



Ketchum Urban Renewal Agency

Proposal to Serve as Municipal Advisor

Prepared by

Christian Anderson | Vice President

ZIONS PUBLIC FINANCE, INC.

800 W Main St, Suite 700 | Boise, ID 83702

o 208.501.7533 | m 208.761.3960

christian.anderson@zionsbancorp.com | zionspf.com

Wednesday, January 13, 2021

Grant Gager, Treasurer
Ketchum Urban Renewal Agency

Dear Mr. Gager and selection committee members,

Zions Public Finance, Inc. ("Zions") is pleased to present our qualifications to serve as the Ketchum Urban Renewal Agency's municipal advisor. As a leading municipal advisory firm in Idaho, our professionals are well-versed in urban renewal tax increment financing from the standpoint of a municipal advisor, but also from the standpoint of a purchaser, and we feel our unique experience as a purchaser of tax increment bonds (as Zions Bancorporation, N.A.) would be invaluable to the URA. As an introduction to our proposal, we offer the following points for your consideration:

- As an active purchaser of Idaho municipal bonds, including tax increment bonds, we understand the credit needs and concerns of retail banks. That knowledge allows us to mitigate concerns in advance where possible, and to draft direct purchase bid requests that are thorough and complete. By anticipating the concerns and data requirements of prospective bidders in advance we help to ensure that more banks can participate in a bid process, and that in turn increases competition for the URA's bonds.
- Zions' recent experience in Blaine County is unmatched, having advised the City of Ketchum, City of Sun Valley, and Sun Valley Water & Sewer District in recent years on new money and refunding bond issues, including Ketchum's most recent bond issue for construction of the new fire station.
- Recent URA experience includes acting as municipal advisor to the Chubbuck Development Authority in 2020 and Rexburg URA in 2016, as well as several large financings where Zions acted as purchaser. These include \$21,068,030 from Nampa Development Corporation in 2020, \$18,145,000 from Capital City Development Corporation (CCDC) in 2017, and \$15,584,694 from Burley Development Authority in 2019.

We greatly appreciate the opportunity to respond to your Request for Proposals and welcome the opportunity to serve the Ketchum Urban Renewal Agency. We are confident that Zions Public Finance would excel in the role given our local presence, extensive Idaho municipal advisory experience, and unique perspective as a frequent purchaser of Idaho municipal bonds.

Thank you for considering our proposal.

Sincerely,



Christian Anderson, Vice President
800 W Main Street, Suite 700
Boise, ID 83706
(208) 501-7533
christian.anderson@zionsbancorp.com

Company Information

Summary

For over 120 years, Zions Public Finance, Inc. and its predecessor companies have provided financial advice to municipal clients. Beginning as Edward L. Burton & Company in 1899, the firm changed names several times over the decades but was eventually purchased by Zions First National Bank in 1989. The group, which operated under the name Smith Capital Markets, became Zions Bank Public Finance in 1994, the same year Zions began providing municipal advisory services in Idaho. That name is now reserved for Zions' direct purchase and underwriting businesses, and since 2015 the firm has conducted municipal advisory work as **Zions Public Finance, Inc.** (hereafter "Zions Public Finance"), a wholly owned subsidiary of Zions Bancorporation, N.A.

Zions Bank maintains a strong community presence in the State of Idaho, and has been a financial partner for residents, small businesses, and local governments for decades; building and working for more than 130 years in the regional area. Zions Bank robustly supports the local economy by paying property taxes, payroll taxes, and corporate income taxes, with two full-service branches in the Wood River Valley.

We feel that our longstanding commitment to Idaho municipalities makes us uniquely qualified to serve the Agency as its municipal advisor. A total of 12 firms have advised Idaho issuers in market issues (negotiated or competitive underwritings) since 2010, according to Thomson Reuters, but Zions is the only firm to have done so every year during that time period. While Zions doesn't always lead Idaho's municipal advisor league tables in terms of total par issued, we are proud to be Idaho's most active municipal advisor with more transactions than any other firm. From 2015 to 2019, Zions acted as municipal advisor for 31 market issues in Idaho, which was nearly 39% of all issues, as shown in the adjacent table. Figures for 2020 have not yet been published, but preliminary data from TM3 show Zions leading once again in total transactions. These totals do not include the numerous Idaho direct purchase financings for which we acted as municipal advisor, nor do they include the dozens of municipalities that we advised in borrowing through the Idaho Bond Bank Authority (IBBA). In fact, since 2012 Zions has advised 78% of all participants in the Idaho Bond Bank, including the City of Ketchum.

