

TO: BOARD OF EDUCATION

MEETING DATE: September 16, 2015

FROM: Malliga Tholandi

AGENDA ITEM: D-501

Staff Support: Sandi Burgoyne

SUBJECT: APPROVAL OF UNDERWRITER POOL FOR SPECIAL TAX REVENUE BONDS

- Action
- Consent Calendar
- First Reading
- Information
- Presentation
- Public Hearing
- Roll Call Vote Required

RECOMMENDATION:

That the Board approve the firms listed below as Underwriters for Special Tax Revenue Bond issuances.

DISCUSSION/PROGRAM:

In accordance with Board Policy Section 6.37, staff was requested to complete a Request for Qualifications (RFQ) process for underwriter services. Underwriting firms selected will be eligible to be considered for future special tax revenue bonds, notes, and/or other debt obligations.

The focus of the RFQ was on future special tax revenue bonds since it is a highly specialized form of K-12 financing. The District does not have the ability to issue future general obligation bonds, therefore, all future issuances will be solely on special tax revenue bonds. Any other types of transactions (Tax and Revenue Anticipation Notes – TRANS, loans and/or leases) are handled internally by the Associate Superintendent of Business Support Services.

The RFQ advertisements were placed on the Coalition of Adequate School Housing (CASH) website and the California Association of School Business Administrators (CASBO) website from May 22, 2015 through June 19, 2015. In addition to the above publications, the District Financial Advisor, Fieldman Rolapp & Associates, provided RFQs directly to the following underwriting firms:

Citi	Morgan Stanley	RBC Capital Markets
George K. Baum	Piper Jaffray & Co.	Stifel, Nicolaus & Co., Inc.
J. P. Morgan	Raymond James	Southwest Securities

The deadline for submittal of a Statement of Qualification (SOQ) was Friday, June 19, 2015.

Continued...

**LEGAL REFERENCE: Board Policy 6.37
California Government Code Section 53060**

FISCAL IMPACT: N/A

MOVED BY: _____ **SECONDED BY:** _____

VOTE: BEATTY ____ O'CONNOR-RATCLIFF ____ PATAPOW ____ SELLERS ____ ZANE ____ **STUDENT PREFERENTIAL VOTE:** PUJAR ____

Firms were required to provide the District with detailed information regarding their qualifications in providing California K-12 school districts with underwriting services specifically related to Mello Roos Community Facilities District Special Tax Revenues.

The SOQs were evaluated based on the following:

- Demonstrated understanding of and responsiveness to the Request for SOQs
- Qualifications and experience of firm and personnel named in the SOQ
- Competence and experience of assigned staff in structuring and completing California K-12 school district financings
- Past experience in assisting California K-12 school districts with the financial information necessary for the successful issuance of Special Tax Revenue bonds

The District received two (2) responsive SOQs by the June 19, 2015 deadline:

- Piper Jaffray
- Stifel, Nicolaus & Company, Incorporated

In addition to the above responsive SOQs, staff received communications from Raymond James and RBC Capital Markets thanking the School District for the opportunity to respond. They did not submit a responsive SOQ due to the School District's specific requirements for land-secured financing. The School District's scope of services, the same as for the financial advisor RFQ, was *"any firm responding to this SOQ must have provided Special Tax Revenue services to other local K-12 educational agencies ("LEAs") in the State of California for a minimum of ten (10) transactions for no less than five (5) LEAs between the calendar year of 2010 through the date of this Request."* While this may appear to have been too narrow or restrictive, when analyzing the number of transactions completed by the School District in the same timeframe (18 transactions between 2010 and 2015; fifteen (15) of those transactions were land-secured financings for a total of \$444 million and three (3) were general obligation refundings for a total of \$283 million), the requirements fall within the experience requirements of the School District.

There are a limited amount of qualified underwriters in California that provide services for K-12 land secured debt. This landscape is shrinking as the larger firms absorb smaller agencies as a result of the impact of increased regulatory burden imposed on U.S. financial services firms since the enactment of the Dodd-Frank Act in 2010. Stifel acquired Stone and Youngberg in 2011 and most recently, De La Rosa (both firms that were active in the land secured market). Prior to that, Piper Jaffray acquired bankers from several firms, including UBS, who had specialized in land secured financings.

Land secured financings are unique and require a specialized skill set and knowledge of a specific segment of the market. In order to get the lowest cost of borrowing for the School District, it is important to work with firms that have the specialized skill set needed to sell land secured debt.

As the agent from Raymond James shared in an e-mail to staff, *"the School District has a very well-established, very serious land-secured financing program and you need an experienced team."*

With the Board's approval, staff will work with these two firms and if there is the opportunity to structure a transaction using a co-manager, staff recommends reaching out to Raymond James or RBC Capital Markets.

TO: BOARD OF EDUCATION

MEETING DATE: September 16, 2015

FROM: Malliga Tholandi

AGENDA ITEM: D-502

Staff Support: Sandi Burgoyne

**SUBJECT: APPROVAL OF RESOLUTION NO. 07-2016 ENTITLED,
"APPOINTING AND EMPLOYING FINANCIAL CONSULTANTS
IN CONNECTION WITH THE SALE OF COMMUNITY
FACILITIES DISTRICT NO. 15 (DEL SUR EAST)
IMPROVEMENT AREA 'C' SPECIAL TAX BONDS"**

- Action
- Consent Calendar
- First Reading
- Information
- Presentation
- Public Hearing
- Roll Call Vote Required

RECOMMENDATION:

That Resolution No. 07-2016, with respect to the issuance of Infrastructure Bonds for Community Facilities District No. 15, Improvement Area 'C' Special Tax Bonds, be approved.

