

An aerial photograph of a parking lot and surrounding landscape at dusk. The parking lot is illuminated by streetlights, and several cars are visible. The surrounding area is filled with trees and a winding road. The sky is a mix of orange and blue.

# Capital Project Financing & Discussion



Erin Mettler, Deputy CEO/CFO | Bobby Cheung, KNN Public Finance

# Agenda

- Capital Facilities Project Summary
- Municipal Financing 101 with KNN  
Public Finance
- Project readiness recap
- County Financial Status
- Board Discussion



# 5 Year Capital Project Outlook

## Deferred Maintenance

- Repairs
- Upgrades
- Extend building life

Projects: **20**

Expense: **\$40,500,000**

## Department Request

- Address staffing space requirements
- Address infrastructure upgrades for department functions

Projects: **7**

Expense: **\$90,000,000**

## ADA/Safety/EV

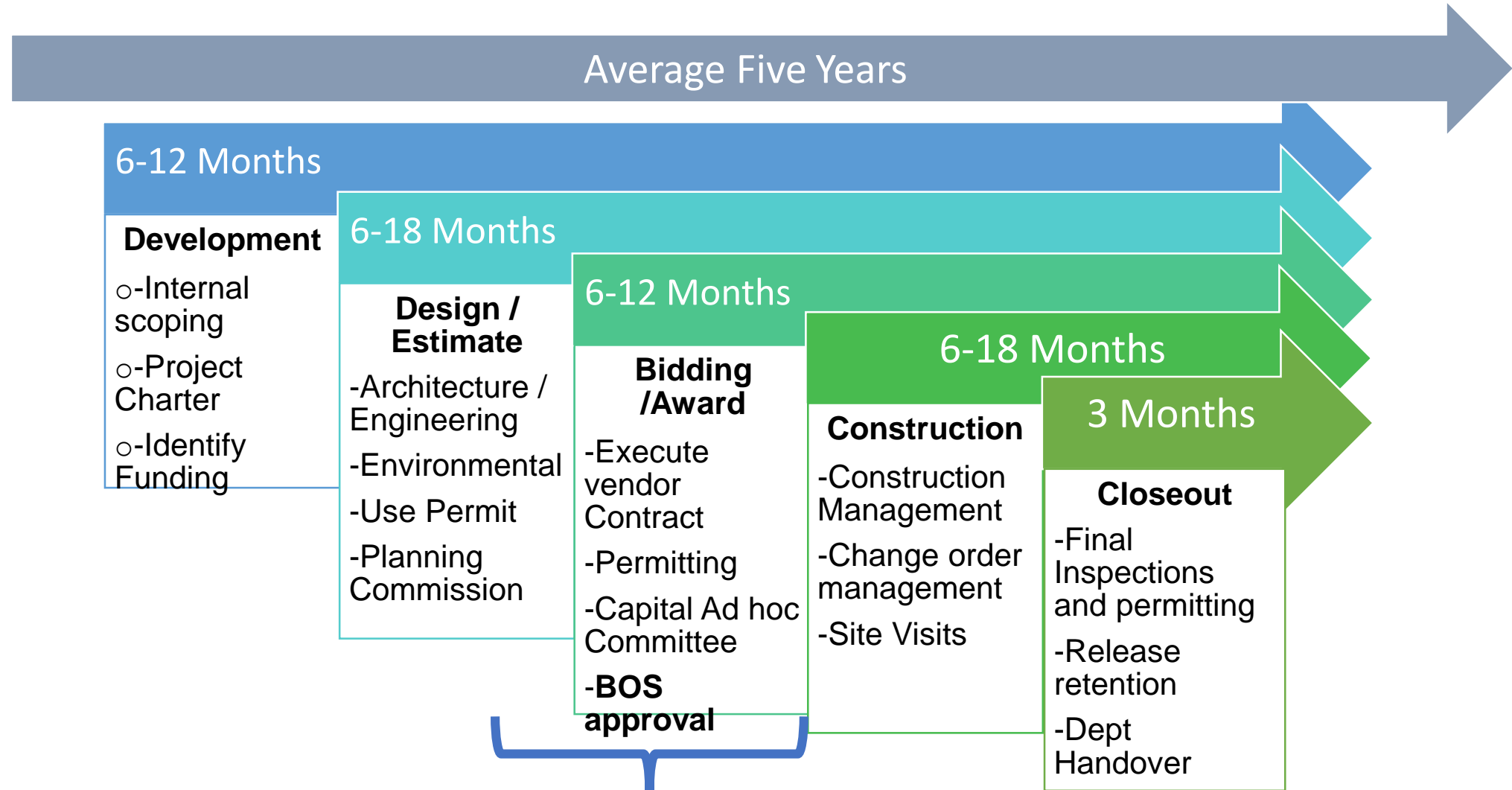
- Ensure ADA Compliance
- Enhance safety
- Support EV Transition

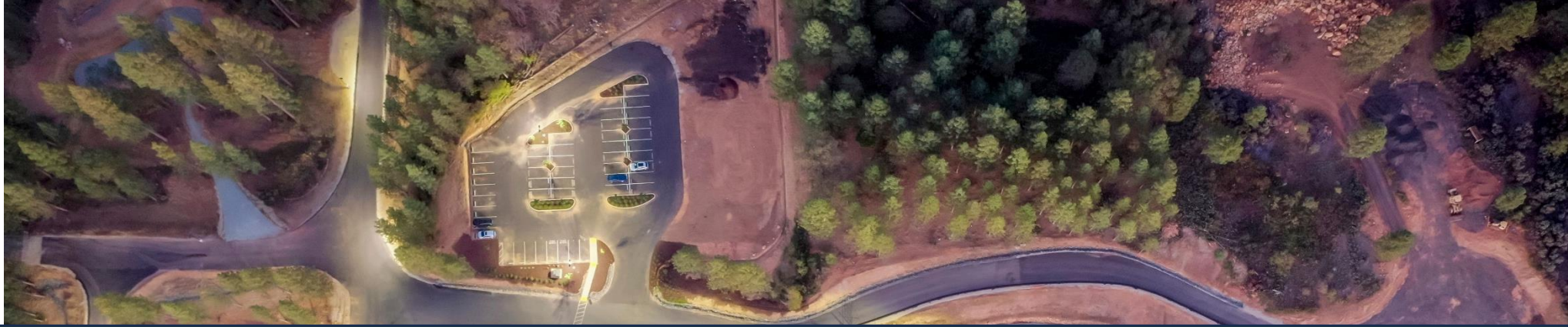
Projects: **9**

Expense: **\$4,500,000**



# Typical Capital Project Timeline





# Municipal Financing 101



**NEVADA  
COUNTY**  
CALIFORNIA



# Nevada County Public Finance Training Materials

May 2, 2025



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# Role of the Municipal Advisor

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- KNN Public Finance, LLC (KNN) has served as Nevada County’s “Municipal Advisor” since 2015.
- Our role is to provide Nevada County with independent, objective analysis and advice to assist the County in making prudent decisions about debt financing. We provide both planning and transaction execution services.
- KNN is a Registered Municipal Advisor with the SEC and MSRB. All advisors are Registered Municipal Representatives (MSRB Series 50).
  - SEC rules assign a fiduciary duty to the Municipal Advisor, including duty of loyalty and duty of care. By law, we must put our clients’ interest ahead of our own.
  - SEC rules require issuers to have an Independent Registered Municipal Advisor (IRMA) under contract in order for broker-dealers to be able to provide tailored ideas or advice, with limited exceptions.
- KNN currently provides Municipal Advisor services to more than 30 counties in California.





