

# Build America Bonds

*American Reinvestment and Recovery Act*



## Recovery Act Bond Finance

*Opportunities in  
Washington State*

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# BABs – Program Comparison

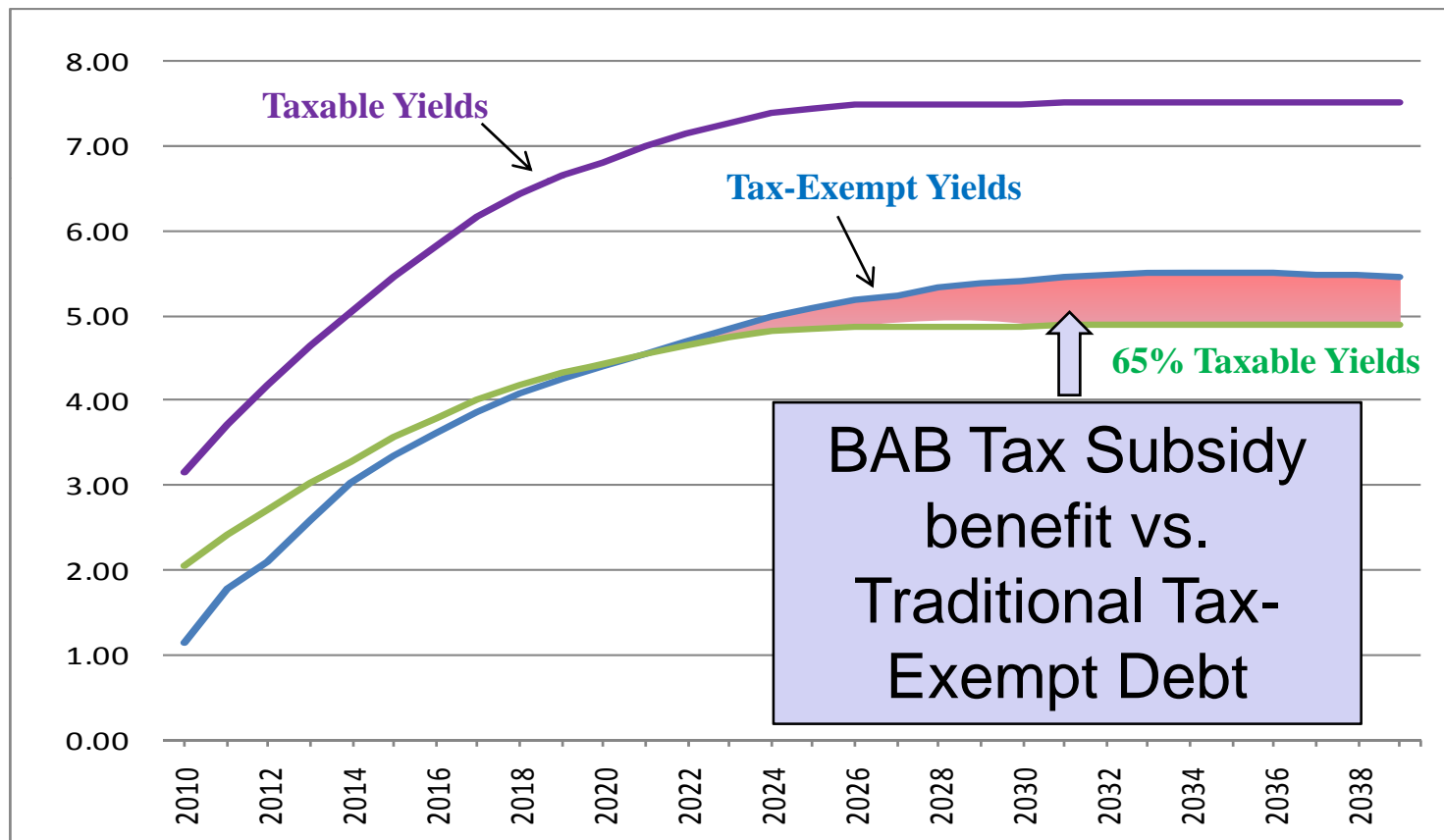
	Issuer Subsidy	Investor Subsidy
General Information:		
Interest	Taxable	Taxable
Type of Bond	Interest Subsidized Bond	Tax Credit Bond
Issuance Expiration	January 1, 2011	January 1, 2011
Use of Funds:		
Capital Projects	Yes	Yes
Working Capital	No	Yes
Refundings	No	Yes
Federal Tax Subsidy:		
Form of Subsidy	Direct Payment	Tax Credit
Benefit to	Issuer	Investor
Amount	35% of Interest	35% of Interest
Realized on	Interest Payment Date	Interest Payment Date
Securitization Potential	Yes	Yes

## BABs – Program Comparison (continued)

	Issuer Subsidy	Investor Subsidy
Structure: Size/Par Final Maturity Types of Bonds:	No Limit No Limit Fixed or Variable Rate, Notes or CABs	No Limit No Limit Fixed or Variable Rate, Notes or CABs
Pricing Restrictions	Premium limited to 0.25% x number of years to maturity	Premium limited to 0.25% x number of years to maturity
Subsidy Request Process:	Form 8038 CP must be filed for each bond deal 45 to 90 days prior to each payment date	none
IRS Rebate Compliance	Bond Yield is the yield on the BABs less the 35% interest subsidy	Bond Yield is the yield on the BABs

# BABs – Pricing Opportunities

- Issuer Subsidy BABs can achieve a better bond execution if 65% of an issuer's taxable borrowing costs are lower than its tax-exempt rates.

