



Joshua M. McLaughlin  
Managing Director  
Phone: (214) 576-0878  
[jmclaughlin@bokf.com](mailto:jmclaughlin@bokf.com)

Alison M. Long  
Managing Director  
Phone: (214) 576-0881  
[alison.long@bokf.com](mailto:alison.long@bokf.com)

June 4, 2024

Dr. Jamie Wilson  
Superintendent of Schools  
Denton Independent School District  
1307 N. Locust Street  
Denton, Texas 76201

Dr. Jeremy Thompson  
Deputy Superintendent  
Denton Independent School District  
1307 N. Locust Street  
Denton, Texas 76201

**Re: Denton ISD’s Series 2014-B Variable Rate Bonds –  
Expiration of Existing Interest Rate Term and Review of Financing Alternatives**

Dear Dr. Wilson and Dr. Thompson:

**Introduction**

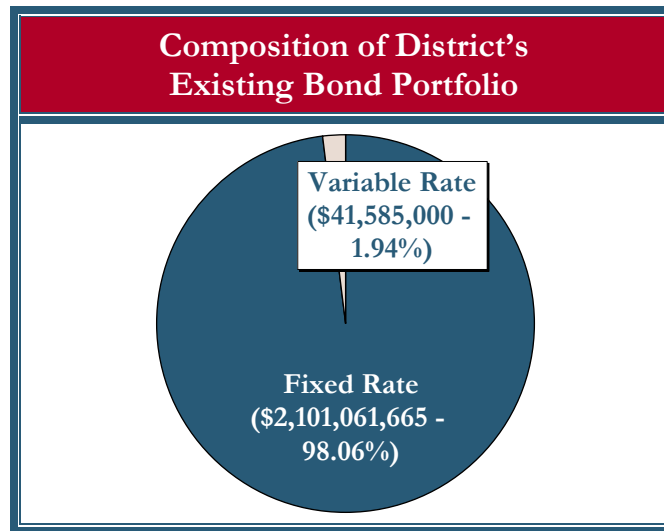
The existing interest rate on Denton Independent School District’s (“DISD” or the “District”) \$41,585,000 Variable Rate Unlimited Tax School Building Bonds, Series 2014-B (the “Series 2014-B Bonds”) is scheduled to expire on August 1, 2024. This memorandum summarizes Denton ISD’s financing alternatives related to the Series 2014-B Bonds, including our recommendation and the required actions related thereto.

**Review of the District’s Existing Series 2014-B Bonds**

The existing interest rate on the Series 2014-B Bonds is 1.53%, which compares favorably to the District’s fixed rate bond alternative of 4.25% at the time of the original sale in June 2014. Since inception, the average interest rate on the Series 2014-B Bonds has been 1.56% and DISD has directly reduced the interest cost of taxpayers by \$17,723,058.

**Composition of District’s Existing Debt Portfolio**

Variable rate bonds (i.e. the Series 2014-B Bonds) currently comprise 1.94% of the District’s existing debt portfolio, which remains within the expectations of the bond rating agencies and, generally speaking, prudent debt management standards, and also below the 30% maximum outlined in Denton ISD’s Debt Management Policy.



## Review of Financing Alternatives

Pursuant to the existing financing structure for the Series 2014-B Bonds, Denton ISD has the flexibility to either maintain such bonds in a variable rate structure and select the next, most desirable interest rate period or “fix” the interest rate on such bonds. Each of these financing alternatives are described in detail below:

- **Alternative No. 1 – Maintain Variable Rate Structure and Select New Interest Rate Period:** Maintain the Series 2014-B Bonds in their original financing structure and remarket such bonds into a new interest rate period.
  - ❖ Based upon current market conditions, the following summarizes certain interest rate periods and estimated interest rates available to the District.

Summary of Certain Interest Rate Periods	
Interest Rate Period	Estimated Rate <sup>(A)</sup>
1-Year	4.06%
2-Years	4.05%
3-Years	3.98%
4-Years	4.06%
5-Years	4.14%
Fixed Rate (With Same Final Maturity)	4.40%
<sup>(A)</sup> Represents indicative rates (as of May 31, 2024) which are estimated and subject to change until August 1, 2024.	

