



BOARD OF SCHOOL TRUSTEES
KELLER INDEPENDENT SCHOOL DISTRICT

2A. Action

Date: February 14, 2005

SUBJECT: APPROVAL OF BOND REFUNDING

BOARD GOAL: Budget and Finance

FISCAL NOTE: Savings on bond payments, lower tax requirement

Background Information:

- Opportunities in the Bond market arise to allow savings to the taxpayers for the refinancing of bond obligations from outstanding issued bond.
- A refunding issues bonds to buy U.S. government securities that are held in a closed escrow account and used to pay the original bond holders at the payment dates for the original district issued bonds.
- The bonds issued for the refunding will be the new obligation of the district to repay at lower interest rates while the maturing U.S. government obligations will be paying the old bond holders.
- The difference in the interest payments for the new bonds and the initially issued bonds creates the savings to the district.

Administrative Considerations:

- The attached preliminary analysis reflects a net savings estimate of \$6 million over 25 years. These savings are net of an estimated \$300,000 in issuance costs. The final analysis will be presented at the board meeting on February 14.
- The savings would begin at approximately \$200,000 a year and increase to \$250,000 per year.
- The savings would be realized over the remaining period of these bonds.
- The tax rate would reflect the savings realized from this sale of bonds providing a savings to our taxpayers.
- The attached analysis indicates the refunded bonds would be from Series 1996A, 1997A, 1998, 2000 and 2001.
- The actual time of the transaction will determine the total savings to the district.

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The administration recommends that the Board of Trustees authorize the administration to proceed with the bond refunding subject to the positive savings for the district.

Respectfully submitted,

Kent V. Morrison, III
Assist. Supt. of Finance