

September 26, 2022

IAC Annual Conference

Workshop: Financing County Facilities



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Financing County Facilities – Agenda

- Roles of the Financing Team
- General Obligation Bonds
- Lease Purchase Financing
 - Historical Perspective (legal precedent)
 - HB 575 changes
 - Annual Appropriation Lease Structure
 - Pros & Cons
 - What has not changed
 - Summary of recent transactions
- Market Update

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Bond Finance Team

Bond Counsel

- Oversees legal process for bond issuance
- Prepares all legal documents relating to bond issuance, election, post-issuance compliance, etc.
- Delivers bond opinion for benefit of bondholders

Municipal Advisor

- Maintains fiduciary duty to the issuer and helps protect the issuer's financial interests
- Advises on structure, timing, terms, method of sale, elections, etc.
- Can assist in selection of underwriters, purchasers, bond counsel, rating agencies, insurers, trustees, paying agents, etc.

Underwriter

- Markets the bonds for sale to potential investors
- Makes an offer to purchase the issuer's bonds at rates set via competitive sale or negotiation
- Also advises on structure, timing, and terms of bond sale

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General Obligation Bond Financing Summary

	General Obligation Bond
Maximum Term	30 years
Vote	66.67% supermajority
Purpose	Any capital projects
Security	Unlimited tax levy; full faith and credit
Source of Repayment	Dedicated property tax levy
Capacity	Limited to qualified purposes
Idaho Bond Bank	Eligible

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Idaho Constitution requires 2/3 supermajority voter approval for “indebtedness” unless -

Ordinary and Necessary

Obligations of less than one year

Greater Boise Auditorium District v. Frazier - 2015

Result: Appropriation leases, if properly structured, are not considered debt under the Idaho Constitution

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Annual Appropriation Lease Basics

Year-to-Year

- No obligation unless County affirmatively renews leases (i.e. no automatic renewals)
- One year at a time

Termination

- County may walk away in any year without penalty (“nonrenewal”)
- “Without penalty” is not necessarily “without consequence”

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HB 575 – Limitations on Lease Financing

HB 575 (2022) Summary:

- Effective January 1, 2023
- Amends IC § 31-1001
- Shortens maximum lease term for County Jail or County Courthouse facility from 30 years to 5 years
- Allows for lease term to be extended for up to 30 years with a simple majority voter approval (no levy)
- May & November elections

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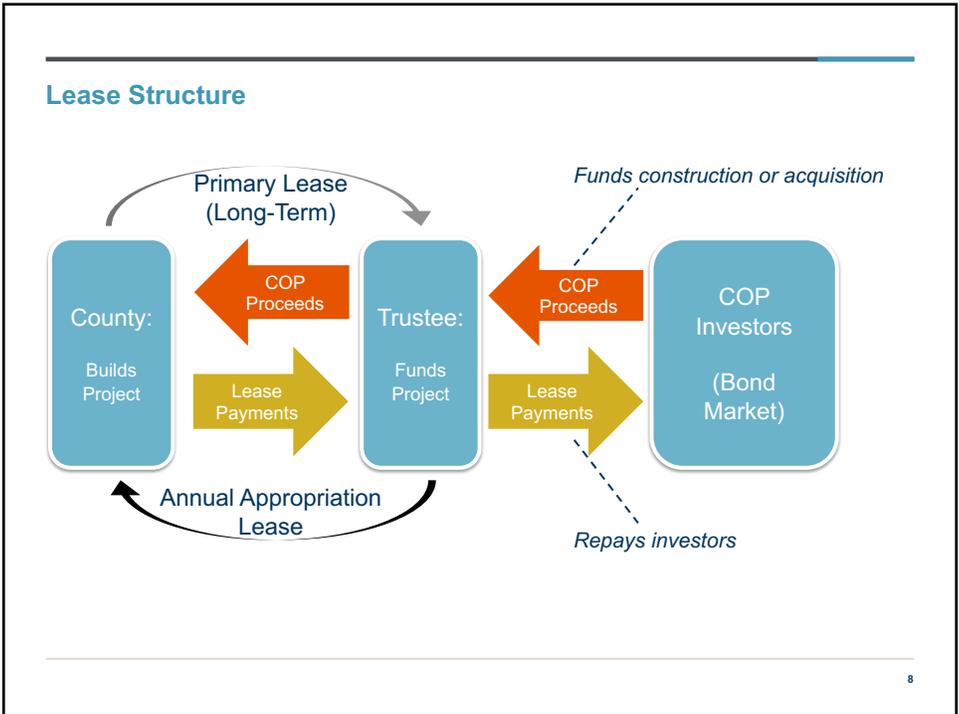
Annual Appropriation Lease Financing - Summary

