

# Tyler Independent School District

Preliminary Sale Discussion and Underwriter Discussion

July 11, 2017



**RBC Capital Markets**

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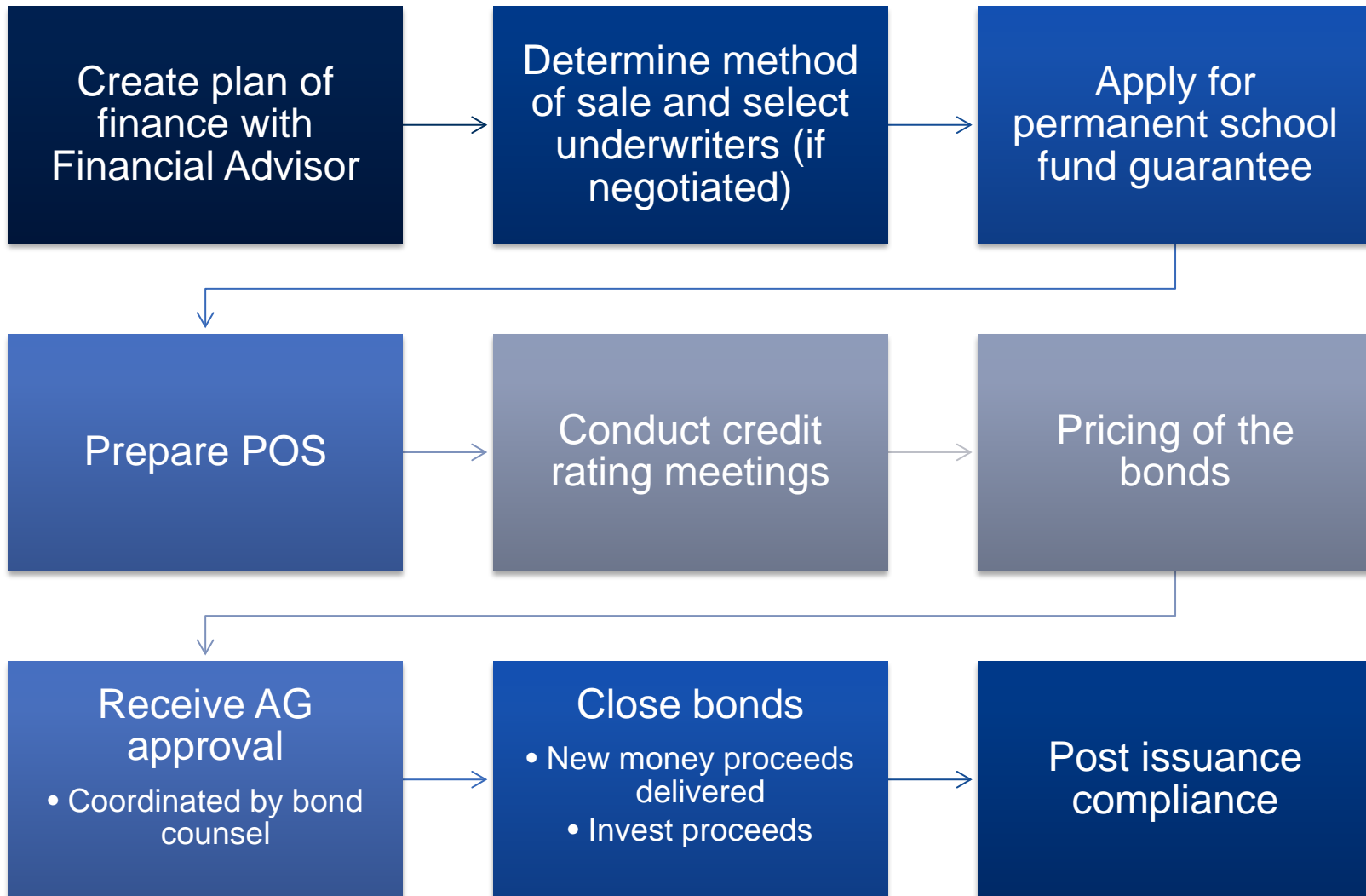
1. Post Election Discussion and Underwriter RFQ
2. Current Debt Profile and Pro-form 2017 Bond issue
3. Current Market Update

Post Election Discussion &  
Underwriter RFQ  
SECTION 1



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# Flowchart of the Bond Issuance Process



