

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

FROM: BRUCE ELLERMAN

DATE: MAY 13, 2019

RE: BOND SALE PARAMETERS RESOLUTION

As previously communicated to the Board, the District will be selling the recently approved \$22 million Prop E bond issue in two installments. The first installment of \$12.5 million principal amount will be sold this month. While our original plan was to have actual bids and pricing available for Board approval at this May 13th meeting, delays in getting the district's credit rating confirmed with Standard & Poors (S&P) pushed back the bond sale process by several days. Because of higher than normal activity in the bond sale market, S&P was inundated with credit rating projects which resulted in a longer than expected lead time for ratings. The good news is that Webster Groves School District was able to maintain its AA+ credit rating, which is the second highest rating possible. (The highest rating is AAA which only 4 school districts in the state have.)

With the delay in pricing District bonds in the market, actual bids will not be received until next Monday, May 20, 2019. So that the sale is not further delayed, we are recommending the Board approve a Bond Sale Parameters Resolution as attached. A Bond Sale Parameters Resolution is standard procedure for bond issuers when the timing between bond sale dates and governing body meetings don't coincide. It authorizes the District in advance to proceed with a bond sale provided certain parameters are met, specifically with regard to pricing and interest rates. These parameters are indicated on page 22 of the Resolution wherein the purchase price for the Bonds must be between 104-108% of the face principal amount with no coupon interest rate to exceed 5%. Basically, setting coupon interest rates above current market interest rates results in bonds being sold at a premium to (higher than) face principal amounts. Since market interest rates tend to fluctuate, we don't know exactly where to set the exact interest rates to achieve our bond proceeds goal until the day of the actual sale...and sometimes even those rates get adjusted as actual bids are received during the day of sale. The district also reserves the right to reject any and all bids for any reason. This protects the district in the unlikely event that it is not satisfied with any of the bid results.

Bond counsel will be present at the Board meeting should there be any questions about this bond sale approach or this Resolution in particular or about bond sales in general.

RECOMMENDED BOARD ACTION.... That the Board of Education approve the accompanying Bond Sale Parameters Resolution for \$12.5 million of General Obligation Bonds.