



# UNITED INDEPENDENT SCHOOL DISTRICT AGENDA ACTION ITEM

**TOPIC:** Consideration for Approval of Financial Advisory Services Agreement with Estrada Hinojosa & Company, Inc.

**SUBMITTED BY:** Cordelia Flores & Laida P. Benavides, CPA **OF:** Division of Finance

**APPROVED FOR TRANSMITTAL TO SCHOOL BOARD:** \_\_\_\_\_

**DATE ASSIGNED FOR BOARD CONSIDERATION:** October 15, 2008

**RECOMMENDATION:**

Administration is recommending approval of the Financial Advisory Services agreement with Estrada Hinojosa & Company, Inc. for a term of five years.

**RATIONALE:**

The agreement addresses the services that are expected to be provided by the financial advisors during the term of the agreement, including providing bond elections strategies and require attendance at board and staff meetings if requested by the District.

**BUDGETARY INFORMATION:**

To be paid from issuance costs.

**BOARD POLICY REFERENCE AND COMPLIANCE:**

**AGREEMENT FOR FINANCIAL ADVISORY SERVICES**  
**By and Between**

**UNITED INDEPENDENT SCHOOL DISTRICT**  
**(Hereinafter referred to as the "Issuer")**

**And**

**ESTRADA HINOJOSA & COMPANY, INC.**  
**(Hereinafter referred to as the "Firm")**

It is understood that the Issuer will have under consideration from time to time the authorization and issuance of indebtedness in amounts and forms which cannot be determined and that in connection with the authorization, sale, issuance and delivery of such indebtedness of the Issuer, the Firm has been requested to submit a proposal to provide professional services to the Issuer in the capacity of Financial Advisor as requested in RFP **2008-073** "Financial Advisor Services". The Firm is pleased to comply with this request and submit the following proposal for consideration. This proposal along with RFP 2008-073, if accepted by the Issuer, shall become the agreement (the "Agreement") between the Issuer and Estrada Hinojosa & Company, Inc. effective at the date of its acceptance as provided for herein below.

**I.**

This Agreement shall apply to any and all evidences of indebtedness or debt obligations that may be authorized and issued or otherwise created or assumed by the Issuer (hereinafter referred to collectively as the "Debt Instruments") from time to time during the period in which this Agreement shall be effective and for which we provide Issuer our professional services and facilities as Financial Advisor.

**II.**

The Firm agrees to provide our professional services and our facilities as Financial Advisor and agree to direct and coordinate all programs of financing as may be considered and authorized by the Issuer during the period in which this Agreement shall be effective and to assume and pay those expenses set out in Appendix A, attached hereto, however, that our obligations to pay expenses shall not include any costs incident to litigation, mandamus action, test case or other similar actions. Appendix A is incorporated into this Agreement and is deemed to be part of the entire Agreement between the Issues and the Firm for Financial Advisory Services.

**III.**

The Firm agrees to perform the following duties normally performed by financial advisors and all other duties as, in our judgment, may be necessary or advisable:

1. Develop Financing Program

- Assist Issuer, as requested, to develop financial goals of the District.
- Review and analyze existing debt for optimization (refunding, restructuring)
- Conduct a survey of the financial resources of the Issuer to determine the extent of its capacity to authorize, issue and service debt and present such survey to the Issuer for consideration.
- Analyze and present full range of debt alternatives available to the Issuer, at minimum on a semi-annual basis, taking into account future financing needs and operations as projected by the Issuer's staff and consulting engineers or other experts, if any, employed by the Issuer.
- Prepare tax rate impact analyses and/or revenue bond analyses and present to the Issuer, comparing the existing and projected sources of revenues which may be pledged to secure payment of debt service and, where appropriate, will include a study of the trend of the assessed valuation, taxing power and present and future taxing requirements of the Issuer.
- Review all arbitrage rebate avoidance strategies and provide Issuer with appropriate guidance relating to this.
- Complete financing plan.
- Attend all meetings of the Board of Trustees as requested by the Issuer.

2. Plan and Hold Bond Election

- Prepare and present bond election strategy for administration.
- Prepare and present bond election strategy for Board of Trustees.
- Consult with Citizens Committee / Attend Community Forums and attend such meetings, as requested.
- Prepare draft voter educational material for dissemination.
- Assist Issuer to determine optimum timing of bond election to insure support for bond program.
- In the event it is necessary to hold an election to authorize the Debt Instruments then under consideration, the Firm will assist the Issuer in coordinating the assembly and transmittal to Bond Counsel of such data as may be required for the preparation of necessary petitions, orders, resolutions, ordinances, notices, and certificates in connection with the election.

