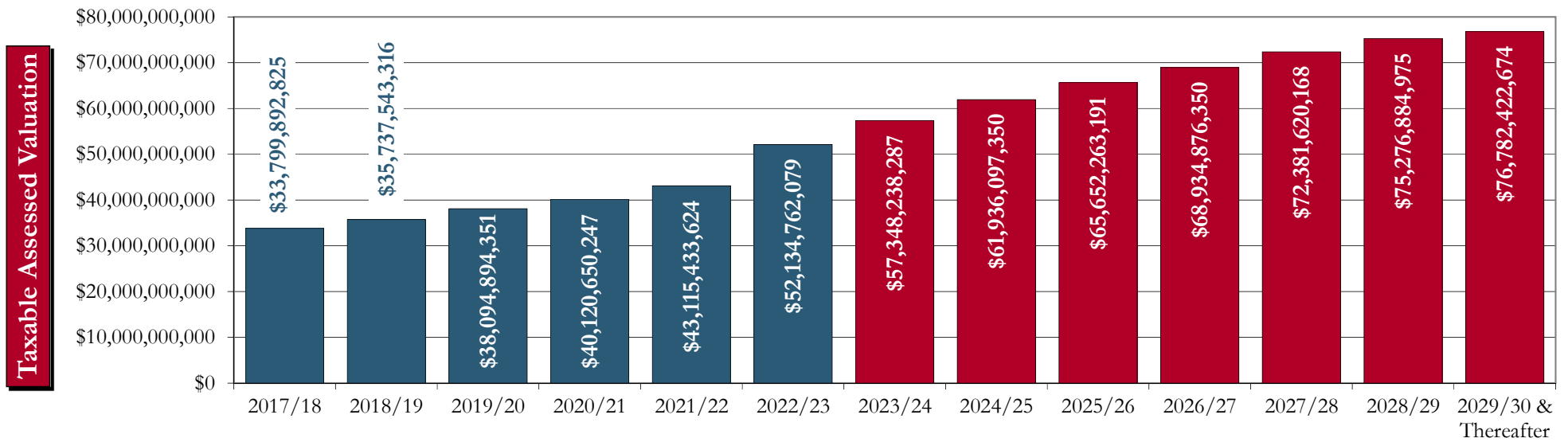




# Preliminary Bond Capacity Analysis

## Assumptions

### Historical and Assumed Taxable Assessed Valuations



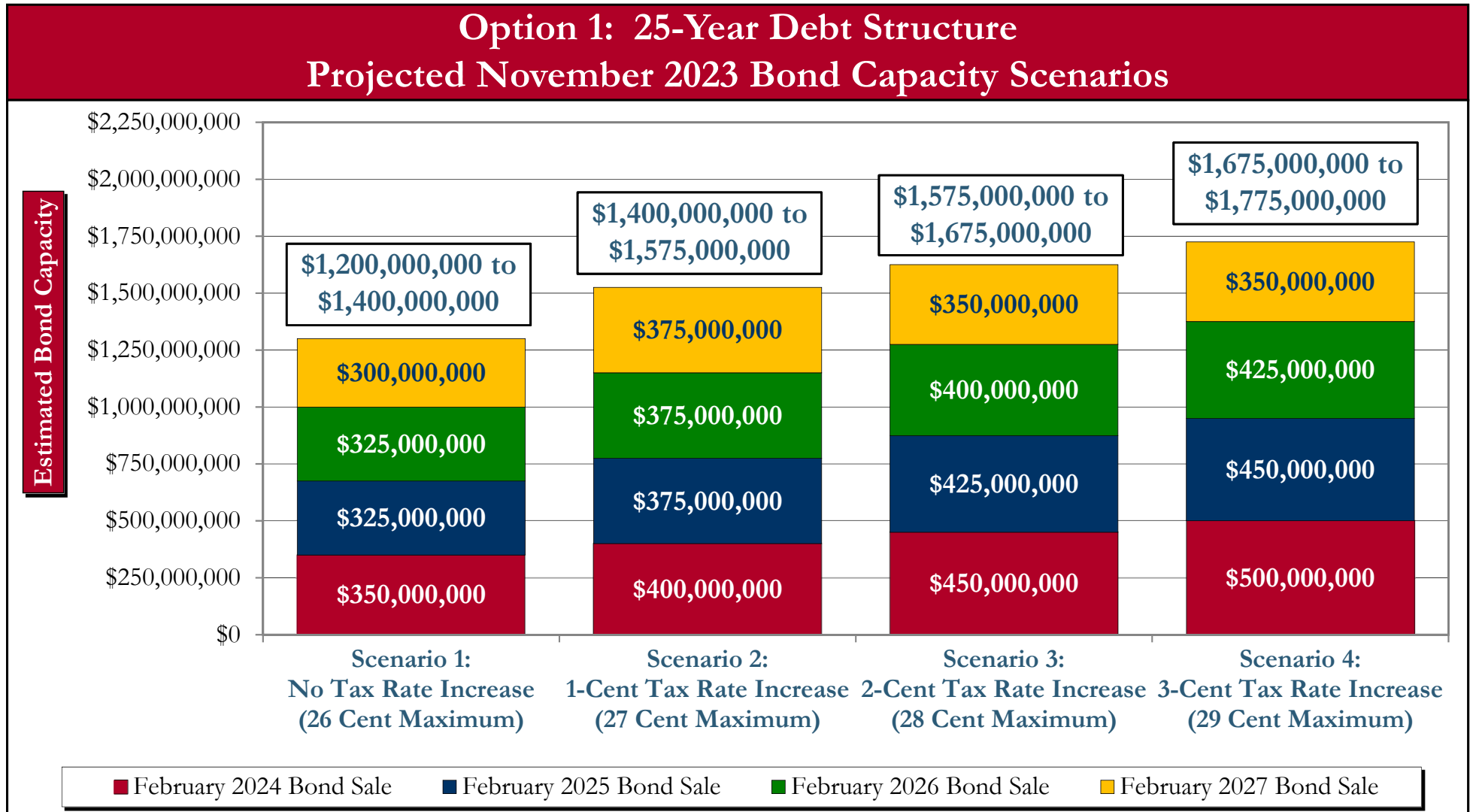
Fiscal Year	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Average Annual Increase – Years 2018/19 – 2022/23
Taxable Assessed Valuation	\$33,799,892,825	\$35,737,543,316	\$38,094,894,351	\$40,120,650,247	\$43,115,433,624	\$52,134,762,079	---
Dollar Change	\$---	\$1,937,650,491	\$2,357,351,035	\$2,025,755,896	\$2,994,783,377	\$9,019,328,455	\$3,666,973,851
Percentage Change	---	5.73%	6.60%	5.32%	7.46%	20.92%	9.05%

Fiscal Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31 & Thereafter	Average Annual Increase – Years 2023/24 – 2029/30
Taxable Assessed Valuation	\$57,348,238,287	\$61,936,097,350	\$65,652,263,191	\$68,934,876,350	\$72,381,620,168	\$75,276,884,975	\$76,782,422,674	\$76,782,422,674	---
Dollar Change	\$5,213,476,208	\$4,587,859,063	\$3,716,165,841	\$3,282,613,160	\$3,446,743,818	\$2,895,264,807	\$1,505,537,699	\$---	\$3,072,365,927
Percentage Change	10.00%	8.00%	6.00%	5.00%	5.00%	4.00%	2.00%	---	5.06%



