

# Midland ISD

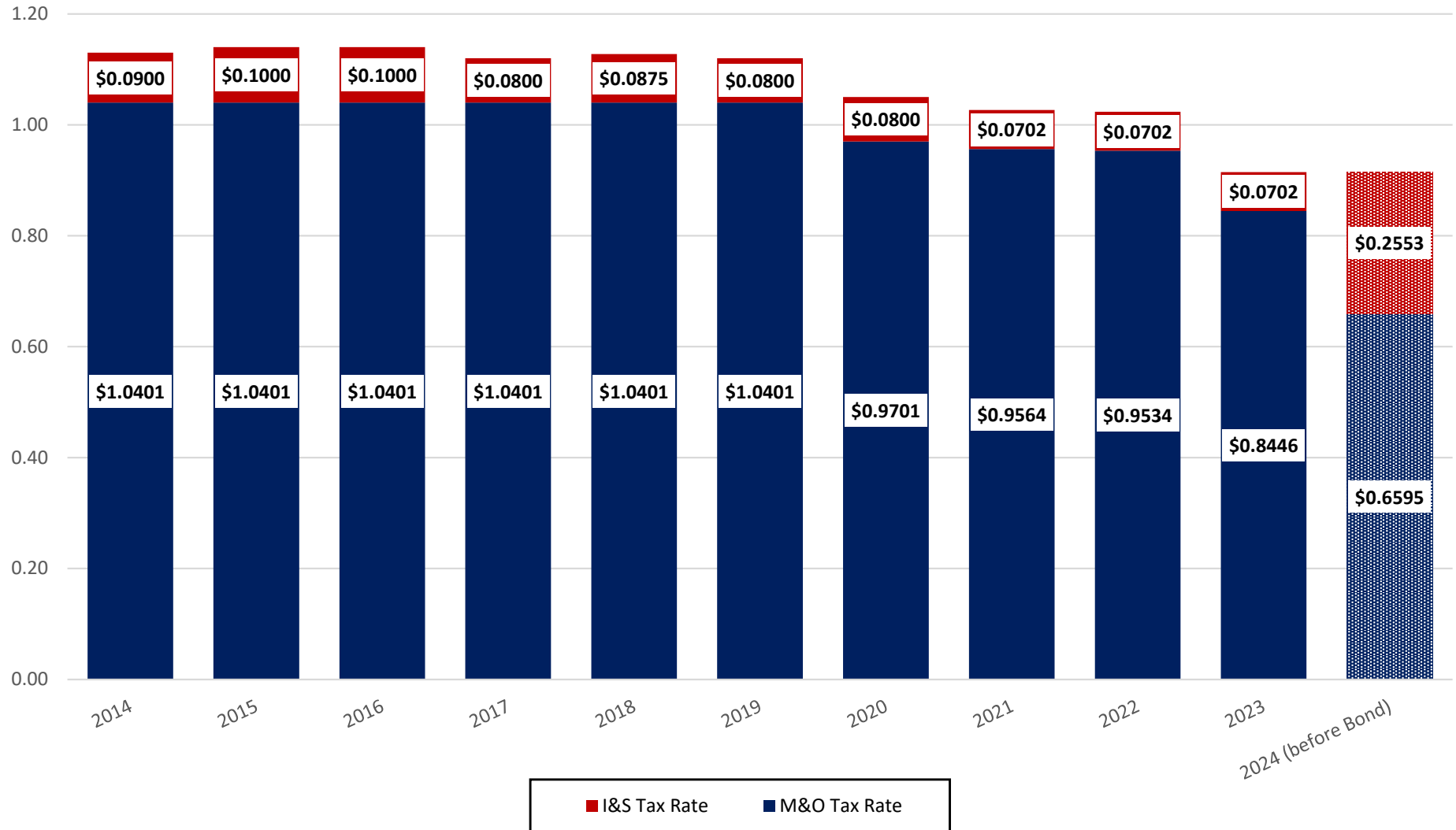
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## Bond Election and Tax Rate Information

