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April 28, 2016

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

Ms. Debbie Monschke
 Assistant Superintendent of Administrative Services
 Denton Independent School District
 1307 North Locust
 Denton, Texas 76201

Re: Resetting Interest Rate Term – Variable Rate Unlimited Tax School Building Bonds, Series 2013

Dear Dr. Wilson and Debbie:

Introduction

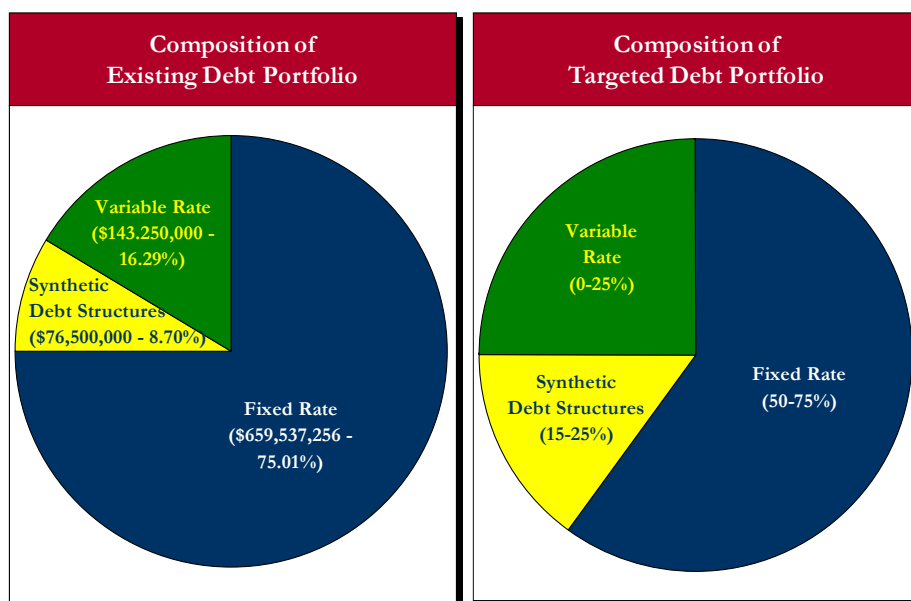
Denton Independent School District (the “District”) successfully issued its \$44,300,000 Variable Rate Unlimited Tax School Building Bonds, Series 2013 (the “Series 2013 Bonds”) on September 19, 2013. Based upon prevailing market conditions, an initial 3-year interest rate term was prudently utilized for the Series 2013 Bonds, which expires on August 1, 2016. Pursuant to the financing structure of the Series 2013 Bonds, the District has the flexibility to select the next interest rate term it deems most appropriate. This memorandum summarizes available interest rate terms, estimated interest rates and our recommendation for your consideration.

Review of the District’s Existing Series 2013 Bonds

The existing interest rate on the Series 2013 Bonds is 1.15% – Which compares favorably to the District’s fixed rate bond alternative of 4.86% at the time of sale. Based upon the interest rate differential, the District has directly reduced the interest cost of the Series 2013 Bonds by more than \$3.68 million (over the last 3 years) for its taxpayers.

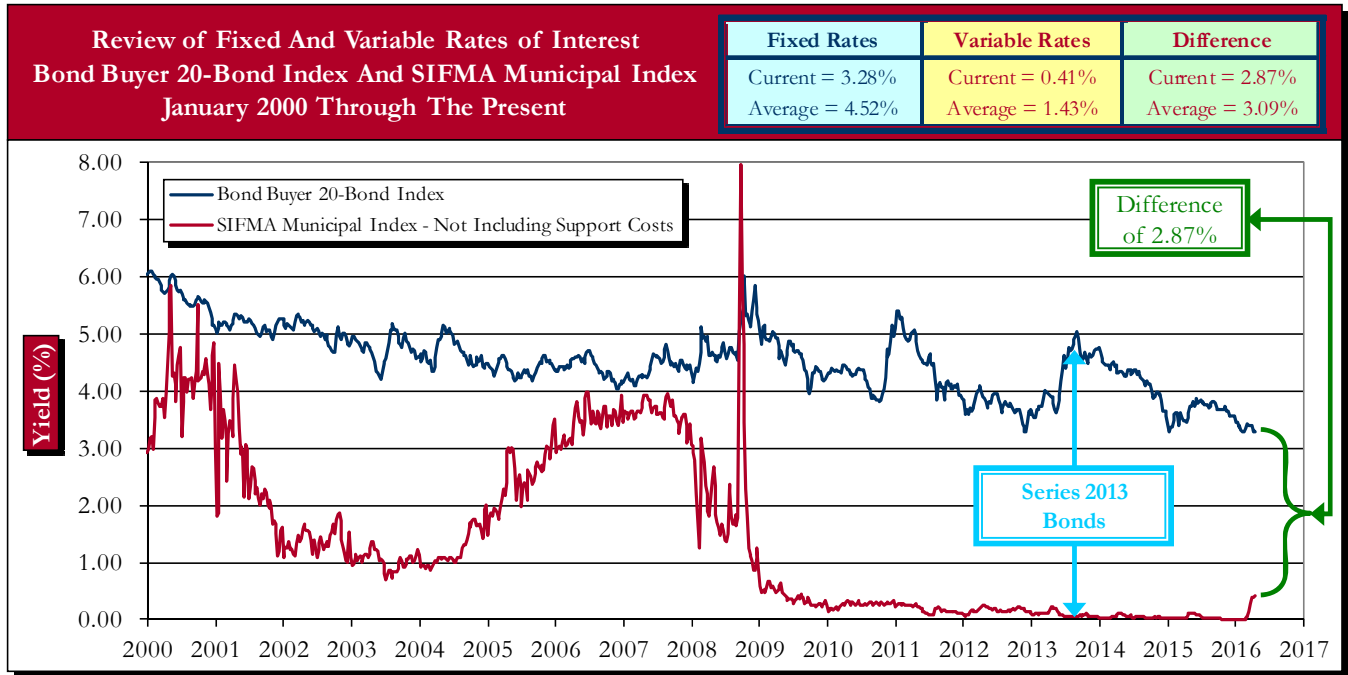
Composition of District’s Existing and Targeted Debt Portfolio

