

# Approval of Substitute Standby Bond Purchase Agreement

June 12, 2012

## SUMMARY:

Consider and take action on an order authorizing the execution and delivery of a substitute standby bond purchase agreement for the District's Variable Rate Unlimited Tax School Building Bonds, Series 2006-B; approving a term sheet for the substitute standby bond purchase agreement; approving amendments to the Series 2006-B bond order; delegating authority to execute and deliver such substitute standby bond purchase agreement; and enacting provisions related thereto.

## BOARD GOAL:

VI. Growth & Change... In pursuit of excellence, the District will:

- Review and adjust policies and procedures effectively to address the challenges of rapid growth and changing demographic characteristics while maintaining and enhancing our strong sense of community.

## PREVIOUS BOARD ACTION:

In connection with the issuance of the Variable Rate Unlimited Tax School Building Bonds, Series 2006-B; the District entered into a Standby Bond Purchase Agreement, dated June 27, 2006 with Bank of America, N.A.

## BACKGROUND INFORMATION:

Pursuant to the original documents authorizing the issuance of the District's Variable Rate Unlimited Tax School Building Bonds, Series 2006-B (the "Bonds") and rating agency requirements, the District is required to maintain a Standby Bond Purchase Agreement provider for the Bonds.

Pursuant to the structure of traditional variable rate financings, at the time a new interest rate is set and at certain other times, the owners of the Bonds may elect to "tender" their bonds for sale to new investors and "demand" repayment at such time. When a bond is "tendered" for sale, the Standby Bond Purchase Agreement Provider is responsible for purchasing the Bonds from the existing owners in the event they cannot immediately be resold to another investor. As such, the SBPA Provider provides "liquidity" to current bondholders by ensuring a bondholder will receive timely repayment of the Bonds at the time it is "tendered."

## SIGNIFICANT ISSUES:

Bank of America, N.A., the Standby Bond Purchase Agreement Provider for Denton Independent School District's (the "District") Variable Rate Unlimited Tax School Building Bonds, Series 2006-B (the "Bonds"), has elected to terminate the existing Standby Bond Purchase Agreement associated with the District's Bonds, effective July 27, 2012.

## FISCAL IMPLICATIONS:

The District is currently paying 0.25%/year to Bank of America, N.A. Based upon the lowest quote received, the cost differential associated with a new SBPA Provider is \$47,700/year. Given the capital constraints of financial institutions and the costs associated with the proposed new banking regulations, the 0.40% fee is representative of the current market for Standby Bond Purchase Agreements.

## BENEFIT OF ACTION:

Will position the District to appoint a new SBPA Provider and maintain the Bonds in a variable rate mode.

## SUPERINTENDENT'S RECOMMENDATION:

Recommend the District approve an "Order Authorizing the Execution and Delivery of a Substitute Standby Bond Purchase Agreement" and delegate the authority to the Superintendent and the Executive Director of Administrative Services to approve the final terms and conditions, upon consultation with BOSCO, Inc. and McCall, Parkhurst & Horton L.L.P., the District's bond counsel.

## STAFF PERSONS RESPONSIBLE:

Debbie Monschke, Executive Director of Administrative Services

## ATTACHMENT:

Order Authorizing Amendment to Standby Bond Purchase Agreement  
Letter from BOSCO, Inc – Re: Unlimited Tax School Building Bonds, Series 2006-B Replacement of Existing Standby Bond Purchase Agreement Provider

## APPROVAL:

Signature of Staff Member Proposing Recommendation: \_\_\_\_\_

Signature of Divisional Assistant Superintendent: \_\_\_\_\_

Signature of Superintendent: \_\_\_\_\_