

**Order Authorizing the Issuance of Unlimited Tax Refunding Bonds of the Denton Independent School District;  
Establishing Procedures and Delegating Authority for the Sale and Delivery of the Bonds; Levying an Annual Ad  
Valorem Tax for the Payment of Said Bonds; And Enacting Other Provisions Relating to the Subject  
June 11, 2024**

**SUMMARY:**

The purpose of this request is to authorize the issuance of Unlimited Tax Refunding Bonds of the Denton Independent School District. The existing interest rate on the Variable Rate Unlimited Tax School Building Bonds, Series 2014-B is scheduled to expire on August 1, 2024.

**BOARD GOAL:**

Growth & Management – In pursuit of excellence, we value:

- Demonstrating effective and efficient management of district resources;
- Providing leadership and/or oversight to ensure District meets all fiscal, legal and regulatory requirements

**PREVIOUS BOARD ACTION:**

The Board is presented with tax savings opportunities as they arise, and as market conditions allow for such transactions.

**BACKGROUND INFORMATION:**

The existing interest rate on the Variable Rate Unlimited Tax School Building Bonds, Series 2014-B 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.

**SIGNIFICANT ISSUES:**

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.

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. This alternative would allow 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.

<b>Summary of Certain Interest Rate Periods</b>	
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.	

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).

**FISCAL IMPLICATIONS:**

Alternative No. 2 would allow 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. This alternative would also eliminate 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. In addition, this alternative would create additional future bond capacity as DISD would be paying an estimated 3.97% “fixed” rate of interest versus a budgeted 4.00% interest rate and shortens the repayment period, thereby reducing future bond payment requirements.

**BENEFIT OF ACTION:**

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.

By refunding the 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.

**PROCEDURAL AND REPORTING IMPLICATIONS:**

Designate the authority for the Superintendent and Deputy Superintendent to independently authorize and finalize the terms of the Unlimited Tax Refunding Bonds, Taxable Series 2014-B.

**SUPERINTENDENT’S RECOMMENDATION:**

Consider and act upon adoption of an order authorizing the issuance of unlimited tax refunding bonds of the Denton Independent School District; establishing procedures and delegating authority for the sale and delivery of the bonds; levying an annual ad valorem tax for the payment of said bonds; and enacting other provisions relating to the subject:

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

**STAFF PERSONS RESPONSIBLE:**

Dr. Jeremy Thompson, Deputy Superintendent  
Jennifer Stewart, Executive Director of Budget

**ATTACHMENT:**

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BOK Presentation

**APPROVAL:**

Signature of Staff Member Proposing Recommendation: \_\_\_\_\_

Signature of Divisional Assistant Superintendent: \_\_\_\_\_