

GENERAL  
OBLIGATION  
BONDS 101  
AND  
LIMITED GO  
BOND

*City of Camas*

*March 6, 2023*

*UPDATED*



# AGENDA

- General Obligation Debt
- Two types of GO Bonds
- Appropriate uses for GO Bond
- Assemble the Financing Team
- Process for Issuing GO Bond
- Rating Agencies
- Market Conditions
- Documents
- Bond Sale
- Closing



# WHAT IS GENERAL OBLIGATION DEBT?

- Debt that is secured by the full faith and credit of the local government issuing the debt.
  - City pledges tax revenues unconditionally
- Includes:
  - Bonds
  - Loans
  - Tax Anticipation Notes
  - Real Estate Contracts
  - Lines of Credit

# LIMITS TO GENERAL OBLIGATION DEBT

## Voted Debt

2.5% of Assessed Value (Constitutional)

|   |                       |
|---|-----------------------|
| Taxable Assessed value (2020 Assessment for 2021 Revenue) | \$ 7,276,498,632      |
| Debt Limit  |                       |
| Debt limit with vote (2.5% of assessed value)             | \$ 181,912,466        |
| Debt applicable with vote limit:                          |                       |
| General Obligation Bonds                                  | \$ -                  |
| Less: assets available                                    | <u>\$ -</u>           |
| Total debt applicable to limit with vote                  | \$ -                  |
| Total legal debt margin with vote                         | <u>\$ 181,912,466</u> |

## Non-Voted Debt

1.5% of Assessed Value (RCW)

|  |                       |
|--|-----------------------|
| Debt limit without a vote (1.5% of assessed value) | \$ 109,147,479        |
| Debt applicable to without vote limit:             |                       |
| Limited General Obligation Bonds                   | \$ 32,220,000         |
| Other  | \$ 5,909,187          |
| Less: assets available                             | \$ 23,366             |
| Total net debt applicable to limit without vote:   | <u>\$ 38,105,821</u>  |
| Total legal debt margin without vote               | <u>\$ 71,041,658</u>  |
| Legal Debt Margin                                  | <u>\$ 252,954,124</u> |

# GENERAL OBLIGATION BONDS

## Unlimited Tax General Obligation Bonds(UTGO):

- Voted Bonds pledging excess property tax levies to replace
- Approval of 60% of the voters with a turnout of 40% of those who voted in the recent General Election.
- Only for Capital purposes and replacement of equipment is not permitted

## Limited Tax General Obligation Bonds (LTGO or Councilmanic)

- General Fund must be pledge to pay the debt service and must be paid with existing revenues
- Vote of the Council



# APPROPRIATE USES OF BOND PROCEEDS

- Long-Term Capital
  - Land
  - Buildings
  - Large Equipment
  - Parks Development
  - Transportation
- Remember Long-Term \$ = Long-Term Assets

FINANCIAL  
TEAM  
NEEDED  
TO ISSUE  
BONDS

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Financial Advisor (depends upon internal skill sets) – advises the City to size the issue, market timing, type of debt and the team members

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Underwriter – prepares the bond issue for market by sizing the debt, assessing market conditions, marketing of the bonds, and assisting with bond rating.

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Bond Counsel – provides a legal opinion that the City is authorized to issue the bond, prepares the bond ordinance, and conducts due diligence.

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Rating Agency – assesses the City's creditworthiness for the bond market.

# PROCESS TO ISSUE GO BONDS

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Assess Need

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Determine Appropriate Funding to Pay Bonds

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Size the Bonds with Underwriters and Bond Counsel

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Review the Market and Determine Timing

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Preliminary Bond Issue

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Public Hearing and Bond Ordinance

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Rating Presentation

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Assess Market

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Due Diligence

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Pre-Sale Conference

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Sell Bonds

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Final Official Statement

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Close and Receive Bond Proceeds

