



Session 2

DEBT ISSUANCE BEST PRACTICES

Bay Area Toll Authority Best Practices

- Debt Policy
- Disclosure Policies and Procedures
- Post-Issuance Responsibilities
- Project Monitoring
- Reporting Tickler System
- Ongoing Administrative Responsibilities
- BATA Debt Outstanding

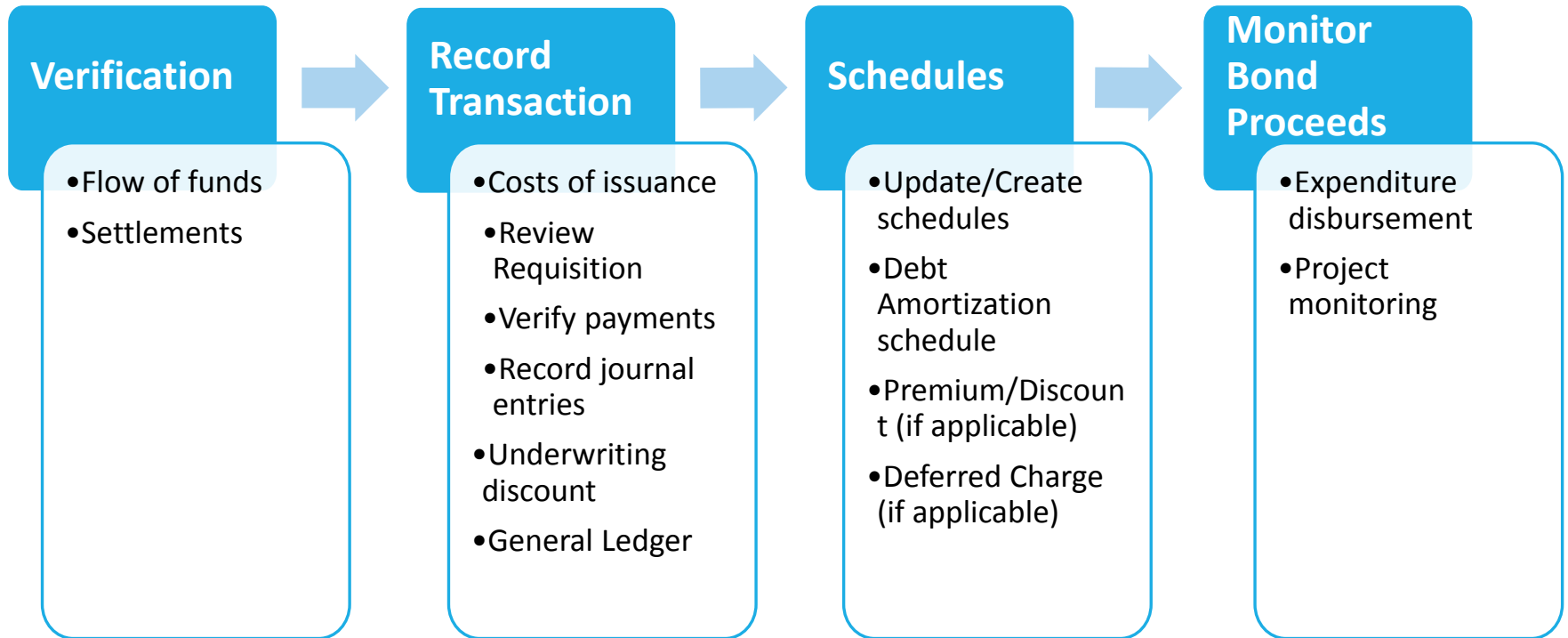
Debt Policy

- Conforming to the mission of the agency
- Debt issuance guidelines
 - Managing risk – credit ratings
 - Covenants
- Financing plan
- Continuing disclosure requirements
 - SEC Rule 15c2-12
 - Arbitrage & Rebate
 - EMMA postings
 - Dodd-Frank compliance (for derivatives)
 - CDIA Reports
- Internal controls
- Administration of debt service

