

Administering and Maintaining a Post-issuance Tax Exempt Bond Compliance Policy

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Presenters

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Agenda

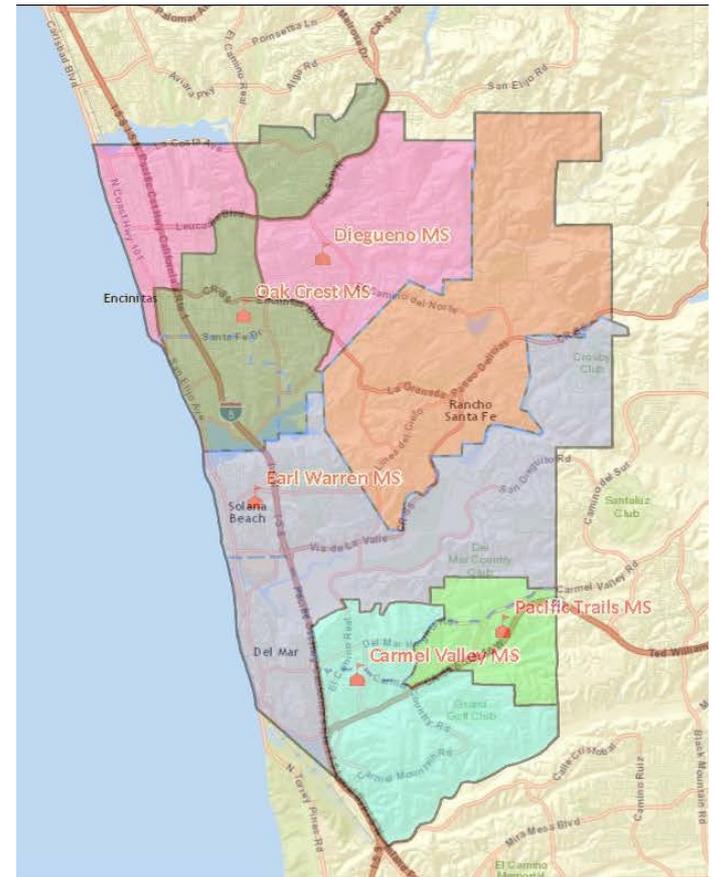
Pathway to Success

- Overview of District
- Key Components
- Initial Steps, Policy, and Team(s)
- Considerations for Administration and Maintenance
- Concluding Thoughts

Overview

About San Dieguito Union High School District

- Coastal North San Diego County
- High School District
 - Grades 7 – 12
 - 12,600 students
- Eleven schools
 - 4 High Schools
 - 5 Middle Schools
 - Alternative & Continuation High Schools
 - Adult Education



Overview

Debt Profile

- Two Issues: Authority \$102,145,000
- Two Issues: District \$277,040,000
- More on the way

Overview

Practices and solutions of SDUHSD

WARNING



Not a one stop shop solution

Overview

- Why we have a policy?
- What does it do for us?
 - Creates and promotes awareness throughout organization
 - Assign responsibilities to the best folks
 - Helps to identify issues and problems early and to reduce risks
 - The best part...creates stability/continuity...even as staff changes
- What does it keep us from doing?
 - Loss of tax-exempt status
 - Inability to access future tax-exempt bond markets
 - Credit rating downgrades
 - Significant liability to the IRS or bondholders
 - All equal = damage to reputation

Key Components



Key Components

San Dieguito's Way



Information Bank

**Debt
Issuance**

**Disclosures &
Filings**

Investing Proceeds

Private Use

Proceeds Tracking

Initial Steps, Policy and Team(s)



Research

Policy Considerations

Objectives

Create Team

Initial Steps, Policy and Team(s)



Who are you?

Initial Steps, Policy and Team(s)

Questions to reflect on:

- Simple and broad vs. Detailed and technical
- Decentralized structure vs. Centralized structure
- Type of Debt
- Organizational policy structure
 - Internal guidelines to Board approved policy

Initial Steps, Policy and Team(s)

Who we are.

- Drafting Policy and effect on Admin/Maintenance
 - Obviously address key components and make IRS and SEC friendly
 - Give ample time for research and learning
 - Make board approved policy simple enough for non-technical readers, but detailed enough to handle questions from public
 - Vet the policy among all your team even those that may not be on it anymore...

Initial Steps, Policy and Team(s)

Create list of potential reviewers
and (potential teammates)



Considerations for Administration and Maintenance



Considerations for Administration and Maintenance

Key Components



Information Bank

**Debt
Issuance**

**Disclosures &
Filings**

Investing Proceeds

Private Use

Proceeds Tracking

Considerations for Administration and Maintenance



POINT PERSON

FINANCE

Debt Issuance/Investing
Proceeds/Proceeds Tracking,
Disclosure

WAREHOUSE

Research/Retention

FACILITIES DEPT.

Proceeds Tracking/Monitor
Private Use

FACILITIES & PLANNING

Debt Issuance/Investing
Proceeds/Proceeds
Tracking/Disclosure and
Filings/Investor
Relations/Research/Retention

BUSINESS DEPT.

