

Public Sector Advisors





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WEDFA

Washington
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**HOUSING FINANCE
COMMISSION**

Opening doors to a better life

A World of Change -

Recovery Act Bond Finance – Opportunities in Washington State The American Recovery & Reinvestment Act (ARRA)

July 31, 2009

Presented by: Barry W. Fick
Senior Vice President
Springsted Incorporated
651.223.3042

Topics Considered – August 31, 2009

- Introduction
- The ARRA – What it means for your community
- The Bond Issuance Process
- New and expanded financing programs
- Specifics of ARRA public finance options
- Round table discussions
- Challenges & potential concerns
- Conclusions

ARRA – What You Should Know

- **Expansion of Public Financing Opportunity**
 - Available from now through December 31, 2010
 - New option of direct payment from federal government to you as issuer
 - Enhances the ability to encourage development in your community
 - Provides a means to blunt the effect of recession on local economy
- **New Funding Options**
 - New types of financing tools
 - New types of projects may be funded
 - Bank Qualification expansion
 - Alternative Minimum Tax relief

ARRA – What You Should Know

- **Expanded Current funding options**
 - Extends certain existing funding programs
 - Expands qualifying projects, adds new options
- **New Investors in Public Finance Sector**
 - Expanded interest from non-traditional buyers
 - Pension funds
 - Corporations
 - Foreign investors
- **New types of Projects may be funded**
- **Results show ARRA financings helping keep rates low**

ARRA – What You Should Know

- **Unknowns**

- Limited guidance from Treasury or others in many areas
- Limited issuance to date for some types of ARRA financing tools

- **Challenges**

- Allocation of volume cap and reallocation opportunities
- Marketability of bonds after expiration of Program
- Possibility of future legislative action to eliminate benefits

- **Concerns**

- Increases level of direct federal intervention in bond market
- Future direction/action by federal government to “guide” bond market

The Bond Financing Process

- **Selection of Finance Team**
 - Select an independent Financial Advisor
 - GFOA guidelines – Recommended Practices, Debt Management
- **Financial Planning Phase**
 - Identify your financing objectives
 - Establish financial framework
 - Determine type of financing
 - Identify funding alternatives
 - Develop financing plan
 - Complete special planning studies

The Bond Financing Process

- **Issue Structuring/Documentation Phase**
 - Prepare sale recommendations
 - Underwriter Selection – Request for Proposal process
 - Coordinate timetable and activities of other participants
 - Draft/review financing documents, Official Statement, etc.
 - Coordinate selection of paying agent, trustee, printer, other services
 - Monitor and coordinate authorization process for issuer
- **Credit Structuring and Enhancement Phase**
 - Analyze benefit of or need for credit rating(s) and credit enhancement
 - Prepare, Coordinate and direct rating agency presentation(s)
 - Select credit enhancement provider, if appropriate

The Bond Financing Process

- **Marketing Phase**

- Monitor & Update on market conditions
- Update debt service projections and bond structure
- Distribute offering documents (competitive sale)
- Monitor and report on underwriter marketing efforts (negotiated sale)
- Generate pre-sale interest from purchasers (competitive sale)
- Conduct pricing bidding (competitive sale)
- Represent issuer in pricing bonds (negotiated sale)
- Investment of Bond Proceeds

The Bond Financing Process

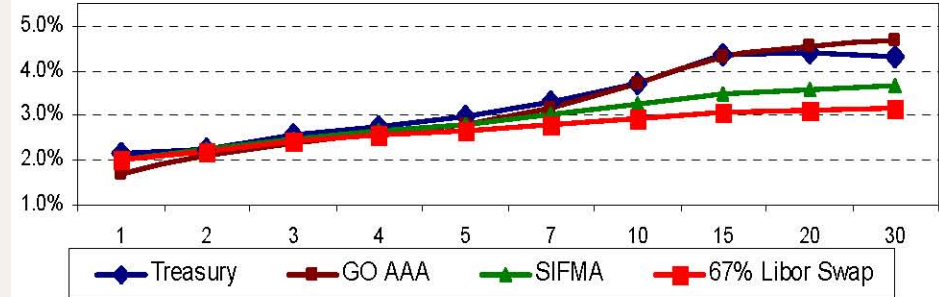
- **Closing Phase**
 - Help coordinate closing process
 - Prepare or review closing bond schedules
 - Assist with closing as appropriate
 - Prepare and distribute Post-Sale analysis
- **Post Sale/Regulatory Compliance Phase**
 - Arbitrage/Rebate compliance and calculation
 - Continuing Disclosure assistance
 - Monitor refunding opportunities

September 8, 2008

Cash and Swap Indications

Years	Treasury	GO AAA	SIFMA Swap	Libor Swap	Ratio	Investment Agreement	Repurchase Agreement
1	2.13%	1.69%	2.02%	2.97%	67.88%	2.92%	2.52%
2	2.24%	2.09%	2.26%	3.29%	68.64%	3.24%	2.84%
3	2.55%	2.40%	2.49%	3.59%	69.40%	3.54%	3.14%
4	2.75%	2.62%	2.68%	3.79%	70.58%	3.74%	3.34%
5	2.98%	2.81%	2.80%	3.93%	71.29%	3.88%	3.48%
7	3.29%	3.16%	3.01%	4.16%	72.43%	4.11%	3.71%
10	3.71%	3.71%	3.23%	4.37%	74.02%	4.32%	3.92%
15	4.34%	4.29%	3.46%	4.57%	75.77%	4.52%	4.12%
20	4.40%	4.52%	3.57%	4.65%	76.74%	4.60%	4.20%
30	4.30%	4.69%	3.67%	4.69%	78.31%	4.64%	4.24%

Yield Curve Comparison 09/08/2008



Investment agreement and repurchase agreement rates are for full flex amortizing contracts. Repurchase agreements assume agency collateral.

ECONOMIC EVENTS

Monday	Tuesday	Wednesday	Thursday	Friday
09/08/08	09/09/08	09/10/08	09/11/08	09/12/08
Consumer Credit			Trade Balance Import Price Index (MoM) Import Price Index (YoY)	Producer Price Index (MoM) PPI Ex Food & Energy (MoM) Producer Price Index (YoY) PPI Ex Food & Energy (YoY) U of Michigan Confidence Business Inventories
09/15/08	09/16/08	09/17/08	09/18/08	09/19/08
Empire Manufacturing Industrial Production Capacity Utilization	Consumer Price Index (MoM) CPI Ex Food & Energy (MoM) Consumer Price Index (YoY) CPI Ex Food & Energy (YoY) U.S. Federal Reserve Open Market Committee Meeting FOMC Rate Decision	Bloomberg Global Confidence	Philadelphia Fed. Leading Indicators	

MARKET INDICES

Wednesday Reset Rates

	Current	Last Week
SIFMA	1.63%	1.84%
1 mo LIBOR	2.49%	2.47%
Ratio	73.90%	74.49%

Conclusions – Part I

- ARRA represents a unique expansion of public financing opportunities for local government
- Provides new funding options
- Expands some existing funding options
- Brings new investors into public finance market
- Allows new types of projects to be funded
- Effectively lowers cost of capital for borrowers
- Enables you to respond to community needs directly

Conclusions – Part II

- Limited guidance on rules, long-term effect after sunset
- Brings new level of Federal government involvement in public finance market
- Limited window of opportunity – through end of 2010, unless extended
- Credit Markets likely to remain volatile into 2010
- Housing unlikely to stabilize until 3rd Qtr. 2010
- Muni Bond rates likely to remain low for 2009, showing gradual rises and flattening yield curve into 2010