# Introduction to Municipal Bonds



# Introduction to Municipal Bonds

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- **WHAT:**

- A municipal bond is a form of loan from a lender to a municipality.

- **WHY:**

- Accelerate delivery of a capital project vs. cash funding.
- Spread cost of capital project over useful life of the asset and ensure costs are paid by those who benefit from the project.
- Achieve savings when cost of borrowing is lower than construction inflation or rate of earnings on available cash reserves.

- **PURPOSES:**

- Capital improvement projects - e.g., administrations centers, libraries, fire/police stations, community centers, parking garages, parks, etc.
- Infrastructure - e.g., water, sewer, streets/roads, bridges, utilities.
- Refinancing – reduce interest costs, consolidate or restructure debt.
- Cash Flow – interim financing.

# Local Governments Benefit from Tax Exemption

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- Most municipal bonds issued for infrastructure or capital improvements qualify to be issued on a **tax-exempt** basis.
- Bondholders do not pay Federal income tax on interest earnings.
  - As a result, bondholders typically will purchase tax-exempt bonds at lower yields than taxable bonds.
  - Allows a municipal issuer to raise capital at lower interest rates as compared to taxable/corporate bonds.
- Issuers must meet IRS requirements to qualify bonds as tax-exempt
  - For governmental purposes – not for private use
  - Reasonable expectation that proceeds will be expended in 3 years from borrowing
  - Certain invested proceeds may not earn arbitrage (earnings rate > borrowing rate)
  - Certification required to be made by issuer at time of issuance – i.e., tax certificate

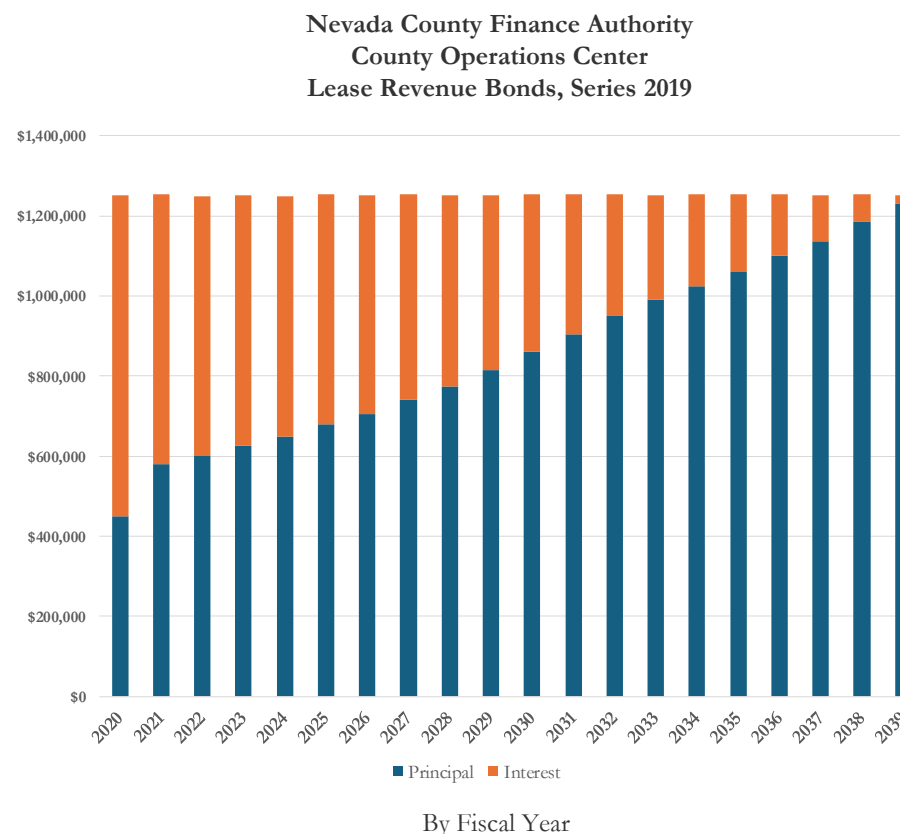


# Types of Financings Commonly Used to Fund Capital Improvements and New Projects

| Type of Financing   | Type of Issuer   | Voter-Approved? | Repayment Source  |
|---|--|-----------------|---|
| <b>General Obligation Bonds</b>   | Cities, Counties, School Districts, Special Districts      | Yes             | Ad Valorem Property Taxes   |
| <b>Lease Revenue Bonds or Certificates of Participation</b>                     | Cities, Counties, Joint Powers Authorities                 | No              | General Fund of Local Government Issuer                                       |
| <b>Enterprise Revenue Bonds</b>   | Cities, Counties, Joint Powers Authorities                 | No              | Enterprise Fund Revenues  |
| <b>Community Facilities District (Mello-Roos) and Assessment District Bonds</b> | Multiple entities, Cities, Counties, and Special Districts | Yes             | Special Taxes and Assessments Approved by Property Owners within the District |

# Key Features of Lease Revenue Bonds

- Contingent Obligation– does not require voter approval.
- General fund credit – covenant to annually budget and appropriate lease payments.
- Pledged asset(s) – real property pledged for term of the financing.
  - Existing County asset or project to be financed by LRB proceeds. The latter may necessitate funding capitalized interest.
  - Key factors of asset pledge relevant to investors: essentiality, value and useful life.
- Subject to Abatement – LRB payments are subject to the use and occupancy of pledged asset(s) and can be “abated” if asset is damaged or unable to be occupied.
- Structured with level annual debt service payments.



# Key Players, Primary Legal Documents, and Credit Ratings





# Key Players in the Financing Process

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**Issuer**



**Municipal Advisor**



**Bond and Disclosure  
Counsel**



**Underwriter**



**Trustee/Paying Agent**



**Rating Agencies**

**S&P Global**  
**Fitch**Ratings  
**MOODY's**

\*For a Private Placement, Disclosure Counsel, Underwriter, Trustee, and Rating Agency are not typically needed.

# The Public Bond Issuance Process

## Pre-Transaction

- Develop financing plan
- Assemble financing team
- Determine method of sale
- Evaluate available assets (for lease financings)



## Months 1-2

- Refine security structure and plan of finance
- Develop bond and disclosure documents
- Evaluate alternative bond amortizations
- Prepare for DAC and BOS meetings



## Months 2-3

- Prepare rating agency materials
- Finalize bond and disclosure documents
- DAC and BOS approvals



## Months 3-4

- Secure rating and credit enhancement (if necessary)
- Post POS
- Begin pre-sale marketing



## Months 4-5

- Pre-sale marketing
- Price Bonds
- Close Bonds

### **NOTE: Private Placement**

Certain issuance steps are not required in a private placement transaction – such as obtaining ratings and marketing to investors – resulting in a shorter timeline.

