



# UNITED INDEPENDENT SCHOOL DISTRICT AGENDA ACTION ITEM

**TOPIC:** Consideration for Approval of Receipt and Review of Bids for UISD Public Property Finance Contractual Obligations, Series 2008

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

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

**DATE ASSIGNED FOR BOARD CONSIDERATION:** November 24, 2008

**RECOMMENDATION:**

To review and approve the best bid submitted by qualified bidders for the sale of approximately \$7,365,000 of Public Property Finance Contractual Obligations (PPFCOs), Series 2008

**RATIONALE:**

UISD, through the office of its financial advisory firm, Estrada Hinojosa & Company, Inc. will receive bids for the issuance of approximately \$7,365,000 of Public Property Finance Contractual Obligations (PPFCOs), Series 2008. The bid that provides the best value to the District terms of the most favorable effective interest rate will be recommended by District staff.

**BUDGETARY INFORMATION:**

The issuance of PPFCOs for the purpose of purchasing buses, classroom furniture/equipment, vehicles, library books and technology equipment will be included in the budget through an approved budget amendment.

**BOARD POLICY REFERENCE AND COMPLIANCE:**

**ESTRADA • HINOJOSA**  
INVESTMENT BANKERS

**MEMORANDUM**

**DATE:** NOVEMBER 14, 2008

**TO:** PRIVATE PLACEMENT PROVIDERS

**FROM:** ROBERT TIJERINA, SENIOR VICE PRESIDENT  
ESTRADA HINOJOSA & CO., INC.  
100 W. HOUSTON, SUITE 1400  
SAN ANTONIO, TEXAS 78205  
Email: [rtijerina@estradahinojosa.com](mailto:rtijerina@estradahinojosa.com)  
Ph.: (210) 223-4888 / Fax: (210) 223-4849

**SUBJECT:** Request for Proposals for Private Placement Providers  
\$7,365,000 United Independent School District Public Property Finance  
Contractual Obligations, Series 2008. **BANK QUALIFIED**

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**General:** United Independent School District (the "District") is requesting proposals (this "RFP") from firms interested in purchasing its \$7,365,000 Public Property Finance Contractual Obligations, Series 2008 (the "Obligations").

Interest on the Obligations will accrue from the delivery date, which is anticipated to occur on December 23, 2008 (the "Delivery Date"), will be payable on August 15 and February 15 of each year, commencing August 15, 2009 and will be calculated on the basis of a 360-day year of twelve 30-day months.

The Obligations will be issued pursuant to the general laws of the State of Texas, particularly The Public Property Finance Act, Subchapter A of Chapter 271 of the Local Government Code, and an Order (the "Order") to be adopted by Board of Trustees of the District on November 24, 2008. The Obligations shall be payable, both as to principal and interest, from the proceeds of a continuing, direct, annual ad valorem maintenance tax levied against taxable property within the District, within the limits prescribed by law.

**Purpose:** Proceeds from the sale of the Obligations will be used to purchase school buses, vehicles, equipment, furniture, video conferencing equipment, and for paying legal and fiscal fees in connection with such projects.

**Proposal Deadline:** Friday, November 21, 2008, 4:00 p.m., Central Standard Time  
Proposals may be submitted by email [rtijerina@estradahinojosa.com](mailto:rtijerina@estradahinojosa.com), attention: ROBERT TIJERINA or fax [210-223-4849].

**Verbal Award:** Friday, November 21, 2008, 4:30 p.m., Central Standard Time. District staff will provide verbal award pending formal District approval on Monday, November 24, 2008 at 6:00 p.m.

**Award:** Monday, November 24, 2008, 6:00 p.m., Central Standard Time.



**Underlying Ratings:**

S&P: "A+"  
Moody's: "A1"  
Fitch: "A+"

**Represents current, unenhanced ratings on District's General Obligation Debt. DOES NOT INDICATE A RATING ON THE OBLIGATIONS.**

**Closing Date:** December 23, 2008

**Terms of Proposal:** A private placement provider is requested for the Obligations. Maturity structure shown on the attached form in Schedule A is preliminary, subject to change.

