



Bond Planning Committee Meeting 2

September 10, 2009

The second meeting of the GCISD Bond Planning Committee was held at 6 p.m. on Thursday, September 10, 2009, at the Professional Development and Education Center. 45 members of the 52-member committee were present.

Welcome and Review

Paula Barbaroux, GCISD Chief Operations Officer and Administrative Facilitator/ Advisor to the Committee, welcomed members and used a PowerPoint presentation to lead the committee in a review of information presented during Meeting 1 on August 27, 2009. The review included highlights from the budget and finance presentation, and the committee's charge. She reminded members to complete and return the "Yes!" participation form, and announced that the committee would elect officers at the next meeting. She noted that meeting minutes and presentations from Meeting 1, as well as the 2005 Bond Report Card, were posted on the GCISD Bond website.

GCISD Debt Capacity Report

Hank Johnson, GCISD Chief Financial Officer, introduced Bill Gumbert, the District's financial advisor and Director of Texas Public Finance for Bank of Texas. Mr. Gumbert used a PowerPoint presentation to review the District's current debt capacity and provide a preliminary tax rate impact analysis for a new bond program.

- 2005 Bond Program Review

Mr. Gumbert reviewed the election results and financial impact of the 2005 Bond Program. In September 2005, voters approved the \$107.9 million referendum by a margin of more than 2:1 (68.5% to 31.5%). At the time the referendum was passed, the debt service tax rate (the rate used to repay bonds) was projected to increase by 3.3 cents, from 22.9 cents to 26.2 cents. Mr. Gumbert reported that GCISD has been able to implement the 2005 Bond Program at a lower tax increase – 1.2 cents less – than originally expected. As such, the 2005 Bond Program has been implemented at approximately two-thirds of the original projected cost.

Two bond series were sold for the program. Mr. Gumbert said that the District was able to time the sale of bonds to favorable market conditions. He provided a review of bond market interest rates from 1999-2009 and told the committee that now is a good time to

consider a long-term bond program due to favorable interest rates now and projected for future months.

- Current District Debt Capacity

GCISD currently has seven individual series of bonds outstanding, which amounts to a debt service of approximately \$27.5 million annually. Mr. Gumbert reported that the District has the capacity to move forward with a bond program without increasing the debt service tax rate. He added that the capacity to call new bonds is limited for the first four to five years due to the existing debt from previous bond programs. This is important as it relates to technology or equipment, which typically is amortized over a shorter period (less than 5 years) than facilities (25-30 years). Mr. Gumbert noted that if the priorities of a new bond program are more short-term, then it may not be possible to fund the program without a tax increase.

- New Bond Program Scenarios and Assumptions

Mr. Gumbert outlined four possible scenarios for funding a future bond program. He mentioned that projections are based on conservative assumptions so that the program can deliver what is promised.—The scenarios assume an interest rate of 5.75 percent in July 2010, 25-year amortization, at least \$1.75 million with short-term amortization for technology and equipment, no growth in District tax base due to current economic conditions and unemployment projections, and a 98.5 percent tax collection rate. The following scenarios were discussed:

Bond Program Scenario	Tax Rate Increase	Debt Service Tax Rate	Debt Service Tax Increase
\$58.5 million	\$0	25 cents (current)	\$0
\$80 million	1.41 cents	26.41 cents	\$37.32
\$100 million	2.73 cents	27.73 cents	\$72.24
\$120 million	4.06 cents	29.06 cents	\$107.40

** Amounts projected for an annual average taxable home value of \$264,554*

In accordance with state law, the District’s Board of Trustees would have to call a bond election no later than February 5, 2010, to hold an election on May 8, 2010. Mr. Gumbert said that bond proceeds could be received as early as August 10, 2010, which would allow bond projects to begin in fall 2010.

- Comparisons of Recent Area Bond Elections and Financial Ratings

A summary of successful school bond elections in the Dallas/Fort Worth area since January 1, 2008, was provided. Seventeen school districts have passed bond elections in amounts ranging from \$21 million (Jacksboro ISD in November 2008) to \$1.35 billion (Dallas ISD in May 2008). The most recent elections passed include Allen ISD (\$119.4 million), Carroll ISD (\$138 million), and Coppell ISD (\$55.9 million), all in May 2009.

GCISD maintains strong bond ratings from the national credit agencies, Mr. Gumbert reported. The District is in the top 12 percent of all Texas school districts rated by Moody’s Investors Service, the top 13 percent of all Texas districts rated by Standard &

Poor's Ratings Services, and has achieved the state's highest rating for financial management and reporting for six consecutive years. In addition, Mr. Gumbert provided comparisons to other Dallas/Fort Worth area school districts in regard to the amount of bond debt. The reports illustrate that GCISD has one of the lowest debt ratios per taxable assessed valuation, one of the shortest periods for repayment of all debt, and one of the lowest debt tax rates.

