

November 30, 2022

Board of Fire Commissioners  
Gig Harbor Fire & Medic One (Pierce County Fire Protection District #5)  
10222 Bujacich Road NW  
Gig Harbor, Washington 98332

**Re: \$47,435,000 Unlimited Tax General Obligation Bonds, 2022 (the “Bonds”)**

Honorable Board of Fire Commissioners:

### **Overview**

On November 16, 2022, Gig Harbor Fire & Medic One (the “District”) sold the Bonds through a competitive sale. Thirteen bids were received for the Bonds and BofA Securities, Inc. (the “Underwriter”) was the low bidder. Northwest Municipal Advisors served as municipal advisor and Foster Garvey served as bond counsel on this transaction. This letter summarizes our comments on the sale.

The sale of the Bonds was authorized pursuant to Resolution No. 2022-11, which allowed for the sale of the Bonds and authorized the Assistant Chief of Finance and Administration to sign the Certificate of Designated Representative (the “Certificate”) with the Underwriter. With our recommendation, the Certificate for the Bonds was signed by Assistant Chief Oldenburg, finalizing the bond sale.

The Bonds provide \$50 million for constructing and equipping a new training facility with live fire training capabilities, a new fire station to replace the existing Station 51 (Gig Harbor), renovating and equipping Stations 53 (Fox Island) and 57 (Crescent Valley), and making other capital improvements and acquisitions, and funds for the payment of issuance costs.

The Bonds are the first of two planned issuances under the voter-approved bond authorization. There are \$30 million remaining under the bond authorization.

### **Bond Ratings**

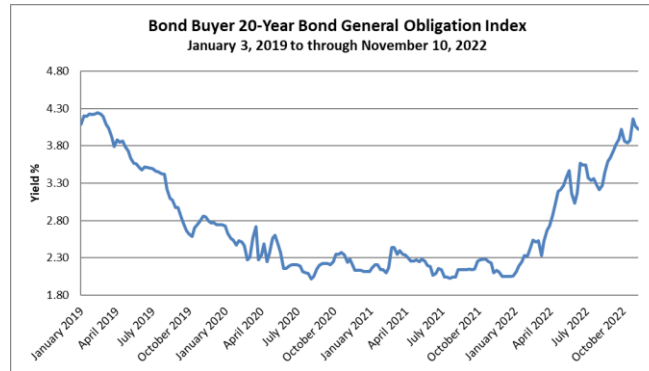
Bond ratings are important and have a direct effect on the interest rates for the Bonds. The District applied to S&P Global Ratings (“S&P”) for ratings on the Bonds. S&P assigned a bond rating of “AA”, an excellent rating and only two-notches below S&P’s highest rating. S&P noted the following in their report:

“Gig Harbor Fire & Medic One’s service area experienced continued construction and widespread growth over the past decade, which has, in turn, produced increased property tax revenues and incident calls. As a result, the district has posted five consecutive general fund surpluses, which have allowed it to incrementally build its reserves well above our very strong threshold.”



## Bond Market

Since the beginning of 2022, long-term interest rates have been generally increasing due to inflation and monetary action by the Federal Reserve. The graph below shows interest rate trends for highly rated tax-exempt bonds maturing in 20 years. The trends shown are from January 3, 2019 to November 10, 2022.



The consumer price index (CPI) for October was released on November 10, ahead of the bond sale. The CPI came in at 7.7%, down from the 9.1% peak in June, providing some optimism that inflation is slowing. Bond markets reacted with sharply lower yields, which was a benefit to the District.

## Bond Sale Results

The Bonds were sold through a competitive sale process. In a competitive sale, the bond issue is advertised nationally via an electronic bidding platform, and firms provide a bid for the bonds at a specified date and time (November 16, 2022).

The Bonds received 13 bids and the winning bid was submitted by BofA Securities, Inc.. The bids received were as follows:

| Bidder  | True Interest Cost | Difference from Lowest Bid |
|---|--------------------|----------------------------|
| <b>BofA Securities</b>                        | 3.734635%          |                            |
| <b>Morgan Stanley &amp; Co, LLC</b>           | 3.757202%          | 0.023%                     |
| <b>Mesirow Financial, Inc.</b>                | 3.784564%          | 0.050%                     |
| <b>HilltopSecurities</b>                      | 3.798783%          | 0.064%                     |
| <b>FHN Financial Capital Markets</b>          | 3.827259%          | 0.093%                     |
| <b>Fifth Third Securities, Inc.</b>           | 3.828385%          | 0.094%                     |
| <b>J.P. Morgan Securities LLC</b>             | 3.834630%          | 0.100%                     |
| <b>Piper Sandler &amp; Co</b>                 | 3.835304%          | 0.101%                     |
| <b>Wells Fargo Bank, National Association</b> | 3.849081%          | 0.114%                     |
| <b>Robert W. Baird &amp; Co., Inc.</b>        | 3.864666%          | 0.130%                     |
| <b>Citigroup Global Markets Inc.</b>          | 3.878776%          | 0.144%                     |
| <b>TD Securities</b>                          | 3.919548%          | 0.185%                     |
| <b>KeyBanc Capital Markets</b>                | 3.963690%          | 0.229%                     |

The number of bids received show a healthy bidding environment and strong interest in the District's bonds.



The tax-exempt yields on the Bonds ranged from 2.87% in 2023 to 4.06% in 2042 resulting in an all-in true interest cost (inclusive of all costs) of 3.75%.

### Summary

In summary, we recommended acceptance of the bids to purchase the Bonds and congratulate the District on successful bond sales. We also would like to thank the District for the opportunity to serve as its municipal advisor.

Sincerely,

Scott J. Bauer

cc: Mr. Perry Oldenburg, Assistant Chief of Finance and Administration