**A private placement provider is requested to propose interest rates and expenses for preliminary structure outlined on Schedule A.**

Dated Date: December 1, 2008  
Delivery Date: December 23, 2008  
First Interest Payment Date: August 15, 2009

Interest payable with respect to the Obligations will accrue from the Delivery Date and will be payable semiannually on August 15 and February 15 of each year commencing on August 15, 2009. The Obligations will be issued in the form of a single fully registered certificate with annual principal installments from August 15, 2009 through August 15, 2024. Interest payable with respect to the Obligations on each interest payment date shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

**The Obligations will be Bank Qualified. The Obligations will be subject to optional redemption and callable on 08/15/2018 at Par plus accrued interest.**

**Basis of Award:**

The sale of the Obligations will be awarded to the private placement provider that conforms with the specifications herein and which produces the lowest True Interest Cost rate to the District. The "True Interest Cost" rate is the rate which, when used to compute the total present value as of the Delivery Date of all debt service payment on the Obligations on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Obligations plus any premium less any private placement expenses paid at closing. In the event of a tie, the award will be made in the order in which offers were received.

**Contract Award:** If District is unable to agree on any provisions of the Investment Letter, as defined below, with the private placement provider by December 1, 2008, District reserves the right to appoint the bidder with second lowest True Interest Cost rate as private placement provider.

**Additional Questions:** All questions regarding the RFP should be directed to Robert Tijerina (210) 223-4888 or sent via email to [rtijerina@estradahinojosa.com](mailto:rtijerina@estradahinojosa.com).

**Fees:** The winning provider will not provide any payment to Estrada Hinojosa & Co., Inc. with respect to this transaction. Only additional private placement expenses paid at closing from the private placement provider as provided in the RFP response shall be paid by the District.

**Bond Counsel:** Mr. Juan F. Aguilera [jaguilera@escamillaponeck.com](mailto:jaguilera@escamillaponeck.com)  
Escamilla & Poneck, Inc.  
711 Navarro, Suite 100  
San Antonio, Texas 78205  
Telephone: 210-225-0001

**Investment Letter:** The private placement provider will be required to execute an investment letter (the "Investment Letter") in substantially the form attached hereto as Exhibit A.

**Additional Information:** With respect to the Obligations, the District will not prepare an Official Statement or offering document and will not request ratings.

The provider will have no recourse against the District, Bond Counsel, Estrada Hinojosa & Co., Inc. or any other party in the working group if the transaction does not settle.

The District reserves the right to waive any irregularities and to reject all offers.

**Link to United Independent School District FYE 9/30/2007 Audit**  
<ftp://63.66.125.163/>  
user: FTPuser  
password: 35tr@d@FTP

# ESTRADA • HINOJOSA

I N V E S T M E N T   B A N K E R S

## Schedule A

**November 21, 2008**

**Robert Tijerina, Senior Vice President**

Estrada Hinojosa & Co., Inc | 100 W. Houston Street,  
 San Antonio, Texas 78205 | Email: [rtijerina@estradahinojosa.com](mailto:rtijerina@estradahinojosa.com)  
 Ph.: (210) 223-4888 | Fax: (210) 223-4849

### REQUEST FOR PROPOSAL RESPONSE FORM PRELIMINARY STRUCTURE

PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATIONS, SERIES 2008

### PRELIMINARY STRUCTURE

Maturity Date	Interest Rate	Amount
08/15/2009		\$ 70,000
08/15/2010		90,000
08/15/2011		245,000
08/15/2012		245,000
08/15/2013		255,000
08/15/2014		270,000
08/15/2015		285,000
08/15/2016		535,000
08/15/2017		560,000
08/15/2018		590,000
08/15/2019		615,000
08/15/2020		650,000
08/15/2021		680,000
08/15/2022		720,000
08/15/2023		755,000
08/15/2024		800,000
<b>TOTAL</b>		<b>\$7,365,000</b>

Additional Private Placement Expenses paid at closing:

**DELIVERY DATE:** 12/23/2008

**CALL FEATURE:** 08/15/2018 AT PAR

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

Name and Title: \_\_\_\_\_

Firm: \_\_\_\_\_

#### ACCEPTANCE CLAUSE

The above proposal is hereby accepted by the United Independent School District, subject to the attached Request for Proposals for Private Placement Providers, Dated November 14, 2008. Official Award will on Tuesday, November 24, 2008, 6:00 p.m., CST.