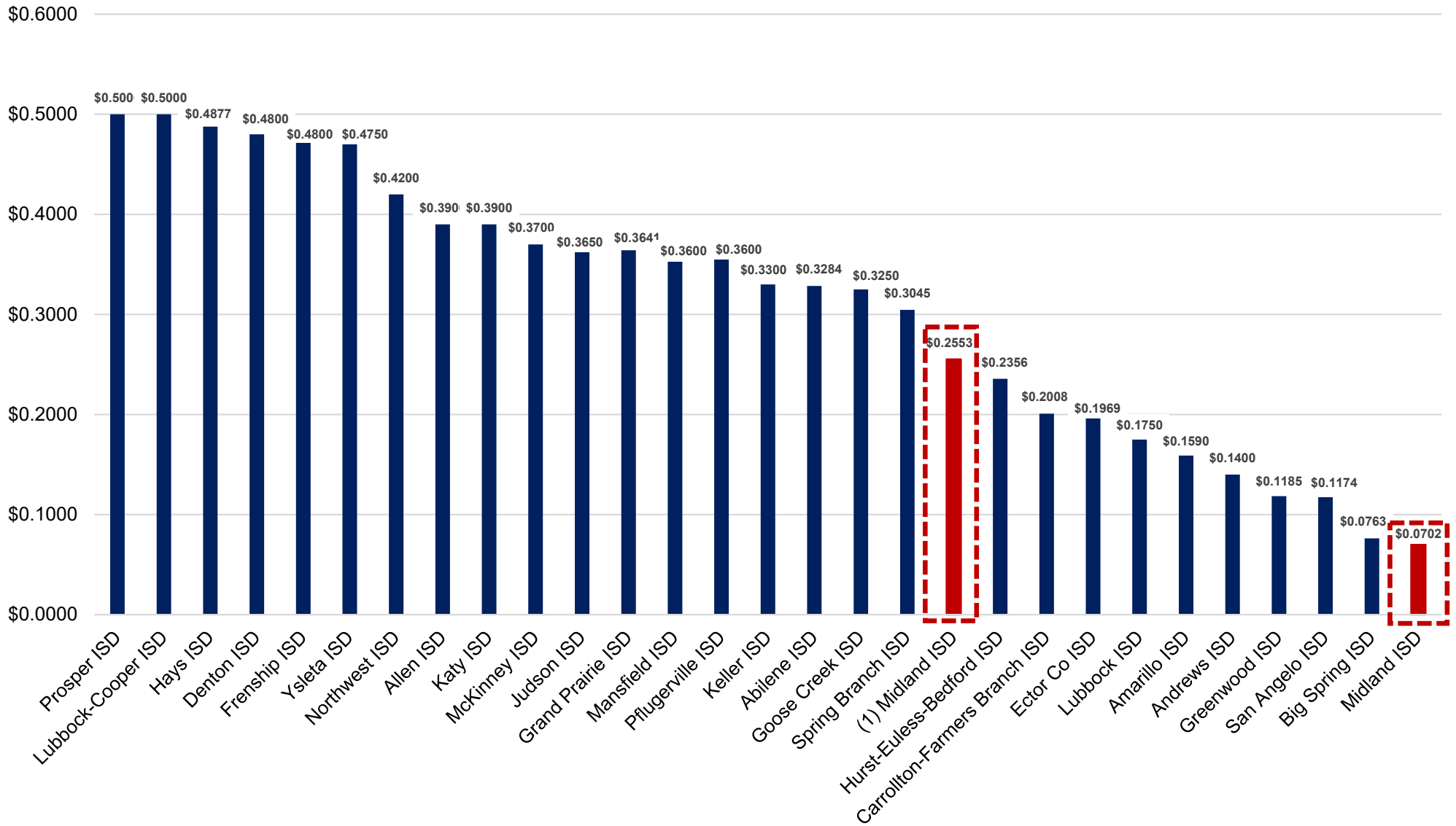


August 10, 2023

# Historical Tax Rates



# I&S Tax Rate Peer Comparison 2022/2023



(1) Based on maintaining the overall total tax rate at \$.9148.



