



Division of Fiscal Services
Telephone (619) 691-5550
FAX (619) 425-3394

MEMORANDUM

DATE: October 22, 2015
TO: Karen Janney, Superintendent
FROM: Karen Michel, Chief Financial Officer *K. Michel*
RE: SUPERINTENDENT'S UPDATE – Due Diligence Status

The following Due Diligence status update is being provided at the request of a Board Member.

On May 1, 2015, the attached memorandum regarding the Sweetwater Union High School District Public Financing Authority Special Tax Revenue Bonds, Series 2005A & 2005B, Disclosure Counsel Due Diligence Review was provided to Interim Superintendent Philip Stover.

The district has continued to work closely with Disclosure Counsel in this review and is in the process of scheduling a conference call. We anticipate this to be in the final stages of this examination and look forward to providing the Board with a final update to this item in the near future.

Please let me know if you have any questions.

KM:cz

Attachments




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MEMORANDUM

DATE: May 1, 2015

TO: Philip Stover, Interim Superintendent

FROM: Karen Michel 
Chief Financial Officer

RE: **SUPERINTENDENT'S UPDATE – Sweetwater Union High School District Public Financing Authority Special Tax Revenue Bonds, Series 2005A & 2005B, Disclosure Counsel Due Diligence Review**

The following information is being provided as a briefing regarding the Due Diligence Review item scheduled for the May 11, 2015, Board Meeting.

BACKGROUND INFORMATION

The Sweetwater Union High School District ("School District"), acting through the Sweetwater Union High School District Public Financing Authority ("Financing Authority"), previously took action in 2005 to provide for the issuance of two series of Special Tax Revenue Bonds, designated as:

- \$66,385,000 (Initial Principal Amount) Sweetwater Union High School District Public Financing Authority Special Tax Revenue Bonds, Series 2005A; and
- \$15,180,000 (Initial Principal Amount) Sweetwater Union High School District Public Financing Authority Subordinate Special Tax Revenue Bonds, Series 2005B.

The 2005 Revenue Bonds were issued to finance certain facilities projects of the School District. This included the School District's High School No. 13 project.

Prior Board Action

As previously identified to the Board of Trustees of the School District ("District Board"), given the current interest rate environment, there is an opportunity to potentially refinance the 2005 Special Tax Revenue Bonds with resulting debt service savings. Based on information presented to the District Board, the District Board adopted Resolution No. 4335 ("Resolution No. 4335") on January 25, 2015, authorizing certain initial matters and actions to prepare for, and facilitate, such refinancing. Resolution No. 4335 authorized the School District to retain various consultants and undertake various actions to pursue the above-referenced refinancing opportunity.

CURRENT INFORMATION

During the review process for the 2015 Refinancing involving School District legal counsel, financial advisor and other involved parties, issues were identified relative to the expenditure of proceeds relating to the 2005 Revenue Bonds. After consulting with the School District's finance team, it was determined that the law firm of Orrick, Herrington & Sutcliffe LLP ("Orrick"), as disclosure counsel, undertake a due diligence review to identify any existing federal tax matters relating to the tax-exempt status of the 2005 Revenue Bonds, actions that might be undertaken in advance of proceeding with the 2015 Refinancing and related matters.

Pursuant to the authorization provided in Resolution No. 4335 (attached), Orrick was tasked with undertaking the due diligence review and provide a written report to the School District and other members of the School District financing team so that an identification of the pending federal tax issues could be completed. The 2015 Refinancing could then be taken based upon the results of the due diligence review. During the initial due diligence review process Orrick identified a number of potential issues which need to be researched and documented. School District financial and accounting staff has been involved with this due diligence review effort.

Orrick has identified a not-to-exceed budget amount for its due diligence review services, furnished as disclosure counsel to the School District, as \$35,000. Orrick has committed to the School District financial staff that the total cost of these services will not exceed \$35,000. The School District's Financial Advisor and Bond Counsel (Bowie, Arneson, Wiles & Giannone) have concurred that the due diligence review needs to be undertaken and completed prior to moving forward with actions for the 2015 Refinancing. It is anticipated that the costs incurred by Orrick for the due diligence review will be paid for as a cost of issuance from funds generated as part of the 2015 Refinancing.

