

## **DEBT MANAGEMENT PLAN**

### 2010

A long range debt management plan is based on many factors, both known and unknown. Economic growth, interest rates, inflation, state funding, demographics, current and future debt, tax rates, etc., are many of the components that go into developing a long range plan. A plan is designed or redesigned as each bond authorization is developed. The plan is then evaluated periodically, normally annually, and updated as individual bond sales are planned and issued. The district is currently in the fourth year of the plan that was developed for the 2006 authorization and has no authorized unissued bonds remaining from the \$269 million authorization.

In preparation for the next bond authorization, the current plan will be integrated into a new plan that will not only consider the period of time covered by the authorization, but also the district's capacity for future bond authorizations. The plan will be developed concurrently with the work of the Facility Referendum Task Force as the needs and size of the authorization is determined. Models and Scenarios will be prepared and presented to the committee showing the financial impacts on the district, including tax rates, amount of principal and interest, maturities, etc. Eventually, a balance between the district's needs and these impacts will be determined.

The district works with its financial advisor, RBC Capital Markets, to develop and monitor the plan. The financial advisor also recommends the types of bonds to be sold (fixed rate, variable rate, etc.) depending upon the interest rate environment, the types of debt outstanding, and the future needs of the district. The financial advisor, along with the district, continues to look for ways to reduce current debt through refundings, refinancings, or debt restructuring depending upon changes in interest rates or the financial markets.

The main component of the district's debt plan is the Long Range Bond Plan. The primary function of the Bond Plan is to show projected bond sales from the authorization and their impact on projected future tax rates. The amount and date of bond sales are determined from construction expenditure projections and associated cash flows. The district projects the spending patterns on a quarterly basis on each project from start to completion. Each month these projects are reviewed and projections updated in a meeting with the construction, maintenance, technology and accounting departments. Other factors included in determining the timing of the bond sales are interest rates, construction costs, and qualifications for facility funding from the State.

Because of its fast-growth environment, Katy ISD has continually sold bonds since 1994. Therefore, the Long Range Bond Plan is ongoing and updated on a continuous basis and changes are incorporated each time a new bond authorization is proposed. The Bond Plan undergoes review and scrutiny by several private and public agencies each time bonds are sold. Moody's and Standard & Poor's review the Bond Plan to determine the district's credit worthiness and credit ratings. The state Attorney General's Office will only approve a bond sale if it is satisfied that the district can fund its future debt payments at a Debt Service tax rate of \$.50 per \$100 valuation or lower. The Texas Education Agency reviews the district's outstanding debt when calculating and releasing state funding for the Existing Debt and Instructional Facilities Allotments. Also, the district's debt schedules are included in the submission of its Comprehensive Annual Financial Report (CAFR) to both the Government Finance Officers Association (GFOA) and the Association of School Business Officials International (ASBO) for certification.