ALEDO ISD BOARD MEETING TEMPLATE

MEETING DATE: February 17, 2014

AGENDA ITEM: Consider Approval of an Order Authorizing the Execution and Delivery of an Extension to and Amendment of the Standby Bond Purchase Agreement for the District's Variable Rate Unlimited Tax School Building Bonds, Series 2006-A, Delegating Authority to District Officers to Execute and Deliver Such Extension and Amendment, and Enacting Provisions Related Thereto

PRESENTER: Earl Husfeld

ALIGNS TO BOARD GOAL(S): Financial/Facilities – The District shall exhibit excellence in financial and facility planning, management, and stewardship.

BACKGROUND INFORMATION:
- On September 21, 2006, the District issued its $16,910,000 Series 2006-A bond issue on a variable interest rate mode.
- Pursuant to the structure of variable interest rate financings, the District is required to maintain a Standby Bond Purchase Agreement Provider that will provide liquidity for remarketing the District's variable interest rate bonds.

ADMINISTRATIVE CONSIDERATIONS:
- As discussed with the Board during the December board meeting, the District's current Standby Bond Purchase Agreement (SBPA) with JPMorgan Chase Bank, N.A. is scheduled to expire on September 19, 2014.
- The following memorandum prepared by BOSC, Inc., provides explanation and insight into the historical savings from the District's Series 2006-A variable interest rate bonds, the role of the Standby Bond Purchase Agreement Provider, and the recommended parameters under which the SBPA is to be extended.
- Also provided for your review is a draft of an "Order Authorizing SBPA Extension" prepared by the District's bond attorneys, McCall, Parkhurst, & Horton L.L.P.
- A representative of BOSC, Inc. is available to answer any questions you may have concerning this item.

FISCAL NOTE:
The fee reduction contained in the extension of the SPBA agreement will result in an anticipated savings of $64,494 over the next five years. Fees associated with this agreement are paid from budgeted Debt Service Funds.

ADMINISTRATIVE RECOMMENDATION:
The Administration recommends the adoption of an Order Authorizing the Execution and Delivery of an Extension to and Amendment of the Standby Bond Purchase Agreement for the District's Variable Rate Unlimited Tax School Building Bonds, Series 2006-A, Delegating Authority to District Officers to Execute and Deliver Such Extension and Amendment, and Enacting Provisions Related Thereto as presented.

Joshua M. McLaughlin
Investment Banker
Phone: (214) 576-0878
Facsimile: (214) 576-0890
jmclaughlin@boscinc.com

William J. Gumbert
Managing Director
Phone: (214) 576-0880
Facsimile: (214) 576-0890
bgumbert@boscinc.com

February 12, 2014

Mr. Earl Husfeld
Chief Financial Officer
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

Re: Variable Rate Unlimited Tax School Building Bonds, Series 2006-A – Extension of Existing Standby Bond Purchase Agreement

Dear Mr. Husfeld:

Introduction

Aledo Independent School District's (the "District") existing Standby Bond Purchase Agreement ("SBPA") with JPMorgan Chase Bank, N.A. to provide liquidity for remarketing of the District's Variable Rate Unlimited Tax School Building Bonds, Series 2006-A (the "Bonds") is scheduled to expire on September 19, 2014. As anticipated, JPMorgan Chase Bank, N.A. has agreed to extend the existing SBPA for an additional 5-year period to allow the Bonds to continue to remain outstanding in their current variable rate mode. This memorandum summarizes the actions necessary to extend the District's existing SBPA.

Historical Savings from Variable Rate Unlimited Tax School Building Bonds, Series 2006-A

In order to lower its overall borrowing cost and to provide the District with the flexibility to repay its bonds prior to the original scheduled maturity, the District issued its $16,910,000 Variable Rate Unlimited Tax School Building Bonds, Series 2006-A on September 21, 2006. At the time of the sale, fixed rates of interest were approximately 5.00%. Since inception, the Bonds have had an average interest rate of **1.50%** and since the Bonds were converted to a Weekly Rate (i.e. the interest rate resets every 7 days) on August 1, 2010, the Bonds have had an average interest rate of **0.24%. Based upon the lower interest rate achieved through the use of variable rate bonds, the District has reduced the cost of taxpayers by more than $4.05 million over the last 7-years as summarized below.**

Aledo ISD's Series 2006-A Variable Rate Bonds – Summary of Historical Interest Rates And Interest Cost Savings

Rate Mode	Rate Period	Interest Rate	Estimated Savings Versus 5% Fixed Rate
Initial Rate	09/21/06 – 07/31/07	3.62%	$ 200,947
1-Year Term	08/01/07 – 07/31/08	3.75%	204,688
1-Year Term	08/01/08 – 07/31/09	1.75%	522,763
1-Year Term	08/01/09 – 07/31/10	1.90%	491,350
Weekly	08/01/10 – Present	0.16%	2,640,150
Total	**09/21/06 – Present**	**1.50%**	**$ 4,059,898**

