

## **City of Washington**

### **Issues Stormwater Management Bond**

The City Council approved a bond ordinance on 8/21/2023 to issue up to \$5 million in general obligation bonds for stormwater management improvements. The .5% Home Rule Sales Tax that was effective in July 2022 will provide the funding source for the debt service.

- Standard & Poors provided the bond rating services which had not been done since the WACC bond was issued in 2007. As a result, the City received a AA Stable rating which is 3 steps higher than the A2 rating assigned by Moodys. The higher than anticipated rating did provide some rate reduction benefit as well as bond insurance was not required which resulted in savings on closing costs.
- The City has worked closely with Mesirow for underwriting and Ice Miller for bond counsel. The bonds were priced and all purchased by Franklin Templeton.
- The par amount of the issue is \$4,735,000 with total bond proceeds of just under \$5 million after the premium. The coupon rate is 5% which is reduced to an effective borrowing rate of 4.55% due to the premium.
- The City qualifies for tax-exempt borrowing and under the small issuer exception will not be subject to interest arbitrage. This allows the reinvestment of bond proceeds in interest-bearing accounts with no restrictions on earnings.
- Estimated earnings from the investment of bond proceeds with PFM Asset Management are \$433,000 plus. This further reduces the effective borrowing rate to 3.60%.
- The bonds closed on Thursday, October 5<sup>th</sup> and the first interest payment is due May 2024 with the first principal payment due May 2025. Annual debt service is less than \$470,000. Final maturity of the bonds is May 2038.