- ❖ Allows the District to maintain a low interest rate on the Series 2014-B Bonds as current short-term variable rates of interest are still below long-term fixed rates of interest.
- **Alternative No. 2 – “Fix” Rate on Series 2014-B Bonds and Shorten the Final Maturity:** Given the structure of the District’s existing debt portfolio and prevailing market conditions, including an inverted yield curve in the first 7 years, Denton ISD may refund its Series 2014-B Bonds to “fix” the interest rate and shorten the final maturity of such bonds from August 1, 2042 to August 15, 2034 (i.e. a reduction of 8 years). The following summarizes the benefits associated with fixing the interest rate and shortening the final maturity on the Series 2014-B Bonds:
  - ❖ Allows the District to lock-in an historically attractive fixed interest rate of approximately 3.97% (net of all costs) based upon current market conditions, which is below the 4.25% fixed rate bond alternative at the time of the original bond sale in year 2014;
  - ❖ Eliminates all variable rate exposure within its current debt portfolio, providing DISD with the flexibility to incorporate variable rate bonds within its debt portfolio in the future, if deemed appropriate and financially prudent based upon then-prevailing market conditions; and
  - ❖ Creates additional future bond capacity as DISD would be paying an estimated 3.97% “fixed” rate of interest versus a budgeted 4.00% interest rate (i.e. for long-term budgeting and bond planning purposes, other than for the current interest rate period ending August 1, 2024, DISD assumes an annual interest rate of 4.00% on the Series 2014-B Bonds) and shortens the repayment period, thereby reducing Denton ISD’s future bond payment requirements.

As illustrated below, by refunding DISD's Series 2014-B Bonds to a "fixed" interest rate and shortening the final maturity, the District will reduce its future bond payments by approximately \$19,838,129, thereby creating additional future bond capacity. Moreover, Denton ISD will still maintain the flexibility to "prepay" other bonds within its bond portfolio to manage its annual Interest & Sinking Fund tax rate as its bond payments are projected to decline in year 2025/26 and beyond.

<b>Refunding Program – Estimated Change in Future Bond Payments</b>					
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
<b>Fiscal Year</b>	<b>Existing Bond Payments<sup>(A)</sup></b>	<b>Less: Series 2014-B Bond Payments – Before Refunding<sup>(A)</sup></b>	<b>Plus: Series 2014-B Bond Payments – After Refunding</b>	<b>Bond Payments – After Refunding Program</b>	<b>Estimated Change In Future Bond Payments (Col. B – E)</b>
2023/24	\$ 154,662,701	\$ 415,850	\$ 415,850	\$ 154,662,701	\$ ---
2024/25	152,656,451	1,663,400	18,803,021	169,796,072	(17,139,621)
2025/26	153,537,651	1,663,400	3,288,750	155,163,001	(1,625,350)
2026/27	153,534,901	1,663,400	3,287,750	155,159,251	(1,624,350)
2027/28	153,537,901	1,663,400	3,291,500	155,166,001	(1,628,100)
2028/29	146,036,651	1,663,400	3,289,500	147,662,751	(1,626,100)
2029/30	146,038,401	1,663,400	3,286,750	147,661,751	(1,623,350)
2030/31	146,034,551	1,663,400	3,288,000	147,659,151	(1,624,600)
2031/32	146,034,689	1,663,400	3,287,750	147,659,039	(1,624,350)
2032/33	146,035,064	1,663,400	3,290,750	147,662,414	(1,627,350)
2033/34	138,532,733	1,663,400	3,286,500	140,155,833	(1,623,100)
2034/35	138,535,692	1,663,400	---	136,872,292	1,663,400
2035/36	138,534,161	1,663,400	---	136,870,761	1,663,400
2036/37	138,532,946	1,663,400	---	136,869,546	1,663,400
2037/38	138,535,530	8,533,400	---	130,002,130	8,533,400
2038/39	123,531,160	10,433,600	---	113,097,560	10,433,600
2039/40	123,532,497	10,186,800	---	113,345,697	10,186,800
2040/41	123,531,841	9,920,400	---	113,611,441	9,920,400
2041/42	121,443,198	7,540,000	---	113,903,198	7,540,000
2042/43	118,170,819	---	---	118,170,819	---
2043/44	116,331,206	---	---	116,331,206	---
2044/45	116,332,862	---	---	116,332,862	---
2045/46	116,333,350	---	---	116,333,350	---
2046/47	116,333,700	---	---	116,333,700	---
2047/48	116,334,100	---	---	116,334,100	---
2048/49	63,826,500	---	---	63,826,500	---
2049/50	63,826,000	---	---	63,826,000	---
2050/51	63,825,500	---	---	63,825,500	---
2051/52	63,823,750	---	---	63,823,750	---
2052/53	63,824,250	---	---	63,824,250	---
<b>Totals</b>	<b>\$3,701,780,755</b>	<b>\$ 68,654,250</b>	<b>\$ 48,816,121</b>	<b>\$3,681,942,626</b>	<b>\$ 19,838,129</b>