# Bond Issuance Documents

| Document   | Competitive Sale | Negotiated Sale | Direct Purchase |
|--|------------------|-----------------|-----------------|
| Authorizing Resolution   | ✓                | ✓               | ✓               |
| Bond Indenture/Trust Agreement/Paying Agent Agreement                | ✓                | ✓               |                 |
| Lease/Equipment Lease/Installment Sale (or Purchase) Agreements      | ✓                | ✓               | ✓               |
| Preliminary Official Statement (POS) / Final Official Statement (OS) | ✓                | ✓               |                 |
| Notice of Sale   | ✓                |                 |                 |
| Bond Purchase Contract   |                  | ✓               |                 |
| Continuing Disclosure Agreement                                      | ✓                | ✓               |                 |



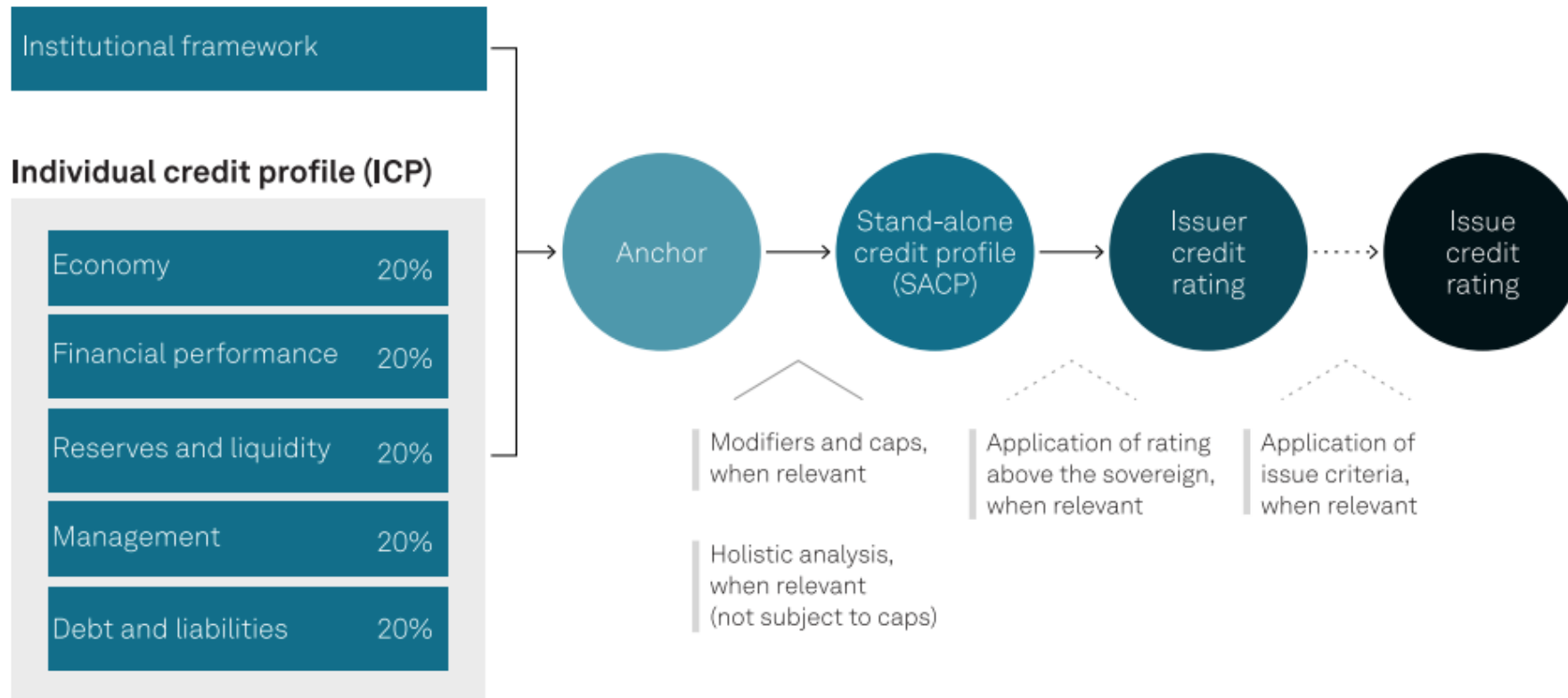
# Credit Ratings

- Higher credit ratings generally result in lower borrowing costs for issuers.
- A rating agency will assign an “issuer credit rating” which is equivalent to the rating a hypothetical General Obligation Bond rating would carry.
  - In addition, a rating agency will assign a rating specific to a bond issue.
  - S&P’s LRB/COP rating generally is one notch below the issuer credit rating.
- Nevada County’s Series 2019 LRBs is currently rated “AA” by S&P, with a “stable” outlook.

|                   | Long-Term Ratings |       |         |
|-------------------|-------------------|-------|---------|
|                   | S&P               | Fitch | Moody's |
| Investment Grade  | AAA               | AAA   | Aaa     |
|                   | AA+               | AA+   | Aa1     |
|                   | AA                | AA    | Aa2     |
|                   | AA-               | AA-   | Aa3     |
|                   | A+                | A+    | A1      |
|                   | A                 | A     | A2      |
|                   | A-                | A-    | A3      |
|                   | BBB+              | BBB+  | Baa1    |
|                   | BBB               | BBB   | Baa2    |
|                   | BBB-              | BBB-  | Baa3    |
| Speculative Grade | BB                | BB    | Ba      |
|                   | B                 | B     | B       |
|                   | CCC               | CCC   | Caa     |
|                   | CC                | CC    | Ca      |
|                   | C                 | C     | C       |
|                   | D                 | D     | D       |

# New S&P Criteria Overview

- Standard & Poor's released new credit rating methodology for U.S. Governments on September 9, 2024. This was S&P's first major revision of their criteria since 2013.



# S&P Scoring Overview<sup>1</sup>

- The below metrics are utilized to establish the Individual Credit Profile (ICP):

|   | Economy<br>(20%)                | Financial Performance<br>(20%)             | Reserve and Liquidity<br>(20%)        | Management<br>(20%)          | Debt and Liabilities<br>(20%)                             |
|---|---------------------------------|--|---------------------------------------|------------------------------|---|
| Step 1:<br>Establish Initial<br>Assessment<br>(Local Gov't) | GCP per capita % of US<br>(50%) | Three-year average<br>operating result (%) | Available reserves (%)<br>of revenues | Budgeting practices<br>(35%) | Current cost for debt<br>service and liabilities<br>(50%) |
|   | County PCPI % of U.S<br>(50%)   |  |                                       | Long-term planning<br>(35%)  | Net direct debt<br>per capita<br>(25%)                    |
|   |                                 |  |                                       | Policies<br>(30%)            | Net pension liabilities<br>per capita<br>(25%)            |

GCP = Gross County Product

PCPI = Per Capita Personal Income

<sup>1</sup>Based Standard & Poor's Methodology for Rating U.S. Governments, September 9, 2024.



# Methods of Sale



# Overview of Bond Pricing

- A long-term municipal bond issuance is generally divided into annual principal maturities that have different interest rates, unlike a home mortgage which has a single interest rate.
  - Individual maturities may have a *coupon* rate that is different from the *yield*, which is the effective rate.
  - Individual maturities may have *split* coupon rates.
- The True Interest Cost (T.I.C.) of a transaction is the blended borrowing rate that factors in underwriter's discount and the time value of money.
  - The County's Series 2019 LRBs were issued with a T.I.C. of 3.089%.

