



# Bonds: Best Practices of Long-term Debt Financing

***Pat Walker, Financial Consultant***  
***Mike Bailey, Financial Consultant***

***Scott Connelly, Financial Services Director-***  
***WIFA***

## Today's Speakers



**Mike Bailey, CPA (retired) but still a financial consultant**

- Local government financial leader since 1980
- MBA with emphasis in Public Policy, Harvard Kennedy School post-secondary programs
- Long-time “in-house” reviewer for GFOA budget program
- Former member of GFOA board of directors
- National trainer for GFOA and as an independent consultant
- Leads council / policy board retreats in developing strategic plans, long-term financial strategies and related efforts
- Serves as consultant and interim finance director in several cities since “official retirement” in 2018



**Pat Walker, (trying to really, really retire)**

- Over 40 years public administration and finance experience with over 30 years Senior Executive municipal and private sector municipal finance experience
- Extensive experience in developing financial policies for municipalities
- Prior CFO at the City of Chandler and over 15 years consulting in municipal management and financial services to small and large cities, towns, utility and fire districts throughout the Country
- Member of GFOA Executive Committee on Capital Planning & Economic Development for 5 years
- Finance Instructor for Arizona State University Certified Public Manager (CPM) Program

# What you walk away with today.....

- advisors, underwriters or attorney's
- Understanding that costs associated with selling of bonds is not free!
- Who has the fiduciary responsibility to you, the client
- The differences in roles in bond transactions
- What questions a financial professional should ask in bond transactions
- There are distinct roles for a municipal/finance advisor versus underwriter
- Examples of fees per \$1,000 bond sales in AZ
- Our experience in dealing with municipal/finance advisors over the years
- GFOA Best Practices
- WIFA financing opportunities in Arizona

# Selling Bonds is a Big Deal

---

- Commits your community to a long-term obligation
- Creates a fixed cost that will have to be factored into your financial planning for many years (whether for general government or utility)
- It costs a lot!
  - Interest costs are an obvious expense
    - Aligning repayment with use of the developed facilities is often the reason for using debt
    - The time-value of money is another rationale for selling bonds
  - The cost of the transaction itself is often misunderstood
    - Many participants in a sale
    - Each one of them gets paid – by your constituents
    - Only the Municipal Advisor (MA) has your best interest in mind, at least from a legal perspective

# The Participants

---

- Bond counsel – representing your entity in the transaction
  - Will review the transaction from a legal perspective in order to be able to provide the other participants with a legal opinion that the bond repayment is enforceable.
- Underwriter – will purchase the bonds and resell them to investors
- Municipal advisor (MA) – hired by entity to advise on the transaction. Is registered with the SEC. Is required to be a “fiduciary” to the entity.
- Other counsel – it has become more common for other participants to also engage counsel to protect their interests (e.g., disclosure counsel).
- Entity (and appropriate staff) – Ultimately responsible for the transaction!



# GFOA Best Practices

The screenshot shows a web browser window with the URL <https://www.gfoa.org/best-practices/debt-best-practices>. The browser's address bar and tabs are visible at the top. The main content area has a dark blue header with the text "Debt Management Best Practices" in white. Below the header is a horizontal navigation menu with five items: "USE OF ADVISORS", "TECHNIQUES", "DEBT ISSUANCE" (which is underlined and highlighted), "DISCLOSURE", and "DEBT MANAGEMENT / POST ISSUE". Below the navigation menu are two content cards, each with a "BEST PRACTICES" icon and title. The first card is titled "Refunding Municipal Bonds" and the second is titled "Debt Issuance Transaction Costs".

## Debt Management Best Practices

USE OF ADVISORS    TECHNIQUES    **DEBT ISSUANCE**    DISCLOSURE    DEBT MANAGEMENT / POST ISSUE

**BEST PRACTICES**  
**Refunding Municipal Bonds**  
Issuers should include guidelines and criteria in their debt management policies that address when refunding is

**BEST PRACTICES**  
**Debt Issuance Transaction Costs**  
Finance officers should be aware of the parties likely and necessary to be involved in the transactions and be

# GFOA Best Practices

---

- Where do Best Practices come from?
- How does a Best Practice get adopted by the board?
- What happens once a new Best Practice is adopted?
- How does a Best Practice compare to an Advisory?
- What topics are included under Best Practices / Advisories?





# GFOA Advisories – related to debt

The screenshot shows a web browser window with the URL <https://www.gfoa.org/best-practices/debt-best-practices>. The browser's address bar and tabs are visible at the top. Below the browser window, four yellow advisory cards are displayed in a 2x2 grid. Each card features a warning icon, the word 'ADVISORIES', a title, and a paragraph of text.

**ADVISORIES**  
**Evaluating the Sale and Securitization of Property Tax Liens**  
Governments contemplating the sale or securitization of property tax liens should undertake a careful analysis of benefits and risks both in the current fiscal year and over the long-term.

**ADVISORIES**  
**Using Variable Rate Debt Instruments**  
Governments who plan to issue variable rate debt should exercise caution and carefully evaluate their objectives. Governments should consider how this debt, and the various risks associated with it, will be managed over the long term.

**ADVISORIES**  
**Pension Obligation Bonds**  
State and local governments should not issue POBs.

**ADVISORIES**  
**Use of Debt-Related Derivatives Products**  
State and local governments should exercise caution in the use of derivative instruments.

<https://www.gfoa.org/materials/pension-obligation-bonds>



# Best Practices on Debt Issuance

---

## 1. Debt Issuance Transaction Costs

Finance officers should be aware of the parties likely and necessary to be involved in the transactions and be prepared to select these parties in a manner that ensures that needed services are obtained at a fair and reasonable cost.

- Direct Costs of Issuance – paid directly to advisors, trustees, paying agents, rating agencies, and potentially others (depending on the nature of the debt)
- Underwriter’s discount – paid indirectly by the issuer to the underwriter.
  - Deducted from the proceeds (typically)

“Finance officers, working with their municipal advisors (MA), should understand all the costs and fees, so they can be controlled and managed throughout the process”

# Best Practices on Debt Issuance

---

## 2. Expenses Charged by Underwriters in Negotiated Sales

State and local government issuers should establish at the beginning of the bond negotiation process what expenses will be directly paid by the issuer or as part of the underwriter spread.