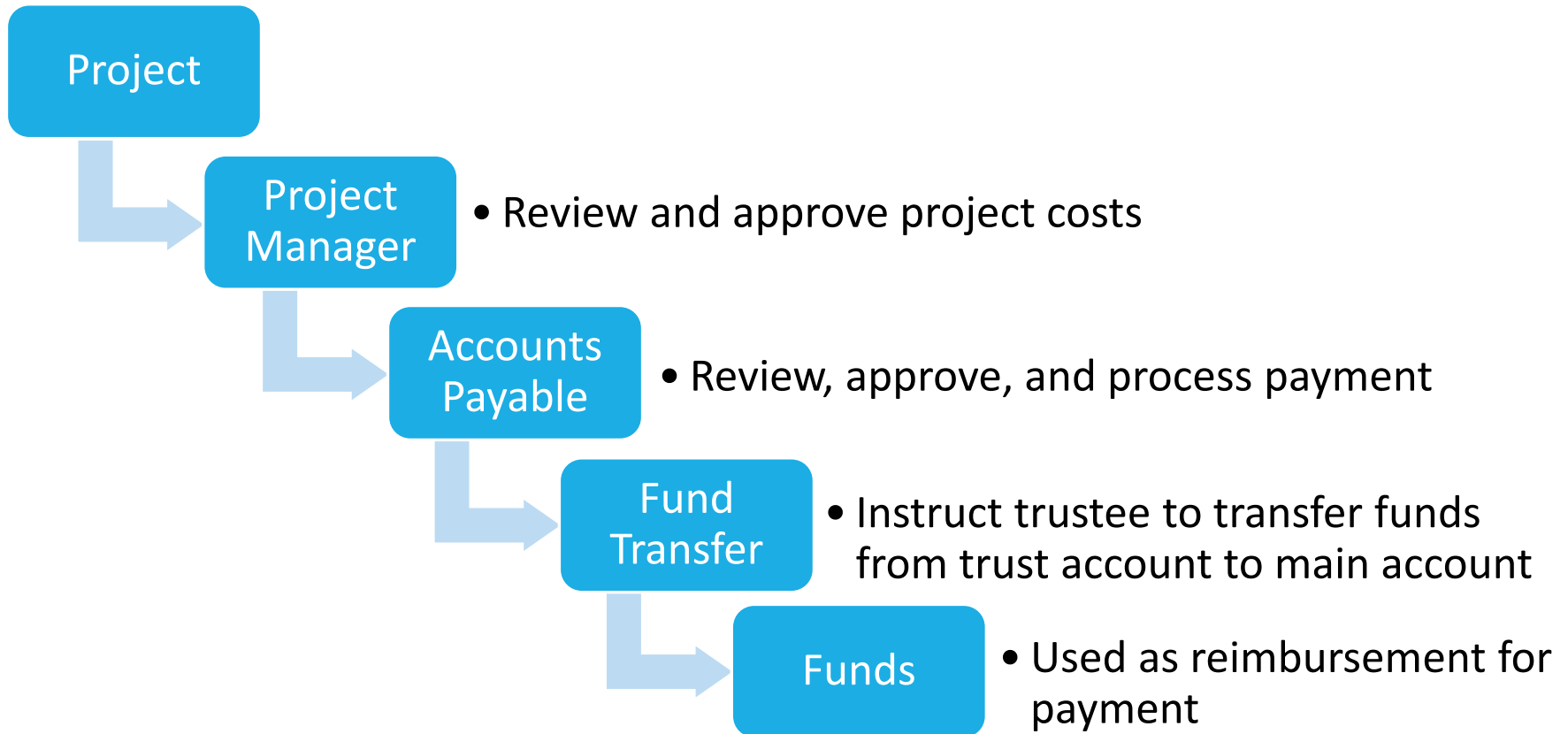
Disclosure Procedures

- Identify types of disclosures
- Who is responsible for providing disclosures
- Process of submitting each type of disclosure
- Management review to ensure compliance
- Continued training and professional development

