

GENERAL  
OBLIGATION  
BONDS 101  
AND  
2025 GO  
BONDS

*City of Camas*

*June 2, 2025*



# 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
- 2025 Bond Issue and Bond Ordinance



# 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 (2024 Assessment for 2025 Revenue) | \$ 8,061,731,234      |
| Debt Limit  |                       |
| Debt limit with vote (2.5% of assessed value)             | 201,543,281           |
| Debt applicable to with vote limit:                       |                       |
| General obligation bonds                                  | -                     |
| Less: assets available                                    | -                     |
| Total debt applicable to limit with vote                  | -                     |
| Total legal debt margin with vote                         | <u>\$ 201,543,281</u> |

## Non-Voted Debt

### 1.5% of Assessed Value (RCW)

|  |                        |
|--|------------------------|
| Debt limit without vote (1.5% of assessed value) | \$ 120,925,969         |
| Debt applicable to without vote limit:           |                        |
| General obligation bonds                         | 42,685,000             |
| Other  | 4,788,790 <sup>1</sup> |
| Less: assets available                           | <u>0</u>               |
| Total net debt applicable to limit without vote  | <u>47,473,790</u>      |
| Total legal debt margin without vote             | <u>\$ 73,452,178</u>   |

1. Other includes governmental loans as well as the principal outstanding on the City's Line of Credit (tax anticipation note). This inclusion is for Washington State compliance for debt limitation calculations.

# 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

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

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

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

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

The following table shows the comparable investment grade ratings of the three major rating agencies:

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

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

# 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 confirming 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

# 2025 GENERAL OBLIGATION BOND ISSUE



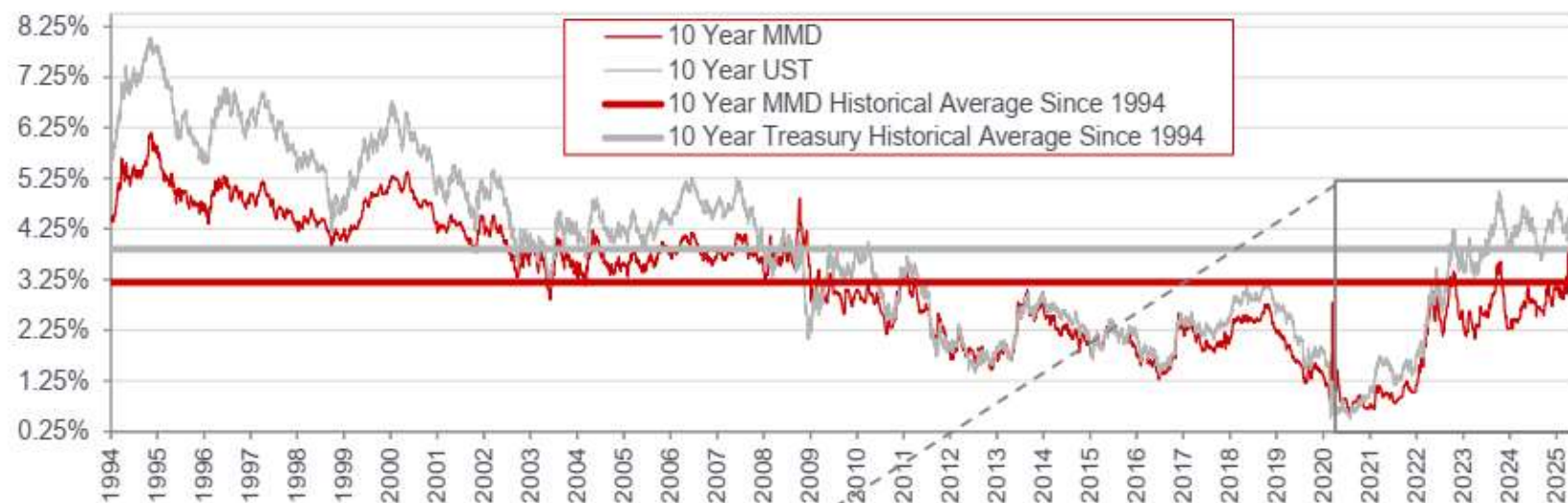
- UTGO Bond    Fire Station \$26.3 million
- LTGO Bond    Streets        \$3-6 million
- Refunding 2015 Bonds        \$4.9 million

