

Bond Funds: Nuts & Bolts

ACBO One-Day Workshop

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Agenda

- **Citizen's Bond Oversight Committee**
- **Before Issuing Bonds**
- **Issuing Bonds**
- **After Bonds are Issued**

Bond Funds

- You passed a Bond Measure!!!
- Now what??



Citizen's Bond Oversight Committee

CBOC

- Create Citizen's Bond Oversight Committee within 60 days of passing Bond
- Selection of Members/Membership
- Minimum 7, Quorum Issues...
- Scope of CBOC per law
- Information to provide CBOC
- How often to meet?



Before Issuing Bonds

Consider

- Keep Board Informed
- Sequencing Projects/Cash Flow Needs
- How many series to issue?
- Structure of the Bonds
- Determining Needs and Sizing the Issuance
- Tax Rate Calculations
- Debt Limitations/Promise to Taxpayers

Consider

- Competitive v. Negotiated Sale
- Contracting with Underwriter
- Contracting with Financial Advisor
- Drafting the Preliminary Official Statement
- Involve County Treasurer
- Bond Rating Agencies
- Cost of Issuance

Negotiated v. Competitive Sale

	Negotiated Sale	Competitive Sale
Pre-Marketing	Allows a week or more to answer investor questions	Typically none - <i>"Call me if you buy it"</i>
Couponsing	Underwriter can present different options to weigh cost/benefit of TIC vs. optionality	Goal is to win bid with the lower TIC; no ability to address optionality
Sale Timing	Sale date can be moved ahead or pushed back depending on the market	Sale date is determined at least a week ahead of time and is hard to change without losing market interest
Risk/Price	Underwriter faces less risk and so can often charge lower fees	Underwriter faces more market risk

Bond Rating Agencies

- What to include in Presentations
 - District Background Information
 - Financial Results/Budget Information
 - Demographic Information
 - Proposed Issuance Information
- In person or phone calls?
- Typical questions
 - Revenues
 - Cash Flow/Liquidity
 - Reserve Levels
 - Other Obligations
- Most Important: AV and Businesses in District

Bond Rating Agencies

	Rating Description	Moody's	Standard & Poor's
Investment Grade	Highest credit quality; issuer has a strong ability to meet its obligations.	Aaa	AAA
	Very high credit quantity low risk of default.	Aa1 Aa2 Aa3	AA+ AA AA-
	High credit quality, but more vulnerable to changes in the business economy.	A1 A2 A3	A+ A A-
	Adequate credit quality for now, but more likely to be impaired if conditions worsen.	Baa1 Baa2 Baa3	BBB+ BBB BBB-
Non-investment Grade	Below investment grade, but a good chance the issuer can meet commitments.	Ba1 Ba2 Ba3	BB+ BB BB-
	Significant credit risk, but issuer is presently able to meet obligations.	B1 B2 B3	B+ B B-
	High default risk.	Caa1 Caa2 Caa3	CCC+ CCC CCC-
	Issuer failed to meet schedules interest or principal payments	C	D

Cost of Issuance

- Underwriter's Discount
- Bond Counsel
- Financial Advisor
- Rating Agencies
- Paying Agent, Printing, CalMuni, Other



Issuing Bonds

Timeline

- Approval of Bond Documents By Board
- Presentation to Credit Rating Agencies
- Receive Ratings
- Distribute POS
- Establish Interest Rates on Bonds and Enter Purchase Contracts
- Issue Closes and Funds Received

Consider

- Discuss with Board
- Current Rate Environment
- Current Interest Bonds
- Capital Appreciation Bonds
- Repayment Ratio



After Bonds are Issued

Bond Funds

- Limitations on expenditures of bond funds
- Timelines for spending
- Arbitrage rules and IRS requirements compliance documents
- Required annual disclosures for bond holders
- Annual audit requirements
- Accounting for the bonds (separate fund)
- Tracking when need new issuance
- Stay true to taxpayers
- Any questions or concerns, call bond counsel



Questions?