CAPITAL IMPROVEMENT AND BOND PLANNING ADVISORY COMMITTEE

REPORT TO THE

MEMBERS OF THE BOARD OF TRUSTEES

AUSTIN INDEPENDENT SCHOOL DISTRICT

MARCH 22, 2012
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COMMITTEE MEMBERS AND CO-CHAIRS

Co-Chairs
Richard Frazier
Albert Hawkins

Members
Andy Anderson
Lucio Calzada
Kimiko Cartwright
Nicole Conley-Abram
Tommy Cowan
Paul Cruz
Brett Currie-Wood
Ramon de Jesus
Roxanne Evans
Debra Haas
Lawrence Huang
LaDonna Massad
Bill Mullane
Rae Nwosu
Marina Reynaga
Drew Scheberle
Vincent Torres
Greg Weaver
Ken Zarifis
• The CIBPAC is charged with evaluating all capital improvement needs of the district, and providing recommendations to the Superintendent.

• In developing its recommendations, the CIBPAC shall carefully consider any information provided by district administration.

• In its deliberations, the CIBPAC may consider, but it is not limited to, the following:
  o Conditions of schools and other district facilities
  o Facility equity
  o Strategic priorities
  o Current and projected growth
  o School overcrowding and under-utilization
  o New or expanded academic program offerings
  o Student transportation
  o Technology
  o Health and safety
  o Resource conservation and environmental protection
  o Community and regional plans
  o Future bond programs
  o Other areas as may be directed by the Superintendent
Establishment

- The Capital Improvement and Bond Planning Advisory Committee (CIBPAC) is established as an ad hoc advisory body of the district. Under provisions of district policy BDF-Local, the CIBPAC is responsible to, reports to, and serves at the will of the Superintendent.
- The Superintendent designates the Chief Operations Officer (COO) as Coordinator for the CIBPAC.
- Under provisions of district policy BDF-Local, the CIBPAC charter shall be developed by the Coordinator of District Advisory Bodies in consultation with the COO, based on any guidance that may be provided by the Superintendent, and approved by the CIBPAC.

Membership

- The CIBPAC shall strive to reflect the geographic, ethnic, cultural, and economic diversity of the district, and include the following balance of perspectives: parents; community members; expertise in related areas such as business, finance, land development, and construction; and district employees from campuses and central offices.
- The CIBPAC shall consist of a minimum of 20 members. The membership may include up to six district employees.
- The Superintendent delegates the selection of CIBPAC members to the COO. In making membership selections, the COO may consider applications received by the Coordinator of District Advisory Bodies, as well as referrals from other appropriate sources.
- The Superintendent also delegates the selection of two CIBPAC Co-Chairs to the COO. No more than one Co-Chair may be an employee of the district.
- Regular attendance by members is expected, and is important to representation, thorough discussion, and decision-making.
- Members are expected to conduct themselves with courtesy at all times. Members shall not use their position on the CIBPAC to gain or attempt to gain an undue advantage for themselves or anyone else. Members shall not speak for the CIBPAC unless otherwise authorized by the CIBPAC; members shall not speak for the district unless otherwise authorized by the district.

Meetings

- Unless otherwise directed by the Superintendent, the Co-Chairs shall consult with the COO to establish a meeting schedule for the CIBPAC, including a projected end date for the work of the committee.
- The Co-Chairs shall consult with the COO to establish agendas for each CIBPAC meeting.
- CIBPAC meeting agendas shall be posted at a location accessible by the public and on the CIBPAC website at least 72 hours in advance. CIBPAC meetings shall be open to the public, and the Co-Chairs shall ensure that the district’s standard guidelines for citizens communications and visitors are applied.
- The Co-Chairs may form CIBPAC subcommittees to perform various work and to make recommendations to the full CIBPAC for consideration. Subcommittees must be smaller than a quorum of the full CIBPAC. Subcommittees meetings are not open to the public.
- Members shall attempt to reach decisions by consensus. However, if a clear consensus cannot be obtained, decisions shall be reached by a majority vote of members present. The Co-Chairs may determine whether proxy votes or email votes are allowed.
Responsibilities

