



*Shared Knowledge
for Effective Government*

Debt Issuance & Compliance

Bradley Payne Advisors



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- 2) Types of Debt
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- 4) Borrowing Process
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Section 1

WHY ISSUE DEBT?

Why issue Debt?

Why do communities issue Debt?

- Costs are too high to fund a project with cash
- Spread the cost of a project over current and future generations
 - Benefits are spread over several generations – cost would be as well
 - One generation should not subsidize the next
- Payment equate to the useful life of the asset or less

Sources of Funding and Payments

Sources of Funding Projects and Debt Payments

- Cash
 - Property Taxes
 - Income Taxes
 - User Fees
 - Other Government Revenues
 - Economic Development Complementation Payments
- Debt Issuance – highly regulated by statutes

Sources of Funding and Payments

Example of public purposes for which debt is issued:

- Building schools – both for K-12 and higher educational institutions
- Road projects – new roads and highways as well as maintenance on existing roads
- Public power projects
- Sewer & Water and other utilities
- Economic Development

Who can issue debt?

- State of Ohio
- Political Subdivisions
 - Taxing Districts
 - Municipalities, counties, townships, school districts, etc
 - Special purpose districts without taxing power

Debt Authority

Debt Authority: Political Subdivisions

Taxing Districts

- Municipalities
- Townships
- Counties
- School Districts

Special Purpose Districts

- Port Authorities
- Fire Districts
- Library Districts
- Park Districts
- Conservancy Districts
- New Community Authorities
- Community College Districts
- Joint Hospital Districts
- Water and Sewer Districts
- Regional Transit Authorities

Section 2

TYPES OF DEBT

Common Debt Terms

- **Bonds** – long-term obligations to repay money, usually over a period of 1-30 years
- **Bond Anticipation Notes** – notes issued prior to the issuance of bonds
- **General Obligation** – pledge for payment of bonds through all government revenues or through property taxing power
- **Limited tax bonds** – bonds that are supported by unvoted property taxes
- **Unlimited tax bonds** – bonds that are supported by voted property taxes
- **Special Obligations** – bonds that are supported by a specific tax, but no GO

Types of Debt

- Bonds, Notes, Bond Anticipation Notes
- General Obligations
 - Voted vs. Unvoted
- Revenue or Special Obligation
- Conduit Obligations
- Non-Debt
- Capital vs. Operation Borrowings
- Manuscript Debt

Types of Debt: General Obligation Debt

- “Full Faith and Credit and general taxing power” of subdivision is pledged to pay debt service payments
- May be paid out of General Fund of Issuer
- Voted debt and Unvoted debt
- Priority over operating expenses
- Subject to direct and indirect debt limits

Types of Debt: General Obligation Debt

- Voted G.O. Debt
 - Specifically approved by voters
 - Special tax authorized (but not required to be levied)
 - Unlimited as to rate or amount
 - Most secure of all debt (best security, highest rating, lowest interest cost)
- Unvoted G.O. Debt
- First claim against revenues but no special tax
- Includes most special assessment debt

Types of Debt: Special or Revenue Obligations

- Limited pledge of only a specific revenue stream to pay debt service payments
 - Utility revenues (water, sewer, electricity, etc)
 - TIF revenues
 - Sales tax revenues (county – ORC 133.081)
 - Income tax revenues (municipality – home rule)
 - Special assessment revenues (ports)
- Less secure than G.O. debt

Types of Debt: Conduit Obligations

- The government acts as an issuer pursuant to an arrangement with a private conduit borrower in order for the debt to be tax-exempt.
- The conduit borrower is solely responsible for making the debt service payments
- Conduit obligations are not considered debt of the government issuer.

Types of Debt: Non-Debt

- Leases
- Lease-purchase agreements
 - Municipal – ORC 715.011
 - County – ORC 307.02
 - Township – 505.26; ORC 505.267
 - School District – ORC 3313.374
- Installment purchase agreements
- Certificates of Participation (“COPs”)

Non-debt transactions do not count against debt limitations

Types of Debt

Types of Debt: Capital vs. Operating

- Limited authority to borrow for operation expenses
 - Final judgements or settlements
 - Emergencies
 - Anticipating a voted tax levy
 - Requirement to show a deficit

Section 3

DEBT LIMITATIONS

Direct debt limitations

- Municipalities
- Counties
- Townships
- School Districts
- Exemptions

Indirect debt limitation

- The “ten-mill’ limitation

Municipal Direct Debt Limitations

- Unvoted debt limitation is 5.5% of total assessed valuation (AV)
- Voted + unvoted debt limitation is 10.5% of total assessed valuation
- Example: total AV of a city is \$400,000,000, so unvoted debt capacity is \$22,000,000 and total debt capacity is \$42,000,000

County Direct Debt Limitations

- Unvoted debt limitation is 1% of total assessed valuation
 - Example: total AV of a county is \$400,000,000, so total unvoted debt capacity is \$4,000,000

County Direct Debt Limitations

- Voted + unvoted debt limitation
 - 3% of first \$1,000,000 of total AV
 - \$3 million plus 1.5% of next \$200,000,000 in total AV
 - \$6 million plus 2.5% of total AV exceeding \$300,000,000
- Example:
 - Total AV of a county is \$400,000,000
 - Unvoted debt limitation is equal to:
 - $\$100,000,000 \times 3\% = \$3,000,000$ *plus*
 - $\$200,000,000 \times 1.5\% = \$3,000,000$ *plus*
 - $\$100,000,000 \times 2.5\%$ equals \$8,500,000

Township Direct Debt Limitations

- Non-limited home rule township
 - No general authority for unvoted debt (only specific statutory authorizations)
 - Voted debt limitation is 5% of total AV
- Limited home rule township
 - Unvoted debt limitation is 5.5% of total AV
 - Voted + unvoted debt limitation is 10.5% of total AV

School District Direct Debt Limitations

- Unvoted debt limitation is 0.1% of total AV
 - Unvoted debt limitation for “energy conservation measures” is 0.90% of total AV
 - Unvoted debt payable from payments in lieu of taxes may be issued with approval of superintendent of public instruction

School District Direct Debt Limitations

- Voted + unvoted debt limitation is 9% of total AV, but consent of superintendent of public instruction required for debt in excess of 4% of total AV
 - “Special needs” districts may exceed 9% limit with:
 - Consent of superintendent of public instruction,
 - Consent of tax commissioner,
 - Projected assessed valuation growth of 1.5% annually for the next 5 years (based on historically 10-12 year growth)
 - Total debt including new issue does not exceed 12% assuming projected AV in 10 years
 - Debt in excess of 4% and 9% limits may be issued to provide local share of OSFC project (ORC Ch. 3318)

