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BH bond sale nets historic rates

The Barbers Hill ISD Board of Trustees voted Monday to authorize the issuance of school bonds approved by voters last year, obtaining historic rates and saving millions of dollars for taxpayers.

Of the \$75.5 million in bonds approved by voters in May 2011, \$68.4 million were sold as Traditional Tax Exempt Bonds and \$7.1 million were sold as Qualified School Construction Bonds.

The average interest rate obtained on the Traditional Tax Exempt Bonds was 3.32 percent – a rate that has not been seen since the 1960s.

“This is a remarkable day in Barbers Hill history,” said Superintendent Dr. Greg Poole. “The unprecedented low interest rate will effectively mean we will likely not have to raise taxes as a result.”

The Bonds were rated AAA and Aaa, the highest ratings possible by Standard & Poor’s and Moody’s Investors Service, based upon the Permanent School Fund (PSF) Guarantee Program.

In addition to the “AAA” ratings through the PSF program, the district’s stand-alone credit quality was upgraded to “AA” by S&P in 2011 after the bond election. The rating upgrade for the district reflected a vote of confidence by S&P on the planning for capital improvement, the ability of the district to implement the bond program, and the historically strong financial performance of the district.

Projects funded by the bonds will be phased in over the next several years, but the administration and Board chose to move forward with the sale of the entire bond authorization to take advantage of the PSF program and low interest rates.

“Our school board has taken a proactive approach in addressing our fast enrollment growth,” said Asst. Superintendent of Finance John Koonce. “This is another example of their taking full advantage of the best sellers’ market for bonds in decades. The board’s timing of this sale has saved our taxpayers millions of dollars.”

The Qualified School Construction Bond program added another bonus by allowing the district to borrow \$7.1 million at a fully subsidized interest rate. The district will receive \$4.7 million of interest cost subsidy from the Federal Government over the next 17 years. This program was a first come, first served application process, and the district took the initiative to submit an application timely, resulting in an allocation from the program.

With the subsidy, the borrowing cost on \$7.1 million of the bonds is zero percent. Only about 125 of the 1,036 school districts in Texas have been able to take advantage of this program to date.

Although voters were told during the election that the tax rate to support voted bonds may increase 1.6 percent per year for four years, it is very possible that the tax rate will not have to be increased at all due to the low interest rates and the likely increase in taxable value with the expansion in local industry fractionators and other petro-chemical activity.

“The voters of this district approved the largest-ever bond issue last May by a landslide (80 percent) in a very difficult and uncertain economic climate,” said Poole. “Very few districts had the courage to attempt such an offering at the time. The result is we have effectively timed the market in a manner that truly puts money in the pockets of every taxpayer in BHISD.

“Hats off to John Koonce, Director of Finance Becky McManus, Financial Advisor Doug Whitt, and to the voters of this great district.”
