POST-ISSUANCE FILING AND REPORTING AND MANAGING DEBT POLICIES

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Brooke Abola, Deputy City Attorney, City and County of San Francisco

Ongoing Debt Administration
September 6, 2017
Overview

- Best practices in post-issuance reporting and compliance
- SB 1029 Reporting Requirements
THE CLOSING...

IS JUST THE BEGINNING...
Post-Issuance Reporting and Relationships

Credit Rating Agencies
S&P • Moody’s • Fitch • (Kroll)

Contract Parties
Trustee • Bond Insurer
Dealer • Underwriter
Swap Counterparty

Regulators
IRS • SEC • MSRB

Investors

CDIAC
Credit Rating Agencies

- SFO Credit Policy
- Best practices
  - Regular communications
  - Major developments
  - Transactions: New issues, remarketings
  - Unrated loans/private placements
  - Formal notice required by documents
Regulators and CDIAC Reporting

- Regulators
  - IRS and SEC
  - MSRB
    - Regulates Underwriters, Municipal Advisors
    - What do I do with the disclosure letters?
      - MSRB Rules G-17, G-42

- CDIAC Reporting
  - Report of Proposed Issuance
  - Report of Final Sale
  - New Annual Debt Transparency Report
Debt Policy Administration

- Elements of a strong debt policy
  - Make it do-able
  - Reflect current practice and known obligations (e.g. disclosure, tax) wherever possible
  - Board can always waive a policy requirement, but staff has to track when a waiver is needed

- Implementation
  - Assign responsibility
  - Calendar

- Review and update – scheduled as needed
Some Practical Considerations

- Tickler file for regular reporting obligations
- Searchable database of trigger events
  - Rating changes
  - New debt or swap
  - Document amendments
  - Bankruptcy
  - Legislation
  - Major judgment
  - Late payment/nonpayment

- Backup planning
Overview of SB 1029

- Debt policy certification (Government Code section 8855(i), effective January 1, 2017)
  - Certification via Report of Proposed Debt Issuance
- Applies only to “local debt”
Five Required Elements of a Debt Policy

- The five required elements of a debt policy address:
  - Purposes for which the debt proceeds may be used
  - Types of debt that may be issued
  - Relationship of the debt to (and integration with) the issuer’s capital improvement program or budget, if applicable
  - Policy goals related to the issuer’s planning goals and objectives
  - Internal control procedures that the issuer has implemented (or will implement) to ensure the proceeds of the proposed debt issuance will be directed to the intended purpose
Other Considerations for Debt Policies

- “Adoption” of Debt Policy
- Conduit transactions
- SFO’s experience
Annual Debt Transparency Report

- Per Government Code section 8855(k)
- Effective January 1, 2017
- First reports due January 31, 2018
Annual Debt Transparency Report Timeline

Partial FY 2017 (1/1/17 to 6/30/17)
- First report due on or before 1/31/18
- Debt authorized or issued during reporting period – outstanding, and with proceeds remaining
- No report required for debt if final sale reported to CDIAC prior to 1/21/17

FY 2018 (7/1/17 to 6/30/18)
- Report due on or before 1/31/19
- Debt authorized, but unissued
- Debt issued during current and prior reporting periods that remains outstanding and has proceeds remaining
Welcome Robert Berry, Deputy Executive Director, CDIAC
Debt Transparency Report

ANNUAL DEBT TRANSPARENCY REPORT
California Debt and Investment Advisory Commission

CDIAC NUMBER:

I. GENERAL INFORMATION
   A. Issuer
   B. Project Name
   C. Issue Name
   D. Date of Debt Issue
   E. Original Principal Amount of Issue
   F. Net Original Issue Premium (Discount)
   G. Proceeds Used to Acquire Local Obligations
   H. Total Reportable Proceeds

II. AUTHORITY
   A. Fiscal Year Ending
   B. Debt Authorized at the Beginning of the Reporting Period
   C. Debt Authorized During the Reporting Period
   D. Total Debt Authorized
   E. Debt Issued During the Reporting Period
   F. Debt Authorized but Unissued During the Reporting Period
   G. Debt Authority That Has Lapsed During the Reporting Period
   H. Total Authorization Remaining at the End of the Reporting Period

June 30, YYYY (POPULATED BY SUBMITTER)
$ XX,XXX,XXX,XXX,XXX,XXX
$ XX,XXX,XXX,XXX,XXX
$ XX,XXX,XXX,XXX,XXX
$ XX,XXX,XXX,XXX,XXX
Calculated Field (B+C) - $ XX,XXX,XXX,XXX,XXX
Calculated Field (D-E) - $ XX,XXX,XXX,XXX,XXX
$ XX,XXX,XXX,XXX,XXX
Calculated Field (F-G) - $ XX,XXX,XXX,XXX,XXX
Debt Transparency Report

III. PRINCIPAL OUTSTANDING

A. Principal Balance at the Beginning of the Reporting Period  $XX,XXX,XXX,XXX.XX
B. Accreted Interest during Reporting Period  $XX,XXX,XXX,XXX.XX
C. Total Principal and Accreted Interest  Calculated Field Sum A+B
D. Principal redeemed during Reporting Period  $XX,XXX,XXX,XXX.XX
E. Principal Paid During the Reporting Period  $XX,XXX,XXX,XXX.XX
F. Principal Outstanding at the End of the Reporting Period  Calculated Field (C-sum(D+E))

IV. REFUNDING ISSUES

This issue was refunded/refinanced by:

