



September 3, 2024

Brett Klein, Town Manager / Clerk  
Town of Jerome  
600 Clark Street  
P.O. Box 335  
Jerome, AZ 86331

RE: Interim Financing Lender



1820 East Ray Road  
Chandler, AZ 85225  
888.885.9621

pfm.com

Dear Mr. Klein,

On Thursday, August 14, 2024, the Town of Jerome (the "Town") distributed a Request for Proposal ("RFP") to banks interested in providing interim financing for the Town's upcoming \$1,819,000 USDA Rural Development Loan. The interim financing will be a short-term loan to fund a portion of the construction for the Sewer Rehabilitation Project and repay the Arizona Community Foundation loan. Additionally, a \$4,830,000 USDA Grant will fund a portion of the project. The interim loan will be paid off with the proceeds from the USDA long term loan with an interest rate of 1.25%.

The following financial institutions were contacted regarding the RFP:

- CoBank
- Rural Water Financing Agency
- National Bank of Arizona / Zions Bank
- Foothills Credit Union
- OneAZ
- BMO
- Piper Sandler
- Hilltop Securities

The Town received bids from the following banks:

- CoBank
- Rural Water Financing Agency (RWFA)

PFM calculated and estimated the interest costs and summarized the information in the table below:

	CoBank	Rural Water Financing Agency
Interest Rate:	6.77% (SOFR + 1.45%)	4.95%
Rate Type:	Variable	Fixed
Note Amount:	\$1,819,000	\$1,819,000
Est. Interest Cost:	\$213,156	\$174,829
Origination Fee:	\$5,000	\$0
<b>Total Cost:</b>	<b>\$218,156</b>	<b>\$174,829</b>
Maturity	October 1, 2026	October 1, 2026
True Interest Cost	5.99%	4.95%

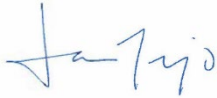
**Observations and Considerations:**

- The size of the loan was too small for some banks to submit bids. The responses received were from banks that are familiar with USDA Rural Development Loans.
- Based on the interest rates indicated on the proposals received by the Town, RWFA appears to be the lowest cost of borrowing by approximately \$43,328.
- RWFA's interest rate is locked through November 1, 2024 and would be fixed for the term of the loan.
- The Town will have the opportunity to earn interest on its loan proceeds.
- CoBank's term sheet includes a variable rate that resets daily.
- All the estimated interest costs are subject to change based on the specific terms of each proposal and the actual draw schedule on the loan.
- The term sheets from RWFA and CoBank are attached for additional information.

In discussion with Town Staff and Bond Council, PFM is comfortable recommending the Town Council move forward with additional discussions using RWFA as the lender for the interim loan.

Sincerely,

**PFM Financial Advisors LLC**



Jaime Trejo, Senior Managing Consultant  
44 Montgomery Street, 3rd Floor  
San Francisco, CA 94104  
[trejoj@pfm.com](mailto:trejoj@pfm.com) | 415.393.7254 Office



**RAYMOND JAMES®**

August 22, 2024

Mr. Brett Klein  
Town of Jerome

Mr. Tim Stratton  
Stratton Law Firm

Mr. Jaime Trejo  
PFM

Mr. Darren Hodge  
PFM

Via Electronic Mail: [b.klein@jerome.az.gov](mailto:b.klein@jerome.az.gov)  
[tim@thestrattonlawfirm.net](mailto:tim@thestrattonlawfirm.net)  
[trejoj@pfm.com](mailto:trejoj@pfm.com)  
[hodged@pfm.com](mailto:hodged@pfm.com)

Dear Mr. Klein, Mr. Stratton, Mr. Trejo and Mr. Hodge:

On behalf of our client, the Rural Water Financing Agency (the "Agency" or "RWFA"), Raymond James & Associates, Inc. ("Raymond James"), is pleased to submit our interim financing proposal for the Town of Jerome's (the "Town") water and wastewater project. The Agency and Raymond James propose to provide the Town with the lending capability, public finance expertise, USDA experience, and a proven history of providing USDA interim financing for over **1,350** similar projects (Utilities and Community Facilities) throughout the country for more than **\$6,400,000,000**.

✓ **LENDING CAPABILITY & USDA EXPERIENCE:** The Agency is a public agency designed to allow its borrowers to finance their projects on an interim basis. The Agency, its predecessor, and Raymond James have been providing USDA interim loans to borrowers since 1995. To date, 100% of the 1,350+ interim loans have been taken out successfully by USDA. While these statistics are not available, we believe this experience far surpasses any other firm or issuer in the country over the same period for these types of projects.

✓ **EXPERIENCED TEAM:** The Raymond James bankers dedicated to the Agency and its borrowers are some of the most experienced in the business with a deep understanding of municipal finance, ratings, USDA finance, economic factors, etc. This experience has led to the team's development of innovative financing structures, pre-marketing and marketing programs, and overall efficient program management. The Rural Water Financing Agency team is comprised of professionals that understand the inner workings of municipal operations and finance. Gary Larimore serves as President of the Rural Water Financing Agency and is the former Executive Director of the Kentucky Rural Water Association (40+ years).

✓ **FINANCIAL STABILITY:** Raymond James currently has more than \$4.3 billion in equity capital, including \$405 million in excess net capital. Unlike many firms that have suffered instability, Raymond James, because of our conservative nature, has continued to prosper in the current turbulent financial market. Our strong capital position gives us maximum flexibility to aggressively price and support the Agency's notes in difficult markets, which leads to a lower loan rate capability to the Agency's borrowers.

