



# SECURING FUNDING FOR YOUR CITY: BONDS, LOANS, AND NOTES

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City of West  
Richland's  
Police Facility



City of DuPont's  
Civic Center and  
City Hall



City of  
Washougal's  
Fire Station



## D.A. DAVIDSON & CO.

- We serve many cities, counties, and special districts in Washington State with bond financing or financial advising.
- Davidson has been ranked 1st in Washington State from 2013-2023 (based on the number of negotiated bonds completed). Source: Thomson Reuter.
- We provide a wide array of services with our analytics, credit rating insight and expertise, and bond pricing expertise.
- Our sales distribution network (with 45 institutional salespeople and 370 retail salespeople) work aggressively to achieve a low net borrowing cost for Washington municipalities.



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## JIM NELSON

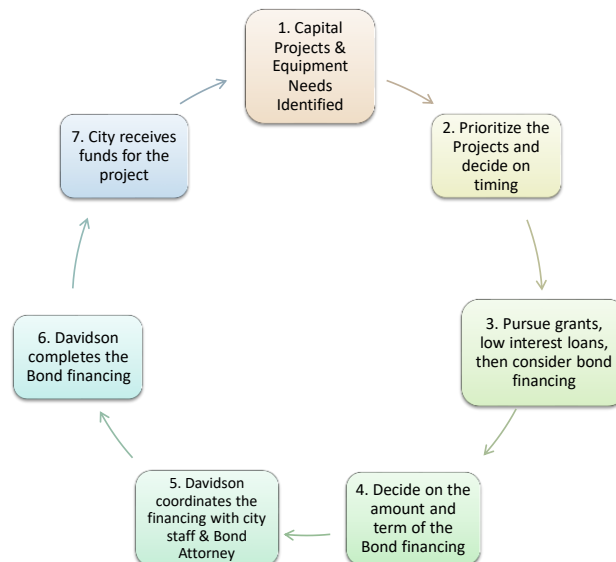


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- ❖ Jim serves as a Bond Underwriter or Financial Advisor.
- ❖ Focuses on municipal finance with cities, counties, water & sewer districts, fire districts, regional fire authorities, park & recreation districts, metropolitan park districts, hospital districts, as well as other special districts.
- ❖ Very experienced in structuring bond financings and rating presentations.
- ❖ Completed over 600 financings for a par amount in excess of \$6 billion.
- ❖ FINRA Series 50, Series 52 and Series 63 Licenses.
- ❖ B.A. from the University of Washington.
- ❖ 30 Years in Public Finance

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## OVERVIEW OF THE FINANCING PROCESS



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## PLANNING INFORMATION

### IRS Spend Down Requirements for Tax Exempt Bonds

A municipality must intend to spend 85% of bond proceeds within 36 months or less from the Delivery Date.

2025	2026	2027
1/1/25	1/1/26	1/1/27
2/1/25	2/1/26	2/1/27
3/1/25	3/1/26	3/1/27
4/1/25	4/1/26	4/1/27
5/1/25	5/1/26	5/1/27
6/1/25	6/1/26	6/1/27
7/1/25	7/1/26	7/1/27
8/1/25	8/1/26	8/1/27
9/1/25	9/1/26	9/1/27
10/1/25	10/1/26	10/1/27
11/1/25	11/1/26	11/1/27
12/1/25	12/1/26	12/1/27

### Bundling Concept

Consider bundling various capital improvements (i.e., property acquisition, building project, equipment purchases, etc.) into one financing to achieve economies of scale.



### Reimbursement Resolution

The IRS rule specifies that a Reimbursement Resolution must be approved by the municipality prior to the capital expenditure being paid or within 60 days from the date that money was expended (i.e., issue date of the check).



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## EXAMPLES OF THE TYPES OF BONDS



### UNLIMITED TAX GENERAL OBLIGATION BOND – Voted

Secured by the full faith, credit and taxing power of the municipality with a *special excess voter-approved bond levy*.



City of West Richland's Police Facility



### LIMITED TAX GENERAL OBLIGATION BOND - Non-voted

Secured by the General Fund. (Also known as “non-voted debt”. Any type of debt that is secured by the General Fund, is counted against the municipality’s Debt Capacity.)