## **Timing Considerations**

- **May 6, 2017 – Tyler ISD successfully passes \$198.00MM bond election.**
- **Must wait at least 30 days from canvassing date to sell bonds**
- **PSF Guarantee provides a AAA rating on the bonds**
- **We made PSF application in May**
- **Posted RFQ for Underwriting services on May 11.**
- **Received responses to RFQ for Underwriters on June 16.**
- **Preliminary PSF approval was provided week of June 22**
- **District's timing requirements for starting construction and opening new facilities**
- **Bond market conditions**
- **District's I&S tax rate goal**
- **District must sell bonds prior to setting its tax rate for the 2017/18 fiscal year**

## **Structuring Considerations**

- **Pro-Forma Structure considered 30 year structure**
- **Sell it all at once or break into multiple sales**
- **How will District proceed with construction timing?**

## Received 21 Responses

- Bank of America Merrill Lynch
- BOK Financial Securities
- Citigroup Global Capital Markets Inc.
- Estrada Hinojosa & Co. Inc.
- Frost Bank
- FTN Financial Capital Markets
- George K. Baum & Company
- Hilltop Securities Inc.
- Jeffries
- JP Morgan Securities LLC
- Morgan Stanley
- Oppenheimer & Co., Inc.
- Piper Jaffray & Co.
- Raymond James & Associates Inc.
- SAMCO Capital Markets
- Siebert Cisneros Shank & Co., L.L.C.
- Stephens Inc.
- Stifel, Nicolaus & Company, Inc.
- UMB Bank, N.A.
- Wells Fargo Securities
- William Blair & Company, L.L.C.

## Considerations

- **Underwriting experience**
- **Capital position**
- **Tyler presence**
- **Prior experience with TISD**

	Standard & Poor's	Fitch Ratings
<b>Highest Quality (Lowest default risk)</b>	AAA	AAA
	AA+	<b>AA+</b>
<b>High Grade / High Quality</b>	<b>AA</b>	AA
	AA-	AA-
<b>Upper Medium Grade</b>	A+	A+
	A	A
	A-	A-
<b>Minimum Investment Grade</b>	BBB+	BBB+
	BBB	BBB
	BBB-	BBB-
<b>Speculative Grade</b>	BB+	BB+
	BB	BB
	BB-	BB-
	B+	B+
	B	B
<b>Highly Speculative Grade Imminent default or in default</b>	B-	B-
	CCC (+,-), CC or C	CCC (+,-), CC or C
	SD or D	SD or D

Credit Rating Levels



**Recent Rating Highlights**

- Historically very strong financial position
- Moderate debt burden
- Stable enrollment trends
- Diverse manufacturing and service oriented economic base

Current Debt Profile and  
Pro-Forma 2017 Bond  
Issue  
SECTION 2



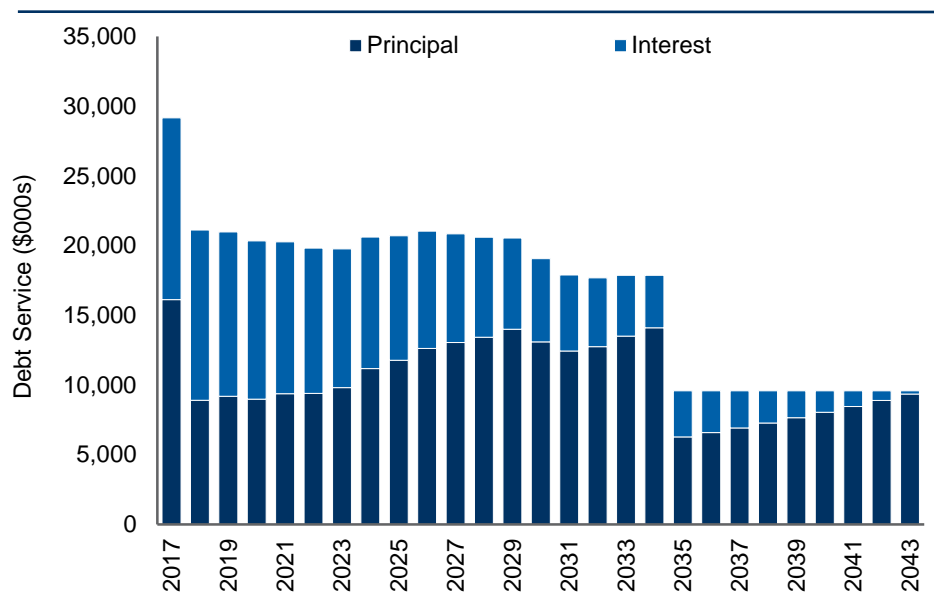
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**Tyler Independent School District**

