



BOARD OF SCHOOL TRUSTEES

KELLER INDEPENDENT SCHOOL DISTRICT

10B. Action

Date: September 25, 2006

SUBJECT: AUTHORIZATION FOR THE ADOPTION OF AN ORDER AUTHORIZING THE ISSUANCE OF UNLIMITED TAX REFUNDING BONDS, AUTHORIZING THE EXECUTION OF A BOND PURCHASE CONTRACT AND AN ESCROW AGREEMENT; APPROVING AN OFFICIAL STATEMENT; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

BOARD GOAL: All systems in the Keller Independent School District will be effective, efficient and accountable in support of the district's mission.

FISCAL NOTE: Reduce future tax rate for current bonds outstanding

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 action sought is identical in process to the last refunding in April of this year.
- The current market has presented a possible window for savings to the district. The analysis presented September 15th reflected an approximate 3.5% present value savings (PVS) to the district which is approximately \$1.9 million dollars in interest payments on \$33.9 million in bonds.

- The order presented by Bond Counsel, if approved, gives authorization to the Superintendent or Chief Financial Officer to be the district's Pricing Officer to execute the refunding if certain savings could be realized by the district. The order will also include all other items that the Board will need to approve for the refunding.
- The minimum savings is to be set at the 3% PVS.
- To keep the issuance cost to a minimum, the district's financial advisor, First Southwest Company, has applied to TEA, for the district, for the state guarantee on the refinancing. This process will take 10 business days and is anticipated to be completed by September 29.
- Also prior to any sale, the preliminary offering statement must be produced and all necessary communications with the bond rating companies will be made.
- The final analysis of the refunding from the Series 1998 bonds will be presented to the Board for approval after the negotiated sale has been made.
- The actual timing of the sale will determine the total savings to the district.
- This transaction has been reviewed by the district's Financial Advisor, First Southwest Company. The District's Bond Attorney, McCall, Parkhurst & Horton L.L.P., will present the Order Authorizing the Issuance of Unlimited Tax Refunding Bonds, Authorizing the Execution of a Bond Purchase Contract and Escrow Agreement, Approving and Official Statement, and enacting Other Provisions Relating to the Subject.

+++++

The administration recommends that the Board of Trustees approve the Order Authorizing the Issuance of Unlimited Tax Refunding Bonds, Authorizing the Execution of a Bond Purchase Contract and Escrow Agreement; Approving and Official Statement; and enacting Other Provisions Relating to the Subject.

Respectfully submitted,

Kent V. Morrison, III
Chief Financial Officer