Mr. Gumbert and Mr. Johnson then answered questions concerning the assumption used regarding short-term amortization for technology and related equipment, the frequency of bond programs that would be needed to support technology, standard technology replacement cycles, and projected interest rate assumptions used in the analysis.

Enrollment, Demographics and Boundaries

Mr. Johnson used a PowerPoint presentation to provide information regarding current and projected student enrollment, demographic trends, and boundary considerations. GCISD's current student enrollment is approximately 13,700. He reported that enrollment in GCISD has declined by nearly 300 students since 2006-2007. The decline is attributed to several factors:

- 1) Recent graduating classes have been larger than classes entering elementary school, resulting in approximately 100 students less coming into the GCISD system each year;
- 2) Decline in new residential construction, with no indication of significant development returning soon;
- 3) The national economic conditions.

In March 2008, the District conducted a study of enrollment and demographic trends that projected enrollment growth over the next 10 years to more than 14,000 students due to residential development at that time. The unanticipated downturn in the economy nationwide slowed or stopped new construction in the area, which nullified the 10-year projections. An update based on current and future projected conditions will be provided in November.

Mr. Johnson reported that the demographic make-up of GCISD is changing. Since 2005-2006, the District has experienced increases in the number of bilingual, Hispanic, and economically disadvantaged students. Such change has resulted in expanded and new student programs that typically require additional staff members and facility space.

Mr. Johnson also discussed boundary change implications, reasons to consider changing campus boundaries (attendance zones), and parameters to consider. Typical reasons to consider boundary changes are for student population growth, new facilities, a more efficient use of existing facilities, and population/sub-group balance. Parameters include the life span of the change, effective date, racial-economic balance, resource equity, program impact, financial impact (cost of program vs. cost to build), and public-social impact.

Mr. Johnson said that when you have a school district as “mature” as GCISD, changing school boundaries can be extremely difficult as parents have purchased homes in the attendance zones of the schools they want their children to attend. In addition, changing boundaries can have an inadvertent negative effect on existing programs, campus populations, and demographic balances. In terms of demographics, the current boundary balance in GCISD for high school is nearly even both in overall enrollment and by each student population. A current breakdown of student population by sub-group was provided for middle and high schools.

Facility Functional Capacity & Educational Program Standards

Jim F. Chadwell, Deputy Superintendent, and Doug Benson of Huckabee & Associates, Inc., (the District’s architect) used a PowerPoint presentation to provide an overview of District educational standards, and outline the process and preliminary findings of a recent facility capacity study. Mr. Chadwell discussed the District’s vision for providing facilities to achieve excellence in education for all students. He explained that the facility study was conducted to analyze current use of existing schools to maximize efficiency and determine potential need for new facilities and/or additions.

Mr. Chadwell said the District’s schools are well-sized in that they are big enough to provide the programs wanted in a 5-A school district without being too large or impersonal. However, many campuses were built before current educational standards and program expectations existed. Key factors for adding or expanding facilities are demographic/population changes, expansion of existing programs, and addition of new programs to meet changing student needs. He said that over the last 15 years, schools have been re-tasking classroom areas to meet new and expanding program needs and expectations. For example, some schools have re-appropriated classroom space to add additional science labs. The addition or expansion of other programs (i.e. Special Education, Reading interventions, etc.) also has had a similar impact.

Mr. Chadwell reviewed the process for the facility capacity study and Mr. Benson highlighted study data. Mr. Benson said the study focused on all spaces that could be used for core instruction. Preliminary findings indicate that the District’s schools are functioning efficiently. The study found that Silver Lake Elementary has a definitive need for additional capacity, while Bear Creek Elementary and Timberline Elementary could need additional space depending on enrollment and/or program growth. Other schools to monitor include Colleyville Elementary, Dove Elementary, Grapevine Elementary, and Colleyville Middle School.

Ms. Barbaroux explained that one method to consider when discussing the addition of classrooms or facilities is to add smaller spaces for programs such as Reading Recovery/interventions, dyslexia, Special Services, tutoring, etc. Most of the District’s schools were built before some of these programs existed, and the level of need within other programs has increased in recent years. Intervention programs typically work with smaller numbers of students at a given time and, as such, typically require less space than traditional classrooms.

Administrators addressed questions regarding designated space for Career and Technical Education courses, efficiency of spaces in common areas and areas designated for technology, cost to renovate vs. cost to build new, available District-owned land or acquisition opportunities, and potential for purchasing existing facilities if needed.

The meeting adjourned at 7:23 p.m. The next meeting is scheduled for Thursday, September 24, 2009, 6-7:30 p.m. at the Professional Development and Education Center.

Handouts provided:

- PowerPoint review by Paula Barbaroux
- Preliminary Tax Rate Impact Analysis PowerPoint presentation by Bill Gumbert
- Enrollment, Demographics and Boundaries PowerPoint presentation by Hank Johnson
- Facility Capacity PowerPoint presentation by Doug Benson and Jim F. Chadwell
- Membership Roster
- Meeting 1 minutes: August 27, 2009