- The CIBPAC Co-Chairs shall preside over meetings and represent the CIBPAC as necessary or appropriate.
- The COO shall coordinate arrangements for CIBPAC meetings, including meeting space, support staff, and materials.
- The COO shall ensure that basic minutes are kept for each CIBPAC meeting and posted on the CIBPAC website.
- The COO, through the Superintendent’s Board Weekly Update process, shall provide periodic progress reports on the CIBPAC’s work.
- Any formal CIBPAC recommendations or reports shall be provided to the Superintendent, and at the same time shall be provided for the information of the Board and posted on the CIBPAC website.
- The Superintendent shall make final administrative recommendations to the Board for consideration.
- The Superintendent shall consult with the Board in determining whether the CIBPAC should continue to serve as a district advisory body beyond its projected end date and, if so, in what form or function.
The CIBPAC held four meetings, January 24, 2012, February 8, 2012, February 21, 2012, and March 21, 2012. During those meetings the committee, under the leadership of co-chairs Mr. Albert Hawkins and Mr. Richard Frazier, reviewed the following broad categories of information through presentations by both community experts and district staff:

- An overview of the CIBPAC membership, meeting schedule and charge.
- An overview of the Facility Master Plan Framework and the relationship of the CIBPAC recommendation regarding the possible formation of a Citizens’ Bond Advisory Committee (CBAC).
- A review of a proposed “Decision Framework” which included key criteria for consideration in making a committee decision, and questions and considerations to guide discussion of these criteria.
- A copy of the District’s Strategic Plan 2010-15 and the Facility Master Plan Framework, which was approved by the Board of Trustees on November 21, 2011.
- A comprehensive review of compiled facility condition data for Priorities 1-5 systemic repairs (deferred maintenance), disaggregated by both school and by building/site system; educational adequacy; functional equity; and Americans with Disabilities Act public access, program and renovations improvements. Also reviewed was a staff report on energy efficiency improvements for the top two priorities in the facility condition database.
- A summary of the approved use of surplus 2008 Bond Program contingency funds for systemic repairs and 2012-13 Annual Academic and Facilities Recommendations (AAFRs).
- An overview of District needs in the areas of Information Systems (Technology), Safety and Security (Life Safety Systems) and Transportation (regular, special education and activity buses).
- A demographic presentation by the City of Austin demographer that highlighted the top demographic trends impacting Austin.
- A demographic presentation of projected growth in regions of the District, with staff recommendations for capital improvements (i.e., new schools and additions that are projected to be needed in the next bond program to address growth).
- An economic forecast for the United States, Texas, and Austin for 2012 by an economist from the Federal Reserve Bank.
- A presentation by the District’s CFO on the state budget and school finance, AISD’s tax rate and debt obligations, and bond election scenarios.

The committee reviewed all of this information and staff responses to questions that arose during the process of reviewing the information presented. This activity set the stage for a discussion of the recommendation to the Superintendent on the need for establishing a Citizens’ Bond Advisory Committee (CBAC) to begin the development of the scope of work for a bond program.
Mr. Albert Hawkins and Mr. Richard Frazier began the first meeting of the CIBPAC on January 24, 2012, with introductions of members, a review of the meeting schedule and a review of the charge. The business portion of the meeting began with a presentation on the history of how the committee was formed, and the responsibilities of the CIBPAC vs. a Citizens’ Bond Advisory Committee (CBAC). The CIBPAC is a Superintendent’s advisory committee. It was emphasized that the CIBPAC work needed to focus, after the committee completed its review of the information in the categories that were summarized in the previous section, on whether a bond program was needed, and if a CBAC needed to be organized at this time. The chairs led a review of the committee’s charge to ensure understanding of purpose.

The chairs noted that the committee’s recommendation would be made to the Superintendent and subsequently presented to the Board of Trustees, and the Board would have the final authority regarding the creation of a CBAC. If appointed by the Board, the CBAC would be responsible for determining the scope of work for a bond program and assisting the district in the communication of factual information to the community about the scope of work approved by the Board of Trustees for a future bond election.

Also, during the first meeting, the chairs introduced a proposed “Decision Framework”, which identified five key criteria in the form of guiding questions to assist in the development of recommendation to the Superintendent..These criteria are discussed in the “Key Findings” section below.

For additional context, staff gave an overview of the last six successful bond elections and resulting bond programs approved by Austin voters. These elections occurred in 1983 ($210M), 1990 ($80M), 1996 ($369.5M), 2002 ($49.3M), 2004 ($519.5M) and 2008 ($343.7M).

Members of the CIBPAC were also provided with copies of both the Facility Master Plan Framework, which was approved by the Board on November 21, 2011, and the District’s Strategic Plan 2010-15. These guiding documents identify the important goals and strategies to which the District aligns its work.

**COMPREHENSIVE REVIEW OF FACILITY CONDITION DATA**

As outlined in AISD’s Facility Master Plan (FMP) framework, on an annual basis, facilities information for each school and support facility in the District is collected, analyzed and updated. The campus and facilities administrators participate by validating this data annually as well.

