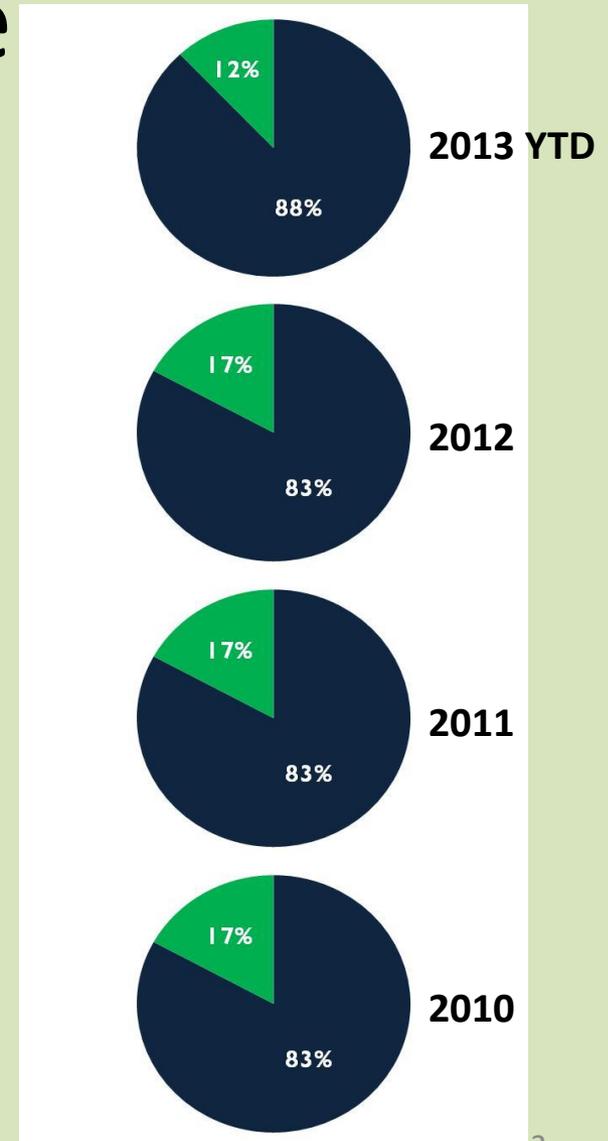


Section 98 Debt Issuance

Taxable Issuances: Negotiated and Competitive

The negotiated bond sale process is not uncommon

■ Negotiated ■ Competitive



Conditions for Negotiated Sales

- **Unusual/unique financing terms**
 - **Example: Issuer desires to target participation and distribute some bonds locally**
- **Market volatility**
 - Date of sale needs to be flexible
- **New entity**
 - Operating less than 3 years
 - Story behind the bond issue needs to be discussed with potential buyers
- **Lower credit rating**
 - Bond rating of A or lower
- **Unusually large issue**
- **Innovative structure or security**

Conditions for Competitive Sales

- Higher credit ratings
 - Bond rating of A or better
- Known issuer
- Security strong and predictable
 - General Obligation or Established Utility Bonds
- Simple bond structure
- No special conditions for the sale
- Positive market conditions
 - Flexibility for the issue date is not needed

Negotiated Sales

- One or more underwriters are selected to purchase bonds
- Underwriter(s) actively markets the bonds to its investor customers
 - “Presale” process used to determine interest and establish final bond pricing
- Underwriter(s) sells bonds to its investor customers
 - Terms of bonds tailored to meet demands of issuer and underwriter’s clients

Best Practice for Negotiated Sales

Staff Recommendations when negotiated sales are used:

Administrative Guidelines

- Formal RFP to choose underwriter(s)
- Use an independent Financial Advisor

Conclusions

1. Numerous studies have demonstrated no cost advantage of one method of underwriting over the other under normal situations
2. Merits in both methods depending on circumstances
3. Issuers should choose whichever method they expect will meet their desired outcomes

OSBT March 12, 2014 Meeting

Shelley Dunbar moved the Open Space Board of Trustees approve and recommend that the City Council authorize the City Manager to use the negotiated method for issuing Open Space bonds in 2014. Tom Isaacson seconded. This motion passed unanimously.

Staff Recommendation

A motion to authorize the city manager to conduct a bond sale using the negotiated method for issuing open space bonds in 2014.

Questions?