Nevada County Finance Authority  
County Operations Center  
Lease Revenue Bonds, Series 2019

|    | Maturity<br>(Oct 1st) | Principal | Coupon | Yield | Dollar<br>Price |
|----|-----------------------|-----------|--------|-------|-----------------|
| 1  | 2019                  | 450       | 4.00%  | 1.60% | 101.550         |
| 2  | 2020                  | 580       | 4.00%  | 1.65% | 103.814         |
| 3  | 2021                  | 600       | 4.00%  | 1.66% | 106.046         |
| 4  | 2022                  | 625       | 4.00%  | 1.68% | 108.184         |
| 5  | 2023                  | 650       | 4.00%  | 1.73% | 110.104         |
| 6  | 2024                  | 680       | 4.00%  | 1.79% | 111.829         |
| 7  | 2025                  | 705       | 4.00%  | 1.86% | 113.331         |
| 8  | 2026                  | 740       | 5.00%  | 1.94% | 121.662         |
| 9  | 2027                  | 775       | 5.00%  | 2.06% | 123.189         |
| 10 | 2028                  | 815       | 5.00%  | 2.21% | 124.130         |
| 11 | 2029                  | 860       | 5.00%  | 2.36% | 123.707 c       |
| 12 | 2030                  | 905       | 5.00%  | 2.54% | 121.89 c        |
| 13 | 2031                  | 950       | 5.00%  | 2.68% | 120.499 c       |
| 14 | 2032                  | 840       | 3.13%  | 3.25% | 98.627          |
| 14 | 2032                  | 150       | 5.00%  | 2.79% | 119.419 c       |
| 15 | 2033                  | 1,025     | 3.25%  | 3.34% | 98.960          |
| 16 | 2034                  | 795       | 3.25%  | 3.42% | 97.949          |
| 16 | 2034                  | 265       | 5.00%  | 2.95% | 117.868 c       |
| 17 | 2035                  | 1,100     | 3.375% | 3.49% | 98.553          |
| 18 | 2036                  | 1,135     | 3.50%  | 3.55% | 99.345          |
| 19 | 2037                  | 770       | 5.00%  | 3.16% | 115.870 c       |
| 19 | 2037                  | 415       | 3.50%  | 3.61% | 98.512          |
| 20 | 2038                  | 1,230     | 3.50%  | 3.67% | 97.631          |

C = priced to first optional redemption date of April 1, 2029.

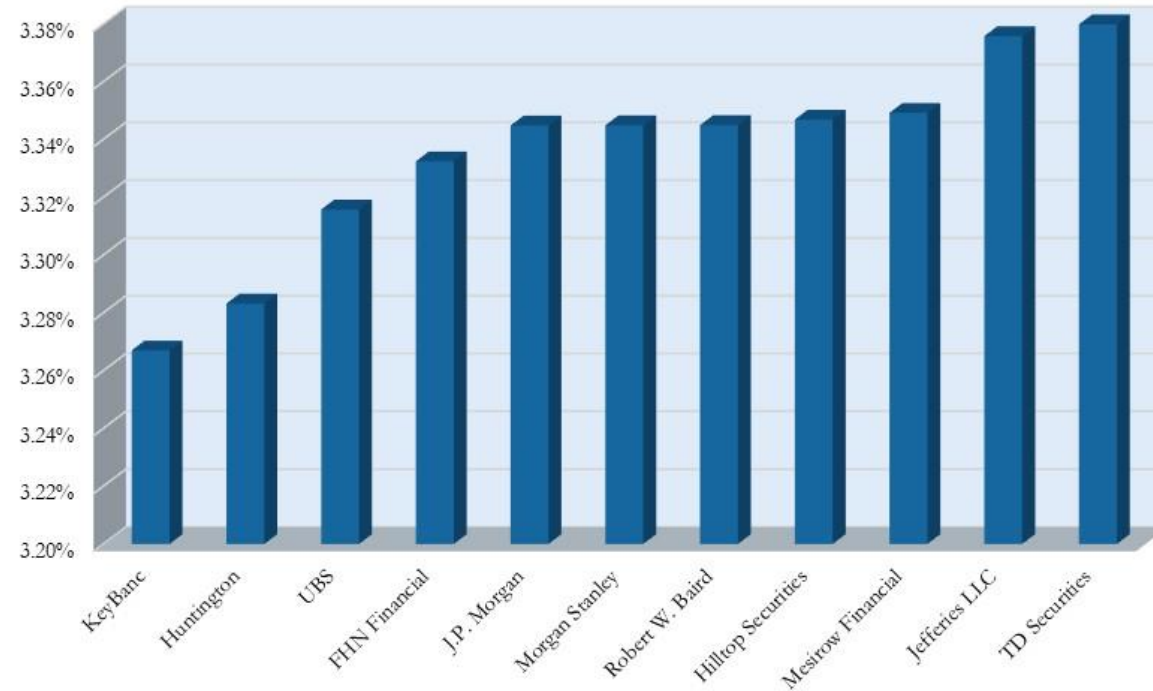
# Method of Sale Summary

|                        | Public Sale   |   | Private Placement   |
|------------------------|---|---|---|
|                        | Competitive Sale  | Negotiated Sale   | Direct Purchase   |
| <b>Advantages</b>      | <ul style="list-style-type: none"> <li>* Transparent process - all underwriters welcome to compete</li> <li>* Competition generates low rates</li> <li>* Potential to price at rates "below" the market on a particular day</li> </ul>      | <ul style="list-style-type: none"> <li>* Best approach for complicated bond issuances or credit structure</li> <li>* Earlier selection of underwriter can facilitate more certainty</li> <li>* Flexibility in scheduling pricing</li> </ul>                   | <ul style="list-style-type: none"> <li>* No official statement</li> <li>* No credit rating</li> <li>* Lower cost of issuance</li> <li>* Requires less staff time (generally)</li> </ul> |
| <b>Appropriateness</b> | <ul style="list-style-type: none"> <li>* "Plain Vanilla" bond issue</li> <li>* Small to mid-sized borrowing</li> <li>* High credit rating</li> <li>* Active note/bond program</li> </ul>  | <ul style="list-style-type: none"> <li>* Lower credit quality</li> <li>* Larger borrowing size</li> <li>* Unusual terms and provisions</li> <li>* High bond market volatility</li> </ul>  | <ul style="list-style-type: none"> <li>* Smaller sized issuances</li> <li>* Shorter tenor/term of debt</li> </ul>   |
| <b>Disadvantages</b>   | <ul style="list-style-type: none"> <li>* Less opportunity for price discovery and direct investor outreach</li> <li>* More difficult to change pricing date</li> <li>* No underwriter contribution to structuring of transaction</li> </ul> | <ul style="list-style-type: none"> <li>* No competition in pricing could result in higher borrowing rates</li> <li>* Possibility of negotiating poorly with underwriter on terms and provisions</li> <li>* Possibility of higher underwriting fees</li> </ul> | <ul style="list-style-type: none"> <li>* Potentially burdensome terms and conditions required by banks</li> <li>* Greater execution risk than a public sale</li> </ul>                  |

# Competitive Sale Example: County of Sonoma COPs

## County of Sonoma 2024 Certificates of Participation (Energy Resiliency Projects)

- Par Amount: \$26,815,000
- Credit Rating: AA+ (S&P)
- Sale Date: August 20, 2024
- Final Maturity: April 1, 2044