Post-Issuance Responsibilities



Project Monitoring

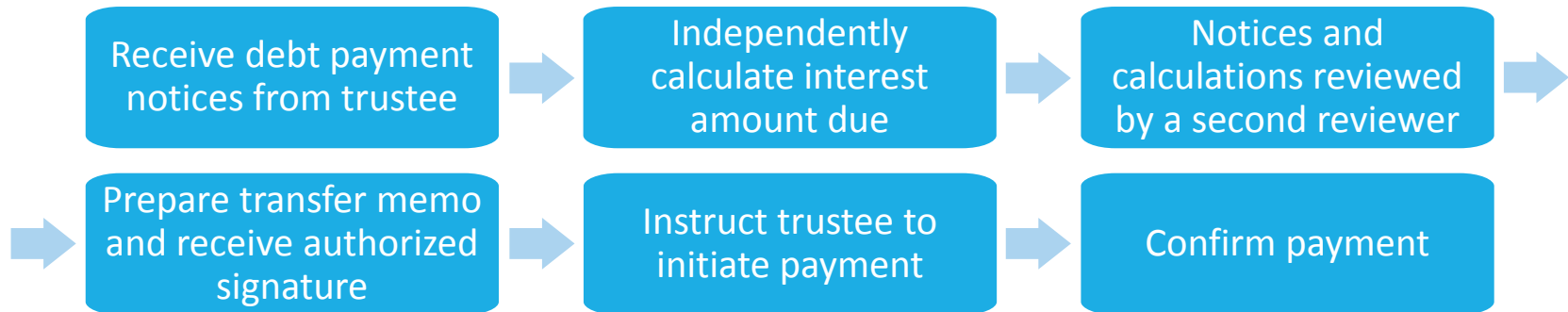


Reporting Tickler System

- EMMA – Credit Monitoring
- Outlook Calendar
- Excel
 - List of important due dates

Ongoing Administrative Responsibilities

○ Debt Service Payments



○ Reconciliation

- Payments to Bank and General Ledger

○ Fees & Expenses

- Arbitrage, trustee, ratings, etc.

○ Accounting/Audit

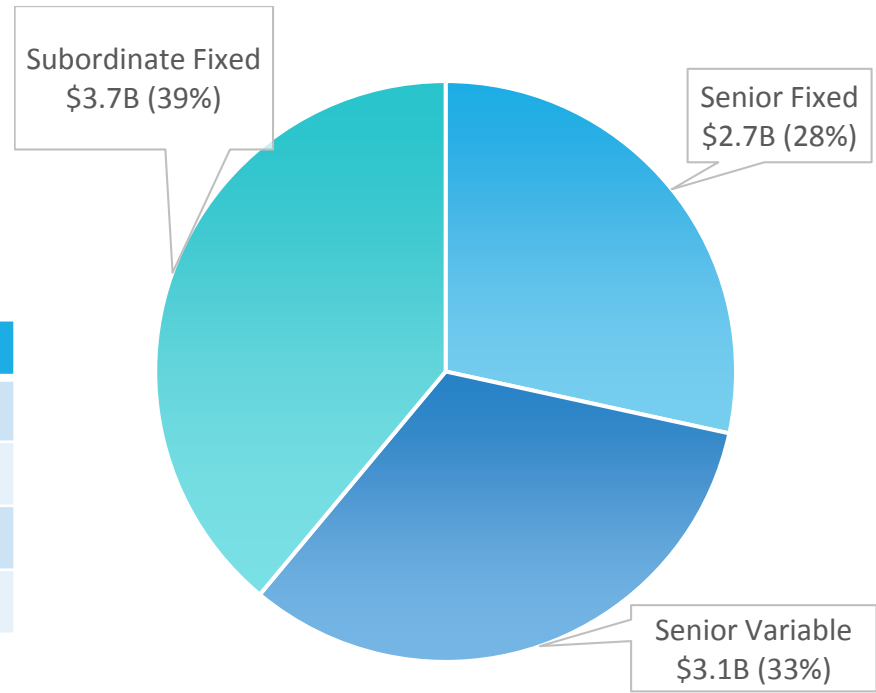
- Ensure transactions are recorded accurately and in a timely manner
- Audit trail with supporting documentation

○ Staffing

- Understanding of debt
- Familiar with financial reporting, accounting, and audit

BATA Debt Outstanding

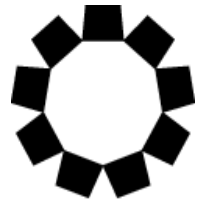
- BATA’s \$9.5 billion of bonds are diversified by lien and type
- Breakdown by lien and type:
 - Senior Lien Bonds - \$5.8 billion (61%)
 - Fixed Rate - \$2.7 billion
 - Variable Rate - \$3.1 billion



