



## **Agenda of Special Meeting**

### **The Board of Trustees Belton Independent School District**

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A Special Meeting of the Board of Trustees of Belton Independent School District will be held November 28, 2023, beginning at 5:00 PM in the Dragon Room, 400 N. Wall Street, Belton, TX 76513. One or more trustees may participate via video conference.

The subjects to be discussed or considered or upon which any formal action may be taken are listed below. Items do not have to be taken in the same order as shown on the meeting notice.

- 1. Call to Order**
- 2. Public Comments**
- 3. Athletic Facilities Workshop**
  - A. Debt Capacity Report 2
- 4. Campus Modernization and Capital Renewal Discussion**
- 5. Closed Session (Texas Government Code, Subchapters D and E)**
  - A. Deliberations about Real Property - Texas Government Code, Section 551.072
  - B. Consultation with Attorney - Texas Government Code, Section 551.071
  - C. Personnel - Texas Government Code, Section 551.074
  - D. Student Disciplinary Matter - Texas Government Code, Section 551.082
- 6. Reconvene in Open Session**
- 7. Adjourn**

# Belton Independent School District

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**Debt Issuance Process & Preliminary Bond Capacity  
as of November 28, 2023**



**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES

# Financing Method

- Texas school districts are limited on methods for financing “new” construction.
- Unlimited tax bonds require bond election.
- Maintenance Tax Notes do not require bond election, but cannot be used for new construction, just maintenance and renovation. Must be repaid from Maintenance & Operations tax rate.

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# Unlimited Tax Bonds

- Bonds must be approved by voters during May or November general election.
- Bonds repaid from Interest & Sinking Fund (I&S) portion of the tax rate.
- Bonds are viewed as safest investment because District is required to levy sufficient tax to repay debt service. Lowest possible interest rate.
- Voted bonds may qualify for the Permanent School Fund guarantee. 4
- Voted bonds may qualify for state assistance (EDA.)
- Financing takes approximately 3 months after successful bond election.

# Ten-Year History of The Bond Buyer's 20 Bond G.O. Index



# New Financing Capacity

- State law limits a school district's Interest and Sinking Fund tax rate (debt rate) to 50 cents at the time of bond issuance (also known as the "Attorney General Test.")
- District's current Interest and Sinking Fund tax rate is *\$0.3942*.
- If the District wished to maintain the existing I&S rate (i.e., no tax rate increase), the District's debt capacity is currently between *\$51,670,000-\$64,125,000* for a November 2024 election.
- Capacity is determined by several factors:
  1. Interest Rate on Bonds
  2. Existing Debt Profile
  3. State Assistance
  4. Taxable Assessed Valuation of the District

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# Assumptions

- Largest factor in capacity is the estimated growth in the District's tax base, particularly when forecasting future capacity.
- We assumed 7.5% growth next year, 5% for following three years, and 3% until FY 2038.
- District has always planned conservatively.
- Assumes following interest rates:
  - 5.12%, 30-year term

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# New Variables – Homestead Exemption

- In November, Texas voters approved raising the school tax homestead exemption from \$40K to \$100K.
- For bonds voted prior to October 1, 2023, districts are meant to be “held harmless” on I&S taxes.
- The State will send districts payments each year for the amount of I&S taxes they lost due to the higher homestead exemption.
- Doesn’t impact new BISD bonds, but does impact all existing debt.
- TEA has not yet published updated state funding models to include the \$100K homestead exemption, but our analysis “guesstimated” what we think it will be.
- We have to account for all bonds when issued, because some were issued with a \$15K homestead, \$25K homestead, or \$40K homestead.

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# New Variables – Homestead Exemption

- Additionally, in prior years, the Attorney General has not allowed Districts to use hold harmless payments to pass the 50 cent test.
- At 39.42 cents I&S rate, BISD is nowhere near 50 cents, but if you cannot use hold harmless payments, bond capacity is greatly limited.
- Districts who receive EDA state assistance on their bonds can use EDA to pass the 50 cent test, but BISD doesn't receive any.
- The AG has not said if he will now allow the higher hold harmless amounts to be used on his 50 cent test.
- For BISD, that is a significant amount (our estimate is close to \$4M per year.)
- We expect this issue to be clarified shortly as districts begin to sell bonds under the new homestead exemption.

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# Deadline to call election

- **The last day to call a May 2024 bond election is:  
Friday, February 16, 2024.**
  - **The last day to call a November 2024 bond election is:  
Monday, August 19, 2024.**
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- **Athletic facilities have to be voted as a separate bond proposition from educational buildings/purposes.**

# Bond Prepayment

- As the tax base continues to grow, BISD's I&S tax rate will fall if the District does not issue new bonds.
- Lower tax rates are good, but can be difficult in anticipation of a bond election because the tax rate may fall for one year, only to have to rise even more following a new bond.
- The District can legally hold the I&S tax rate steady by prepaying bonds in years when no new bonds are issued. <sup>11</sup>
- In our analysis, we have assumed BISD will prepay almost \$5.5M of existing bonds between now and FY 2026.
- The prepayment pays off bonds entirely, and as a result, saves interest.
- In this case, the preliminary analysis would result in a debt service savings to taxpayers of \$10,004,600.

# Moving Target

- As we approach the election date, our assumptions will be more accurate.
- Important to keep in mind that capacity is a “moving target” – we won’t know anything for sure until we sell the bonds.
- Our job is to give you a target that we feel confident we can hit so you can plan projects.
- As always, our numbers are conservative to account for higher interest rates and lower tax base growth.

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