<table>
<thead>
<tr>
<th>CDIAC NUMBER</th>
<th>REFUNDING/REFINANCING AMOUNT</th>
<th>REDEMPTION/PAYMENT DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 NNNN-NNNN</td>
<td>$XXX,XXX,XXX,XXX.XX (Currency)</td>
<td>MM/DD/YYYY</td>
</tr>
<tr>
<td>2 NNNN-NNNN</td>
<td>$XXX,XXX,XXX,XXX.XX (Currency)</td>
<td>MM/DD/YYYY</td>
</tr>
<tr>
<td>TOTAL REFUNDED</td>
<td>$XXX,XXX,XXX,XXX.XX (Currency)</td>
<td></td>
</tr>
</tbody>
</table>

Date cannot be > FY End Date

V. USE OF PROCEEDS

A. Reportable Proceeds – No Submitter entry in this section – All fields auto-populated

<table>
<thead>
<tr>
<th>Report Period End (1)</th>
<th>Begin (2)</th>
<th>Spent (3)</th>
<th>Remain (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2017</td>
<td>Auto Populate (Initial report equals Section I (h))</td>
<td>Equals total Section V(B)(3)</td>
<td>Equals total Section V(B)(5)</td>
</tr>
<tr>
<td>6/30/2018</td>
<td>Equals Section V(A)(4) (prior year)</td>
<td>Equals total Section V(B)(3) rptg year</td>
<td>Equals total Section V(B)(5) rptg year</td>
</tr>
<tr>
<td>6/30/2019</td>
<td>Equals Section V(A)(4) (prior year)</td>
<td>Equals total Section V(B)(3) rptg year</td>
<td>Equals total Section V(B)(5) rptg year</td>
</tr>
</tbody>
</table>
B. (List each Purpose of expenditure by Fund Category in Section 5(C). Expenditures will be aggregated by Fund Category in this section)

Expenditure of Proceeds - Fund Level – Submitter establishes Fund Category & Total Proceeds available in V(B)(1) & (2) – Section (3) & (4) Populated by entries in Section V(C) – subtotaled by fund category.

<table>
<thead>
<tr>
<th>Fund Category (1)</th>
<th>Total Reportable Proceeds Available (2)</th>
<th>Proceeds Spent Current Reporting Period (3)</th>
<th>Proceeds Spent Prior Reporting Periods (4)</th>
<th>Proceeds Unspent/Remaining (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Issuance</td>
<td>Currency – XX,XXX,XXX,XXX,XXX,XX</td>
<td>Currency – XX,XXX,XXX,XXX,XXX</td>
<td>Pre-populated from prior year ADTR - 0.00 1st Rpt</td>
<td>$ Calculated Field =2-sum(3+4)</td>
</tr>
<tr>
<td>Construction Fund</td>
<td></td>
<td></td>
<td></td>
<td>$ XX,XXX,XXX,XXX,XXX,XX</td>
</tr>
<tr>
<td>Reserve Fund</td>
<td></td>
<td></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td></td>
<td></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Refunding Escrow Account</td>
<td></td>
<td></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Accrued Interest Fund</td>
<td></td>
<td></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td></td>
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<td>$</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>TOTALS</td>
<td>Error message if does not equal Section I(H)</td>
<td>Equals Section V(C)(3)</td>
<td>Equals Section V(D)(4)</td>
<td>Equals Section V(A)(4)</td>
</tr>
</tbody>
</table>


## Debt Transparency Report

### C. Expenditure of Proceeds – Detail Level –

<table>
<thead>
<tr>
<th>Fund Category (1)</th>
<th>Purpose Detail (2)</th>
<th>In Report Period (3)</th>
<th>Prior Periods (4)</th>
<th>Total All Periods</th>
<th>Refunded CDIAC #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve Fund</td>
<td>Debt Service Payment</td>
<td>$XX,XXX,XXX,XXX</td>
<td>$XX,XXX,XXX,XXX</td>
<td>=SUM(3+4)</td>
<td></td>
</tr>
<tr>
<td>Construction Fund</td>
<td>Building Foundation</td>
<td>$XXXX,XXXX,XXX</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Fund</td>
<td>Architect Drawing</td>
<td>$XXXX,XXXX,XXX</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refunding Escrow Account</td>
<td>Bonds Redeemed</td>
<td>$XXX,XXX,XXX,XXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued Interest Fund</td>
<td>Accrued Interest</td>
<td></td>
<td>100,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Issuance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Next Reporting Period**

| Accrued Interest Fund | Accrued Interest Payment | 100,000,000 |

**TOTALS**

| Populates Section V(B)(3) |

- subtotals of each fund category

Submitters must be able to add as many purposes as needed. Entry in Section Fund Category this section creates entry in Fund Category Section 5(B)(3).
VI. ADTR REPORTABLE

A. Principal Issued has been fully:
   - Repaid □
   - Redeemed □
   - Matured □
   Date __________

B. Proceeds have been fully spent.
   - Yes □
   - No □
   Date __________

C. Reportable in next Fiscal Year
   - Yes □
   - No □

(Dates must be within the reporting fiscal year)

VII. NAME OF PARTY COMPLETING THIS FORM

Name ___________________________ Title ___________________________
Firm/Agency __________________________
Address ___________________________ City/State/Zip ___________________________
Phone No. __________________________
Date of Report __________________________
Email: ___________________________
VIII. ADDITIONAL COMMENTS:

__________________________________________________________

__________________________________________________________

__________________________________________________________

__________________________________________________________

Completion and submittal of this form to the California Debt and Investment Advisory Commission will assure your compliance with California State law. Section 8855(i) of the California Government Code requires that all agencies issuing debt for which a Report of Final Sale was submitted on or after January 21, 2017 to report specific information to the Commission by January 31st of each year until the debt is no longer outstanding or all proceeds have been spent.

No longer reportable when “Debt Outstanding”, Section III D equals $0.00 and “Proceeds Unspent”, Section V equals $0.00.