# Benefit of Homestead Exemption Increase

## Homeowner Impact - Average MISD Home Value of \$341,046

With current State Homestead exemption of \$40,000

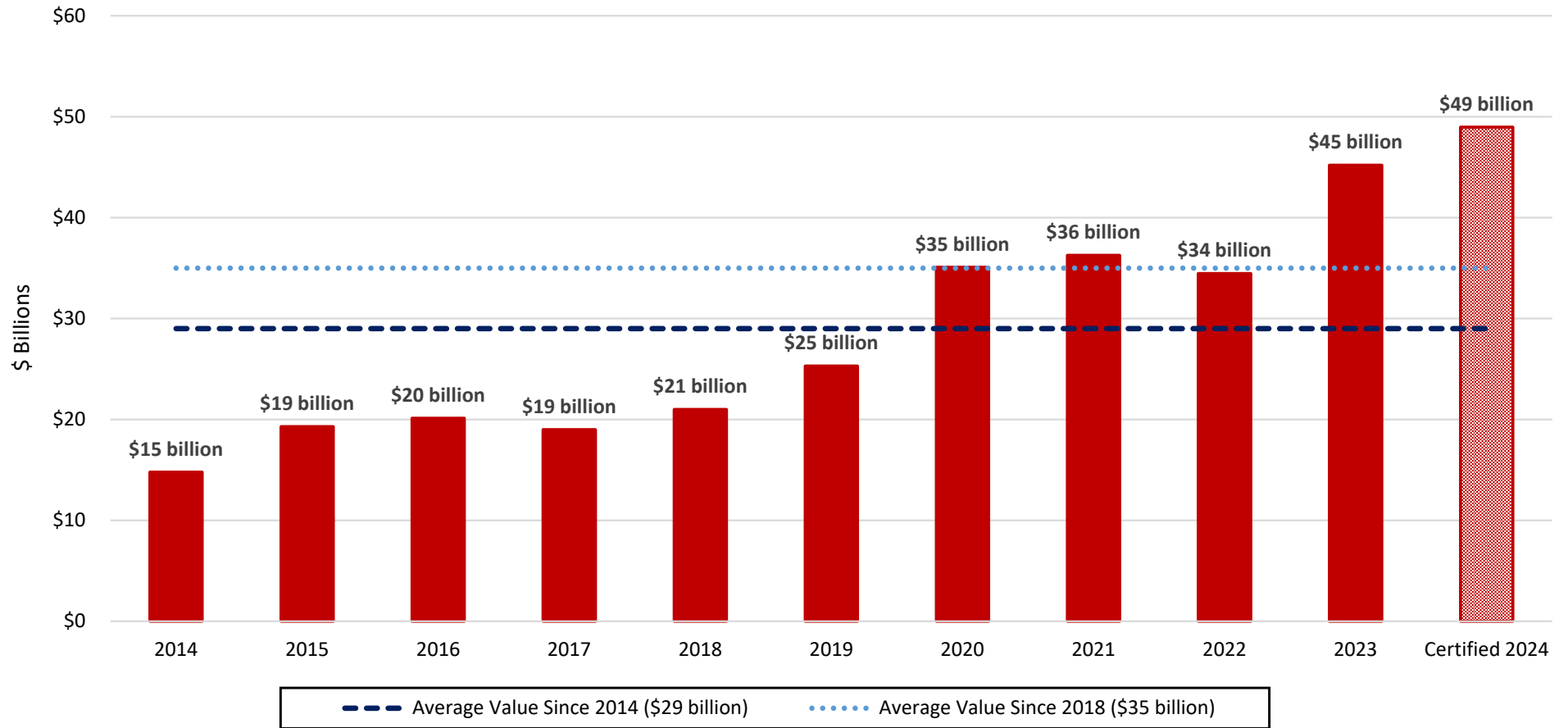
Market Value	Local Exemption 10%	State Exemption	Taxable Home Value After Exemptions	Current Total Tax Rate \$0.9148	
				Annual	Monthly
\$341,046	\$34,105	\$40,000	\$266,941	\$2,442	\$203

With proposed increase in State Homestead exemption from \$40,000 to \$100,000

Market Value	Local Exemption 10%	State Exemption	Taxable Home Value After Exemptions	Current Total Tax Rate \$0.9148	
				Annual	Monthly
\$341,046	\$34,105	\$100,000	\$206,941	\$1,893	\$158

