

Variable Rate Unlimited Tax School Building Bonds, Series 2006-B Replacement of Existing Standby Bond Purchase Agreement

October 23, 2018

SUMMARY:

Consider and take action to select a Standby Bond Purchase Agreement (SBPA) provider for the Variable Rate Unlimited Tax School Building Bonds, Series 2006-B.

BOARD GOAL:

VI. Growth, Change & Fiscal Responsibility...In pursuit of excellence, the district will:
e. demonstrate effective and efficient management of district resources

PREVIOUS BOARD ACTION:

On October 28, 2014, the Board authorized the Superintendent and Executive Director of Administrative Service to approve the final terms and conditions, upon consultation with BOSC, Inc. and McCall, Parkhurst & Horton L.L.P. for a Replacement of Existing Standby Bond Purchase Agreement (SBPA) with The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd has elected to terminate our agreement effective December 28, 2018.

BACKGROUND INFORMATION:

The District's current SBPA with The Bank of Tokyo-Mitsubishi UFJ, Ltd to provide liquidity for the remarketing of the District's Variable Rate Unlimited Tax School Building Bonds will expire on December 28, 2018.

SIGNIFICANT ISSUES:

Pursuant to the original financing documents, rating agency requirements and to ensure the Bonds remain "marketable" to investors at market rates of interest, the District is required to maintain a SBPA provider for the Bonds.

FISCAL IMPLICATIONS:

BOSC, Inc. requested bids from qualified SBPA providers, including Barclays, Citibank, Industrial and Commercial Bank of China ("ICBC"), JPMorgan Chase Bank, Royal Bank of Canada ("RBC"), State Street Bank, Sumitomo Mitsui Banking Corporation, US Bank and Wells Fargo Bank. The District received two bids and they were evaluated based on the proposed fee and the ratings and perceived financial stability of the financial institutions submitting a bid. It is the recommendation of our financial advisors that the best combination of the proposed facility fee, lowest expenses, and highest rated financial institution, and rating downgrade provisions is the bid provided by JPMorgan Chase Bank at .35% per year for a 3-year period.

BENEFIT OF ACTION:

The District is currently paying .4% per year to The Bank of Tokyo-Mitsubishi UFJ, Ltd so there would be no cost increase.

PROCEDURAL AND REPORTING IMPLICATIONS:

The final terms and conditions of the agreement are expected to be completed by the end of December 2018.

SUPERINTENDENT'S RECOMMENDATION:

Recommend adoption of 'An Order Authorizing the Execution and Delivery of a Substitute Standby Bond Purchase Agreement for the Denton Independent School District Variable Rate Unlimited Tax School Building Bonds, Series 2006-B; approving a Term Sheet for the Substitute Standby Bond Purchase Agreement; Delegating Authority to Execute and Deliver Such Substitute Standby Bond Purchase Agreement; and Enacting Provisions Related Thereto' which establishes the terms and conditions for the execution and delivery of the Standby Bond Purchase Agreement with JPMorgan Chase Bank at .35% per year for a three (3) year period as the Standby Bond Purchase Agreement provider and approves the form of Standby Bond Purchase Agreement with the JPMorgan Chase Bank and the related Fee Letter.

STAFF PERSONS RESPONSIBLE:

Debbie Monschke, Assistant Superintendent of Administrative Services
Jennifer Stewart, Director of Budget

ATTACHMENT:

- Letter from BOSC, Inc. – Re: Variable Rate Unlimited Tax School Building Bonds, Series 2006-B – Replacement of Existing Standby Bond Purchase Agreement
- Order Authorizing the Execution and Delivery of a Substitute Standby Bond Purchase Agreement
- Standby Bond Purchase Agreement and Fee Letter

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Comments: _____

Signature of Divisional Assistant Superintendent: _____

Comments: _____

Signature of Superintendent: _____

Comments: _____