



Limited Tax General Obligation Refunding Bonds, Series 2005
Lewis County, Washington
 August 3, 2015

As financial advisor to Lewis County (the “County”), PFM is currently working with the County on a potential refunding of its Limited Tax General Obligation Refunding Bonds, Series 2005 (the “2005 Bonds”). The 2005 Bonds’ first optional call date was June 1, 2015, and they may now be refunded at any time. The current transaction schedule anticipates closing the refunding bond issue on August 13th (pending adoption of the bond resolution by the Board of County Commissioners), and redemption of the 2005 Bonds on September 14th.

The 2005 Bonds

Par Amount	\$4,095,000
Maturities	December 1, 2015-2024
Interest Rates	3.80 – 4.50%
First Call Date	June 1, 2015

The proposed refunding includes the 2005 Bonds maturing December 1, 2015. In the absence of a refunding transaction, the County would otherwise pay \$345,000 of principal and \$86,026 of interest on December 1, 2015 (a total payment of \$431,026). Rather than borrow the funds to pay these amounts as part of the refunding transaction, PFM typically recommends that our clients apply existing cash in the Debt Service Fund towards the refunding escrow. There are two main reasons for this approach:

- 1.) These amounts have already been budgeted to be applied towards current-year debt service.
- 2.) It is inefficient to borrow additional amounts that would be repaid within just a few months.

Consistent with this approach, PFM recommends that the County apply approximately \$400,000 of cash on hand towards the refunding escrow. The table below illustrates this approach:

Date	2015 Bonds – Proposed			2005 Bonds - Existing		
	Cash Contribution	New Interest	Total	Principal	Interest	Total
8/13/15	\$400,000	-	\$400,000	-	-	-
12/1/15	-	\$24,186	<u>24,186</u>	\$345,000	\$86,026	<u>\$431,026</u>
		<i>Total:</i>	\$424,186		<i>Total:</i>	\$431,026

We recognize that, in certain cases, the timing of the refunding transaction may not allow for this approach (for instance, if the December payment relies on November property tax collections). However, provided that the County has sufficient liquidity, we recommend contributing approximately \$400,000 of existing cash towards the refunding escrow contemporaneously with the refunding bonds’ closing (on or around August 13th).

We hope you find this memo useful and would be happy to answer any questions you may have. Thank you.