

**Discussion of
School Finance in the State of Texas
and
Spring Branch Independent School District's
Tax Rate, Outstanding Debt and
Tax Impact of Bonds Election**



Discussion Items

- **Outstanding Debt**
- **Tax Impact of Potential New Bond Election**
- **Amortization of Debt of Short Life Purchases**
- **Capacity for Future Bond Elections**
- **Acceleration of Construction Program to Minimize Inflation**



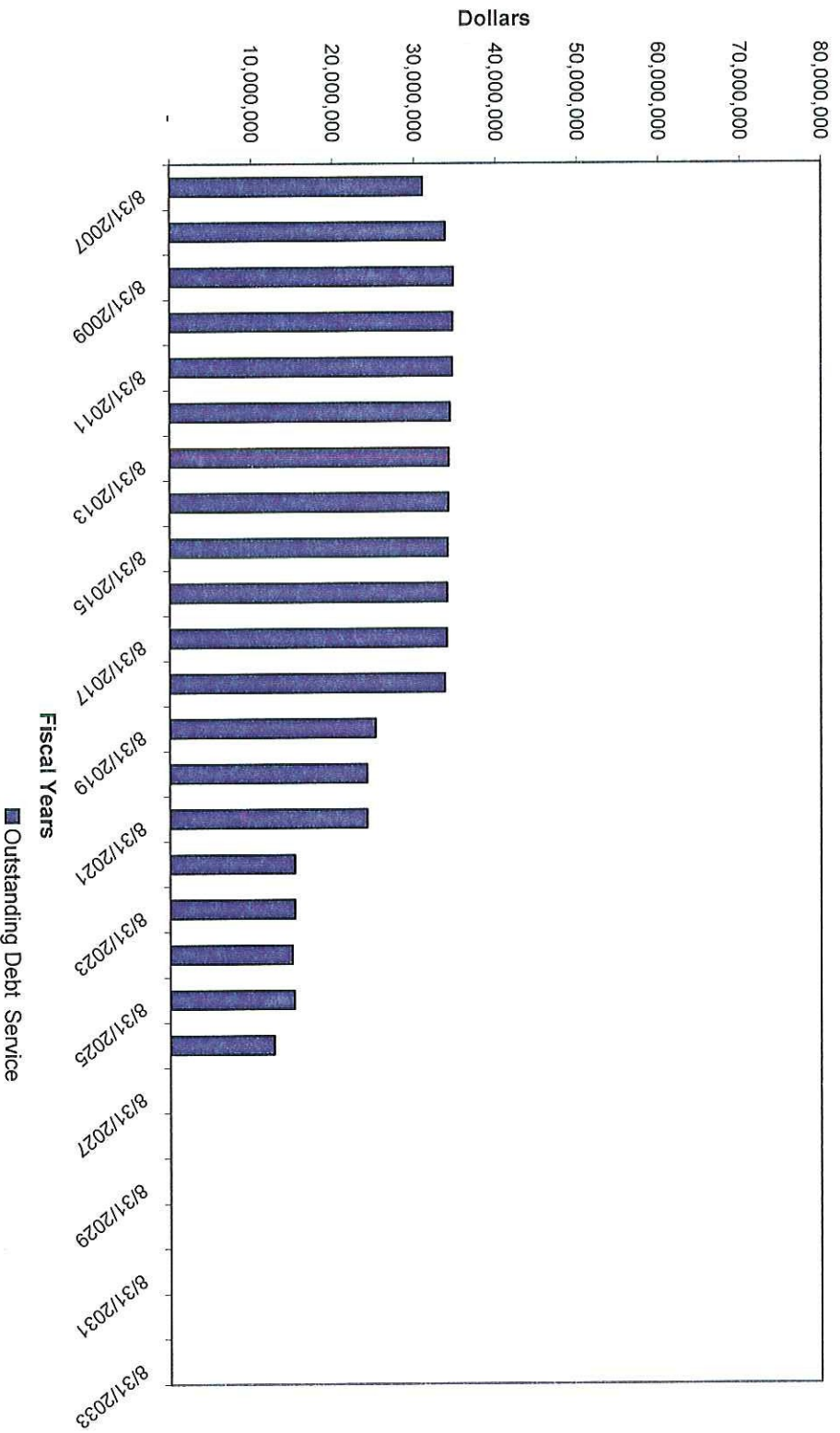
Spring Branch ISD Outstanding Debt

■ \$364,273,008 Schoolhouse Bonds

- Financed the construction and equipping of school buildings.
- \$33,900,000 payment for FY 2007/2008.
- Final maturity in 2026.
- Generally debt service is ascending to \$34.86 million in 2009 and descends in 2019.
- Average interest rate of fixed rate bonds (excluding CABS) is 4.69%
- FY 2006/2007 I&S Tax Rate of \$0.235/100 (including \$.04/100 M&O transfer)



Outstanding Debt Service Requirements Prior to Election



Projection of I&S Tax Rate and Potential New Bonds

Local Assumptions

- I&S Tax Rate of \$0.235/100 for 2006/07