	Annual	Monthly
<u>Tax Impact Savings</u>	\$549	\$46

# Historical Taxable Assessed Valuation



Value Change (%)	1%	31%	4%	-6%	11%	20%	39%	3%	-5%	31%	8%
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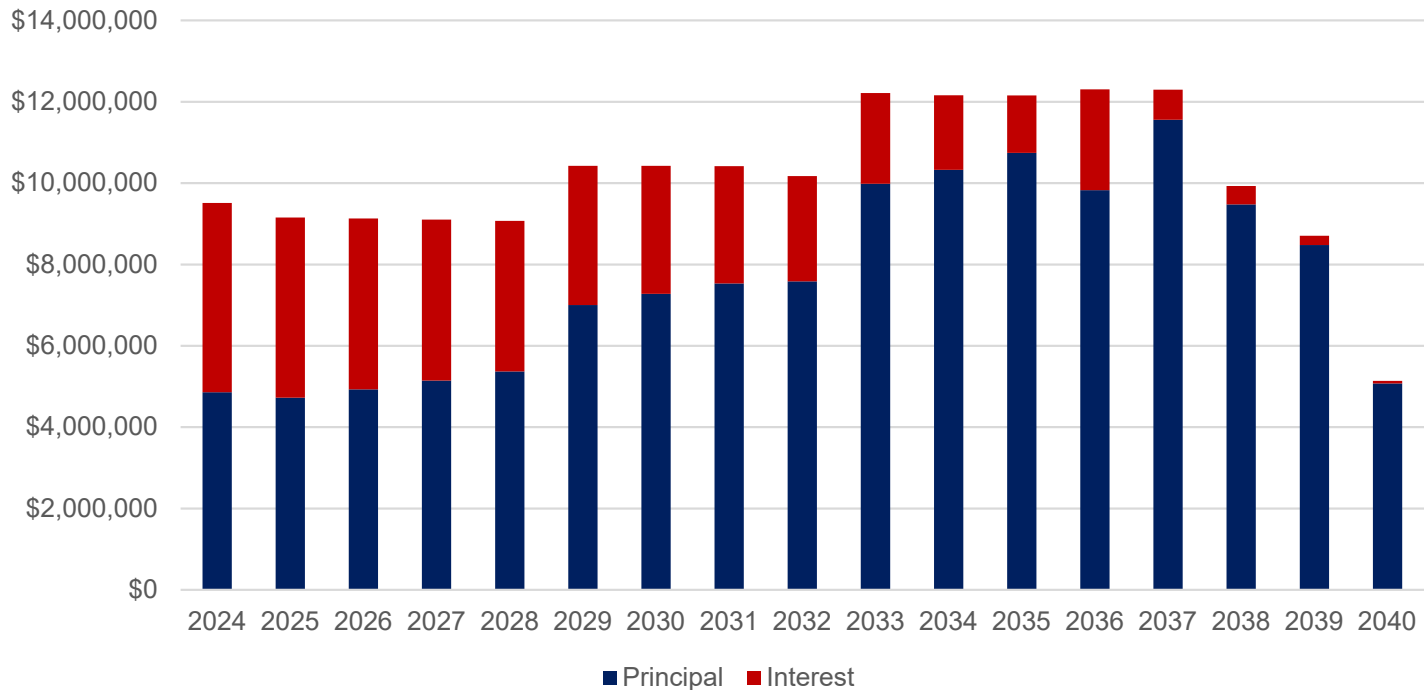
# Existing Debt Profile

## Savings from refundings/defeasances over the past 10 years:

- Total savings on refundings: \$45,527,284
- Total savings on redemptions/defeasances: \$10,712,844
- Combined total savings: \$56,240,128

Issue	Original Par Amount	Amount Outstanding	Call Date	Final Maturity
Unlimited Tax Refunding Bonds, Series 2015	\$ 38,495,000	\$ 13,105,000	2/15/2025	2/15/2032
Unlimited Tax Refunding Bonds, Series 2016	\$ 26,000,000	\$ 25,495,000	2/15/2026	2/15/2038
Unlimited Tax Refunding Bonds, Series 2017	\$ 54,335,996	\$ 52,430,000	2/15/2028	2/15/2035
Unlimited Tax Refunding Bonds, Taxable Series 2020	\$ 39,344,986	\$ 38,889,986	2/15/2030	2/15/2040
	<b>\$ 158,175,982</b>	<b>\$ 129,919,986</b>		

## Annual Debt Service



# Proposition A and B – Tax Impact and Homeowner Tax Impact

## Tax Impact

	Proposition Size	Increase Above Current I&S Tax Rate of \$0.0702
Proposition A	\$1,177,100,000	<b>\$0.1359</b>
Proposition B	\$260,800,000	<b>\$0.0345</b>
Combined	\$1,437,900,000	<b>\$0.1703</b>
<b>Est. Max I&amp;S Tax Rate (INCLUDING Existing Debt)</b>		<b>\$0.2405</b>

## Homeowner Impact - Average MISD Home Value of \$341,046

Market Value	Local Exemption 10%	State Exemption	Taxable Home Value After Exemptions	Proposition A		Proposition B		Combined Propositions	
				Annual	Monthly	Annual	Monthly	Annual	Monthly
\$341,046	\$34,105	\$40,000	\$266,941	\$363	\$30	\$92	\$8	\$455	\$38

Proposed legislation would increase the State Homestead exemption from \$40,000 to \$100,000.  
Below is the calculated homeowner impact with \$100,000 Homestead Exemption.

