Gregory-Portland Independent School District

BOARD MEMORANDUM

TO: DR. MICHELLE CAVAZOS

FROM: DR. ISMAEL GONZALEZ III

CC: BOARD OF TRUSTEES
PENNY ARMSTRONG
DEBORAH GARZA
DR. WILLIAM STOUT
DR. MICHAEL NORRIS
BRITTNEY SOLIZ SANDOVAL

DATE: Monday, August 31, 2026

SUBJECT: Discuss and Take Possible Action to Approve Establishing the Ad Valorem Tax Rate for Interest & Sinking (Debt Service)

PRIORITIES

PRIORITY 1: EXCEPTIONAL STUDENT PERFORMANCE
N/A
PRIOIRTY 2: HIGH PERFORMING AND ENGAGED WORKFORCE
N/A
PRIORITY 3: QUALITY SERVICE AND IMPACTFUL COMMUNITY ENGAGEMENT
N/A
PRIORITY 4: EFFICIENT AND EFFECTIVE DISTRICT AND CAMPUS OPERATIONS
4.2 Maintain fiscal viability; stewardship; and improve staff knowledge of sustainable budgeting processes

BACKGROUND INFORMATION:

Type: Action

Senate Bill 1453 (SB 1453), effective for the 2026 tax year, changed the process Texas school districts must follow when establishing an Interest & Sinking (I&S) tax rate that exceeds the rate necessary to meet the District's minimum debt service requirements. The legislation does not prohibit a school district from maintaining an I&S rate above its calculated minimum; however, it establishes additional Board action and voting requirements when doing so.

For the 2026-2027 fiscal year, Gregory-Portland ISD's financial advisor, BOK Financial Securities, has determined that the District's **minimum debt service requirements are $41,837,500**. Based on the District's taxable values and the Truth-in-Taxation calculations, the corresponding minimum I&S debt service tax rate is **$0.232333 per $100 of taxable value**.

The District's current I&S tax rate is **$0.3400 per $100 of taxable value**. Based on the District's existing debt portfolio, long-term debt management strategy, and recommendations from the District's financial advisor, administration is recommending that the Board **maintain the $0.3400 I&S rate for 2026-2027** rather than reduce the rate to the statutory minimum.

Importantly, the proposed **$0.3400 I&S rate is not an increase from the District's current I&S tax rate**. The District levied the same $0.3400 I&S rate during the preceding year. The significance of SB 1453 is that the proposed rate is now compared to the District's calculated **minimum debt service rate of $0.232333**, creating a difference of **$0.107667 per $100 of taxable value**.

Why Maintain the $0.3400 I&S Rate?

Maintaining the existing I&S rate provides the District with additional capacity to strategically manage its outstanding bonded indebtedness. Revenue generated above the amount required for minimum scheduled debt service may be used to **accelerate repayment of outstanding indebtedness and establish and maintain reasonable debt service reserves**.

Accelerating debt repayment can allow the District to reduce outstanding principal sooner, manage future debt service obligations, reduce interest costs where appropriate, and preserve future debt capacity. This strategy is particularly important as the District continues managing its existing debt portfolio and long-term capital program.

SB 1453 Process

Because the proposed **$0.3400 I&S rate exceeds the calculated minimum debt service rate of $0.232333**, SB 1453 requires specific Board action before the higher debt service rate is incorporated into the District's final tax rate calculations.

The Truth-in-Taxation process therefore includes **two debt-rate calculations**:

1. Minimum Debt Service Calculation

The initial calculation is based only on the District's minimum debt service requirements and excludes the additional amounts associated with accelerated repayment of debt. This calculation establishes the **$0.232333 minimum debt service rate**.

2. Recalculated Debt Service Rate

Following the Board's approval of the higher debt service rate pursuant to SB 1453, the designated financial officer recalculates the District's debt rate and voter-approval tax rate to incorporate the Board-approved debt management strategy and proposed **$0.3400 I&S rate**.

Accordingly, the Board's action on this item must occur as part of the tax rate adoption process and prior to final adoption of the District's overall tax rate.

Required Board Action

Administration recommends that the Board approve maintaining an I&S tax rate of **$0.3400 per $100 of taxable value**. Because this rate exceeds the District's calculated minimum debt service rate, the motion must specifically identify:

- The proposed debt service tax rate;
- The District's calculated minimum debt service tax rate;
- The amount by which the proposed rate exceeds the minimum rate; and
- The purpose for which the additional debt service revenue will be used.

The Board's approval is subject to the applicable **60% record-vote requirement**.

Following approval of this action, the District will proceed with the required recalculation of the debt service and voter-approval tax rates and then consider adoption of the District's complete 2026 tax rate, consisting of the Maintenance & Operations (M&O) and Interest & Sinking (I&S) components.

RECOMMENDATION:

Administration recommends that the Board, at its discretion, consider approving the proposed $0.3400 I&S tax rate to support the District’s long-term debt management strategy, including accelerated repayment of outstanding indebtedness and maintenance of reasonable debt service reserves.

FINANCIAL IMPACT AMOUNT AND FUNDING SOURCE (IF APPLICABLE):

Please review attached presentation for details

BOARD RELATED POLICY:

CCG (LEGAL)

ACTION ITEM SUGGESTED MOTION (if applicable):

**Read motion language word for word:*

I move that a proposed rate to pay debt service of $0.3400 per $100 of taxable value be approved. This rate exceeds the district's debt service rate determined under Section 44.004(c)(5)(A)(ii)(b) of the Education Code of $0.232333 by $0.107667. The excess revenue collected from the proposed rate will be used for accelerating the repayment of the District's outstanding indebtedness and establishing and maintaining reasonable debt service reserves