	Appropriation Lease*	Appropriation Lease
Maximum Term	30 years	5 years
Vote	Simple majority	Not required
Purpose	Courthouse or Jail	Any capital projects
Security	Lease payments (if appropriated); leasehold interest	
Source of Repayment	Unrestricted County revenues	
Capacity	Market dictates – no legal cap	
Idaho Bond Bank	Not eligible	

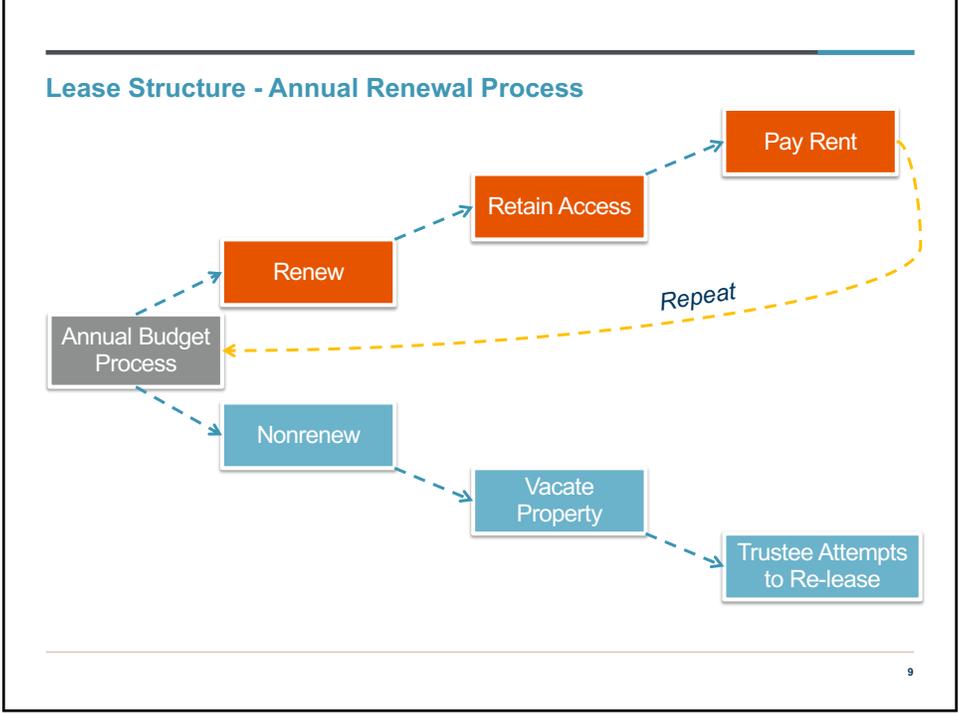
*Effective January 1, 2023

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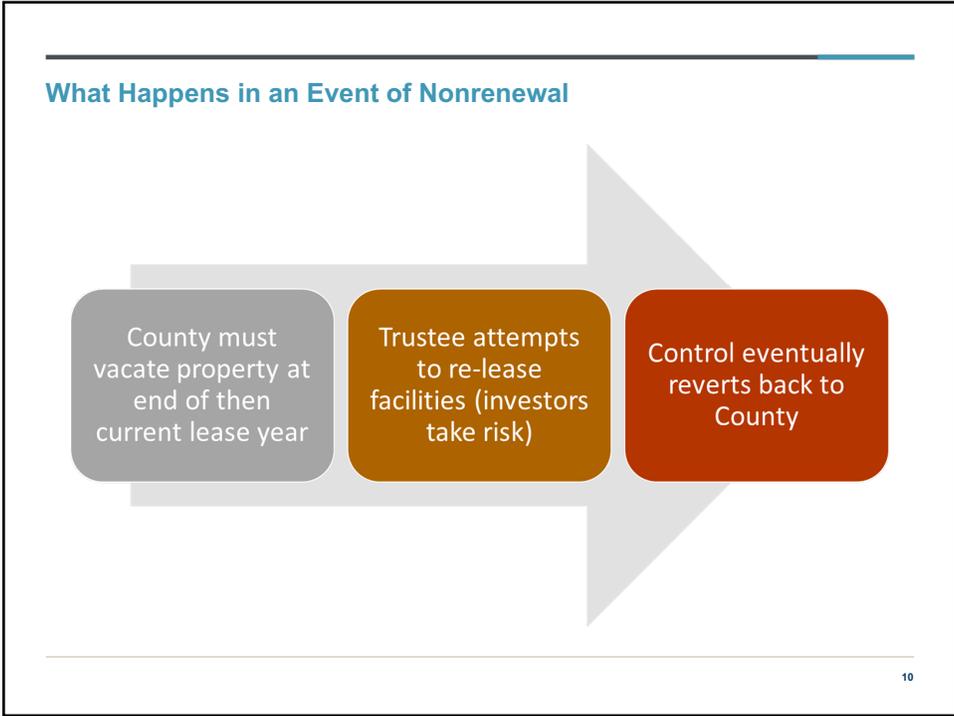
