

# Bond Case Briefs

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## Boulder Council Approves Use of Negotiated Bond Sales for Open Space.

The Boulder City Council voted 6-3 late Tuesday to authorize the city manager to use negotiated bond sales rather than competitive bond sales when the city next sells open space bonds.

This will be the first time the city has used the negotiated bond sale process since Boulder voters approved a charter amendment in November that allows for such sales. That charter amendment passed with 75 percent of the vote. Previously, the city charter required competitive bond sales.

The charter amendment was sold to voters based on the idea that a new municipal utility without a track record— financial or otherwise — might see higher interest rates and relatively little interest in its revenue bonds if the utility had to sell them on the open market. A negotiated bond sale process would allow the city to “tell the story” behind the bonds and line up environmentally conscious investors in advance of the sale.

A negotiated bond sale process also makes it easier for local investors to buy municipal bonds.

Boulder Finance Director Bob Eichen said he gets calls from interested local investors every time the city sells open space bonds, but with a competitive process, bonds are usually bought first by large institutional investors.

Council members Lisa Morzel, George Karakehian and Andrew Shoemaker voted no. They said negotiated bonds might make sense for a new bond like the municipal utility, but the city’s open space bonds have a good rating and traditionally get good rates on the market.

“I totally get it with respect to municipalization where you’re telling a story,” Shoemaker said. “But the people in a position to buy bonds are wealthier people, and I don’t see giving an opportunity to more well-off people at the possible expense of not getting the best interest rate.”

Eichen said more than 80 percent of municipal bonds nationwide are sold through a negotiated process, and the question of which process gets the best interest rates is hotly debated.

Public finance experts interviewed by the Camera before the charter amendment vote said negotiated bond sales are generally overused, but would probably be appropriate for the municipal utility.

Councilman Tim Plass said using them with the open space bonds gives the city a chance to “test the waters” and understand the process better before selling bonds for a municipal utility.

**By Erica Meltzer** Camera Staff Writer

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