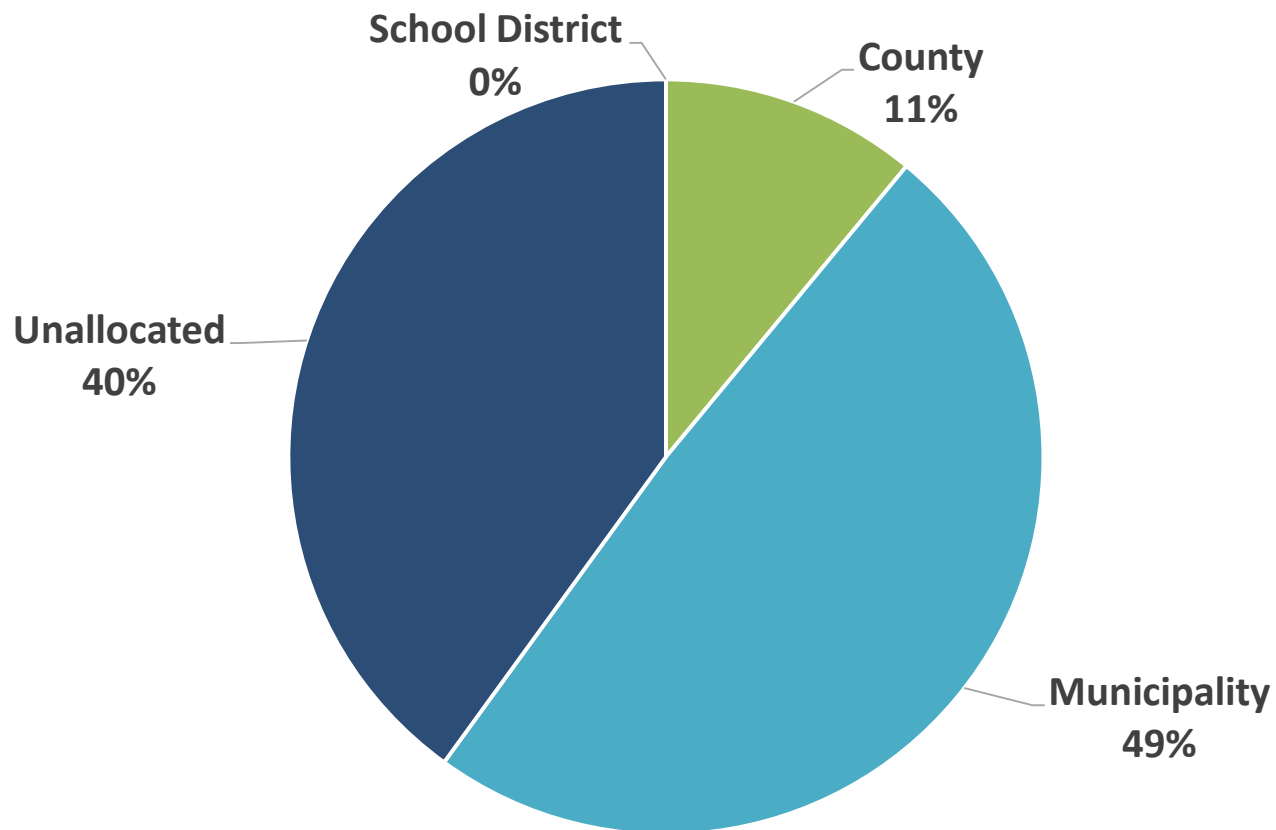
Indirect Debt Limitations

- ORC 5705.02 imposes a ten-mill (1.0%) limitation on each dollar of tax valuation
- The “ten-mill limitation” applies to the aggregate amount of taxes which may be levied for payment of debt service (principal and interest) on UNVOTED general obligation issued by all overlapping subdivisions taxing the same property
- Voter approval means the “ten-mill limitation” does not apply

Indirect Debt Limitations

- Millage calculation example:
 - Annual debt service for unvoted debt of a subdivision is \$200,000; total AV of the subdivision is \$100,000,000
 - Millage calculation:
$$\frac{\text{Total annual debt service}}{\text{Total assessed valuation}} \times 1000$$
$$(\$200,000 / \$100,000,000) \times 1000 = 2 \text{ mills}$$
- Ten-Mill Certificate

Example of 10-Mill Allocation:



Section 4

BORROWING PROCESS

Borrowing Process

Participant Roles & Responsibilities

Issuer

- Approve Bond Legislation
- Assist with Financing Plan
- Assist With Preparation Of Disclosure Data
- Make Rating & Insurance Presentations (if applicable)
- Make Bond Payments
- Post Sale Responsibilities

Municipal Advisor

- Oversee Entire Financing Process
- Provide Financing Plan Assistance
- Develop Schedule
- Provide Rating Agency & Bond Insurer Preparation Assistance
- Provide Structuring Advice
- Provide Market Comps
- Provide Market Guidance
- Oversee Pricing Process

Underwriter

- Perform Due Diligence On Disclosure
- Assist With Financing Plan, Structuring and Credit Rating
- Provide Market Information and Comparables For Pricing
- Market and Sell The Bonds
- Utilize Balance Sheet to Support Financing

Bond Counsel

- Prepare Bond Proceedings
- Assist in Evaluating the Structure of the Bond Issue from Legal Standpoint
- Prepare Official Statement/Disclosure Preparation Assistance
- Prepare Various Deal Related Legal Documents
- Provide Legal Opinion to investors

Investors

- Purchase Bonds
- Receive Interest and Principal Payments From Paying Agent
- Receive Ongoing Continuing Disclosure Requirements

Paying Agent/Registrar/Trustee

- Authenticate Bonds
- Receive Interest & Principal Payments From Issuer
- Make Interest and Principal Payments to Investors
- Trustee Oversees Trust Obligations of Issuer

Rating Agencies/Bond Insurer

- Review Credit Worthiness of the Issuer
- Rating Agencies Issue Bond Rating
- Rating Agencies Periodically Review Appropriateness of Rating After Assignment
- Bond Insurer Wraps Credit (if economically beneficial)

Borrowing Process

Municipal Bonds are issued by several different types of Issuers, offer various structures and have a broad and diverse Investor base

Bond Issuers

Municipalities

States, Cities, Counties, Local Governments, and other Public Authorities or Entities

Public Utilities

Water/Sewer Systems, Public Transit, Public Power Utilities, Airports

Not-for-Profit Entities

Institutions of Higher Education, Hospitals, Museums, Churches & Charities

Uses of Bond Financing

New Money Projects

Various Public Projects/ Construction projects, Schools, Streets & Highways, Bridges, Hospitals, Public Housing, Sewer and Water Systems, Power Utilities

Refunding Bonds

Refinancing outstanding bonds for debt service savings, debt restructuring, tax-status and/or indenture changes