TOP MUNICIPAL ADVISORS: IDAHO LONG-TERM ISSUES

Full Year 2015-2019

FIRM	COUNT (# trans)	RANK	MARKET SHARE
Zions Public Finance, Inc.	31	1	38.8%
Piper Sandler/Seattle NW	24	2	30.0%
Ponder & Co.	9	3	11.3%
PFM/Western Financial Group	7	4	8.8%
Melio & Company LLC	6	5	7.5%
A Dashen & Associates	1	5	1.3%
Frasca & Associates	1	5	1.3%
Blue Rose Capital Advisors	1	5	1.3%

Source: Thomson Reuters

Staff

Zions' Idaho and Utah offices operate in a joint fashion, with shared administrative and quantitative resources. Our combined Idaho and Utah staff includes 16 licensed municipal advisor representatives (two in Idaho) with educational credentials in business, finance, economics, public administration, and a variety of other disciplines. Our in-house financial analysts can create programs or models to evaluate any financing scenario that may be considered or proposed, including models for monitoring and evaluating refunding opportunities. For interest rate verification on negotiated underwritings, Zions utilizes its municipal underwriting desk in Salt Lake City for data and feedback.

Christian Anderson will act as lead advisor to the URA with assistance from Mackenzie Spady. Both Mr. Anderson and Ms. Spady are based in Boise, and their resumes have been included below.



Christian Anderson, Vice President

Zions Public Finance

d (208) 501-7533 | c (208) 761-3960

christian.anderson@zionsbancorp.com

Christian Anderson joined Zions in Salt Lake City in 2012, relocated to Boise in 2014, and took over primary responsibility for the Boise office in late 2015. Since joining Zions, he has worked on numerous issue types including general obligation bonds, water and sewer revenue bonds, short-term notes, urban renewal tax increment bonds, annual appropriation certificates of participation and lease revenue bonds, local improvement district special assessment bonds, interim financings for USDA-RD projects, and special assessment administration. He has structured hundreds of millions of dollars of bonds for Idaho issuers, and frequently provides creative analyses to help clients better understand their financing opportunities.

Mr. Anderson is actively involved with Idaho's municipal support organizations such as the Association of Idaho Cities, Idaho City Managers Association, **Redevelopment Association of Idaho**, and Idaho City Clerks, Treasurers and Finance Officers Association, among others, and frequently presents on public finance topics at their conferences.

Mr. Anderson holds a Master of Science in Finance degree from Georgetown University, as well as BSc degrees in both Finance and Economics from the Jon M. Huntsman School of Business at Utah State University, and a minor in Accounting.

Mr. Anderson is a Registered Municipal Advisor, Municipal Securities Representative, and Municipal Securities Principal, holding the Series 50, 52, 53, and 54 securities licenses. Mr. Anderson will be the lead banker to the Ketchum URA with primary responsibility for Zions' efforts.

Education

MSF, Georgetown University

BS, Finance
Utah State University

BS, Economics
Utah State University

Affiliations and Licenses

Municipal Advisor
Representative and Principal
(Series 50 and 54)

Municipal Securities
Representative and Principal
(Series 52 and 53)

Board Member – Associated
Taxpayers of Idaho

**Education**

BS, Finance & Economics
Grand Canyon University

Affiliations and Licenses

Municipal Advisor
Representative
(Series 50)

Municipal Securities
Representative
(Series 52)

Mackenzie Spady, Financial Analyst**Zions Public Finance****d (208) 501-7575**mackenzie.spady@zionsbancorp.com

Mackenzie Spady is a licensed municipal advisor representative and municipal securities representative. Ms. Spady joined Zions' Idaho office in June of 2020 after graduating Summa Cum Laude from Grand Canyon University with a bachelor's degree in finance and economics, which she completed in just three years.

Ms. Spady is highly proficient in Excel and has created or updated numerous models used by the firm to increase productivity and improve the quality of our advice.

Ms. Spady will prepare quantitative analyses and bond structures for the URA, while also serving as a backup contact in the event that Mr. Anderson is unavailable.

SEC & MSRB Registrations

Zions Public Finance is registered with the MSRB and SEC as a municipal advisor and each registered representative employed at Zions Public Finance, Inc. is registered with the SEC as a municipal advisor. Zions Public Finance's MSRB number is **K1080** and SEC CIK number is **0001628261**.

