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# Capital Financing for Small and Infrequent Issuers

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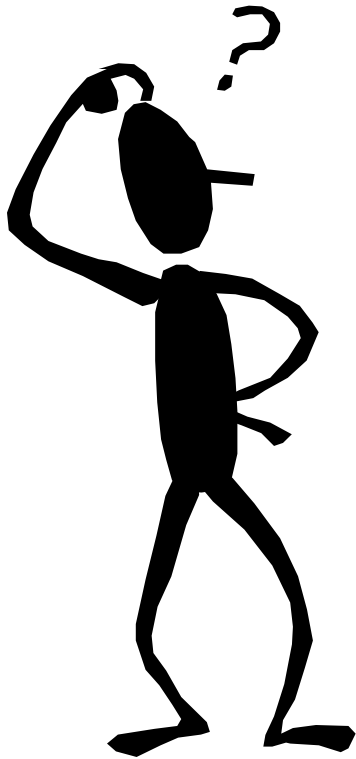
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# Why Finance?

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- Cash Basis Law
- Exceeding Limitations of the Cash Basis Law

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# Who is Involved in the Deal?

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- Government Entity
- Bond Counsel
- Financial Advisor
- Purchaser or Underwriter
- Trustee Bank (sometimes)



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# Basic Financing Steps

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1. Governing Body proposes capital project
2. Staff contacts Bond Counsel/Financial Advisor to discuss transaction, develop calendar of events
3. Governing Body acts to authorize project and financing
4. Financing team prepares necessary documentation and markets securities to prospective purchasers
5. Sale of securities completed; interest rate locked in
6. Governing Body approves sale of securities to specific purchaser
7. Documentation finalized; transaction approved by Attorney General, if necessary
8. Closing and delivery of funds to Issuer

***Plan Ahead: entire process can take 1-6+ months depending on complexity of project and financing***

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# Financing Options – Part I

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- **General Obligation Bonds**
- **Revenue Bonds**
  - Utility Revenue Bonds
  - Public Building Commission Revenue Bonds
  - Sales Tax Revenue Bonds
  - Industrial Revenue Bonds
  - Housing Revenue Bonds
  - Special Assessment Revenue Bonds
- **Short-Term Financing/Temporary Notes**

# Financing Options – Part 2

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- **Lease/Lease-Purchase Agreements**
  - State Law Authority
  - Practical Considerations
- **State Infrastructure Loans**
  - KDHE Programs for water and sewer
  - KDOT Transportation Revolving Fund
- **Economic Development Incentives**
  - Tax Increment Financing
  - Transportation Development Districts

# Statutory Debt Limitations

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- Limit on Bonded Indebtedness – K.S.A. 10-308
- General Exceptions – K.S.A. 10-309
- Revenue Bonds Excluded from computation – K.S.A. 10-311
- Other Exclusions – Lease Obligations/Revolving Fund Loans
- Calculating Valuation for Debt Limitation Purposes

# “Bank Qualified” Obligations

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- Advantages
- Who is a Qualified Small Issuer?
  - Aggregation of Issuers
- Limitations on Amount of Designation
  - \$10,000,000 limit and exceptions

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# Competitive vs. Negotiated Sales

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- What's the difference?
- New law effective July 1, 2008:
  - New money general obligation bonds not more than \$2,000,000 may be sold on negotiated basis
  - Notice of Intent to Seek Private Placement must be published in local paper and *Kansas Register* before bonds can be sold

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# Securities Laws

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- Rule 15c2-12 of the Securities and Exchange Commission
  - Requires annual reporting of certain financial information and operating data for some Issuers

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# Miscellaneous Matters

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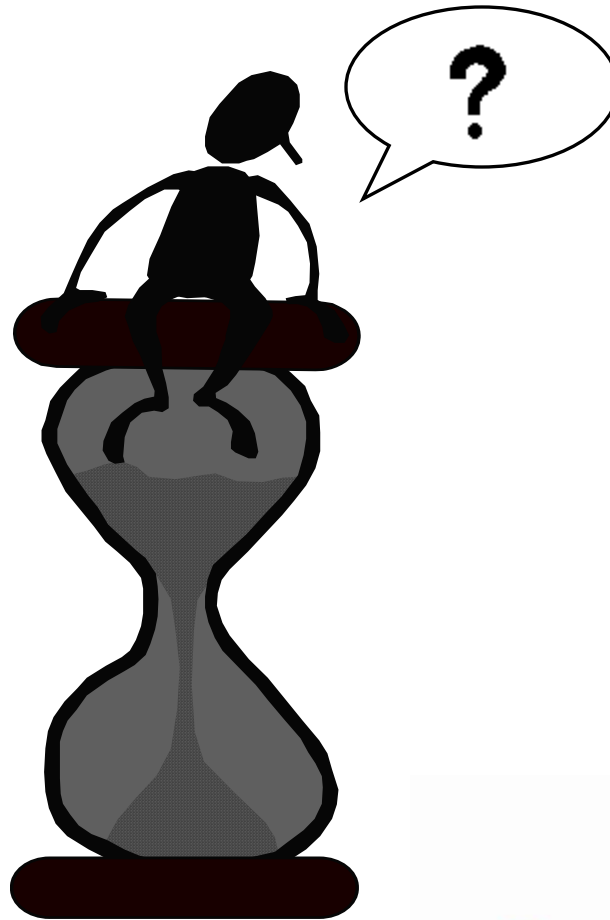
- Bond Ratings
- Bond Insurance
- Electronic Bidding
- Arbitrage Rebate

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# Questions?

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