In September 2011, as part of the FMP Framework development process, campus and support facility administrators were asked to validate the information furnished to them by AISD’s Office of Facilities. This validation regarded existing site and building system deficiencies that had been identified at their respective facilities. The total cost for addressing deficiencies was used in the calculation of a Facility Condition Index (FCI) for each school and facility. The FCI is a standardized rating metric, defined as a ratio of the cost of making restorative repairs to a facility, divided by the current replacement value (CRV) of that facility (FCI = Cost of Repairs / Current Replacement Value).
The identified site and building system deficiencies were prioritized relative to their critical nature and the immediacy of their need for repair or replacement. The cost to rectify each deficiency was estimated, which, in addition to construction costs, included associated costs for design, permitting, and project management, as well as allowances for addressing unforeseen conditions and other contingencies.

The collection and regular updating of this facilities data, and expressing the physical status of the facilities in terms of their Facilities Condition Index (FCI) are important tools to those engaged in the management of facilities. With this information, facilities managers are able to quantitatively measure the physical condition of their facilities, and compare their status, one to another, or to similar types of facilities of other entities (school districts, hospital systems, or other multi-facility enterprises).

The total remedial cost for the prioritized site and building system deficiencies for each school and support facility, and their FCI ratings, were included in the spreadsheet furnished to the CIBPAC. Considering just the Priority 1 (currently critical) and Priority 2 (potentially critical needs to be corrected in one year), there are $342.5 million of these systemic repairs captured in the database. In the event a CBAC is created to plan a bond program, these needs and all the other facilities deficiencies included in this report would be evaluated and further prioritized by the CBAC in its final recommendation to the Superintendent and the Board of Trustees.

**Educational Specifications**

AISD has developed and maintains a set of Educational Specifications for its elementary schools, middle schools and high schools. The Educational Specifications describe the current standards for program areas, equipment needs, space requirements (square footage), and special considerations for new facilities. These documents must be periodically reviewed and revised over time by the District’s instructional leaders and operations staff to respond to changes in educational programming and instructional delivery.

These Educational Specifications are the standards to which all existing schools are compared as the District seeks to identify any space deficiencies that prevent the effective delivery of essential instruction at a campus, or do not provide adequate support to the educational mission and operation of the school.

**Functional Equity**

Functional Equity (FE) is a reference to the evaluation and identification of those core areas (cafeterias, libraries, gymnasiums, and administrative space) and specialized classroom space (science classrooms, art classrooms, etc.) in existing schools that are appreciably deficient when compared to the requirements specified in the District’s current Educational Specifications (Ed. Specs.). The FE assessment exercise is conducted by the Facilities staff on a regular basis, as changes are made to the District’s Ed. Specs. and/or the District begins its planning process for a new capital improvements (bond) program, under which FE deficiencies have the opportunity to be addressed.

In addition to identifying these space deficiencies, the FE assessment exercise includes the development of a physical design and cost estimate for eliminating these deficiencies and for
achieving equitable improvements through an addition/renovation project. Although complete compliance with current Educational Specifications is not always possible, meaningful improvements can often be developed to achieve the maximum equitable solution on a school-by-school basis.

The most current results of the Functional Equity assessment that was performed by the Office of Facilities, which included the identification of core and/or specialized classroom space deficiencies at each school, were included in the spreadsheet furnished to the CIBPAC. The total cost if all these FE deficiencies were addressed would be **$125.9 million**.

**Educational Adequacy**

As part of AISD’s facility master planning process, during the summer of 2010, an assessment was conducted at each school to determine how well each facility was equipped to deliver the District’s instructional program. The assessment included the examination of each instructional space in each school for deficiencies, when compared to District-developed standards that had the potential for impairing the delivery of instruction. Eight criteria were used to perform the Educational Adequacy assessment: 1) Capacity; 2) Support for Programs; 3) Technology; 4) Supervision and Security; 5) Instructional Aids; 6) Physical Characteristics; 7) Learning Environment; and (8) Relationship of Spaces.

Educational Adequacy deficiencies include: inadequate teacher storage space; inadequate marker board or bulletin board space in the classrooms; insufficient numbers or the lack of overhead projectors in the classrooms; and insufficient numbers of classroom electrical outlets. Educational Adequacy deficiencies that have been identified at each of the schools and support facilities were included in the spreadsheet furnished to the CIBPAC. The total cost to address all Educational Adequacy improvements would be **$58.9 million**.