School District financial staff is of the view that the due diligence review is necessary for the above-referenced reasons and recommends authorization for an expenditure of not-to-exceed \$35,000 to complete the due diligence review referenced above.

KM:cz

Attachment(s): Resolution 4335

SWEETWATER UNION HIGH SCHOOL DISTRICT

RESOLUTION NO. 4335

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE)
SWEETWATER UNION HIGH SCHOOL DISTRICT STATING)
INTENTION TO TAKE ACTION TO EXECUTE AND DELIVER)
CERTIFICATES OF PARTICIPATION OR PARTICIPATE IN A LEASE)
FINANCING TRANSACTION AS PART OF REFINANCING OF)
CERTAIN SECURITIES OF THE SWEETWATER UNION HIGH)
SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY,)
AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH,)
RETAINING AND CONFIRMING RETENTION OF CERTAIN)
CONSULTANTS AND PROFESSIONAL SERVICES IN CONNECTION)
THEREWITH, MAKING CERTAIN FINDINGS, AMENDING)
RESOLUTION NO. 4158 AND TAKING RELATED ACTIONS)**

ON THE MOTION OF Member Segura, seconded by Member Pike, the following resolution was adopted:

WHEREAS, the Board (as defined below) has been presented with certain information concerning the refinancing of certain outstanding securities and obligations of the Sweetwater Union High School District ("District") and the Sweetwater Union High School District Public Financing Authority ("Authority"); and

WHEREAS, based on information presented to the Board, the District and Authority may, under current circumstances and market conditions, be able to achieve a debt service savings by refinancing the Authority's Special Tax Revenue Bonds, Series 2005A and/or 2005B (collectively, the "Prior Bonds"), which are secured for repayment through lease obligations of the District and special revenues levied and collected through various community facilities districts formed by the District pursuant to provisions of the Mello-Roos Community Facilities Act of 1982, as amended (the "Mello-Roos Act"), such refinancing actions being collectively referred to herein as the "2015 Refinancing"; and

WHEREAS, in order to proceed with the 2015 Refinancing, it is desirable for the District to take and authorize certain actions, retain and confirm the retention of certain consultants and professional services, ratify certain actions previously taken and make certain findings, all as set forth herein; and

WHEREAS, the Board of Trustees of the Sweetwater Union High School District ("Board") did adopt Resolution No. 4158 on July 23, 2012, to, among other actions, appoint financial and legal consultants to assist with the possible issuance of certificates of participation or bonds to refund certain previously issued securities; and

WHEREAS, the District has received certain proposals and contracts from consultants and firms for services to be used in connection with the 2015 Refinancing, which the District staff and Board have considered; and

WHEREAS, California Education Code ("Education Code") Section 17150.1(a) requires that not less than 30 days prior to the action of a school district's governing board to approve the execution and delivery of certificates of participation or lease financing transactions, notification and documentation must be provided to certain county officers.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Trustees of the Sweetwater Union High School District of San Diego County, California, as follows:

SECTION 1. Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference.

SECTION 2. Actions in Compliance with Education Code Requirements.

(a) The Board hereby determines and directs that this Resolution shall not constitute action to approve the 2015 Refinancing for purposes of Education Code Section 15150(a). Such approval shall be taken by one or more subsequent resolutions of this Board at a later date.

(b) District staff and consultants are hereby authorized to provide notice of the proposed 2015 Refinancing for purposes of Education Code Section 15150(a), and the furnishing of supporting documentation, to the San Diego County ("County") offices and officers. The District's Interim Superintendent, Chief Financial Officer, and their respective designees (each a "Designated Officer") and the District's consultants are hereby authorized to take such other and further actions as may be necessary or desirable in such regard.

SECTION 3. Actions in Support of the 2015 Refinancing. The Board hereby authorizes and ratifies the following actions by District staff and consultants in support of the 2015 Refinancing:

(a) Research, preparation and furnishing of title information for the delivery of necessary title insurance on the leased premises in connection with the 2015 Refinancing (including, but not limited to, actions to clear title encumbrances);

(b) Collection of information, furnishing of information and presentation(s) for the purposes of securing necessary ratings and/or a policy of municipal bond insurance in connection with the 2015 Refinancing;

(c) Identification of, and securing of valuation information for, the leased premises for the lease transaction(s) in connection with the 2015 Refinancing.