3. Revise Financing Plan

- Update Financing Plan, and present Plan to the Issuer, based upon prevailing market conditions.
- Set financing terms such as call provisions, payment dates, security, mandatory redemption, etc. to ensure flexibility and minimize interest costs. Recommendations on the Debt Instruments under consideration will include such elements as the date of issue, interest payment dates, schedule of principal maturities, portions of prior payment, security provisions, and any other additional provisions designed to make the issue attractive to investors. All recommendations will be based upon our professional judgment with the

goal of designing Debt Instruments which can be sold under terms most advantageous to the Issuer and at the lowest interest cost consistent with all other considerations to benefit the Issuer.

- Assist Issuer to determine optimum sale date based upon market conditions. The Firm will advise the Issuer of current bond market conditions, forthcoming bond issues and other general information and economic data which might normally be expected to influence interest rates or bidding conditions so that the date of sale of the Debt Instruments may be set at a time which, in our professional opinion, will be most favorable to the Issuer.
- Recommend the method of sale of the Debt Instruments that, in our professional opinion, is in the best interest of the Issuer and will proceed, as directed by the Issuer, with one of the following methods :
  - Advertised Sale: The Firm will supervise the sale of the Debt Instrument at a public sale in accordance with all legal and industry procedures set out herein.
  - Negotiated Sale: If requested by the Issuer, the Firm will recommend for consideration and approval by the governing body of the Issuer one or more investment banking firms as managers of an underwriting syndicate, upon consultation and guidance from the Issuer's staff, for the purposes of negotiating the purchase of Debt Instruments and in no event will the Firm participate either directly or indirectly in the underwriting of the Debt Instruments. The Firm will collaborate with any senior managing underwriter selected and Counsel to the underwriters in the preparation of the Official Statement or Offering Memorandum. The Firm will cooperate with the underwriters in obtaining any Blue Sky Memorandum and Legal Investment Survey, preparing the Bond Purchase Contract, Underwriters' Agreement and any other related documents. The costs thereof, including the printing of the documents, will be paid by the underwriters.
  - Private Placement: Upon authorization by the Issuer and acting its behalf, the Firm will place privately the Debt Instruments directly with institutional. The Firm will prepare and provide to the prospective purchasers a Limited Offering Memorandum and other related documents.
- Recommend to the Issuer as to the merits of obtaining municipal bond insurance or other credit enhancement including approval from the Texas Education Agency for the Debt Instruments, if applicable, to be guaranteed under the State of Texas Permanent School Fund Guarantee Program, or qualifications for same, for the Debt Instruments and, when directed by the Issuer, the Firm will coordinate the preparation of such information as, in our professional opinion, is required for submission to the appropriate company, institution or institutions. In those cases where the advisability of personal presentation of information to the appropriate company, institution or institutions may be indicated, we will arrange for such personal presentations. The expenses associated with the preparation of information and personal presentations will be paid by the Firm while the Issuer will pay for only those expenses set out in Appendix A.

#### 4. Coordinate Financing Team

- Coordinate with bond counsel to insure all legal requirements are met.
- Assist the Issuer with the selection of underwriting team, if requested.
- If requested, coordinate Requests For Proposals (RFPs) for the selection of underwriters.
- Assist the Issuer in the selection of other service providers including paying agent/registrar, verification agent, etc., coordinate RFPs if necessary. If requested, the Firm will counsel with the Issuer in the selection of a Paying Agent/Registrar for the Debt Instruments, and will assist in the preparation of agreements pertinent to these services and the fees incident thereto.

#### 5. Prepare Marketing Documentation

- Assist Issuer with the coordination of the preparation of the Notice of Sale and Bidding Instructions, Official Statement, Official Bid Form, certificate of underwriter, and such other documents as may be required. The Firm will submit to the Issuer all such documents for examinations, approval and certification. After such examination, approval and certification, the Firm will provide the Issuer with a supply of all such documents sufficient to its needs and will distribute by mail sets of the same to prospective bidders and to banks, life, fire and casualty insurance companies, investment counselors and other prospective purchasers of the Debt Instruments. The Firm will also provide sufficient copies of the Official Statement to the purchaser of the debt Instruments in accordance with the Notice of Sale and Bidding Instructions.
- Determine continuing disclosure requirements (and assist in preparing those requirements annually)
- Advise financial publications of the forthcoming sale of the Debt Instruments and provide them with all pertinent information.