\_\_\_\_\_  
 Ms. Laida Benavides  
 Assistant Superintendent for Business and Finance | United Independent School District

EXHIBIT A  
FORM OF INVESTMENT LETTER

[Letterhead of Bank.]

(Date)

United Independent School District  
201 Lindenwood Road  
Laredo, TX 78045-2499

Escamilla & Poneck, Inc.  
711 Navarro, Suite 100  
San Antonio, Texas 78205

Estrada Hinojosa & Company, Inc.  
1717 Main Street  
Dallas, Texas 75201

\$7,365,000 United Independent School District, Public Property Finance Contractual Obligations, Series 2008 (the "Obligations")

I, the undersigned, being an authorized officer of \_\_\_\_\_, Texas (the "Bank"), being a financial institution, to-wit: a bank within the definition of section 3(a)(2) of the Securities Act of 1933, engaged in the business of investing in securities such as the Obligations, acknowledge that the United Independent School District, in Webb County, Texas (the "District or Issuer"), is issuing its Public Property Finance Contractual Obligations, Series 2008, in the aggregate principal amount of \$7,365,000 to purchase school buses, vehicles, equipment, furniture, video conferencing equipment, and for paying legal and fiscal fees in connection with such projects.

The Obligations are to be issued under the authority of Subchapter A of Chapter 271 of the Local Government Code, and an order (the "Order") to be adopted by the Board of Trustees of the District on November 24, 2008.

The Bank understands that the Obligations shall be payable, both as to principal and interest, from the proceeds of a continuing, direct, annual ad valorem maintenance tax levied against taxable property within the District, within the limits prescribed by law.

The Bank further understands that the Obligations will be approved by the Attorney General of the State of Texas, and will be delivered in the form of one fully-registered

Obligation in the denomination of the aggregate principal amount thereof. The Obligation will initially be made payable to the order of the Bank.

In connection with its purchase of the Obligations, the Bank agrees as follows:

- A. The Bank will purchase the Obligations, which shall be delivered to the Bank on or about December 23, 2008, subject to Paragraph E, below. Principal of the Obligations will be payable in annual installments under the terms and conditions described below. The purchase price for the Obligations shall be the principal amount thereof. The Obligations shall mature in installments on the dates and in the principal amounts, and shall bear interest from the date of initial delivery, calculated on the basis of a 360-day year of twelve 30-day months, at the per annum rates, all as set forth in the following schedule:

<u>Payment Date</u>	<u>Principal Installment</u>	<u>Interest Rate</u>
August 15, 2009		
August 15, 2010		
August 15, 2011		
August 15, 2012		
August 15, 2013		
August 15, 2014		
August 15, 2015		
August 15, 2016		
August 15, 2017		
August 15, 2018		
August 15, 2019		
August 15, 2020		
August 15, 2021		
August 15, 2022		
August 15, 2023		
August 15, 2024		

Additionally, the first interest payment date for the Obligations shall be August 15, 2009, with interest payable on each February 15 and August 15 thereafter. The Obligations will be eligible for optional redemption on 08/15/2018 at Par plus accrued interest.

