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February 17, 2016

Dr. Jamie Wilson
Superintendent of Schools
Denton Independent School District
1307 North Locust
Denton, Texas 76201

Ms. Debbie Monschke
Assistant Superintendent of Administrative Services
Denton Independent School District
1307 North Locust
Denton, Texas 76201

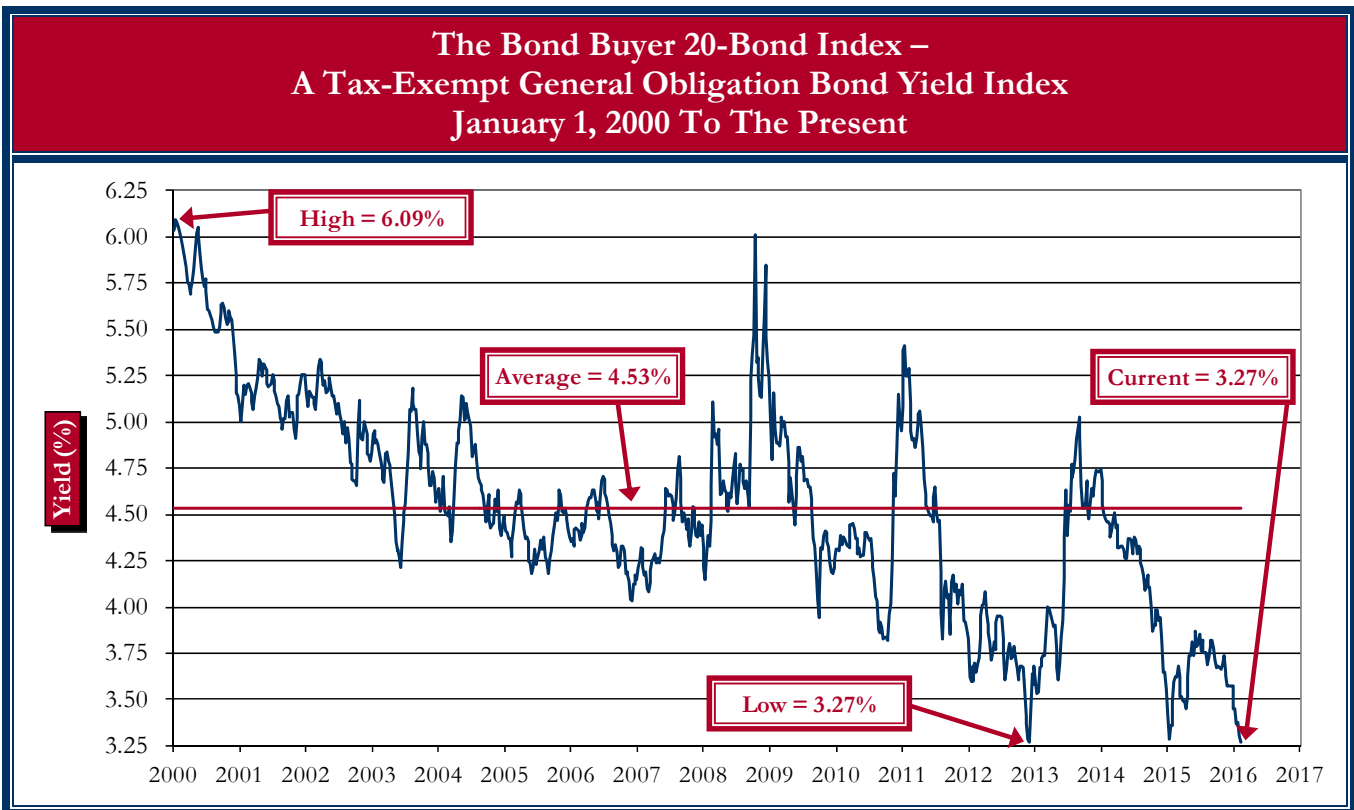
Re: Denton ISD – Update of Potential Refunding Opportunity (February 2016)

Dear Dr. Wilson and Debbie:

This letter updates the savings potentially available to Denton Independent School District (the “District”) by refunding its existing Unlimited Tax Refunding Bonds, Series 2006 and 2009 and Unlimited Tax School Building Bonds, Series 2007 and 2008 (collectively, the “Bonds to be Refunded”) at a lower interest rate. To comply with Federal Tax Law, the District may complete the sale of refunding bonds in April 2016 or thereafter. For your review and consideration, we have included herein the preliminary financing plan and timetable to realize such savings for the District’s taxpayers, as deemed appropriate.