City of DuPont's Civic Center/City Hall



### UTILITY SYSTEM REVENUE BOND

Revenue bonds are payable from a specific source of revenue from the System operations (i.e., Water, Sewer & Stormwater System charges).

Examples:  
City of Moses Lake  
City of Washougal  
City of Kelso  
City of Puyallup  
City of Bremerton  
City of Sequim  
City of Port Townsend



### LOCAL IMPROVEMENT DISTRICT “LID” BOND OR UTILITY LID BOND

Secured by the property assessments in the LID boundary that are receiving the benefits. The assessments cannot be greater than the improvement value.

Examples:  
City of Yelm – Killion Road  
City of North Bend – ULID No. 6 sewer improvements  
City of Fife – ULID sewer improvements

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## EXAMPLES OF THE TYPES OF SHORT-TERM FINANCINGS



### GRANT ANTICIPATION NOTE, REVENUE ANTICIPATION NOTE, BOND ANTICIPATION NOTE

Short-term (typically 3-years or less) issued in anticipation of future take-out bonds, collections of revenues, or receiving a grant.



### LINE OF CREDIT WITH A BANK

Similar to a Note, issued by a bank in the form of a line of credit.



### INTERFUND LOAN

Short-term borrowing from another fund of the city.



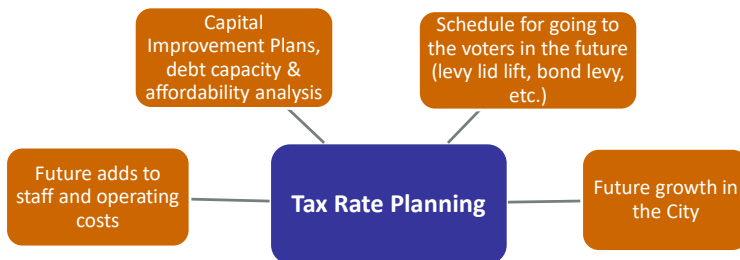
### CASH

Using cash or contributing cash for a project.

**TIP:** Consider a Reimbursement Resolution prior to spending the cash for capital improvements or equipment.

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## KEY FACTORS FOR TAX RATE PLANNING



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## CASE EXAMPLES

### FRANKLIN COUNTY AND CITY OF PASCO

Funded with a combination of grants, non voted bonds, and voted bonds. Built in phases (over a number of years) to develop property around Road 100. Local developer committed to building homes, retail centers, and a golf course adjacent to the city/county development.



### CITY OF MOSES LAKE'S AQUATIC CENTER

The City was able to afford the non voted bond payments from the increased sales tax revenues from various big box retailers. The aquatic center is considered one of the most successful outdoor aquatic centers in the Northwest.



### JEFFERSON COUNTY PORT HADLOCK WASTEWATER TREATMENT PLANT

The County received \$30,625,000 in grants from the State Dept. of Commerce, U.S. EPA, and WA State DOE. When the sewer improvements and wastewater plant are completed, the UGA will "be able to support housing, medical facilities, higher density multifamily residences, senior housing, and commercial and industrial development", according to The Leader, June 4, 2024. The County secured a 3-year line of credit from a bank.



### CITY OF MT. VERNON LIBRARY COMMONS PROJECT

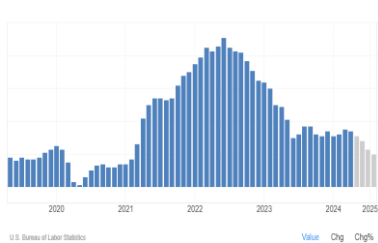
The City's multi-use project for a library, community center, parking garage, park and ride, and transit stop. Transportation Infrastructure Finance and Innovation Act (TIFIA) is providing the \$26.8MM taxable loan (2.39%, financed 35 years) for the first Transit Oriented Development (TOD) project in the nation. The loan is an LTGO debt of the City. Total project cost is \$54.75MM. The balance will be funded from various federal and state grants.