“When selling tax exempt or taxable municipal bonds through negotiated sale, in addition to negotiating the price or yield for each bond, the underwriter’s compensation, or so-called spread, or underwriter’s discount must be negotiated.

There are four components of the spread; the takedown, the management fee, the underwriting risk fee, and underwriters expenses. Underwriter’s expenses included in a bond issue should represent fair reimbursement at the least public cost of expenses undertaken by the underwriters for the benefit of the transaction.”

# Best Practices on Debt Issuance

---

## 3. Selecting and Managing Municipal Advisors

Issuers should hire a municipal advisor (MA) prior to the undertaking of a debt financing unless the issuer has sufficient in-house expertise and access to current bond market information, and issuers should select municipal advisors on the basis of merit using a competitive process and that issuers review those relationships periodically.

The Government Finance Officers Association (GFOA) recommends that issuers hire a MA prior to the undertaking of a debt financing. Issuers should assure that the municipal advisor has the necessary expertise to assist the issuer in determining the best type of financing for the government, selecting other finance professionals, planning the bond sale, and successfully selling and closing the bonds.

# Best Practices on Debt Issuance

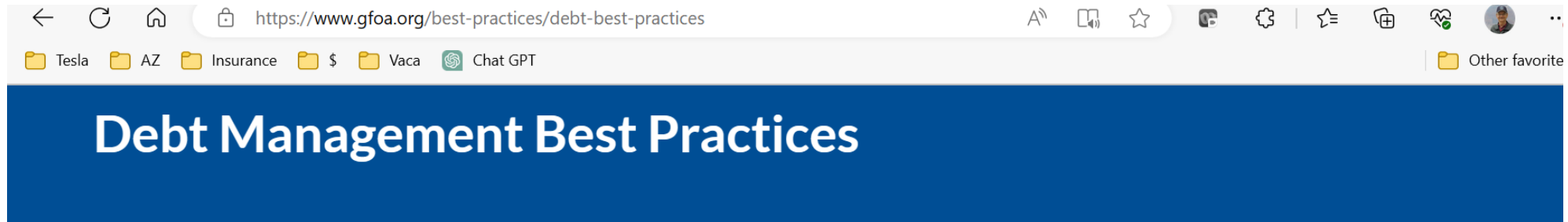
---

## 4. Selecting and Managing Underwriters for Negotiated Bond Sales

Unless the issuer has sufficient in-house expertise and access to current market information, it should hire an outside municipal advisor prior to undertaking a negotiated debt financing in order to assist the government with evaluating proposals from underwriters, selecting the underwriter(s) for the transaction, and executing the bond sale.

GFOA further recommends the use of a Request for Proposal (RFP) process when selecting underwriters in order to promote fairness, objectivity, and transparency. The RFP process allows the issuer to compare respondents and helps the issuer select the most qualified firm(s) based on the evaluation criteria outlined in the RFP.

# GFOA Best Practices – “Bottom Line”



When considering the sale of bonds:

1. Consult a nationally recognized bond counsel (and don't forget your attorney)
2. Hire a municipal advisor through an RFP process to advise on the transaction
  1. The MA is legally required to have your best interest in mind while providing advice
  2. The underwriter in a negotiated sale cannot be your MA
3. Determine which sale method is in the entity's best interest
  1. Negotiated with a preselected underwriter (who should be selected via and RFP)
  2. Competitive sale managed by the MA where the winning bid determines the underwriter
4. Unless your entity has a high level of experience in the municipal markets – get professional advice!

# Financial Policies

---

## Debt Policies to Consider Prior to Incurring Long-Term Debt

- When to use debt
  - When to use what type of debt (revenue backed, general obligation, etc.)
  - Nature of the projects (years of useful life v. term of debt, etc.)
- Professional services to include in debt issuance process
  - Again, can be different by type of debt
- How to acquire outside expertise for debt issuance team
  - Request for Proposals
  - Whom to include in the evaluations
  - When to update the team (how often do you conduct the RFP?)

# Municipal/Financial Advisor Role

- Per Municipal Securities Rules Board (MSRB) Rule G-42:
  - (a) Standards of Conduct.
    - (i) A municipal advisor to an obligated person client shall, in the conduct of all municipal advisory activities for that client, be subject to a duty of care.
    - (ii) A municipal advisor to a municipal entity client shall, in the conduct of all municipal advisory activities for that client, be subject to a fiduciary duty that includes a duty of loyalty and a duty of care.
- MSRB G-17 Rule:
  - The underwriter must also provide the required MSRB Rule G-17 disclosures to the municipal entity or obligated person that state that the firm is not a municipal advisor and owes no fiduciary duty to the entity. Underwriters also must not recommend that issuers not retain a municipal advisor. Accordingly, underwriters may not discourage issuers from using a municipal advisor or otherwise imply that the hiring of a municipal advisor would be redundant because the sole underwriter or underwriting syndicate can provide the services that a municipal advisor would.



# What a Municipal Advisor Should be....



Registered with the US Securities and Exchange Commission



A trusted financial advisor, especially when there is not the expertise of staff there but if there is, a second set of eyes for advice



Assistance with post issuance requirements, i.e. EMMA filings, posting requirements, etc.



Carefully read any “Disclaimer Language”



If no Municipal Advisor how do you know you are paying reasonable fees or potentially unreasonable management or underwriter fees

# What a Municipal Advisor Should be....

---



An educator on what all the costs are related to recent bond issuance and if they are comparable to other recent bond issues and if not, the reasons why



Follow the SEC regulations administered through the Municipal Securities Rulemaking Board (MSRB)



Assist in planning and staff training for future financial sustainability, not just bond issuances



An “independent MA” is not affiliated with an underwriting firm and doesn’t ever serve in the capacity as an underwriter.



