

# **Approval of Liquidity Provider Renewal**

July 27, 2010

## **SUMMARY:**

This item requests the extension of the current Standby Bond Purchase Agreement between the District and Bank of America, N.A. for the District's Variable Rate Unlimited Tax School Building Bonds, Series 2005-A for a period of 3-years.

## **BOARD GOAL:**

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

- Review and adjust policies and procedures effectively to address the challenges of rapid growth and changing demographic characteristics while maintaining and enhancing our strong sense of community.

## **PREVIOUS BOARD ACTION:**

None

## **BACKGROUND INFORMATION:**

Pursuant to the original documents authorizing the issuance of the District's Variable Rate Unlimited Tax School Building Bonds, Series 2005-A (the "Bonds") and rating agency requirements, the District is required to maintain a Standby Bond Purchase Agreement provider for the Bonds.

The Standby Bond Purchase Agreement provider is responsible for purchasing the District's Bonds from owners that "tender" their bonds in the event such bonds cannot be resold to new investors. By having a Standby Bond Purchase Agreement provider, investors are assured that funds will be available to purchase their bonds once they are "tendered," thereby providing liquidity for their investment. Without a Standby Bond Purchase Agreement provider, the District would be required to purchase the Bonds in the event any "tendered" bonds could not be resold to new investors. The Standby Bond Purchase Agreement provider for the Bonds is Bank of America, N.A.

## **SIGNIFICANT ISSUES:**

The District's Standby Bond Purchase Agreement (the "Agreement") with Bank of America, N.A. is set to expire on September 1, 2010. As such, the District is required to either extend its current Agreement or find a new Standby Bond Purchase Agreement provider for the Bonds.

## **FISCAL IMPLICATIONS:**

Pursuant to the amended and restated Agreement, the fee Bank of America, N.A. charges to provide such services will increase from 0.11% to 0.55% per annum. As such, the District will incur an additional expense of \$213,000 per year.

## **BENEFIT OF ACTION:**

Will allow the District to maintain the Bonds in a variable rate mode and benefit from a reduced interest rate.

## **PROCEDURAL AND REPORTING IMPLICATIONS:**

Once the amended and restated Agreement is finalized, the District will need to provide notice of the amended and restated Agreement to the Paying Agent, Tender Agent and Remarketing Agent for the Bonds.

## **PUBLIC COMMENT RECEIVED:**

None

## **ALTERNATIVES:**

No alternative actions are proposed.

## **OTHER COMMENTS:**

None

**SUPERINTENDENT'S RECOMMENDATION:**

Recommend the extension of the current Standby Bond Purchase Agreement between the District and Bank of America, N.A. for the District's Variable Rate Unlimited Tax School Building Bonds, Series 2005-A for a period of 3-years.

**STAFF PERSONS RESPONSIBLE:**

Debbie Monschke, Executive Director of Administrative Services

**ATTACHMENT:**

- Memo
- 2010 Renewal Term Sheet
- Order Authorizing Extensions
- Amended and Restated Standby Bond Purchase Agreement
- First Amendment to Standby Bond Purchase Agreement

**APPROVAL:**

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

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

Signature of Superintendent: \_\_\_\_\_