



On-Going Administration of Bonds and Other Debt

CASBO/CDIAC ABCs of School Debt Financing
Sacramento – January 17, 2008
Ontario – January 24, 2008



What To Get From This Session

- **Your role and responsibilities**
- **Professionals and others who can help**
- **When in doubt, ask**



What We'll Be Discussing

- **Continuing disclosure**
- **Tax law –**
 - **Private Use**
 - **Private Loan**
 - **Arbitrage and Rebate**
- **Project Management**
- **Tax Levies**
- **Accounting Issues**



Continuing Disclosure



Overview

- **Rule 15c2-12**
- **Duty to update**



Continuing Disclosure (cont'd)

Annual report

➤ **What to include**

➤ **Audit**

➤ **Other Specified Information**

➤ **When to file**

➤ **How / where to file**

➤ **Central Post Office**

➤ **www.disclosureusa.org**

➤ **NRMSIRS**

➤ **Nationally Recognized Municipal Securities Reporting**



Continuing Disclosure (cont'd)

Material events

- **Be aware of 11 events**
- **Consult with professionals**
- **Requires filing upon happening of event**



Continuing Disclosure (cont'd)

Compliance regime

- ◆ **Understand obligations**
- ◆ **Assign responsible officer**
- ◆ **Hire consultants**



Continuing Disclosure (cont'd)

Failure to comply

- ◆ **Disclosure requirement for 5 years**
- ◆ **Statements to the Market – Potential Fraud Liability**



Federal Tax Law Compliance

General Principles

◆ **No Private Use (5% exception)**

◆ **Sale**

◆ **Subleases**

◆ **Management Contracts**

◆ **No Private Loan**



Federal Tax Law Compliance (cont'd)

Arbitrage Rules

◆ **Construction Fund**

◆ **Yield Restriction after 3 years**

◆ **Debt Service Fund**

◆ **Annual Cleanout**

◆ **Invested Sinking Fund**



Accounting and Reporting Issues

-  **Understand arbitrage and rebate rules**
-  **Tax laws to know and adhere to**
-  **Track each project with unique accounting codes**
 - ◆ **Sub-fund: each debt issuance**
 - ◆ **Cost center: each construction project**
-  **Use a calendar based tracking system**



Avoiding Arbitrage Situations

-  **Know your arbitrage window**
 - **6, 18 or 24 months?**

-  **Issue only the amount you need for the next window**
 - **but allow for delays, increases, change orders, etc.**

-  **Work closely with your facilities manager, architect, contractors**

-  **Establish a project tracking system**
 - **Will be useful later if you need to litigate for errors & omissions, critical delays, etc.**



Example Planned Schedule

| 2001 | | | | | | | | | | | | 2002 | | | | | | | | | | | | 2003 | | | | | | | | | | | |
|------|---|---|---|---|---|---|---|---|---|---|---|------|---|---|---|---|---|---|---|---|---|---|---|------|---|---|---|---|---|---|--|--|--|--|--|
| J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N | D | | | | | |

Demo/Grading = \$500,000

6/25 6/30

Concrete Footings/S.O.G./Underground = \$1,500,000

7/7 10/28

Structural Steel = \$1,000,000

10/27 11/26

Plumbing = \$500,000

11/11 \$500,000

Framing = \$500,000

1/1 4/21

1/13 2/10

Insulation/Drywall = \$500,000

F.H.: 2/25 5/12

4/22 7/8 Electrical / HVAC = \$1,500,000

Roofing = \$400,000

4/22 6/2

Finishes = \$600,000

4/22 10/31

- Planned Dates
- Actual Dates
- Sporadic Work
- Critical path

Track plan vs. actuals

Anticipate magnitude of progress payments

Sequence: Concrete then Framing then Finishes

Total Needed thru 18 months = \$7 million (but don't box yourself in)



Federal Tax Law Compliance (cont'd)

➤ **Consequences of Failure to Comply**

➤ **IRS Audit**

➤ **Taxability of Bonds**

➤ **Penalties**



Tax Levies

Setting Annual Tax Rates

- ◆ **Submit to County Auditor by August 10**
- ◆ **General Obligations**
- ◆ **Mello-Roos Bonds**
- ◆ **Provide Instructions**
- ◆ **Track Earnings for Arbitrage Rebate Compliance**