AZ is one of the states where switching roles between MA’s and Underwriters does happen. For example, CA will not allow a MA to become an Underwriter for an issuer for a two-year period

# What a Municipal Advisor Should be....



Make the most cost-effective financing recommendations for the issuer; for example, bond sales every 3 years versus one or more each year



A Municipal Advisor has a fiduciary duty to its client. In other words, a MA must put its client first.



According to Interpretative Notice of MSRB Rule G-17, an Underwriter cannot discourage the use of a Municipal Advisor.



What they cannot be is both a Financial Advisor and Underwriter on the same transaction. The Underwriter does not have to look out for a municipalities best interest



A Municipal Advisor should be able to compare their fees with other firms, fees for similar transactions

# Strategic Alliance for Volume Expenditures (SAVE) Contract Example

---

# SAVE Contract Example

- Each firm provides their own SAVE contract
- Entity must be a member of SAVE to use
- Prices are at the time proposals were submitted and may be more than market—compared to market at time of proposed issuance.
- Mainly used by school districts
- Bonds are priced by type of bond and size of issuance:
  - New General Obligation Bonds
  - New Revenue Bonds
  - New Certificates of Participation (Lease Purchase)
  - Refinancing General Obligation Bonds
  - Refinancing Revenue Bonds
  - New Certificates of Participation (Lease Purchase)

# SAVE Contract Example

- In the example, fees are broken down by with or without financial advisor but again, this is just information as every issue is different
- Pay special attention to the last page of “Other Fees” as they are add-on fees and need to be considered if comparing to market
- Fees should be agreed upon before issuance and is another piece of data that can be reviewed, but market comparable information is still the best with detailed explanation is the best


**ATTACHMENT D: COST PROPOSAL**

RFP:  
PROJECT: **INVESTMENT BANKING SERVICES**

**VII. COST FORM**

	Less than 2 Million	2 to 9.999 Million	10 to 24.999 Million	25 to 49.999 Million	50 to 74.99 Million	75 to 99.999 Million	100 Plus Million
<b>New General Obligation Bonds</b>							
Fee for Underwriting when there is no Financial Advisor							
Fee for Financial Advisor							
Fee for Underwriting when there is a Financial Advisor							
<b>New Revenue Bonds</b>							
Fee for Underwriting when there is no Financial Advisor							
Fee for Financial Advisor							
Fee for Underwriting when there is a Financial Advisor							
<b>New Certificates of Participation /Lease Purchase</b>							
Fee for Underwriting when there is no Financial Advisor							
Fee for Financial Advisor							
Fee for Underwriting when there is a Financial Advisor							



	<b>ATTACHMENT D: COST PROPOSAL</b>	
	RFP: <b>BANKING</b>	PROJECT: <b>INVESTMENT</b>
	SERVICES	

83

	Less than 2 Million	2 to 9.999 Million	10 to 24.999 Million	25 to 49.999 Million	50 to 74.999 Million	75 to 99.999 Million	100 Plus Million
<b>Refinancing General Obligation Bonds</b>							
Fee for Underwriting when there is no Financial Advisor							
Fee for Financial Advisor							
Fee for Underwriting when there is a Financial Advisor							
<b>Refinancing Revenue Bonds</b>							
Fee for Underwriting when there is no Financial Advisor							
Fee for Financial Advisor							
Fee for Underwriting when there is a Financial Advisor							
<b>Refinancing Certificates of Participation (lease Purchase)</b>							
Fee for Underwriting when there is no Financial Advisor							
Fee for Financial Advisor							
Fee for Underwriting when there is a Financial Advisor							

**ATTACHMENT D: COST PROPOSAL**

**RFP:  
PROJECT: INVESTMENT BANKING  
SERVICES**

Override Election Services  
Per Hour \_\_\_\_\_

Other Charges for Services  
you may provide \_\_\_\_\_

-----  
Value Added Services and  
Number of Hours Included  
\_\_\_\_\_

Fee for Additional Hours of  
Value Added Services

List all items that you would  
expect to be reimbursed for  
during the course of the  
resulting contract

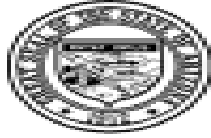
**Notes:**

# AZ State Contract for Municipal Advisory Services Example

---

# AZ State Contract

- Another “tool” to compare pricing
- If an entity goes this route, they can only use vendors on the state contract list
- Same situation as SAVE contract, data can be used as comparable but need to look at current market, size and difficulty of issuance
- Other mechanisms can be you go out with your own RFP or “Piggyback” on another entity RFP but again, there needs to be a clear understanding of the fees



## Attachment I

Solicitation No.: ADSP014-00003944

PAGE  
1

Description: Financial Advisor Services

OF  
5

State of Arizona  
State Procurement Office  
100 N. 15th Ave., Suite 201  
Phoenix, AZ 85007

### 1. Financial Advisor Services Price Schedule (Attachment I)

Offeror's shall complete Attachment I entitled "Financial Advisor Services Price Schedule", and provide all requested information according to the instructions.

Attachment I is found in Attachments section of ProcureAZ under the file named "Financial Advisor Services Price Schedule".

### 2. ProcureAZ Electronic System Requirement:

To ensure Offeror submits a valid bid, Offeror shall enter a one (1) dollar in the "Unit Cost" field on the "Items" tab in ProcureAZ, as a zero (0) will be considered a **NO-BID by the system**.

For assistance call the ProcureAZ Help Desk: 602-542-7600

### PRICING SCHEDULE

The Offeror shall develop and submit six pricing schedules as per Attachment I, using the methodologies described below. In each instance, the Offeror shall indicate the pricing for collateralized, non-collateralized, and pooled structure. Pricing must be provided in an all-inclusive basis.

1. The Offeror shall provide an all-inclusive fee, based on the size, or size range, for financial transactions. Fees shall be stated as a dollar amount.

#### PRICING SCHEDULE NUMBER ONE:

##### **Per Bond Pricing Structure:**

The Offeror shall indicate the fee per \$1,000 of the face value of the financing for each financing transaction undertaken by the Eligible Agency. The Offeror shall indicate any changes in the fee per \$1,000 based on the size of the financing and shall indicate any minimum or maximum fees per financing transaction.