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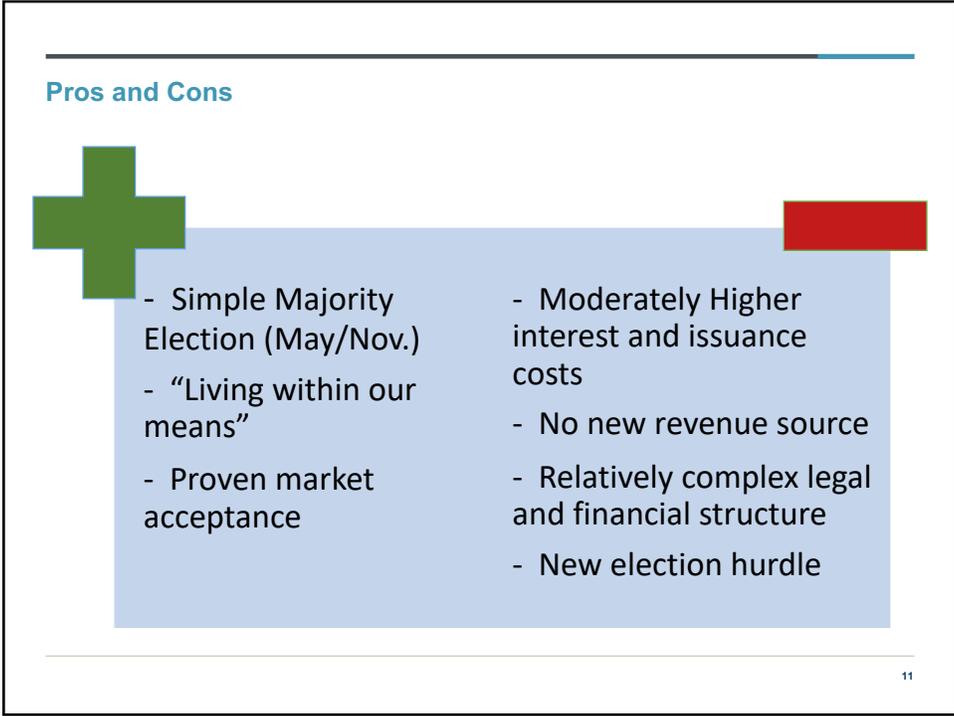
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What Qualifies for County Lease Financing Beyond 5-Year Term

With Vote (IC 31-1001)	Without Vote
<ul style="list-style-type: none"> • Courthouse • Jail 	<ul style="list-style-type: none"> • County Hospital (IHFA) • Coroner Facility (IHFA) • Vehicles/Equipment under traditional annual appropriation lease

