

WORKING WITH THE GOVERNING BODY

Debt Essentials Program

Day 2: Planning a Bond Sale

Session 7

Theresa Trevino, Chief Financial Officer

Governing Body's Role

Must review Official Statement and exercise independent judgment in approving securities disclosure

- Ultimately responsible for accuracy of statements of fact about issuer in disclosures
- Familiarity with audited financial statements is encouraged

May rely on advice of professionals in determining what to disclose

- Reliance must be reasonable

Approves full, near final draft of the Official Statement prior to publication

- Must have adequate understanding of the proposed transaction

SEC Investigations of Boards

“A public official who approves the issuance of securities and related disclosure documents may not authorize disclosure that the public official knows to be materially false or misleading; nor may the public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading. When, for example, a public official has knowledge of facts bringing into question the issuer’s ability to repay the securities, it is reckless for that official to approve disclosure to investors without taking steps appropriate under the circumstances to prevent the dissemination of materially false or misleading information regarding those facts.”

Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors, Exchange Act Release No. 36761 (January 24, 1996).

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Preissuance Activities

Educate the Governing Body
on project and financing terms

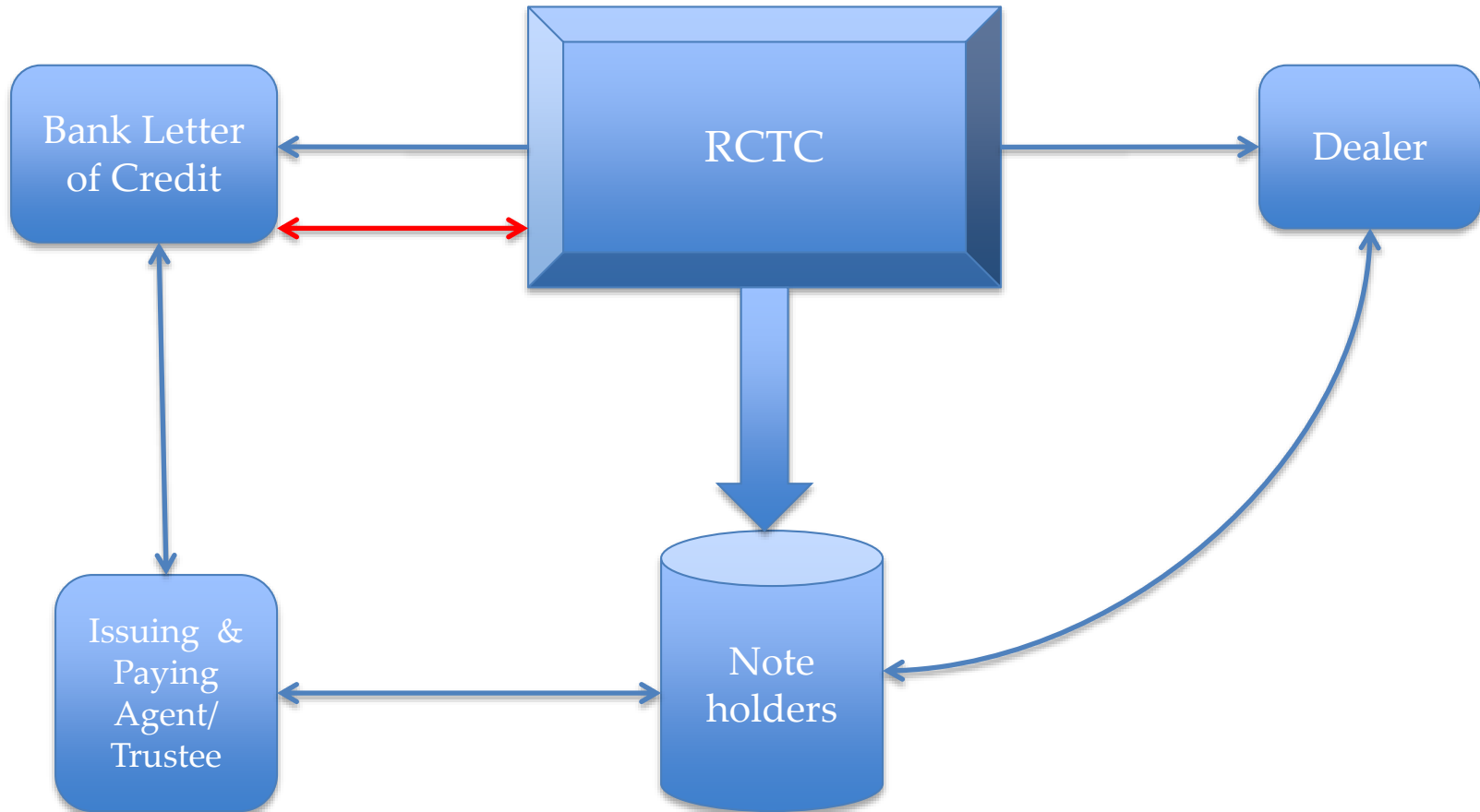


Explain complex topics

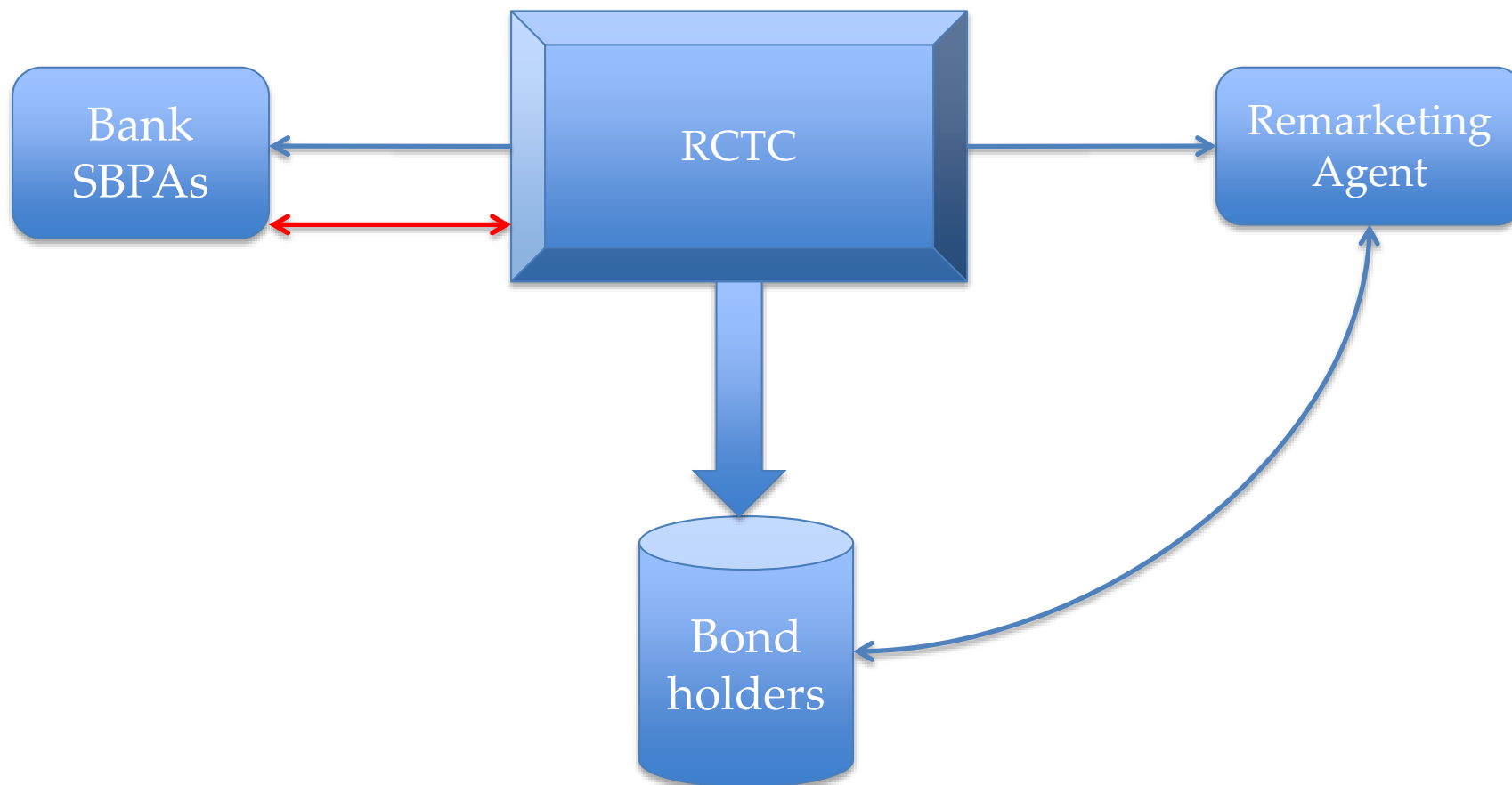


Present a preliminary Plan of
Finance

Example: Commercial Paper

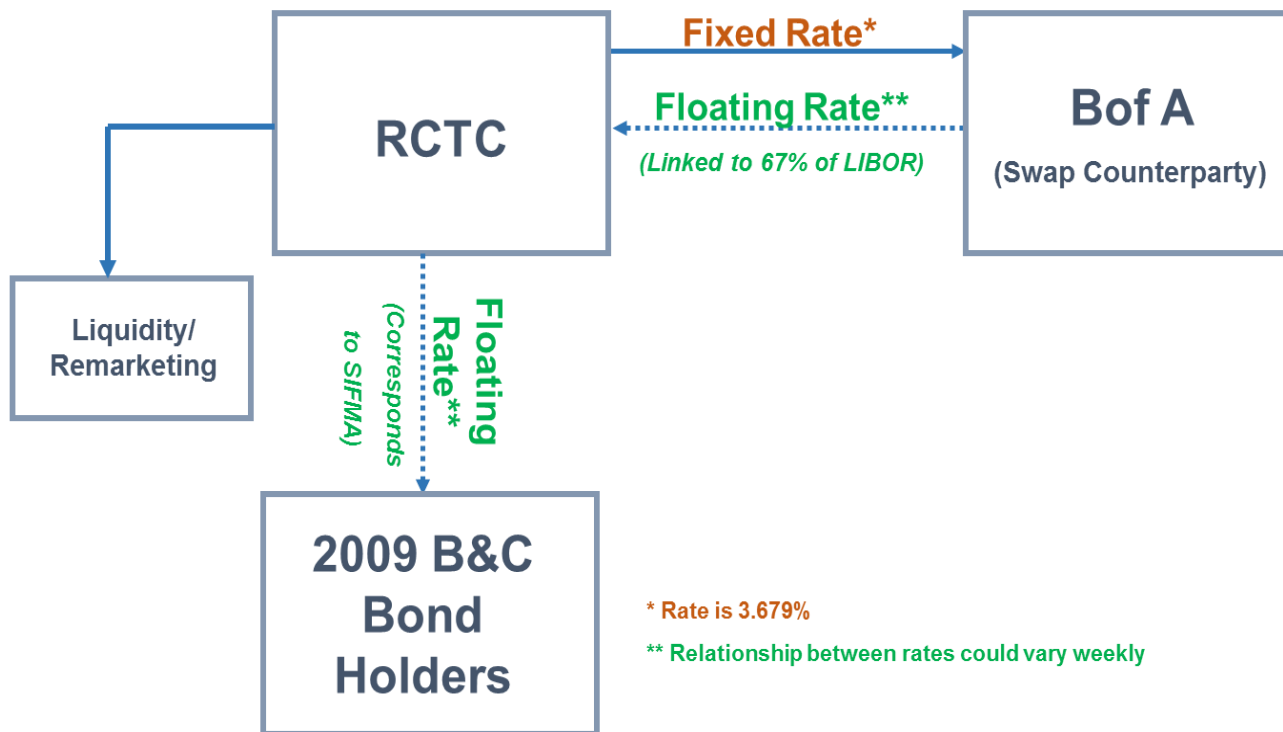


Example: Variable Rate Debt



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Example: Synthetic Fixed Rate Debt



