

## BOND LANGUAGE DEFINED

Many residents have asked the question, “What exactly is a bond anyway, and how do they work?” This section will answer that question by defining what a bond is and the language commonly used.

### DEFINITIONS:

1. **Bond:** A bond is a debt instrument issued by a borrower, the District in this case, to finance capital projects. It is essentially a loan to the District that the District repays over the next 20-30 years with interest. As the District is a governmental entity, the District’s bonds are tax-exempt, which allows the District to receive low interest rates on the repayment. Bonds for the District must be authorized by the voters of the District at an election.
2. **Bond Authorization:** The legal authority for the District to issue bonds as granted by the voters of the District. The amount of debt authorized at the election does not have to be issued all at once and is typically issued over several years. The District does not incur debt until it actually issues Bonds.
3. **Bond Issuance:** This is the process by which the District takes out a long-term loan to pay for District projects by issuing a bond. The total amount of bonds issued by the District may not exceed the Bond Authorization limit. This is when the District will actually incur debt..

**SYNOPSIS:** Simply put, the bond election authorizes the District to take out long-term loans, but the District will not incur any debt until its Board of Directors decides to issue bonds..

**ADDITIONAL INFO:** Each new bond issuance is reviewed and approved first by the District Board of Directors and legal counsel, and then is reviewed and approved by both the TCEQ and the Texas Attorney General before each set of bonds are issued/sold. Each new potential bond issuance is evaluated against alternative funding options available at the time of consideration. Bonds are sold at public meetings through a competitive bidding process. (Bond Refunding can occur if the Board finds savings in refinancing existing bonds at a new lower market rate).

The text “levy of taxes, without limit as to rate or amount” on the ballot simply means that the District can make good on its promise to bond buyers that it can levy whatever tax rate is necessary, depending upon property values, to pay the debt-service payments when due on the issued bonds. The Board will not levy more debt-service taxes than what is needed to pay the debt-service payments on issued bonds. An “unlimited tax” pledge is the strongest pledge a government entity can make and would thereby allow the District to borrow at the lowest possible interest rate.