

Clear Creek Independent School District

Jeffrey Kohlenberg, CPA, RTSBA

Director of Financial Services

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Date: August 31, 2015

To: Members
Board of Trustees

From: Jeff Kohlenberg, CPA, RTSBA
Director of Financial Services

Re: 2014 - 2015 Budget Amendment #4

May 9, 2015 – August 31, 2015

The Superintendent recommends that the Board of Trustees approve the attached budget amendment for the 2014 – 2015 fiscal year:

_____ Approved

_____ Denied

Dr. Laura DuPont
President, Board of Trustees

Date

CLEAR CREEK INDEPENDENT SCHOOL DISTRICT

BUDGET AMENDMENT #4

FOR THE FISCAL YEAR ENDING AUGUST 31, 2015

		Expenditure Budget Decrease / Revenue Budget Increase	Expenditure Budget Increase / Revenue Budget Decrease	Description of Budget Adjustment
1995	X5744-00	1,000.00		General Fund donations for Senior to Senior Prom.
1995-41-740-99-0-17	6497-00		1,000.00	
1995	x5746-00	5,000.00		Increase TIRZ revenue and expenditure budgets to cover estimated final collections and related payments for FY 2014-2015.
1995-97-999-99-0-99	6499-00		5,000.00	
1995	x5711-00	405,000.00		To increase various payroll functions to cover annual increase in payroll accrual due to salary increases of 3% and most staff returning to work for 11 days in August vs. 10 days for the prior 3 years. These increases are being offset by an increase in property tax revenue. When we prepared the budget in Summer 2014 we estimated property value growth of 5.3% and the actual was 7.3%. As a reminder, we can be under budget in a function but if we go over budget by even a dollar in a function, the TEA will note a finding.
1995-12-999-99-0-99	6119-03		85,000.00	
1995-23-999-99-0-99	6119-03		150,000.00	
1995-31-999-99-0-99	6119-03		90,000.00	
1995-32-999-99-0-99	6119-03		10,000.00	
1995-33-999-99-0-99	6119-03		40,000.00	
1995-34-999-99-0-99	6129-03		25,000.00	
1995-61-999-99-0-99	6119-03		5,000.00	
		<u>411,000.00</u>	<u>411,000.00</u>	
General Fund				
Net Budget Increase / (Decrease)		<u>-</u>		
5115	x7911-00	49,250,000.00		To adjust the Debt Service Fund budget in order to record the Series 2013B bond remarketing.
5115-71-999-99-0-99	8949-00		49,250,000.00	
		<u>49,250,000.00</u>	<u>49,250,000.00</u>	
Debt Service Fund				
Net Budget Increase / (Decrease)		<u>-</u>		
7015-35-830-99-0-37	6341-62		300,000.00	To adjust the Food Service Fund budget in order to cover the increased cost of food due to receiving \$70K less in commodities than originally budgeted, a 15% increase in high school meals and \$150K for end of year annual inventory adjustment. Inventory as of 8/31/14 was high due to timing of deliveries.
		<u>0.00</u>	<u>300,000.00</u>	
Food Service Fund				
Net Budget Increase / (Decrease)		<u>300,000.00</u>		



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Phillip A. Martin
Vice President

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August 28, 2015

Mr. Jeff Kohlenberg
Director of Financial Services
Clear Creek Independent School District
2425 E. Main Street
League City, Texas 77573

Dear Jeff,

In late 2013 the Clear Creek Independent School District issued \$144.470 million of Series 2013B "soft put" bonds for the purposes outlined in the 2013 Bond Program (i.e. construction and acquisition of new schools, new school buses, etc.). The bonds were sold as variable rate soft put bonds - a relatively new financing vehicle used for funding long-term capital projects at short term interest rates.

The following is brief overview and discussion of the Series 2013B "Soft Put" Program and the latest remarketing of its 2038 Term Bond in August of 2015.

The Series 2013B bonds were initially sold in three separate tranches or term bonds:

- 1) **\$47,820,000 - 2032 Term Bond** (maturity: 2/15/2032 -- Mandatory Put Date: 08/14/19)
- 2) **\$47,400,000 - 2035 Term Bond** (maturity: 2/15/2035 -- Mandatory Put Date: 08/14/17)
- 3) **\$49,250,000 - 2038 Term Bond** (maturity: 2/15/2038 -- Mandatory Put Date: 08/14/15)*

** The 2038 Term Bond was recently remarketed and therefor is the focus of the the discussion below.*

The final maturity date of the Series 2013B bonds is not until 2038 (25 years after the date of original issuance), yet the bonds sold in 2013 at interest rates equivalent to that of a 1-year fixed rate issue. This is possible because investors of the 2038 Term Bond were told, at pricing, that CCISD had every intention of remarketing those bonds (or "calling" them) just one year later on its stated Mandatory Put Date of 08/14/2015.

The Mandatory Put Date on a variable rate bond is similar to a Call Date on a fixed rate bond, the primary difference being what happens in the event the bonds are not called or remarketed on their scheduled call or put date. If this were to occur on a fixed rate issue and the bonds do not get "called" on the stated call date, then they would simply remain with the existing investors at their original rate of interest until they either mature or are otherwise called in full.

If a Variable Rate Put Bond is not "remarketed" or called on its "Mandatory Put Date" then they too remain with the existing investor - but instead of keeping the original rate of interest like a fixed rate bond, the rate of interest jumps to a predetermined "Stepped Rate" (which for 2013B bonds is 6.50%) until CCISD and

its financing team can successfully remarket the bonds to new term period, fix them out long term or pay them off with monies available (basically whatever possible to avoid paying interest at such a high rate).

In August 2015, the first of the initial three mandatory put dates of the Series 2013B bonds came due. Wells Fargo went to the public a week prior to the 8/14/2015 put date and sold \$49,250,000 in variable rate put bonds to *new* investors at a *new* term rate under the original Series 2013B name and original 2013B indenture. This time however, the proceeds of the sale were not used to buy new schools or buses and instead were deposited with the tender agent and used to pay off the original 2038 holders on put date. The remarketed 2038 bonds were then considered as "converted" to a new term rate period.

The remarketed 2038 Term Bonds were sold with a three-year term rate period and received a 1.35% rate (new mandatory put date -08/15/2018).

Please feel free to contact me at 713.388.1547 should you have any questions.

Sincerely yours,

Phillip A. Martin
Vice President