Issue	Issued Par Amount	Outstanding Par Amount	Coupon Range of Callable Bonds	First Call Date	Final Maturity
U/L Tax Sch Bldg Bds, Series 2005	\$ 34,170,000	\$ 2,220,000	4.750%	Anytime	02/15/2030
U/L Tax Ref Bds, Series 2005-A	14,309,996	1,100,000	4.250% - 4.375%	Anytime	02/15/2020
U/L Tax Sch Bldg Bds, Series 2007	18,355,000	6,610,000	5.000%	02/15/2017	02/15/2025
U/L Tax Sch Bldg Bds, Series 2009	123,140,000	18,045,000	4.000% - 5.00%	02/15/2018	02/15/2034
U/L Tax Ref Bds, Series 2010	7,660,000	4,120,000	N/A	N/A	02/15/2021
U/L Tax Ref Bds, Series 2012	16,350,000	16,170,000	3.000% - 5.000%	02/15/2022	02/15/2028
U/L Tax Sch Bldg Bds, Series 2013	152,020,000	145,105,000	4.125% - 5.000%	02/15/2023	02/15/2043
U/L Tax Ref Bds, Series 2014	7,125,000	7,125,000	4.500% - 5.000%	02/15/2024	02/15/2031
U/L Tax Ref Bds, Series 2015	74,970,000	74,040,000	3.000% - 5.000%	02/15/2025	02/15/2032
U/L Tax Ref Bds, Series 2016	8,690,000	8,690,000	4.000%	02/15/2025	02/15/2034
<b>Totals</b>	<b>\$ 456,789,996</b>	<b>\$ 283,225,000</b>			

**Outstanding Unlimited Tax Debt by Principal & Interest**



- 30-year amortization
- Assumes all bonds sold in August 2017
- Assumes the Bonds are sold Summer 2017, following May 2017 bond election.
- Assumes the District's current Interest & Sinking Fund tax rate is 33.5 cents. Any tax rate increase is based off of this amount.
- I&S tax rate increase associated with the Bonds would occur in 2017/18
- Assumes a tax collection rate of 99.0%.
- Assumes the District's 2016/17 net taxable assessed valuation of \$7,357,946,996 and will grow as stated below:
  - **FYE 2018 assumed growth of 4.00%**
  - **FYE 2019 – 2022 assumed growth of 1.50%**
  - **No change thereafter**
- Assumes the District receives \$2,577,258 per year for the I&S portion of its frozen levy revenues.
- Assumes current market rates + 22 bps (Approximately 3.95% TIC)
- Assumes the District receives the Permanent School Fund ("PSF") guarantee for the Bonds.

