

LEADERS IN  
INFRASTRUCTURE  
FINANCE

D.A. DAVIDSON & CO.  
SPECIAL DISTRICT GROUP

FROM BLUEPRINT TO BOTTOM LINE



D.A. Davidson & Co.  
member SIPC  
FIXED INCOME CAPITAL MARKETS



# D.A. Davidson & Co.

## Our firm is a leader in the region:

- 75-year history
- One of the largest full-service investment firms in the region
- Serving clients across 16 states

## The Fixed Income Capital Markets Group:

- Headquartered in Denver
- One of the largest Institutional Sales and Trading Desks in the region
- Investment bankers average 18 years of experience
- Includes several specialty groups nationwide, including but not limited to:

Special Districts

Municipalities

Healthcare

Charter Schools

Affordable Housing

Lease-Purchase

Utilities

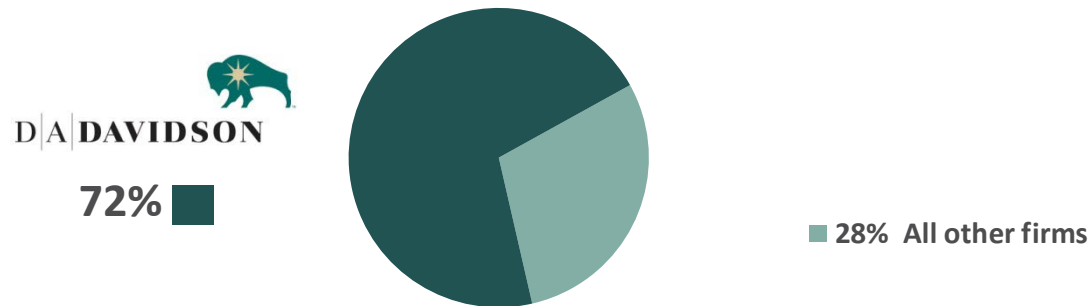


# The Special District Group

## Benefit from our background:

- The Special District Group is focused exclusively on Special District finance
- Underwrote \$7.4 billion in Colorado Special District debt in the last 10 years
- 5 times the number of transactions completed than our closest competitor\*

## 10 Year Market Share By Par Amount – Colorado Special Districts



\* Source: Thomson Reuters and Colorado Division of Securities. Includes bonds underwritten or privately placed for Metropolitan Districts, GIDs, BIDs, SIDs, LIDs and PIDs.



# Client-Focused Solutions

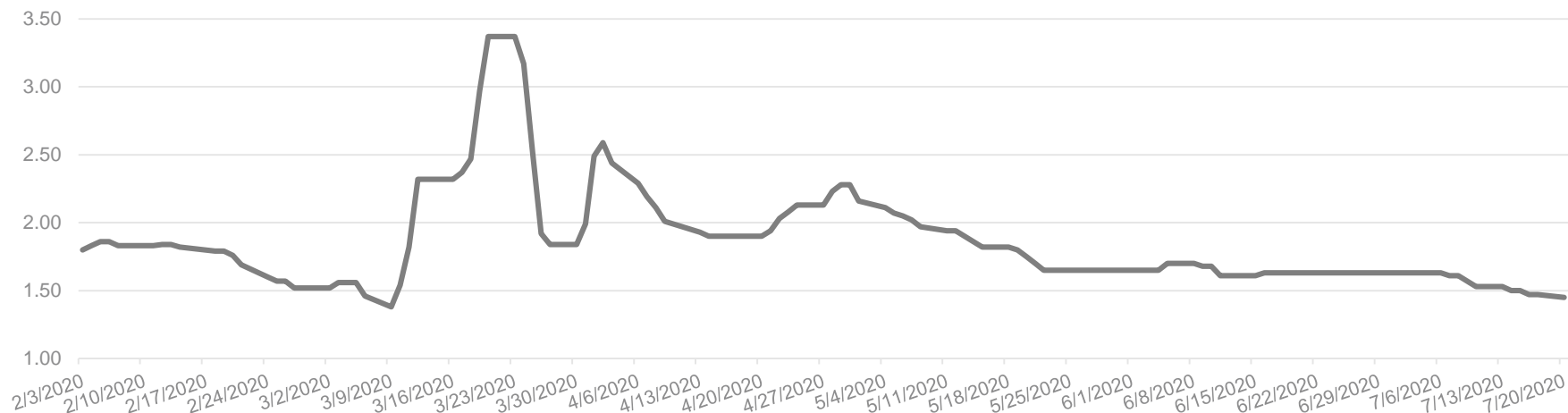
## Our Process:

- Identify client goals
  - Lower debt service mill levy
  - Pay off debt sooner
  - Reduce Interest Rates
  - Fund capital improvements
  - Other client-specific goals
- Provide context of current market conditions
- Develop options to best achieve goals within market constraints
- Each solution is custom-tailored to the client



# Municipal Market Update

## 30 Year AAA MMD February 2020 – July 20, 2020



### Market Spotlights:

- The MMD 30-year index increased almost 200 basis points in the two weeks from March 9<sup>th</sup> to the 20<sup>th</sup> (1.38% to 3.37%)
- The index reversed course on Tuesday March 24<sup>th</sup> with news that the passage of stimulus legislation was highly likely
- April 1<sup>st</sup>, high grade municipal bonds increased 50 basis points despite Treasury market strength as municipal fund outflows continued
- The index steadily declined from April 2<sup>nd</sup> through April 20<sup>th</sup>, followed by an increase of 38 bps through April 30<sup>th</sup> (1.90% to 2.28%) and continued a steady decline thereafter
- Since the end of May the index has remained fairly stable with a slight drop of 18 bps in the last two weeks

Source: Thomson MMD – AAA Rated GO, 30 year average life.  
As of 7/20/2020.



# Banning Lewis Ranch Metropolitan District No.3

## Current Debt Situation:

	Series 2015A	Series 2015B
Principal Outstanding	\$8,455,000	\$1,620,000
Interest Rate	6.125%	7.75%
Call Date	12/1/2020	12/15/2020
Final Maturity	12/1/2045	12/15/2045

### Key credit features

- District currently levies at it's debt mill levy cap of 33.398
- With existing 2015B Bonds outstanding, the District is required to levy at it's debt mill levy cap, providing no opportunity to reduce taxes until the 2015B bonds are paid off (projected payoff in 2032).
- Senior Debt to assessed rate (42%) assuming Preliminary 2020 AV of ~\$23.7mm
- Diverse tax base



# Existing Debt vs. 2020 Refinancing

	Current Outstanding Debt (Existing)	Baa1, Insured Refinancing (Estimated)
<b>Par Amount</b>	Series 2015A: \$ 8.5mm Series 2015B: \$ 1.6mm Total: \$10.1mm	\$10.0mm
<b>Interest Rate</b>	Series 2015A: 6.125% Series 2015B: 7.750%	2.79% (True Interest Cost)
<b>Maturity Date</b>	Series 2015A: 12/1/2045 Series 2015B: 12/15/2045	12/1/2045
<b>2021 Projected Debt Service Mill Levy</b>	33.39 Mills	19.65 Mills
<b>Net Present Value Savings</b>	NA	\$3.75M (37% of refunded bonds)
<b>Average Annual Savings</b>	NA	~\$261k/year



# Opportunity to Lower Taxes

- Property taxes can be lowered significantly by refinancing the existing bonds to lower interest rates.
  - The District could reduce the interest rate on its debt from 6.40% (blended) to 2.79%
  - \$261,000 per year on average for 26 years
  - \$3.75 million in savings in today's dollars net of issuance costs (37% of refunded par)
- Estimated near-term mill levy reduction:

	Current Mill Levy	Proposed Mill Levy	Difference
BLR MD No.3*	55.7	41.9	(13.8)
All Other Entities	<u>59.6</u>	<u>59.6</u>	<u>0.0</u>
<b>Total Mill Levy</b>	<b>115.3</b>	<b>93.0</b>	<b>(13.8)</b>