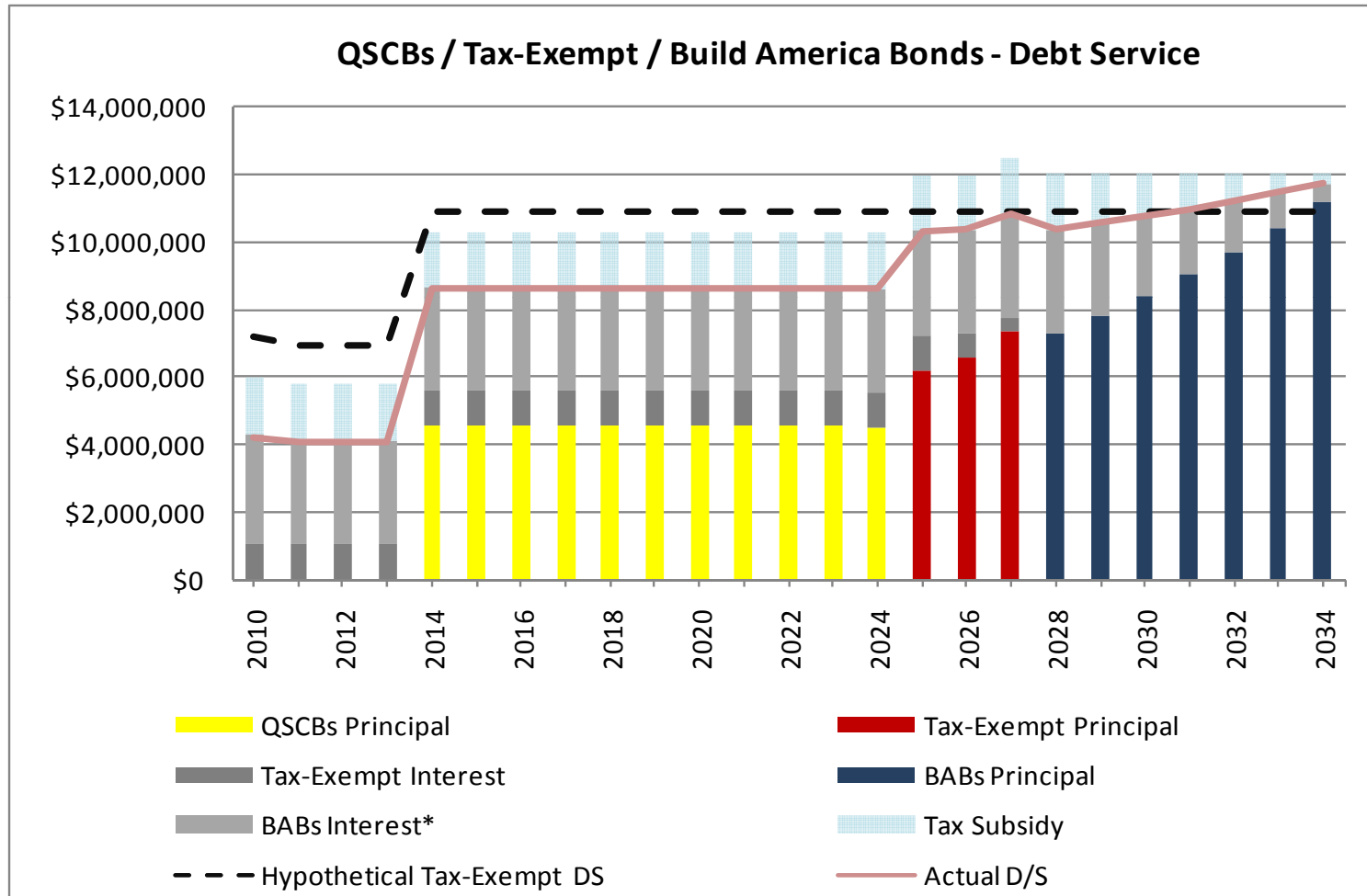


# BABs – Taxable Bond Market Nuances

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- **Size:** The taxable market has a strong preference for large transactions (over \$250 million)
- **Amortization:** The taxable market has a strong preference for short, bullet maturities
- **Call Provisions:** Taxable bonds are typically sold as non-callable, or with a make-whole call provision
- **Note:** *In recent months the market has absorbed a large number of BAB financings and many were small, had serial maturities or sinking fund payments, and/or traditional 10-year municipal bond call provisions. Additionally, nearly all were targeted on the longer end of the yield curve.*

# BABS – Case Study (with QSCB)



•**BABS Interest net of 35% tax subsidy**



## BABs – Analyzing to Proceed with BABs

- Identify Savings Threshold
- Discuss Key Timing and Dates
  - relationship of BAB to tax-exempt execution is fluid
- Does your Issue include Bond Enhancement?
- Determine your Need and Value of Bond Call Flexibility
  - BAB investors are quantifying bond call valuations
- Additional Ongoing Compliance
  - who will process 8038CP and who will receive 35% payment?