San Antonio Independent School District

Bond 2020:

Managing the District's Tax Rate

Tuesday, May 26, 2020

THIS IS SAISD
San Antonio's School District

SAISD

Mission of the San Antonio Independent School District

To transform SAISD into a national model urban school district where every child graduates and is educated so that he or she is prepared to be a contributing member of the community.

Bond 2020

No Tax Rate Increase Projected

- The plan for the District’s upcoming Bond 2020 program is to maintain the District’s total tax rate of $1.53095 with no increase.

The District's Tax Rate

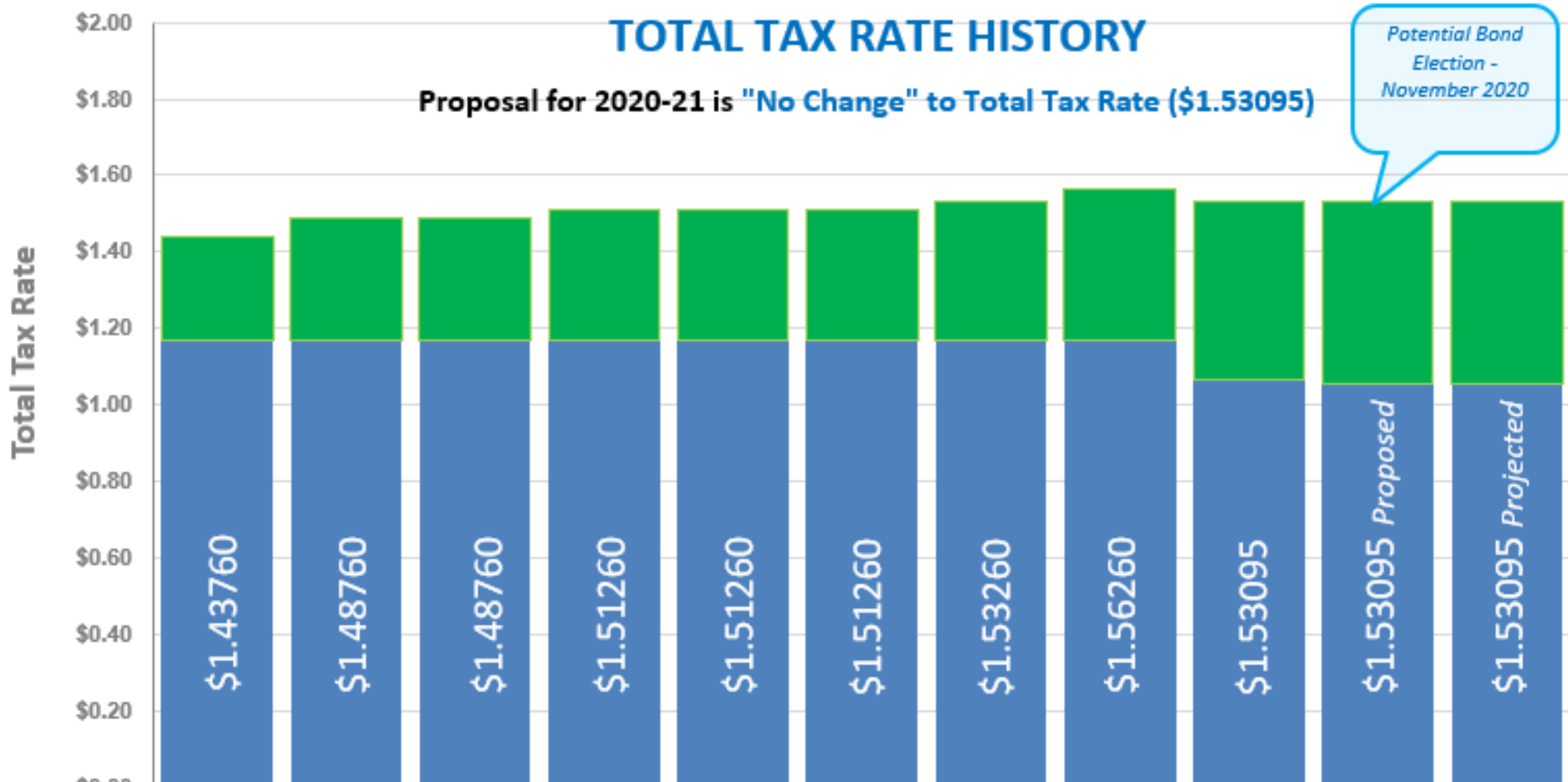
The District's property tax rate is comprised of two rate components:

1. **Maintenance & Operations (M&O):** the tax rate that generates revenue to be used on the maintenance and operations of the District.
2. **Interest and Sinking Fund (I&S):** the tax rate that generates revenue to be used towards the District's bond payments/debt service (i.e. payments towards the interest and principal of the District's voter authorized outstanding debt/bonds).

