

# Banks School Board hears good news at January 12 workshop

"I have good news that will save us some money," said Superintendent Marv Ott as he introduced Javier Hernandez of Seattle Northwest Securities (SNW) to the Banks school board at the January 12 workshop preceding their board meeting. Hernandez told the board that they have an unusual opportunity to create significant savings to the district by refinancing general obligation

bonds within a 90-day window that begins March 3.

According to Hernandez, market forces and timing have created a "perfect storm." Treasury bonds, with traditional return rates of 4-5 percent, fell dramatically in 2007, so investors turned to the municipal bond market to maximize secure interest earnings over time. As recently as October 2008, bonds were selling at nearly 5 percent, but Hernandez quoted a current rate of about 3.2 percent. Bonds are guaranteed repayment at the rate sold, so selling bonds at the lowest possible rate saves the district money. The district has outstanding bonded debt of \$6,330,000 at an average rate of 4.54 percent resulting in debt service of over \$332,000 in the current school year.

Action by the board in 2006 created debt service savings of nearly \$300,000 by replacing existing bonds with a 2007 re-funding bond. Generally, this type of "prepayment" is allowed only once, unless it occurs within a particular 90-day window. According to Hernandez, the district could realize additional savings of over \$500,000 in debt service by issuing General Obligation Refunding Bonds, Series 2009, in an estimated amount of \$6,555,000.

Though the Banks district did not approve a new bond in November, several large districts did win approval and will begin selling bonds in March and April. Hernandez told the board that he believes that the district could begin offering bonds for sale in February before these larger districts flood

the market, thus securing a rate closer to three percent. The expenses of bond counsel and SNW would be incurred only when and if the bonds are issued and would be included in the proposal. Cost to the district in the current budget, with the exception of \$300 payable to the State Treasury for bond preparation, would be nearly zero.

District revenue comes primarily from property tax dollars distributed by the state according to a formula based on the number of students. The board sets the rate of property taxes (levy) annually, to balance anticipated revenues and expenditures, including debt service. Property tax limitations require voter approval for significant increases in the rate. In 2008 the dollars per \$1,000 assessed

value (\$/\$1000 AV) dropped to almost one-half of the percentage levied in 2001, which was over \$3/\$1000 AV. Hernandez projected a levy of approximately \$2/\$1,000 beginning in 2013 to repay 1998 general obligation refunding bonds.

The district may choose when to apply debt service savings. Spread over the life of the obligation, the proposed 2009 issue could save taxpayers \$.14 - .15/\$1,000 AV. However, according to Hernandez' report, "Debt service savings can be distributed in different ways depending on the District's strategic plans to add new debt issues in the future." Concentrating and/or delaying the application of debt service savings could reduce the levied amount by as much as \$1/\$1,000 if applied in a single budget year.

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## School board discusses bond options

Banks school board had a busy January 12. A workshop presentation by Seattle Northwest Securities started deliberations on a more positive note than other recent meetings. Hearing about significant savings (See related article) was welcome in this time of eco-

nomics stress and the failure of the bond measure. The board unanimously approved a resolution allowing the district to re-finance general obligation bonds in order to secure savings in debt service.

School board appreciation month was marked by a dinner prepared by Lance Heggem, Sodexo Food Service manager, and certificates of appreciation were presented by Superintendent Marv Ott. As always, the board and the audience were charmed by the presentation from sixth-grade outdoor school students about their ex-

perience at Camp Westwind.

At the board workshop, Ryan Birr, chairman of the Facilities Planning Committee (FPC), presented the "final and complete recommendations." Last month the board asked the FPC to review the scope and budget of capital projects that would have been funded by the \$25.5 million bond. The complete text of Birr's letter to the board is available on the District website, and it is extensively quoted here. He told the board that the committee had reviewed all of the information

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