General Obligation Bond Work-Out Plan

December 14, 2011

1

The Challenge

- Current levy for 2011-12 is $2.1 million (set by previous Council).
- Without Council action, the debt service payment and required tax levy will be $3.5 million in 2012-13, an increase of $1.4 million (70%).
- This would result in an increase in the annual tax levy on property owners of $106 per $100,000 of assessed valuation.

2

Results of "Bond Work-Out" Plan

- KNN report confirms feasibility of significantly reducing tax levy otherwise required next fiscal year (2012-13) to fully meet the City's general obligation bond requirements.
- With this plan, annual tax levy will be very close to existing one, with possible decrease.

5

Limits to Paying Off Bonds Early

- Just like some mortgages have limits on early pay-offs, the G.O. Bonds also have limits: ten year "early call" provision:
  - 2014 for 2004 bonds
  - 2017 for 2007 bonds

6

Current and Revised Levies

	Annual Levy	Levy Per $100,000 Assessed Value	Change from 2011-12
Current: 2011-12	$2.1 M	$153	--
Required: 2012-13	**$3.5 M**	**$259**	**$106**
Work-Out Plan			
Tender	$2.0 M	$151	($2)
Defeasance	$2.2 M	$167	$14

Combination of tender/defeasance most likely outcome: new levy very close to existing one

9

Next Steps

- Assemble remaining team members for complex undertaking
  - Tender offer: Bond Communications Group (BCG)
  - Bond counsel (selection via RFP)
  - Arbitrage consultant
  - Escrow agent
- Reduced debt service requirements can be in place by March 2012

10

Questions?

13