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Disclosures to EMMA



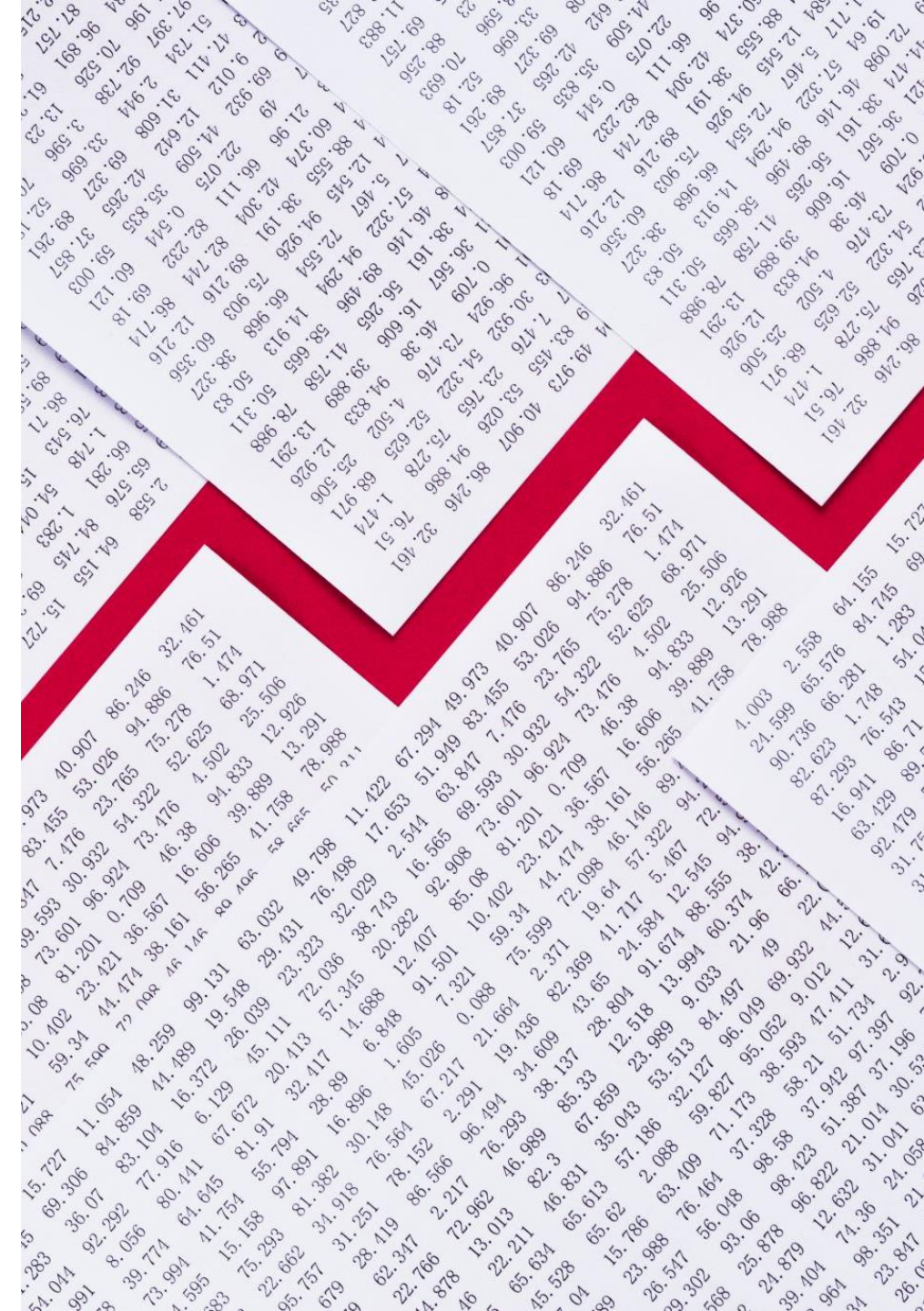
# RATING AGENCIES

- Standard and Poors, Moody's and Fitch
- Criteria:
  - Economy of the City
  - Debt Structure of the City
  - Financial Condition
  - Demographics
  - Management Practices

|                    | Moody's | S&P Global | Fitch |
|--------------------|---------|------------|-------|
| Best Quality       | Aaa     | AAA        | AAA   |
| High Quality       | Aa1     | AA+        | AA+   |
|                    | Aa2     | AA         | AA    |
|                    | Aa3     | AA-        | AA-   |
| Upper Medium Grade | A1      | A+         | A+    |
|                    | A2      | A          | A     |
|                    | A3      | A-         | A-    |
| Medium Grade       | Baa1    | BBB+       | BBB+  |
|                    | Baa2    | BBB        | BBB   |
|                    | Baa3    | BBB-       | BBB-  |

# MARKET CONDITIONS

- Investor Sentiment
- Other Municipal Issuers
- Economy
- Size of Issue
- Yield Curve
- Structure of the Issue
- Skill Set of the Underwriting Team
- Luck



