At 2:00 p.m. **Chairman Mark McClain** opened the special meeting to consider updates of the proposed projects for the County and the bonding of the projects.

**Patti Johnson**, serving as project manager for a number of projects proposed by the County including the jail repair and expansion. She said that she had had a teleconference with Susan Musselman and Cynthia Weed last week along with Judy Pless and Deanna Panattoni. At that time they decided to get together to update the Board and decide how to move forward. She said there were a number of things to discuss about bonding.

**Chairman McClain** asked about the bonding payments. **Susan Musselman** replied that the interest rate is still low, and wanted to introduce the Board to “Build America Bonds”. She presented two graphs, one showing the interest rates over a five year period (2005 to 2010) and one showing the rates of both tax-exempt and Build America bonds. She said that in the Build America Bonds, the Federal Government pays 35% of the interest back to the entities and they are less expensive over time.

**Chairman McClain** asked if the bonds had a variable interest rate. **Ms. Musselman** said they were not variable.

**Chairman McClain** asked if the buyers of Build America Bonds pay tax on them. **Cynthia Weed** said they do pay tax and that is where the 35% given back to the entities comes from.

**Chairman McClain** asked if they can be sold locally, as he had talked with someone from Edward Jones who had asked about that. **Susan**
Musselman said they could and Edward Jones is uniquely qualified to sell either kind of bond to smaller buyers.

Susan Musselman said she had received a memo from Judy Pless, Budget and Finance Manager regarding the County’s long term debt and she needed to get information about Real Estate Excise Tax (REET) trends and other underlying trends. She asked if the Jail Expansion and Upper County District Court had money that could be redirected to bond payments.

Vice-Chairman Jewell said that the Upper County District Court lease money could be redirected but the jail budget for housing prisoners out of County will be used for housing those same prisoners within the County.

Ms. Musselman said she will do a financial analysis. She said $10.4 million dollars is a lot of money and she needed to look at the repayment projection.

Susan Musselman asked if there were any long-term obligations for the REET funds. Judy Pless replied the only thing paid out of the REET funds is the Berry’s Building payments, which includes a balloon payment due in 2012 of $695,000 and a 10% pre-payment penalty. Ms. Musselman said she would do an analysis to see if it was a better use of funds to pay the penalty in order to get the debt off the books.

Susan Musselman said she expected to use a combination of tax-exempt and Build America bonds. She asked for the timing needs for the projects and said she could get the funds by August 1, 2010.

Patti Johnson said that would be a perfect time, as the jail repair is scheduled to start May 25th and the Board just signed a $425,000 contract and a Resolution which allowed funds to be used out of REET and then repaid. She said she is concerned about the timing as some of the projects will be paid directly from REET funds and she would like there to be money in the fund.

There was a discussion about using the Build America Bonds and any risks that may be involved.

Commissioner Crankovich asked if there was any risk with “Made in America” only requirements? Cynthia Weed said there are no “buy American” or Davis-Bacon requirements in these bonds.

Susan Musselman explained the competitive and negotiated methods of setting the underwriter for the bonds. She said the competitive method starts with a notice of sale and notices sent out on-line. The date is set for the bids and firms from all over the Country...
send in bids electronically with interest rates and price for bonds. They compare the bids with the "true interest rate".

**Chairman McClain** asked if the bids could be rejected. She said the only reason to do that would be if there is something that brings the whole market down and they would want to wait to a later date.

**Patti Johnson** asked if counties could do a negotiated sale. **Susan Musselman** said for a negotiated sale, the county would send out a RFQ and pre-select the firm for the underwriter and then negotiate with them on date of sale and interest rate. They would only negotiate with firms on the ground in the State. She said there were advantages to both ways - with the competitive method, firms come out of the woodwork and with the negotiated method, there is one person you can be in contact with. She said it depended on which was the most comfortable for the County.

**Cynthia Weed** said in the negotiated method, the County can affect the sale by saying which firms get so many shares to sell.

There was a discussion on the different methods.

**Susan Musselman** said the County's Standard and Poor's rating was a fairly high "AA-". She explained the ratings process.

**Ms. Musselman** said she would have the financial analysis next week. **Patti Johnson** asked what the County could do to keep the process moving along. **Susan Musselman** said she would be sending questions she needed answered for the disclosure document.

Meeting adjourned at 3:00 p.m.

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**DEPUTY CLERK OF THE BOARD**

Catherine Dunn

**KITTITAS COUNTY COMMISSIONERS**

KITTITAS COUNTY, WASHINGTON

Mark McClain, Chairman