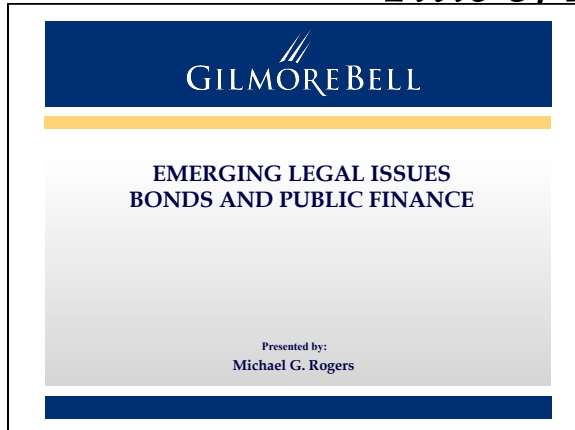
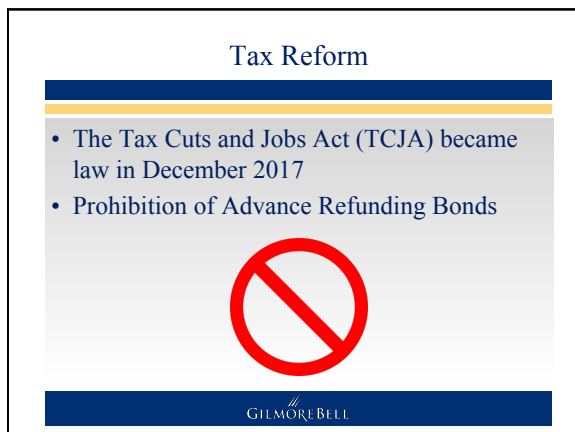


# Title of Presentation



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## No More Advance Refundings

- Advance Refunding Bonds issued to refinance outstanding bond issue more than 90 days prior to the redemption or retirement of the refunded bond issue.
  - Utilized to take advantage of low interest rates before outstanding bonds were callable
  - Viewed by congress as doubling the benefit to governmental issuers

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## Tax Reform: Alternatives to Advance Refundings

- Shorter Optional Call Provisions
- Forward Delivery Bond Purchase Agreement



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## Direct Purchase Bonds

- School District General Obligation Bonds usually sold to the public through an underwriter
- Direct Purchase Alternatives:
  - District could sell bonds directly to a bank
  - Enter into a Lease-Purchase Agreement with a bank




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Direct Purchase Bonds

- Direct Purchases Rare for School Districts
  - Simple Credit = Simple Marketing and Good Rates for Publicly Offered Bonds
- Benefits of Direct Purchases:
  - No offering document
  - No continuing disclosure




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Public Private Partnerships


- What is a P3 Transaction?
- One Possibility:
  - Developer borrows and builds a building
  - District Leases building



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American Infrastructure Bonds

- A proposal to establish American Infrastructure Bonds
- Taxable bonds with a direct payment credit subsidy of 28% of interest expense



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## American Infrastructure Bonds, Cont'd

- Similar to Build America Bonds and Qualified School Construction Bonds
- BUT:
  - NOT subject to sequestration
  - No limit on type of governmental capital construction project
  - No state allocations or applications to a centralized bureaucracy



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## Municipal Advisor Rules

- Promulgated by SEC under Dodd-Frank Act
- Effective date of July 1, 2014
- Governs activities of “municipal advisors” (NOT School Districts)
- Impacts the activities of market participants and imposes certain restrictions

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## Municipal Advisor Rules, Cont'd:

### Impact on Governmental Entities

#### SEC Inquiries and Actions

- Time, effort, expense in responding
- Interviews, document requests
- Political / PR Risk – MA Rules are designed to prohibit conflicts of interest



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## Municipal Advisor Rules, Cont'd

A "municipal advisor" is a person that:

(i) provides

- (a) advice;
- (b) to or on behalf of a municipal entity;
- (c) with respect to:
  - (1) municipal financial products; or
  - (2) the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters;

OR

(ii) undertakes a solicitation of a municipal entity.

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## Municipal Advisor Rules, Cont'd

Exemptions permit communications that would otherwise constitute "advice" without causing someone to be deemed a "municipal advisor":

- Underwriter Exemption
- RFP/RFQ Exemption
- Independent Municipal Advisor Exemption
- Public Officials and Employees Exemption
- Registered Investment Adviser Exemption
- Bank Exemption
- Professional Exemptions (Accountants, Attorneys, Engineers, etc.)