Completed Annual Appropriation Lease Financings

College of Western Idaho	City of Chubbuck	Ada County
 <ul style="list-style-type: none"> • \$13,270,000 COP; Series 2018 • Funded purchase of existing administration and classroom space • Converted existing lease agreement to ownership structure with no budgetary impact • 15 year term • 3.15% TIC 	 <ul style="list-style-type: none"> • \$14,815,000 COP; Series 2019 • Funded new city hall, new animal control facility, and conversion of existing city hall to police • Funded with existing revenue sources • 25 year term • 2.89% TIC 	 <ul style="list-style-type: none"> • \$28,540,000 COP; Series 2020 • Funded new coroner building • Funded with existing revenue sources • Issued through Idaho Health Facilities Authority • 30 year term • 2.59% TIC

Completed Annual Appropriation Lease Financings (continued)

City of Idaho Falls



- \$25,090,000 COP; Series 2020
- Funded new police headquarters building
- Funded with existing revenue sources
- 19 year maturity
- 1.89% TIC

Fremont County



- \$11,550,000 COP; Series 2021
- Funded County Jail Expansion
- Funded with existing revenue sources
- 30 year term
- 2.41% TIC

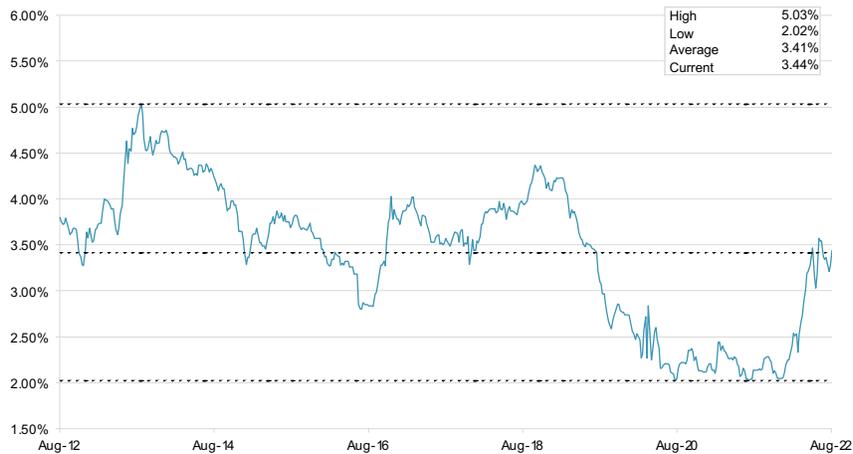
City of Twin Falls



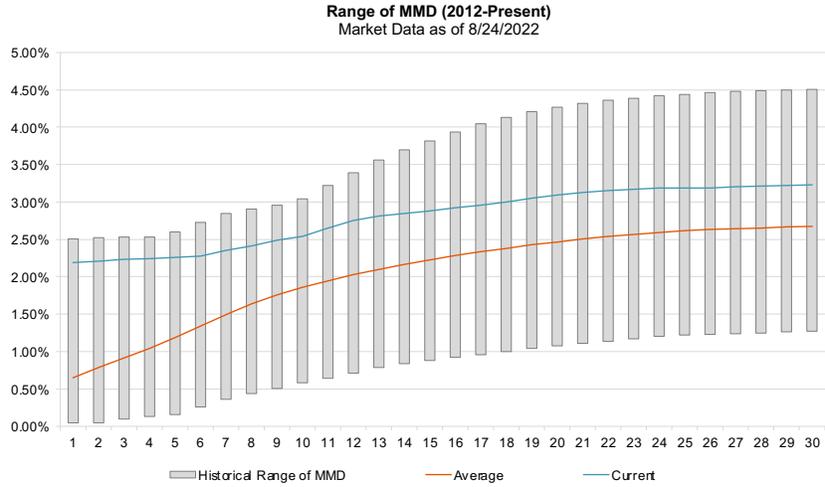
- \$8,405,000 COP; Series 2022
- Funded new fire station
- Funded with existing revenue sources (including impact fees)
- 20 year term
- 3.87% TIC

Current Municipal Bond Market Conditions (Week of Aug. 22, 2022)

G.O. Bond Buyer Index (10-Year History)



Current Municipal Bond Market Conditions



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