Bond Features

Tax-status

Tax-exempt or Taxable Bonds

Interest Rate Modes

Fixed Rate, Variable Rate or Capital Appreciation Bonds

Optionality

Callable, Puttable or Non-callable Bonds

Bond Investors

Retail Investors

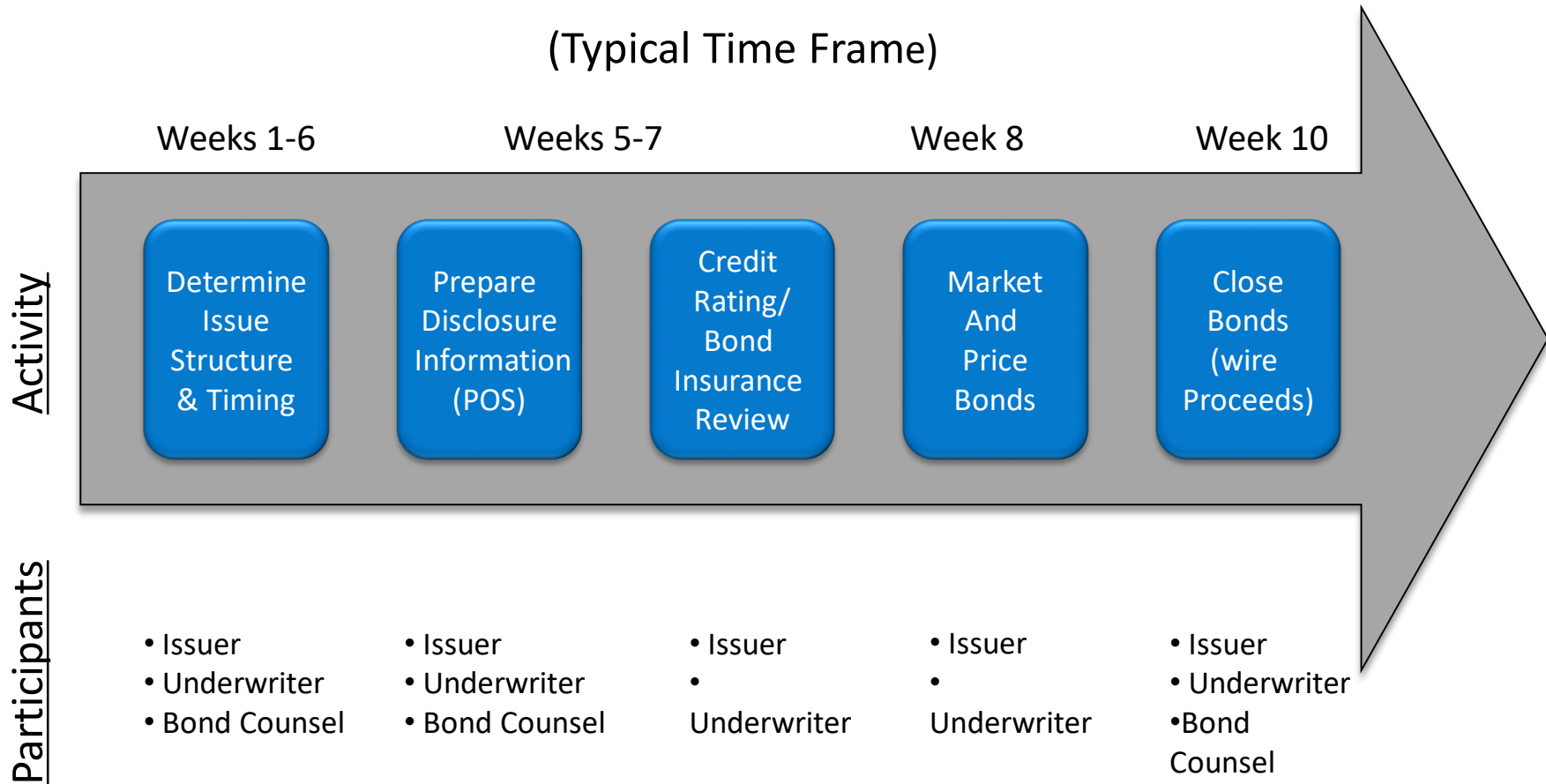
High Net-worth Individuals, Bank Trusts, Brokerage accounts and Asset Managers on behalf of individuals

Institutional Investors

Mutual Funds, Corporations, Banks, Insurance Companies, Institutional Funds, Asset Managers

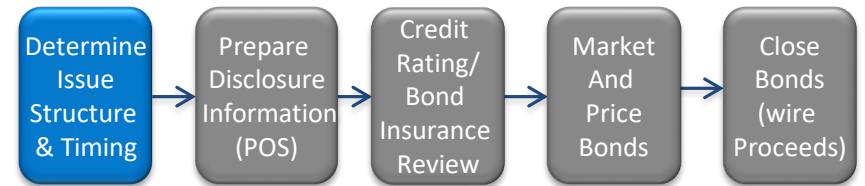
Borrowing Process

Activities and Timing



Borrowing Process

Determining the Optimal Structure



There are two components of structuring your bond issue:

Component

Objectives

1. Plan of Issuance

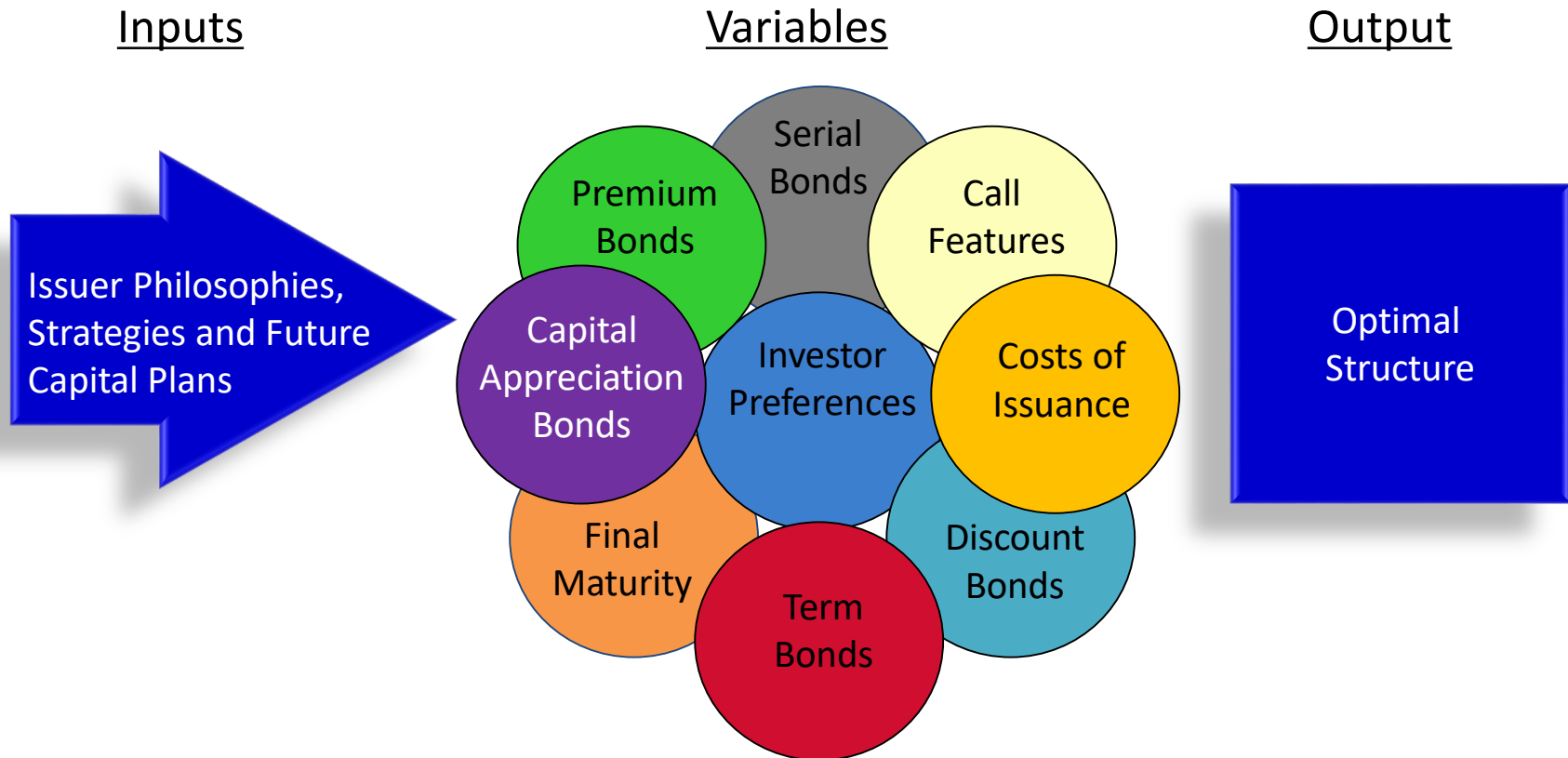
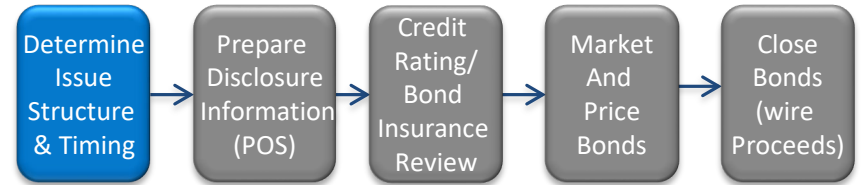
- Ensure availability of funds when needed
- Maximize construction period investment earnings
- Minimize/avoid arbitrage rebate

2. Plan of Repayment

- Manage impact of tax increase
- Optimize benefits of structuring features (calls, discounts, premiums, etc.)
- Consider future capital plans