# Sample Order Summary Page (Negotiated Sale)

|                         | 1             | 2       | 3      | 4     | 5                                 | 6             | 7             | 8            | 9             | 10            | 11           | 12           | 13                | 14   | 15           | 16     | 17     |               |
|-------------------------|---------------|---------|--------|-------|-----------------------------------|---------------|---------------|--------------|---------------|---------------|--------------|--------------|-------------------|------|--------------|--------|--------|---------------|
| Years<br>to<br>Maturity | Series 2025   |         |        |       |                                   |               | Subscriptions |              |               |               |              |              | Final             |      |              |        |        |               |
|                         | (Feb)<br>Year | Total   | Scale  |       | 3/3/2025<br>(Feb)<br>Begin<br>(%) | MMD<br>Spread | Total         |              | Total         |               | Total Orders |              | 3/3/2025<br>(Feb) |      | Yield<br>(%) | MMD    | Spread | (Feb)<br>Year |
|                         |               | Par     | Coupon | Yield |                                   |               | Retail        | Retail       | Institutional | Institutional | Total Orders | Aggregate    |                   |      |              |        |        |               |
|                         |               | (000s)  | (%)    | (%)   |                                   |               | (000s)        | Subscription | (000s)        | Subscription  | (000s)       | Subscription | Adj.              |      |              |        |        |               |
| 1                       | 2026          | 7,590   | 5.00   | 2.24  | 2.54                              | (0.30)        | 75            | 0.0x         | 9,985         | 1.3x          | 10,060       | 1.3x         | 0 bps             | 2.24 | 2.54         | (0.30) | 2026   |               |
| 2                       | 2027          | 10,210  | 5.00   | 2.24  | 2.54                              | (0.30)        | 95            | 0.0x         | 16,025        | 1.6x          | 16,120       | 1.6x         | -1 bps            | 2.23 | 2.54         | (0.31) | 2027   |               |
| 3                       | 2028          | 10,720  | 5.00   | 2.28  | 2.58                              | (0.30)        | 0             | 0.0x         | 34,060        | 3.2x          | 34,060       | 3.2x         | -3 bps            | 2.25 | 2.58         | (0.33) | 2028   |               |
| 4                       | 2029          | 11,255  | 5.00   | 2.31  | 2.61                              | (0.30)        | 0             | 0.0x         | 50,770        | 4.5x          | 50,770       | 4.5x         | -4 bps            | 2.27 | 2.61         | (0.34) | 2029   |               |
| 5                       | 2030          | 11,820  | 5.00   | 2.33  | 2.63                              | (0.30)        | 0             | 0.0x         | 49,865        | 4.2x          | 49,865       | 4.2x         | -4 bps            | 2.29 | 2.63         | (0.34) | 2030   |               |
| 6                       | 2031          | 12,410  | 5.00   | 2.36  | 2.66                              | (0.30)        | 0             | 0.0x         | 49,505        | 4.0x          | 49,505       | 4.0x         | -4 bps            | 2.32 | 2.66         | (0.34) | 2031   |               |
| 7                       | 2032          | 13,030  | 5.00   | 2.39  | 2.69                              | (0.30)        | 0             | 0.0x         | 27,030        | 2.1x          | 27,030       | 2.1x         | -2 bps            | 2.37 | 2.69         | (0.32) | 2032   |               |
| 8                       | 2033          | 13,680  | 5.00   | 2.44  | 2.74                              | (0.30)        | 0             | 0.0x         | 22,880        | 1.7x          | 22,880       | 1.7x         | -2 bps            | 2.42 | 2.74         | (0.32) | 2033   |               |
| 9                       | 2034          | 14,365  | 5.00   | 2.52  | 2.82                              | (0.30)        | 0             | 0.0x         | 84,435        | 5.9x          | 84,435       | 5.9x         | -5 bps            | 2.47 | 2.82         | (0.35) | 2034   |               |
| 10                      | 2035          | 15,085  | 5.00   | 2.57  | 2.87                              | (0.30)        | 200           | 0.0x         | 110,790       | 7.3x          | 110,990      | 7.4x         | -6 bps            | 2.51 | 2.87         | (0.36) | 2035   |               |
| 11                      | 2036          | 15,840  | 5.00   | 2.62  | 2.90                              | (0.28)        | 0             | 0.0x         | 39,250        | 2.5x          | 39,250       | 2.5x         | -2 bps            | 2.60 | 2.90         | (0.30) | 2036   |               |
| 12                      | 2037          | 16,630  | 5.00   | 2.71  | 2.96                              | (0.25)        | 0             | 0.0x         | 19,195        | 1.2x          | 19,195       | 1.2x         | 0 bps             | 2.71 | 2.96         | (0.25) | 2037   |               |
| 13                      | 2038          | 17,460  | 5.00   | 2.79  | 3.01                              | (0.22)        | 0             | 0.0x         | 595           | 0.0x          | 595          | 0.0x         | 0 bps             | 2.79 | 3.01         | (0.22) | 2038   |               |
| 14                      | 2039          | 18,335  | 5.00   | 2.89  | 3.09                              | (0.20)        | 0             | 0.0x         | 21,710        | 1.2x          | 21,710       | 1.2x         | 0 bps             | 2.89 | 3.09         | (0.20) | 2039   |               |
| 15                      | 2040          | 19,250  | 5.00   | 3.02  | 3.20                              | (0.18)        | 25            | 0.0x         | 55,495        | 2.9x          | 55,520       | 2.9x         | -3 bps            | 2.99 | 3.20         | (0.21) | 2040   |               |
| 16                      | 2041          | 20,215  | 5.00   | 3.16  | 3.31                              | (0.15)        | 0             | 0.0x         | 63,955        | 3.2x          | 63,955       | 3.2x         | -3 bps            | 3.13 | 3.31         | (0.18) | 2041   |               |
|                         | Total:        | 227,895 |        |       |                                   | Total:        | 395           | 0.0x         | 655,545       | 2.9x          | 655,940      | 2.9x         |                   |      |              |        |        |               |

<sup>1</sup>Orders as of 9:14 PST.

# Post Issuance Practices





# Post-Bond Issuance Compliance

- Continuing Disclosure
  - Maintaining compliance with annual continuing disclosure requirements **(Rule 15c2-12)** continues to be an important focus for the SEC and a challenge for many bond issuers.
- Arbitrage Rebate
  - Positive arbitrage is excess profit earned from the investment of tax-exempt bond proceeds in higher yielding taxable securities.
  - Any positive arbitrage earned from the investment of bond proceeds needs to be rebated to the IRS every five years and at the final date of the debt.
- IRS Spend Down Requirements (3-year temporary period)\*
  - (i) Enter into a binding commitment to spend 5% of the proceeds within 6 months;
  - (ii) Spend 85% of the proceeds within 3 years; and
  - (iii) Proceed with diligence to complete the project.
- Ensure compliance with public use limitations throughout life of bonds
  - Private business use of financed facilities is strictly limited.
  - Necessary to preserve tax-exempt status of bonds.
- SB 1029 annual reporting requirements.



\* Compliance with IRS spend down requirements preserve tax-exempt status of bonds.

# Continuing Disclosure Requirements

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- Continuing Disclosure Certificate in the Official Statement (OS) requires the issuer to:
  - 1.) Post Financial Information and Operating Data to MSRB's EMMA system annually.
    - Generally due 9 months after end of public agency's fiscal year.
  - 2.) Provide Notices of Significant Events (no later than 10 business days after occurrence of the event).
    - Principal and interest payment delinquencies.
    - Unscheduled draws on DSRF.
    - Unscheduled use of Credit enhancement.
    - Substitution of credit/liquidity providers.
    - Rating changes.
    - Adverse tax opinions by IRS.
    - Bond calls and tender offers.
    - Defeasances.
    - Bankruptcy, insolvency, receivership.
    - Default or modification of terms of direct purchase.
- Continuing Disclosure Certificate is legally binding – SEC has heightened scrutiny of Continuing Disclosure compliance.