Variable rate bonds currently comprise 16.29% of the District’s existing debt portfolio and, pursuant to the District’s Debt Management Policy, variable rate bonds are targeted to comprise up to 25% of the District’s debt portfolio.



Comparison of Fixed and Variable Interest Rates

As shown in the graph below, shorter-term variable rates (red line) remain favorable in comparison to fixed rates of interest. As such, the District remains positioned to further lower its borrowing cost by using a variable rate structure for the Series 2013 Bonds.



Overview of Current Municipal Market – Interest Rate Terms and Estimated Interest Rates for Series 2013 Bonds

Based upon current market conditions, the following summarizes certain interest rate terms and estimated interest rates available to the District.

Current Market Rates – April 27, 2016	
Interest Rate Term	Estimated Rate ^(A)
1-Year	1.15%
2-Years	1.30%
3-Years	1.50%
4-Years	1.70%
5-Years	1.90%
Fixed Rate	3.90%
(A) Estimated – Subject to change until August 1, 2016.	

Recommendation

Based upon current market conditions, certain economic indicators, historical interest rates and the composition of the District's debt portfolio, as the District's financial advisor we recommend the District continue to maintain the Series 2013 Bonds in a variable rate structure and we recommend the District utilize a 4-year interest rate term for the next interest rate period. This will:

- Provide the District with interest cost certainty for the next 4-years – Through July 31, 2020;
- Lock-in an historically attractive interest rate of approximately 1.70%;
- Reduce the District's interest cost on the Series 2013 Bonds by an additional \$4.79 million over the next 4-years (in comparison to fixed rate alternative) and provide a cumulative savings of \$8.48 million on the Series 2013 Bonds; and
- Diversifies the District's bond portfolio as the interest rate terms of its existing variable rate bonds will be staggered as follows:

Summary of District's Variable Rate Bond Portfolio				
Interest Rate Reset Date	Interest Rate Term	Variable Rate Issue	Principal Amount Outstanding	Existing Interest Rate
August 1, 2018	3-Years	Series 2012-A Bonds	\$34,360,000	1.30%
August 1, 2019	5-Years	Series 2014-B Bonds	\$69,075,000	1.59%
August 1, 2020	4-Years	Series 2013 Bonds	\$39,815,000	1.15%

"Parameters" for Resetting Interest Rate Term – Series 2013 Bonds

As previously utilized for prior bond sales, the District's Board of Trustees may adopt a "Parameters Order" to establish a new interest rate term and interest rate for the Series 2013 Bonds. We recommend the following parameters be used:

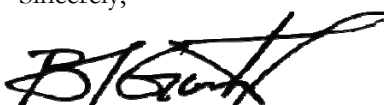
- 1.) The new interest rate (i.e. "yield") may not exceed 2.50%; and
- 2.) The final maturity of the Series 2013 Bonds may not be extended.

Should each parameter be met, the District's new interest rate term and interest rate will become effective on August 1, 2016.

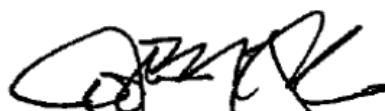
Closing

We hope this information is helpful as you manage the District's debt position and future financing needs. Should any questions arise, additional information is preferred or if we may be of any assistance to support the needs of Denton ISD, 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
Managing Director