

PMA Advises County and PBC on Bond Issuance for Facility Projects

With needed upgrades and additions to County run facilities, McLean County¹, Illinois and the McLean County Public Building Commission² determined the issuance of debt would be needed to undertake these capital projects. Previously the County/PBC issued debt via a negotiated sale without a financial advisor. For the 2022 financing, the County decided to engage PMA Securities, LLC³ as its financial advisor to manage the 2022 bond sale.

The first item on which PMA was asked to provide a recommendation was the selection of the underwriter. PMA took this opportunity to discuss the differences between a negotiated sale and a competitive sale and the contexts in which one type of sale might be better than the other. After fully assessing the County/PBC's situation, including reviewing each of the underwriter proposals and attending the underwriter interviews, PMA recommended that the proposed bonds be issued in a competitive sale. The primary factor that led to this recommendation was the County's high underlying Moody's rating of Aa1, but also included other contributing factors, including: a moderate term length with a final maturity in 2037, sizeable maturity amounts, particularly in the last three maturities where the par amount for each year was greater than \$1.5 million, and what was then a stable and predictable public market. These factors led PMA to believe there would be strong interest from underwriters in a competitive sale leading to a lower interest rate for the proposed bonds.

On the sale date of the bonds, three bids were received, and the winning bid had a True Interest Cost (TIC) of 2.08%. By way of comparison, three other transactions similar in amount, credit rating, and term length were priced via negotiated sales at approximately the same time. After accounting for the general market change in interest rates, PMA used these comparable bond sales to determine that a negotiated sale for the County/PBC would have garnered a TIC between 2.24% and 2.31%. Furthermore, PMA's analysis indicated that the County/PBC saved between \$140,000 - \$205,000 by utilizing a competitive sale over a negotiated one.

Like many other counties and units of government throughout the State of Illinois, the County/PBC only issues bonds once every five to six years. This particular bond issue was the first time many of the County administrators experienced the bonding process. As financial advisor, PMA took the responsibility to guide them through each step of the process, including the method of sale, as well as other involved steps related to the bond rating and the preparation of the Official Statement. Having an experienced financial advisor throughout the bond process not only provides a level of comfort for those counties that issue less frequently, but it is also a financially prudent decision since many factors unfamiliar to a less frequent issuer can have a significant impact on the final borrowing cost to counties.

If you have any questions about the bond issuance process, please do not hesitate to reach out to one of the PMA advisors below.

For more information about PMA's public finance department, please click [HERE](#) for a fact sheet describing our services, expertise, and historic success.

Also, please click [HERE](#) for a recent press release regarding the new partnership between PMA Financial Network, LLC and the Illinois State Association of Counties.”



Stephen Adams
Director, Public Finance
PMA Securities



Andrew Kim
Director, Public Finance
PMA Securities



¹The “County”

²The “PBC”, collectively with the County the “County/PBC”

³ “PMA”

Securities, public finance services and institutional brokerage services are offered through PMA Securities, LLC. PMA Securities, LLC is a broker-dealer and municipal advisor registered with the SEC and MSRB, and is a member of FINRA and SIPC. PMA Asset Management, LLC, an SEC registered investment adviser, provides investment advisory services to local government investment pools. All other products and services are provided by PMA Financial Network, LLC. PMA Financial Network, LLC, PMA Securities, LLC and PMA Asset Management, LLC (collectively “PMA”) are under common ownership.

Securities and public finance services offered through PMA Securities, LLC are available in CA, CO, FL, IL, IN, IA, MI, MN, MO, NE, NY, OH, OK, PA, SD, TX and WI. This document is not an offer of services available in any state other than those listed above, has been prepared for informational and educational purposes and does not constitute a solicitation to purchase or sell securities, which may be done only after client suitability is reviewed and determined. All investments mentioned herein may have varying levels of risk, and may not be suitable for every investor. PMA and its employees do not offer tax or legal advice. Individuals and organizations should consult with their own tax and/or legal advisors before making any tax or legal related investment decisions. Additional information is available upon request.

For more information visit www.pmanetwork.com

©2022 PMA Financial Network, LLC