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## Municipal Advisor Rules, Cont'd:

Activities within the scope of an underwriting

- Advice regarding structure, timing, and terms
- Preparation of ratings and investor presentations
- Advice regarding order periods and marketing
- Assistance in preparation of POS and OS, negotiation of documents, certificates and opinions
- Structuring of refunding escrow cash flow requirements necessary for a defeasance
- Advice to make catch-up continuing disclosure filings in connection with a new bond issue and POS

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## Municipal Advisor Rules, Cont'd:

Activities outside the scope of an underwriting

### Advice on:

- investment strategies
- the method of sale of municipal securities, assistance with competitive sales, and advice regarding selection of finance professionals
- approval or authorization of issuance of municipal securities or a bond election
- financial controls
- terms of RFPs or RFQs
- ongoing continuing disclosure (materiality judgments)



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## Municipal Advisor Rules, Cont'd:

### Attorney Exemption

Attorneys are exempt from the definition of municipal advisor to the extent the attorney is offering legal advice or providing services of a traditional legal nature.

An attorney representing himself or herself as a financial advisor or financial expert will not be exempt under the attorney exemption.



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## The Post-Issuance Compliance Requirements



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# Title of Presentation


Focus on Compliance

Issuing tax-exempt debt provides economic advantage to Issuers.

In exchange, limitations are imposed by the federal government at the time the bonds are sold AND as long as the bonds are outstanding.

***"Post-Issuance Compliance"***


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The Post-Issuance Compliance Requirements, Cont'd



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Accounting For Expenditures

- Identify the Project
- Identify Total Project Costs
- Identify Bond Proceeds and Earnings
- Complete a Final Written Allocation



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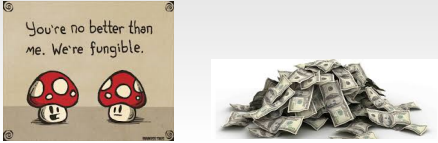
# Title of Presentation

Accounting For Expenditures, Cont'd

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Spending Bond Proceeds  
vs  
Accounting for Project Expenditures

You're no better than me. We're fungible.



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Accounting For Expenditures, Cont'd

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How do we ensure Bond proceeds only go to eligible Project costs?



"Final Written Allocation"


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Accounting For Expenditures, Cont'd

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Final Written Allocation

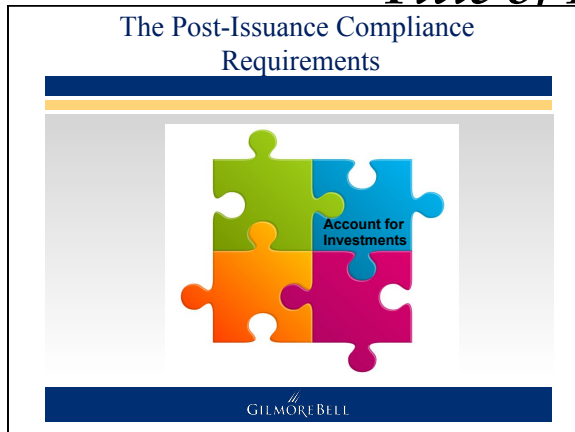
- Needed for New Money Financings
- Prepared After the Project is Complete
- Uses Issuer's Accounting Records
- Includes Expenditures for Bond Proceeds & Other Money
- Tells the IRS How ALL the Money was Used (Bond Proceeds and Other Equity)



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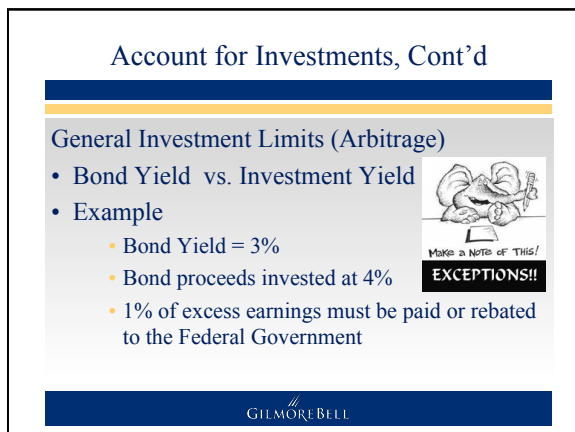
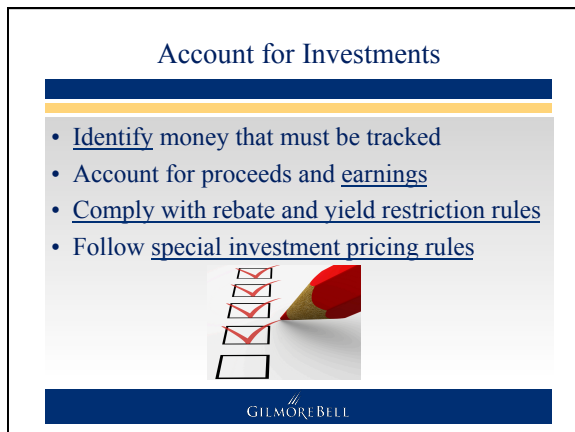