Example: Plan of Finance

Sources¹:		
<i>Sales Tax Bonds (I-15 ELP & 91 Project)</i>		
Par Amount	\$	158,760,000
Premium		17,460,964
TIFIA Loan (I-15 ELP)		151,424,726
CMAQ/STBG Funds (I-15 ELP)		110,000,000
Total Sources	\$	437,645,690

Uses¹:		
<u><i>I-15 ELP</i></u>		
Bonds Proceeds Construction Fund Deposit	\$	98,511,433
TIFIA Construction Draws		151,424,726
CMAQ/STBG Reimbursements		110,000,000
Ramp-Up Fund Deposit		14,000,000
Repayment of RCTC Commercial Paper		30,000,000
Subtotal I-15 ELP		403,936,159
<u><i>91 Project</i></u>		
Bonds Proceeds Construction Fund Deposit		33,709,531
Total Uses	\$	437,645,690

¹ Amounts are subject to change

Issuance Activities

Explain Transaction

- Prior financings and debt limits
- Purpose of financing
- Key debt terms and security provisions

Review Updated Plan of Finance

- Include required state disclosures under SB450

Identify Financing Documents for Approval

- Highlight importance of official statement

Example: Debt Terms

Amount

- Projected Loan: \$151.4 million, capped at 33% of eligible costs

Lien

- Senior

Repayment Source

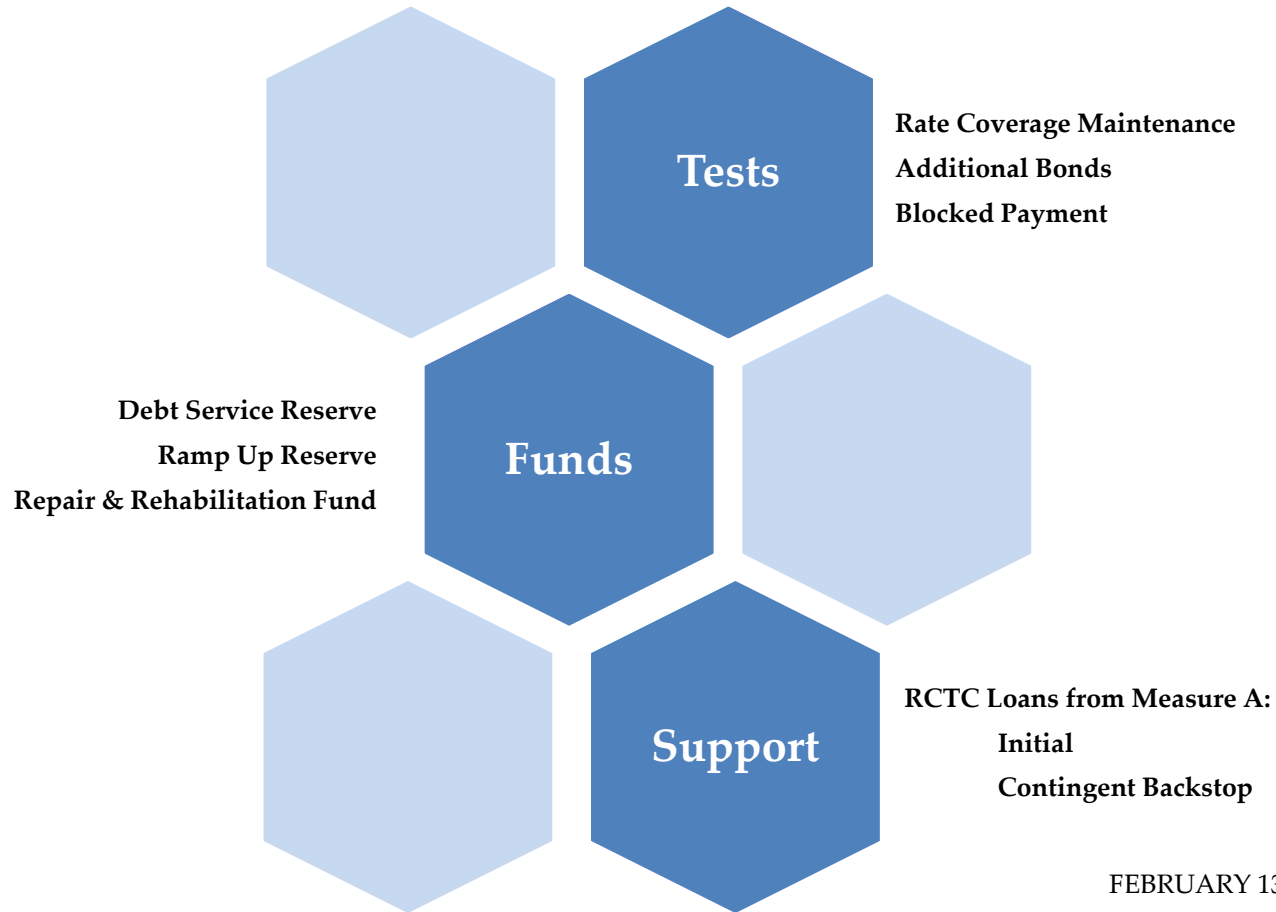
- Toll Revenues

Amortization

- 35 year term from start of operations

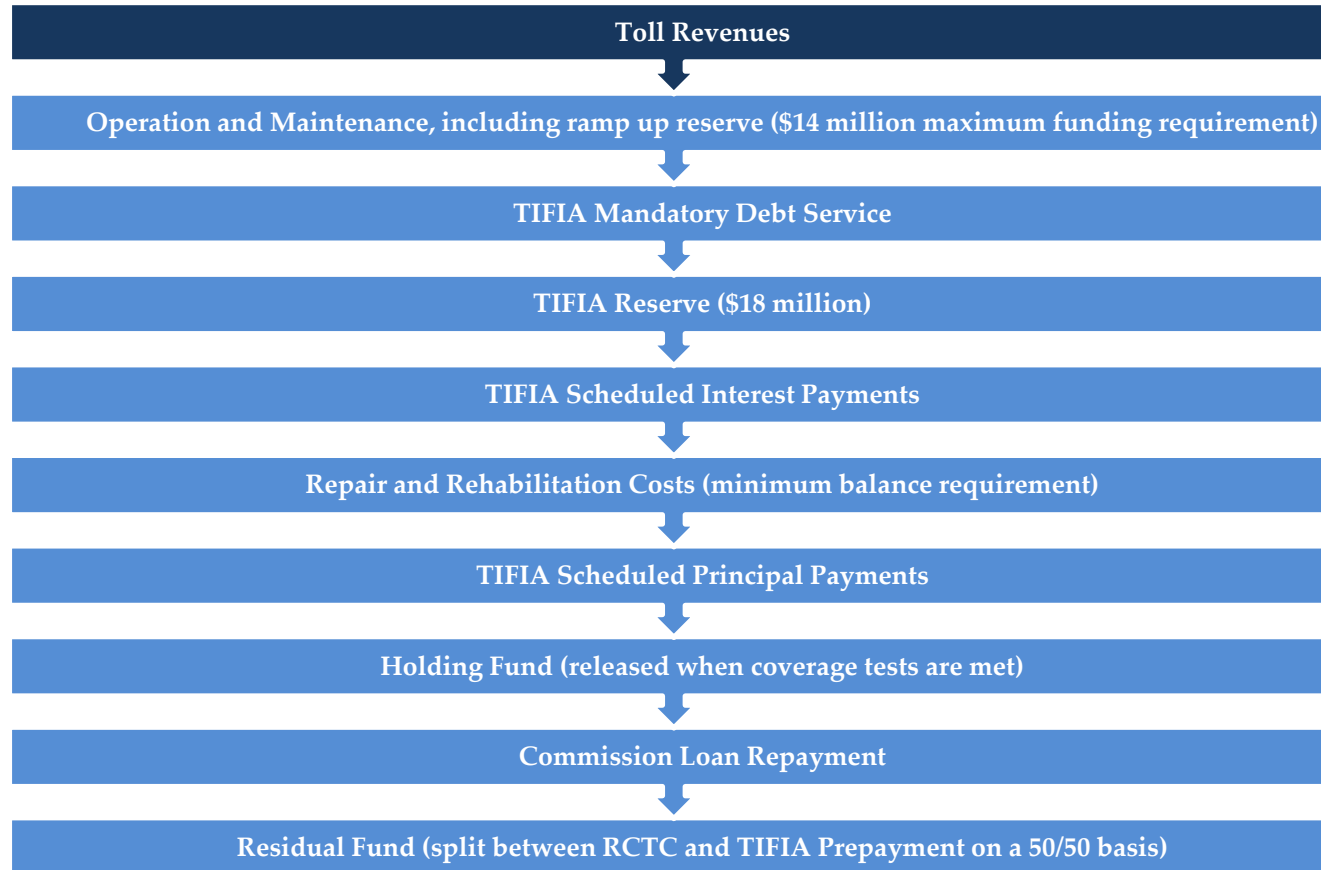
Toll authority extends for additional 15 years beyond TIFIA repayment