Oversight of Policy/Debt
Issuance (Contracts)/Monitor
Private Use/Investor
Relations

Considerations for Administration and Maintenance

Summary Sheet for “Set of Currently Effective Continuing Disclosure Agreements”

April 2015 – Active Issues

1. **San Dieguito Public Facilities Authority** – Revenue Refunding Bonds, Series 2006 A, B and C, \$89,130,000, Final Year 2041, Annual Report Due every January 31. Use Authority checklist.
2. San Dieguito Public Facilities Authority – **Lease Revenue Bonds, Series 2010 (Qualified School Construction Bonds – Direct Subsidy)**, \$13,015,000, Final Year 2027, Annual Report Due every March 31. Use District checklist.
3. San Dieguito Union High School District – 2013 General Obligation Bonds, **Series A-1 (Taxable) \$2,320,000, Series A-2 (Tax-Exempt) \$157,680,000**, Final Year 2038, Annual Report Due every March 31. Use District checklist.
4. San Dieguito Union High School District – 2015 General Obligation Bonds, Series B-1 (Taxable) \$7,010,000, Series B-2 (Tax-Exempt) \$110,030,000, **Final Year 2040, Annual Report Due every March 31. Use District checklist.**

Considerations for Administration and Maintenance

CONTINUING DISCLOSURE ANNUAL REVIEW CHECKLIST

1. Date: _____

2. Fiscal Year Ending: _____

3. Name of Compliance Officer or assigned:

4. Obligations for which there are Currently Effective Continuing Disclosure Agreements:

\$ _____, _____, dated
_____, 20____

Considerations for Administration and Maintenance

5. Have any new Obligations subject to continuing disclosure been issued this year?

_____ No

_____ Yes (Add Agreement to Set of Currently Effective Continuing Disclosure Agreements)

If Yes, did the Compliance Officer review the Official Statement's Description of the Issuer's Continuing Disclosure Compliance History within the Prior 5 Years? Circle: Y/ N (If N, review and discuss any issues with bond counsel.)

Considerations for Administration and Maintenance

6. Have any Obligations subject to Continuing Disclosure Been Completely Paid or Redeemed this Year?

_____ No

_____ Yes (Remove Agreement from Set of Currently Effective Continuing Disclosure Agreements)

7. Has the Compliance Officer reviewed the Annual Continuing Disclosure Filing to ensure that all Necessary Financial Statements, Financial Information and Operating Data is Included?

_____ Yes

_____ No (Compliance Officer must review²⁴ the Annual Continuing Disclosure Filing)

Considerations for Administration and Maintenance

8. Have any of the Following Events Occurred this Year?

Event	Circle
1. Principal and interest payment delinquencies	Y / N
2. Unscheduled draws on debt service reserves reflecting financial difficulties	Y / N
3. Unscheduled draws on credit enhancements reflecting financial difficulties	Y / N
4. Substitution of credit or liquidity providers, or their failure to perform	Y / N

9. Ratings Changes Y / N

Considerations for Administration and Maintenance

9. If any such Event Occurred, was Proper Notice Provided?

_____ Yes

_____ No (Call your dissemination agent or bond counsel immediately to discuss)

_____ N/A

10. Was a Dissemination Agent used?

_____ Yes: Name/Contact: _____

_____ No

Considerations for Administration and Maintenance

Authority Checklist for Annual Report Requirements – SDPFA – 2006 Bonds, Series A, B, and C

For Annual Continuing Disclosure Information Statement

1. Update Narrative
2. Bond Information
 1. Principal Outstanding (for each series)
 2. Fund Information (those held by the trustee)
3. Financial Information – Provide school district audited financial statements.
 1. Note Rule 15C2-12
 1. Financial statements filed separately with EMMA and by reference in report.
 2. Note investors should not rely on financial condition of school district in evaluating whether to buy, hold or sell the bonds.

Considerations for Administration and Maintenance

4. Operating Information

1. Assessed Value/Special Tax by each Community Facilities District
2. Delinquency by each Community Facilities District (only years for which a delinquency is reported)
3. Delinquency Property Owners (only for Community Facilities Districts with delinquencies values higher than 5% of the tax roll, or for individual property owners responsible for more than \$5,000 of any one Community Facilities District's delinquencies)

5. Land Ownership Summary

1. Note any property owners responsible for more than 5% of annual special tax levy.
2. Include # of parcels, total assessed value, bonded debt, annual special tax, % of tax roll, and value to lien

Considerations for Administration and Maintenance

For ongoing compliance reporting to Trustee

1. Each August – prepare covenant requirement for Community Facilities District 94-2 related to expenditures as related to Section 6.2(B) of the Indenture of Trust.
2. On request by trustee – prepare Status of Completion/Completion Certificate as related to Section 3.2(d) of the Indenture of Trust.

Considerations for Administration and Maintenance

Support required for “post compliance policy”



Concluding Thoughts

- Identify point person to coordinate efforts aka cheerleader and or the guy with the messiest office
- Drafting the policy
 - Reinforce the time needed for research and learning – not just the policy, but what comes after...
 - Look for the best person(s) in each category to complete the puzzle
- Vet draft and procedures necessary to maintain all aspects
 - More eyes the better
 - Can help point the way to finding that best person(s) to complete the group

Concluding Thoughts

- Team - Creation/Formulation/Maintenance of Team
 - Don't be afraid to go outside your internal group
 - Online resources, peers, subject experts to provide information and training
- Implementation of policy/guidelines
 - Create an information bank
 - Start post compliance at issuance
 - Education and training/organization
- Stay current
- Update guidelines/policy when issuing new debt or other events