BATA Variable Rate Composition	
Variable Rate Demand Bonds (VRDB)	\$400 mm
Index Rate Bonds tied to SIFMA Swap Index	\$971 mm
Index Rate Bonds tied to 70% of 3-month LIBOR	\$156.8 mm
Term Rate Bonds (2022-2027)	\$1.56 b

- Subordinate Lien Fixed Rate Bonds - \$3.7 billion (39%)

ASSOCIATION OF BAY AREA GOVERNMENTS
ABAG Finance Authority for Nonprofit Corporations



ABAG

Conduit Issuer

- What is a Conduit Issuer?
- Role of Conduit Issuer
- Conduit Financing Transaction Types
- Risks and Responsibilities
- Continuing Compliance Monitoring
- Fraud Prevention

What is a conduit issuer?

- A conduit issuer is a government agency, usually a joint powers authority (JPA) that issues municipal securities to raise capital for revenue-generating projects where the funds generated are used by a third party (known as the "conduit borrower").
- The conduit financing is typically backed by a combination of the conduit borrower's credit or funds pledged toward the project by outside investors.
- If a project fails, and the security goes into default, the conduit borrower is responsible for all debt service payments

Role of Conduit Issuer

- The role of the conduit issuer is to provide access to the market.
- Provides access to tax exempt bond market
- Lowers cost of financing
- Monitor financing activity
- Monitor affordable housing compliance

A conduit issuer is not obligated to make debt service payments on the bonds.

Conduit Financing Transaction Types

- Health Care facilities
- Private elementary and secondary schools
- Private higher education facilities
- Multifamily rental housing
- Solid waste disposal facilities
- Local furnishing of gas, electricity, and infrastructure
- Certain renewable energy and green technology projects

Conduit Issuer provides access for non-profit entities who would otherwise not have access to low cost tax exempt capital financing.

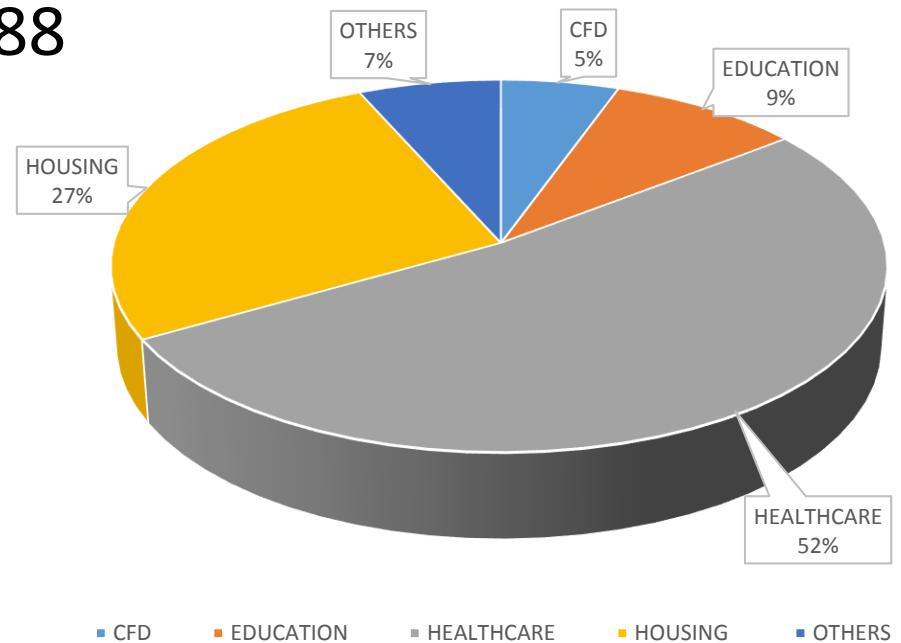
ABAG FAN Portfolio Breakdown

Total Outstanding Debt – Approx. \$2 billion

Portfolio Breakdown by Sector:

- Healthcare - \$1,008,381,288
- Housing - \$513,678,509
- Education - \$174,824,967
- Communities Facilities Districts - \$106,345,000
- Other Transactions - \$128,706,220
- Total 103 Transactions