**Americans with Disability Act (ADA) / Texas Accessibility Standards (TAS) Needs**

As part of the District’s Facility Condition Assessment initiative, an assessment was made for each school and support facility regarding its compliance with current Federal and State accessibility standards. These needs were placed in three categories: 1) Public – Those improvements that provide barrier-free access to exterior and interior public areas; 2) Program – Those improvements that provide barrier-free access to a specific instructional program space (for students) or workplace area for faculty and staff; and 3) Renovation – Those improvements that will be required to provide barrier-free access whenever major renovations are performed in the future, or the primary use of an area is altered.

The “Public” ADA/TAS deficiencies are prioritized as “Priority 1” improvements in the facility condition assessment database, although they are not included in the FCI calculations. The “Program” and “Renovation” ADA/TAS deficiencies are not prioritized (or are listed as “Priority 5”), since the need for those improvements is only triggered by a future, time-uncertain event.

The costs to address all “Public”, “Program” and “Renovation” ADA/TAS deficiencies that have been identified at each of the schools and support facilities were included in the spreadsheet furnished to the CIBPAC. The total for all identified ADA/TAS deficiencies is **$199.8 million**.
On January 23, 2012, the Board of Trustees approved the use of surplus 2008 Bond Program contingency funds for critical renovations (budgeted at $10.7M), and for the implementation of four of the six Annual Academic and Facilities Recommendations (budgeted at $5.4M) that the Board of Trustees approved on December 12 and December 19, 2011, for a total of $16.1M. This information is provided since these investments now will reduce by $10.7 million the amount needed for systemic repairs, and $5.4 million for the AAFR renovations will avoid that bond expense in a future bond program.

The critical renovation projects include HVAC equipment replacement and the installation of digital controls, the replacement of plumbing piping and fixtures, the replacement of electrical equipment and improvements to other electrical systems, roofing replacement work, the replacement of one elevator at a high school, the replacement of kitchen flooring in one elementary school, and the repair and replacement of water and sanitary sewer piping in the kitchens of several elementary schools. The proposed projects involve 34 schools and one support facility.

The AAFR projects include:

- Relief of overcrowding to North Central elementary schools by 1) creating a Pre-K center at Dobie MS; 2) creating elementary classroom space at Webb MS; and 3) creating additional Pre-K capacity on the Reilly ES campus in a phased manner.
- Initiating an IDEA College Prep In-District Charter for the vertical team tracking to Eastside Memorial High School at the Johnston Campus by 1) preparing Allan ES to serve as a grade pre-K to 5 (phased) campus; and 2) preparing Eastside Memorial High School at the Johnston Campus to serve as a grade 6 through 12 (phased) campus.
- Making classroom space improvements at Lanier and Travis high schools for the implementation of a credit recovery program administered through Responsive Education Solutions.
- Creating Alternative Education Learning Support Centers at all secondary school campuses.

A report and spreadsheet was provided to the CIBPAC that provided the location, details on the improvements, and the costs to implement each of the renovation projects, and a detailed description and cost of each of the AAFR projects.

INFORMATION SERVICES, AISD POLICE/SECURITY AND TRANSPORTATION

Staff from Information Services, AISD Police/Security and Pupil Transportation departments presented proposed needs for technology enhancements and maintenance, life safety and security improvements and new buses to replace older buses with more fuel efficient and lower emission vehicles.

The information systems needs included: the completion of the rollout of Innovations Stations; replacement of teacher laptops, system desktops and printers; replacement of the voice mail system, PA system, generators, and projection systems in classrooms; upgrading instructional
assessment systems; and wireless network infrastructure upgrades. The total need for Information Systems identified is **$91.5M**.

The life safety and security needs included: fire alarm, fire sprinkler system and fire extinguisher cabinet upgrades; the installation of smoke detectors; intrusion system replacement; additional entry cameras to monitor areas requested by campus administrators; video server replacement; and district-wide radio and access alarm panel replacement. The total need for life safety and security needs is **$34.9M**.

The Pupil Transportation Department requested 152 regular and special education buses in order to maintain a 14-year replacement cycle, 30 regular and special education buses to provide for population growth and/or programmatic changes and four additional athletic activity buses. The total need for the Transportation Department is **$17.9M**.

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### PRESENTATION BY CITY OF AUSTIN DEMOGRAPHER: AUSTIN DEMOGRAPHIC TRENDS

A presentation by the City of Austin demographer illustrated that the City of Austin experienced tremendous growth over the past decade, making it the 14th largest city in the US, and the third fastest growing metropolitan area. The majority of the growth in the Austin metropolitan area (71%) occurred in suburban areas.

The Hispanic population dominates overall growth in Austin, with significant gains in the Asian population. African American households are moving from urban to suburban areas.

