

DRAFT

Managing Ongoing Responsibilities for  
Variable-Rate Financings and Swaps

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# What are a local government's responsibilities?

- Review and communicate performance of variable rate instruments
- Pay debt service and related financing fees
- Meet compliance requirements
- Meet disclosure requirements
- Monitor status of credit and liquidity
- Prepare budget projections
- Record retention

## Review performance

- Track periodic resets
- Compare performance to indices
- Compare performances between remarketing agents for similar credits
- Talk to remarketing agents

## Pay debt service and fees

- Use rate tracking sheet to validate invoices
- Request invoices early to avoid holiday periods
- (You can often) Negotiate with your trustee to pay monthly, instead of weekly

## Meet compliance requirements

- Bond documents typically require that liquidity/credit provider be copied on any compliance reporting
- Standby Agreement or Letter of Credit may also impose obligations
- Perform calculations for arbitrage rebate
- Coverage requirements may be different for variable rate bonds

## Meet disclosure requirements

- Bonds may be exempt from continuing disclosure

## Monitor status of credit and liquidity

- Be aware of facility expiration dates and renewal timelines
- Periodically collect information on current fee levels
- Weigh potential lower fees against costs for switching
- Be aware of alternative facility terms

# Prepare budget updates

- Goal is to maximize up-front budget capacity
- Short-term interest rates are easy, but Fed funds target is harder
- Goal is to project an average Fed funds target over a 52 week period
- Fed funds provide some insight into market
- Periodically compare actual vs. budgeted debt service



# Record retention

- Establish record retention requirements and procedures
- IRS record retention requirements
  - Term of bonds + 6 years
  - Types of records
- IRS website –
  - [www.irs.gov/taxexemptbond/index.html](http://www.irs.gov/taxexemptbond/index.html)

To get the advantages of certain complex debt instruments, you will need to actively manage your instruments.

These instruments are not for everyone.