



BOARD OF SCHOOL TRUSTEES

## KELLER INDEPENDENT SCHOOL DISTRICT

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**9A. Action**

**Date: February 12, 2007**

**SUBJECT: AUTHORIZATION FOR SALE OF BONDS**

**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: Revenue for building program through the sale of voter authorized bond issuance.**

**Background Information:**

- On November 7, 2006, the patrons of the district gave authorization to the Board of Trustees to issue \$142,250,000 in bonds for the construction of schools and renovation of district property.
- The district received the state guarantee for the bonds so this issue will have a AAA rating. The district also received an upgrade on the underlying rating from Standard & Poor's from A to A+ and from Moody's Investors Service from A1 to Aa3.
- The sale orders for the bonds were negotiated through the underwriter team of Morgan Keegan & Company (Lead Manager), Banc of America Securities, L.L.C., RBC Capital Markets and Frost National Bank.

**Administrative Considerations:**

- As stated in recent Updates, the full amount of the voter authorized bonds will be issued to take advantage of the low long-term borrowing rate and the higher short-term lending rate.
- The strategy of borrowing with long-term low interest rate and investing the proceeds in higher short-term rates will allow the district to pay out less interest over the life of the bonds, save additional issuance costs (fees charged to sell bonds) and still honor the commitment to the taxpayers regarding the tax increase that was estimated during the bond campaign.
- To insure the necessary investment return on these funds, the district with the assistance of our financial advisor, will be accepting non-binding bids for a short-term fully collateralized repurchase agreement. The collateral will need to be 102% of the investment amount at market pricing reviewed daily. The collateralization will be in the form of securities limited to obligations of the United States of America or its Agencies and Instrumentalities. If the bids produce the return required, KISD will enter into the investment. All excess earnings will be subject to arbitrage and payable to the federal government. This makes the investment security of principal with the necessary interest earnings more important than the maximum interest rate that can be achieved.

- Information on the sale will be presented by the District's financial Advisor, Jeff Robert of First Southwest Company.
- All documents to be executed will be presented by a representative from McCall, Parkhurst & Horton, L.L.P. the District's Bond Counsel.
- Due to the time sensitive nature of this transaction, this item is being brought before the Board as an Action Item.

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**The administration recommends that the Board of Trustees approve the single sale of bonds approved by voters November 7, 2006.**

Respectfully submitted,

Kent V. Morrison, III  
Chief Financial Officer