Debt Principal



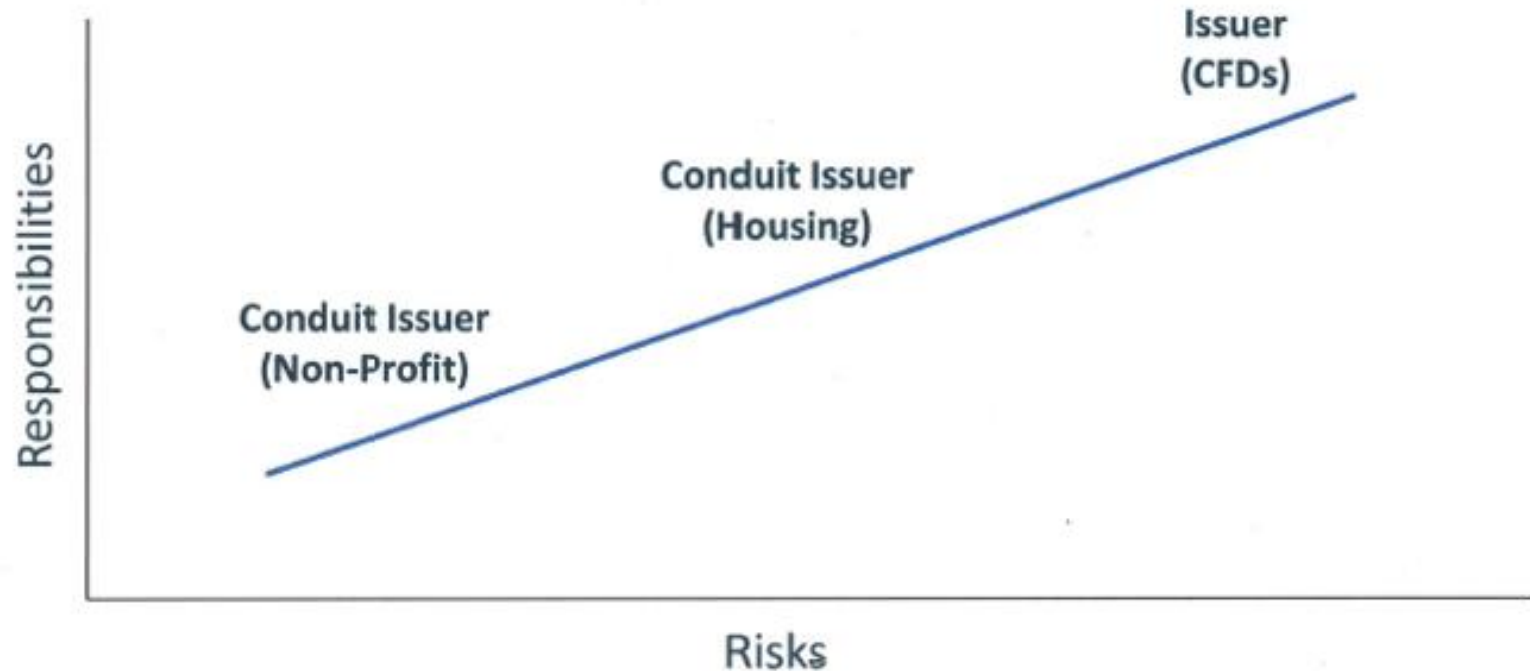
Borrower Disclosure Obligations

- Audited Financial Statements
- Annual Report of the conduit borrower
- Material Event Notices
- Filing Post Issuance Disclosure
- SEC Rule 15c2-12
- EMMA submission
- IRS Compliance

Issuer Disclosure Obligations

- Official Statement
- Continuing Disclosure Agreement
- Continuing Program Compliance Monitoring
- Project Status Reports/Certificates of Compliance
- Annual Audit