Changes to Austin’s age structure includes growth in baby boomers, seniors and the very young, (under 5), with the younger cohorts being overwhelmingly Hispanic and 45% of these children living in poverty.

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### PRESENTATION BY AISD PLANNING SERVICES: DEMOGRAPHIC TRENDS AND IMPLICATIONS FOR CAPITAL IMPROVEMENTS

Following the demographer’s presentation, the committee was given information regarding how growth trends will affect the different regions of the district. By school year 2016-17, continued growth will be seen in the north central, northeast and southeast regions of the district. The combined capacity of the elementary schools in each of the aforementioned regions will continue to be stressed, with a percent of permanent capacity by the area population exceeding 125%.

For middle schools the percent of permanent capacity by the area population in the northwest and southeast will exceed 125%, and range between 115% and 125%, respectively.

High school percent of permanent capacity by the area population in the southeast and north central will exceed 125%, and range between 115% and 125%, respectively.

In an effort to address this future population growth, staff recommended the following capital improvements:
• Seven elementary school classroom additions in the northwest, north central, northeast, southwest and southeast regions of the district, at a cost of $40,668,911;
• Two middle school classroom additions in the northwest and north central regions of the district, at a cost of $14,455,467;
• Four new elementary schools, one in the northeast and one in the southeast regions of the district, and two undesignated elementary schools, at a cost of $113,300,544;
• One new middle school in the southeast region of the district, at a cost of $57,933,333; and
• One new high school in the south region of the district, at a cost of $111,197,309.

The total projected cost for these capital improvements would be $337,555,564M. The CIBPAC noted the importance of fully utilizing available capacity in order to postpone or eliminate the need for some of these improvements, if possible or where feasible.

PRESENTATION BY ECONOMIST FROM THE FEDERAL RESERVE BANK: ECONOMIC FORECAST

An economic forecast for the United States, Texas, and Austin for 2012 by an economist from the Federal Reserve Bank highlighted the following:

• The overall U.S. economy is recovering, although sluggishly, and residential construction and consumer spending is not the catalyst for the improvement, as it has been in the past. United States policy and European debt uncertainty are restraining growth. Fewer new homes are needed and consumers and governments need to pay down debt.
• The Texas economy is growing stronger than the nation, however, it is still at a moderate rate. In 2011, the energy, high-tech, and export industries contributed to a Texas job growth rate of 2.1% compared to a national job growth rate of 1.3%. The housing market in Texas is less of a drag than nationally. Private sector jobs increased from 2.5% in 2010 to 3.1% in 2011. Sharp declines in government employment caused overall job growth to stagnate. In 2012, growth in energy and exports will slow while the areas of construction and government will improve. The projected job growth in Texas is expected to be at least 2%.
• Austin saw job growth of 2.8% in 2011, with strong growth over 4% for the first half of the year with a decline to 1.5% in the second half. Slowing growth attributed to weaker exports and slowing of high tech. High tech is likely to improve in the second quarter of 2012, with the drivers being cloud computing, mobile devices and automobiles. High tech growth is constrained by a labor skill shortage. Austin job growth in 2012 likely to be about 3% or 24,000 jobs.
AISD’s Chief Financial Officer presented information on the budget and school finance, a tax rate and debt overview, and possible bond election scenarios and tax rate impacts. A summary of important highlights in each area is provided below.

State Budget and School Finance

For the first time in 60 years, the legislature failed to finance current law. The Foundation Program current service state aid was decreased by $4 billion and Special Program financing was decreased by $1.3 billion. As a result, the total decrease was $5.3 billion when the cost of enrollment growth, property value decline and other factors are taken into account.

The impact of state cuts and federal revenue losses on AISD, was state revenue losses of $35.6 million in FY 2011-12 and $25.1 million in FY 2012-13, for a total of $60.7 million and a loss of over $60 million in federal ARRA (stimulus) funding. An out year challenge, the elimination of Additional State Aid for Tax Relief (ASATR) by 2018, would cause another $150 million in lost revenue for AISD.

The state’s funding formula for school districts is determined by two “layered” systems:

- Foundation School Program formulas
- “Target revenue” system implemented in 2006 when school district M&O rates were compressed.

This results in districts bearing increased costs unless the formulas increase. The benefit of increased property values goes to the state budget. The formula is based on outdated weights and indexes that haven’t been updated in over 20 years.

Target revenue provides funding to school districts for tax revenue lost to rate compression in 2006. This maintains revenue per Weighted Average Daily Attendance (WADA) equivalent to FY 2006/2007 levels which means no revenue growth.

