EXHIBIT 3
DATE 3-3-09
HB 630

Brentt Ramharter

From: Brentt Ramharter
Sent: Monday, March 02, 2009 4:09 PM
To: Bob Lake, Chair; Brady Wiseman; Chas Vincent; Dave McAlpin (mcdave94@gmail.com); Dick Barrett; Edward Butcher; Janna Taylor, Vice Chair; Jill Cohenour, Vice Chair; Jon Sonju; JP Pomnichowski; Mark Blasdel; Mike Jopek; Robin Hamilton; Wande Grinde; Wayne Stahl
Cc: Brentt Ramharter; 'dsands@montana.com'; 'Weber, Pat'
Subject: HB 630 - Missoula Supports a "Do Pass" Recommendation
Attachments: Special Assessment Debt - Missoula - 6-30-08.xls

Missoula supports a "Do Pass recommendation" for HB-630

1. The need for this bill arises in part from difficulties that Montana municipalities confront in getting their special improvement district bonds rated by rating agencies.

2. For a number of years, Montana bonds sold quite well without ratings, but now the municipal bond market has fundamentally changed and the ability to obtain a rating has become a key consideration in both the marketability of and interest rate on municipal bonds. A key ingredient of Montana communities being able to find any buyers for their bonds is credit quality. Those communities with low credit quality may not be able to finance their projects. Those communities with better credit quality can probably find buyers but at interest rates and terms more restrictive than in the past. Statutory authority to increase the credit worthiness of these types of bonds will provide more market access at lower borrowing costs leading to lower costs for property owners. Lack of statutory authority will lead to difficulty in maintaining and expanding our public infrastructure, and where financing is obtainable, the costs to property owners will be higher.

3. Last fall, the rating agency Standard & Poor's identified two aspects of the statutory scheme related to both rural improvement district and special improvement district bonds that made it difficult to assign an investment grade rating to such bonds. HB-630 seeks to address both of those limitations by:

    a. Allowing the cities and counties to increase the debt reserves (SID Revolving Fund) from 5% up to a maximum of 10% (by covenanting not to reduce the revolving fund reserve below 10%, should they so choose), thereby enhancing the marketability of the bonds.

    b. Providing that cities and counties may levy outside of their levy cap, if necessary, to replenish the SID Revolving Fund, should SID payment delinquencies by property owners require that the reserve be replenished. This particular levy had been outside the mill levy limitations since they were first enacted in 1987 in response to the property tax limitation initiative voted on in 1986. It was only with the re-codification and updating of the mill levy limitation in 1999 that it became subject to the limitations.

4. The table below demonstrates the importance of the Special Assessment (SID's & Curb/Sidewalk/Gutter) bonds as a tool to finance infrastructure (sewer, curbs, gutters, sidewalks, streets, parks) at the City of Missoula. As of the end of Missoula's last fiscal year (6-30-08), the Special Assessment Bonds accounted for 25% of the city's total debt outstanding and 56% of the total number of infrastructure financings.

5. Due to the need to be able to issue SID bonds on a regular basis (one or two projects each year in Missoula), it is of paramount importance to be able to sell these bonds on the open market at competitive interest rates, as the assessments are paid by the city's homeowners and business owners.
6. Both of these changes in SID financing would substantially improve the ability of cities and counties to continue to obtain low cost financing for our citizens and business owners for certain types of infrastructure projects that specially benefit their properties.
7. Attached is a spreadsheet that lists the various SID bond issues of the City of Missoula so that you can see the type of interest rates paid historically by the city and its residents.

Thank you for your consideration. – Brentt Ramharter, Finance Director, City of Missoula

Outstanding Bonded Debt – City of Missoula as of June 30, 2008

	Outstanding Debt as of 6/30/2008	Outstanding Debt as of As a Percent Of Total Debt	Number of Bond Issues And/Or Loans	Number of Bond Issues And/Or Loans As a Percent of Total Loans
General Obligation Bonds:	17,500,000	28.39%	7	10.94%
Limited Obligation Bond-General Fund:	5,360,000	8.70%	5	7.81%
Revenue Bonds				
Sewer	15,818,231	25.67%	11	17.19%
Parking	1,060,000	1.72%	1	1.56%
Tax Increment	6,040,000	9.80%	3	4.69%
Special Assessment Bonds	**15,631,088**	**25.36%**	**36**	**56.25%**
Loans/Contracted Debt	222,425	0.36%	1	1.56%
	61,631,744	100.00%	64	100.00%