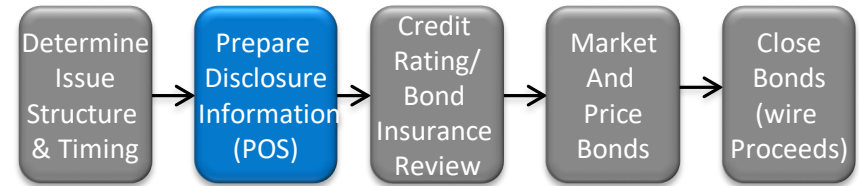
Borrowing Process

Determining the Optimal Structure



Borrowing Process

Prepare Disclosure Information



Issuer

- Issuer overview
- Projections
- Facilities data
- Financial outlook
- Financial Statements

Municipal Advisor and/or Underwriter

- Structuring information
- Continuing disclosure agreement
- Interface with County Auditor

Bond Counsel

- Demographic info from Census & other sources
- Description of tax base and other sources of revenue
- Debt limitation tables
- Debt tables
- Financial appendices
- Bond counsel opinion
- Interface with County Auditor
- Actual production of document

County Auditor

- Assessed Valuation data
- Building Permits info
- Tax tables
- Largest taxpayer list

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 29, 2018

DAC Bond¹

Ratings (See RATINGS)
Fitch: —
Moody's: —
S & P: —

NEW ISSUE

In the opinion of Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2018 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax under the Internal Revenue Code of 1986, as amended; however, interest on the Series 2018 Bonds is included in the calculation of a corporation's adjusted current earnings for purposes of the federal corporate alternative minimum tax for taxable years beginning before January 1, 2018, and (ii) the Series 2018 Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are free from taxation within the State of Ohio, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. Interest on the Series 2018 Bonds may be subject to certain federal taxes imposed only on certain corporations. See "TAX MATTERS" herein.

OFFICIAL STATEMENT
\$85,000,000*
STATE OF OHIO
(TREASURER OF STATE)
CAPITAL FACILITIES LEASE-APPROPRIATION BONDS, SERIES 2018A
(TRANSPORTATION BUILDING FUND PROJECTS)

Dated: Date of Initial Delivery **Due:** On April 1, as shown below

The Series 2018 Bonds: The \$85,000,000* State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2018A (Transportation Building Fund Projects) (the "Series 2018 Bonds") will be issued for the purpose of paying Costs of Capital Facilities to be leased to the Department of Transportation of the State of Ohio ("ODOT"). (See **THE SERIES 2018 BONDS**)

Security and Sources of Payment: The Series 2018 Bonds are special obligations of the State, issued by the State Treasurer of Ohio (the "Treasurer"), and are payable solely from Pledged Receipts, principally rental payments to be made by ODOT under a lease between the Ohio Public Facilities Commission (the "OPFC") and ODOT and a supplemental lease thereto relating to the Series 2018 Bonds. The obligation of ODOT to make the rental payments is subject to and dependent upon biennial appropriations being made for such purposes by the General Assembly. The failure of the General Assembly to so appropriate moneys to ODOT will result in termination of the Lease. The Series 2018 Bonds do not represent or constitute a debt of the Treasurer, ODOT, the OPFC or the State of Ohio or any political subdivision thereof, or a pledge of the faith and credit of the Treasurer, ODOT, the OPFC or the State of Ohio or any political subdivision thereof. *The Holders and Beneficial Owners of the Series 2018 Bonds shall have no right to have excess or rates levied by the General Assembly for the payment of Bond Service Charges on the Series 2018 Bonds. (See THE BONDS GENERALLY – Security)*

Payment: Principal and interest will be payable to the Registered Owner (initially, The Depository Trust Company or its nominee ("DTC")), the principal on presentation and surrender to the Trustee, and interest transmitted on each Interest Payment Date. The Interest Payment Dates for the Series 2018 Bonds are April 1 and October 1, beginning October 1, 2018. (See **THE SERIES 2018 BONDS**)

Prior Redemption: The Series 2018 Bonds are subject to redemption prior to maturity as provided herein. (See **THE SERIES 2018 BONDS – Prior Redemption**)

Form and Denomination; Book-Entry: The Series 2018 Bonds will be initially issued only as fully registered bonds under a book-entry only method in denominations of \$5,000 or any multiple of \$5,000 in excess thereof. DTC, New York, New York, is the Securities Depository. There will be no distribution of bond certificates to others. (See **APPENDIX C – BOOK-ENTRY SYSTEM; DTC**)

PRINCIPAL MATURITY SCHEDULE*

April 1 Maturity	Principal*	Interest Rate	Yield	CUSIP**	April 1 Maturity	Principal*	Interest Rate	Yield	CUSIP**
2019	\$3,510,000				2027	\$5,850,000			
2020	4,160,000				2028	6,145,000			
2021	4,365,000				2029	6,450,000			
2022	4,585,000				2030	6,775,000			
2023	4,815,000				2031	7,110,000			
2024	5,055,000				2032	7,465,000			
2025	5,305,000				2033	7,840,000			
2026	5,570,000								

This Cover includes certain information for quick reference only. It is not a summary of the bond issue. Investors should read the entire Official Statement to obtain information as a basis for making informed investment judgments. Capitalized terms used on this Cover and elsewhere herein and not otherwise defined have the meanings given to them in **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE**.

The Series 2018 Bonds are offered when, as and if issued by the Treasurer and accepted by the Underwriters, subject to the opinion on certain legal matters relating to their issuance by Ice Miller LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel Barnes & Thornburg LLP. Certain legal matters will be passed upon for the Treasurer by his counsel, the Attorney General of Ohio, Mike DeWine, and Dinsmore & Shohl LLP, which is serving as Issuer and Disclosure Counsel to the Treasurer. The Series 2018 Bonds are expected to be available in definitive form for delivery through DTC on or about February 21, 2018.

KEYBANC CAPITAL MARKETS

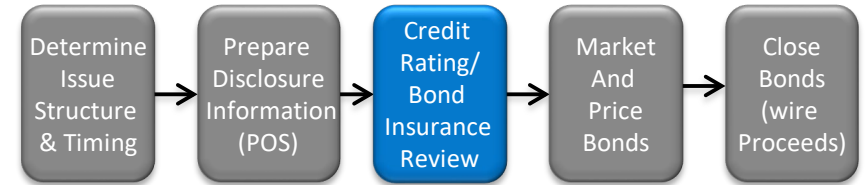
ACADEMY SECURITIES ESTRADA HINOJOSA ROSS, SINCLAIRE & ASSOCIATES, LLC

The date of this Official Statement is _____, 2018, and the information speaks only as of that date.




*Preliminary, subject to change.
** See inside cover regarding copyright.

Borrowing Process

Credit Rating Process



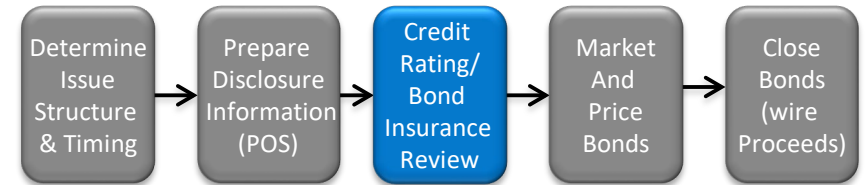
Bond Rating Services

	 Moody's Investors Service	 STANDARD & POOR'S	 FitchRatings
Best Quality	Aaa	AAA	AAA
	Aa1	AA+	AA+
High Quality	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
Upper Medium Grade	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
Medium Grade	Baa2	BBB	BBB
	Baa3	BBB-	BBB-

(Lower Interest Rates)