The Offeror shall separately state the fees per \$1,000 for a collateralized structure and for a non-collateralized structure.

The Offeror should also indicate if a price differential is available for transactions subsequent to the first financing.



# Attachment I

Solicitation No.: ADSP014-00003944

Description: Financial Advisor Services

PAGE  
2  
OF  
5

State of Arizona  
State Procurement Office  
100 N. 15th Ave., Suite 201  
Phoenix, AZ 85007

### A. COLLATERALIZED STRUCTURE PER \$1,000:

Principal Amount of Issue

Fee

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

### B. NON-COLLATERALIZED STRUCTURE PER \$1,000:

Principal Amount of Issue

Fee

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

### C. POOLED STRUCTURE PER \$1,000:

Principal Amount of Issue  
Borrower

Fee

Incremental Cost per

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_



# Attachment I

Solicitation No.: ADSP014-00003944

PAGE  
3  
OF  
5

Description: Financial Advisor Services

State of Arizona  
State Procurement Office  
100 N. 15th Ave., Suite 201  
Phoenix, AZ 85007

**PRICING SCHEDULE NUMBER TWO (COLLATERALIZED, NON-COLLATERALIZED, AND POOLED):**

**Hourly Rates:** The Offeror shall provide a schedule of hourly rates for each Key Person who may provide services described in the Scope of Work. The Offeror shall indicate any minimum or maximum fees for such services or per financing transaction (use a separate sheet if necessary):

**A. COLLATERALIZED STRUCTURE:**

<u>Name of Key Person &amp; Title per Transaction</u>	<u>Hourly Rate</u>	<u>Min/Max Fee</u>
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____

**B. NON-COLLATERALIZED STRUCTURE:**

<u>Name of Key Person &amp; Title Transaction</u>	<u>Hourly Rate</u>	<u>Min/Max Fees per</u>
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____

**C. POOLED STRUCTURE:**

<u>Name of Key Person &amp; Title Transaction</u>	<u>Hourly Rate</u>	<u>Min/Max Fees per</u>
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____





# Attachment I

Solicitation No.: ADSP014-00003944

PAGE  
4  
OF  
5

Description: Financial Advisor Services

State of Arizona  
State Procurement Office  
100 N. 15th Ave., Suite 201  
Phoenix, AZ 85007

**PRICING SCHEDULE NUMBER THREE (COLLATERALIZED, NON-COLLATERALIZED AND POOLED):**

**Annual Retainer Fees:**

The Offeror shall indicate an annual retainer price for all services described in the Scope of Work.

The Offeror shall separately state the retainer price if a collateralized, non-collateralized or pooled structure is utilized.

The Offeror shall indicate any limitations on the services to be provided under such a fee arrangement.

**Limitations:** The Offeror shall indicate if any of the three pricing methodologies are unacceptable.

- A. Collateralized: \$ \_\_\_\_\_
- B. Non-Collateralized: \$ \_\_\_\_\_
- C. Pooled: \$ \_\_\_\_\_

**PRICING SCHEDULE NUMBER FOUR (KEY PERSON WITH HOURLY RATE):**

**The Offeror shall indicate hourly rates for other financial advisory activities described in the Scope of Work (associated with a bond issue transaction).**

<u>Name of Key Person</u>	<u>Title</u>	<u>Hourly Rate</u>
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

**PRICING SCHEDULE NUMBER FIVE (KEY PERSON WITH HOURLY RATE):**



### Attachment I

Solicitation No.: ADSP014-00003944

Description: **Financial Advisor Services**

PAGE 5 OF 5

State of Arizona  
State Procurement Office  
100 N. 15th Ave., Suite 201  
Phoenix, AZ 85007

The Offered shall indicate hourly rates for other financial advisory activities described in the Scope of Work (not associated with a bond transaction).

<u>Name of Key Person</u>	<u>Title</u>	<u>Hourly Rate</u>
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

**PRICING SCHEDULE NUMBER SIX:**

**Optional Pricing:** The Offeror shall provide a firm, fixed, all-inclusive maximum fee per Financing Transaction involving the sale of certificates regardless of the number of buildings acquired and equipment and the size of the issue:

\$ \_\_\_\_\_ Maximum Fee (dollar amount) per Financing Transaction.  
Offeror should also indicate how this fee will be calculated (hourly rates, etc.)