- B. The Obligations will be fully registered as to principal and interest, and the Bank shall serve as the initial paying agent and registrar for the Obligations without charge to the Issuer, except for the reimbursement of any reasonable expenditures incurred by the Bank in the capacity of paying agent and registrar.
- C. In regard to its purchase of the Obligations, the Bank acknowledges that no prospectus or other offering document has been prepared; however, the Issuer has furnished the Bank with all information necessary and requested by the Bank to permit the Bank to make an informed decision concerning its purchase of the Obligations, and the Bank has made



such inspections and investigations as it has deemed necessary to determine the investment quality of the Obligations and to assess all risk factors associated with the purchase and ownership of the Obligations. The Bank hereby acknowledges and represents that it is familiar with the financial condition of the Issuer and the ability of the Issuer to timely pay the principal of and interest on the Obligations. The Bank is not relying on Escamilla & Poneck, Inc., the Issuer's Bond Counsel, or Estrada Hinojosa & Co., Inc., the Issuer's Financial Advisor, as to the completeness or accuracy of any financial information provided to the Bank by the Issuer in connection with its determination to make an investment in the Obligations.

- D. The Obligations are being purchased by the Bank for the account of the Bank as evidence of a loan (and not on behalf of another), and the Bank has no present intention of reselling such Obligations or dividing its interest therein, either currently or after the passage of a fixed or determinable period of time or upon the occurrence or nonoccurrence of any predetermined event or circumstance; provided, however that the Bank reserves the right to sell, pledge, transfer, convey, hypothecate, participate interests in or dispose of the Obligations at some future date, but only to persons who have been provided sufficient information with which to make an informed decision to invest in the Obligations. The Obligations may be transferred and registered in the name of the new registered owner in whole but not in part.
- E. Delivery of the Obligations is to be made to the Bank at the Bank on December 23, 2008 (the "Closing"), it being understood that the Closing may be extended by mutual consent of the Bank and the Issuer.
- F. The Bank acknowledges that the Obligations will not be rated. In addition, the Bank acknowledges that the Obligations will not be listed on any securities exchange. Further, no trading market now exists in the Obligations, and none may exist in the future. Accordingly, the Bank understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to the maturity for the Obligations may not be possible or may be at a price below that which the Bank is paying for the Obligations.
- G. It is understood and agreed that the Bank is buying the Obligations in a private placement by the Issuer to the Bank. The Obligations are exempt from any federal securities registration requirements by virtue of Section 3(a)(2) of the Securities Act of 1933. The private placement of the Obligations is exempt from the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"); consequently the Issuer has not undertaken to make any on-going disclosures for the benefit of the registered owner of the Obligations in accordance with the Rule.
- H. This agreement shall be terminated by delivery of \$7,365,000 in principal amount of the Obligations to the Bank at the date of Closing, provided that the representations and agreements of the Bank in Paragraph "D" above and the Issuer in Paragraph "I" below shall survive the termination hereof.

- I. In consideration for the purchase of the Obligations by the Bank, the Issuer agrees as follows:
1. The Issuer will provide the Bank with audited annual financial statements, including its comprehensive annual financial report, within two hundred seventy (270) days after each fiscal year end; and
  2. The Issuer agrees to deliver to the Bank any other financial information regarding the Issuer that the Bank may reasonably request from time to time.
- J. As a condition to the purchase of the Obligations, the Bank shall receive at the Closing an opinion of Bond Counsel in substantially the form attached hereto as Exhibit A. In addition, the Bank shall receive, at the Closing, an opinion of the Attorney General of the State of Texas to the effect that the Obligations have been lawfully issued by the Issuer and are a valid and binding obligation of the Issuer under applicable laws of the State of Texas.
- K. The Issuer will designate the Obligations as a "qualified tax-exempt obligation" within the meaning of section 265(b) of the Internal Revenue Code. In furtherance of that designation, in the Ordinance authorizing the Obligations, the Issuer will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Obligations as a "qualified tax-exempt obligation."
- L. This private placement letter may be executed in any number of counterparts, each of which shall be deemed as an original and all of which shall constitute one and the same agreement.

Respectfully submitted,

\_\_\_\_\_

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

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

**ACCEPTANCE**

ACCEPTED pursuant to the Order adopted by Board of Trustees of the United Independent School District, this the \_\_\_\_\_ day of November, 2008.

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Board President  
United Independent School District

(DISTRICT SEAL)

Exhibit A

Form of Opinion of Bond Counsel

[TO COME FROM BOND COUNSEL]

EXECUTION PAGE OF INVESTMENT LETTER