Borrowing Process

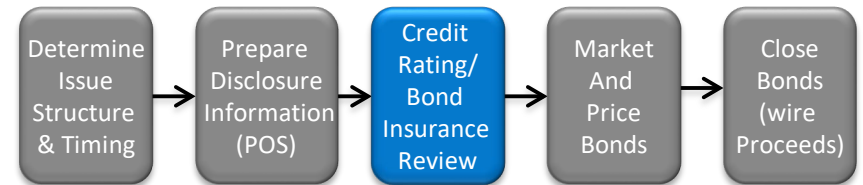
Credit Rating Process



- Inform Agency of Upcoming Sale
- Provide Necessary Information
 - Financial Statements, Budgets, Audits, POS
- Analyst Performs Review
- Issuer Financing Team Interaction with Analyst
 - Presentation or Conference Call
 - Follow-up Questions and Clarifications
- Credit Committee Presentation
- Rating Determination & Issuer Credit Report

Borrowing Process

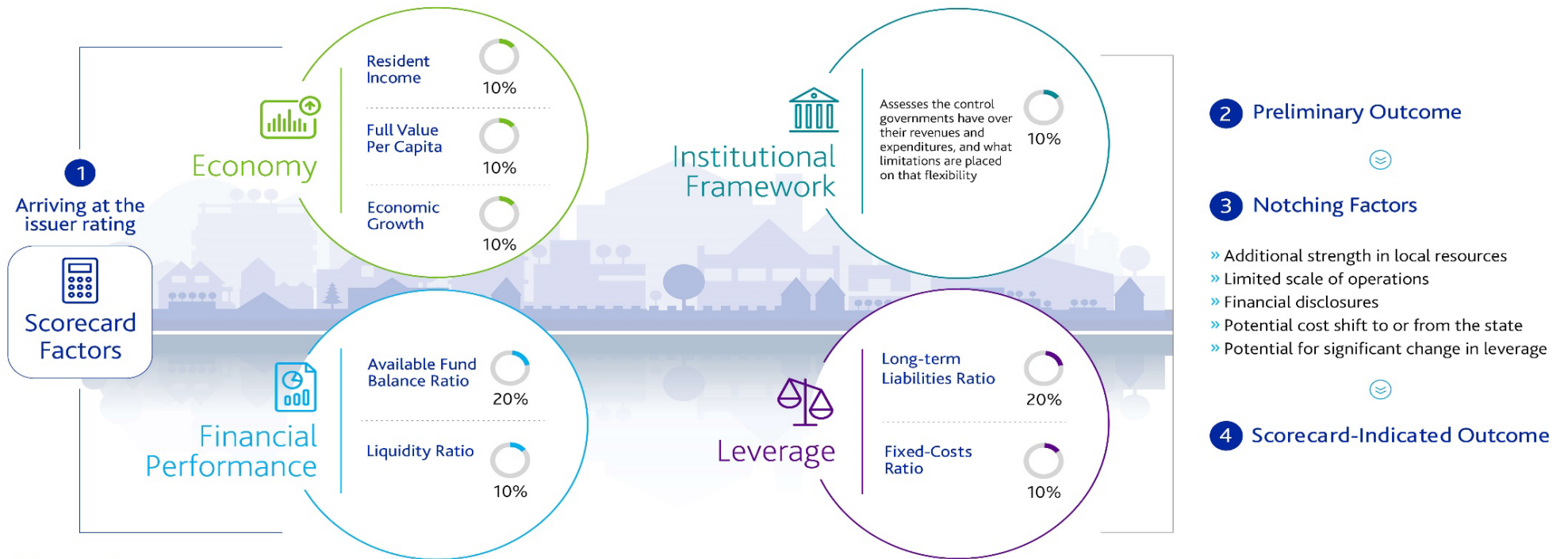
Rating Factors



- Demonstrate your ability to manage District finances
 - Show non-traditional sources of liquidity, if any
 - Establish Board policy for end-of-year carryover balance
- Describe the ongoing efforts to maintain voter support for levies
 - Emphasize the quality of the educational “product” provided
- Demonstrate your ability to manage through demographic changes
 - Provide examples of enrollment projection and tracking systems, including examples of projections from previous years compared with actual results
 - Provide copies of capital facilities planning materials, and describe planning process
 - Describe communications with major developers, commercial taxpayers and County Auditor
- Maintain an ongoing and consistent relationship with the rating analysts

Borrowing Process

Moody's Current Methodology



Borrowing Process

Moody's Current Methodology

Economy / Tax Base	Finances	Institutional Framework	Leverage
(30%)	(30%)	(10%)	(30%)
<p>a. Resident Income (10%)</p> <p>i. Median Household Income adjusted for Regional price Parity divided by US Median Household Income</p> <p>b. Full Value Per Capita (10%)</p> <p>i. Full value divided by population</p> <p>c. Economic Growth (10%)</p> <p>i. Difference between municipality and US five-year annual compound growth rate in GDP</p>	<p>a. Available Fund Balance Ratio (Available Fund Balance + Net Current Assets / Revenue) (20%)</p> <p>i. Available fund balance (the sum of a city or county's available fund balance across all governmental funds minus restricted or non-spendable funds) plus net current assets as % of total governmental funds revenue, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services fund</p> <p>b. Liquidity Ratio (Unrestricted Cash / Revenue) (10%)</p> <p>i. unrestricted cash in total governmental activities, total business type activities and the internal services fund, net of short-term debt divided by above definition of revenue</p>	<p>a. Institutional Framework (10%)</p> <p>i. Determined for each sector/state annually</p> <p>ii. Same score for all Ohio local governments</p> <p>iii. Factors that drive framework</p> <ul style="list-style-type: none"> - Tax caps - Organized labor - Difficulty of increasing revenue or decreasing costs - Predictability of costs - State-imposed limitations on fund balance or reserves - Mandated public service commitments 	<p>a. Long Term Liabilities Ratio (Debt + Adjusted Net Pension Liabilities + Adjusted Net OPEB Liabilities + Other Long-Term Liabilities / Revenue) (20%)</p> <p>i. sum of a city or county's debt outstanding, ANPL, adjusted net OPEB liabilities and other long-term liabilities – including those in business type activities – divided by revenue</p> <p>b. Fixed Costs Ratio (Adjusted Fixed Costs / Revenue) (10%)</p> <p>i. The sum of a city or county's implied debt service, its pension tread water indicator, its OPEB contributions and its implied carrying costs for other long-term liabilities divided by revenue</p>

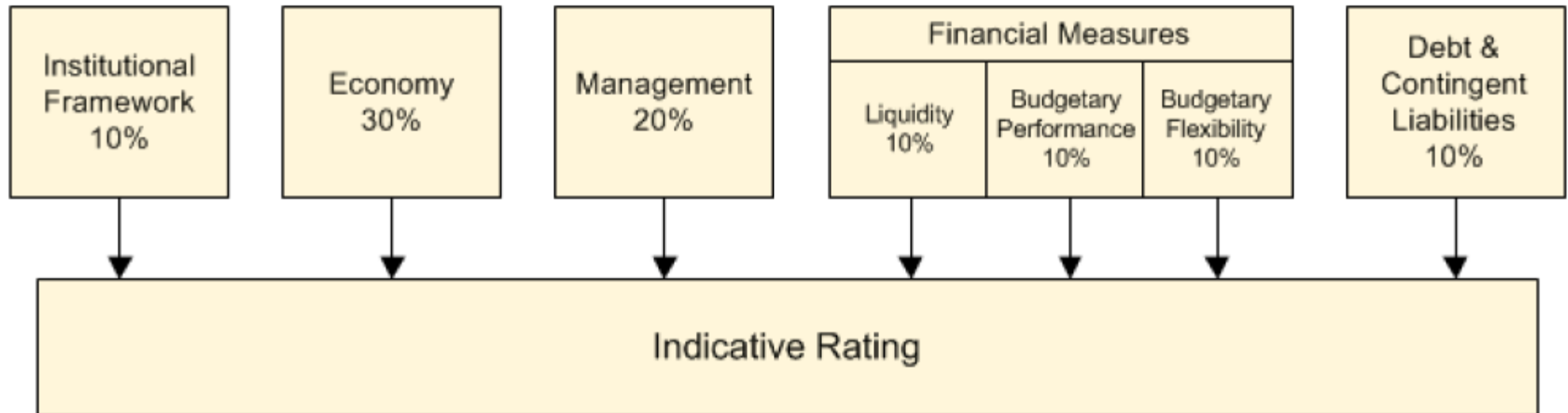
Overall Notching Factors

Adjustments up or down to the preliminary scorecard outcome

- 1) Additional Strength in Local Resources – very high property values or resident income levels
- 2) Limited Scale of Operations - small budgets are at greater risk of a budgetary disruption
- 3) Financial Disclosures – Do you follow GASB rules and do you have the proper pension and OPEB disclosures
- 4) Potential Cost Shift to or From State
- 5) Potential for Significant Change in Leverage – can incorporate forward looking risks not captured in scorecard