Current Interest Rates

As represented by “The Bond Buyer 20-Bond Index” in the graph below, municipal interest rates trended lower over the last 6-months – Currently at an historical low and 1.26% below the historical average experienced since year 2000.



Savings Available

■ Historical Savings – District’s Prior Refunding Programs

The financing structure to complete the Refunding Program is identical to the District’s prior refunding bond sales summarized below – Which have generated \$60,357,150 of savings for District taxpayers over the last 10-years.

Summary of Interest Cost Savings Achieved By The District – Last 10-Years			
Issue	Series Refunded	Principal Amount Refunded	Total Savings
Unlimited Tax Refunding Bonds, Series 2005-C	1998, 1999 & 2001	\$ 50,855,000	\$ 3,251,044
Unlimited Tax Refunding Bonds, Series 2006	2002	48,329,192	12,125,000
Unlimited Tax Refunding Bonds, Series 2011	1998, 1999, 2001 & 2004	24,940,000	1,838,589
Unlimited Tax Refunding Bonds, Series 2012-B	2002, 2004 & 2005-C	64,614,784	13,196,404
Unlimited Tax Refunding Bonds, Taxable Series 2012-C	2004 & 2005-C	25,030,000	2,551,494
Unlimited Tax Refunding Bonds, Series 2012-D	2004	40,155,000	8,937,721
Unlimited Tax Refunding Bonds, Series 2014-C	2006-A	15,010,000	1,252,934
Unlimited Tax Refunding Bonds, Series 2015	2007 & 2008	125,110,000	17,203,964
Totals	---	\$394,043,976	\$ 60,357,150

■ Summary of Savings – 2016 Refunding Program

Based upon current market conditions, the table below summarizes the savings available to the District by refunding its outstanding bonds at a lower interest rate.

Summary of Savings Available	
Description	Summary Of Results
Principal Amount of the Bonds to be Refunded	\$ 118,749,192
Interest Rate on the Bonds to be Refunded	5.04%
True Interest Rate on the Refunding Bonds (“All-In TIC”)	3.11%
Escrow Yield	0.94%
Total Debt Service Savings	\$ 44,487,925
Average Annual Savings (i.e. Years 2017/18 – 2037/38) (21-Years)	2,118,346
Present Value Debt Service Savings (@ All-In TIC)	30,850,038
Present Value Savings as a Percentage of the Principal Amount/Accreted Value of the Bonds to be Refunded	17.82%
Reduction in Maturity Amount of Capital Appreciation Bonds Within Debt Portfolio	\$120,415,000

As shown below, the Refunding Program is anticipated to provide savings over the same repayment period of the District's existing bonds to be refunded at a lower interest rate.

Refunding Program – Estimated Annual Savings					
A	B	C	D	E	F
Fiscal Year	Existing Bond Payments	Less: Bond Payments – Bonds to be Refunded	Plus: Bond Payments – Refunding Bonds	Bond Payments – After Refunding Program	Savings^(A) (Col. B – E)
2015/16	\$62,172,800	\$1,741,581	\$1,741,581	\$62,172,800	\$ ---
2016/17	63,530,667	5,833,163	5,830,500	63,528,004	2,663
2017/18	63,533,334	7,722,413	5,830,500	61,641,421	1,891,913
2018/19	64,221,128	7,712,413	5,830,500	62,339,216	1,881,913
2019/20	64,220,148	12,642,413	10,420,500	61,998,236	2,221,913
2020/21	64,217,756	8,743,588	6,520,500	61,994,668	2,223,088
2021/22	64,217,325	19,563,763	17,345,500	61,999,062	2,218,263
2022/23	64,218,510	19,563,763	17,345,500	62,000,247	2,218,263
2023/24	64,219,261	19,563,763	17,345,500	62,000,998	2,218,263
2024/25	64,218,290	19,563,763	17,345,500	62,000,028	2,218,263
2025/26	64,218,167	19,748,763	17,525,500	61,994,905	2,223,263
2026/27	64,219,742	19,716,725	17,493,250	61,996,267	2,223,475
2027/28	64,220,550	18,193,975	15,972,750	61,999,325	2,221,225
2028/29	64,217,606	16,298,725	14,077,000	61,995,881	2,221,725
2029/30	64,216,891	19,633,725	17,412,000	61,995,166	2,221,725
2030/31	64,221,066	20,023,725	17,804,500	62,001,841	2,219,225
2031/32	64,219,093	3,266,550	1,792,000	62,744,543	1,474,550
2032/33	64,221,133	3,274,700	1,792,000	62,738,433	1,482,700
2033/34	57,394,560	9,930,600	7,712,000	55,175,960	2,218,600
2034/35	57,390,691	9,983,150	7,761,000	55,168,541	2,222,150
2035/36	45,644,850	10,905,250	8,682,750	43,422,350	2,222,500
2036/37	45,642,750	10,909,250	8,687,750	43,421,250	2,221,500
2037/38	45,642,700	10,909,500	8,688,750	43,421,950	2,220,750
2038/39	36,835,000	---	---	36,835,000	---
2039/40	36,833,100	---	---	36,833,100	---
2040/41	36,550,750	---	---	36,550,750	---
2041/42	30,731,750	---	---	30,731,750	---
2042/43	30,977,850	---	---	30,977,850	---
2043/44	30,979,750	---	---	30,979,750	---
2044/45	13,350,750	---	---	13,350,750	---
Totals	\$1,620,497,966	\$295,445,256	\$250,957,331	\$1,576,010,041	\$44,487,925