#### 6. Conduct Credit Rating Process

- Consult with District regarding financial, administration and credit factors
- Develop specific action plans to obtain credit rating goals. The Firm will make recommendations to the Issuer as to the advisability of obtaining a credit rating, or ratings, for the Debt Instruments as, in the Firm's opinion, is required for submission to the appropriate company, institution or institutions. In those cases where the advisability of personal presentation of information to the rating agency, or agencies, may be indicated, the Firm will arrange for such personal presentations. The expenses associated with the preparation of information and personal presentations will be paid by the Firm while the Issuer will pay for only those expenses set out in Appendix A.
- Prepare draft of materials for rating agency presentations
- Conduct workshops to "perfect" rating presentation
- Assist with personal rating agency presentation
- Update long-term rating plan

## 7. Conduct Marketing and Debt Sale

- Mail official statement to potential purchasers
- Develop Market interest in District's debt sale by personal interaction. The Firm will, after consulting the Issuer, arrange for such reports and opinions of recognized independent consultants necessary for the successful marketing of the Debt Instruments. In the event formal verification by an independent auditor or any calculations incident to the Debt Instruments is required, the Firm will make arrangements for such services, with prior approval from Issuer. Subject to the approval of the Issuer, the Firm will organize and make arrangements for such information meetings as, in our judgment, may be necessary.
- Conduct sale of debt
- Recommend acceptance/rejection of financing based upon market conditions. We will assist the staff of the Issuer with any advertised sale of Debt Instruments in the coordination of the receipt, tabulation and comparison of bids and will advise the Issuer and assist as to the best bid. The Firm will provide the Issuer with its recommendations as to acceptance or rejection of such bid.
- Prepare "Pricing Book" detailing the financing results and comparing results to recent comparable financings
- Close transaction. As soon as a bid for the Debt Instruments is accepted by the Issuer, the Firm will proceed to coordinate the efforts of all concerned to the end that the Debt Instruments may be delivered and paid for as expeditiously as possible. The Firm will assist the Issuer in the preparation or verification of final closing figures incident to the delivery of the Debt Instruments
- Prepare District's outstanding debt service requirements after the sale. After the closing of the sale and delivery of the Debt Instruments, the Firm will deliver to the Issuer a schedule of annual debt service requirements on the Debt Instruments. In coordination with Bond Counsel, the Firm will assure that the Paying Agent/Registrar has been provided with a copy of the authorizing ordinance, order or resolution.
- Work with District's finance staff and provide financial reports as necessary. The Firm will maintain liaison with Bond Counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the Debt Instruments. The Firm agrees to do, or cause to be done, all work incident to pertaining of the Debt Instruments, obtaining approval, as may be required by the Attorney General, registration by the Comptroller of Public Accounts and delivery to the purchaser. The expenses associated with the preparation of information and personal presentations will be paid by the Firm while the Issuer will pay for only those expenses set out in Appendix A.

## 8. Develop Long-Range Strategic Plan/Budget Forecast

- Upon request and no expense to the Issuer, prepare computer driven General Operating/Interest & Sinking Fund budget forecast including projection of corresponding tax rates based upon the historical and projected interrelated variables of student enrollment, taxable assessed valuation, debt service, etc.

- Provide the Firm's advice and assistance in the development of, and financing for, any capital improvement programs of the Issuer.
- Provide the Firm's advice and assistance in the development of the long-range financing plan of the Issuer.
- Work with the Issuer, its staff and any consultants employed by the Issuer in developing financial feasibility studies and analyzing alternative financing plans.

#### 9. Economic Development Consultation

- At no expense to the Issuer, the Firm will assist the District in analyzing financial impact of proposed/existing economic development plans including Tax Increment Financial Districts, tax exemptions and tax abatements. The Firm's analysis will focus on the impact of the economic development plan on both the District's funding from the State and local tax revenues.

The Firm will attend any and all meetings of governing body of the Issuer, its staff, representatives or committees as requested and at all times when the Firm may be of assistance or service and the subject of financing is to be discussed. Reimbursable travel expenses must comply with District policy. Expenses to be paid with proceeds from the issuance of debt instruments with documentation provided to Issuer. Expenses are to be paid at time of issuance.

