

# CASE STUDY

## FINANCING FOR K-12 SCHOOLS

MAY 30, 2024



**\$128,920,000 | UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS | SERIES 2024A**

Fort Bend ISD, Sugarland, Texas

## FORT BEND ISD

### Client Profile

Fort Bend ISD (the “District”) is comprised of multiple cities within Fort Bend county just southwest of Houston and makes up one of the largest and most diverse school systems in the country. Over the last ten years, the District has grown at a rapid pace, adding thousands of new students to their school system each year due to the waves of people moving to Texas suburbs from surrounding metropolitan areas as well as out of state migrants.

### The Project

To sustain the growth within the District, Fort Bend ISD proposed a \$1.2 billion election, which would support the building of multiple new elementary and middle schools as well as renovations districtwide. Financing for the bonds could be done with minimal increases to the existing tax rate thanks to values more than doubling where

they were just eight years prior. The Series 2024A bonds specifically were issued to build a new elementary school in one of the upcoming developments within the District as well as conduct a current refunding for multiple outstanding bond issues and commercial paper.

### The Bankers Team

**Nancy Rocha, Dane Kopinski, David Webb, and Evelyn Ortiz**

### Economic Backdrop

The day before pricing, MMD rates increased by as much as 10 points across the curve, likely following the Minneapolis Fed President’s hawkish comments regarding a still too hot economy and a need for many more months of positive inflation data to start rate cuts. This, along with a higher-than-expected durable goods and transportation orders, underlining businesses’ positive pace of investment, saw rates rise in all bond markets. Likewise, investors continued

their streak of pulling money out of municipal bond funds, which saw outflows of more than \$700 million over the past three weeks.

### The Stifel Difference

Stifel met with the District late Wednesday night to discuss a new structure for the bonds and set a new game plan of capturing as much demand as possible by going out initially with more favorable pricing and then raising prices after orders were placed. During the order period on Thursday, Stifel garnered over \$1.2 billion in orders from 64 unique investor accounts, and furthermore committed to underwriting \$8.5 million in unsold balances in order to maintain the integrity of the pricing. After all was said and done, Stifel was able to lower the all-in true interest cost of the bonds by 0.05% down to 4.28% with spreads lower than the previous day’s Duncanville ISD transaction in every maturity.

## CONTACT

**Nancy Rocha, Managing Director**

**(469) 676-5350 | [rochan@stifel.com](mailto:rochan@stifel.com)**

8115 Preston Road, Suite 650 | Dallas, Texas 75225

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