DISCUSSION/PROGRAM:

In accordance with Article III, Section 3.1 of the Second Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement for Community Facilities District No. 15, Del Sur East, Standard Pacific Corporation (the "Owner") has requested that the School District proceed with the issuance of their Improvement Area 'C' Special Tax Bonds.

The School District, has been working with the Owner in developing a detailed timeline for the issuance of the Improvement Area 'C' Special Tax Bonds. Due to the quicker than expected sale of product in Improvement Area 'C,' the Owner has requested that the bonds be sold prior to December 2015 in order to meet financial expectations in the Standard Pacific Business Plan.

The Owner has acknowledged that the School District recently completed a RFO process to create a pool of underwriters for future land secured debt transactions. The Owner requests that the School District select Stifel for this transaction due to their: (1) familiarity with this project; (2) success with other land secured transactions; and (3) satisfactory execution on the refundings the School District recently completed.

While the School District has selected a pool of underwriters and has considered using co-managers on future transactions, this transaction is not large enough to use more than one underwriter. School District staff has sought input from the School District's financial advisor and they are in agreement that Stifel has marketed this project to investors in the past and, therefore, has the best credentials to underwrite this series of bonds.

Continued...

**LEGAL REFERENCE: Board Policy 6.37
California Government Code Section 53060**

FISCAL IMPACT: N/A

MOVED BY: _____ **SECONDED BY:** _____

VOTE: BEATTY ____ O'CONNOR-RATCLIFF ____ PATAPOW ____ SELLERS ____ ZANE ____ **STUDENT PREFERENTIAL VOTE: PUJAR** ____

Both parties are confident that Stifel has the best experience in underwriting land secured bonds and has the best marketing and distribution capabilities and will be able to obtain the lowest interest cost for the taxpayers of the District.

Legal documents authorizing the sale of CFD No. 15 IA-C Special Tax Bonds will be brought to the October 19, 2015, Board meeting.

Resolution No. 07-2016 is attached.

Poway Unified School District

RESOLUTION NO. 07-2016

APPOINTING AND EMPLOYING FINANCIAL CONSULTANTS IN CONNECTION WITH THE SALE OF COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA 'C' SPECIAL TAX BONDS

ON MOTION of Member _____, seconded by Member _____, the following Resolution is adopted:

WHEREAS, it is in the best interests of the School District to explore refunding opportunities on outstanding bonds of various community facilities districts when market conditions are favorable, and;

WHEREAS, current market conditions are currently conducive to realizing significant savings as evidenced by comparable special tax bond pricings of other public agency issuances, and;

WHEREAS, in order to take advantage of current market conditions, the School District desires to utilize certain consultants, and;

WHEREAS, all acts, conditions, and things required by the Constitution and laws of the State of California exist, to have happened, and to have been performed precedent to and in connection with the actions authorized hereby do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to undertake such actions for the purpose, in the manner, and upon the terms herein provided;

WHEREAS, NOW, THEREFORE, IT IS HEREBY RESOLVED AND ORDERED that:

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. **Best, Best and Krieger, LLP**, is hereby appointed as the School District's Bond Counsel and is currently under contract with the School District for the provision of services as the School District's Bond Counsel.

Section 3. **Dolinka Group, LLC**, is hereby appointed as the School District's Special Tax Consultant and is currently under contract with the School District for the provision of services as the School District's Special Tax Consultant.

Section 4. **Fieldmann Rolapp** is hereby appointed as School District's Financial Advisor. The Superintendent, or his designee, is hereby authorized and directed, for and in the name and on behalf of the School District, to enter into a contract with Fieldman Rolapp, for the provision of services as School District's Financial Advisor.

Section 5. **Stifel, Nicolaus & Company, Incorporated** OR **Piper Jaffray** is hereby appointed as the District's Underwriter. The Superintendent, or his designee, is hereby authorized and directed, for and in the name and on behalf of the School District, to enter into a contract with Stifel, Nicolaus & Company, Incorporated or **Piper Jaffray** for the provision of services as the School District's Underwriter.

Section 6. **McFarlin & Anderson, LLP**, is hereby appointed as the School District's Special Disclosure Counsel. The Superintendent, or his designee, is hereby authorized and directed, for and in the name and on behalf of the School District, to enter into a contract with McFarlin & Anderson, LLP, for the provision of services as the School District's Special Disclosure Counsel.

Section 7. **Zions' First National Bank** is hereby appointed as the School District's Trustee and is currently under contract with the School District for the provision of services as the School District's Trustee.

Section 9. **Stephen G. White, MAI**, is hereby appointed as the School District's Real Estate Appraiser. The Superintendent, or his designee, is hereby authorized and directed, for and in the name and on behalf of the School District, to enter into a contract with Stephen G. White to should a current appraisal be required.

Section 11. The Superintendent, or his designee, is hereby authorized and directed, jointly and severally, to do any and all things, which are necessary or advisable in order to carry out, give effect to, and comply with the terms and intent of this Resolution.

Section 12. All actions heretofore taken by the officers, employees, and agents of the District with respect to the issuance of debt to ensure are hereby approved, confirmed, and ratified.

Section 13. This resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED on September 16, 2015, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO)

This is to certify that the foregoing document is a true copy of the Resolution of the Board of Education of the Poway Unified School District of San Diego County.

Andy Patapow, Clerk of the Board of Education