National, City/Town, General Obligation Bonds, Issued in 2022										
Dated Date	Par Amount	Issuer	Description	Series	Rating			FA	FA Firm	
					S&P	Fitch	Moody's			
12/01/2021	\$ 72,675,000	City of Bellevue, Washington	Limited Tax General Obligation Refunding Bonds (D	Series 2022	AAA		Aaa	Yes	Piper Sandler	
02/03/2022	\$ 4,620,000	City of Troy, Michigan	General Obligation Limited Tax Refunding Bonds	Series 2022	AAA			Yes	Bendzinski & Co.	
02/10/2022	\$ 16,645,000	City of Newton, Massachusetts	General Obligation Bonds	Series 2022			Aaa	Yes	Hilltop Securities	
02/17/2022	\$ 9,470,000	City of Charleston, South Carolina	General Obligation Refunding Bonds	Series 2022	AAA		Aaa	Yes	First Tryon Advisors	
02/23/2022	\$ 11,540,000	City of Highland Park, Illinois	General Obligation Bonds	Series 2022			Aaa	Yes	Speer Financial, Inc.	
02/23/2022	\$ 27,335,000	City of Alpharetta, Georgia	General Obligation Bonds	Series 2022	AAA		Aaa	Yes	PFM Financial Advisors, LLC	
02/24/2022	\$ 10,180,000	City of Clayton, Missouri	General Obligation Refunding Bonds	Series 2022	AAA			Yes	Piper Sandler	
03/09/2022	\$ 6,830,000	City of Naperville, Illinois	General Obligations Bonds	Series 2022A	AAA		Aaa	Yes	Speer Financial, Inc.	
03/09/2022	\$ 23,825,000	City of West Lake Hills, Texas	General Obligation Bonds	Series 2022	AAA			Yes	PFM Financial Advisors, LLC	
03/16/2022	\$ 81,750,000	City of Cambridge, Massachusetts	General Obligation Municipal Purpose Loan of 202	Seires 2022	AAA	AAA	Aaa	Yes	Government Finance Group LLC	
03/17/2022	\$ 14,640,000	City of Rye, New York	Public Improvement Serial Bonds	Series 2022			Aaa	Yes	Capital Markets Advisors, LLC	
03/30/2022	\$ 25,500,000	City of Bristol, Connecticut	General Obligation Bonds	Issue of 2022	AA+	AAA		Yes	Phoenix Advisors, LLC	
03/31/2022	\$ 40,290,000	City of Glendale, Arizona	General Obligation Bonds	Series 2022	AA	AAA		No		
04/06/2022	\$ 11,880,000	City of St. Paul, Minnesota	General Obligation Various Purpose Bonds	Series 2022	AAA	AAA		Yes	Baker Tilly Municipal Advisors, LLC	
04/07/2022	\$ 4,000,000	City of Clive, Iowa	General Obligation Corporate Purpose Bonds	Series 2022A			Aaa	Yes	PFM Financial Advisors, LLC	
04/13/2022	\$ 16,100,000	City of Middletown, Connecticut	General Obligations Bonds	Issue of 2022	AAA			Yes	Phoenix Advisors, LLC	
04/13/2022	\$ 13,360,000	City of Elgin, Illinois	General Obligation Corporate Purpose Bonds	Series 2022	AA+	AAA		Yes	Speer Financial, Inc.	
04/13/2022	\$ 335,215,000	City of Boston, Massachusetts	General Obligation Bonds	2022 Series A	AAA		Aaa	Yes	PFM Financial Advisors, LLC	
04/19/2022	\$ 71,155,000	City of South Portland, Maine	General Obligation Bonds & General Obligation Ref	Series 2022A, B, C	AAA		Aaa	Yes	Moors & Cabot Inc	
04/27/2022	\$ 11,975,000	City of Bloomington, Minnesota	General Obligation Capital Improvement Plan Bond	Seires 2022A	AAA			Yes	Baker Tilly Municipal Advisors, LLC	
05/05/2022	\$ 246,080,000	City and County of Denver, Colorado	General Obligation Elevate Denver Bonds	Series 2022A	AAA	AAA	Aaa	Yes	Hilltop Securities	
05/05/2022	\$ 81,710,000	City and County of Denver, Colorado	General Obligation Rise Denver Bonds	Series 2022B	AAA	AAA	Aaa	Yes	Hilltop Securities	
05/05/2022	\$ 38,600,000	City and County of Denver, Colorado	General Obligation Rise Denver Bonds	Taxabe Series 2022C	AAA	AAA	Aaa	Yes	Hilltop Securities	
05/05/2022	\$ 49,490,000	City of Portland, Maine	General Obligation Bonds	Seires 2022	AAA		Aa1	Yes	Moors & Cabot Inc	
05/10/2022	\$ 14,070,000	City of Marlborough, Massachusetts	General Obligation Bonds	Series 2022	AAA			Yes	Hilltop Securities	
05/10/2022	\$ 31,300,000	City of High Point, North Carolian	General Obligation Bonds	Series 2022A&B	AAA	AA+	Aa1	Yes	Davenport & Company LLC	
05/10/2022	\$ 11,885,000	City of Dublin, Ohio	Generaol Obligation (limited tax) Various Purpose I	Series 2022			Aaa	Yes	Baker Tilly Municipal Advisors, LLC	
05/11/2022	\$ 14,315,000	City of Menlo Park, California	2022 General Obligation Bonds	(2001 Election)			Aaa	Yes	Urban Futures, Inc.	
05/17/2022	\$ 424,185,000	City of Columbus, Ohio	General Obligation Bonds	Series 2022A B C D	AAA	AAA	Aaa	Yes	PFM Financial Advisors, LLC	
05/17/2022	\$ 110,000,000	City of Oklahoma City, Oklahoma	General Obligation Bonds	Seires 2022	AAA		Aaa	Yes	PFM Financial Advisors, LLC	
05/17/2022	\$ 25,395,000	City of Oklahoma City, Oklahoma	General Obligation Refunding Bonds	Series 2022	AAA		Aaa	Yes	PFM Financial Advisors, LLC	
05/18/2022	\$ 12,570,000	City of Seattle, Washington	Limited Tax General Obligation Improvement and F	Series 2022A	AAA	AAA	Aaa	Yes	Piper Sandler	
05/24/2022	\$ 84,370,000	City of Irving, Texas	General Obligation Bonds	Series 2022	AAA		Aaa	Yes	Hilltop Securities	
05/24/2022	\$ 20,985,000	City of Round Rock, Texas	General Obligation Bonds	Series 2022	AAA			Yes	Specialized Public Finance Inc.	
05/25/2022	\$ 7,540,000	City of Newburyport, Massachusetts	General Obligation Bonds	Series 2022	AAA			Yes	Hilltop Securities	
05/25/2022	\$ 28,915,000	City of Richardson, Texas	General Obligation Bonds	Series 2022	AAA		Aaa	Yes	Hilltop Securities Inc.	
05/26/2022	\$ 56,835,000	City of Lewisville, Texas	General Obligation Bonds	Series 2022	AAA	AAA		Yes	Hilltop Securities	
06/01/2022	\$ 10,255,000	City of Iowa City, Iowa	General Obligation Bonds	Series 2022			Aaa	Yes	Speer Financial, Inc.	
06/01/2022	\$ 90,330,000	City of Tempe, Arizona	General Obligation Bonds	Series 2022	AAA	AAA		No		
06/01/2022	\$ 14,015,000	City of Redmond, Washington	Limited Tax General Obligation Bonds	Series 2022	AAA			Yes	PFM Financial Advisors, LLC	
06/02/2022	\$ 22,595,000	City of Carrollton, Texas	General Obligation Improvement and Refunding Bc	Series 2022	AAA	AAA		Yes	PFM Financial Advisors, LLC	
06/07/2022	\$ 83,240,000	City of Arlington, Texas	Permanent Improvement Bonds	Series 2022A	AAA	AAA	Aa1	Yes	Estrada Hinojosa & Company	
06/07/2022	\$ 76,450,000	City of Plano, Texas	General Obligation Bonds	Seires 2022	AAA		Aaa	Yes	Hilltop Securities Inc.	
06/09/2022	\$ 6,415,000	City of McKinney, Texas	General Obligation Bonds	Series 2022	AAA		Aaa	Yes	Estrada Hinojosa & Company	
06/16/2022	\$ 34,435,000	City of Palo Alto, California	Refunding General Obligation Bonds (Election of 2C	Series 2022A	AAA			Yes	PFM Financial Advisors, LLC	
06/21/2022	\$ 12,500,000	Albuquerque Metro Arroyo Flood Contro	General Obligation Bonds	Series 2022			AAA	Yes	RBC Capital Markets	
06/21/2022	\$ 26,000,000	City of Charlottesville, Virginia	General Obligation Public Improvement Bonds	Series 2022	AAA		Aaa	Yes	PFM Financial Advisors, LLC	
06/22/2022	\$ 22,620,000	City of Mesa, Arizona	General Obligation Bonds	Series 2022	AA	AAA		Yes	Hilltop Securities	
06/22/2022	\$ 26,840,000	City of Durham, North Carolina	General Obligation Bonds	Series 2022	AAA	AAA	Aaa	Yes	First Tryon Advisors	
06/22/2022	\$ 30,000,000	City of Campbell, California	General Obligation Bonds	Seires 2022	AAA			Yes	NHA Advisors	
06/22/2022	\$ 16,015,000	City of West Des Moines, Iowa	General Obligation Urban Renewal Bonds	Series 2022A B C			Aaa	Yes	PFM Financial Advisors, LLC	
06/23/2022	\$ 26,790,000	City of Watertown, Massachusetts	General Obligation Municipal Purpose Loan of 202	Series 2022	AAA			Yes	Hilltop Securities	
06/23/2022	\$ 23,330,000	City of Portsmouth, New Hampshire	General Obligation Capital Improvement Loan Bon	Series 2022	AAA			Yes	Hilltop Securities Inc.	
06/28/2022	\$ 23,000,000	City of Allen, Texas	General Obligation Bonds	Series 2022	AAA		Aaa	Yes	Estrada Hinojosa & Company	
07/14/2022	\$ 26,305,000	City of Edina, Minnesota	General Obligation Bonds	Series 2022A	AAA		Aaa	Yes	Ehlers and Associates, Inc.	
07/14/2022	\$ 20,000,000	City of Danbury, Connecticut	General Obligations Bonds	Issue of 2022	AA+	AAA		Yes	Phoenix Advisors, LLC	