- Taxable Value of the District for 2007/08: \$15.269 billion
- Growth rate of 5.00% through 2012 and 3.00% through 2015
- \$1.5 million loss of frozen taxes
- Collection rate of 100.00%

Debt Service Assumptions

- Interest Rates: 5.00%
- Generally Three Years of Interest Only with 26 Years of Principal Payments
- Extended maturities for a average life of approximately 20 Years of each issue
- AAA Insured Bond Issues

Capital Replacement Program

- District will reserve \$.02/100 of the Tax Rate for Program
- Will be issued with the Bonds for long-term improvements
- District could expect \$34.3 million over the next ten years

Summary of Tax Impact Results

Amount	Date of Issuance	Tax Impact (\$/100)	Annual Tax Impact of \$200,000 Value*	Annual Tax Impact of Average Appraisal**
\$128,105,000 *	May 15, 2008	\$0.055		
\$112,400,000	May 15, 2009	\$0.020		
\$112,400,000	May 15, 2010	\$0.020		
\$112,400,000	May 15, 2011	\$0.013		
\$130,695,000 *	August 15, 2012	\$0.007		
\$596,000,000		\$0.115	\$166.75	\$247.59

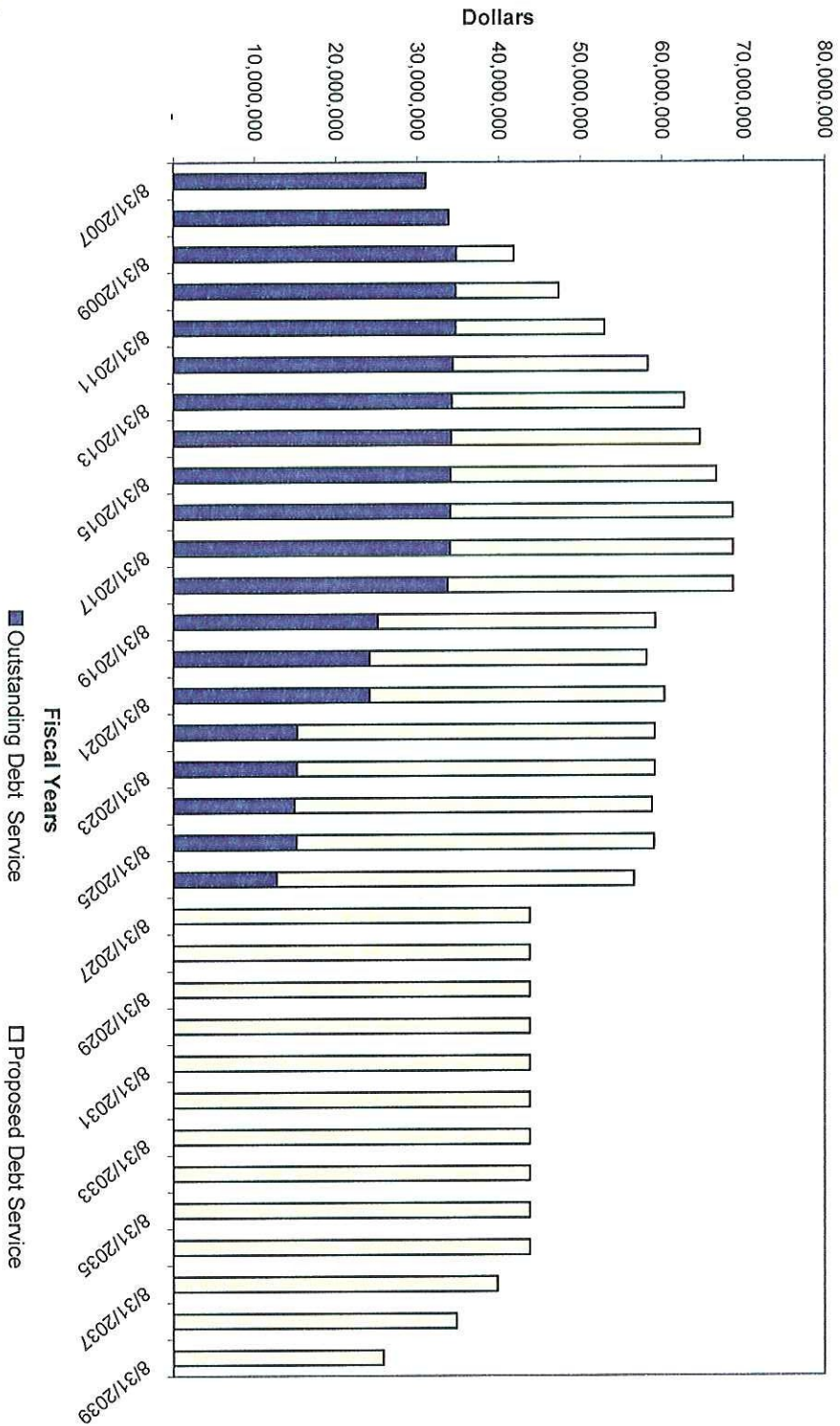
* Includes the issuance for the Capital Replacement Program