# BOND ORDINANCE

- Bond Ordinance sets the guardrails for the bond issue.
  - Council authorizes the issuance of the bonds (Section 3)
  - Appoints Designated Representative to the City and sets the not to exceed terms (Section 4)
  - Section 5-12 Bond Framework, Payment of the Bonds Defined and Tax Covenants
  - Section 13-16 Refunding and Refunded Bonds requirements
  - Section 17-23 Define the Sale of the Bonds, Disclosures and Ordinance Framework

## 10-Year MMD and 10-year UST (1994 – Present)

- Since 1994, the 10-year MMD has been below the current rate only 51.97% of the time (and all of those occurrences were from 2020 to 2025 YTD).



|  | 10-yr MMD | 10-yr UST |
|--|-----------|-----------|
| Current  | 3.33%     | 4.41%     |
| Maximum  | 6.15%     | 8.02%     |
| Minimum  | 0.58%     | 0.51%     |
| Average  | 3.19%     | 3.85%     |
| % of Time Historical Rates Have Been Below Current | 51.97%    | 63.21%    |

## 10-Year MMD and 10-year UST (Past 5 Years)

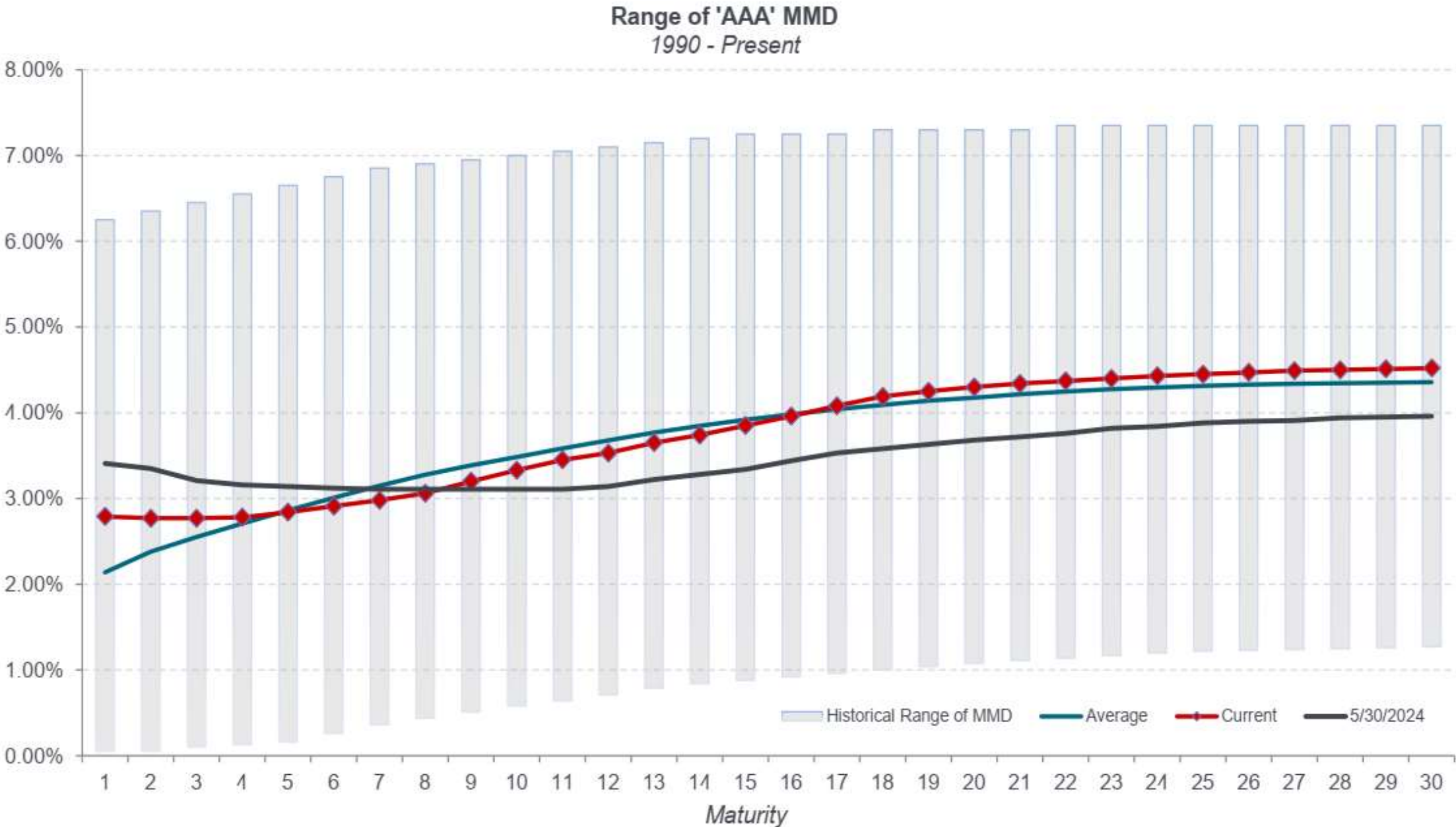
|  | 10-yr MMD | 10-yr UST |
|--|-----------|-----------|
| Current  | 3.33%     | 4.41%     |
| Maximum  | 3.89%     | 4.99%     |
| Minimum  | 0.58%     | 0.51%     |
| Average  | 2.11%     | 2.96%     |
| % of Time Historical Rates Have Been Below Current | 95.04%    | 87.61%    |