07/20/2022	\$	39,590,000	City of Tuscaloosa, Alabama	General Obligation Warrants	Series 2022-A		AAA	Aa1	No	
07/20/2022	\$	5,255,000	City of Tuscaloosa, Alabama	General Obligation Warrants	Series 2022-B		AAA	Aa1	No	
07/28/2022	\$	9,410,000	City of Shavano Park, Texas	General Obligation Bonds	Series 2022	AAA			Yes	Frost Bank Capital Markets
08/01/2022	\$	3,860,000	City of Cedar Falls, Iowa	General Obligaton Capital Loan Notes	Series 2022			Aaa	Yes	PFM Financial Advisors, LLC
08/03/2022	\$	28,075,000	City of Portland, Oregon	Limited Tax Revenue Bonds (Build Protalnd & Fuel	Series 2022D			Aaa	Yes	D.A. Davidson & Co.
08/04/2022	\$	2,495,000	City of Nashua, New Hampshire	General Obligations Bonds	Series 2022	AAA			Yes	Hilltop Securities
08/09/2022	\$	56,300,000	City of Cedar Park, Texas	General Obligation Bonds	Series 2022	AAA			Yes	Specialized Public Finance Inc.
08/11/2022	\$	24,945,000	City of Lakeville, Minnesota	General Obligation Bonds	Series 2022C			Aaa	Yes	Northland Securities
08/11/2022	\$	40,000,000	City of Stamford, Connecticut	General Obligation Bonds	Issue of 2022	AAA	AAA		Yes	Phoenix Advisors, LLC
08/24/2022	\$	5,690,000	Cascade Charter Township (County of Ke	General Obligation Limited Tax (2022 Capital Imprc	Series 2022	AAA			Yes	MFCI (Municipal Financial Consultants)
08/24/2022	\$	27,735,000	City of Suffolk, Virginia	General Obligation Bonds	Series 2022	AAA	AAA	Aaa	Yes	Davenport & Company LLC
08/25/2022	\$	57,680,000	City of San Antonio, Texas	General Improvement Bonds	Series 2022	AAA	AA+	Aaa	Yes	Hilltop Securities & Estrada Hinojosa & Co
08/25/2022	\$	100,500,000	City of San Antonio, Texas	General Improvement Bonds	Taxabe Series 2022	AAA	AA+	Aaa	Yes	Hilltop Securities & Estrada Hinojosa & Co
09/01/2022	\$	82,020,000	City or Norwalk, Connecticut	General Obligation Bonds	Issue of 2022	AAA	AAA	Aaa	Yes	Munistat Services, Inc.
09/07/2022	\$	167,620,000	City of Midland, Texas	General Obligation Refunding Bonds	Series 2022A		AAA	Aa1	Yes	Hilltop Securities
09/27/2022	\$	4,610,000	City of Northampton, Massachusetts	General Obligation Bonds	Series 2022	AAA			Yes	Hilltop Securities
09/28/2022	\$	389,435,000	City of Los Angeles, California	General Obligation Bonds	Series 2022-A	AA	AAA	Aa2	Yes	Omnicap Group LLC
10/06/2022	\$	22,035,000	City of Madison, Wisconsin	General Obligation Refunding Bonds	Series 2022-C			Aaa	Yes	Baker Tilly Municipal Advisors, LLC
10/27/2022	\$	3,705,000	City of Bartlett, Tennessee	General Obligation Public Improvement Bonds	Series 2022	AAA		Aa1	Yes	PFM Financial Advisors, LLC
11/02/2022	\$	23,810,000	City of Peoria, Arizona	General Obligation Bonds	Seires 2022			Aaa	Yes	PFM Financial Advisors, LLC
11/10/2022	\$	1,865,000	City of New Berlin, Wisconsin	General Obligation Refunding Bonds	Series 2022B			Aaa	Yes	Ehlers and Associates, Inc.
11/15/2022	\$	14,860,000	City of Deer Park, Texas	General Obligation Bonds	Series 2022	AAA			Yes	BOK Financial Securities, Inc.
	<b>\$</b>	<b>3,769,860,000</b>	<b>in 78 total transactions</b>							

