

Order Authorizing Issuance of Series 2009 Refunding Bonds

February 24, 2009

SUMMARY:

Consider and take action on an order authorizing the issuance of Denton Independent School District 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/registrar, and an escrow agent 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:

An order was approved on 12/9/08 approving a parameter sale for a 2009 Variable Rate Sale.

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 or the District must refund the Series 1996B and Series 2000 Bonds.

SIGNIFICANT ISSUES:

The ongoing financial crisis and the global credit crunch has continued to affect the availability and cost of Standby Bond Purchase Agreements as several of the financial institutions that historically provided these services, such as West LB AG, have exited the market or are not currently providing these services. In addition, fixed rates of interest have dramatically declined since December 2008. Therefore, RBC Capital Markets recommends the District refund its outstanding Series 1996B and Series 2000 Bonds with a new, single series of fixed rate bonds, instead of variable rate bonds. A liquidity provider will not be required for the fixed rate bonds.

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. We are proposing a fixed rate of interest, as fixed rates of interest have declined significantly over the last two months.

BENEFIT OF ACTION:

Allow the District to convert the Series 1996B and 2000 Bonds into a fixed rate mode which will not require the Standby Bond Purchase Agreement provider. The rates quoted for this service have increased from .21% to 1.5%, a significant increase, amounting to approximately \$446,879 per year.

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. In addition, the Board of Trustees will need to revoke the prior approval from 12/9/08.

ALTERNATIVES:

None recommended

SUPERINTENDENT'S RECOMMENDATION:

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

1. A maximum principal amount of \$32,175,000.
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 6%.
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 March 31, 2009.

STAFF PERSONS RESPONSIBLE:

Debbie Monschke, Executive Director of Administrative Services

ATTACHMENT:

Memo from Bill Gumbert

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Signature of Divisional Assistant Superintendent: _____

Signature of Superintendent: _____