The following are the proposed tax rates for 20-21:

- **Current M&O tax rate: $1.05475**
- **Current I&S tax rate: $0.47620**
- **Total Tax rate: $1.53095 per $100 of assessed valuation**

Total Tax Rate History
& Proposed Rate for 2020-21



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Projected	2022 Projected
I&S Tax Rate	$0.26760	$0.31760	$0.31760	$0.34260	$0.34260	$0.34260	$0.36260	$0.39260	$0.46260	$0.47620	$0.47620
M&O Tax Rate	$1.17000	$1.17000	$1.17000	$1.17000	$1.17000	$1.17000	$1.17000	$1.17000	$1.06835	$1.05475	$1.05475

Bond Election

Provides opportunity to Board of Trustees to call a Bond election, for voter consideration, upon determination of projects to fund:

- **School Facilities**
  - Renovation
  - Construction

- **Acquisition of**
  - School facilities
  - Land
  - Capital items (e.g. equipment)
  - Technology
  - Buses
  - Portable buildings
  - Other

Sale of Bonds

Sale of Bonds begins with Board calling an election.

- Board authorizes specific dollar amount for identified projects of the District
- Election is held for voter consideration
- Upon voter approval, bond sales/issuances are scheduled in coordination with plans for:
  - Construction
  - Renovation
  - Acquisition
  - Purchases
  - Other

What are the steps taken for calling a Bond election?

- Analysis to identify projects and amount required
- Financial analysis to support ability to meet debt service (I&S) obligations
- Financial analysis in coordination with Financial Advisor(s) in structuring of debt obligations
- Consultation with Bond Counsel to meet statutory requirements to hold an election
- Meet Texas Permanent School Fund (PSF) requirements to secure State of Texas guarantee to receive AAA credit rating for bonds
- Meet with credit rating agencies to secure SAISD rating for bonds

Note: SAISD has previously secured Aa2 rating for Bonds and a AAA rating for Management of District Finances.

Why Do School Districts Use Bonds?

- State law requires voter approval for certain construction, renovation, and equipping of school buildings and related projects.
- Allows Districts to use debt service (I&S) funds and not use general operating funds for allowable purchases, acquisitions, etc.
- Debt Service funds provides a District the financial opportunity to pay for capital expenditures over a period of time and over the lifetime of the asset
- Once approved, Bonds are not required to be sold immediately
- District sells Bonds in coordination with construction and renovation plans
- Bonds that are sold have different maturity dates that permit a District to structure its Bond debt and more efficiently time debt payments to manage its debt obligations and debt service (I&S) rate.

Factors that would allow the District to issue $1.245B in new debt/bonds without increasing the District's tax rate:

- **Downtown Construction and Renovation**

The continued development and improvement of property within District boundaries is expected to increase the value of the District's total taxable property appraisal valuations.

- **Interest Rates at All-time Lows**

Lower interest rates result in lower interest and debt. With interest rates being at all-time lows, the District can issue debt at low cost without incurring a tax rate increase.

- **Decline in Existing Debt Service**

The District's annual debt payments are scheduled to decline over time as debt is decreased. As the District's existing annual debt obligations decline, the District has potential to issue new debt without a tax rate increase.

Taxable Property Value Growth Results in Added Debt Service (I&S) Revenue

	Current Year	Projected Growth	Next Year	Increase
Property Value	\$20 Bil.	5%	\$21 Bil.	\$1 Bil.
I&S Revenue	\$92.5 Mil.	-	\$97.0M	\$4.5M

Note: In fiscal year 2019, District assessed taxable property values increased by 8.3%.

How Does District Manage the I&S Tax Rate?

Strategic Debt Structuring

In its initial planning stage, prior to a bond sale, the District in consultation with its Financial Advisor(s), determines what amount of principal and interest will be required each year to the bondholders. The District's Bond debt and annual payments are strategically calculated to manage the I&S tax rate.

Variable Bond Rate

The use of variable rate debt allows the District to borrow money at a lower interest rate than a traditional fixed-rate bond sale. The District has previously utilized Variable Rate Demand Obligations (VRDOs) and Commercial Paper to capture savings on interest costs to mange the I&S tax rate.