# Preliminary Bond Capacity Analysis – Option 1: 25-Year Debt Structure

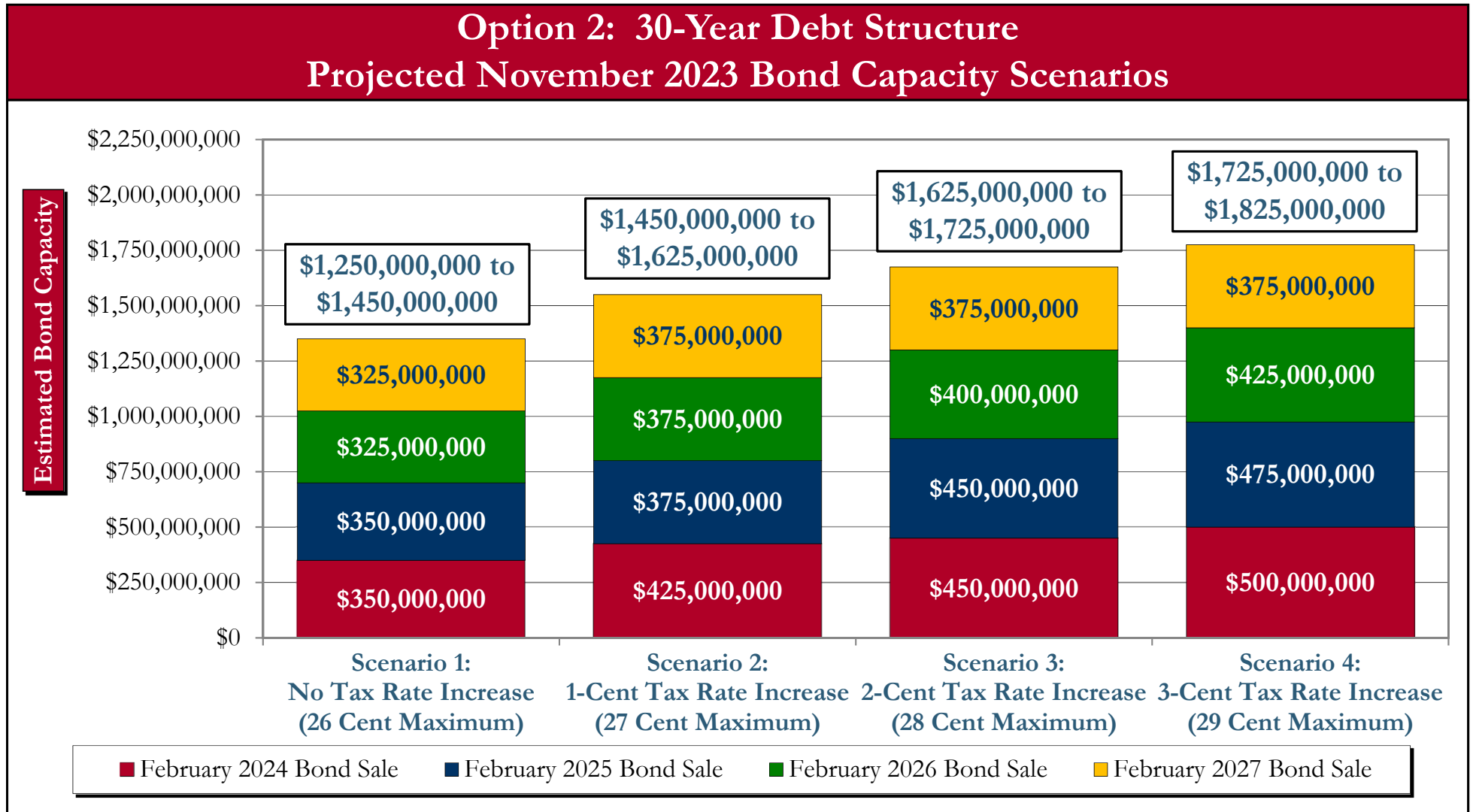
- The following demonstrates Conroe ISD’s projected annual bond capacity over the next 4 years based upon the assumptions summarized herein.





