

Order Authorizing the Remarketing of Outstanding Series 2013 Bonds of the Denton Independent School District; Delegating to an Authorized Officer the Authority to Approve the Remarketing of the Bonds, Including Approving a Remarketing Agreement and Reoffering Memorandum and Establishing Certain Parameters for the Approval of Such Matters

June 23, 2020

SUMMARY:

The purpose of this request is to authorize the remarketing of outstanding bonds of the Denton ISD Variable Rate Unlimited Tax School Building Bonds, Series 2013, with an outstanding aggregate principal balance of \$22,260,000.

BOARD GOAL:

Growth & Management

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

PREVIOUS BOARD ACTION:

On May 10, 2016, The Board adopted an order authorizing the remarketing of the Denton ISD Variable Rate Unlimited Tax School Building Bonds, Series 2013.

BACKGROUND INFORMATION:

The current interest rate on the Series 2013 Bonds is 1.14%, which compares favorably to the District's fixed rate bond alternative of 4.86% at the time of the original bond sale in September 2013. To date, DISD has achieved a savings of over \$9.0 million on the Series 2013 Bonds based upon the interest rate differential, as the average interest rate has been 1.14%.

SIGNIFICANT ISSUES:

Based upon current market conditions, certain economic indicators, historical interest rates and the composition of the District's existing debt portfolio, the District's financial advisor recommends that the District continue to maintain the Series 2013 Bonds in a variable rate structure and utilize a 3-year interest rate term for the next interest period. This will:

- Provide the District with interest cost certainty for the next 3 years, through July 31, 2023
- Lock-in a historically attractive interest rate of approximately .85%, which remains substantially below the original fixed rate alternative of 4.86%
- Diversify the District's variable rate bond portfolio as the interest rate periods of its existing variable rate bonds will be staggered

FISCAL IMPLICATIONS:

Remarketing the 2013 Bonds will reduce the District's interest cost by an additional \$2.06 million over the next 3-years (in comparison to fixed rate alternative).

BENEFIT OF ACTION:

This action will provide a more efficient use of the District's funds in support of the Bond Program.

PROCEDURAL AND REPORTING IMPLICATIONS:

Designate the authority for the Superintendent and Chief Financial Officer to independently authorize and finalize the terms of remarketing the Series 2013 Bonds.

SUPERINTENDENT'S RECOMMENDATION:

Consider and act upon adoption of an order authorizing the remarketing of outstanding Series 2013 Bonds of the Denton Independent School District; delegating to an authorized officer the authority to approve the remarketing of the bonds, including approving a remarketing agreement and reoffering memorandum and establishing certain parameters for the approval of such matters:

1. The new interest rate (i.e. "yield") may not exceed 2.50%; and
2. The new interest rate period must be at least 1 year (i.e. July 31, 2021) and may not exceed a period of 5 years (i.e. July 31, 2025) – Although a new term rate period of 3 years is currently recommended, a range is provided to allow additional flexibility at the time the new interest rate is set; and
3. The final maturity of the Series 2013 Bonds may not be extended.

STAFF PERSONS RESPONSIBLE:

Dr. Scott Niven, Chief Financial Officer

Jennifer Stewart, Director of Budget

ATTACHMENT:

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BOSC Memo

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Signature of Divisional Assistant Superintendent: _____