Target revenue causes an inverse relationship between tax collections and state aid:

- Increase in tax collections creates more state aid and a decrease in recapture.
- Decrease in tax collection creates more state aid and a decrease in recapture.

State aid/tax collection increase only if student enrollment grows or the tax rate is increased.

Austin ISD is a Chapter 41 district (i.e., a district that is “property rich”) and is required under the current school finance system to redistribute funds to “property poor” districts. The Austin ISD has paid $1.4 billion to the state in Chapter 41 payments since 2000-01, including $135.2 million in FY12.

Austerity planning has resulted in budget reductions of $14.6 million in FY10, $13.1 million in FY11 and $39.7 million in FY12, for a total of $67.4 million. Budget development for FY13 has to consider the following:
• A state revenue loss of $60.7 million compared to the previous year.
• A loss of Federal Edujobs Revenue of $13.8 million.
• Escalating costs to maintain “same services” budget requires $11.1 million in additional costs for energy, fuel, healthcare, new school start-ups and enrollment growth.
• Staff compensation has been frozen, causing lost competitiveness in teacher salaries compared to Texas Urban peers (11.3%) and Local peers (3.6%).
• Commitments to stabilize staff.
• Consider funding for strategic priorities.
• Challenge to identify additional budget balancing and savings options after exhausting solutions.

Tax Rate and Debt Overview

Property taxable values are on the rise after a decline in fiscal year 2011. The chart below illustrates the property taxable values over the past decade.

Overlapping Property Taxes

Property tax rates for fiscal year 2012 have been adopted by all taxing entities as of September 30, 2012. Taxable value varies by taxing jurisdiction based on exemptions available through each entity, as shown on the charts below.
The M&O tax rate for AISD has remained unchanged for the last four fiscal years. The I&S tax rate remained unchanged for six fiscal years until fiscal year 2011, when the rate increased due to a significant decline in assessed value.

### AISD Taxing Structure

The M&O tax rate for AISD has remained unchanged for the last four fiscal years. The I&S tax rate remained unchanged for six fiscal years until fiscal year 2011, when the rate increased due to a significant decline in assessed value.
For 25 years, school districts were only required to hold rollback elections if the Board-adopted tax rate exceeded the calculated rollback tax rate. The district’s calculated rollback rate typically represented a small increase as it is intended to maintain existing revenue levels.

M&O Tax Ratification Elections (TRE)

In May 2006, the Texas Legislature passed House Bill 1 (HB 1), creating a target revenue system for funding school districts and adjusting the tax rate calculation process, as well. The state requires districts to compress maintenance tax rates at 1.00 and gives them the option of approving up to four cents of additional tax. To increase local property tax rates further, school boards need to adopt a higher rate and then submit the rate for voter approval at a tax ratification election (TRE). Failure to pass a TRE leaves school districts with the same tax rate as the prior year, not a slightly higher rate as was the case with the former rollback process. AISD successfully passed a TRE in 2008 to increase its tax rate by 3.9 cents.

Tax Rate Limitations

Under the tax code, a school district’s M&O tax rates may not exceed the rate equal to the sum of $0.17 and the product of the state compression multiplied by $1.50. The state compression percentage is currently 66.67 percent, so the M&O rate limit for most school districts is $1.17.

A school district also may adopt a rate up to $0.50 for “new” debt plus a rate for “old” debt. “New” debt is debt authorized after April 1, 1991, and issued after September 1, 1992; “old” debt is debt authorized prior to those dates.
Maintenance & Operations Tax Rate

$1.00 = Compressed rate
0.04 = Golden pennies
  • no voter approval required
  • not subject to recapture
0.02 = Silver Pennies
  • voter approval required
  • not subject to recapture
0.11 = Copper pennies
  • voter approval required
  • subject to recapture

$1.17 = Max. Rate Allowed

As shown in the chart below, AISD has the second lowest property tax rate in Central Texas during fiscal year 2012.
Historical Tax Burden of AISD Tax Rule

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<td>Average Market Value of Residence</td>
<td>$240,397</td>
<td>$266,823</td>
<td>$277,663</td>
<td>$265,573</td>
<td>$262,886</td>
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<td>Average Taxable Value</td>
<td>211,720</td>
<td>232,925</td>
<td>248,405</td>
<td>245,593</td>
<td>244,799</td>
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<td>Tax Rate per $100 Value</td>
<td>1.163</td>
<td>1.202</td>
<td>1.202</td>
<td>1.227</td>
<td>1.242</td>
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<td>Taxes Levy on Average Residence</td>
<td>2,462</td>
<td>2,800</td>
<td>2,986</td>
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<tr>
<td>Net Increase In Tax Levy</td>
<td>-</td>
<td>337</td>
<td>186</td>
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Revenue from Remaining M & O Pennies