Market Value	Local Exemption 10%	State Exemption	Taxable Home Value After Exemptions	Proposition A		Proposition B		Combined Propositions	
				Annual	Monthly	Annual	Monthly	Annual	Monthly
\$341,046	\$34,105	\$100,000	\$206,941	\$281	\$23	\$71	\$6	\$353	\$29

# Proposition A, B and C – Tax Impact and Homeowner Tax Impact

## Tax Impact

	<u>Proposition Size</u>	<u>Increase Above Current I&amp;S Tax Rate of \$0.0702</u>
Proposition A	\$1,126,700,000	<b>\$0.1281</b>
Proposition B	\$257,900,000	<b>\$0.0345</b>
Proposition C	\$53,300,000	<b>\$0.0077</b>
Combined	<u>\$1,437,900,000</u>	<u><b>\$0.1703</b></u>
<b>Est. Max I&amp;S Tax Rate (INCLUDING Existing Debt)</b>		<b>\$0.2405</b>

## Homeowner Impact - Average MISD Home Value of \$341,046

Market Value	Local Exemption 10%	State Exemption	Taxable Home Value After Exemptions	Proposition A		Proposition B		Proposition C		Combined Propositions	
				Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly
\$341,046	\$34,105	\$40,000	\$266,941	\$342	\$29	\$92	\$8	\$21	\$2	\$455	\$38

Proposed legislation would increase the State Homestead exemption from \$40,000 to \$100,000.  
Below is the calculated homeowner impact with \$100,000 Homestead Exemption.

Market Value	Local Exemption 10%	State Exemption	Taxable Home Value After Exemptions	Proposition A		Proposition B		Proposition C		Combined Propositions	
				Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly
\$341,046	\$34,105	\$100,000	\$206,941	\$265	\$22	\$71	\$6	\$16	\$1	\$353	\$29





# I&S Tax Rate Options

A	B	C	D	E	F	G
<b>Version #1 - Calculated I&amp;S</b>						
	2022/23 Current	Before Bond 2023/24 Preliminary	After Bond Preliminary	Change	Avg. Homeowner Impact <sup>(3)</sup>	
					Annual	Monthly
M&O	\$ 0.8446	\$ 0.6595	\$ 0.6595	\$ -	\$ -	\$ -
I&S	\$ 0.0702	\$ 0.0196	\$ 0.2483 <sup>(1)</sup>	\$ 0.2287	\$ 473	\$ 39
Total	\$ 0.9148	\$ 0.6791	\$ 0.9078	\$ 0.2287	\$ 473	\$ 39
<b>Version #2 - Maintain I&amp;S Rate</b>						
	2022/23 Current	Before Bond 2023/24 Preliminary	After Bond Preliminary	Change	Avg. Homeowner Impact	
					Annual	Monthly
M&O	\$ 0.8446	\$ 0.6595	\$ 0.6595	\$ -	\$ -	\$ -
I&S	\$ 0.0702	\$ 0.0702	\$ 0.2405 <sup>(1)</sup>	\$ 0.1703	\$ 353	\$ 29
Total	\$ 0.9148	\$ 0.7297	\$ 0.9000	\$ 0.1703	\$ 353	\$ 29
<b>Version #3 - Maintain Total Tax Rate</b>						
	2022/23 Current	Before Bond 2023/24 Preliminary	After Bond Preliminary	Change	Avg. Homeowner Impact	
					Annual	Monthly
M&O	\$ 0.8446	\$ 0.6595	\$ 0.6595	\$ -	\$ -	\$ -
I&S	\$ 0.0702	\$ 0.2553	\$ 0.2210 <sup>(2)</sup>	\$ (0.0343)	\$ (71)	\$ (6)
Total	\$ 0.9148	\$ 0.9148	\$ 0.8805	\$ (0.0343)	\$ (71)	\$ (6)

(1) Assumes maximum I&S tax rate projected to occur in 2033.