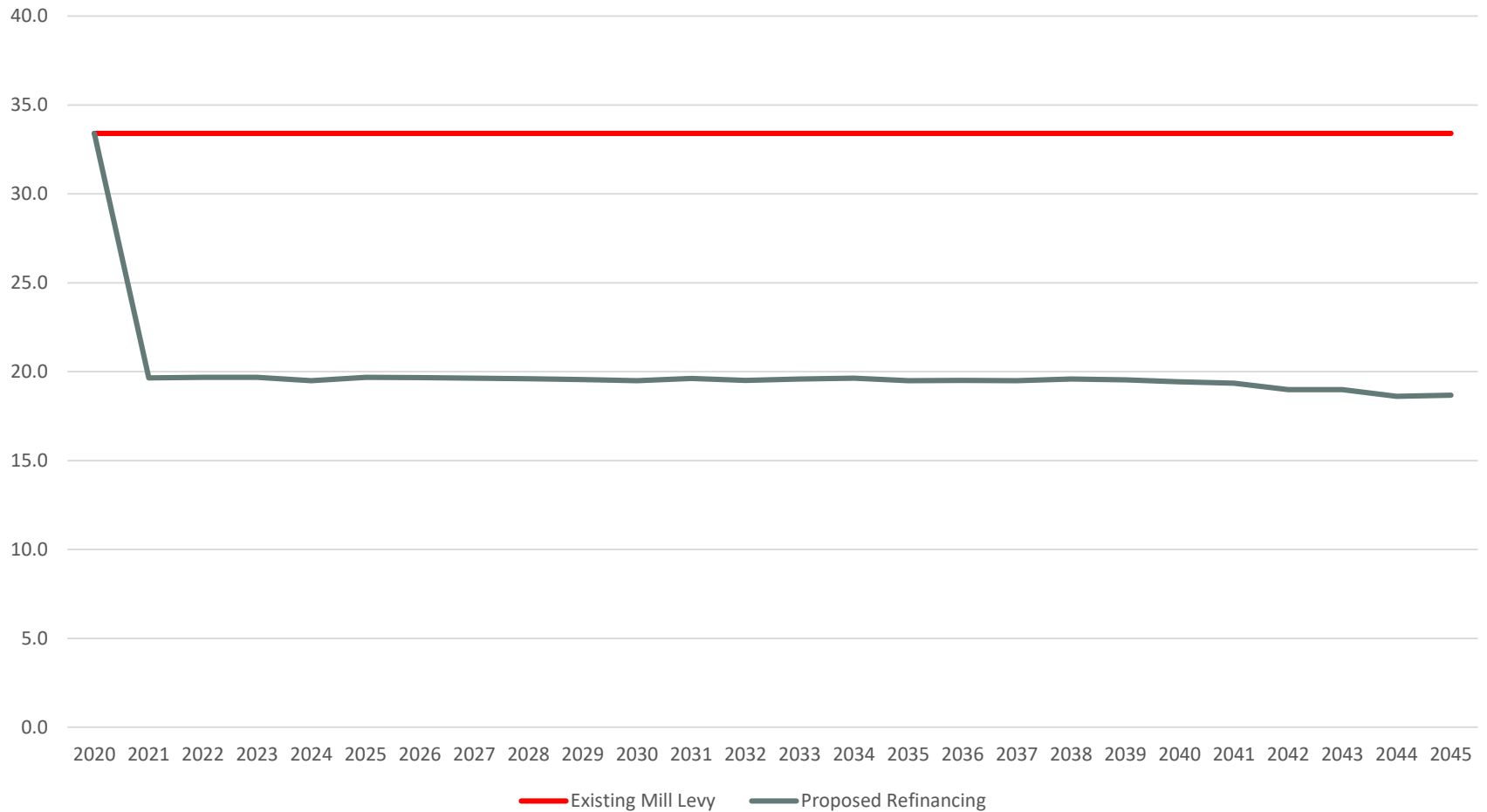
\*The District currently imposes approximately 55.7 mills consisting of 22.3 mills for operating expenses and 33.4 for debt service

- The owner of a \$600,000 home would save \$592 per year from a 13.8 mill reduction in taxes
  - $\$300,000 \times 0.0715 = \$21,450 \times 0.0138 = \$296$
  - $\$400,000 \times 0.0715 = \$28,600 \times 0.0138 = \$395$
  - $\$500,000 \times 0.0715 = \$35,750 \times 0.0138 = \$493$
  - $\$600,000 \times 0.0715 = \$42,900 \times 0.0138 = \$592$





# Projected Debt Service Mill Levy





# From Blueprint to Bottom Line

## Next Steps:

- Discuss other district specific goals

## We have what it takes to help you succeed:

- Deep expertise
- Client-focused solutions
- Industry-leading analytical capabilities
- Experienced sales and trading desk
- Collaborative approach



# Special District Team



**SAM SHARP**  
Managing Director, Head  
of Special District Group



**ZACH BISHOP**  
Managing Director



**Brooke Hutchens**  
Senior Vice President



**Laci Knowles**  
Senior Vice President



**Brennen Brown**  
Senior Vice President



**Kyle Thomas**  
Senior Vice President



**Mike Sullivan**  
Vice President



**Sheila Mares**  
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Public Finance Analyst



**Shelby Turner**  
Associate Vice President,  
Public Finance Analyst



**Mike Ryan**  
Public Finance Analyst



**Michelle Fox**  
Senior Executive Assistant



**Day Zerpa**  
Executive Assistant



**Mark Kendle**  
Senior Quantitative  
Analyst



**Patric McLaughlin, CFA**  
Senior Quantitative  
Analyst



**Cory Johnson**  
Quantitative  
Analyst



**Ludvig Ragnarsson**  
Quantitative  
Analyst