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<th>Scenario</th>
<th>Tax Rate</th>
<th>Local Revenue Generated</th>
<th>Net Revenue Retained</th>
<th>Estimated Average Taxpayer Impact (Annual)</th>
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<tbody>
<tr>
<td>1 Status quo</td>
<td>1.079</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2 Four-cent increase</td>
<td>1.119</td>
<td>$23.2M</td>
<td>$15.6M</td>
<td>$98</td>
</tr>
<tr>
<td>3 Six-cent increase</td>
<td>1.139</td>
<td>$34.9M</td>
<td>$22.6M</td>
<td>$147</td>
</tr>
<tr>
<td>4 Eight-cent increase</td>
<td>1.159</td>
<td>$46.5M</td>
<td>$29.7M</td>
<td>$196</td>
</tr>
<tr>
<td>5 Nine-cent increase (max.)</td>
<td>1.170</td>
<td>$52.9M</td>
<td>$33.6M</td>
<td>$223</td>
</tr>
</tbody>
</table>

AISD Outstanding Debt

AISD has a remaining Bond authorization of $229,308,189. The highest estimated tax rate for remaining authorization is 0.1865.

AISD is the only school district in the state with a Commercial Paper program, which saved an estimated $5.8M in fiscal year 2011 alone.

<table>
<thead>
<tr>
<th>Tax Supported Debt</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds</td>
<td>$716,642,108</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>$103,285,000</td>
</tr>
<tr>
<td><strong>Total Tax Supported Debt</strong></td>
<td><strong>$819,927,108</strong></td>
</tr>
<tr>
<td>Non-Tax Supported Debt SECO Energy Notes</td>
<td>$2,300,315</td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
<td><strong>$822,227,423</strong></td>
</tr>
</tbody>
</table>

Notes: AISD Commercial Paper debt is refunded annually. School districts are prohibited from issuing certificates of obligation.
Overview of Commercial Paper

Austin ISD has a $150M Commercial Paper (CP) program to utilize for the Bond Funds. When the outstanding CP grows to a level of $75M – analysis begins to convert to long-term debt.

Advantages to District include:

- Construction delays are effectively managed with “just in time” borrowing.
- Short-term CP borrowing rates have been extremely low, currently .11%, close to the investment pool rates.
- Analysis for last year was an interest savings of $5.8M over straight coupon bonds.

Bond Elections Scenarios and Tax Rate

Recent Election History

<table>
<thead>
<tr>
<th>Year</th>
<th>Purpose</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>School facility renovations, new schools &amp; technology</td>
<td>$369,475,000</td>
</tr>
<tr>
<td>2002</td>
<td>Health &amp; Safety needs</td>
<td>$49,294,368</td>
</tr>
<tr>
<td>2004</td>
<td>School facilities for new schools, performing arts ctr., safety, buses</td>
<td>$519,526,616</td>
</tr>
<tr>
<td>2008</td>
<td>Tax ratification election</td>
<td>Increased tax rate 3.9 cents</td>
</tr>
<tr>
<td>2008</td>
<td>School facilities needs to relieve overcrowding, critical renovations expansion and technology</td>
<td>$343,717,819</td>
</tr>
</tbody>
</table>

Future Considerations:

- 2012 Tax Ratification Election to offset State Revenue losses (FY2012-13) Nine cent increase generates $50M in revenue, after State formulas, AISD only keeps $29M
- 2013 Bond Election for public school facilities needs and expansion $TBD

Bond Election

The Citizens’ Bond Advisory Committee is comprised of various community members who make the recommendation to the Board on the Scope of Work for the potential bond. AISD Board of Trustees must approve the order calling the election, the legal document that formalizes the scope of work for the bond program, at least 60 days prior to the election. Groundwork for a May 2013 election is expected to commence in January 2012 if a CBAC is formed to plan for a bond election at that time.
Tax Ratification Election (TRE)

Intrinsically tied to the budget development process (September - August)
Board adopts tax rate at proposed higher rate and then takes action to call for the election (June/August)

Hypothetical Impact to Tax rate

Assumptions:

- Appraisal Growth of 1.50% per year
- Estimated 5% interest rate on bonds
- Issue $100mm in 2013
- Issue $129.3 in 2014
- Issue $70M 2015
- Build America Bond subsidy from Series 2010 applied to interest costs