Bond Refunding Experience

Since January 1, 2012, Zions has acted as municipal advisor on 113 Idaho issues totaling approximately \$977 million, of which 63 issues totaling \$335 million were refundings, including water and sewer revenue bond refundings for the City of Ketchum. Zions' Utah and Nevada public finance offices completed another 745 transactions totaling over \$20 billion as municipal advisor in this same time period, of which 313 issues totaling over \$10.15 billion were refundings. **In total, Zions has completed 426 refundings with approximately \$10.5 billion par since January 1, 2012.** Zions has advised on all common types of municipal bond refundings, including current, advanced, and crossover refundings sold via competitive sale, negotiated sale, and direct purchase.

Zions' quantitative analysts maintain refunding models of our clients' outstanding bond issues and regularly update them with current interest rates to gauge possible refunding savings. We often begin discussing refunding opportunities with clients 2-3 years ahead of an issue's call date so that they can be prepared to quickly access the market when conditions are favorable. We feel that the simple measurements used by some firms to justify refundings are often inadequate, such as the common idea that a refunding is worth executing if NPV savings are at least 3%, or if NPV savings exceed negative arbitrage. Rather than relying on these overly simplistic measures we seek to maximize refundings by estimating the additional savings that could be gained by waiting for the call date (if applicable), all else being equal, then calculating just how much interest rates could increase before rising rates outweigh the benefit of waiting. This analysis is especially important now that most advance refundings do not qualify for tax-exempt interest rates, and we pair the analysis with prevailing interest rate forecasts to provide well-researched, data-driven recommendations to our clients.

In the case of Ketchum URA's outstanding Series 2010 Revenue Allocation Refunding Bonds, the Bonds are currently callable and can be refinanced for significant savings. In fact, Zions reached out to Grant Gager in September 2020 with preliminary savings estimates to ensure that the URA was aware of the refunding opportunity. As the URA's municipal advisor, Zions would work with the board and staff to evaluate different refunding options, including but not limited to shortening the final term versus immediately lowering payments, building debt service coverage capacity for new projects, and utilizing the Bonds' existing debt service reserve fund in the most financially beneficial way. As for timing, our analysis would consider current rates, rate projections, and the lost savings potential of an unexercised call option. Zions would provide both direct purchase (bank) and market underwriting scenarios, along with a recommendation on the optimal method of sale and the rationale for that recommendation. If a negotiated underwriting is advisable, Zions would prepare an underwriter RFP for the URA and help to evaluate proposals. If a direct purchase is more favorable, Zions would prepare a request for bids to be circulated to dozens of local, regional, and national banks with interest in Idaho tax increment financings. Since 2017 Zions has conducted 11 underwriter RFPs in Idaho, and eight bid requests for direct purchases. Zions Bancorporation has also responded to and won bids to purchase recent and notable tax increment refunding bonds from CCDC (2017) and Nampa Development Corporation (2020), along with new money issues for Burley Development Authority (McCain Foods Project; 2019) and Twin Falls URA (Chobani Project; 2013).

Similar Project Experience

Since 2012, Zions has served as municipal advisor for bond issues from several Idaho urban renewal agencies, including Lewiston URA, Caldwell URA, Pocatello Development Authority, Rexburg URA, and Chubbuck Development Authority. We have also consulted with others, including Blackfoot URA and Jerome URA, on projects that haven't yet been completed. We submit as examples of our tax increment experience five notable

issues which occurred in the past five years, three of which were completed with Zions as purchaser. Although they are not all examples of municipal advisory work, we are confident that they illustrate our expertise with tax increment financings.