Role of the Standby Bond Purchase Agreement Provider

Pursuant to the traditional and accepted structure of variable rate financings, at the time a new interest rate is set and at certain other times, the owners of the Bonds may elect to "tender" their bonds for sale to new investors and "demand" repayment at such time. When a bond is "tendered" for sale, the Standby Bond Purchase Agreement Provider is responsible for purchasing the Bonds from the existing owners in the event they cannot immediately be resold to another investor. As such, the SBPA Provider provides "liquidity" to current bondholders by ensuring a bondholder will receive timely repayment of the Bonds at the time it is "tendered."

Pursuant to the original financing documents, rating agency requirements and to ensure the Bonds remain "marketable" to investors at market rates of interest, the District is required to maintain a Standby Bond Purchase Agreement Provider for the Bonds. Therefore, prior the District's existing SBPA with JPMorgan Chase Bank, N.A. expiring on September 19, 2014, the District is required to extend its current agreement with JPMorgan Chase Bank, N.A. or appoint a new Standby Bond Purchase Agreement Provider.

Recommendation

At this time, BOSC, Inc. believes it is prudent for the District to maintain the Bonds in their original financing structure and accept the JPMorgan Chase Bank, N.A. offer to extend the existing Standby Bond Purchase Agreement for an additional 5-year period. The fee associated with the renewal was reduced from 0.575% to 0.49% per year – Resulting in a savings of $64,494 over the next 5-years.

Given the historical benefits provided by the financing structure of the District's Bonds, we recommend the District approve an extension of the existing Standby Bond Purchase Agreement with JPMorgan Chase Bank, N.A. and delegate the authority to the District's Administration to approve the final terms and conditions, upon consultation with BOSC, Inc. and McCall, Parkhurst & Horton L.L.P., the District's bond counsel. It is currently anticipated the SBPA will be finalized not later than April 2014.

Closing

We hope this information is helpful as you manage the District's current and future financial position. Should any questions arise or additional information is needed, please do not hesitate to contact us. Hope all is well and we look forward to visiting with you soon.

Sincerely,

William J. Gumbert
Managing Director

Joshua M. McLaughlin
Investment Banker

AN ORDER AUTHORIZING THE EXECUTION AND DELIVERY OF AN EXTENSION TO AND AMENDMENT OF THE STANDBY BOND PURCHASE AGREEMENT FOR THE DISTRICT'S VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2006-A; DELEGATING AUTHORITY TO EXECUTE AND DELIVER SUCH EXTENSION AND AMENDMENT; AND ENACTING PROVISIONS RELATED THERETO.

WHEREAS, the Aledo Independent School District (the "*District*") has issued its Variable Rate Unlimited Tax School Building Bonds, Series 2006-A (the "*Bonds*") pursuant to an Order adopted by the Board of Trustees of the District (the "*Board*") on August 21, 2006 (the "*Bond Order*");

WHEREAS, to provide liquidity support for the Bonds as required under the terms of the Bond Order, the District entered into a Standby Bond Purchase Agreement, dated September 1, 2011, and a related Fee Letter dated September 1, 2011 (collectively, the "*Liquidity Agreement*"), with JPMorgan Chase Bank, N.A. (the "*Bank*");

WHEREAS, the Liquidity Agreement expires by its terms on September 19, 2014;

WHEREAS, the Bank has presented to the District Renewal Terms and Conditions (the "*Terms and Conditions*") for the extension of and amendments to the Liquidity Agreement, and this Board has found and determined that it is in the best interest of the District to agree to extensions and amendments to such Liquidity Agreement with the Bank in accordance with the Terms and Conditions;

WHEREAS, the District is an "issuer" under Section 1371.001(4)(P), Texas Government Code, having (i) a principal amount of at least $100 million in outstanding long-term indebtedness, in long-term indebtedness proposed to be issued, or a combination of outstanding or proposed long-term indebtedness and (ii) some amount of long-term indebtedness outstanding or proposed to be issued that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation;

WHEREAS, the District is authorized by Section 1371.056, Texas Government Code, to delegate to an officer or employee of the District the authority, under the terms and for the period approved by the Board, to enter into an agreement for the extension and amendment of the Liquidity Agreement; and

WHEREAS, any capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Bond Order;

NOW, THEREFORE, BE IT ORDERED BY THE BOARD OF TRUSTEES OF THE ALEDO INDEPENDENT SCHOOL DISTRICT:

Section 1. Recitals. The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section.