# Nevada County Debt Profile



# Nevada County Debt Summary

| Transaction                               | Purpose                 | Original Par Amount | Outstanding Par Amount | Optional Redemption                | Method of Sale | Credit Rating |
|---|-------------------------|---------------------|------------------------|------------------------------------|----------------|---------------|
| Lease Revenue Bonds, Series 2019          | Operations Center       | \$17,060,000        | \$14,155,000           | 4/1/2029 @ par                     | Public (Neg.)  | "AA" (S&P)    |
| New Clean Renewable Energy Bonds (NCREBs) |                         |                     |                        |                                    |                |               |
| 2016 Solar Project (Federally Taxable)    | Various solar projects  | \$10,806,000        | \$6,607,000            | 2% through 2/1/27<br>1% thereafter | Direct Pur.    | None          |
| 2016 Energy Project (Tax-Exempt)          | Various energy projects | \$1,975,000         | \$1,027,000            | 2% through 2/1/25<br>1% thereafter | Direct Pur.    | None          |

- In addition, the County has several additional small direct purchase loans outstanding.

# Lease Revenue Bond Financing Scenarios\*

| Scenario                             | Scenario 1          | Scenario 2          | Scenario 3          |
|--------------------------------------|---------------------|---------------------|---------------------|
| Financing Term:                      | 20 yrs              | 25 yrs              | 30 yrs              |
| Sources:                             |                     |                     |                     |
| Par Amount:                          | \$12,610,000        | \$14,240,000        | \$15,505,000        |
| Bond Premium:                        | <u>758,563</u>      | <u>646,178</u>      | <u>524,521</u>      |
| Total Sources:                       | \$13,368,563        | \$14,886,178        | \$16,029,521        |
| Uses:                                |                     |                     |                     |
| Project Fund: <sup>1</sup>           | <b>\$13,005,513</b> | <b>\$14,514,978</b> | <b>\$15,651,996</b> |
| Cost of Issuance: <sup>2</sup>       | 300,000             | 300,000             | 300,000             |
| Underwriter's Discount: <sup>3</sup> | <u>63,050</u>       | <u>71,200</u>       | <u>77,525</u>       |
| Total Uses:                          | \$13,368,563        | \$14,886,178        | \$16,029,521        |
| True Interest Cost: <sup>4</sup>     | 4.38%               | 4.61%               | 4.75%               |
| Average Annual Payments:             | <b>\$997,413</b>    | <b>\$997,700</b>    | <b>\$997,729</b>    |
| Total Payments:                      | \$20,263,500        | \$25,298,500        | \$30,319,500        |

1. Project fund assumes no interest earnings during construction period.
2. Cost of issuance includes estimated fees for bond counsel, disclosure counsel, credit rating(s), municipal advisor, trustee, financial printer, etc.
3. Underwriter's discount assumed at \$5.00 per \$1,000 of bond par amount.
4. True Interest Cost based upon market for "AA" category Lease Revenue Bonds as of April 16, 2025. Preliminary and subject to changes in market conditions.

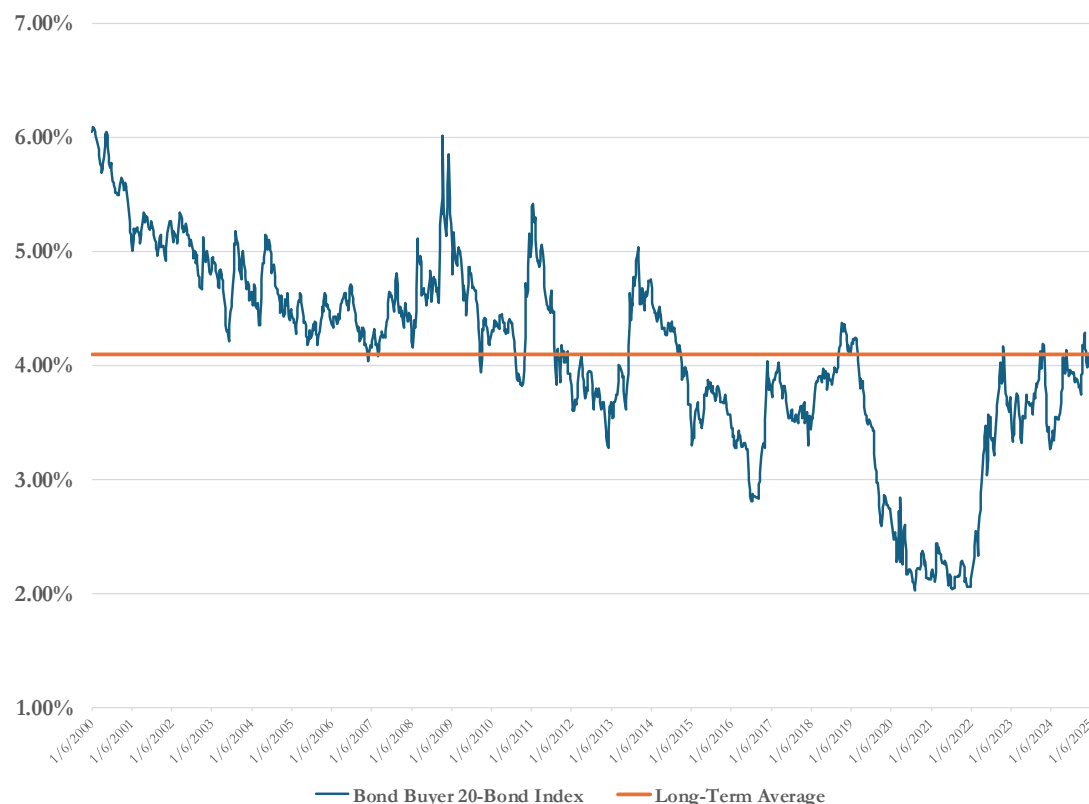
\* Analysis assumes asset transfer structure (no capitalized interest or deferral of principal amortization).

# Market Update





# Volatility in Long-Term Tax-Exempt Interest Rates



Factors impacting direction of rates:

- Federal Reserve policy and Treasury yields
- Inflation expectations
- Economic conditions – growth vs recession
- Supply and demand
- Tax policy changes
- State and local fiscal health and stability

Source: *The Bond Buyer*.

\*General obligation bonds maturing in 20 years are used in compiling the indexes. The 20-bond index has an average rating equivalent to Moody's Aa2 and S&P's AA.

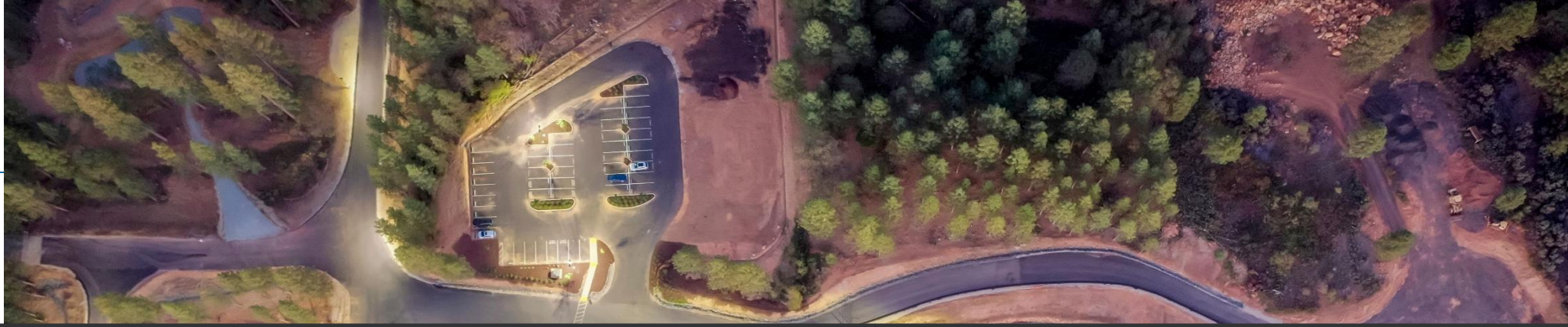
# Fed Funds Futures Pricing

- Current Federal Funds target range is 4.25-4.50% after the March 19, 2025 FOMC Meeting.