# Scenario 1 - \$198MM Project Fund



\$198,000,000 Preliminary Estimated Tax Rate Impact Analysis												
A	B	C	D	E	F	G	H	I	J	K	L	
Tax Year Ending	"After Freeze" TAV (Billions)	Est TAV Growth	Total Outstanding D/S	Less Revenue from Frozen Levy	Less Other Revenue	Net Existing D/S	Est. I&S Tax Rate	\$198MM Series 2017 DS	Net Total Debt Service	Est. Total I&S Rate	Est. I&S Rate Impact	
8/31/17	\$ 7.358	3.00%	\$ 29,162,085	\$ (2,577,258)	\$(2,180,000)	\$ 24,404,827	\$ 0.3350		\$ 24,404,827	\$ 0.3350		
8/31/18	7.652	4.00%	21,111,206	(2,577,258)	(777,500)	17,756,448	0.2344	\$ 9,898,700	27,655,148	0.3650	\$ 0.030	
8/31/19	7.767	1.50%	20,971,681	(2,577,258)	(250,000)	18,144,423	0.2360	9,915,525	28,059,948	0.3649		
8/31/20	7.884	1.50%	20,329,231	(2,577,258)		17,751,973	0.2275	10,196,775	27,948,748	0.3581		
8/31/21	7.962	1.00%	20,267,481	(2,577,258)	-	17,690,223	0.2244	10,245,525	27,935,748	0.3544		
8/31/22	8.042	1.00%	19,821,931	(2,577,258)	-	17,244,673	0.2166	10,677,275	27,921,948	0.3507		
8/31/23	8.042	0.00%	19,756,806	(2,577,258)	-	17,179,548	0.2158	10,745,650	27,925,198	0.3507		
8/31/24	8.042	0.00%	20,604,556	(2,577,258)		18,027,298	0.2264	9,897,525	27,924,823	0.3507		
8/31/25	8.042	0.00%	20,706,481	(2,577,258)	-	18,129,223	0.2277	9,797,900	27,927,123	0.3508		
8/31/26	8.042	0.00%	21,031,081	(2,577,258)		18,453,823	0.2318	9,474,275	27,928,098	0.3508		
8/31/27	8.042	0.00%	20,843,719	(2,577,258)	-	18,266,461	0.2294	9,659,650	27,926,111	0.3508		
8/31/28	8.042	0.00%	20,597,575	(2,577,258)	-	18,020,317	0.2263	9,899,525	27,919,842	0.3507		
8/31/29	8.042	0.00%	20,540,506	(2,577,258)	-	17,963,248	0.2256	9,971,025	27,934,273	0.3509		
8/31/30	8.042	0.00%	19,060,669	(2,577,258)	-	16,483,411	0.2070	11,446,775	27,930,186	0.3508		
8/31/31	8.042	0.00%	17,885,494	(2,577,258)	-	15,308,236	0.1923	12,611,400	27,919,636	0.3507		
8/31/32	8.042	0.00%	17,682,319	(2,577,258)	-	15,105,061	0.1897	12,813,650	27,918,711	0.3507		
8/31/33	8.042	0.00%	17,872,347	(2,577,258)	-	15,295,089	0.1921	12,611,150	27,906,239	0.3505		
8/31/34	8.042	0.00%	17,864,663	(2,577,258)	-	15,287,405	0.1920	12,647,400	27,934,805	0.3509		
8/31/35	8.042	0.00%	9,586,663	(2,577,258)	-	7,009,405	0.0880	12,914,775	19,924,180	0.2503		
8/31/36	8.042	0.00%	9,585,500	(2,577,258)	-	7,008,242	0.0880	12,917,900	19,926,142	0.2503		
8/31/37	8.042	0.00%	9,582,625	(2,577,258)	-	7,005,367	0.0880	12,917,400	19,922,767	0.2502		
8/31/38	8.042	0.00%	9,582,500	(2,577,258)	-	7,005,242	0.0880	12,917,400	19,922,642	0.2502		
8/31/39	8.042	0.00%	9,584,125	(2,577,258)	-	7,006,867	0.0880	12,916,900	19,923,767	0.2502		
8/31/40	8.042	0.00%	9,586,500	(2,577,258)	-	7,009,242	0.0880	12,914,900	19,924,142	0.2503		
8/31/41	8.042	0.00%	9,583,750	(2,577,258)	-	7,006,492	0.0880	12,915,275	19,921,767	0.2502		
8/31/42	8.042	0.00%	9,584,875	(2,577,258)	-	7,007,617	0.0880	12,916,775	19,924,392	0.2503		
8/31/43	8.042	0.00%	9,583,750	(2,577,258)	-	7,006,492	0.0880	12,916,900	19,923,392	0.2502		
8/31/44	8.042	0.00%	-	(2,577,258)	-	(2,577,258)	(0.0324)	12,918,400	10,341,142	0.1299		
8/31/45	8.042	0.00%	-	(2,577,258)	-	(2,577,258)	(0.0324)	12,915,200	10,337,942	0.1298		
8/31/46	8.042	0.00%	-	(2,577,258)	-	(2,577,258)	(0.0324)	12,911,375	10,334,117	0.1298		
8/31/47	8.042	0.00%	-	(2,577,258)	-	(2,577,258)	(0.0324)	12,848,375	10,271,117	0.1290		
<b>Total</b>			<b>\$452,370,120</b>	<b>\$ (79,894,998)</b>	<b>\$(3,207,500)</b>	<b>\$ 369,267,622</b>		<b>\$ 350,351,300</b>	<b>\$ 719,618,922</b>			

# Current Market Review

## SECTION 3



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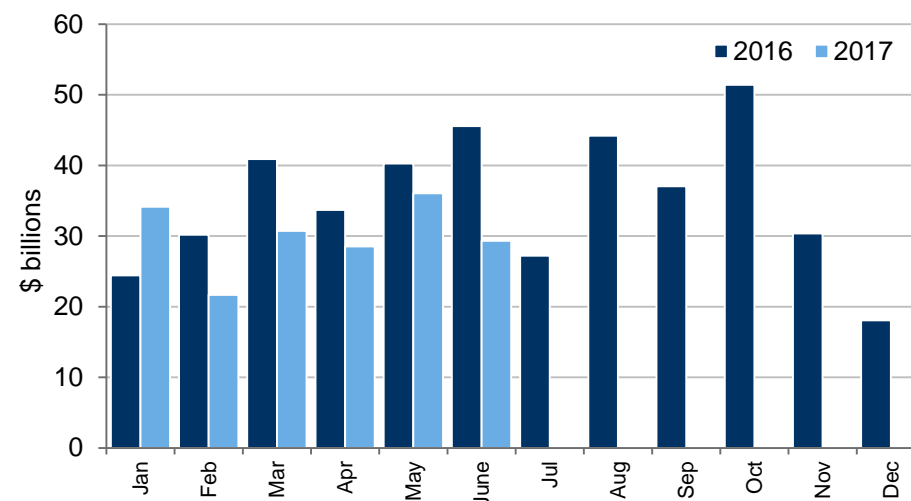
# Economic Conditions and Market Update