(2) Assumes maximum I&S tax rate projected to occur in 2028.

(3) Based on average home value of \$341,046 less \$100,000 homestead exemption and 10% local exemption.

# FY 2024 Funds Available Towards Early Repayment

	Version #1 Calculated I&S	Version #2 Maintain I&S Rate	Version #3 Maintain Total Tax Rate
<b>Estimated FYE 2023 I&amp;S Fund Balance</b>	<b>\$ 17,900,000</b>	<b>\$ 17,900,000</b>	<b>\$ 17,900,000</b>
Taxable Assessed Valuation	\$ 48,961,833,242	\$ 48,961,833,242	\$ 48,961,833,242
Tax Collection %	99.00%	99.00%	99.00%
<b>I&amp;S Tax Rate</b>	<b>\$ 0.0196</b>	<b>\$ 0.0702</b>	<b>\$ 0.2553</b>
<b>Calculated I&amp;S Revenue</b>	<b>\$ 9,512,140</b>	<b>\$ 34,027,495</b>	<b>\$ 123,749,565</b>
Debt Service Payments FY 2024	\$ (9,512,140)	\$ (9,512,140)	\$ (9,512,140)
<b>Estimated Amount Towards Defeasance</b>	<b>\$ (12,900,000)</b>	<b>\$ (37,417,194)</b>	<b>\$ (127,853,005) *</b>
<b>Estimated FYE 2024 I&amp;S Fund Balance</b>	<b>\$ 5,000,000</b>	<b>\$ 4,998,161</b>	<b>\$ 4,284,420</b>

\* Calculated amount to defease all existing bonds in FY 2024.

- Version #2 calculated interest savings: \$10,135,944
- Version #3 calculated interest savings: \$34,981,965

# Bond Election Assumptions

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## Assumptions:

- Four equal annual issuances beginning summer 2024
- 30 year amortization
- 99% tax collection percentage
- 5.25%-5.50 assumed future rates for illustration
- Tax impact based on \$45 billion taxable assessed valuation
- Main tax impact assumes an I&S rate of \$.0702 for FY 2024 and defeasance in 2024 utilize the surplus I&S generated

## Appendix: Bonds 101 Information

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## What is a Bond?



A school bond is similar to a home mortgage. It is a contract to repay borrowed money over time with a fixed, tax-exempt interest rate.



Bonds are approved/authorized by voters and later sold by a school district to lenders/underwriters to raise funds to pay for the costs of construction, acquisitions, renovations and/or equipment.



Bond authorizations can be sold in one bond issuance or multiple issuances over a two to five year period or longer.



Almost all school districts in Texas utilize voted bonds to finance new facilities and major renovation projects.

## How are Bonds Repaid?

A school district has two components to its total tax rate:

Maintenance and Operations (“M&O”) + Interest and Sinking Fund (“I&S”)



The district levies an annual I&S tax rate against the taxable property in the District to make their bond payments. **The I&S tax rate can only be levied for repayment of voted bonds.**



The State Attorney General will not approve a bond issue that is projected to result in an I&S tax rate above \$0.50 in any year that the bonds are outstanding using the current tax base at the time of bond issuance

**MISD’s current Tax Rate: \$0.8446 M&O + \$0.0702 I&S = \$0.9148**

### What is the Payback Period of a Bond?



Depending on the projects being financed with a bond issue, a school district bond will typically have a term of between 20 and 35 years (maximum legal term is 40 years).



If short life projects like technology or transportation are included in a bond issuance, the amounts borrowed for those items are paid off within their five or ten year useful lives.

