

**MEMO TO: BOARD MEMBERS;  
DR. JOHN SIMPSON**

**FROM: BRUCE ELLERMAN**

**DATE: FEBRUARY 25, 2019**

**RE: SELECTION OF BOND FINANCIAL ADVISOR**

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In conjunction with and contingent on the anticipated April 2019 Bond Election, the district recently issued a Bond Financial Advisor Request for Proposal (RFP). A Bond Financial Advisor (FA) provides assistance related to the optimal structuring, marketing, timing and other aspects related to the issuance of district general obligation debt. While the district is technically not required to engage the services of an FA for this particular bond issue, an FA will be a valuable resource to the district before, during and after any bond sale. Some of its more important roles are:

- Advise the district in the optimal method of sale (competitive, negotiated, private placement);
- Advise the district as to the optimal timing of sale based on market interest rates;
- Advise the district as to the optimal bond covenants (early call provisions, premium vs discount bonds, etc.)
- Advocating for the district with credit rating agencies to assure WGSD receives the most favorable rating possible;
- Evaluate bids to determine the lowest net interest cost;
- Actively monitor existing district debt to identify any potential refunding opportunities;
- Assist district and bond counsel in the preparation of various documents related to the bond sale;
- Providing financial continuity and support during times of transition;
- Oversee the various tasks related to preparing for and executing a bond sale and the issuance of debt.

While the district could wait to select an FA until after the April 2019 election, we believe it will be advantageous to execute any bond sale in the market as soon as possible. Selection of an FA at this time (in conjunction with the earlier selection of Bond Counsel last month) will give the district a running start on all of the necessary administrative, technical and document preparations for a bond sale. Specifically, the thoughtful timing of a bond sale will be critical in the coming months for several reasons. First, interest rates have been trending higher over the past year and that trend is generally expected to continue. The sooner an issue can get to the market, the better the chances for a more favorable interest

rate. Second, because April 2019 is the only general election date (and therefore the only 4/7ths versus 2/3rds majority approval opportunity during 2019), a large number of Missouri public bond will be on the April 2019 ballot. The district could therefore be competing for bond buyers in the market for public Missouri debt. Like anything else, pricing is to a large extent affected by supply and demand. Having the ability to bring a sale to the market before other sellers could therefore result in an interest rate advantage for the district. Finally, bond sale proceeds can be invested until they are spent down, and such interest earnings could be applied toward project costs. This would further leverage district funds to maximize the number of safety, accessibility and other building projects that can be accomplished through the bond issue.

As part of the RFP, the district requested pricing for both a one-time sale of the full bonding amount as well as pricing for multiple sales in the event the district opted to sell the bonds in two or more installments. The district received 4 proposals in response to the FA RFP which were evaluated based on the quality of the proposal, firm experience/resources and qualifications of specific personnel to be assigned to the district as follows (in alphabetical order):

- 1) Columbia Capital
- 2) George K Baum
- 3) Hilltop Securities
- 4) Piper Jaffray

Proposals were evaluated by a small group consisting of Bruce Ellerman, Joann Kite, David Addison and 2 members of the Board's Finance Advisory Committee—Sara Kotthoff and Rob Stuber. Based on this evaluation, the committee is recommending (unanimously?) the proposal from XXXXXXXX to service as the district's Bond FA for the coming five (5) year period. is recommended for Board approval. XXXXXXXX proposed a few of \$xxxxx for a one-time sale, which was the XXX lowest overall proposed fee. (NOTE/If sold in installments, the fee structure would be xxxxxxxx).

In any event, FA compensation is contingent on an actual bond sale and is typically paid from the bond proceeds. In other words, there is no amount owed to the FA until and unless there is an actual new money or refunding bond sale.

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RECOMMENDED BOARD ACTION.....that the Board of Education approve the proposal from XXXXXXXX to serve as district Bond Financial Advisor for a five (5) year period beginning February, 2019.