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## MEMORANDUM

TO: Andy Zoeller, Finance Director  
Teri Walker, Investment and Debt Coordinator  
City of Billings, Montana

FROM: Dave MacGillivray

DATE: November 21, 2018

SUBJECT: Landfill Revenue Bonds: Recommendation on Method of Sale

The City has its initial issuance of bonds to improvement the Landfill. The Bonds will be secured solely by revenues of the Landfill Enterprise Fund and not by the City's general revenues. Bonds are generally sold through one of two methods; competitive sale wherein a bid time is established and underwriters throughout the market have an opportunity to bid or negotiated sale wherein one underwriter is chosen in advance to purchase the bonds, and the City's Financing Team negotiates the interest rates and terms with that one firm. A negotiated issue normally is used if one or more of the following factors exist: extreme market volatility, extremely large or small amount of bonds, unusual bond structure, poor credit quality or the issuer is infrequently in the market. The primary public sector professional organization, GFOA, has as a best practice that unless specific conditions exist an issuer should sell their bonds on a competitive sale process.

### **Recommendation**

For the City's upcoming Landfill Revenue Bonds, we recommend the City proceed with a competitive sale process.

### **Basis of Recommendation**

Our recommendation is based on the following factors:

1. The City of Billings is a relatively frequent issuer with an established name in the market.
2. The overall supply of Montana municipal bonds in the market is generally very low, and at the time of this bonds sale in January, the supply is expected to be particularly low. Given the low supply of Montana bond issues, it is anticipated that the City's Bonds would attract substantial market attention.

3. Although this issue is an initial City issuance for this type of revenue bond, it is expected to have at minimum a good credit rating and a relatively straightforward structure.
4. While the market can be unpredictable, at present and looking to the immediate short-term, the market is not experiencing high variability.
5. The principal amount of the Bonds is of sufficient scale to attract national and regional underwriter interest.

Given these factors, we believe the City is best served to proceed with a competitive sale process. We will continue to monitor primarily two areas as the process unfolds: market volatility and the final credit rating of the Bonds. Should either of these noticeably deviate from our expectations, we will discuss the situation with the City and its financing team to determine if this recommendation should be changed.

We welcome any discussion on our recommendation and the factors upon which it is based.