Section 2. Terms and Conditions. The Terms and Conditions presented to the Board at this meeting and attached hereto as Exhibit A are hereby approved and adopted by the Board for and on behalf of the District as the terms and conditions with respect to the extension and amendment of the Liquidity Agreement to be executed and delivered by the Superintendent or the Chief Financial Officer of the District (each an "*Authorized Officer*") pursuant to the authority conferred by Section 3 of this Order. An Authorized Officer is hereby authorized to execute and deliver the Terms and Conditions if so required by the Bank.

Section 3. Delegation of Authority. The Board hereby authorizes an Authorized Officer, for and on behalf of the District and the Board, to execute and deliver extensions and amendments to the Liquidity Agreement incorporating the Terms and Conditions and such other changes the Authorized Officer determines to be necessary in connection therewith and to enter into any instruments in connection with such amendments, subject to the parameters set forth in Exhibit B. For ease of reference, the Liquidity Agreement, as amended, may be restated in its entirety as of the date of the amendment and the Authorized Officer is authorized to execute and deliver such amended and restated Liquidity Agreement. An Authorized Officer is further authorized, for and on behalf of the District and the Board, to approve and execute any necessary interim extensions of the current Liquidity Agreement prior to the execution and delivery of the extension and amendment of the Liquidity pursuant to the first sentence of this Section 3.

Section 4. Amendments to Tender Agent Agreement and Remarketing Agreement. An Authorized Officer, acting for and on behalf of the Board, is authorized to enter into and carry out any amendments to the Tender Agent Agreement or the Remarketing Agreement the Authorized Officer determines to be necessary or acceptable in connection with the extension and amendment of the Liquidity Agreement.

Section 5. Further Procedures. The President and Secretary of the Board and each Authorized Officer and all other officers of the District are each hereby authorized to take or cause to be taken such other actions and to execute and deliver such documents, instruments and certificates as necessary or appropriate to consummate the transactions authorized by this Order, including without limitation, to obtain approval of the Attorney General of Texas, if required, to retain legal counsel in connection with the matters addressed herein or to obtain a rating or rating confirmation from bond rating agencies, and payment of related fees, such notices as may be required by the proceedings that authorized the issuance of the Bonds, and the preparation and distribution of a disclosure document related to such transactions, if required.

Section 6. Open Meeting. It is hereby officially found and determined that the meeting at which this Order was adopted was open to the public, and public notice of the time, place and purpose of the meeting was given, all as required by the Texas Open Meetings Act.

Section 7. Effective Date. This Order shall be in full force and effect from and upon its adoption.

Section 8. Severability. If any section, paragraph, clause or provision of this Order shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provision of this Order.

[The remainder of this page intentionally left blank]

FINALLY PASSED, APPROVED AND EFFECTIVE the 17th day of February, 2014.

____
President, Board of Trustees
Aledo Independent School District

ATTEST:

____
Secretary, Board of Trustees
Aledo Independent School District

(DISTRICT SEAL)

<u>EXHIBIT A</u>

Terms and Conditions

(see attached)

JANUARY 27, 2014

ALEDO INDEPENDENT SCHOOL DISTRICT

Renewal Terms and Conditions for Standby Bond Purchase Agreement

J.P.Morgan

This proposal is intended only as an outline of certain material terms of the proposed facility and does not purport to summarize all of the conditions, covenants, representations, warranties and other provisions that would be contained in definitive documentation for the Facility contemplated hereby. This proposal is not a commitment. It represents a willingness on the part of JPMorgan Chase Bank, N.A. ("JPMorgan") to seek approval to provide the commitment indicated herein and consummate a transaction based upon the terms and conditions outlined in this proposal and is subject to final credit approval, absence of any material adverse change in the financial condition, operations or prospects of Aledo Independent School District (the "District"), or in any law, rule or regulation (or their interpretation or administration), that, in each case, may adversely affect the consummation of the transaction, to be determined in the sole discretion of JPMorgan, such additional due diligence as JPMorgan may require, and agreement as to all final terms and conditions and satisfactory documentation thereof (including satisfactory legal opinions).

The District acknowledges and agrees that: (i) JPMorgan has not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether JPMorgan or any of its affiliates has provided other services or is currently providing other services to the District on other matters); (ii) JPMorgan has no obligations to the District with respect to the transaction contemplated hereby unless and except to the extent expressly stated in this proposal; and (iii) the District has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

SECTION I. DESCRIPTION OF THE BOND ISSUE:

Issuer: Aledo Independent School District (the "District").

Bonds: Aledo Independent School District Variable Rate Unlimited Tax School Building Bonds, Series 2006A (the "Bonds").

Principal Amount: $15,085,000.