**Average Appraisal is \$287,872.



Outstanding and New Election Debt Service

Spring Branch ISD Debt Service with Election



Projected Cashflow of I&S Fund

Year Ending 8/31	Taxable Assessed Value (a)	Projected Tax Rate (b)	Projected Tax Levy	Reflecting Frozen Taxes	Funds Available for Debt Service	Outstanding Debt Service	Capital Replacement Program & Reserve	Total Debt Service of 2008 Election	Total Debt Service with New Election	Surplus Deficit
8/31/2007	14,443,061,977	0.2350	33,941,196	(1,500,000)	32,441,196	31,094,826		7,021,250	31,094,826	1,346,370
8/31/2008	15,269,266,862	0.2350	35,882,777	(1,500,000)	34,382,777	33,893,140	3,206,546	-	33,893,140	489,637
8/31/2009	16,032,730,205	0.2900	46,494,918	(1,500,000)	44,994,918	34,863,311	3,366,873	12,638,125	45,091,107	(96,190)
8/31/2010	16,834,366,715	0.3100	52,186,537	(1,500,000)	50,686,537	34,772,301	3,535,217	18,255,025	50,777,300	(90,763)
8/31/2011	17,676,085,051	0.3300	58,331,081	(1,500,000)	56,831,081	34,757,989	3,711,978	23,896,300	56,548,231	282,850
8/31/2012	18,559,889,304	0.3425	63,567,621	(1,500,000)	62,067,621	34,456,183	3,897,577	28,482,850	66,705,743	1,850
8/31/2013	19,487,883,769	0.3500	68,207,593	(1,500,000)	66,707,593	34,315,316	4,014,504	30,489,232	68,750,577	3,244
8/31/2014	20,072,520,282	0.3500	70,253,821	(1,500,000)	68,753,821	34,246,841	4,134,939	32,530,111	70,658,166	3,270
8/31/2015	20,674,666,890	0.3500	72,361,436	(1,500,000)	70,861,436	34,193,116	4,258,987	34,638,614	73,028,500	3,778
8/31/2016	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279	34,130,899	4,258,987	34,686,364	73,030,187	2,092
8/31/2017	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279	33,815,498	4,258,987	34,955,739	73,030,224	2,055
8/31/2018	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279	25,250,301	4,258,987	33,964,614	62,465,030	9,555,376
8/31/2019	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279	24,241,428	4,258,987	36,141,614	63,476,902	10,567,249
8/31/2020	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279	24,239,551	4,258,987	36,141,614	64,640,153	8,392,126
8/31/2021	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279	15,333,225	4,258,987	43,848,728	63,440,940	9,591,339
8/31/2022	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279	15,315,025	4,258,987	43,847,103	63,421,115	9,611,164
8/31/2023	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279	14,994,938	4,258,987	43,849,353	63,103,277	9,929,001
8/31/2024	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279	12,791,475	4,258,987	43,848,103	60,888,565	12,133,714
8/31/2025	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,848,478	48,107,465	24,924,814
8/31/2026	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,847,728	48,106,715	24,925,564
8/31/2027	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,850,228	48,109,215	24,923,064
8/31/2028	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,846,978	48,105,965	24,926,314
8/31/2029	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,353	48,106,215	24,926,064
8/31/2030	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,978	48,108,965	24,923,314
8/31/2031	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,353	48,108,455	24,923,814
8/31/2032	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,978	48,108,340	24,923,959
8/31/2033	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,353	48,108,340	24,923,959
8/31/2034	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,978	48,108,340	24,923,959
8/31/2035	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,353	48,108,340	24,923,959
8/31/2036	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,978	48,108,340	24,923,959
8/31/2037	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,353	48,108,340	24,923,959
8/31/2038	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,978	48,108,340	24,923,959
8/31/2039	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,353	48,108,340	24,923,959
8/31/2040	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,978	48,108,340	24,923,959
8/31/2041	21,294,936,767	0.3500	74,532,279	(1,500,000)	73,032,279		4,258,987	43,849,353	48,108,340	24,923,959
Total					556,057,621	136,601,305		1,145,696,810	1,829,837,762	

