

Consider and Act Upon Adoption of an Order Authorizing the Issuance of up to \$181,995,000 Denton Independent School District Unlimited Tax School Building Bonds, Series 2025-A; Establishing Sale Parameters; Authorizing the Execution of a Paying Agent/Registrar Agreement; Levying an Annual Ad Valorem Tax for the Payment of Said Bonds; and Enacting Other Provisions Relating to the Subject

May 13, 2025

SUMMARY:

Consider and act upon adoption of an order authorizing the issuance of up to \$181,995,000 Denton Independent School District Unlimited Tax School Building Bonds, Series 2025-A; establishing sale parameters; authorizing the execution of a paying agent/registrar agreement; levying an annual ad valorem tax for the payment of said bonds; and enacting other provisions relating to the subject.

BOARD GOAL:

Growth & Management – In pursuit of excellence, we value:

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

PREVIOUS BOARD ACTION:

The Board called a bond election on March 28, 2023 to be held on May 6, 2023. The Board approved an order authorizing issuance of the 2023 Bonds on June 13, 2023.

BACKGROUND INFORMATION:

The voters authorized \$1,418,481,928 for the purpose of construction, renovation, acquisition and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, the purchase of new school buses and the levying of the tax in payment thereof, including the costs of any credit agreements executed in connection with the bonds on May 6, 2023. To date, the District has issued one installment of bonds from the 2023 Bond Program in the amount of \$1,036,485,000 at an “All-In” True Interest Rate of 4.263%, leaving \$381,996,928 of bonds remaining to be sold.

SIGNIFICANT ISSUES:

The goals of the financing plan are to meet or exceed the expectation of taxpayers by fully implementing the 2023 Bond Program within the projected cost communicated to voter at the time of the May 6, 2023 bond election (no tax rate increase – the current I&S tax rate of 48 cents will remain constant); maximize the District’s future bond capacity for capital improvements; maintain a bond repayment period of 30 years or less; fully repay bonds issued for certain short-term projects over their useful lives; maintain no more than 25% of the District’s total debt portfolio with the use of variable rate debt; incorporate ongoing flexibility to prepay outstanding bonds to reduce the interest cost of taxpayers; and structure repayment of bonds to comply with the State-mandated “50-Cent Debt” limitation and to minimize the use of Capital Appreciation Bonds (“CABs”).

FISCAL IMPLICATIONS:

According to our Financial Advisors, based upon the \$316,899,975 of savings generated from the Debt Management Strategies deployed by the District over the last 20 years, and the growth of the District’s tax base, the District has bond capacity to sell \$381,996,928 of its remaining 2023 authorized bonds at this time without a Debt Service tax increase. Denton ISD will issue the \$381,996,928 of remaining bonds from the 2023 bond Program utilizing a combination of fixed rates and variable rates of interest.

Variable Rate Put Bonds are a proven, effective and valuable “Debt Management” tool potentially providing Denton ISD with the following benefits:

- Lower Borrowing Cost – by “locking in” saving during the initial rate term, Variable Rate Put Bonds allow the District to lower its initial borrowing cost in comparison to the sale of fixed rate bonds. In addition, DISD retains the flexibility to “fix” the interest rate at a time that fixed interest rates are lower.
- Unlike traditional fixed rate bonds which are generally callable 9 or 10 years after issuance, Variable Rate Put Bonds may be prepaid prior to scheduled maturity, without penalty, at the end of each term rate period, providing the District with additional flexibility to efficiently manage its annual bond payments and corresponding I&S tax rate.

The preliminary financing plan is based on the following:

- Bond Sale No. 1: \$181,996,928 – utilize fixed rates of interest (the “Series 2025-A Bonds”)
- Bond Sale No. 2: \$200,000,000 – utilize variable rates of interest (the “Series 2025-B Bonds”)
 - \$200,000,000 of Variable Rate Put Bonds are anticipated to be sold with an initial 3-year interest rate term period expiring on August 14, 2028 – current interest rate is estimated at 4.06%.

BENEFIT OF ACTION:

The issuance of a maximum of \$381,996,928 of bonds authorized from the 2023 Bond Program will fund the remaining construction projects and capital improvements to meet the needs of the District's student population.

PROCEDURAL AND REPORTING IMPLICATIONS:

Designate the authority for the Superintendent and Deputy Superintendent to approve the issuance of the Series 2025-A Bonds, as long as certain parameters included within the Bond Order approved by the Board of Trustees are met.

SUPERINTENDENT'S RECOMMENDATION:

Consider and act upon adoption of an order authorizing the issuance of up to \$181,995,000 Denton Independent School District Unlimited Tax School Building Bonds, Series 2025-A; establishing sale parameters; authorizing the execution of a paying agent/registrars agreement; levying an annual ad valorem tax for the payment of said bonds; and enacting other provisions relating to the subject, within the following parameters:

Parameters for Sales of the Series 2025-A and Series 2025-B Bonds		
Parameter	Series 2025-A Bonds ("Fixed Rate")	Series 2025-B Bonds ("Variable Rate")
1) Maximum Principal Amount:	\$ 181,995,000	\$ 200,000,000
2) True Interest Rate (All-In TIC) – Must Not Exceed:	5.50% (Anticipated Rate of 4.95%)	The Highest Lawful Rate (Anticipated Rate of 4.06%)
3) Final Maturity – Must Not Exceed:	August 15, 2055	August 15, 2055
4) Expiration Date of Parameter Order:	May 12, 2026	May 12, 2026

STAFF PERSONS RESPONSIBLE:

Dr. Jeremy Thompson, Deputy Superintendent
Jennifer Stewart, Executive Director of Budget

ATTACHMENT:

Order Authorizing the Issuance of Denton Independent School District Unlimited Tax School Building Bonds, Series 2025-A
BOK Financial Advisors – Preliminary Financing Plan

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Signature of Divisional Assistant Superintendent: _____