Examples of Taxable Underwriting Spreads (Public Offerings)						
AZ Pension Transactions	Sale/Closing Date	Issue Size	Ratings - Insured		Financial Advisor	Spread per \$1,000
City of Flagstaff/COPs	7/23/2020	\$131,000,000	/AA-/AA-		None	* \$6.78
Pinal County/Excise Tax Backed	10/21/2020	\$89,050,000	/AA-/AA		None	* \$9.41
Gila County/Excise Taxes	10/22/2020	\$16,855,000	/AA/		None	* \$15.06
<b>Oher AZ Taxable Transactions</b>						
Pima County/COPs	3/31/2016	\$43,935,000	/A+/AA-		None	* \$6.49
		\$28.75M TE - \$15.185M Taxable				
AZ IDA (BASIS Charter)/Edu Rev	3/13/2018	\$16,295,000	/BB/		None	** \$12.50
Pinal County/Excise Tax Backed	12/12/2018	\$31,010,000	/AA-/AA		None	** \$19.00
Banner Health/Hosp Revs (Tax Exempt)	6/12/2019	\$94,050,000	/AA-/AA-		Yes	* \$5.42
Banner Health/Hosp Revs	6/12/2019	\$125,000,000	/AA-/AA-		Yes	*** \$5.58
Park Central CFD (Phoenix)/Assessment	6/27/2019	\$30,000,000	NR		Yes	* \$13.33
UofA/System Rev Ref	12/17/2019	\$72,205,000	Aa2/AA-/		Yes	*** \$2.38
NAU/Sysem Rev Ref	12/18/2019	\$112,725,000	A1/A+/ # BAM		Yes	*** \$2.63
		\$34.205M Taxable - \$78.52M TE				
ADOT/Highway Rev Ref	1/9/2020	\$510,275,000	Aa1/AA+/		Yes	*** \$1.60
AZ IDA (Voyager Foundation)/Edu Rev Ref	1/30/2020	\$28,545,000	Baa3/ /		Yes	* \$10.00
ASU/System Rev Ref	4/14/2020	\$184,455,000	Aa2/AA/		Yes	* \$2.04
		\$125.21M TE, \$29.245M TE, \$30M Taxable				
SRP/Electric Revs Series A (Tax Exempt)	10/1/2020	\$224,670,000	Aa1/AA+/		Yes	* \$1.81
SRP/Electric Revs Series B	10/1/2020	\$100,000,000	Aa1/AA+/		Yes	*** \$1.81
UofA/System Rev Ref	10/15/2020	\$95,575,000	Aa2/AA-/		Yes	*** \$2.41
Banner Health/Hosp Revs Series C	10/20/2020	\$603,670,000	/AA-/AA-		Yes	*** \$4.54
Tucson/Water Revs (Tax Exempt)	8/6/2020	\$45,765,000	Aa2/AA/AA		Yes	* \$3.53
Tucson/Water Revs	11/12/2020	\$53,985,000	Aa2/AA/AA		Yes	* \$3.51
* Traditional Par Call						
** Short Par Call						
*** Make Whole Call						
# Insured by Build America Mutual ( /AA/ ) or Assured Guaranty ( A2/AA/ )						
						34

# Summary

- Total of 78 General Obligation Bond transactions from December 2021 through November 2022
- Of the 78, only 3 cities did not use a Municipal Advisor
- Fees are complicated, don't just depend on SAVE or AZ State Contract as every situation and financing is different. Compare fees!
- Need to look at type of bond issuance, complexity and rating as seen on the AZ Taxable Spreadsheet for Public Offering
- Read your written disclosure materials and consider hiring disclosure counsel in complex or novel transactions
- Retain reputable and experienced professionals that provide you with comparable market data and detailed explanations. Find a Municipal Advisor you can trust.
- Ask questions!!!!



**WATER INFRASTRUCTURE**  
FINANCE AUTHORITY OF ARIZONA

# Financial Incentives of Funding Projects with DWSRF Loans

GFOAz Summer Conference  
August 2023

**Scott Connelly**

Water Infrastructure Finance Authority  
Financial Services Director  
[sconnelly@azwifa.gov](mailto:sconnelly@azwifa.gov)







# SRF - Eligible Projects

## Project phases

- Acquisition
- Planning
- Design
- Construction
- Improvement





# DWSRF Types of Assistance

## Financial Assistance - Loans

- Discounted Interest Rates
- Flexible Terms up to 30 years
- Forgivable Principal

## Technical Assistance

- Combined with Financial Assistance
- Initiated with PPL Application
- Services delivered by - WIFA Staff and/or Contract Professionals
- Planning and Design
- Compliance with Federal Requirements

*City of Flagstaff Watershed Protection Project  
– Partially funded by WIFA*

# Technical Assistance applied to:

Project design	Support for Federal Requirements	Assistance from Councils of Governments
Requirements		
<ul style="list-style-type: none"> <li>• Service population of ≤10,000</li> <li><b>OR</b></li> <li>• Meets WIFA’s criteria as a disadvantaged community</li> </ul>	<ul style="list-style-type: none"> <li>• No population requirement</li> <li>• Only available if required as a condition of WIFA funding</li> </ul>	<ul style="list-style-type: none"> <li>• Service population of ≤10,000</li> <li><b>OR</b></li> <li>• Meets WIFA’s criteria as a disadvantaged community</li> <li><b>OR</b></li> <li>• Privately-owned water companies</li> </ul>
Types of assistance		
<ol style="list-style-type: none"> <li>1. Design of an infrastructure project</li> <li>2. Selection of design alternative</li> </ol>	<ol style="list-style-type: none"> <li>1. Environmental Assessment</li> <li>2. Cost and Effectiveness Analysis- (CW)</li> <li>3. Fiscal Sustainability Plan (CW)</li> </ol>	<ol style="list-style-type: none"> <li>1. Assistance with construction contractor procurement</li> <li>2. Davis-Bacon prevailing wage monitoring</li> </ol>



# Design Loans

## Loans for the design phase of a project:

- Planning & Design Loans cover costs incurred in the planning and design phase of a water infrastructure project
- Interest-only payments for **3 years** with the principal due at maturity or rolled into longer-term construction loans with WIFA or another funding entity.
- The combined interest and fee rate for three-year design loans is set at a **1%** flat rate.





