

KACo Leadership Institute: Crisis in the financial markets and county planning

Speakers

- Grant Satterly, Director of Financing Services, KACo
- Roger Peterman, Partner, Dinsmore and Shohl
- Keith Brock, Senior Vice President, Compass Municipal Advisors

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Grant Satterly

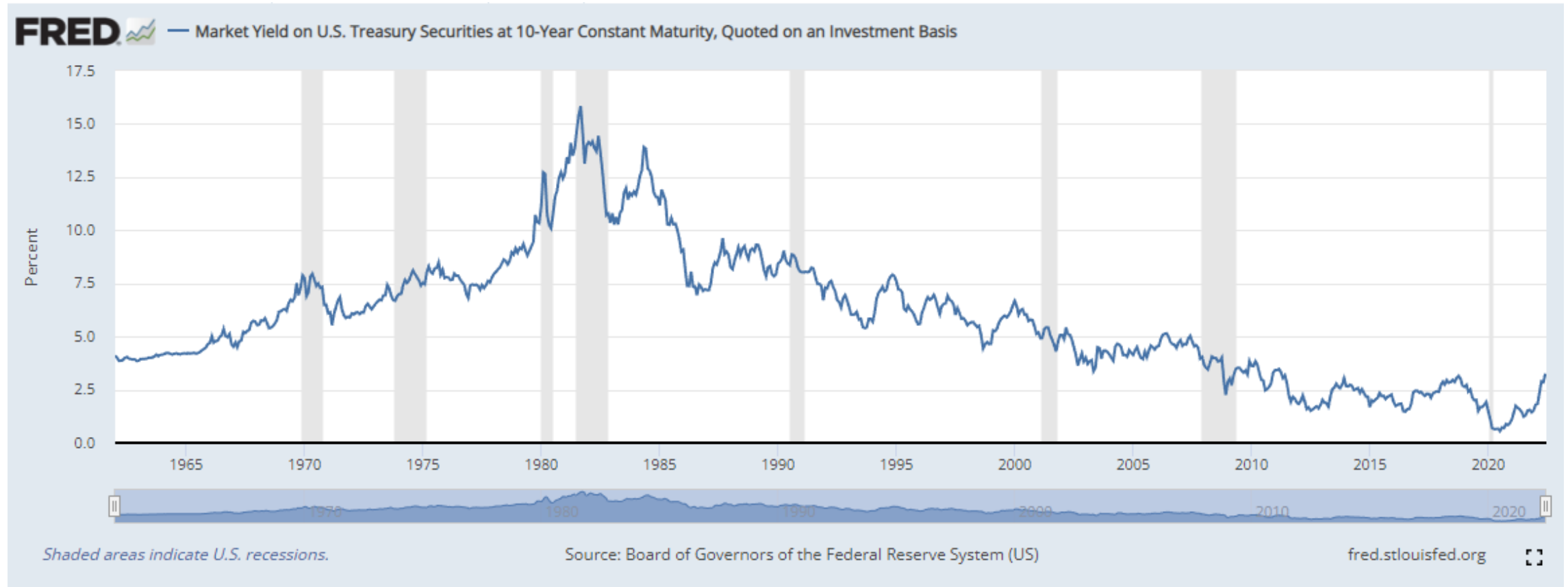
Director of Financing Services, KACo

Market Downturn

The market has taken a drastic downturn in the first half of 2022.

Exactly what has happened to the two primary markets of interest?

Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, 1962-2022



Dow Jones Industrial Average, inflation adjusted, 1992 - 2022



Inflation

The biggest topic on everyone's mind is INFLATION. What is it? What caused it?

U.S. Inflation Rate, 25 Years



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Market Movement

Market	Actual Movement	Percentage Movement
Dow Jones	1/4/22: 36,800 7/1/22: 30,750 Down: 6,050	-16.45%
S&P 500	1/4/22: 4,796 7/1/22: 3,781 Down: 1,015	-21.16%
NASDAQ	1/4/22: 16,280 7/1/22: 11,503 Down: 4,677	-28.72%
Ten Year Treasury Note	1/4/22: 1.71% 7/1/22: 3.48% Drop: 2.88%	-103%

Inflation

Where is inflation taking us?

- **Recession**
- **Depression**
- **Stagflation**

What's Next?

Where are we most likely to go in the next year?

What are the most likely things to change our economic environment?

- Federal reserve tightening and moderating interest rates
- Reduction in the rate of inflation?
- Status of supply chain
- Effects of the midterm elections
- Geo-political conflict

County Impact

In the last six months, what has happened directly to affect counties?

- Cost of borrowing
- Investment opportunities

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Roger Peterman

Partner, Dinsmore and Shohl

The Law and Borrowing

- The law related to borrowing
- Specific authorization is required
- What does bond counsel do?

Bond issues

- General Obligation Bonds
- Revenue Bonds
- Renewable Revenue Bonds (appropriation risk)

General Obligation Bonds

- Pledge of Full Faith and Credit
- Absolute Debt Limit
- Tax Levy – Unlimited Tax
- State Local Debt Officer Approval
- Competitive Sales

Revenue Bonds

- Pledge of Specific Payment Source
- Not a General Obligation
- Revenue Covenant
- Additional Bonds Test
- State Local Debt Officer Approval
- Competitive Sales

Renewable Revenue Bonds

- Not a General Obligation
- Public Properties Corporations
- Annually Renewable - Event of Nonappropriation
- Mortgage on Property
- State Local Debt Officer Approval
- Competitive Sales

Governmental Leasing Act

- General
 - General Obligation
 - Revenue
 - Renewable
- Negotiated Terms
- Designation of Principal and Interest Components
- Grant Anticipation Leases

Short Term Borrowing Act

- Pledge of Current Year Taxes and/or Revenues
- June 30 Maturity
- Negotiated Terms

Industrial Revenue Bonds

- Economic Development
- Non-Recourse
- Nonprofit Corporations
- Property Tax Exemption Purpose
- Payment in Lieu of Taxes
- Negotiated Terms

Federal tax exemption

- Private Use/Private Payment (Private Activity Bonds)
- Reimbursement Resolution
- “Bank Qualified” Obligations

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Keith Brock

Senior Vice President, Compass Municipal Advisors