Bond Refundings

A bond refunding is a refinancing of existing debt. By refunding existing Bonds to allow a lower cost, the District reduces existing debt payments (lower interest) to manage the I&S tax rate.

Bond Defeasance

Bond defeasance is a tool by which bonds may be retired (paid off). Defeasance allows the District to decrease its outstanding debt to manage the I&S tax rate.

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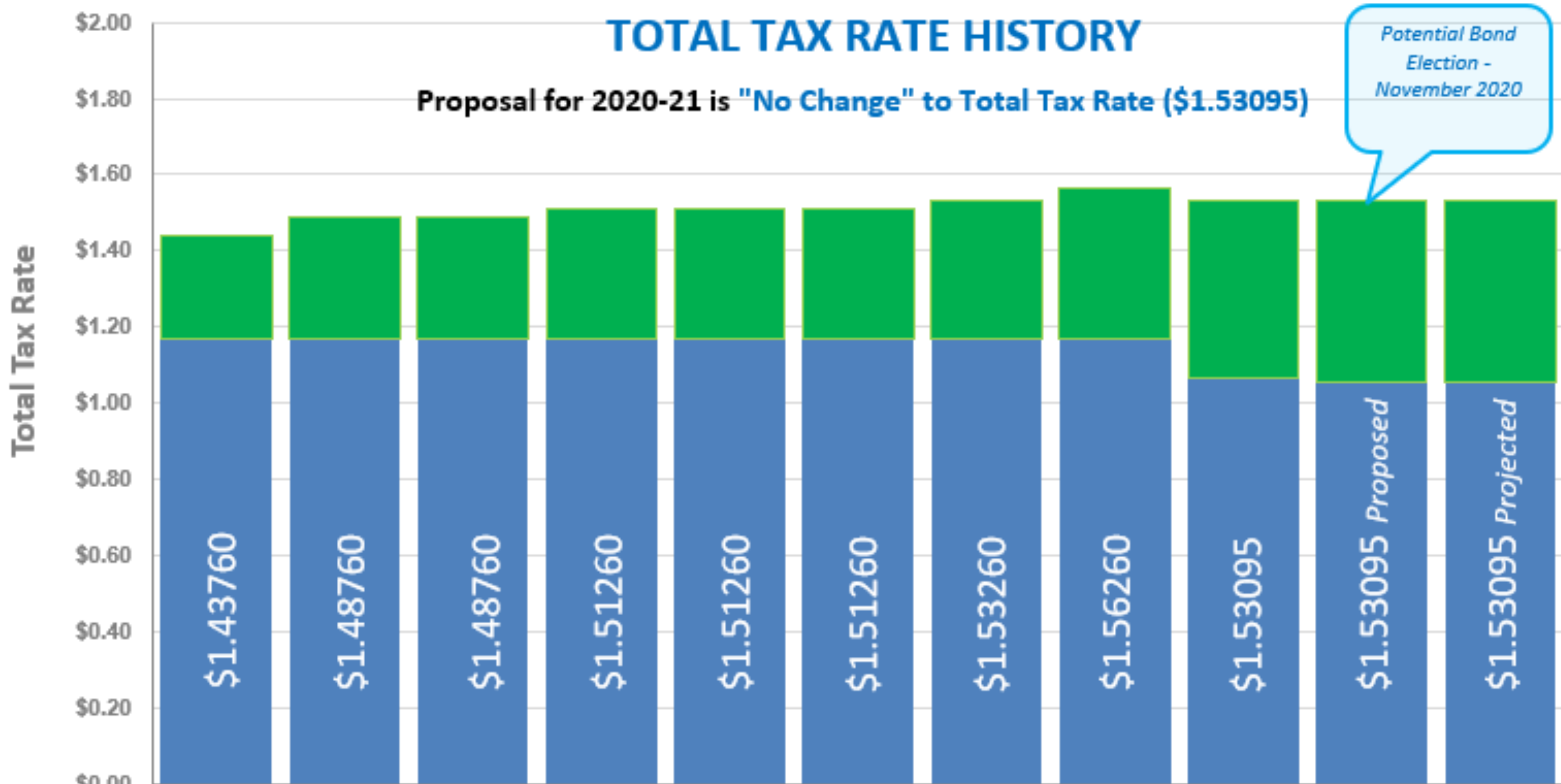
& Proposed Rate for 2020-21