### What will the Interest Rate Be?

**The interest rate is not be finalized until bonds are sold, which takes place after the passage of a bond election**

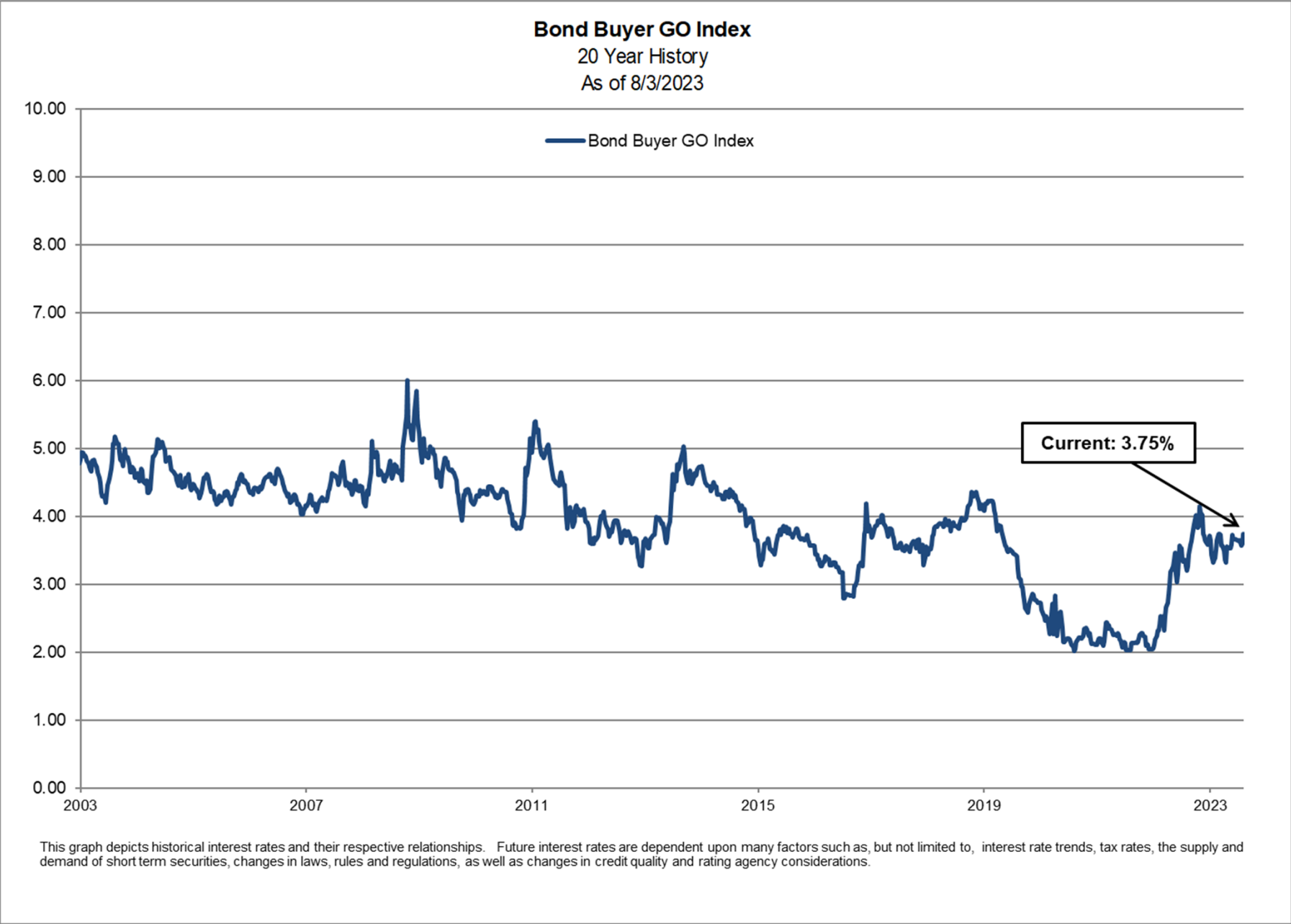
School districts are able to borrow money at lower, tax-exempt interest rates meaning that the interest earned by the investor is not subject to Federal income taxes

Texas school district bonds also qualify for the State Permanent School Fund Guarantee (“PSF”). The PSF allows for the bonds to receive a ‘AAA’ rating which is the highest credit rating.

**These two factors will allow MISD bonds to be priced at the lowest available interest rates at the time of issuance**



# Historical Interest Rates: Bond Buyer's 20 Year Index



# General Tax Rate Information

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**All Texas homeowners are eligible to receive a \$100,000 (subject to Statewide vote in November) State homestead exemption on school taxes**

MISD also offers an additional local homestead exemption of 10%

**With a bond, taxpayers over 65 will not have their school district taxes go above the frozen levy amount when the over 65 exemption was granted**

Absent home renovations or improvements, a successful bond election will not increase taxes on a home for these qualified taxpayers

Additional Disability and Veteran exemptions may be available for persons who qualify



**I&S taxes levied to repay debt are not subject to recapture**

100% of bond dollars stay in MISD = \$1 to \$1