

Board of Education

INFORMATION

TITLE: Consider Adopting Bond Issue Resolution

DATE: July 20, 2018

RESPONSIBLE ADMINISTRATOR: Charles Warren
Chief Financial Officer

BACKGROUND/CONSIDERATIONS:

On July 17, 2018, Kevin Faught, with Stephens Inc., “opened bids” for the \$90 million bond issue of August 15, 2018. His summary of the process, including his firm’s recommendation, is attached as a separate file. An interest rate of 3.649302% was the best rate offered.

This interest rate is better than the estimated rate of 3.67% previously discussed at the July 9, 2018 Board Work Session. We believe moving the closing date to August from September (as was listed on the table of options from Stephens) was justified with this lower rate.

The last two pages of the attachment list a debt service payment schedule for the life of the bond. The District’s first payment is for interest only for \$1,420,323.09 for February, 2018. We feel confident collections in the spring of 2019 on the new millage will be sufficient to make this first interest payment. This is the only payment in the fiscal year of 2018-2019.

Subsequently, the District will be making annual payments of interest only each August and annual principal and interest payments each February. Please note that payments listed are due to the trustee by the 15th of the previous month as part of the state intercept program.

Also attached is a schedule of debt service payments that would have been made if the rate had been 4.00%. The significance of the 4.00% rate is that this rate was the estimated rate used in the successful millage election. A comparison of the financial impact of these two rates is listed below:

Interest Rate	Average Annual Principal & Interest Payment	Total Interest
3.649302%	\$4,920,381	\$59,031,754.55
4.00%	\$5,204,641	\$67,799,200.00
Savings	\$284,260	\$8,767,445.45

The annual savings of \$284,260 will be set aside, so to speak, until the remaining \$31 million bond issue can be completed. This will allow us to monitor interest rates, our construction schedule and construction costs for the best option. Specifically, this savings could be used to mitigate debt service costs if interest rates rise above 4.0% in the future.

The remaining attachment is the resolution from Stephens Inc. for the board to review and approve for the August 15, 2018 bond issue of \$90 million.

RECOMMENDATION:

The Administration recommends that the Board adopt the resolution to issue bonds on August 15, 2018 for \$90 million.

If the Board agrees, the motion would read: ***move to adopt resolution authorizing the bond issue of \$90 million.***