
Board of Education

INFORMATION

TITLE: Review of the Bond Issue Timeline

DATE: June 29, 2018

RESPONSIBLE ADMINISTRATOR: Charles Warren
Chief Financial Officer

BACKGROUND/CONSIDERATIONS:

The next page lists a table with various estimates and options provided by Stephens for issuing bonds for capital projects. Stephens emphasized to the Administration that the table includes just that – estimates – with no guarantees from Stephens.

A schedule of Federal Open Market Committee (FOMC) meetings for 2018 is also listed. FOMC is the monetary policymaking body of the Federal Reserve System that sets interest rates impacting our bond issue interest rates. [The FOMC raised key interest rates on June 12 and “and signaled that two additional increases were on the way this year.”](#) Based upon a review of current market conditions, Stephens anticipates interest rates to continue to grow.

We are balancing two significant factors that contribute to a financing paradox. On one hand, we want to “lock” bond interest rates as early as possible (as all indicators point to continued rising interest rates for the next three years). On the other hand, we want to ensure we can meet bond issue requirements to spend all the funds within three years of the bond issue date.

The Administration’s review of these options and projected construction schedules leads us to recommend moving forward with the first option, “Option 1A”. Therefore, our course of action is to issue bonds in the fall of 2018 for \$90 million.

Specifically, we worked out an aggressive time line with Stephens (see separate attachment) for an August 15, 2018 closing date to “lock” favorable terms. We are confident that we can meet the three year spending requirement by August 15, 2021 for this amount. The remaining bonds can be issued in the fall of 2019. We believe we can spend the remaining funds within the extra year (2022).

This schedule also allows us flexibility to delay the \$31 million bond issue if more time is needed to spend the funds and/or if rates remain below these projections.

RECOMMENDATION:

In accordance with the time line provided by Stephens, the Administration will begin the process for a bond issue of \$90 million to close on August 15, 2018. This report is for information purposes only. No action is needed by the Board.

However, a resolution will need to be approved and executed at the July 30, 2018 school board meeting when the winning bid is determined on July 17, 2018.

Stephens Inc. Table of Options

OPTION 1A							
<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Total P & I</u>	<u>Construction Fund</u>	<u>Annual D/S</u>	<u>Payment Due Date</u>
Sep 18	02/01/2049	3.67%	\$90,000,000	\$150,645,645	\$87,995,000	\$4,980,000	02/01/2019
Sep 19	02/01/2049	4.17%	\$31,000,000	<u>\$54,062,866</u>	<u>\$30,295,000</u>	<u>\$1,835,000</u>	02/01/2020
Total				\$204,708,511	\$118,290,000	\$6,815,000	
OPTION 1B							
<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Total P & I</u>	<u>Construction Fund</u>	<u>Annual D/S</u>	<u>Payment Due Date</u>
Nov 18	02/01/2049	3.91%	\$90,000,000	\$155,447,974	\$87,995,000	\$5,180,000	08/01/2019
Nov 19	02/01/2049	4.42%	\$31,000,000	<u>\$55,661,496</u>	<u>\$30,295,000</u>	<u>\$1,890,000</u>	02/01/2020
Total				\$211,109,470	\$118,290,000	\$7,070,000	
OPTION 2A							
<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Total P & I</u>	<u>Construction Fund</u>	<u>Annual D/S</u>	<u>Payment Due Date</u>
Mar 19	02/01/2049	3.91%	\$121,000,000	\$206,327,482	\$118,290,000	\$6,880,000	08/01/2019
OPTION 2B							
<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Total P & I</u>	<u>Construction Fund</u>	<u>Annual D/S</u>	<u>Payment Due Date</u>
Mar 19	02/01/2049	4.16%	\$121,000,000	\$212,649,794	\$118,290,000	\$7,090,000	08/01/2019

2018 Remaining FOMC Meeting Dates

August 1	September 26	November 8	December 19
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