|              | CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES |         |         |         |         |         |         |         |         |         |         |
|--------------|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| MEETING DATE | 200-225   | 225-250 | 250-275 | 275-300 | 300-325 | 325-350 | 350-375 | 375-400 | 400-425 | 425-450 | 450-475 |
| 5/7/2025     |   |         |         |         | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 14.2%   | 85.8%   | 0.0%    |
| 6/18/2025    | 0.0%  | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 8.6%    | 57.6%   | 33.7%   | 0.0%    |
| 7/30/2025    | 0.0%  | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 7.0%    | 48.1%   | 38.4%   | 6.5%    | 0.0%    |
| 9/17/2025    | 0.0%  | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 5.2%    | 37.9%   | 40.8%   | 14.5%   | 1.6%    | 0.0%    |
| 10/29/2025   | 0.0%  | 0.0%    | 0.0%    | 0.0%    | 3.1%    | 24.8%   | 39.6%   | 25.0%   | 6.8%    | 0.7%    | 0.0%    |
| 12/10/2025   | 0.0%  | 0.0%    | 0.0%    | 1.9%    | 16.4%   | 33.9%   | 30.7%   | 13.8%   | 3.0%    | 0.3%    | 0.0%    |

Source: CME Group, as of April 16, 2025.

Note: A "hike"/"cut" is equivalent to a 25 basis point increase/decrease to the Federal Funds Target Range from today's target range.



# Project Readiness Recap





# Nevada County Animal Shelter

| Funding                   | Budget       | Phase             | Completion |
|---------------------------|--------------|-------------------|------------|
| Financing & Partner Cont. | \$20 Million | Design & Estimate | 2028       |

- Narrowed down conceptual design
- Finalize design and budget with partners
- Confirm financing plan
- Complete construction documents
- Put project out to bid



~3 YEARS



# NCSO Firearms Range

## Funding

SP Rev /  
Federal  
Earmark

## Budget

\$15 Million

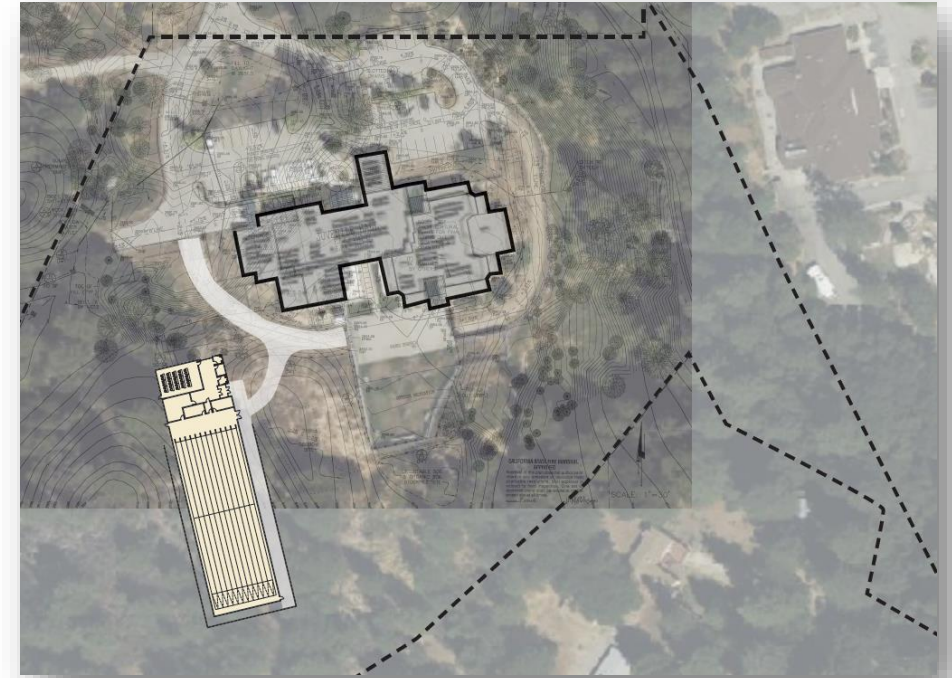
## Phase

Development

## Completion

2028

- Feasibility study completed
- Comparable site visits completed
- RFP for Design-Build project in development
- Funding Identification in progress



~3 YEARS

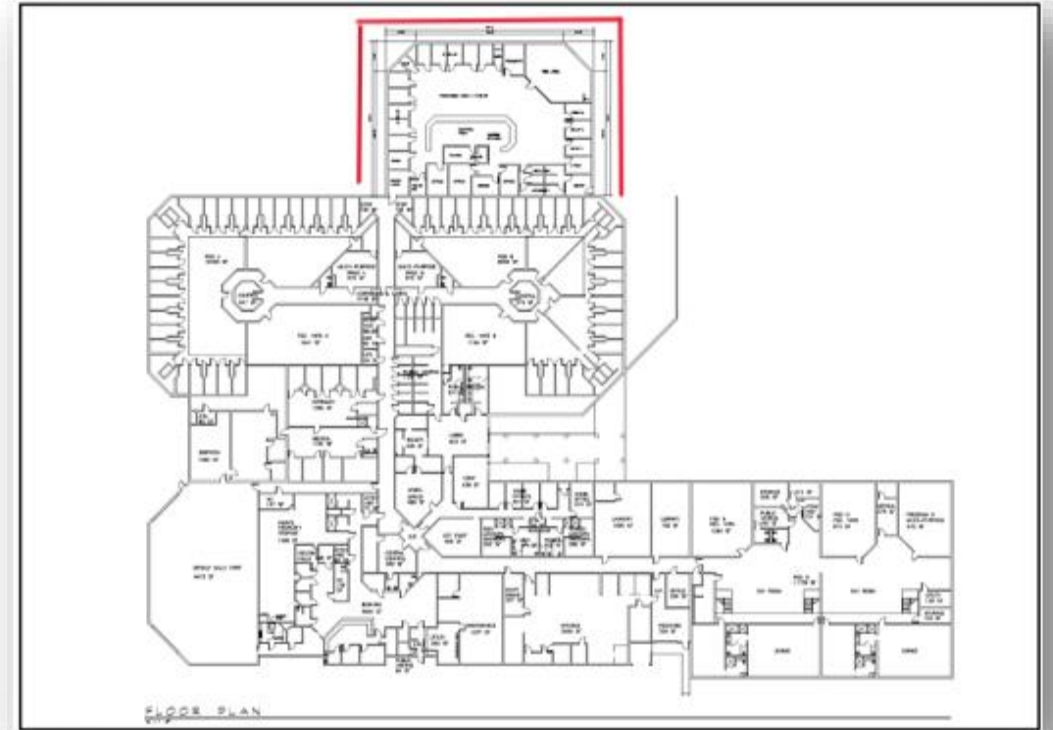


# Wayne Brown Correctional Facility Remodel & Medical Expansion

| Funding | Budget       | Phase       | Completion |
|---------|--------------|-------------|------------|
| GO Bond | \$30 Million | Development | 2030       |

- Feasibility study in review
- Includes New Medical Wing (~\$20M)
- Deferred Maintenance
  - Plumbing & HVAC
  - Siding
  - Parking Lot
  - ADA Improvements

