

Bond Underwriting Services

May 16, 2023

SUMMARY:

This item requests approval of a recommended bond underwriting pool for the next five years or until it becomes prudent to evaluate the universe of potential bond underwriters in the future.

BOARD GOAL:

In pursuit of excellence, we will:

- 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:

A recommended bond underwriting pool was approved by the Board of Trustees on June 12, 2018, pursuant to a Request for Qualifications (RFQ) for Bond Underwriting Services that was issued in April of 2018. Per the RFQ, Denton ISD may add or remove firms from the underwriting pool at any time, at its own discretion.

BACKGROUND INFORMATION:

The District selects certain firms to serve as underwriters on future negotiated financings. The number of firms used for a particular financing depends on the size of the bond sale, prior underwriting performance and ongoing support of DISD's financing needs. The District is not required to utilize the services of any firm within its approved pool of bond underwriters and DISD retains the flexibility to add and/or delete firms to its underwriting pool at any point in time it is deemed in the best interest of the District.

SIGNIFICANT ISSUES:

- There have been significant changes in the municipal finance industry since the District approved its pool of bond underwriters in 2018.
 - Effective September 1, 2021, Texas public school districts may not do business with financial institutions that either "boycott energy companies" (i.e. Senate Bill 13) or "discriminate against a firearm entity or firearm trade association" (i.e. Senate Bill 19).
 - One of Denton ISD's existing underwriting firms, Bank of America Merrill Lynch, has been unable to meet the verification requirements of the Office of the Attorney General of Texas (the "OAG") regarding these new statutes, and as such, has not been participating in Texas bond underwritings.
 - On January 18, 2023, the OAG rejected Citigroup Global Markets Inc.'s standing verifications in connection with these statutes and, as a result, Citigroup is not currently allowed to participate in bond underwritings within the state.
 - In addition, during the last five years, there have been numerous financial institutions entering into the Texas public school district bond underwriting arena, coupled with key changes in personnel among various firms already pursuing Texas school district bond underwriting business.

FISCAL IMPLICATIONS:

Pursuant to Section 2254.003 of the Texas Government Code, the selection of underwriters may not be made based upon competitive bids, but rather determined on the basis of "demonstrated competence" and "qualifications to perform the services."

BENEFIT OF ACTION:

Approval of an updated underwriting pool will allow the District to move forward with the planning and implementation of the 2023 Bond Program.

PROCEDURAL AND REPORTING IMPLICATIONS:

None

ALTERNATIVES:

A selection process could be conducted with each transaction during the 2023 Bond Program.

SUPERINTENDENT’S RECOMMENDATION:

Recommend approval of the following financial institutions as the bond underwriting pool:

Cabrera Capital Markets (Minority Owned)
Hilltop Securities Inc.
Huntington Capital Markets
J.P. Morgan Securities LLC
Piper Sandler & Co
RBC Capital Markets, LLC
Stephens Inc.

Estrada Hinojosa & Company (Minority Owned)
FHN Financial Capital Markets
Jefferies LLC
Mesirow Financial Inc.
Raymond James & Associates Inc.
Siebert Williams Shank & Co (Minority Owned)
Wells Fargo Securities

STAFF PERSONS RESPONSIBLE:

Dr. J. Scott Niven, Deputy Superintendent
Jennifer Stewart, Executive Director of Budget
Cindy Willis, Director of Purchasing

ATTACHMENT:

Letter of recommendation dated April 3, 2023 – BOK Financial Securities, Inc.

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Signature of Divisional Assistant Superintendent: _____

Signature of Superintendent: _____