Source: KBCM & TM3.  
Rates as of May 30, 2025



# Historical AAA MMD – Across the Curve



## 2025 Projected GO Bond Structure

| <i>Sources:</i> | <i>Unlimited Tax<br/>General<br/>Obligation<br/>Bonds, 2025</i> | <i>Limited Tax<br/>General<br/>Obligation and<br/>Refunding<br/>Bonds, 2025<br/>(Refunding)</i> | <i>Limited Tax<br/>General<br/>Obligation and<br/>Refunding<br/>Bonds, 2025<br/>(New Money)</i> | <i>Total</i>  |
|-----------------|---|---|---|---------------|
| Bond Proceeds:  |   |   |   |               |
| Par Amount      | 24,925,000.00   | 4,510,000.00  | 5,645,000.00  | 35,080,000.00 |
| Premium         | 1,579,916.85  | 366,212.80  | 402,695.50  | 2,348,825.15  |
|                 | 26,504,916.85   | 4,876,212.80  | 6,047,695.50  | 37,428,825.15 |

|                          |            |            |            |
|--------------------------|------------|------------|------------|
| Dated Date               | 08/12/2025 | 08/12/2025 | 08/12/2025 |
| Delivery Date            | 08/12/2025 | 08/12/2025 | 08/12/2025 |
| Last Maturity            | 12/01/2050 | 12/01/2035 | 12/01/2045 |
| Arbitrage Yield          | 4.171280%  | 4.171280%  | 4.171280%  |
| True Interest Cost (TIC) | 4.628356%  | 3.468269%  | 4.402955%  |
| Net Interest Cost (NIC)  | 4.844893%  | 3.719906%  | 4.638044%  |
| All-In TIC               | 4.660110%  | 3.534645%  | 4.439775%  |
| Average Coupon           | 5.194704%  | 5.000000%  | 5.147882%  |

# POTENTIAL REFUNDING SAVINGS FOR 2015 LTGO BONDS

| <i>Bond</i>  | <i>Maturity<br/>Date</i> | <i>Interest<br/>Rate</i> | <i>Par<br/>Amount</i> | <i>Nominal<br/>Savings</i> | <i>Nominal<br/>Savings<br/>Percent</i> |
|--|--------------------------|--------------------------|-----------------------|----------------------------|--|
| LTGOREF, Limited Tax General Obligation Bonds, 2015, 2015: |                          |                          |                       |                            |  |
| SERIALS  | 12/01/2025               | 5.000%                   | 335,000.00            | (2,606.25)                 | (0.778%)                               |
| TERM27   | 12/01/2026               | 5.000%                   | 355,000.00            | 5,801.14                   | 1.634%                                 |
|  | 12/01/2027               | 5.000%                   | 370,000.00            | 12,359.81                  | 3.340%                                 |
| TERM30   | 12/01/2028               | 5.000%                   | 390,000.00            | 19,077.47                  | 4.892%                                 |
|  | 12/01/2029               | 5.000%                   | 410,000.00            | 25,700.81                  | 6.268%                                 |
|  | 12/01/2030               | 5.000%                   | 430,000.00            | 32,702.45                  | 7.605%                                 |
| TERM35   | 12/01/2031               | 5.000%                   | 450,000.00            | 39,268.21                  | 8.726%                                 |
|  | 12/01/2032               | 5.000%                   | 475,000.00            | 43,886.84                  | 9.239%                                 |
|  | 12/01/2033               | 5.000%                   | 500,000.00            | 50,120.02                  | 10.024%                                |
|  | 12/01/2034               | 5.000%                   | 520,000.00            | 51,995.12                  | 9.999%                                 |
|  | 12/01/2035               | 5.000%                   | 550,000.00            | 52,999.45                  | 9.636%                                 |
|  |                          |                          | 4,785,000.00          | 331,305.09                 |  |



ANY QUESTIONS