^(A) At this time, the District receives approximately \$1,150,000 for each 1-cent of I&S tax effort.

■ **Bonds to be Refunded**

The following table summarizes the District’s outstanding bonds to be refunded at a lower interest rate.

Summary of the Bonds to be Refunded					
Issue Outstanding	Principal Amount To Be Refunded	Maturities To Be Refunded	Interest Rate	Redemption Date	Redemption Price
Unlimited Tax Refunding Bonds, Series 2006	\$48,329,192	08/15/2018 – 2031	5.11%	08/15/2016	100.0%
Unlimited Tax School Building Bonds, Series 2007	8,405,000	08/15/2031 – 2035	4.50%	08/15/2017	100.0%
Unlimited Tax School Building Bonds, Series 2008	40,710,000	08/15/2034 – 2038	5.00%	08/15/2017	100.0%
Unlimited Tax Refunding Bonds, Series 2009	21,305,000	08/15/2017, 2020 – 2021, 2026 – 2028	5.06%	08/15/2019	100.0%
Totals	\$118,749,192	---	5.04%	---	---

Use of a “Parameters Bond Order” for Approval of Refunding Bond Sale

As previously utilized for the sale of the District’s prior refunding programs, the District’s Board of Trustees may adopt a “Parameters Bond Order” to complete the sale of the Refunding Bonds. The following is a representative listing of parameters we recommend the District utilize for its refunding program.

- 1.) The District achieves savings of at least \$25,000,000;
- 2.) The maximum principal amount of Refunding Bonds that may be issued is \$118,749,192;
- 3.) The maximum interest rate (All-In TIC) on the Refunding Bonds is 4.00%;
- 4.) The final maturity of the Refunding Bonds may not exceed August 15, 2038 – The same final maturity as the existing Bonds to be Refunded; and
- 5.) The Refunding Program must be completed prior to August 21, 2016.

Unless each parameter listed above is achieved, the Refunding Bonds would not be issued unless additional direction is received from the District’s Board of Trustees.

Preliminary Timetable

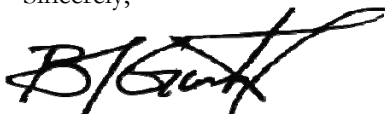
The preliminary timetable for the sale of the Refunding Bonds is listed below.

Preliminary Timetable – Refunding Bonds	
Date	Action Necessary
February 23, 2016	Board Meeting – Discuss Refunding Program and Consider “Parameters Bond Order” authorizing issuance of Refunding Bonds.
April 1, 2016	Completion of all actions necessary to complete the Refunding Program.
TBD	Pricing – Sale of the Refunding Bonds within the specified parameters – Savings locked-in at this time.
1-Business Day After Pricing	The District’s Administration approves sale of Refunding Bonds.
On or Prior to August 21, 2016	Closing – The Refunding Program is completed and the District begins paying the lower interest rate on the Refunding Bonds.

Closing

We hope this information is helpful as you manage the District’s financial and debt position. Should any questions arise, additional material is preferred or we may be of any assistance, please let us know. We look forward to visiting with you soon and hope all is well!

Sincerely,



William J. Gumbert
Managing Director



Joshua M. McLaughlin
Managing Director