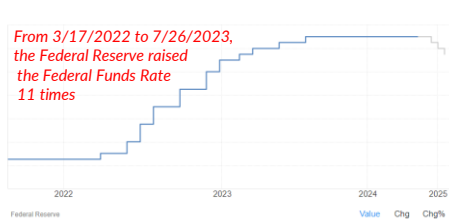
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## INFLATION & FEDERAL FUNDS RATE SOURCE: TRADINGECONOMICS.COM

**Inflation Rate** is expected to be 3.10% by the end of this quarter, according to Trading Economics global macro models and analysts expectations. **In the long-term, the United States Inflation Rate is projected to trend around 2.40% in 2025, according to our econometric models.**



**Federal Funds Rate:** The benchmark interest rate is expected to be 5.50% by the end of this quarter, according to Trading Economics global macro models and analysts expectations. **In the long-term, the United States Fed Funds Interest Rate is projected to trend around 4.25% in 2025 and 3.25% in 2026, according to our econometric models.**

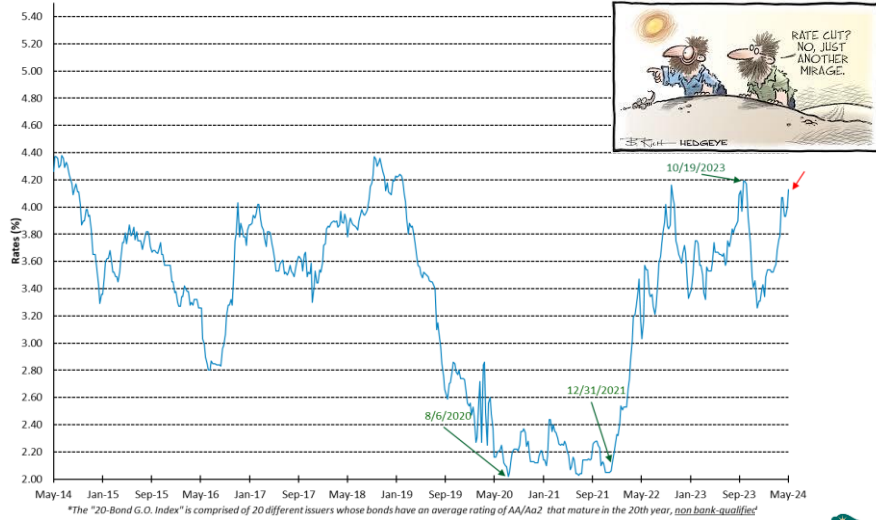


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## BOND MARKET – YIELDS IN THE 20<sup>TH</sup> YEAR

Source: *The Bond Buyer*

### Bond Buyer 20-Year General Obligation Index\* (10 year history) As of 5/31/2024



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## BOND RATING

A higher rating results in lower interest rates.

Investors view the rating as an indication of risk.



Source: D.A. Davidson & Co.

	S&P	Moody's
Highest/Best Quality	AAA	Aaa
High Investment Grade	AA+	Aa1
	AA	Aa2
	AA-	Aa3
Medium Investment Grade	A+	A1
	A	A2
	A-	A3
Low Investment Grade	BBB+	Baa1
	BBB	Baa2
	BBB-	Baa3

Source: S&P Global Ratings and Moody's Investors Service

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## HELPFUL TIPS



Plan ahead for your capital improvements.



For voted bonds, start your **community outreach plan/voter education plan** 12-24 months prior to the election date.



Consider a **Reimbursement Resolution** if you are spending cash related to a project.



Have a **long-term perspective** on future infrastructure projects and capital improvements for the city.

## DAVIDSON'S PUBLIC FINANCE TEAM

**Mark Froio** (Senior Vice President) - Bond Underwriter with extensive market knowledge and experience to achieve lower interest rates. (Mark has 37 years of experience.)

**Maura Lentini** (Senior Vice President) – former Moody's rating analyst, assists with drafting and preparing rating agency presentations. (Maura has 21 years of experience.)

**Crystal Vogl** (Senior Vice President) – Disclosure Specialist for Official Statements and assisting with Continuing Disclosure requirements and deadlines. (Crystal has 20 years of experience.)

**Suzanne Eide** (Senior Vice President) – Bond Structuring/Quantitative Specialist for limited tax general obligation bonds, unlimited tax general obligation bonds, revenue bonds, assessment bonds, short term notes, and refunding bonds. (Suzanne has 20 years of experience.)

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