✓ **ARIZONA PRESENCE:** Raymond James is a proud member of many local communities in Arizona, with over 250 employees in 27 cities such as Prescott, Flagstaff and Phoenix, who cover more than 63,000 Arizona retail accounts, including over 750 in Yavapai County alone.

The Agency and Raymond James have all the necessary resources, skills and capabilities to successfully execute a loan solution to the Town for its project. On the following pages we have included estimated rates and terms and a flow chart of the RWFA interim financing process. We will send our loan documentation package separately to Tom Stratton at The Stratton Law Firm.

We very much look forward to working with you and your financial management team. Thank you for the opportunity to provide our unique qualifications. If you have any questions about our proposal or credentials, please do not hesitate to contact me or Gary Larimore. In addition, you may view our websites at [RJUSDAFinance.com](http://RJUSDAFinance.com) and [RuralWaterFinance.com](http://RuralWaterFinance.com) for more information.

Respectfully submitted,



Nick Roederer  
Managing Director  
Raymond James

<p><b>NICK ROEDERER</b> Managing Director Public Finance</p> <hr/> <p><b>RAYMOND JAMES</b></p> <hr/> <p>4969 US Hwy 42, Suite 1600 Louisville, KY 40222 T 502.560.1274    Nick.Roederer@raymondjames.com</p>
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<p><b>GARY LARIMORE</b> President</p> <hr/> <p> 1151 Old Porter Pike Bowling Green, KY 42103 T 270.535.5921    Gary@ruralwaterfinance.com</p>
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## II. Proposed Interim Financing

### a. Loan Rate and Terms

Proposed Financing Rate & Terms	Series 2024 BAN
Lender	Rural Water Financing Agency
Borrower	Town of Jerome, AZ
Amount	\$1,819,000 (maximum amount will be the USDA loan amount)
Debt Instrument	Loan Agreement and Note
Trustee	Regions Bank
Estimated Closing Date	Approximately October 22, 2024, or other date as mutually agreed upon
Maturity Date	October 1, 2026 and the Agency can extend at the same rate until April 1, 2027
<u>Fixed</u> Interest Rate (Tax-Exempt)	<b>4.95%</b> This interest rate is locked through 11/1/24 and it includes all of the Agency's costs.
Closing Costs and Legal Fees	\$0 from the Agency and its Finance & Legal Team
Premium/Discount	None
Call Feature	Callable without penalty after November 1, 2025
Principal Payable	At Maturity
Interest Only Payments	20 <sup>th</sup> of every month (capitalized within loan amount).
Security	Pledge of USDA loan proceeds ( <b>USDA Takeout Letter</b> )
Default Rate, Future interest rate adjustments	None, the loan rate will be fixed
Accounts at Trustee	Project Fund Account and Capitalized Interest Account (funded with loan proceeds to pay interest through maturity)
Estimated Earnings Rate	5.21% (estimated as of August 21, 2024 and assumes a AAA-rated government money market fund). This rate will generate earnings on the Town's funds until they are drawn down for construction. The Town will be able to keep all earnings if it meets the IRS exemptions for rebate. If the Town does not meet those IRS exemptions, a rebate calculation would need to be completed to see if the Town had positive arbitrage and would owe a rebate to Treasury. We can explore some fixed rate investments if desired by the Town and its Finance Team.



August 21, 2024

TO: Brett Klein – Finance Director Town of Jerome

Subject: CoBank Proposal for USDA Interim Financing

On behalf of CoBank, ACB, I am pleased to present for your review the following Non-Binding Summary of Terms and Conditions.

<b>Borrower</b>	Town of Jerome
<b>Purpose</b>	Interim construction financing for USDA RD funded projects
<b>Interim Note Amount</b>	\$1,819,000 (up to RD Direct Loan Amount); multiple advance
<b>Interest Rate*</b>	Tax-exempt Variable Rate: Daily SOFR plus 1.45% (currently 6.77%)
<b>Term</b>	Up to 36 months after closing to meet project construction period
<b>Prepayment penalty</b>	None for variable rates
<b>Borrower Legal Fee</b>	Amount necessary for Bond Counsel to provide legal opinion, tax opinion (only for tax-exempt financings) and issue debt instruments.
<b>Lender Legal Fees</b>	\$5,000
<b>Payment Frequency</b>	Monthly interest paid on amount advanced during construction
<b>Repayment</b>	Principal due at maturity or immediately upon receipt of USDA RD direct loan funds
<b>Security</b>	Junior lien on revenues of the water/wastewater system
<b>USDA RD documents required</b>	Letter of Conditions and related addendums

\*Interest Rates quoted are subject to interest rate changes that may occur based upon market conditions.

This Non-Binding Summary of Terms and Conditions (this “**Summary**”) is being presented to the **Borrower** by **CoBank, ACB** (“**CoBank**”) for information and discussion purposes. This Summary is not a commitment or offer to provide the credit outlined above but an expression of interest on the part of CoBank in providing the credit. A commitment to provide credit will only arise upon CoBank’s issuance, and the Borrower’s acceptance, of a formal Commitment Letter. This Summary is strictly confidential and may not be released to or discussed with any third party without CoBank’s prior written consent.

Sincerely,

Michael Griffiths  
 Vice President – Water Infrastructure Financing  
[mgriffiths@cobank.com](mailto:mgriffiths@cobank.com)  
 720-520-6261