City of Missoula
Special Assessment Bonds
June 30, 2008

Type	Description	Origination Date	Interest Rate	Term of Bond	Final Maturity Date	Amount Issued	Balance June 30, 2008
1	SID 497	1992	6.47%	15 yrs	2007	$ 1,241,700	$ -
1	SID 498	1992	4.00%	20 yrs	2012	$ 2,465,000	$ 371,000
1	SID 501	1992	4.00%	20 yrs	2012	$ 943,000	$ 105,000
1	SID 503	1993	4.00%	20 yrs	2013	$ 324,000	$ 54,000
1	SID 505	1994	4.4 to 6.5%	15 yrs	2009	$ 174,000	$ 10,000
1	SID 511	1994	4.00%	20 yrs	2014	$ 304,000	$ 77,000
1	SID 512	1998	4.0 to 5.25%	20 yrs	2018	$ 1,724,000	$ 835,705
1	SID 513	1996	5.90%	10 yrs	2007	$ 41,000	$ 11,500
1	SID 514	1996	5.90%	15 yrs	2012	$ 213,000	$ 59,748
1	SID 515	1996	5.90%	10 yrs	2007	$ 9,800	$ 2,752
1	SID 517	1997	4.2 to 5.5%	15 yrs	2012	$ 91,000	$ 23,701
1	SID 518	1997	4.2 to 5.5%	15 yrs	2012	$ 39,000	$ 10,135
1	SID 519	1997	4.2 to 5.5%	15 yrs	2012	$ 109,000	$ 28,363
1	SID 520	1998	4.00%	20 yrs	2019	$ 2,634,000	$ 1,409,000
1	SID 521	1998	4.5 to 5.25%	20 yrs	2018	$ 7,900	$ 3,803
1	SID 522	1998	4.5 to 5.25%	20 yrs	2018	$ 11,200	$ 5,492
1	SID 524	2002	4.00%	20 yrs	2023	$ 4,577,000	$ 3,432,000
1	SID 525	2001	4.00%	20 yrs	2020	$ 658,000	$ 418,000
1	SID 526	2000	4.00%	20 yrs	2021	$ 2,671,000	$ 1,825,000
1	SID 527-INTERCAP LOAN	2004	variable	6 yrs	8/15/2010	$ 22,400	$ 9,600
1	SID 530-INTERCAP LOAN	2006	variable	10 yrs	8/15/2015	$ 6,706	$ 5,366
1	SID 532	2005	3.5-5%	20 yrs	7/1/2024	$ 556,000	$ 460,000
1	SID 533	2006	3.75%	20 yrs	7/1/2025	$ 244,000	$ 219,000
1	SID 534	2006	3.75%	20 yrs	7/1/2026	$ 254,000	$ 237,000
1	SID 536	2006	3.75%	20 yrs	7/1/2026	$ 438,000	$ 407,000
1	SID 540	2006	3.75 to 4.65%	20 yrs	7/1/2027	$ 1,570,000	$ 1,520,000
1	F/Y 99 Sidewalk and Curb	1999	3.2 to 4.6%	12 yrs	2011	$ 644,000	$ 80,000
1	F/Y 00 Sidewalk and Curb	2000	4.625 to 5.5%	12 yrs	2012	$ 840,000	$ 140,000
1	F/Y 01 Sidewalk and Curb	2001	3 - 4.5%	12 yrs	2013	$ 340,000	$ 95,000
1	F/Y 02 Sidewalk and Curb	2002	2-4.4%	12 yrs	2014	$ 430,000	$ 130,000
1	F/Y 03 Sidewalk, Curb, Gutter	2003	2-3.8%	12 yrs	7/1/15	$ 805,000	$ 355,000
1	F/Y 04 Sidewalk, Curb - Received in 05	2004	2-4.75%	12 yrs	7/1/16	$ 710,000	$ 365,000
1	F/Y 05 Sidewalk, Curb - Received in 06	2005	3.5-4.65%	12 yrs	7/1/17	$ 765,000	$ 525,000
1	F/Y 06 Sidewalk, Curb - Received in 06	6/28/05	3.75-4.25%	12 yrs	7/1/18	$ 1,145,000	$ 880,000
1	F/Y 07 Sidewalk, Curb - Received in 08	8/15/07	4-4.75%	20 yrs	7/1/27	$ 920,000	$ 840,000
1	F/Y 08 Sidewalk, Curb		2.50 to 5.0%	20 yrs	7/1/28	$ 560,000	$ 560,000
	1998	1998	6.500%	8 yrs-12yrs			$ 120,923
							$ 15,631,088

City of Missoula
Special Assessment Bonds
June 30, 2008

Source: : City of Missoula
In support of HB630

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