## Municipal Market Update

### Municipal Market Overview

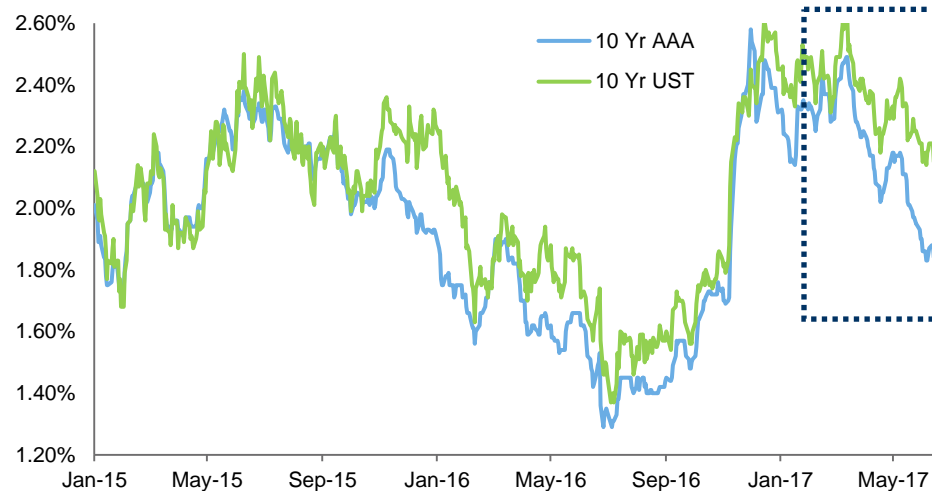
- **Municipal Supply in 2016:** \$445 billion (includes private placements)
- **RBC Forecasted 2017 Municipal Supply:** \$375-400 billion (\$179.3 billion YTD)
- Municipal new-issue supply totaled \$12.2 billion last week, marking the largest weekly volume of the year.
- Supply is expected to total \$7.0 billion this week, with DASNY, MTA, and LA DWP leading the pack.
- Including this week, June's supply is expected to total \$38 billion, in line with the average since 2012.
- June reinvestment totaled \$37.5 billion, leading to modest net positive supply for the month.
- July redemptions are expected to total \$49 billion, up 13% from 2016; supply has average \$30 billion since 2012.
- Thirty-day visible supply stands at \$8.2 billion to start the week, down from \$16.0 billion last Monday.

### 2016 – 2017 YTD Monthly Supply\* (\$ billions)

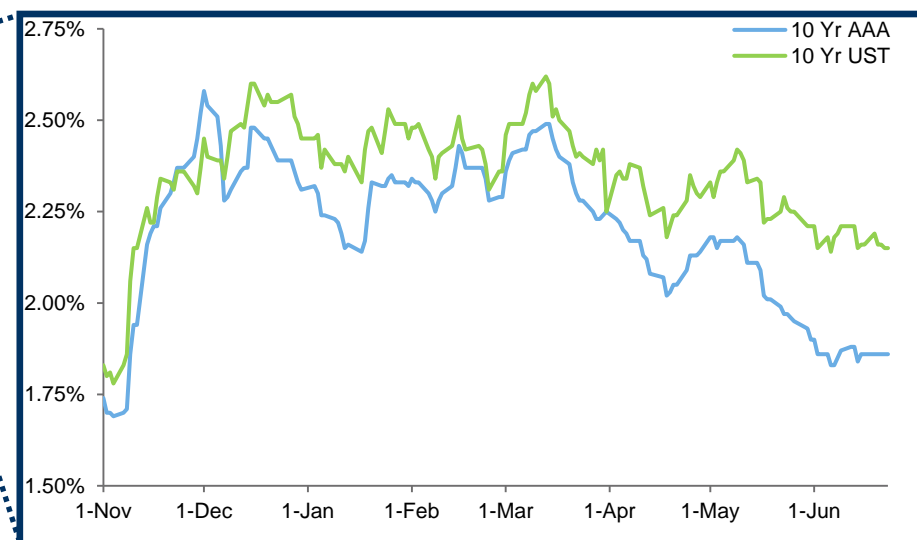


\* Publicly offered municipal debt; excludes private placements.

