



Discussion Item

Date: August 6, 2025

Division: Finance

Subject: Review of the Debt Management Plan

Background Information:

- The Board Debt Strategy Committee was formed in June 2022.
- The task of the committee was to revise CCA (LOCAL) Policy in order to outline the district's debt management procedures.
- A draft CCA (LOCAL) was brought before the Board in the August 1, 2022, Work Session with a guidance document for reviewing each section of the proposed revisions to the policy.
- The District's Financial Advisor and Bond Counsel reviewed the policy and provided feedback throughout the process.
- The revised Board Policy CCA (LOCAL) was adopted on August 29, 2022.

Administrative Consideration:

- In alignment with CCA (LOCAL), the administration will review the policy on an annual basis prior to budget adoption.
- As a part of the annual review of the Debt Management Plan, the Board considers defeasance opportunities for the upcoming school year.
- With the proposed Interest and Sinking (I&S) tax rate, LISD is realizing a modest budget surplus. With the projected fund balance, the District has the opportunity to defease and/or redeem eligible debt, which will increase savings for taxpayers.
 - The District's financial advisor has assisted in developing a defeasance program for the District, assuming approximately \$25 million in surplus I&S funds by the end of Fiscal Year 2025-26.
 - The LISD Board of Trustees may authorize the use of District funds realized from prior or prospective interest and sinking fund tax collections for the early redemption of certain qualifying long-term debt obligations (Defeased Obligations).
 - Included is the defeasance program analysis.
 - The redemption opportunities within the analysis would reduce the debt service payments by approximately \$24 Million and would provide a Net Interest Savings to the taxpayers of approximately \$2.7 Million.
- Administration, in consultation with the financial advisor and bond counsel, performed an analysis of the District's current debt portfolio to identify potential refunding targets. For a parameters order, consideration is given to minimum NPV (Net Present Value) Savings,

Maximum TIC (True Interest Cost), Maximum Aggregate Original Principal Amount, and the Maximum Final Maturity.

- The District's financial advisor has assisted with identifying all bonds callable between now and August 15, 2029.
- The District's financial advisor and bond counsel have assisted in establishing parameters for the 2025-26 school year that are in alignment with Board Policy CCA (LOCAL).
 - Pricing Officers: Dr. Lori Rapp and Mr. Scott Wrehe;
 - The aggregate original principal amount of Bonds shall not exceed \$1,515,000,000;
 - The maximum true interest cost shall not exceed 5.00%;
 - The refunding must achieve a minimum net present value debt service savings of 2.00%;
 - The final maturity shall not be longer than August 15, 2045; and
 - The delegation made hereby shall expire if not exercised by the Pricing Officer on or prior to August 15, 2026.
- A Parameters Order gives the Administration the flexibility to act should market conditions meet the criteria established through the Debt Management Policy and the Order.
- As a part of the annual review, the Board considers a pool of underwriters for the upcoming school year.
 - Board Policy CCA (LOCAL) includes parameters for the selection of underwriters and evaluation of their performance after a transaction.
 - Administration, in consultation with the financial advisor, assembled a ranking of Total Underwriting Engagements in Texas ISD Bonds in the last year as documented with the *Municipal Advisory Council of Texas* to evaluate underwriting firms that meet the qualifications established in the district's Debt Management Procedures – CCA (LOCAL).
 - Included is a list of the top twenty firms which all meet the District's CCA (LOCAL) criteria.
 - Board Policy CCA (LOCAL) requires that the Board of Trustees approves a pool of underwriters annually at the time the Debt Management Plan is reviewed.
 - Attached is the recommended pool of underwriters for the 2025-26 school year.