DOCUMENTS  
TO  
UNDERSTAND

- Preliminary Official Statement
- Bond Ordinance
- Amortization Schedule
- Certificate of Determination
- Purchase Contract
- Certificate of Calculation of Indebtedness
- Receipt of Bonds and Receipt for Payment
- Issue Price Certificate
- Tax Exemption and Nonarbitrage Certificate
- Closing Memorandum

# BOND SALE

## PROCESS TO UNDERSTAND:

- UNDERWRITERS "CREATE" A MARKET
- UNDERWRITERS NEGOTIATE THE PRICE OF THE BONDS AND THE COUPON RATE AND MATURITIES
- NOT UNHEARD OF TO NOT SELL ALL BONDS OR HAVE ALL BONDS SOLD IN LESS THAN HOUR
- UNDERWRITERS WILL WORK WITH SYNDICATES OR FORM SYNDICATES
- UNDERWRITERS HAVE THE OPTION TO PURCHASE THE UNSOLD BONDS
- CITY FORMALLY ACCEPTS THE SALE AT THE END OR HAS THE OPTION TO REJECT (RARELY)





# BOND CLOSING

- Before Closing - all documents are signed but the exchange of documents occurs at closing by the two counsels
- Zoom Call occurs with:
  - City - City Administrator and Finance Director - confirms the receipt of proceeds
  - Bond Counsel - City represented attorneys
  - Underwriters - Underwriters and Attorneys - confirms the bonds released
  - NY Desk - Releases funds
  - Fiscal Agent - Manages the ownership of bonds

