



School Bond 2022
Northside ISD

Overview of School District Bond Elections

Dr. Brian Woods, Superintendent

Dr. Rene Barajas, Deputy Superintendent for Business and Finance



- What is a bond election?
- Why have a bond election?
- Definition of a bond
- Tax rates and taxable values
- Managing debt and tax rates

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What is a bond election?

An election called by the Board of Trustees asking voters in NISD for the approval to sell bonds for the financing of construction and/or renovation of District facilities, plus other big ticket items such as buses or technology.

Voters are the deciders because it is through their tax dollars that funds borrowed are ultimately paid back.

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Why have a bond election?

The dollars required to construct, renovate, and equip new or existing facilities (not to mention buying buses and technology in large quantities) are beyond the capacity of the District's general operating account.

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What is a bond?

An agreement between NISD and an investor who loans money to the District for the projects approved by the voters in the bond election.

The agreement is the District will repay the money borrowed, with interest, over a period of time agreed to when the bond is purchased by the investor. The bonds are repaid with taxes collected from NISD taxpayers.

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Tax Rates in 2021-2022

Maintenance & Operations (M&O)

- **\$0.9258 per \$100 of value**
- This rate, and taxes collected, is used to pay for the general operation of the district (e.g., salaries and benefits, instructional supplies, utilities, etc.)

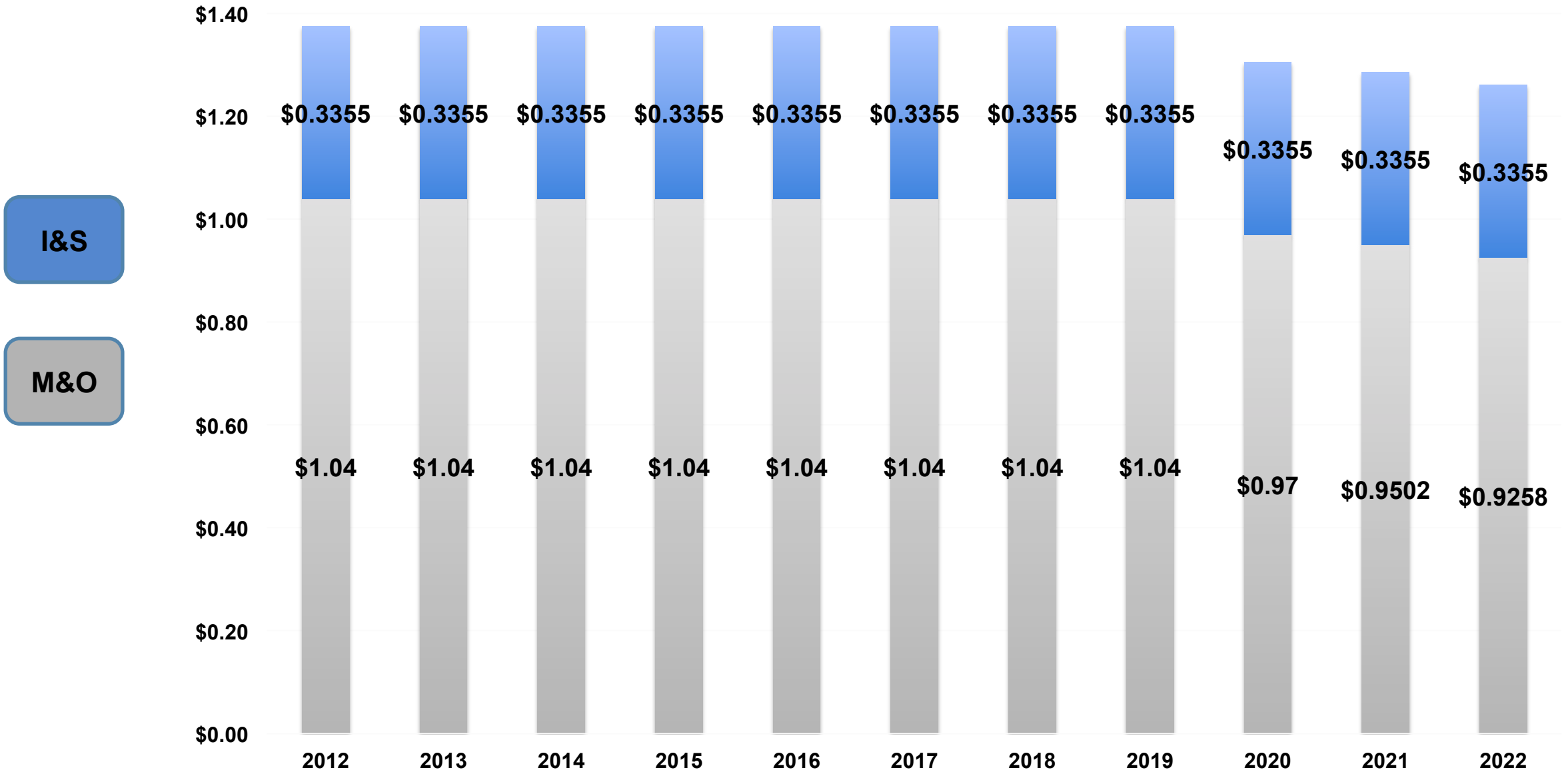
Debt Service (I&S)

- **\$0.3355 per \$100 of value**
- This tax rate, and taxes collected, is used exclusively to repay the money borrowed for the projects approved by the voters in a bond election