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# Title of Presentation

Account for Investments, Cont'd

Is Arbitrage Compliance required for every bond issue?

**YES!**

- Exception to rebate may be available
- All Issuers must account for investments
  - Yield reduction calculation




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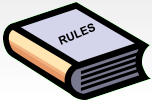
The Post-Issuance Compliance Requirements



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Account for Use

- Use an Annual Compliance Checklist
- Identify the rules and restrictions that apply to bond financed Projects
- Identify your role in tracking use of financed Projects




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Account for Use, Cont'd

Permitted "Good Use" of financed Projects includes use by:

- The City
- The State
- Other local government entity
- General public
- \*501(c)(3) entity - 501(c)(3) Bonds only\*



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Account for Use, Cont'd

Nonqualified Use ("Bad Use") may result from any arrangement with:

- Taxable entity
- Person engaged in trade or business
- 501(c)(3) entity
- Federal Government

*What is a "bad use" arrangement...*



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Account for Use, Cont'd

Arrangements that may result in "Bad Use" include:


- Sale
- Leases
- Management/Operating Agreements
- Output Contracts
- Research Contracts
- Granting other special legal rights to Financed Projects (e.g. naming rights)
- \*Unrelated Trade or Business Use - 501(c)(3)\*



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The Post-Issuance Compliance Requirements



Account to Investors

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Account to Investors, Cont'd


- Bonds are securities!
- Federal regulation of securities offerings
- Two primary statutes from 1933 and 1934 – the *securities laws*
- SEC's concerns
  - Investor protection
  - Market efficiency



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Rule 15c2-12

- Applies to underwriters (not issuers)
- Mandates a baseline of disclosure for municipal securities –
  - official statements
  - annual reports
  - event notices
- There are exemptions for certain offerings and financings



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## Continuing Disclosure Undertakings

- Underwriter must obtain an undertaking from an “obligated person”
- Contractual obligation of obligated person
- Components
  - Annual Report (Audit + Operating Data)
  - Event Notices (14 Events)
- In new official statements, disclosure about noncompliance during 5-year historical period



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## SEC's Focus

COMPLIANCE



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## Continuing Disclosure Compliance

Prepare annual report(s)

- Obstacles
  - Information not yet available
  - Audit delays
  - Information provided by third party sources (County Assessor)

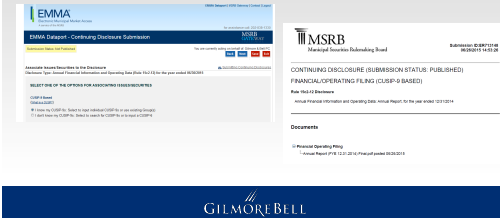


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## Continuing Disclosure Compliance, Cont'd

File the annual report; document compliance by keeping records



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## Event Notices

### The Frequent Three\*

- **Bond calls (if material)** and tender offers
  - **Defeasances**
  - **Rating changes**
  - \*In a timely manner, notice of a failure to file Annual Report
- IMPORTANT NOTICE**

## IMPORTANT NOTICE



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## Event Notices

### The Other Eleven

1. Payment Delinquencies
2. Non-payment related defaults (if material)
3. Unscheduled draws on reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution or failure of credit or liquidity providers
6. Material events affecting tax status (including adverse tax opinions and IRS determinations of taxability)
7. Modifications of bondholder rights (if material)
8. Release, substitution or sale of security (if material)
9. Bankruptcy or similar events
10. Merger, consolidation, acquisition or sale of substantially all of the assets of an obligated person (if material)
11. Appointment of successor or additional trustee (if material)



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# Title of Presentation

Questions?

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