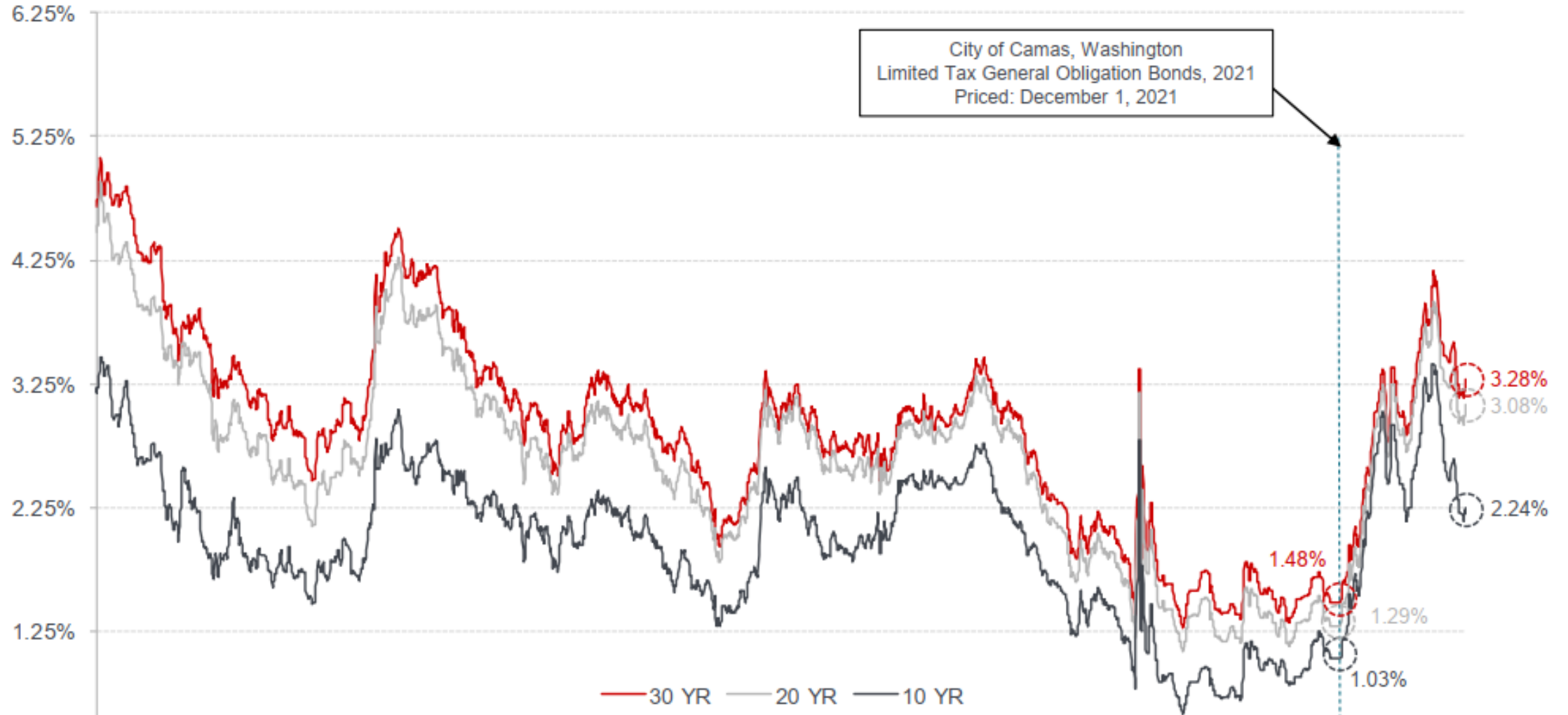
# 2023 LTGO BOND ISSUE

- Crown Park  
\$4,000,000
- Facilities Deferred Maintenance  
\$7,000,000
- 38<sup>th</sup> Avenue Phase 3  
\$4,000,000

Potentially \$15,000,000 Bond Issue



# MMD Rates since 2011



| Sources and Uses: Option 1       |                      |
|----------------------------------|----------------------|
| <b>Sources of Funds</b>          |                      |
| Bond Par                         | 13,155,000           |
| Bond Premium                     | 1,956,027            |
| <b>Total Sources</b>             | <b>\$ 15,111,027</b> |
| <b>Uses of Funds</b>             |                      |
| Project Fund:                    |                      |
| Major Building Renovation        | 7,000,000            |
| Park Redevelopment               | 4,000,000            |
| Street Construction              | 4,000,000            |
| Total Project Fund               | 15,000,000           |
| Costs of Issuance <sup>(1)</sup> | 109,198              |
| Rounding                         | 1,830                |
| <b>Total Uses</b>                | <b>\$ 15,111,027</b> |

(1) Includes Underwriter's Discount.

| Bond Issue Analysis Assumptions - Option 1   |
|--|
| -The Bonds are closed May 3, 2023; the first coupon payment is Dec. 1, 2023            |
| -The Bonds are priced with spreads plus applicable MMD as of 2/9/2023                  |
| -The project fund is \$15 million total  |
| -Debt service is structured to be level for the entire term                            |
| -The Bonds are rated 'AA+' (Positive) (S&P) (the City's current rating) (no insurance) |
| -The Bonds are tax-exempt (non-bank qualified)   |
| -The Bonds do not have a reserve fund or capitalized interest                          |
| -The par call date is June 1, 2033 (~10-year par call)                                 |

| Option 1: \$15 Million Project Fund         |                      |                     |                      |
|---|----------------------|---------------------|----------------------|
| Debt Service Schedule: 20-Year Amortization |                      |                     |                      |
| Year  | Principal            | Interest            | Debt Service         |
| 2023  | 235,000              | 380,322             | 615,322              |
| 2024  | 425,000              | 646,500             | 1,071,500            |
| 2025  | 445,000              | 625,250             | 1,070,250            |
| 2026  | 465,000              | 603,000             | 1,068,000            |
| 2027  | 490,000              | 579,750             | 1,069,750            |
| 2028  | 515,000              | 555,250             | 1,070,250            |
| 2029  | 540,000              | 529,500             | 1,069,500            |
| 2030  | 565,000              | 502,500             | 1,067,500            |
| 2031  | 595,000              | 474,250             | 1,069,250            |
| 2032  | 625,000              | 444,500             | 1,069,500            |
| 2033  | 655,000              | 413,250             | 1,068,250            |
| 2034  | 690,000              | 380,500             | 1,070,500            |
| 2035  | 725,000              | 346,000             | 1,071,000            |
| 2036  | 760,000              | 309,750             | 1,069,750            |
| 2037  | 800,000              | 271,750             | 1,071,750            |
| 2038  | 840,000              | 231,750             | 1,071,750            |
| 2039  | 880,000              | 189,750             | 1,069,750            |
| 2040  | 925,000              | 145,750             | 1,070,750            |
| 2041  | 970,000              | 99,500              | 1,069,500            |
| 2042  | 1,020,000            | 51,000              | 1,071,000            |
| <b>Total</b>                                | <b>\$ 13,165,000</b> | <b>\$ 7,779,822</b> | <b>\$ 20,944,822</b> |

| True Interest Cost | Average Life | Average Annual Payment |
|--------------------|--------------|------------------------|
| 3.484%             | 11.82        | \$1,068,930            |





ANY QUESTIONS