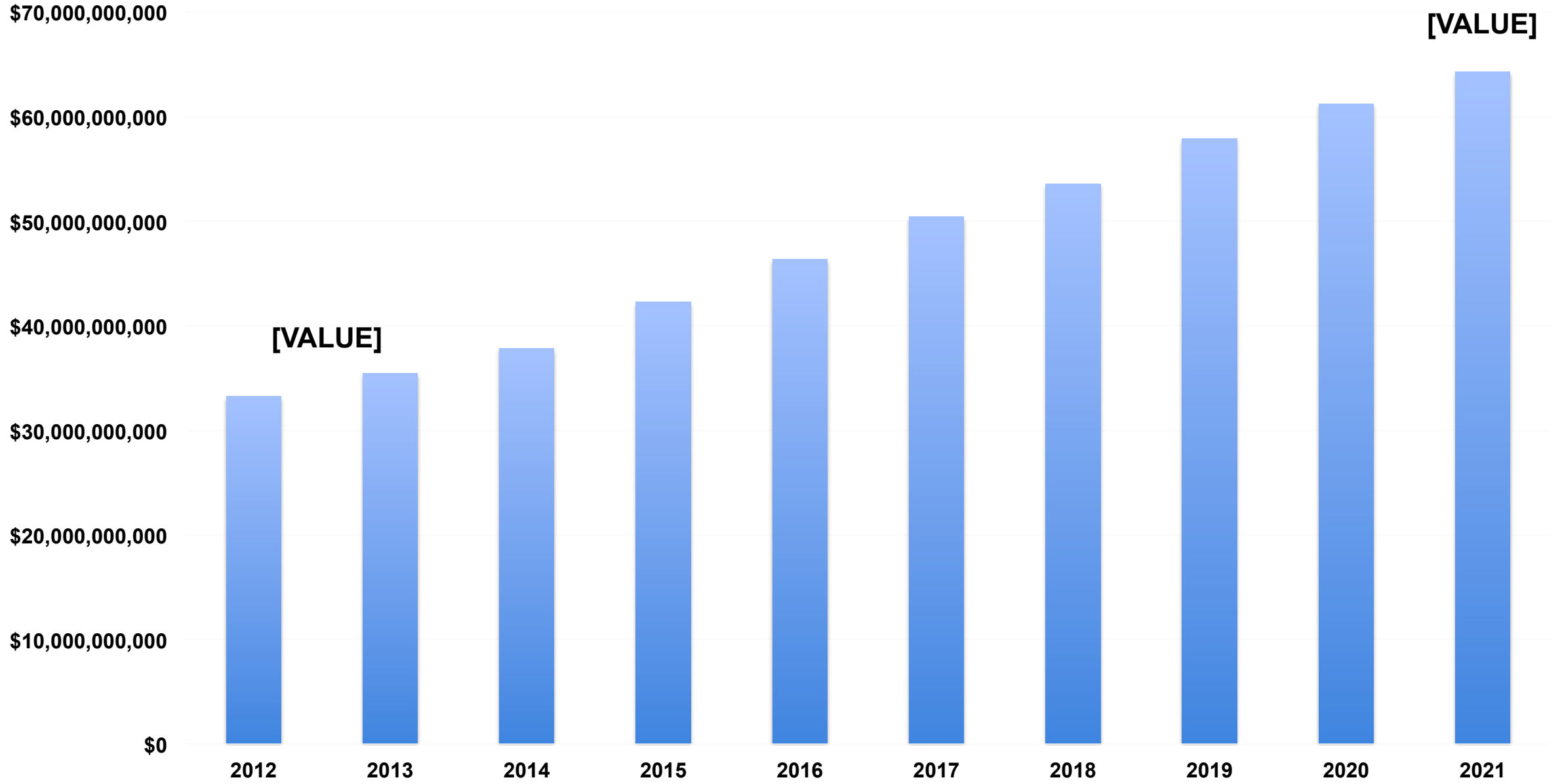
Total Tax Rate

- **\$1.2613**

Tax Rates Since 2012



Growth in Taxable Value





Debt and Tax Rate Management

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Managing debt involves two objectives:

- Reducing cost of borrowing
- Stabilizing I&S tax rate

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Cost of Borrowing

Reducing borrowing costs involves a few strategies:

- Refinancing current debt at lower rates (think refinancing your mortgage)
- Selling variable rate debt instead of fixed
- Timing of bond sales to when the funds are needed (avoiding unnecessary interest cost)

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While bond borrowing rates have been at “historic lows” for a number of years, rates are expected to increase in 2022 and beyond.

Possibly selling fixed-rate bonds in 2022 to “lock in” low interest rates.

Cost of Borrowing

Other factors that help with borrowing cost include:

- The District’s bond rating (think credit score)
 - Fitch – AA+
 - Moody’s – Aa1
- Keeping variable rate debt between 20% and 30% of the total outstanding amount owed.

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I&S Tax Rate

- The current I&S tax rate of \$0.3355 has been the same since tax year 2012.
- With increasing taxable values, the District has leveraged the I&S rate to pay off debt at a much faster pace, saving interest cost.
- Another strategy to pay off debt faster is to schedule bigger principal payments earlier in the loan period.
- Between 2016 and 2021, the District paid off bond principal of \$64.5 million.
- In 2022 the District plans to pay off another \$46.4 million, bringing the total bond principal paid off since 2016 to over \$110 million.

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No I&S tax rate will be necessary for a future bond issue up to \$1 billion dollars.

Future Bond Elections

- Unlike in previous bond elections, the District plans no I&S tax rate increase should another bond election be held.
- I&S rate would be maintained at \$0.3355 in tax years 2022 and 2023 with a managed rate reduction should taxable values increase.

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