### Tax-Exempt and Taxable Yield Trends



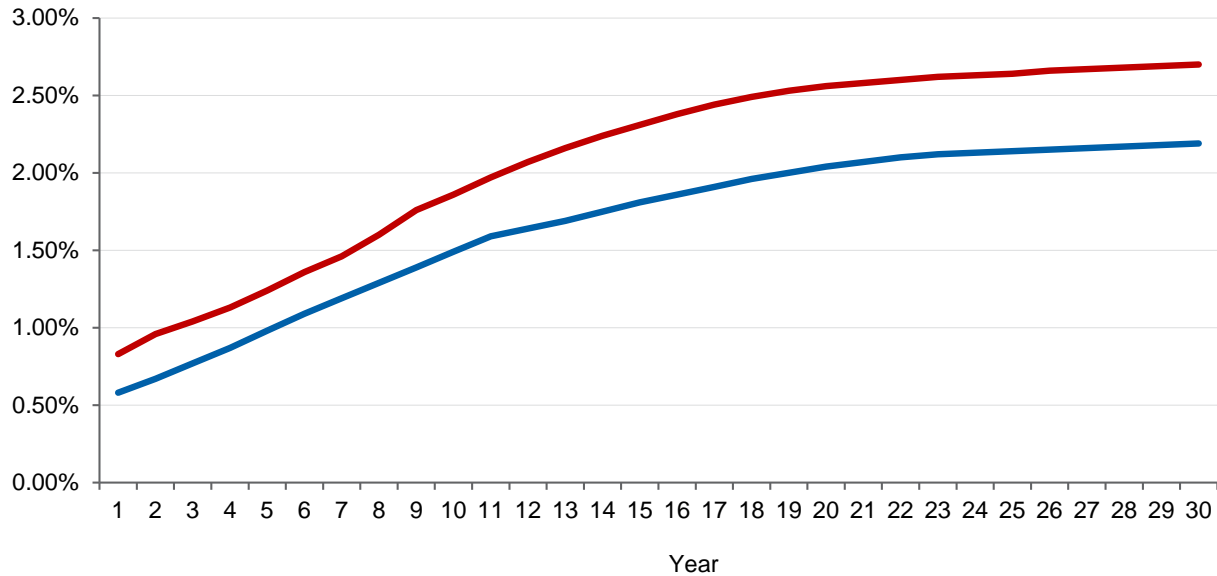
### Tax-Exempt and Taxable Yield Trends: November 1, 2016 - Present



