

April 11, 2024

Ms. Heather Tannehill-Plamandon
Executive Officer
Marin Emergency Radio Authority
Via email: hplamandon@rgs.ca.gov

Subject: Preliminary Bond Sale Report

Dear Heather,

The purpose of this letter is to provide you a brief report on the successful sale of the \$5,800,000 2024 Special Parcel Tax Revenue Bonds yesterday in a difficult bond market.

The Market and Inflation

The Consumer Price Index (CPI) is a major indicator of inflation in the economy and is reported each month by the Federal Bureau of Labor Statistics. The report for March was released yesterday morning and shocked the market. The Federal Reserve has been determined to get the CPI rate of increase below 2% on an annual basis and has raised the short-term Federal Funds Rate to do so. The report stated that prices rose 0.4% in March and had risen 3.5% since March 2023. This indicates that inflation is not cooling and creates a concern among investors holding fixed rate bonds of various kinds that rates may increase and the value of their bonds may decline.

In fact, the Treasury market sold off and interest rates rose. The 10 year Treasury rate increased to 4.55% from 4.36% on April 9. The long term average rate is 4.25%.

Selling the MERA Bonds

MERA received a rating of AA+ from Moody's Rating Service on the 2024 bonds and we expected the bonds would sell very quickly. Martha and I have advised on many sales of bonds by Marin agencies and they have always sold rapidly with more orders than we had bonds to offer.

After careful review of recent comparable bond sales, we came to agreement with MERA's underwriter, Oppenheimer & Company, on the scale of interest rates to apply to the bonds for offer. The order period opened to investors at 7 am. One major buyer, Franklin Templeton, immediately put in an order for \$1.3 million of the \$5.8 million issue but no other orders were submitted. Although we know that major bond funds have millions of dollars to invest in the market nothing happened. We did have a challenge in that many big buyers will not purchase in small amounts such as MERA was offering.

We knew that the Stockton Unified School District was getting orders for a \$43 million issue with interest rates about 0.25% higher than MERA's.



Oppenheimer recommended that they change their approach and seek to sell the bonds in large blocks to a few large institutions. This was fortunately successful. The rest of the bonds were sold to Goldman Sachs and U.S. Trust. The sale required over three hours of marketing effort.

The interest rates on the MERA bonds are significantly lower than those of the Stockton Unified School District.

MERA is fortunate to have hired an underwriter with a deeply experienced head of underwriting and a strong institutional sales team.

We have attached the final numbers run for the bonds.

We will report the sale in greater detail after the closing on April 25.

Respectfully Submitted,
Jim and Martha

James H. Gibbs
Principal
Sperry Capital Inc.