Borrowing Process

S&P's Current Methodology



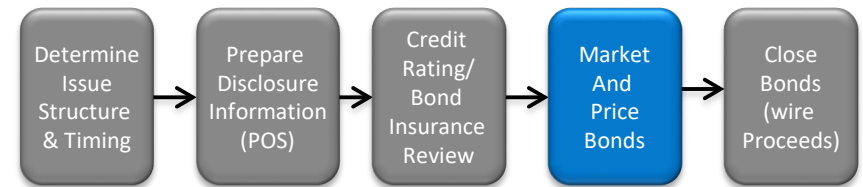
Borrowing Process

S&P's Current Methodology

Institutional Framework (10%)	Economy (30%)	Management (20%)	Financial Measures (30%)	Debt & Contingent Liabilities (10%)
<p>a. Institutional Framework (10%)</p> <ul style="list-style-type: none"> i. Determined for each sector/state annually ii. Same score for all Ohio local governments iii. Factors that drive framework <ul style="list-style-type: none"> - Predictability - Revenue and expenditure balance - Transparency and accountability - System support 	<p>a. Total Market Value Per Capita (15%)</p> <ul style="list-style-type: none"> i. Full value divided by population <p>b. Projected Per Capita Effective Buying Income as a % of U.S. Projected Per Capita EBI (15%)</p> <ul style="list-style-type: none"> i. EBI: personal income – federal, state, and local taxes and nontax payments <p>▪ Below-the-line Adjustments</p> <ul style="list-style-type: none"> - Participation in larger broad & diversified economy - Stabilizing institutional influence with longstanding role as major employer - Population decrease or high share of dependent population - High county unemployment rate - Employment concentration 	<p>a. Financial Management Assessment (20%)</p> <ul style="list-style-type: none"> i. Assesses the impact of management conditions on the likelihood of repayment <p>▪ Below-the-line Adjustments</p> <ul style="list-style-type: none"> - Consistent ability to maintain balanced operations - Government service levels are limited - Infrequent management turnover - Ability to execute approved structural reforms for two consecutive years - Debt burden 	<p>a. Budgetary Flexibility (10%)</p> <ul style="list-style-type: none"> i. Available Fund Balance as a % of Expenditures <p>b. Budgetary Performance (10%)</p> <ul style="list-style-type: none"> i. Total Governmental Funds Net Result (%) (5%) ii. General Fund Net Result (%) (5%) <p>c. Liquidity (10%)</p> <ul style="list-style-type: none"> i. Total Government Available Cash as % of Total Governmental Funds Debt Service (5%) ii. Total Government Available Cash as % of Total Governmental Funds Expenditures (5%) <p>▪ Below-the-Line Adjustments</p> <ul style="list-style-type: none"> - Following year projections - Capacity and willingness to cut operational spending - Ability and willingness to raise taxes 	<p>a. Net Direct Debt as % of Total Governmental Funds Revenue (5%)</p> <ul style="list-style-type: none"> i. Measures the total debt burden on the government's revenue position, which can not be manipulated by amortization structures <p>b. Total Governmental Funds Debt Service as a % of Total Governmental Funds Expenditures (5%)</p> <ul style="list-style-type: none"> i. Measures annual fixed-cost burden that debt places on the government <p>▪ Below-the-Line Adjustments</p> <ul style="list-style-type: none"> - Overall net debt as a % of market value - Overall rapid annual debt amortization - Significant medium-term debt plans

Borrowing Process

Marketing the Bonds



Competitive Bid

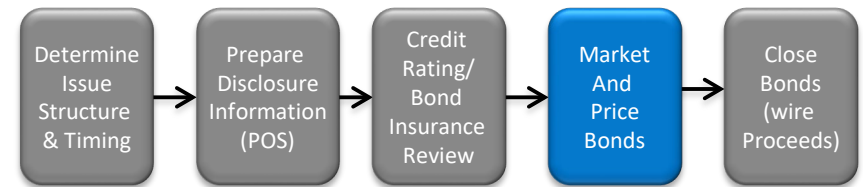
- Generally, use Municipal Advisor (MA)
- Good for highly rated issuers
- Bids Specifications
- Bidders quote rates as of a specific date
- Lowest rate wins

Negotiated Sale

- Most used in Ohio
- Also use MA
- Underwriter is chosen based on relationship or by Request for Qualifications
- Often used when the issue has complexity
- Used for Revenue Bonds

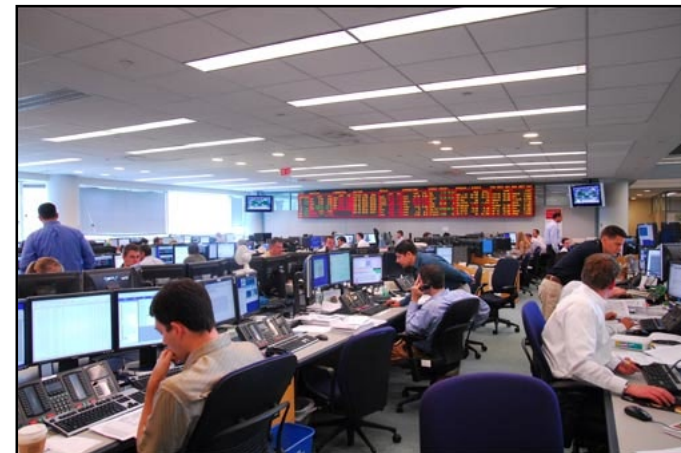
Borrowing Process

Marketing and Pricing the Bonds



Active Pre-marketing

- Investment Broker Prospecting
- Branch manager memorandum
- Sales force conference call



Wide Distribution

- Institutions
- Banks
- Individual Investors



Borrowing Process

Bond Pricing – Who does what?

- Financial Advisor & Underwriter Roles
 - Underwriter is the Auctioneer
 - Municipal Advisor is the Structure & Price Checker

Auction Process – Some fun slides:

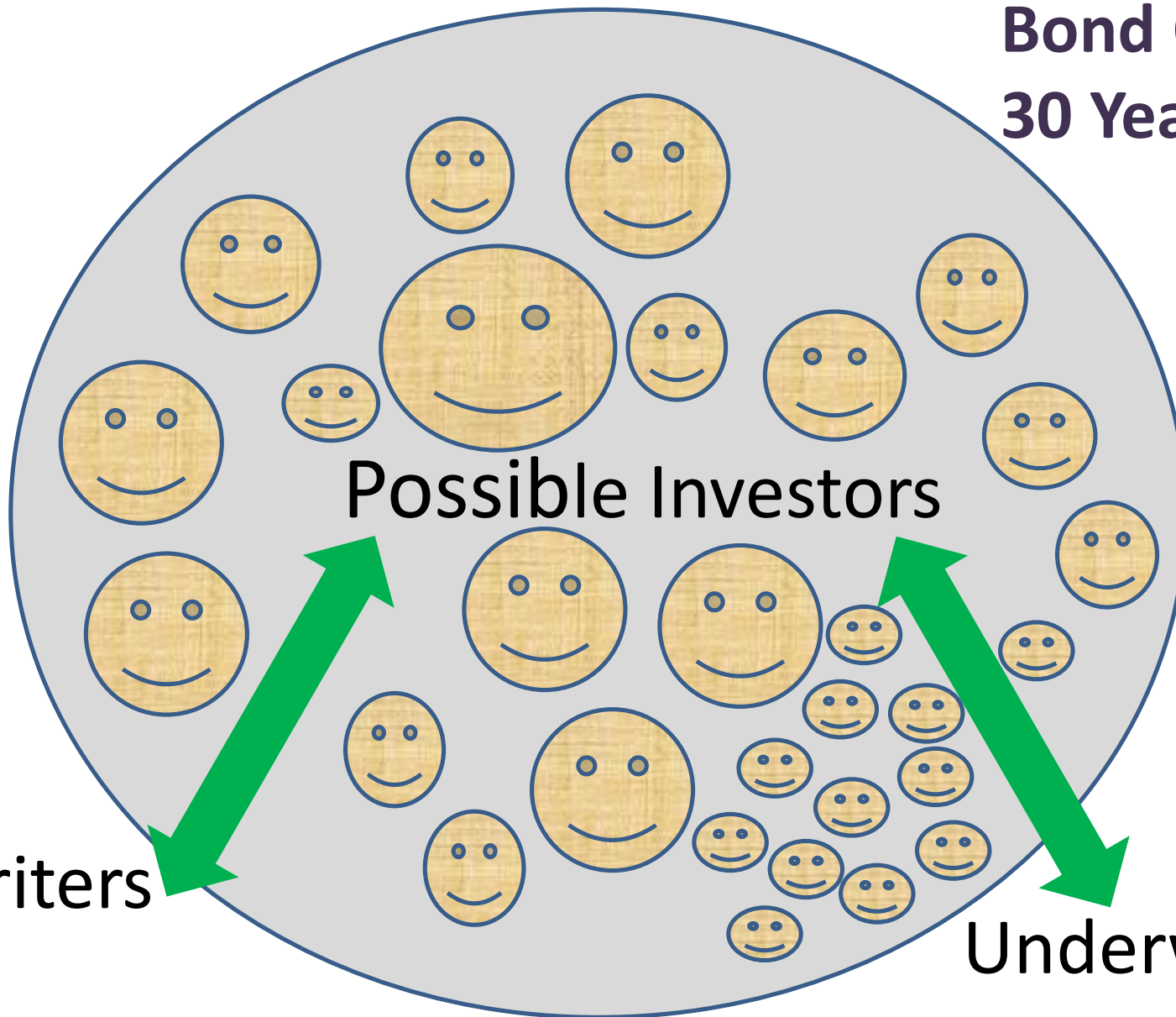
Borrowing Process

BOND SALE AUCTION ANALOGY – **PRE-SALE**

\$25,000,000

**Bond Offering –
30 Year Bonds**

**4.5%
Average
Interest
Rate**



Underwriters

Underwriters

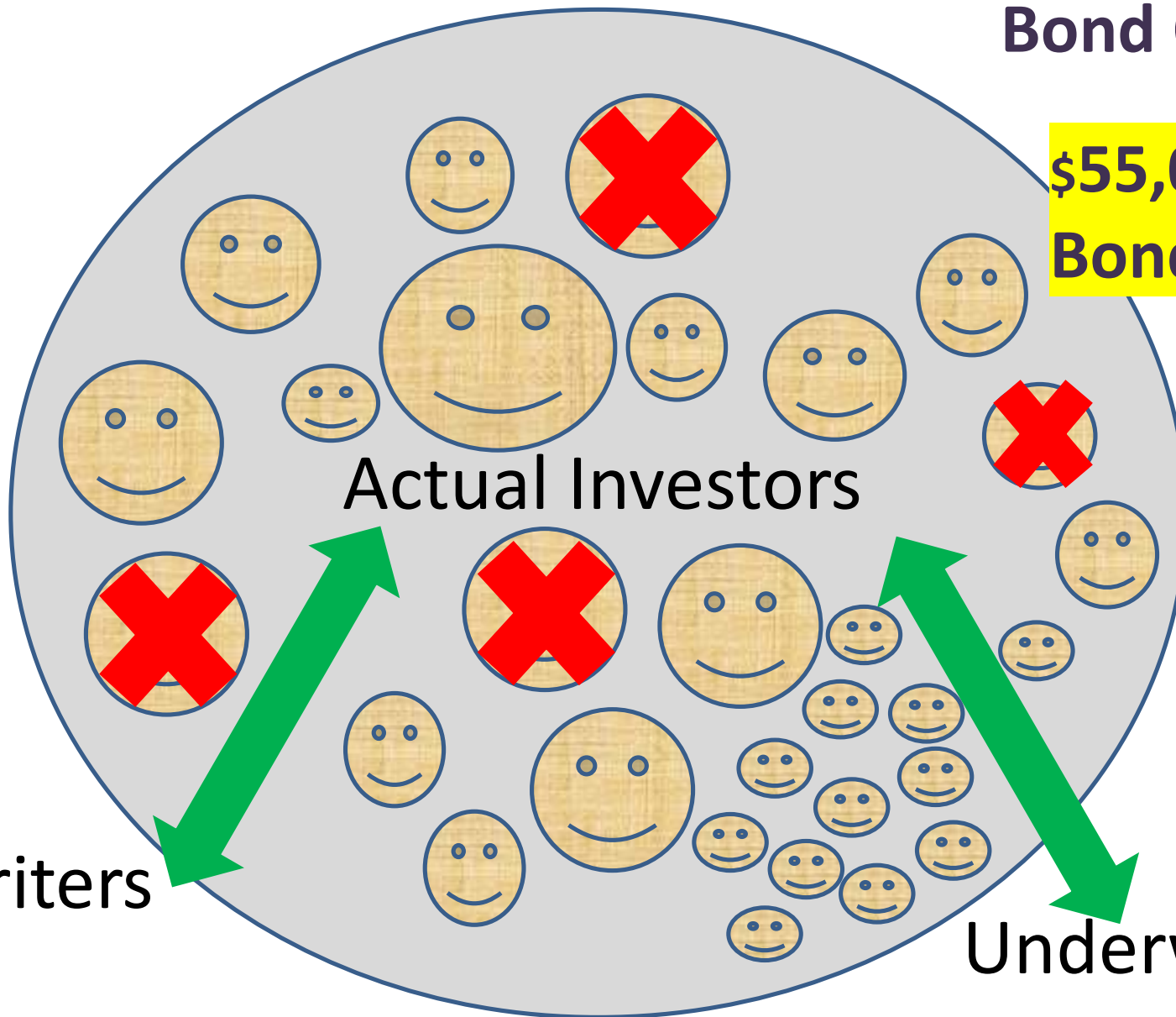
Borrowing Process

BOND SALE AUCTION ANALOGY – **Sale Date**

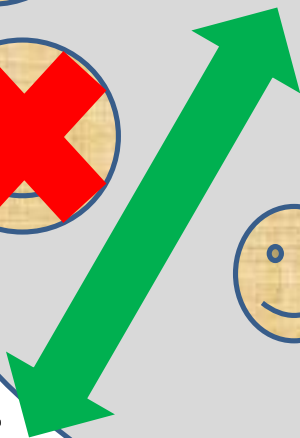
\$25,000,000
Bond Offering

\$55,000,000
Bond Orders!!

