

Technical Institute Bonding Process

Presentation to the Board of Education
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Bonding Process Overview

- 1) Approval of Project
- 2) Bond Issuance
- 3) Investing of Bond Proceeds
- 4) Disbursement of Funds
- 5) Payment of Debt Proceeds on Bonds

1) Approval of Project

- Technical Institute determines there is a need to bond for a project and receives approval from school board
- Technical Institute submits an application to the Director of the Division of Curriculum, Career and Technical Education (DCCTE) (ARSD 24:10:46:01)
- The application is reviewed by DCCTE Director, Governors Office/BFM and the Technical Institute Presidents/Directors and a recommendation is made
- The recommendation is brought to the BOE for approval
- The BOE votes whether to adopt a resolution for bonding based on the criteria in ARSD 24:10:46:02 (pending rule passage)
- Legislation is brought forward at next legislative session seeking approval of the project
- Legislature acts on the bill

2) Bond Issuance

- The SDHEFA Board approves the necessary SDHEFA Resolution & staff coordinates the bond issuance with Bond Counsel, the Underwriter, and the Trustee
- Bond Counsel prepares all necessary legal documents, including the Board Resolution authorizing the issuance of bonds
- The Underwriter prepares a financial analysis and sells the bonds to investors to meet the needs of the Project
- Bonds proceeds are deposited with the Trustee
- After bond issuance, the SDHEFA, Trustee, Department of Education, and Technical Institute personnel coordinate
 - investing bond proceeds,
 - disbursement of funds,
 - payment of debt service on bonds, and
 - other requirements of compliance for the bond issue

3) Investing of Bond Proceeds

- The BOE signs a resolution authorizing the directing of investment of bond proceeds during the construction period
 - Director of DFM is currently authorized
- DOE consults with the Technical Institutes on the timing of investment maturities to coincide with when funds will be needed
- DOE invests funds through First National Bank in Sioux Falls
- At this time funds can only be invested in US Treasuries and Government Agencies instruments
 - SDCL 1-16A-19
 - Bond indenture document

4) Disbursement of Funds

- Technical Institute submits a Certificate of Requisition requesting reimbursement of funds from the applicable project account
- Requests are reviewed and approved by DOE
- Once approved, a Certificate with the Technical Institute representatives signature is sent to the Board of Education President
- The BOE President approves and signs the Certificate
- A signed copy of the Certificate is emailed to First National Bank in Sioux Falls
- The draw down request is processed by First National Bank
- A confirmation of draw down send to DOE and the Technical Institute
- Technical Institute submits a Completion Certificate at close of the project

5) Payment of Debt Service on Bonds

- Bond principal and interest payments are made twice a year
 - August 1 and February 1 of each year
- Funding comes from 3 sources:
 - State fees charged to students
 - State appropriation
 - Equal to or greater than 50% of the projected revenue from state fees charged to students for bond payments
 - Interest income

Responsibilities of BOE

- Resolution for approval of bonding projects
- Executing various documents required for the transaction, including:
 - Supplemental Lease Purchase Agreement
 - Amended Facility Fee & Collection Agreement
 - Supplemental General Pledge & Escrow Agreement
 - Supplemental Sublease with each School District
 - Bond Purchase Agreement
- Authorization for Directing of Investments
- Approval of draw down of funds by technical institutes
- Annual Certificate of Compliance and Adequate Debt Service Coverage
 - Shows that BOE is projecting debt service coverage in excess of 103%
- Resolutions to approve any changes in the use of bond proceeds
- Set state fees charged to students pledge for bond payments