

Bonds sold to finance building of DA's office

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Certificate of participation bonds — sold Thursday to finance the purchase and renovation of the old Daily Democrat building into office space for the county district attorney — received a triple-B-plus rating from Standard & Poors.

The credit rating, according to S&P's Creditwire, reflects the strong general credit-worthiness of Yolo County.

According to Creditwire, the bonds were expected to receive a triple-A rating based on bond insurance the county purchased.

"I feel good about it," said Lori Raineri, of Governmental Financial Strategies, Inc. "The only real triple-A rated securities are U.S. Treasury bonds."

Thursday's bond sale was conducted at Raineri's Sacramento office. The bidding opened at 10 a.m. and the first investment firm's bid arrived by fax at 10:15 a.m. The bidding was closed at 10:30 a.m.

Present at the sale were Yolo County Auditor-Controller and Treasurer-Tax Collector Sally Franchi, Yolo County assistant county counsel Steve Basha and John Siden of the county General Services Agency.

All together, six bids were made on Yolo County's certificates of participation bonds. The county borrowed more than \$4 million at 4.81 percent through the bond sale. The bonds come due in 30 years.

Raineri, whose office had three fax machines available to receive the bids, said it is important, in a competitive bidding process, that all of the firms be able to present their bids.

And, Raineri said, more than four bids on a bond issue such as this, is pretty good.

"If it's a tight spread, between bids, it means we did a good job in the disclosure," Raineri said. "If it's wide, it means the market didn't understand the project."

Under Raineri's definition, the project was understood. All of the firms were asked to carry their bids out to six decimal places and five of six were close to one-hundredth of a percent.

The winning bid of 4.816359 percent was made by Salomon Smith Barney. The second closest bid, made by Piper Jaffray Inc. and Sutro, was 4.816906 percent.

"I was hoping for something right under five," said Franchi.

"When the bidding is that tight it means there is symmetry of information," said Paul Raineri, Lori's brother and partner. "We did our job."

When asked by Basha about the current state of the world economy and its effect on the sale, Raineri said not to worry.

"Economic turmoil is good because it drives interest rates down," Raineri said. "You couldn't be doing this project at a better time. If ever there was a time to make an investment in capital improvements, this is it."

Raineri added that the current bond buyer index of 4.88 percent was the second lowest she'd seen since entering the field of public finance.

Other factors reflected in the S&P underlying rating included: a lease structure that includes the county's covenant to budget and appropriate lease payments and the strong essentiality of the leased asset, the county's judicial office building.