

Order Authorizing Issuance of Series 2009 Refunding Bonds

December 9, 2008

SUMMARY:

Consider and take action on an order authorizing the issuance of Denton Independent School District Variable Rate Unlimited Tax Refunding Bonds, Series 2009; providing for the security for and payment of said bonds; delegating certain matters relating to the sale, delivery and terms of said bonds to authorized District officers; authorizing the execution of agreements with a paying agent/registrars, an escrow agent, a remarketing agent, a tender agent and a liquidity bank with respect to the bonds; and enacting other provisions relating to the subject.

BOARD GOAL:

VI. Growth & Change... In pursuit of excellence, the district will:

- b. create and continuously modify strategies to mitigate increasing stresses on our children, our schools, and our community.

PREVIOUS BOARD ACTION:

None

BACKGROUND INFORMATION:

On September 25, 2008, West LB AG, the Standby Bond Purchase Agreement provider for our Series 1996B and Series 2000 Bonds terminated our agreement effective April 1, 2009. The District is required to maintain a Standby Bond Purchase Agreement provider for these bonds. Therefore, a new provider must be appointed.

SIGNIFICANT ISSUES:

The District's original bond documents that govern the Series 1996B and Series 2000 Bonds do not conform to current market practices and certain rating agency standards due to changes over the last 8 – 12 years. In addition, given the recent financial turmoil and the ongoing global credit crisis, providers of Standby Bond Purchase Agreements have become increasingly scarce as several of the financial institutions that historically provided these services, such as West LB AG, have exited the market. Therefore, RBC Capital Markets recommends the District refund its outstanding Series 1996B and Series 2000 Bonds with a new, single series of variable rate bonds to allow the District to update its bond documents with provisions that are acceptable in today's marketplace and to attract interest from qualified Standby Bond Purchase Agreement providers.

FISCAL IMPLICATIONS:

There will be costs associated with this refunding, which will be mostly funded proceeds from the Series 2009 Bonds and therefore, the District's out-of-pocket expenditures should be limited; however, the District has reduced its interest cost by approximately \$25,100,000 by utilizing variable rate bonds in the past. Interest rates will fluctuate until the interest rates on the Series 2009 Bonds are reset. We are proposing an 18 month interest rate period with a current market rate of 3.25%.

BENEFIT OF ACTION:

Allow the District to continue to have the Series 1996B and 2000 Bonds in a variable rate mode and attract interest from more Standby Bond Purchase Agreement providers, resulting in a lower cost to the District.

PROCEDURAL AND REPORTING IMPLICATIONS:

The Board of Trustees would designate the ability to approve the issuance of the Series 2009 Bonds to the District's Administration, so long as certain parameters included within the Bond Order approved by the Board of Trustees are met.

ALTERNATIVES:

If the parameters are not met, a Standby Bond Purchase Agreement provider may be appointed for the existing Series 1996B and 2000; however, the District will incur approximately \$150,000 of out-of-pocket costs payable from the Interest & Sinking Fund and the interest from potential Standby Bond Purchase Agreement providers is likely to be limited due to original documents, thereby potentially resulting in a higher cost for this service.

SUPERINTENDENT'S RECOMMENDATION:

Recommend approval of the Order Authorizing the Issuance of the Denton Independent School District variable Rate Unlimited Tax Refunding Bonds, Series 2009 with the following parameters:

1. A maximum principal amount of \$32,800,000.
2. Only the outstanding Series 1996B and 2000 Bonds may be refunded.
3. The initial interest rate on the Series 2009 Bonds may not exceed 5%.

4. The final maturity of the Series 2009 Bonds may not exceed the final maturity of the Series 1996B and 2000 Bonds.
5. The District must receive the proceeds of the Series 2009 Bonds no later than April 1, 2009.

STAFF PERSONS RESPONSIBLE:

Debbie Monschke, Executive Director of Administrative Services

ATTACHMENT:

Memo from Bill Gumbert
RBC Cost Estimate
Tender Agent Agreement
Remarketing Agreement
Standby Bond Purchase Agreement
Order Authorizing the Issuance of the Denton Independent School District Variable Rate Unlimited Tax Refunding Bonds, Series 2009

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Signature of Divisional Assistant Superintendent: _____

Signature of Superintendent: _____