



SOUTH SAN ANTONIO INDEPENDENT SCHOOL DISTRICT

Agenda Item Summary

Meeting Date: June 19, 2024

Agenda Section: Discussion and Possible Action

Agenda Item Title: Resolution to Redirect Interest Cost Subsidy (tax subsidy) revenue for Qualified School Construction Bonds, Series 2010 from I&S Tax Fund to M&O Tax Fund to support the maintenance and operational needs of the district

From: Tony Kingman, Chief Financial Officer

Additional Presenters if Applicable: N/A

Description: The fiscal strategy is to begin diverting the interest cost subsidy of approximately \$480,000 per year to the M&O tax fund to support the maintenance and operational needs of the district.

Historical Data: Please see timeline attached

Recommendation: To approve the resolution to redirect the deposit interest cost subsidy (tax subsidy) revenue for Qualified School Construction Bonds, Series 2010 from I&S Tax Fund to M&O Tax Fund to support the maintenance and operational needs of the district for fiscal year 2023-2024 as presented

Funding Budget Code and Amount: approximately \$480,000 received annually

Goals: 3. SSAISD will implement program initiatives and activities that reflect a commitment to preparing 100% of students for post-secondary educational or career paths.

Tax Subsidy Timeline

Prior to 2015: Interest cost subsidy (tax subsidy) was deposited into the Interest & Sinking (I&S) Fund (Debt Service Fund) to support the district's debt payments.

2016-2020: Tax subsidies were directed to the Maintenance & Operations (M&O) Fund (General Fund) for utilization, subject to board approval.

2021-2022: Due to declining enrollment and subsequent reductions in state aid, the district transferred tax subsidies back to the I&S Fund, while increasing the tax rate from \$0.48 to \$0.49 to meet debt payment obligations.

2022-2023: In the face of continued enrollment decline and reduced state aid, the certified property value experienced significant growth (14% compared to 2021-22). The district maintained tax subsidies within the I&S Fund and raised the tax rate by \$0.009 to fulfill debt payments and increased low I&S fund's fund balance. Notably, at the end of 2022-2023, the fund balance increased by \$1 million, from \$2.7 million to \$3.7 million.

2023-2024: With state aid effectively reduced to \$0 due to declining enrollment, the certified property value continued to increase (4.42% compared to 2022-23). In response, the district passed the defeasance resolution, maintaining the tax rate at \$0.4990 and retaining tax subsidies within the I&S Fund. This decision aimed to reinforce fund balance/bond capacity and facilitate early debt repayment, if necessary.

June 2024: The administration proposes to the board to transfer tax subsidies back to the M&O Fund (General Fund) to mitigate deficits, as the I&S Fund can fulfill debt obligations without the subsidies.

Important Note: Due to the focus on increasing the fund balance and a preliminary 10% property value increase in 2024-2025 compared to 2023-24, the district anticipates a healthy fund balance and reasonable bond capacity at the end of the 2023-24 fiscal year.

**THE BOARD OF TRUSTEES OF THE
SOUTH SAN ANTONIO INDEPENDENT SCHOOL DISTRICT**

**RESOLUTION TO AUTHORIZE THE TRANSFER OF CERTAIN FEDERAL TAX
SUBSIDIES RELATED TO THE “SOUTH SAN ANTONIO INDEPENDENT SCHOOL
DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, TAXABLE SERIES 2010
(DIRECT SUBSIDY – BUILD AMERICA BONDS)” AND THE “SOUTH SAN ANTONIO
INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING
QUALIFIED SCHOOL CONSTRUCTION BONDS, TAXABLE SERIES 2010 (DIRECT-
PAY SUBSIDY BONDS)” TO THE GENERAL FUND AND OTHER MATTERS
RELATED THERETO**

WHEREAS, On July 21, 2010, the Board of Trustees (the “Board”) of the South San Antonio Independent School District (the “District”) adopted orders authorizing the “South San Antonio Independent School District Unlimited Tax School Building Bonds, Taxable Series 2010 (Direct Subsidy – Build America Bonds)” and approved respective Paying Agent/Registrar Agreements with the Bank of New York Mellon Trust Company, N.A. for such Bonds.

WHEREAS, On February 9, 2016, the Board previously amended the Agreements to provide for the payment of the federal subsidies or “Tax Credits” to the District and not to the paying agent for use by the District upon approval by the Board;

WHEREAS, on July 21, 2021, the Board of Trustees of the South San Antonio Independent School District authorized the Superintendent, Chief Financial Officer, or Budget Officer to send a directive to the Paying Agent, requiring that the Tax Credits be deposited in the respective interest and sinking funds for the Bonds;

WHEREAS, on July 21, 2021, the Board of Trustees of the South San Antonio Independent School District authorized the Superintendent, Chief Financial Officer, or Budget Officer to send a directive to the Paying Agent, requiring that the Tax Credits be deposited in the respective interest and sinking funds for the Bonds;

WHEREAS, the Board no longer desires to have such Tax Credits used for debt service payments on the District’s interest and sinking fund tax rate and finds that it is in the District’s best interest to have those funds be redirected into the General Fund.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD THAT:

1. The Superintendent, Chief Financial Officer, or the Financial Services Department are hereby authorized to send a directive in the form attached hereto as Exhibit A to the Paying Agent,
2. The following individuals are authorized to execute the incumbency certificate attached hereto as Exhibit B as required by the Paying Agent: Henry Yzaguirre, Mr. Tony Kingman.

PASSED AND ADOPTED by the vote of the majority of members of the Board of

Trustees of the South San Independent School District present and voting at an open meeting of the Board on the 19th day of June, 2024, at which a quorum was present.

MANUEL LOPEZ
President of the Board of Trustees

ATTEST:

SHIRLEY IBARRA
Secretary of the Board of Trustees



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Exhibit A

[District Letterhead]

June __, 2024,

Rob Rodriguez
The Bank of New York Mellon Trust Company, NA
919 Congress Avenue
Austin, Texas 78701

Re: Transfer of Federal Tax Credits to General Fund

Mr. Rodriguez:

As the Paying Agent/Registrar for the South San Antonio Independent School District Unlimited Tax School Building Bonds, Taxable Series 2010 (Direct Subsidy-Build America Bonds) (the “BABs”) and Unlimited Tax School Building Qualified School Construction Bonds, Taxable Series 2021 (Direct-Pay Subsidy Bonds) (the “QSCBs”) you are hereby directed to transfer the respective federal tax credits for the BABs and the QSCBs to the General Fund as follows

BAB Direct General Fund account number _____ in the amount of \$_____.

QSCB Direct General Fund account number _____ in the amount of \$_____.

Thank you in advance for your time.

Tony Kingman
South San Antonio ISD
Chief Financial Officer
1450 Gillette Blvd.
San Antonio, Texas 78224