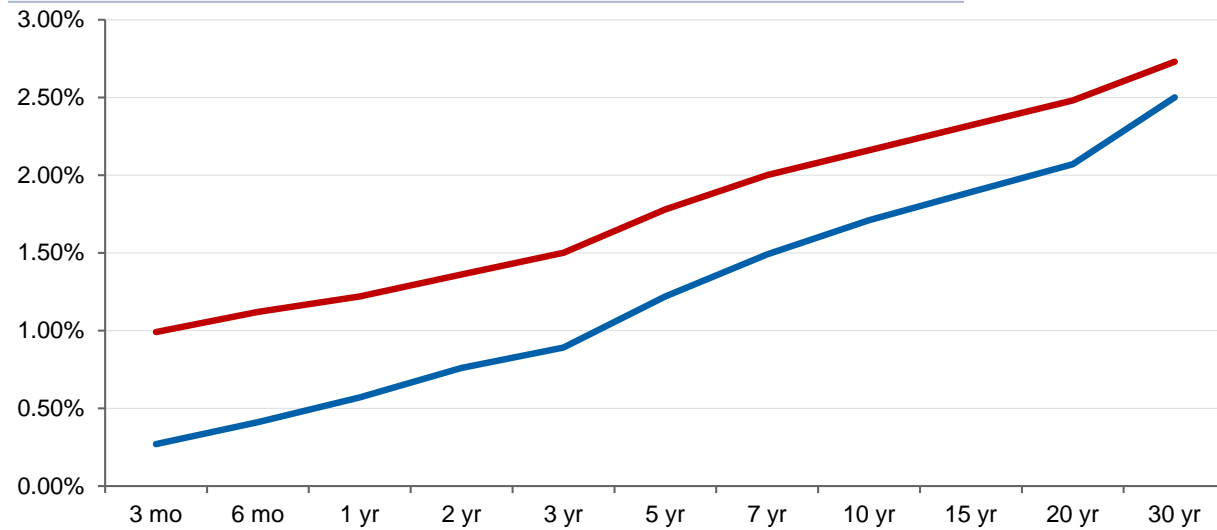
# Long-Term Market

## Market Overview

### Municipal GO "AAA" MMD Yield Curve Changes



### U.S. Treasury Yield Curve Changes



Source: Bloomberg and Thomson Municipal Market Data

— 06/21/2017 — 06/21/2016

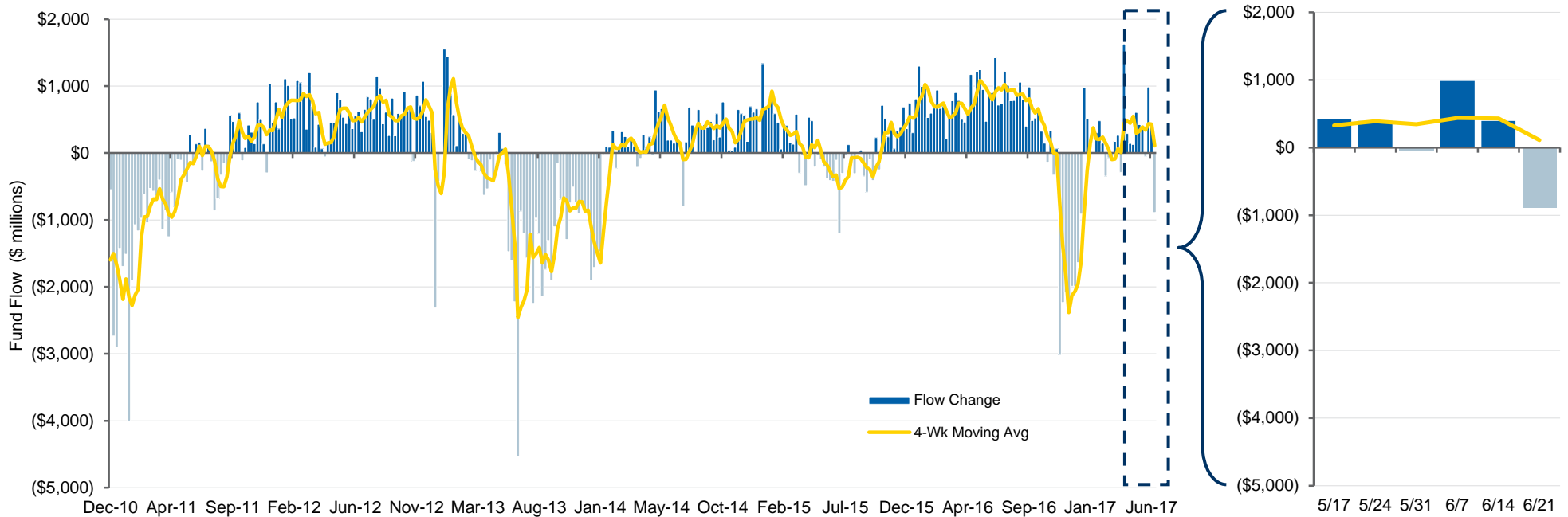
# Municipal Market Fund Flows

## Municipal bond funds see outflows

According to data from Lipper, for the week ended June 21<sup>st</sup>, 2017, weekly municipal bond funds reported \$891 million of outflows, down from the previous week's \$395 million of inflows

- Long-term muni bond funds also experienced outflows, losing \$1.1 billion in the latest week, after inflows of \$326 million in the previous week
- Four week moving average is currently positive at \$110 million, down from last week's number of \$431 million

