



*Developing the Potential of Every Student, Every Day*

## Stephenville ISD August 11, 2021 Called Board Meeting

### VII. Discuss Debt Service Rate 2021-2022

Certified Values received for [2021](#)

[TNT: Tax Rate Calculation Worksheets 2021-2022](#)

Terminology:

M&O/Maintenance and Operations

I&S/Interest and Sinking

NNR/No New Revenue Tax Rate

Rate to Maintain Prior Year

MCR/Maximum Compressed Rate

\*All formula based

[SISD Tax Rate Public Hearing Presentation](#) will be held on August 16, 2021 at our regularly scheduled board meeting. Board to adopt budget and tax rate on August 26, 2021 at our called meeting. [Public Notice](#) was posted in compliance with TEA regulations.

2020-2021 Tax Rate (\$.0508, 4% decrease from prior year)

**M&O** \$0.8792 + \$.06 = \$.9392      **I&S** \$.2829

2021-2022 Tax Rate (**\$0.0299, 2.4% decrease from prior year**)

TEA Official/Approved MCR for M&O (approved 7/27/2021); Local Board sets I&S (with minimum set by formulas)

**M&O** \$0.8492 + \$.06 = **\$0.9092**      **I&S** \$.2500 - **\$.2828**

Debt Service/I&S Tax Rate:

In 2020-2021, the board adopted a tax rate that included a *reduction of \$.0508 (4% decrease)* while maintaining the same I&S rate. We were able to do so with an adoption of a defeasance order. In this order, we committed to prepaying bonds at the end of this fiscal year, reducing future interest costs by \$504,000 (savings to taxpayers). "Stephenville ISD will wire \$992,728.16 to BNY Mellon on or prior to Thursday, August 13, 2021 to prepay \$840,000 of its Unlimited Tax School Building Bonds, Series 2018."



# STEPHENVILLE INDEPENDENT SCHOOL DISTRICT



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In 2021-2022, ..."as the District's tax value grows each year, Stephenville ISD could generate additional revenue by maintaining the same tax rate. Rather than lowering the tax rate or letting such additional funds flow into the District's fund balance, **SISD would adopt a defeasance order** to use such additional funds to prepay bonds prior to final maturity. By prepaying bonds, the **District reduces its future interest cost while building bond capacity for no tax rate increase.**"

When are the bonds callable? (as of 4/2021) [Callable Schedule](#)

The District's Series 2012-A Bonds are callable on February 15, 2022, but are not the most advantageous to prepay given the Federal government is subsidizing 94.3% of the interest cost. For the \$840,000 defeasance on August 15, 2021, we are targeting the February 15, 2042 maturity of the Series 2018 Bonds that have a February 15, 2027 call date.

The defeasance order for 21-22 would be applied towards these same series bonds.

## Options to be considered for 2021-2022:

- **Adopt the \$.2828 proposed tax rate**

Offer taxpayers a \$.0299 reduction in their tax rate from 2020

The board would commit to adopting a defeasance order. This would allow the district to prepay \$1,075,000 producing a \$635,000 savings of future bond costs to taxpayers.

- **Adopt a \$.2827 tax rate**

Offer tax payers a \$.0300 reduction in their tax rate from 2020

The board would commit to adopting a defeasance order. This would allow the district to prepay \$1,070,000 producing a \$632,200 savings of future bond costs to taxpayers. (\$5,000 difference in prepayment and \$2,800 in savings.) \*IF important to be able to speak to tax rate reduction.

- **Adopt a \$.2500 tax rate**

Offer tax payers a \$.0627 reduction in their tax rate from 2020

The board would not adopt a defeasance order. No commitment to prepayment. Maintain current debt schedule.

- **Adopt rate in between \$.25-.2828**

We can run any other options and discuss further at the Public Hearing on 16th.