<table>
<thead>
<tr>
<th></th>
<th>Base Case-2004 &amp; 2008 Only ($229.3m)</th>
<th>$350M Fixed</th>
<th>$500M Fixed</th>
</tr>
</thead>
<tbody>
<tr>
<td># Issue Years</td>
<td>2 years</td>
<td>5 years</td>
<td>7 years</td>
</tr>
<tr>
<td>Interest</td>
<td>$179,924,000</td>
<td>$270,815,000</td>
<td>$386,882,250</td>
</tr>
<tr>
<td>2013 tax rate</td>
<td>.1620</td>
<td>.1620</td>
<td>.1620</td>
</tr>
<tr>
<td>2014 tax rate</td>
<td>.1663</td>
<td>.1663</td>
<td>.1663</td>
</tr>
<tr>
<td>2015 tax rate</td>
<td>.1773</td>
<td>.1773</td>
<td>.1773</td>
</tr>
<tr>
<td>Maximum tax rate</td>
<td>.1865</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

Limited Information on Other Jurisdictional Planning

- City: Possibility of Bond Election November 2012; M&O Increase – TBD
- County: Recently approved Bond Election November 2011; M&O Increase of 3%
- ACC: Possible Bond Election in 2013 or 2014 M&O Increase – TBD
- Healthcare: No information to date
- AISD: Possible Bond Election in 2013; M&O increase – Possible TRE in November 2012 or May/November 2013
KEY FINDINGS

At the February 21, 2012, meeting of the CIBPAC, the committee chairs, Mr. Albert Hawkins and Mr. Richard Frazier, led the group in a discussion of five key questions from the “Decision Framework”, which included:

1. Does the District have major capital improvement needs that are unfunded?
2. Is it urgent to address these needs in the short term?
3. Does the amount of funding needed require longer-term financing?
4. Is there sufficient capacity to incur additional long-term debt?
5. Do economic and community indicators seem favorable to a bond election?

During the course of the discussion, several members expressed agreement that the District did have major capital improvement needs that need to be addressed, and that these needs would best be funded through a bond program. Taking advantage of the current low interest rates, the importance of using capital investments instead of maintenance and operations funding, the effective practice of managing bond debt with the use of a commercial paper strategy to reduce costs, and the consequences of delays on addressing pressing facilities needs were all points made in support of a decision to proceed with the formation of the Citizens’ Bond Advisory Committee (CBAC).

Several members raised other issues that they felt needed to be acknowledged, if not addressed by the CIBPAC. These collateral issues included:

- The need for a robust education program to help the public and taxpayers understand:
  - The need for a bond program, including how student learning will be supported and improved, and how each school will benefit from the program.
  - The impact of the school finance system on the district’s budget.
  - The effect of the authorization of additional bonding authority on the property tax rate.
  - The impact of both a tax ratification election and a bond election on property tax rates, and possible taxpayer fatigue.
  - The challenge of funding capital improvements from the maintenance and operations budget.

- The importance of addressing the efficient use of existing available capacity and related issues such as boundary changes, transfers, and the repurposing of schools.

- The importance of emphasizing the District’s successes, including its effective management of resources as the bond program is being presented to the community.

- The need to assess the level of community support for a bond election.

At the CIBPAC’s final meeting on March 21, 2012, CIBPAC members discussed and voted to include two additional areas that they wanted to have considered for additional attention and study. These areas were:

- A long-range plan for the improvement of AISD athletic facilities; and
- The location of the South High School.
The CIBPAC held its final meeting on March 21, 2012. The committee convened to discuss the March 5, 2012, presentation at the Board Work Session, identify any additional observations to be included in this report, and affirm the recommendation of the CIBPAC to the Superintendent. Members were thanked for their service by co-chairs Mr. Richard Frazier and Mr. Albert Hawkins, and on behalf of AISD by Chief Operations Officer, Mr. Lawrence Fryer.

During the course of the committee’s work, members considered the following information and related data:

- Conditions of schools and other district facilities
- Facility equity
- Strategic priorities
- Current and projected growth
- School overcrowding and under-utilization
- New or expanded academic program offerings
- Student transportation
- Technology
- Health and safety
- Resource conservation and environmental protection
- Community and regional plans
- Future bond programs
- Other areas as may be directed by the Superintendent

After these discussions, the members of the CIBPAC voted unanimously to recommend to the Superintendent the creation of a Citizens’ Bond Advisory Committee to begin the process of developing the scope of work for a future bond program. The Superintendent’s recommendation to the Board of Trustees is scheduled for the regular Board of Trustees meeting on March 26, 2012.