



BOARD OF SCHOOL TRUSTEES

KELLER INDEPENDENT SCHOOL DISTRICT

3D. Action

Date: May 23, 2005

SUBJECT: SINGLE SALE OF 2005 BONDS

BOARD GOAL: Budget and Finance

FISCAL NOTE: Revenues from sale of voter authorized bonds

Background Information:

- In March, voters approved the issue \$99,750,000 in bonds for construction projects.
- State capacity to guarantee district issued bonds increased. This guarantee allows the district to have an AAA rating on this issue of bonds.
- May 3, 2005 short term interest rate increase marking the eighth straight rate increase since June 2004 and puts the overnight bank lending rate at the highest since just after the September 2001 attacks.
- The districts A2 rating, though good, would not command as low an interest rate as an AAA rating.

Administrative Considerations:

- An initial assumption for the impact of the March 2005 bond election was an overall increase of \$0.0630 over a two year period with a yearly increase of \$0.0315 for each year.
- Approximately, 70+% of the bond issue will be spent on projects in the first 12 to 14 months.
- The increase in the State capacity to guarantee district issued bonds is limited and no additional capacity is guaranteed for in the future.
- The AAA rating for the bonds, due to the state guarantee, will allow for significant issuance savings in the thousands of dollars.
- A single issue of bonds will reduce the cost of issuance.
- Long-term interest rates continue to rise with short-term rates. It is unknown how high the rates will be in a year for the second issue, but it is advised that rates will be higher than current rates.
- The projected tax increase would be \$0.0275 per year for the two years for a total of \$0.0550.

- Attached is a schedule that demonstrates the possible effect of the single issue as well as the original estimated impact matrix with the assumptions for property value growth and student growth.
- On May 10th, the Budget and Finance Committee investigated this possibility with the district's financial advisor, First Southwest Company. The committee's favorable recommendation will be presented at the Board Meeting.
- The single sale of bonds is anticipated to be in June if approved by the Board.

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The administration recommends that the Board of Trustees approve the single sale of bonds approved by voters March 5, 2005.

Respectfully submitted,

Kent Morrison
Chief Financial Officer