(a) 2006 and 2007 Taxable Assessed Value provided by HCAD or the District. All other years values are based on growth rate assumptions.
 (b) 2006 Tax Rate provided by the District. All other years' tax rate adjusted based on input assumptions.

Maximum Tax Increase

0.1150



Debt of Short Term Issuances

- The District's debt is secured/paid by the Interest and Sinking Fund Tax Rate
- No mortgage is provided to the bondholders as security
- Tax Law requires the Weighted Average Life of the Bonds be within 120% of the "economic life" of the asset
- With the capital replacement program plus regular bond maturities, the District will amortize approximately \$56 million in principal over the first ten years of the first issue

Year	Series 2008	Series 2009	Series 2010	Series 2011	Series 2012	Total
2009	2,575,000					2,575,000
2010	2,840,000					2,840,000
2011	3,120,000					3,120,000
2012	3,425,000					3,425,000
2013	3,745,000					3,745,000
2014	75,000	1,205,000	1,205,000			3,270,000
2015	965,000	1,265,000	1,265,000	1,205,000		5,755,000
2016	1,970,000	1,330,000	1,330,000	1,265,000	3,520,000	8,220,000
2017	2,120,000	1,400,000	1,400,000	1,330,000	4,990,000	10,885,000
2018	2,505,000	1,470,000	1,470,000	1,330,000	5,200,000	11,450,000
						12,270,000
	23,340,000	6,670,000	6,670,000	5,200,000	22,405,000	55,750,000



Capacity for Future Election

- Capacity can be created by either an increase in revenue or a reduction in expenses.
- **Revenue**
 - Increase in value growth beyond 5% and 3% assumptions
 - Increase in the I&S Tax Rate
 - Change in exemptions
 - Increase in State Aid
- **Expense**
 - Decrease in debt service payments (\$9 million in 2019)
 - \$.02/100 (or approx. \$4.5) will be available after 2019 for the capital replacement program
 - Decrease in interest costs below 5.00%



Acceleration of Construction Program to Minimize Inflation

- Acceleration of \$100 million in items whose cost of inflation is 8% would save \$8 million.
- Accelerating the issuance of \$100 million in bonds would cost \$5 million.
- This would give the District a net savings of \$3 million.
- Through the use of interest earnings in the construction fund, the tax rate impact would be nominal.
- Without the use of interest earnings or a reduction of project costs, an increase in the I&S tax rate would occur.