4.5%
Average
Interest
Rate



Actual Investors



Underwriters

Underwriters

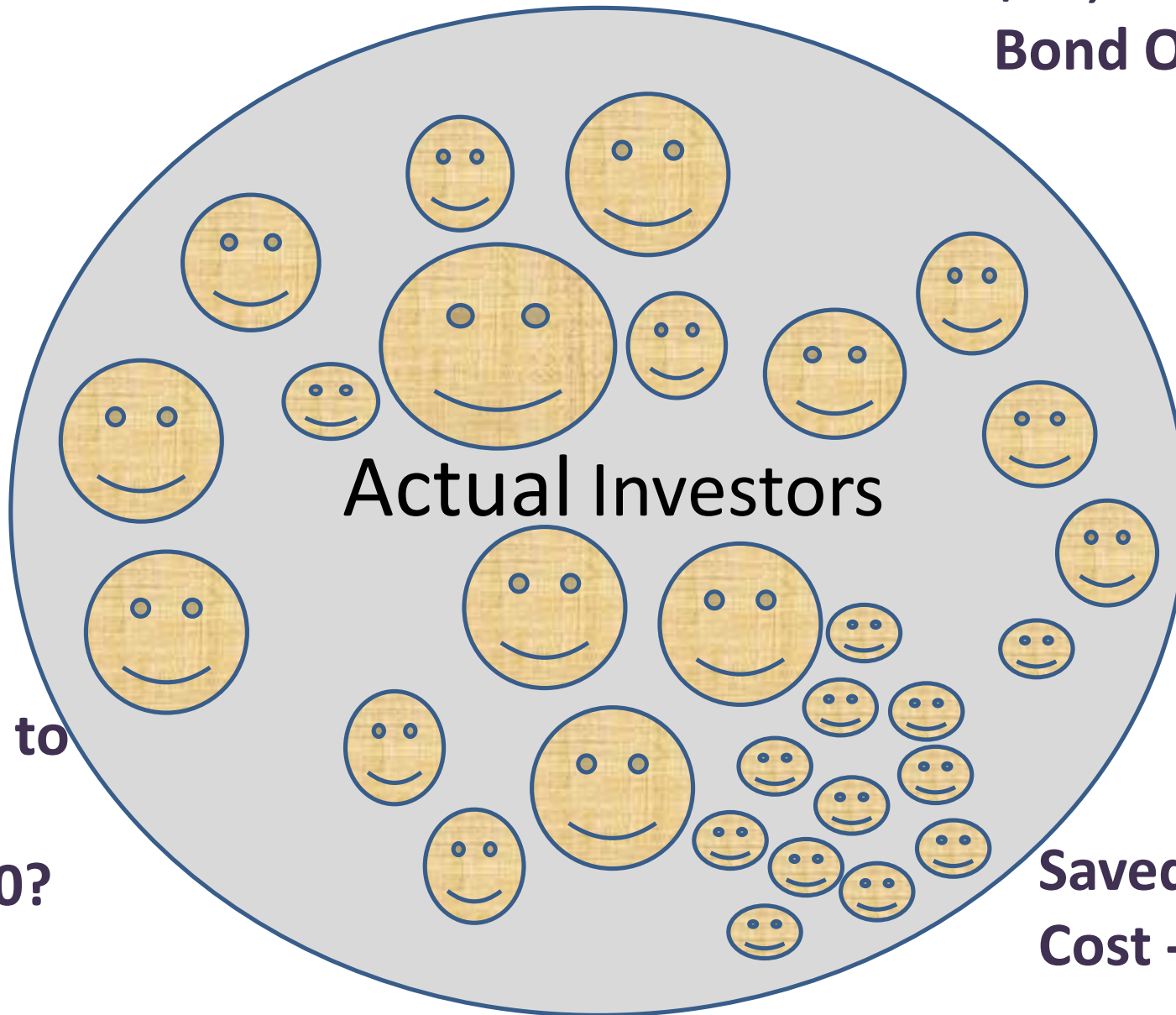
Borrowing Process

BOND SALE AUCTION ANALOGY – Final Results

~~4.5%~~
4.4%

Average
Interest
Rate

\$22,000,000
Bond Orders

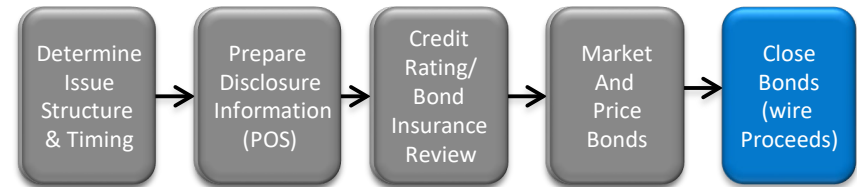


What
happened to
the other
\$3,000,000?

**Saved interest
Cost - \$400,000**

Borrowing Process

Closing the Bond Issue



Closing Activities

- Underwriter wires funds to issuer
- Issuer confirms to the underwriter that all wires are received
- Bond counsel confirms everything is in place for closing
- Underwriter and Paying Agent call DTC (Depository Trust Company) to release the bonds to investors

Section 5

COMPLIANCE

Compliance

Continuing Disclosure

SEC Rule 15c2-12 Municipalities Continuing Disclosure Cooperation

- Issuers required to make disclosures to Nationally Recognized Municipal Security Information Repositories (NRMSIRs) and State Information Depository (SID) – Ohio Municipal Advisory Council regarding finances and debt on a regular basis.
- After July 1, 2009 disclosure must be made electronically to Electronic Municipal Market Access (EMMA) part of the MSRB
- Underwriters required to ensure issuers comply otherwise they can't underwrite the debt.
- In Ohio, bond counsel generally assists issuers to ensure compliance.
- MSRB's EMMA system helps issuers file disclosure and determine whether they are up-to-date.
 - <http://www.msrb.org/EducationCenter/Issuers/Disclosing.aspx>

Compliance

Regulation Update

Dodd Frank

- Requires that municipal advisors have a fiduciary duty to issuers
- Limits advice provided by underwriters until they are engaged or subjected to an RFP process

New issue price regulations

- Aimed at abuses in the calculation of arbitrage yields (Effective on June 7, 2017)
- Actual Sales Test Adopted for Publicly Offered Bonds
 - 10% of issue ACTUALLY Sold, not just expected to be sold
- Special Rule for Use of Initial Offering Price to the Public
- Special Rule for Competitive Sales
 - Must get at least 3 bids otherwise subject to special rules

Compliance

Looking to GFOA's Best Practices

GFOA Debt Management Policy Best Practices <http://www.gfoa.org/debt-management-policy>

GFOA Debt Issuance Checklist: Considerations When Issuing Bonds

<http://www.gfoa.org/sites/default/files/u2/GFOADebtIssuanceChecklistConsiderationsWhenIssuingBonds.pdf>

GFOA Government Finance Review Articles:

- **Ensuring a Successful Bond Sale** http://www.gfoa.org/sites/default/files/GFR_FEB_10_16.pdf
- **Back to Basics: What Every Government Should Check Each Time It Issues Debt**
http://www.gfoa.org/sites/default/files/GFR_FEB_10_30.pdf
- **Best Practices Optimize Debt Management** http://www.gfoa.org/sites/default/files/GFR_FEB_13_8.pdf

National Bond Lawyers/GFOA Post Issuance Compliance Checklist

<http://www.gfoa.org/sites/default/files/u2/PostIssuanceCompliance.pdf>

Municipal Securities Rulemaking Board www.msrb.org

GFOA Debt Management Policy Best Practices <http://www.gfoa.org/debt-management-policy>

MSRB's Electronic Municipal Market Access system (EMMA) <http://emma.msrb.org>

Important Disclosures

- For Bradley Payne LLC's (dba, Bradley Payne Advisors) SEC registration information, see: <https://www.sec.gov/edgar/searchedgar/companysearch.html>
- *Heather Arling is a Registered Municipal Advisor with the Securities & Exchange Commission. (For MSRB's Regulatory Notice and description for G-42 duties, please see: <http://www.msrb.org/~media/Files/Regulatory-Notices/Announcements/2016-03.ashx?la=en>)*