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To: Board of Directors

From: Randy L. Brown
Donna Watson

RE: District Financing

Date: September 3, 2013

In preparing estimates for the high school project financing, the administration has worked with the district financial advisors. As part of our effort to ensure we have the best possible financial plan for this large project, our district administration has reflected upon our planning and been learning about how other districts in our state have approached financial plans for school construction projects. In recent years, we have identified a trend with many districts to contract with an underwriter to develop the financing for renovation and addition projects. In addition to the financial advisor, an underwriter can play a key advisory role in evaluating various financing options.

At this time, our district administration recommends that we evaluate financing alternatives through an underwriter, in addition to our financial advisor. The role of the underwriter is to match lenders and borrowers, as well as ensure the borrowers obtain the best situation possible for borrowing. This is due to the performance-based relationship between underwriters and borrowers.

Our current low interest rate environment has provided unique challenges in this market. With the duration of lower interest rates remaining uncertain, building a relationship with an underwriter at this time is an important step in our planning so that we position the district for the best possible financing costs. This includes strategies for improving our current bond rating, as this will surely have a significant impact on our borrowing rates.

In the past, the district administration has utilized the experience of members of the CAC for Finance in similar selection processes. Administration suggests using this methodology again. The Administration recommends giving the CAC for Finance, in collaboration with our administration and Board, the charge of recommending an underwriter for financing the high school project following the completion of an interview process.