# Preliminary Bond Capacity Analysis – Option 2: 30-Year Debt Structure

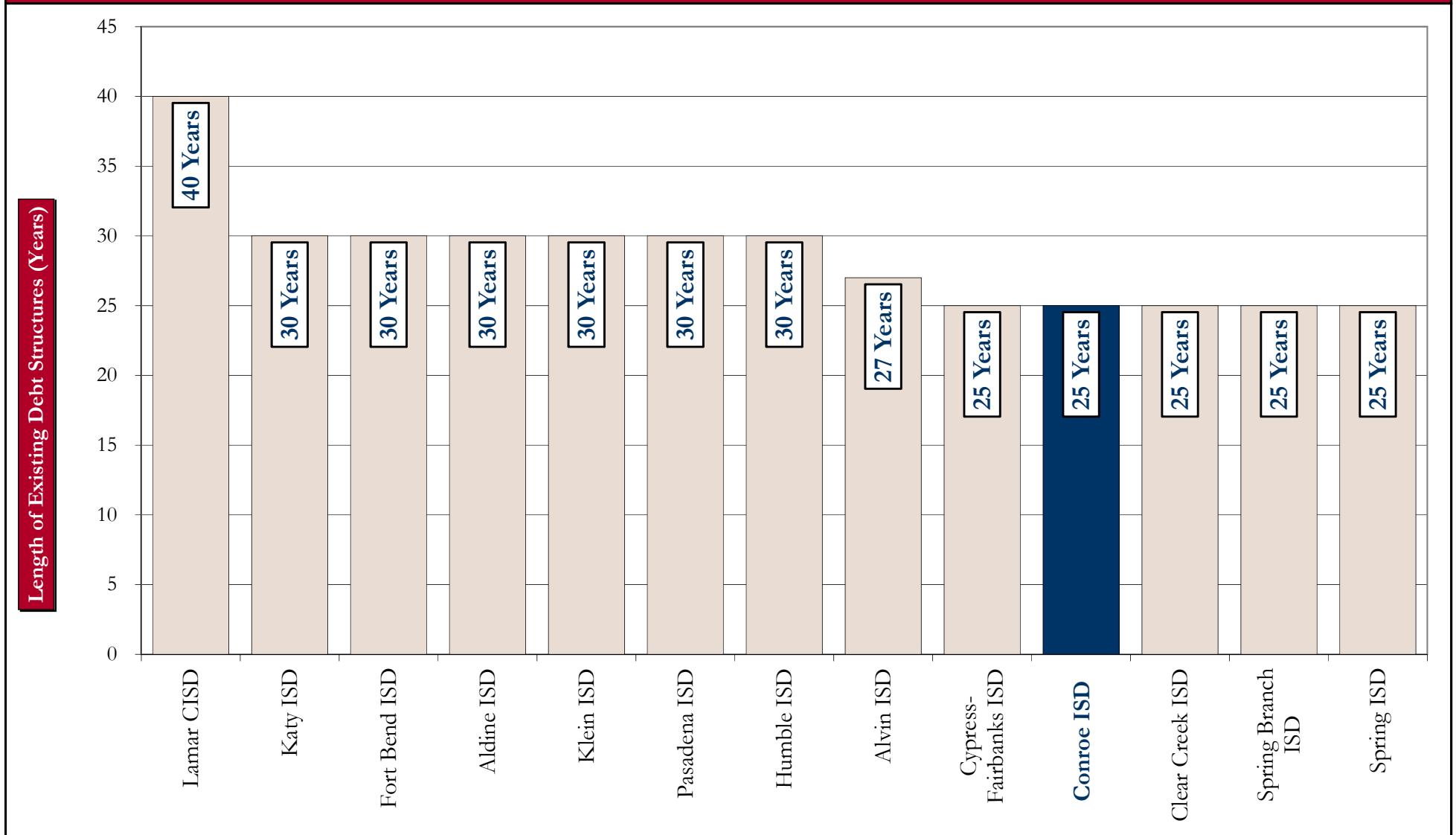
- The following demonstrates Conroe ISD’s projected annual bond capacity over the next 4 years based upon the assumptions summarized herein.





# Debt Structure Comparison

## Debt Structure Comparison of Peer School Districts with 25,000+ Enrollment



Source: The Municipal Advisory Council of Texas, Texas Comptroller of Public Accounts and Various Other Sources.



# Questions

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