(A) For long-term budgeting and bond planning purposes, DISD assumes an annual interest rate of 4.00% on the Series 2014-B Bonds.

**Recommendation**

Based upon prevailing market conditions, certain economic indicators and the composition and structure of DISD’s existing debt portfolio, BOK Financial Securities, Inc. recommends Denton ISD “fix” the interest rate on its Series 2014-B Bonds prior to August 1, 2024.

**Use of a “Parameters Bond Order” for Approval of Refunding Bond Sale**

Should Denton ISD elect to “fix” the interest rate on the Series 2014-B Bonds, the District may adopt a “Parameters Bond Order” at its Board of Trustees meeting on Tuesday, June 11, 2024. As previously utilized for prior District bond sales, DISD’s Board of Trustees may adopt a “Parameters Bond Order” thereby authorizing the District’s Administration to approve the sale of its Unlimited Tax Refunding Bonds, Series 2024 (the “Series 2024 Refunding Bonds”) so long as certain parameters are met. For purposes of this proposed Refunding Program, we would recommend the District utilize the following parameters:

- 1.) The maximum principal amount of Series 2024 Refunding Bonds that may be issued is \$41,585,000 – The principal amount of the Series 2014-B Bonds currently outstanding;
- 2.) The maximum interest rate (All-In TIC) on the Series 2024 Refunding Bonds is 4.50%;
- 3.) The final maturity of the Series 2024 Refunding Bonds may not exceed August 15, 2034 (i.e. 10 years); and
- 4.) The Refunding Program must be completed prior to August 1, 2024.

Unless each parameter listed above is achieved, the Series 2024 Refunding Bonds would not be issued until additional direction is received from the District’s Board of Trustees.

**Preliminary Timetable**

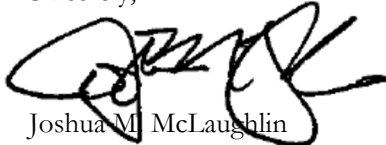
The preliminary timetable for the sale of the Series 2024 Refunding Bonds is listed below.

<b>Preliminary Timetable – Series 2024 Refunding Bonds</b>	
<b>Date</b>	<b>Action Necessary</b>
June 11, 2024	Board Meeting – Discuss Refunding Program to “fix” the interest rate on the District’s existing Series 2014-B Bonds and consider a “Parameters Bond Order” authorizing issuance of the Series 2024 Refunding Bonds.
<b>July 8, 2024</b>	<b>Completion of all items necessary to complete the Refunding Program.</b>
To Be Determined.	Pricing – Sale of the Series 2024 Refunding Bonds within the specified parameters – Interest rates locked-in at this time.
On or Prior to August 1, 2024	Closing – The Refunding Program is completed and the Series 2014-B Bonds are no longer outstanding.

**Closing**

We hope this information is helpful as you manage the District's financial and debt position. Should any questions arise, additional information is preferred or if we may be of any assistance to support the needs of Denton ISD, please let us know. Hope all is well and we look forward to visiting with you soon!

Sincerely,



Joshua M. McLaughlin  
Managing Director



Alison M. Long  
Managing Director