~ 5 YEARS



Development

Design /  
Estimate

Bidding /  
Award

Construction

Closeout



# Summit Maintenance & Storage Facility

| Funding      | Budget         | Phase       | Completion |
|--------------|----------------|-------------|------------|
| General Fund | ~\$2-3 Million | Development | 2029       |

- Project scoping underway
- Storage for Roads Division snow removal equipment (currently leasing a private garage @ ~ \$30k/yr but not sustainable long-term)
- Storage for OHV / Search and Rescue equipment
- RFP for Design-Build project needed

~4 YEARS

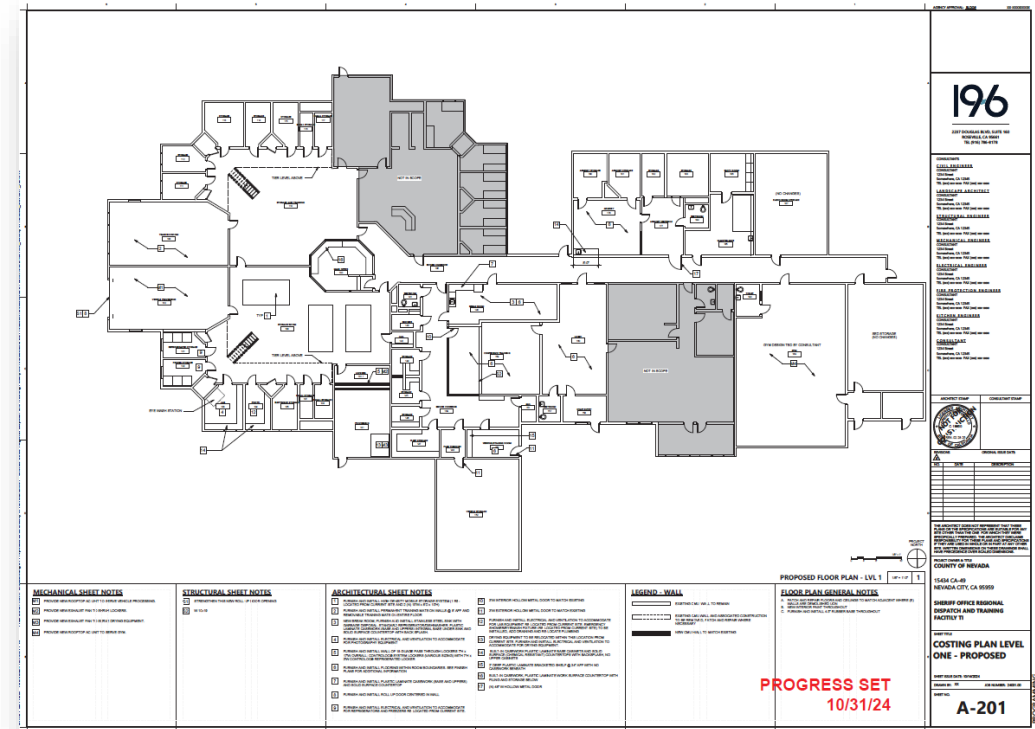


# Sheriff's Office Regional Dispatch and Training Facility (SORDTF)

| Funding | Budget | Phase | Completion |
|---------|--------|-------|------------|
|---------|--------|-------|------------|

|                     |             |             |      |
|---------------------|-------------|-------------|------|
| SP Rev /<br>GO Bond | \$8 Million | Development | 2030 |
|---------------------|-------------|-------------|------|

- Feasibility study in review, including phased construction approach
- Funding review



~5 YEARS

Development

Design /  
Estimate

Bidding /  
Award

Construction

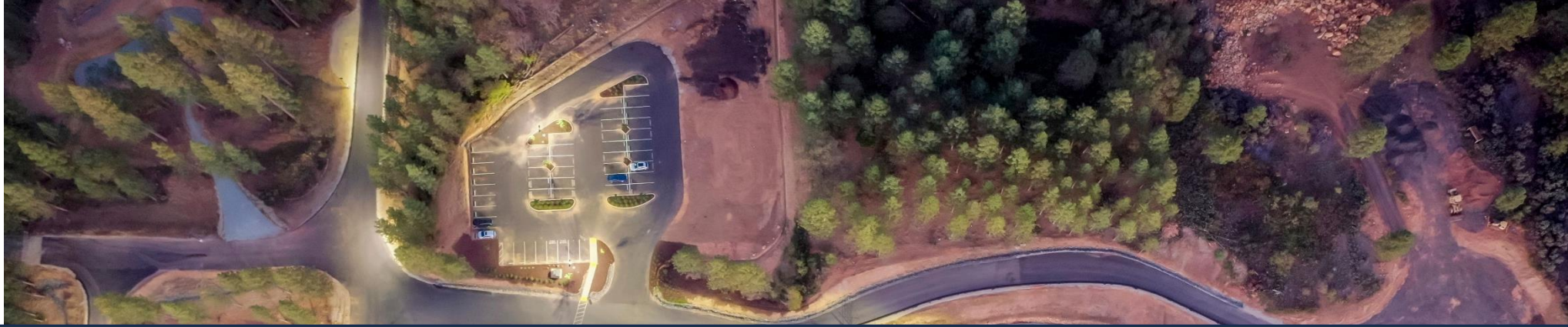
Closeout

# Capital Project Financing

## Options

- Capital Project General Fund Assignment
- Other County Funds
- Tax Exempt Bond Financing (20-30 yr repayment)
- Public Partnership contributions (JPA, MOU, etc)
- Grant awards, Federal earmarks





# County Financial Status



# General Fund Balance & Assignments

| Category   | Adopted       | Est. Year End  | Preliminary Proposed |
|--|---------------|----------------|----------------------|
|  | <b>7/1/24</b> | <b>6/30/25</b> | <b>7/1/25</b>        |
| General Purpose (emergencies and economic uncertainties) | \$11.2M       | \$11.2M        | \$11.2M              |
| Board Priorities   | \$3.9M        | \$3.2M         | \$2.9M               |
| Facilities Planning                                      | \$3.0M        | \$1.9M         | \$8.0M               |
| Information Systems Infrastructure                       | \$2.3M        | \$2.2M         | \$2.2M               |
| Pension Contributions                                    | \$4.6M        | \$4.6M         | \$5.6M               |
| Justice Services   | \$6.4M        | \$6.0M         | \$5.3M               |
| Special Project Continuation                             | NA            | \$3.5M         | \$2.9M               |
|  |               |                |                      |
| Other Assignments  | \$6.0M        | \$6.0M         | \$2.9M               |
| Unassigned   | \$2.6M        | \$6.5M         | \$0.5M               |
| <b>Total</b>   | <b>\$40M</b>  | <b>\$45.1M</b> | <b>\$41.5M</b>       |

# Preliminary General Fund FY25/26

**\$100.6M** Revenue

**\$3.6M** Planned Use of Fund Balance

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**\$104.2M** Total Proposed Revenue

**(\$104.2M)** Total Proposed Expenditures

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**\$0.0M** Net Change to Fund Balance



# Debt Service Capacity

- It will be challenging
- Revenues are flat and expenses are increasing
- Unknown State and Federal budget impacts
- Need for investment in County facilities



# Recommended Next Steps

## **May–June**

Budget Subcommittee

Public Hearing on FY 25-26 Proposed Budget

Budget Adoption

## **Oct.–Dec.**

Review County's fiscal position

Debt Financing Committee meets

## **June–Dec.**

Project Design & Development continues

Capital Projects ad hoc reviews project status





# Board Questions & Discussion