## Lipper Municipal Fund Flows

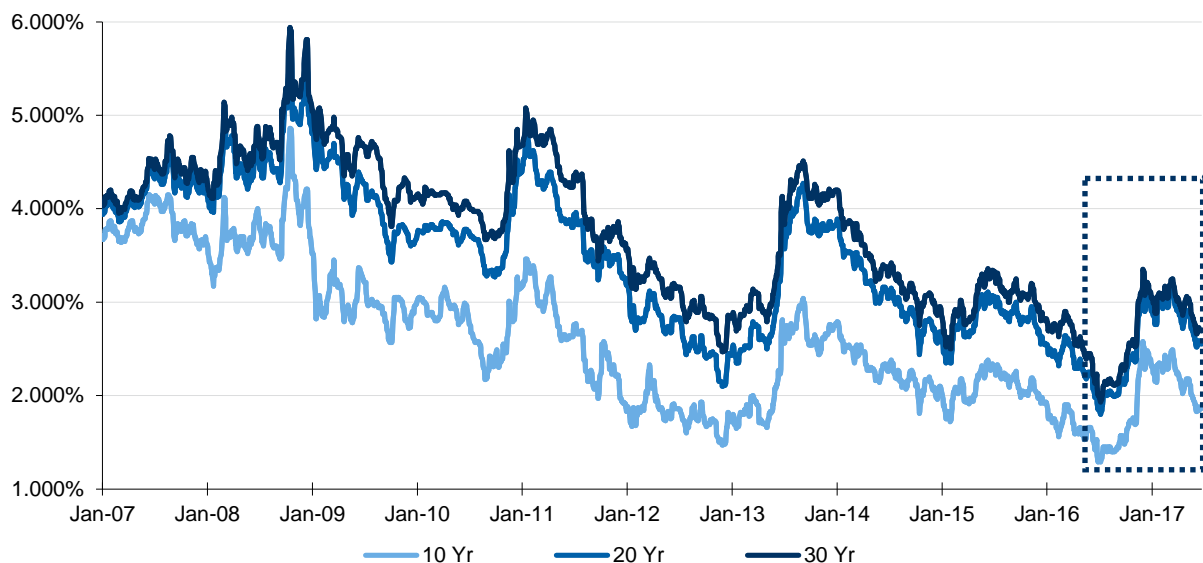


Period ended June 21, 2017

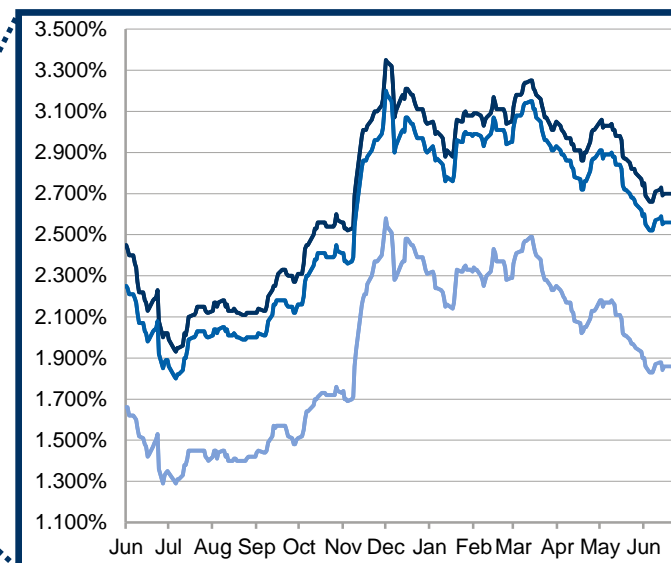
# Current Municipal Market Conditions: “AAA” MMD

After closing at 2.70% the previous week, the 30-year “AAA” MMD decreased by 1 bp from June 16 – June 23.

“AAA” MMD January 1, 2007 to Present



Shift in “AAA” MMD Since June 2016



January 1, 2007 to Present

	10 Year	20 Year	30 Year
Maximum	4.860%	5.740%	5.940%
Minimum	1.290%	1.800%	1.930%
Current	1.860%	2.550%	2.690%

Shift in 30-year “AAA” MMD

	2010	2011	2012	2013	2014	2015	2016
	0.520%	-1.130%	-0.740%	1.330%	-1.340%	-0.010%	0.270%

June 1, 2016 to Present

	10 Year	20 Year	30 Year
Maximum	2.580%	3.200%	3.350%
Minimum	1.290%	1.800%	1.930%
Average	1.920%	2.558%	2.689%

Source: TM3, Thomson Reuters  
10, 20, and 30 year “AAA” MMD shown to represent different average lives of municipal transactions  
Rates as of June 23, 2017



# Bond Buyer 20 General Obligation Bond Index

## 55 Year Historical Perspective

### Bond Buyer 20 GO Index since January 1961



### % of Time in Each Range Since 1961

Yield Range		
Less than 3.50%	10.08%	
3.50% - 4.00%	9.03%	
4.01% - 4.50%	10.99%	
4.51% - 5.00%	10.25%	
5.01% - 5.50%	14.29%	
5.51% - 6.00%	9.94%	
6.01% - 6.50%	7.70%	
6.51% - 7.00%	7.02%	
7.01% - 7.50%	6.35%	
7.51% - 8.00%	3.73%	
Greater than 8.00%	10.62%	
<b>Total</b>	<b>100.00%</b>	

Source: Bloomberg as of June 22, 2017  
 Weekly yields and indexes released by the Bond Buyer. Updated every Thursday at approximately 6:00pm EST. 20 Bond General Obligation Yield with 20 year maturity, rated AA2 by Moody's Arithmetic Average of 20 bonds' yield to maturity.

**Today's 3.53% level is lower than 89.35% of historical rates since January 1961**

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