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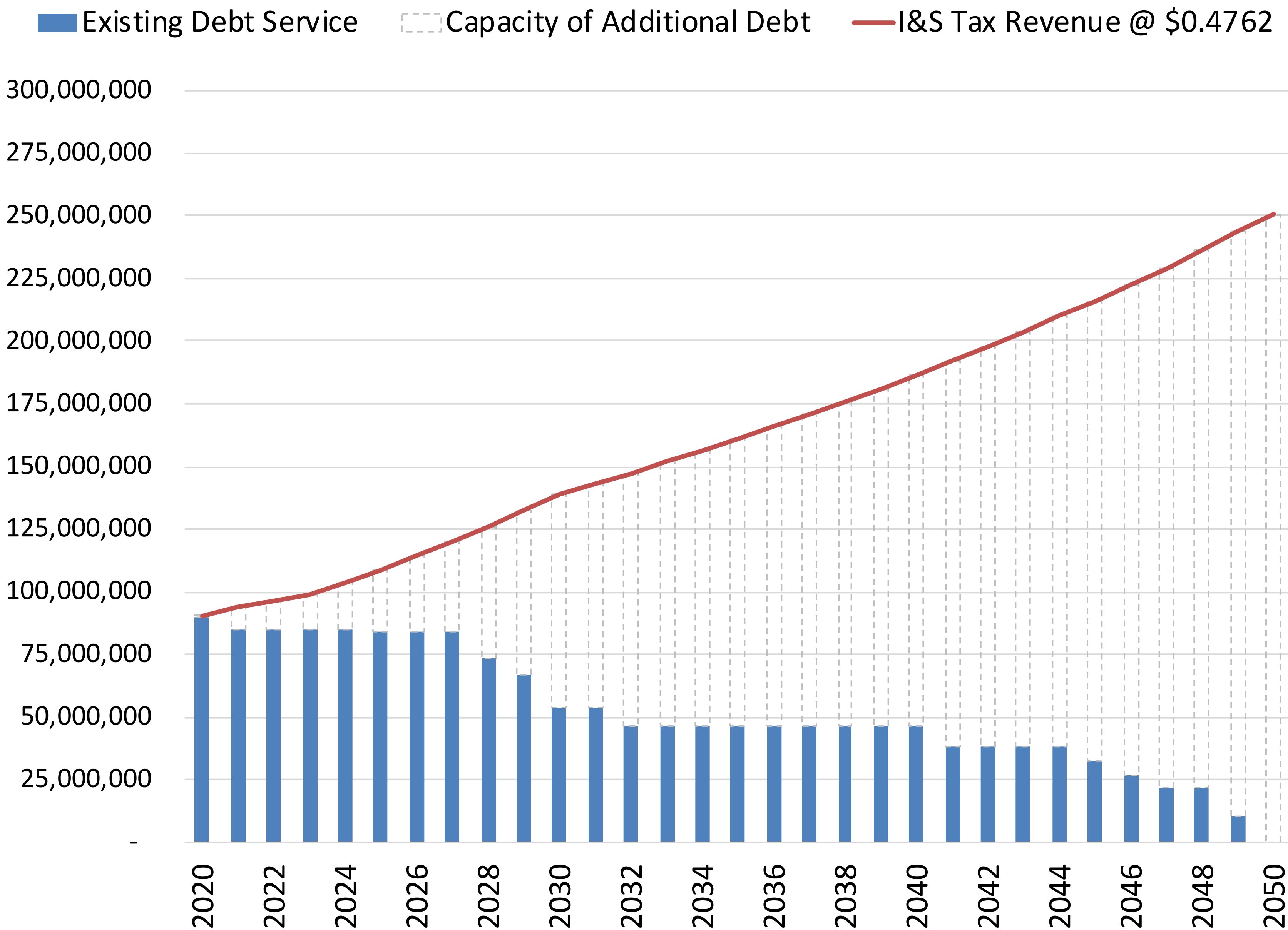
SAISD Debt Capacity with No Change to the Tax Rate



Assumes TAV growth of 2.5% in years 2021-2022, 5% from 2023 to 2029, 3% from 2030 -2049, and 1% thereafter

Summary:

The strategic management of the District's debt portfolio, the projected property valuation growth, and the current interest rate environment are expected to allow the District to issue $1.245B in new debt from Bond 2020 without incurring a need to increase the District's tax rate.

As necessary and appropriate, the District intends to continue to utilize various tools and strategies to manage the I&S tax rate to keep the District's total tax rate level.

San Antonio Independent School District



Questions?