Security: The Bonds and the District's obligations to JPMorgan under the Facility constitute direct and voted obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Additionally, the payment of the Bonds (as well as Bank Bonds) is guaranteed by the corpus of the Permanent School Fund of the State of Texas (the "PSF").

SECTION II. STRUCTURE OF THE FACILITY:

Facility: Amendment to the existing Standby Bond Purchase Agreement between the District and JPMorgan that is dated September 1, 2011 (the Amendment and existing Standby Bond Purchase Agreement, together, shall be referred to as the "Facility").

Facility Provider: JPMorgan Chase Bank, N.A. ("JPMorgan").

Facility Amount: $15,085,000 (plus applicable interest coverage).

Facility Term: Five (5) years from the Closing Date (the "Scheduled Expiration Date").

Upfront Fee: None.

Facility Fee: The District agrees to pay JPMorgan a nonrefundable Facility Fee (the "Facility Fee") from and including the effective date of the Facility through and including the Scheduled Expiration Date or termination date of the Facility at a rate per annum equal to 49 bps p.a. (the "Facility Fee Rate") on the Facility Amount. The Facility Fee shall be payable quarterly in arrears and on the Scheduled Expiration Date or termination date of the Facility.

Pricing Grid: The Facility Fee Rate shall adjust from time to time based upon the then-applicable unenhanced, underlying long-term rating (each, a "Rating") assigned by S&P or Fitch to the PSF, as specified in the Pricing Grid below. The Pricing Grid Level will be determined by the lower of the two Ratings.

Level	S&P/Fitch Ratings (PSF)	Facility Fee Rate
Level 1	AAA	49 bps p.a.
Level 2	AA+	54 bps p.a.
Level 3	AA	59 bps p.a.
Level 4	AA-	64 bps p.a.
Level 5	A+	69 bps p.a.
Level 6	A	74 bps p.a.
Level 7	A-	79 bps p.a.
Level 8	BBB+	84 bps p.a.
Level 9	BBB	89 bps p.a.
Level 10	BBB-	94 bps p.a.

Any change in the Facility Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to Ratings above are references to rating categories as presently determined by the rating agencies and in the event of adoption of any new or changed rating system by any such rating agency, each of the Ratings from the rating agency in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect.

In the event that the Rating assigned by S&P or Fitch is withdrawn, suspended, or otherwise unavailable, the Facility Fee Rate shall be increased by an additional 1.00% p.a. over the then-existing Facility Fee Rate.

If at any time an Event of Default shall have occurred and be continuing under the Facility, the Facility Fee Rate shall be immediately increased, without notice to the District, by 1.00% p.a. above the Facility Fee Rate in effect immediately prior to the occurrence of such Event of Default for so long as such Event of Default is continuing.

Conditions Precedent to Issuance; Termination Fee; Interest Rate on Bank Bonds; Default Rate; Repayment of Bank Bonds; Purchase Fee; Amendment Fee; Participations; and Governing Law:

These terms and conditions will remain unchanged from the existing Standby Bond Purchase Agreement between the District and JPMorgan dated September 1, 2011.

Documentation: Documentation will include, inter alia, an Amendment to the existing Standby Bond Purchase Agreement between the District and JPMorgan dated September 1, 2011. JPMorgan does not expect any material changes to be made to the existing Agreement.

Costs and Expenses: All legal fees, disbursements, and JPMorgan out-of-pocket expenses will be for the District's account and payable on the date of closing. Legal fees for Andrews Kurth LLP will not exceed $2,500, plus disbursements. JPMorgan out-of-pocket expenses will not exceed $2,500 and will primarily relate to due diligence travel costs incurred, if any.

Bank Contacts:

David M. Bayer, Executive Director
Phone: (212) 270-4186
Email: david.m.bayer@jpmorgan.com

Caitlin Demkin, Analyst
Phone: (212) 270-1875
Email: caitlin.a.demkin@jpmorgan.com

Public Finance Credit Origination
JPMorgan Chase Bank, N.A.
383 Madison Avenue, 8th Floor
Mail Code: NY1-M076
New York, NY 10179

Bank Counsel:	Tanya Fischer, Partner **Andrews Kurth LLP** 600 Travis, Suite 4200 Houston, TX 77002 Phone: (713) 220-3915 Email: tanyafischer@andrewskurth.com

EXHIBIT B

Parameters

1. The maximum facility amount for the Liquidity Agreement shall be as set forth in the Terms and Conditions.

2. The term of the Liquidity Agreement extension shall not exceed five years.

3. The fees and rates to be paid pursuant to the extended and amended Liquidity Agreement shall be as set forth in the Terms and Conditions.

4. The security and source of payment of the District's obligations under the extended and amended Liquidity Facility shall be as set forth in the Bond Order.

5. The delegation made hereby shall expire if not exercised by the Authorized Officer on or prior to February 17, 2015.