SECTION 4. Determination Under CEQA. The Board hereby determines that the adoption of this Resolution, the actions authorized and approved herein and the 2015 Refinancing is not a "project" for purposes of the California Environmental Quality Act (CEQA), Division 13 (commencing with Section 21000) of the Public Resources Code and directs the Clerk of the Board to execute, post and file (or arrange for such actions to be completed) a Notice of Exemption pursuant to the provisions and requirements of CEQA.

SECTION 5. District Consultants, County Costs and Other Costs.

(a) The Designated Officer is authorized and directed to contract for consultant and professional services, including, but not limited to, legal and financial services, as specified below in connection with the 2015 Refinancing. The Designated Officer is authorized and directed to enter into, execute and deliver services agreements with such consultants.

(i) Resolution No. 4158 is hereby amended to substitute Springsted, Inc., as Financial Advisor thereunder for purposes of the 2015 Refinancing.

(ii) The Board hereby states its intention to utilize the services of Mesirow Financial, Inc., as Underwriter for the 2015 Refinancing.

(iii) The Board hereby authorizes the retention of the firm of Bowie, Arneson, Wiles & Giannone to act as Special Counsel/Bond Counsel to the District and the Authority relative to the 2015 Refinancing.

(iv) The Board hereby authorizes the retention of the firm of Orrick, Herrington & Sutcliffe to act as Disclosure Counsel to the District and the Authority relative to the 2015 Refinancing.

(v) The Board hereby approves the appointment of MUFG Union Bank, N.A., to act as Trustee and Escrow Agent for the 2015 Refinancing.

(b) That this Board authorizes the payment to the County or County's staff out-of-pocket expenses and other County costs in connection with the County's support of, and participation in, the 2015 Refinancing.

(c) The Interim Superintendent, or the Designated Officer, of the District is authorized and directed to contract for such other and further services, including legal, title insurance, financial, information services for the Official Statement and related

professional services, or as otherwise necessary so the District may proceed with, and complete, the 2015 Refinancing as set forth herein.

The Interim Superintendent, or the Designated Officer, of the District is authorized and directed to contract for such other and further services, including legal, financial and related professional services, as otherwise consistent with the provisions of Resolution No. 4158, or as otherwise necessary so the District may proceed with, and complete, the execution, delivery and sale of the 2015 Refinancing as set forth herein.

SECTION 6. Other Provisions of Resolution No. 4158. Except as expressly provided herein, all other terms of Resolution No. 4158 remain in full force and in effect.

SECTION 7. Other Actions. The Designated Officer(s), and the other officers and staff members of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which in consultation with the staff, Financial Advisor, Special Counsel/Bond Counsel, Disclosure Counsel or the Underwriter, they may deem necessary or advisable in order to consummate the sale and delivery of the Certificates, or otherwise to effectuate the purposes of this Resolution, and any such actions previously taken by such officers are hereby ratified and confirmed. Such actions include, but are not limited to, the retention or contracting for services which are necessary or desirable for the 2015 Refinancing.

SECTION 8. Prior Actions Ratified. All actions heretofore taken by the officers, employees and agents of the District with respect to the transactions set forth above are hereby approved, confirmed and ratified.

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SECTION 9. Effective Date. This Resolution shall take effect upon adoption.

PASSED AND ADOPTED by the Board of Trustees of the Sweetwater Union High School District, County of San Diego, State of California, this 26th day of January, 2015, by the following vote:

AYES: 5 (HALL, PIKE, SEGURA, SOLIS, TARANTINO)
NOES: 0
ABSTAIN: 0
ABSENT: 0

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN DIEGO)

I, Deanne Vicedo, Clerk of the Governing Board of the Sweetwater Union High School District of San Diego County, State of California, do hereby certify that the foregoing is a true copy of a resolution adopted by the board at a regular meeting thereof, at the time and by the vote therein stated, which original resolution is on file in the office of said board.



Deanne Vicedo, Clerk

January 26, 2015
Date