Example: Security Provisions



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Example: Flow of Funds



Example: Financing Documents

Resolution 17-006

Sales Tax Bonds

- **Official Statement**
- Continuing Disclosure Agreement
- 7th Supplemental Indenture
- Bond Purchase Agreement

TIFIA Loan

- Master Toll Indenture
- First Supplemental Indenture
- Loan Agreement

Example: Staff Report Emphasis

As part of the action to authorize the issuance of the 2018 Refunding Bonds, the Commission will approve the form of the preliminary Official Statement and authorize its distribution in connection with the sale of the refunding bonds, as well as the preparation of a final Official Statement once the bonds have been sold and priced. These offering documents are required under state and federal securities laws prohibiting the offer and sale of securities such as the 2018 Refunding Bonds, unless all matters that would be material to an investor in the bonds have been adequately disclosed and that there is no omission of material facts. Furthermore, under rules of the Securities and Exchange Commission, the underwriters cannot purchase the bonds unless they have received a substantially final offering document, which discloses all material information that they reasonably believe to be true and correct.

The Commissioners serving on the Board as the governing body of the issuer of the 2018 Refunding Bonds are expected to read and be familiar with the information described in the draft preliminary Official Statement included with this staff report. The Commissioners may employ the services of experts to take the lead in the drafting and review of the Official Statement and to provide financial projections included in the Official Statement; however, the Commissioners have the duty to review the information and bring to the attention of those responsible for the preparation of the offering document any material misstatements or omissions in the draft and to ask questions if they are unclear about the information or their role. Some members of the financing team will be available at the Commission meeting to respond to the identification of any misstatements or omissions or to such questions.

Example: State Disclosures

Required Information	Amount	Attachment 1 Page
True interest cost of the bonds	2.389%	2
Finance charge of the bonds (sum of all fees and charges paid to third parties)	\$519,359	1
Amount of proceeds received by Commission less the finance charge and any reserves or capitalized interest	\$74,929,026	1
Total payment amount (sum of all debt service payments through the final maturity plus any amount of the finance charge not paid from proceeds of the bonds)	\$86,003,228	9

Postissuance Activities

Public Information

- Ensure accuracy and completeness
- Statements by officials
- Information posted on website

Rating Agencies

- Invite governing body member(s) to presentations

Continuing Disclosure

- Review audited financial statements

Debt Management Policy

- Update periodically

Final Thoughts

*If you can't explain it simply, you don't understand it well enough.
--Albert Einstein*

Don't present a financing that you can't explain

- Use your family as guinea pigs
- Get senior management approval

Get input from financing team members

- Have them attend governing body meetings
- Use them as a resource

Prepare informative staff reports

- Tell the story in English
- Use simple graphics and tables

Educate your governing body

- Debt 101 sessions
- Workshops
- Preissuance (and prior)
- Rating agency trips

Other communications

- Budget process/adoption
- Newsletters
- Press releases

Other available resources

- Prior staff reports/presentations
- CDIAC
- GFOA
- CSMFO

QUESTIONS & DISCUSSION

Handouts:

101 Debt Presentation Example

Project Financing Staff Report Example

Refunding Staff Report Example



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