# DWSRF Standard Loans

## Key Financial Benefits:

- **Discounted Interest Rate (CIFR):** Interest rates are based on the Municipal Market Data (MMD) rates for a corresponding term AAA General Obligation bond to which a percentage subsidy is then applied.
- **Flexible Term:** Up to 30 years, but limited to the useful life of the infrastructure
- **Forgivable Principal:** All DWSRF loans are eligible for forgivable principal. This is funding that is not required to be paid back and it will not be included in the amortized loan.\*\*

*\*\*subject to availability and priority*



# Forgivable Principal

## Drinking Water State Revolving Fund

All drinking water projects are eligible to receive forgivable principal\*\*

- Three tiers consider the loan amount and give priority to disadvantaged communities and projects which address a public health threat
    1. Disadvantaged Community AND project which addresses a public health threat
    2. Disadvantaged Community OR project which addresses a public health threat
    3. All Infrastructure Projects
  - Annual funding is determined by federal grant award
- \*\*subject to availability and priority*



# Disadvantaged Communities

## Automatically eligible:

- Colonia – designated by a federal agency
- MHI of 90% of states or lower automatically qualifies as disadvantaged

## Disadvantaged status may also be based on:

- Low median household income **AND**
- High water or wastewater rates charged to residents **AND**
- Existing level of debt



## All infrastructure projects

Forgivable Principal <u>up to</u>	On the Loan Amount Over	But Not Over	Cumulative Forgivable Principal <u>up to</u>
25%	\$ -	\$250,000	25% of the loan amount
20%	\$250,000	\$500,000	\$62,500 + 20% of the loan amount over \$250,000
20%	\$500,000	\$1,000,000	\$112,500 + 20% of the loan amount over \$500,000
10%	\$1,000,000	\$5,000,000	\$212,500 + 10% of the loan amount over \$1,000,000
8%	\$5,000,000	\$10,000,000	\$612,500 + 8% of the loan amount over \$5,000,000 but not over \$10,000,000 <sup>4</sup>

<sup>4</sup> Loan amounts greater than \$10M may receive up to \$1,012,500 of forgivable principal.

# Disadvantaged **or** addresses a public health threat

Forgivable Principal <u>up to</u>	On the Loan Amount Over	But Not Over	Cumulative Forgivable Principal <u>up to</u>
85%	\$ -	\$250,000	85% of the loan amount
50%	\$250,000	\$500,000	\$212,500 + 50% of the loan amount over \$250,000
35%	\$500,000	\$1,000,000	\$337,500 + 35% of the loan amount over \$500,000
13%	\$1,000,000	\$5,000,000	\$512,500 + 13% of the loan amount over \$1,000,000
10%	\$5,000,000	\$10,000,000	\$1,032,500 + 10% of the loan amount over \$5,000,000 but not over \$10,000,000 <sup>3</sup>

<sup>3</sup> Loan amounts greater than \$10M may receive up to \$1,532,500 of forgivable principal.



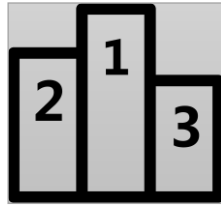
## Disadvantaged **and** addresses a public health threat

Forgivable Principal <u>up to</u>	On the Loan Amount Over	But Not Over	Cumulative Forgivable Principal <u>up to</u>
100%	\$ -	\$250,000	100% of the loan amount
70%	\$250,000	\$500,000	\$250,000 + 70% of the loan amount over \$250,000
50%	\$500,000	\$1,000,000	\$425,000 + 50% of the loan amount over \$500,000
15%	\$1,000,000	\$5,000,000	\$675,000 + 15% of the loan amount over \$1,000,000
15%	\$5,000,000	\$10,000,000	\$1,275,000 + 15% of the loan amount over \$5,000,000 but not over \$10,000,000 <sup>2</sup>

<sup>2</sup> Loan amounts greater than \$10M may receive up to \$2,025,000 of forgivable principal.



**Pre-Application**



**Priority Ranking**



**Environmental, Technical, & Financial Review**



**Loan Closing**



**Disbursements**

**Construction**



**Repayment**





**WATER INFRASTRUCTURE**  
FINANCE AUTHORITY OF ARIZONA

# Thank You

[www.azwifa.gov](http://www.azwifa.gov)

[Facebook.com/WIFAAZ](https://www.facebook.com/WIFAAZ)

[Twitter.com/WIFAfunding](https://twitter.com/WIFAfunding)

## Scott Connelly

Water Infrastructure Finance Authority

Financial Services Director

[sconnelly@azwifa.gov](mailto:sconnelly@azwifa.gov)





# Contact Information

Mike Bailey, CPA (retired)

Ph. 425.442.5121

[baileyno6@msn.com](mailto:baileyno6@msn.com)

Linked in –

[linkedin.com/in/mike-  
bailey-5521b430](https://www.linkedin.com/in/mike-bailey-5521b430)

Pat Walker, Pat Walker  
Consulting, LLC

[pwalkerconsulting@aol.  
com](mailto:pwalkerconsulting@aol.com)

Scott Connelly, WIFA

[sconnelly@azwifa.gov](mailto:sconnelly@azwifa.gov)

Ph. 602.364.1329