- **Chubbuck Development Authority** | In 2020, Zions acted as municipal advisor to the Chubbuck Development Authority in the issuance of its \$1,940,000 Revenue Allocation Bonds for the Pine Ridge Mall Project. The bonds were unique in that they were issued to reimburse a developer for improvements made within the Pine Ridge Mall RAA; however, the pledge on the bonds was limited to exactly the amount of reimbursements previously authorized by the URA board. Because of this there was a hard cap on the amount of tax increment revenue that could be diverted to repay the bonds, and the bonds were sized and stress-tested to accommodate this limitation to investors' satisfaction. Zions worked closely with the URA's bond counsel to ensure that the legal documents limited the pledged tax increment revenues to exactly the amount approved by the board, and in the process of researching the financing we also identified a material shortfall in the URA's tax receipts from the County.
- **Nampa Development Corporation** | In 2020, Zions was selected through a request for bids to purchase two revenue allocation refunding bonds totaling \$21,068,030, one tax-exempt and the other taxable, from Nampa Development Corporation. The URA hopes to retire the bonds and close the RAA as soon as possible, but rather than accelerating the bonds in the refunding they were structured with a high enough debt service coverage ratio to avoid the need for a debt service reserve fund, and the bonds were made callable at any time without penalty to allow for prepayments. In just the first year the URA made a prepayment of over \$2 million.
- **Burley Development Authority** | In 2019, Zions purchased a \$15,584,694 revenue allocation bond from the Burley Development Authority. The applicable RAA was a single-taxpayer district (McCain Foods), and the bonds were issued to reimburse McCain Foods for qualifying improvements made by the company in constructing their new \$250 million processing facility. McCain Foods was seeking to maximize the amount of reimbursement, and therefore provided a guaranty on the bonds which allowed Zions to underwrite to a 1:1 coverage ratio against the projected increment revenues. Zions also created a mechanism in the trust indenture whereby McCain Foods could continue to receive surplus tax increment, if any, annually throughout the life of the bonds.
- **Rexburg Urban Renewal Agency** | In 2016, Zions acted as municipal advisor to the Rexburg URA in the issuance of both a refunding bond issue and a new money issue. The new money issue was for the URA's newest RAA and needed to be completed before the district had received any tax increment revenues. Zions prepared the URA's request for bids and received a favorable offer from D.L. Evans Bank, despite the added risks of a tax increment financing with no collection record. The bonds were structured with three years of interest-only payments and a debt service reserve, though the reserve will be waived and applied to the balance once the coverage ratio reaches a certain threshold.
- **Capital City Development Corp** | In 2017, Zions was selected from a pool of seven banks through a request for bids to purchase a \$13,000,000 revenue allocation bond for new projects. CCDC had for years worked exclusively with Bank of America as purchaser for their bonds, but at the recommendation of their municipal advisor the URA bid out the 2017 issue. Zions was selected both for superior pricing and our expertise with tax increment financings. Zions' terms were favorable enough that we were asked to also purchase a \$5,145,000 refunding bond for the same RAA, which hadn't originally been planned. CCDC's financings are unique in that the security is a gross pledge of the subject RAA tax increment, as well as a net pledge of CCDC's downtown Boise parking revenues, and the URA's bond covenants (coverage and additional bonds test) accommodate both of these revenue streams.

References

We invite the URA to contact the issuers and individuals below for feedback on Zions' capabilities, professionalism, and performance as a municipal advisor. Recent issues have been prioritized over older URA issues simply in order to provide opportunities for more detailed feedback; however, our Chubbuck Development Authority issuance is from 2020 and has been included.

Issuer and Contact	Issuance	Purpose
Chubbuck Development Authority Devin Hillam, Executive Director (208) 239-3239 dhillam@cityofchubbuck.us	\$1,940,000 Tax Increment Revenue Bonds; Series 2020	Advanced reimbursement of eligible expenditures under a standing development agreement
City of Idaho Falls Pam Alexander, Municipal Services Director (208) 612-8249 palexander@idahofallsidaho.gov	\$25,090,000 Annual Appropriation Certificates of Participation; Series 2020	Funded construction of a new police headquarters building using existing City revenues
City of Sun Valley Wendy Crosby, Finance Manager (208) 215-7275 wcrosby@sunvalleyidaho.gov	\$16,395,000 General Obligation Bonds; Series 2018	Funded various road and path improvements throughout the City
Ada County Ammon Taylor, Deputy Prosecuting Attorney (208) 287-7733 ataylor@adacounty.id.gov	\$28,540,000 Annual Appropriation Lease Revenue Bonds; Series 2020	Funded construction of a new coroner building using existing County revenues; issued through the Idaho Health Facilities Authority

Price Proposal

For tax increment revenue allocation bonds, the URA will pay Zions a fee equal to \$4.00 per \$1,000 of par issued with a minimum per-issuance fee of \$15,000. *It is understood that our fee will not be payable unless or until bonds are approved, issued and sold and the proceeds are available for the URA's disposition.* We would expect to be reimbursed for out-of-pocket expenses related to out-of-state travel only (e.g. rating agency visits, including rating presentation printing expense), and only with prior URA approval. Zions will not seek reimbursement for in-state travel, regular printing expenses, etc.

While we believe that this fee structure is fair and competitive for tax increment issues, we are open to discussing it further if needed. We do not want our fees to impede an engagement based on our merits.