

Order Authorizing Issuance of Unlimited Tax School Building Bonds

August 13, 2013

SUMMARY:

Consider and act upon adoption of an order authorizing the issuance of the District's Variable Rate Unlimited Tax School Building Bonds; 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; authorizing the execution of agreements with a paying agent/registrar, a remarketing agent and a tender agent with respect to the bonds; and enacting other provisions relating to the subject.

BOARD GOAL:

VI. Growth, Change & Fiscal Responsibility... 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:

On May 28, 2013, the Board of Trustees approved an Order Authorizing the Issuance of the Denton Independent School District Unlimited Tax School Building Bonds, Series 2013 with the following parameters:

1. A maximum of \$45,000,000;
2. The true interest cost rate (TIC) not to exceed 5.00%;
3. The final maturity may not exceed August 15, 2043;
4. The District must complete the sale on or prior to November 28, 2013

BACKGROUND INFORMATION:

The sale of bonds was discussed with the Board during the March 19, 2013 and May 14, 2013 meetings.

SIGNIFICANT ISSUES:

Based upon the recent increase in municipal fixed rates of interest, it has been recommended the District utilize a variable rate bond structure for its upcoming bond sale to lower the borrowing cost. The order approved in May was for a fixed rate option. The issuance of \$45,000,000 of bonds will fund the construction of Elementary School No. 22, the purchase of land, planning costs for High School No. 4 and other projects from the 2007 Bond Program.

FISCAL IMPLICATIONS:

Based upon the current difference between the variable and fixed rates of interest, the use of variable rate bonds for the sale of the Series 2013 Bonds will lower the District's borrowing cost by approximately \$5.2 million over the next 5 years.

Variable rate bonds currently comprise only 6.57% 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. The issuance of variable rate bonds will provide an opportunity for the district to increase its variable rate debt position to more closely reflect its targeted debt portfolio at 13.01%.

BENEFIT OF ACTION:

The sale of bonds would allow the District to move forward with the construction of Elementary No. 22 and planning for future projects.

PROCEDURAL AND REPORTING IMPLICATIONS:

The Board of Trustees would designate the ability to approve the issuance of the Series 2013 Bonds to the District's Administration, as long as certain parameters included within the Bond Order approved by the Board of Trustees are met.

SUPERINTENDENT'S RECOMMENDATION:

Recommend approval of the Order Authorizing the Issuance of the Denton Independent School District Variable Rate Unlimited Tax School Building Bonds, Series 2013 with the following parameters:

1. A maximum of \$45,000,000 (principal amount) may be issued;
2. The initial interest rate on the Series 2013 Bonds does not exceed the highest lawful rate;
3. The final maturity of the Series 2013 Bonds must not exceed August 1, 2043; and
4. The District must complete the sale on or prior to February 9, 2014 (i.e. six-months after the "Parameters Bond Order" is adopted).

STAFF PERSONS RESPONSIBLE:

Debbie Monschke, Assistant Superintendent of Administrative Services

ATTACHMENT:

Draft - Order Authorizing the Issuance of Denton Independent School District Unlimited Tax School Variable
Rate Unlimited Tax School Building Bonds
Memo – BOSC, Inc.

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Signature of Divisional Assistant Superintendent: _____

Signature of Superintendent: _____