Risks and Responsibilities

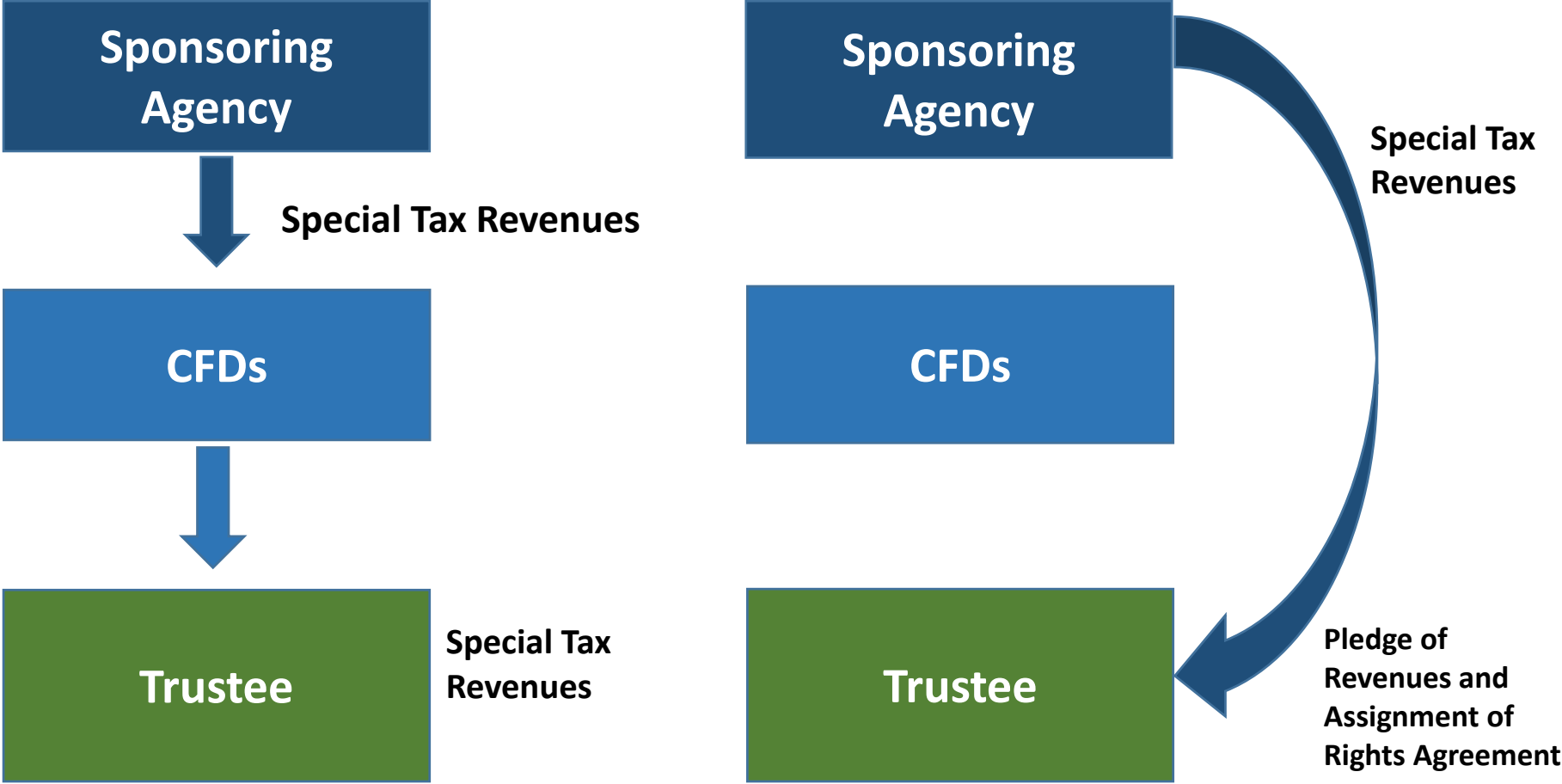


Category	Financial Liability	Continuing Disclosure	Regulatory Requirements	Ongoing Monitoring
Conduit Issuer (Non-Profit)				
Conduit Issuer (Housing)			✓	✓
Issuer (CFDs)	✓	✓	✓	✓

Developing Policies Procedures

- Overall Risk Assessment for Bond Fund Accountability
- Develop Policies, Procedures, and Practices to mitigate risk
- Roles and responsibilities of agency staff for the administration of bond funds before, during, and after issuance
- Internal Controls
- Post Issuance Responsibilities
- Continuing Compliance Responsibilities

Communities Facilities Districts Flow of Funds



The Communities Facilities Districts (CFD) Flow of Funds is the key to maintaining internal controls. Having funds flow directly to the trustee maintains fiduciary responsibility of the issuer.²⁰

Fraud



Questions

