



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Director of Finance and Administration
Michael Olson, Deputy Director

Date: October 7, 2010

Subject: Debt Issuance Introduction

Background

In preparation for debt issuance for the City's upcoming facilities projects, a Request for Proposals (RFP) for Financial Advisory Services was conducted to select a Financial Advisor. The primary role of the Financial advisor is to support the debt issuance activity of the City including making recommendations on the timing, sizing, maturity schedules, call provisions and other details of bond issues and reviewing and making appropriate recommendations on all ordinances, official statements, and other documents necessary for debt issuance.

The City received 5 responses to the RFP which closed on September 8, 2010. Three firms were selected for interviews which concluded on October 4, 2010. SDM Advisors Incorporated was selected based on their extensive experience in public finance, experience and familiarity with the City of Kirkland, and their availability and ability to support Kirkland through the upcoming debt issuances.

SDM Advisors noted in initial communications that the City might have the opportunity to reduce its borrowing cost significantly by accelerating the proposed financing to 2010, and using the current Build America Bond program with the 35% interest subsidy for taxable bonds.

If the financing size approaches \$40 million, the net present value benefit to the City could exceed \$1 million. Note that this number is subject to change based on the relative movements in the tax-exempt and taxable bond markets, and depending on the call provisions selected by the City. Another factor inherent in the estimate of benefit is whether the Build America Bond program is extended into 2011, and the level of interest subsidy provided through any extension.

Issuance of bonds before the end of 2010 will require a strong commitment on the part of the City Council, staff and the City's financing team. SDM Advisors have proposed the following timeline to accomplish a bond issuance before the end of 2010, taking advantage of the current economic environment and the Build America Bond program.

Key Steps in Time and Responsibility Schedule

SDM Advisors has provided the following preliminary schedule to accomplish a bond sale before the end of 2010:

| <u>DATE</u> | <u>ACTIVITY</u> |
|---------------------------|---|
| 10/19 | City Council Study Session – Council briefing |
| 10/20 | Release invitation for underwriter interviews |
| 10/20 | Draft Preliminary Official Statement (POS) distributed for review |
| 10/27 | Comment on draft POS provided by financing team |
| 11/1 | City Council briefing |
| 11/4-5 | Underwriter interviews |
| 11/8 | Bond ratings requested |
| 11/8-9 | Selection of underwriter(s) |
| 11/16 ⁽¹⁾ | City Council approval of Bond Resolution |
| Wk of 11/15 | Bond rating update calls |
| Wk of 12/6 ⁽²⁾ | Bond pricing |
| Wk of 12/20 | Bond closing |

⁽¹⁾ The Bond Ordinance may take a form that provides for delegation of sale activities to the City Manager, Director of Finance and Administration or others, with or without consultation with the Finance Committee or others. This would provide greater flexibility relative to selection of market timing.

⁽²⁾ The bond pricing date will be determined in consultation with the City's underwriter, based on overall supply and timing of bond issuance and other market activity. It is anticipated that the weeks of 11/15 and 11/22 will be crowded with bond issuance in Washington and nationally. Additionally, there are two large State of California transactions expected to be sold in November, which could impact schedules.

Fred Eoff and Susan Musselman from SDM Advisors will present an overview of the bond issuance process at the Study Session on October 19.