#### IV.

In addition to the services set out above, we agree to provide the following services when so requested:

1. The Firm will provide its advice as to the investment of certain funds of the Issuer. The Firm will, when so directed, purchase those investments authorized to be purchased and will charge a normal and customary commission for each such transaction.
2. The Firm will provide our advice and assistance with regard to exercising any call and/or refunding of any outstanding Debt Instruments.
3. The Firm will advise the Issuer and its staff of changes, proposed or enacted, in Federal and State laws and regulations which would affect the municipal bond market.
4. The Firm will provide any other financial planning services as may be requested by the Issuer.

#### V.

The fee due Estrada Hinojosa & Company, Inc. in accordance with Appendix A attached hereto, any other fees as may be mutually agreed and all expenses for which Estrada Hinojosa & Company, Inc is entitled to reimbursement, shall become due and payable concurrently with the delivery of the Debt Instruments to the purchaser.

VI.

This agreement shall become effective at the date of acceptance by the Issuer set out herein below and remain in effect for a period of five (5) years. Provided, however, this Agreement may be terminated with or without cause by the Issuer upon thirty (30) days written notice. In the event of such termination, it is understood and agreed that only the amount due to Estrada Hinojosa & Company, Inc. for services provided and expenses incurred to the date of termination will be due and payable concurrently with the delivery of the Debt Instruments. No penalty will be assessed for termination of this Agreement. This Agreement is submitted in triplicate originals. When accepted by the Issuer, it, together with Appendix A attached hereto, will constitute the entire Agreement between the Issuer and Estrada Hinojosa & Company, Inc. for the purposes and the considerations herein specified. Acceptance will be indicated by the signature of authorized officials of the Issuer together with the date of acceptance on all three copies and the return of two executed copies to Estrada Hinojosa & Company, Inc.

Respectfully submitted,

ESTRADA HINOJOSA & COMPANY, INC.

By: \_\_\_\_\_

This agreement is accepted by the Issuer this \_\_\_\_ day of \_\_\_\_\_, 2008.

UNITED INDEPENDENT SCHOOL DISTRICT

By: \_\_\_\_\_

Title: \_\_\_\_\_



# ESTRADA - HINOJOSA

I N V E S T M E N T   B A N K E R S

## APPENDIX A

In consideration for the services rendered by Estrada Hinojosa, our fee for each issue of debt instruments will be as follows:

Base fee - Any Issue - \$ 3,750

	\$ 23.50	Per	\$1,000 up to	\$ 500,000	or	\$15,500	for	\$ 500,000	Bonds
Plus	1.00	per	1,000 for anything over \$500,000 but not more than \$50,000,000						
Plus	0.75	per	1,000 for anything over \$50,000,000						

Fees for Lease Revenue Bonds, Qualified Zone Academy Bonds (QZABs), and Revenue Bonds shall be the amount shown plus a 25% additional charge. New bond issues which receive TEA assistance will have additional fees charged on a case by case basis, not to exceed 15% of amount shown.

Fees for Advance Refunding Issues shall be the amount shown plus a 20% additional charge.

For any issue of Advance Refunding Bonds and/or other Debt Instruments involving Escrow Agreements, it is understood and agreed that we will charge, in addition to our Financial Advisory fee.

At the time that Debt Instruments are delivered, the Company will bill the District for each issue of Debt Instruments an amount which will include the fee calculated on the above schedule as well as costs and expenses, where applicable, incurred on behalf of the District for the following items, if applicable:

Texas Education Agency fees

Bond Counsel fees

Bond rating and/or credit enhancement fees

Messenger, overnight delivery, photocopying, postage, and telephone (not to exceed \$1,000)

Meetings with bond rating agencies and/or credit enhancement providers (at Issuer request)

Personal meetings with bond rating agencies and/or credit enhancement providers

Preparation of the Notice of Sale, Official Statement, and Uniform Bid Form (not to exceed \$7,500)

Preparation and printing of physical securities

Reports of independent auditors or consultants

Travel expenses of District and Company personnel not to exceed \$3,500 unless approved by Issuer

Continuing Disclosure Process Fees up to \$1,000 per year

ESTRADA HINOJOSA & COMPANY, INC.

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