

City Securities Corporation

The Public Finance Department
of City Securities Corporation

Presented to:
EAST ALLEN COUNTY SCHOOLS
September 4, 2012

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TRUST, RESPECT, INTEGRITY, ATTITUDE, COMMITMENT



Agenda

Lease for Woodlan Improvements
Lease for Heritage Improvements
Potential Refinancing of 2003 Bonds

Introduction: August 7, 2012
Lease Hearings: September 4, 2012
**Consider Refinancing Resolution:
September 4, 2012**

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Woodlan Lease

Bond issue ~ \$10,800,000

Repaid over 20 years maximum

Payments from \$400,000 to \$1,300,000 / year

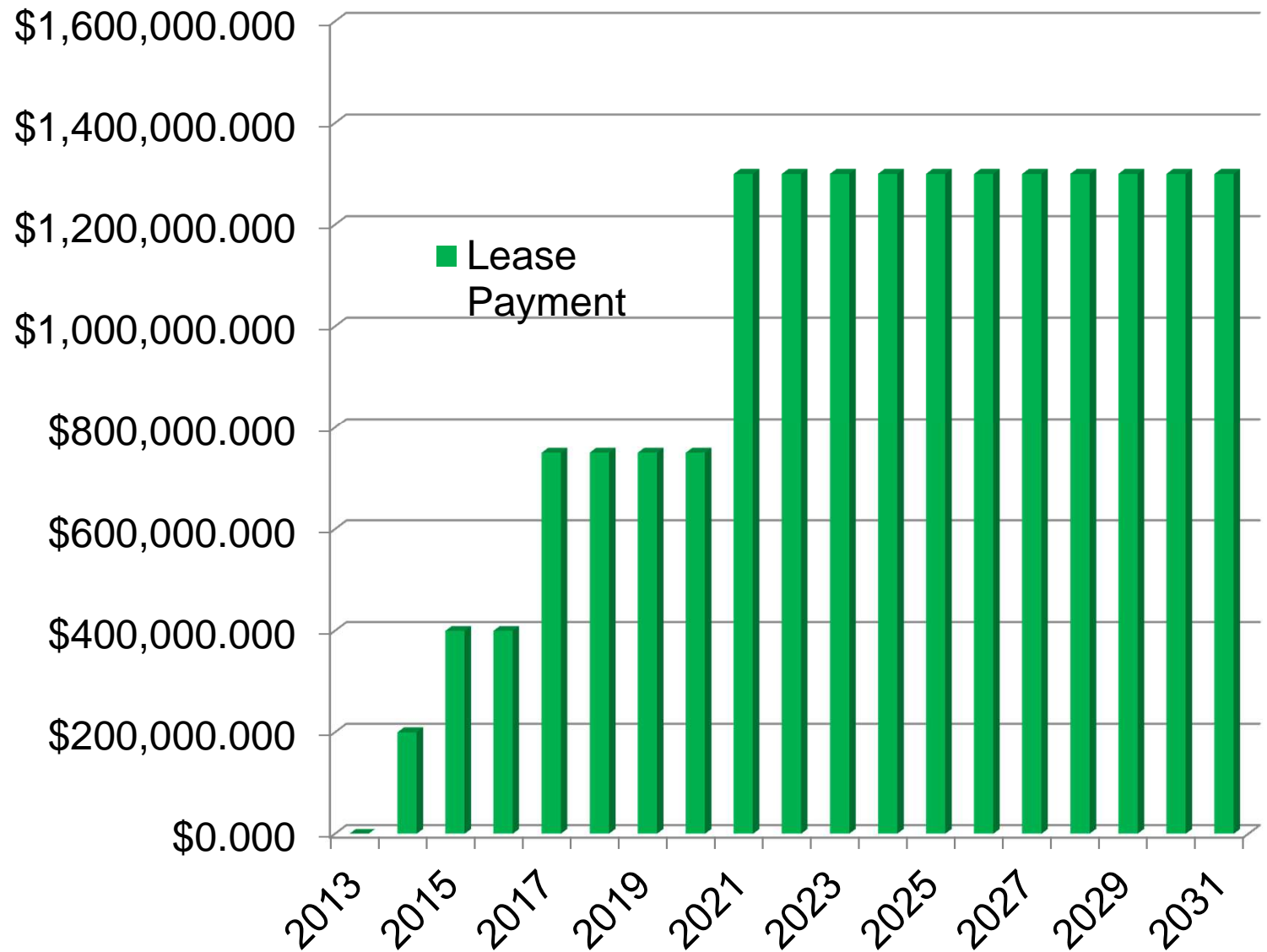
Even though they were presented at **\$531K to \$1,415K/ yr**

Increase in payments will not occur until after most presently existing bonds retired

Tax Impact is the Value of the \$400,000, not \$500 - \$531,000

LEASE PAYMENT SCHEDULE

Annual Repayment Schedule



Impact of \$400,000

**\$400,000 = \$0.0182 per \$100 Assessed
For Homeowners**

\$100,000 Home - increase \$6.50 / year

\$150,000 Home - increase \$12.50 / year

\$200,000 Home – increase \$18.50 / year

For Farms (assuming \$1,620 acre AV)

80 acre = \$ 130,000 AV..Increase of \$23.75 / yr

800 acre= \$1,296,000 AV.. Increase of \$237 / yr

Business has Same Calculation as Ag

Every \$100,000 of A V = about \$18.25 / year

Heritage Lease

Bond issue ~ \$11,925,000

Repaid over 20 years maximum

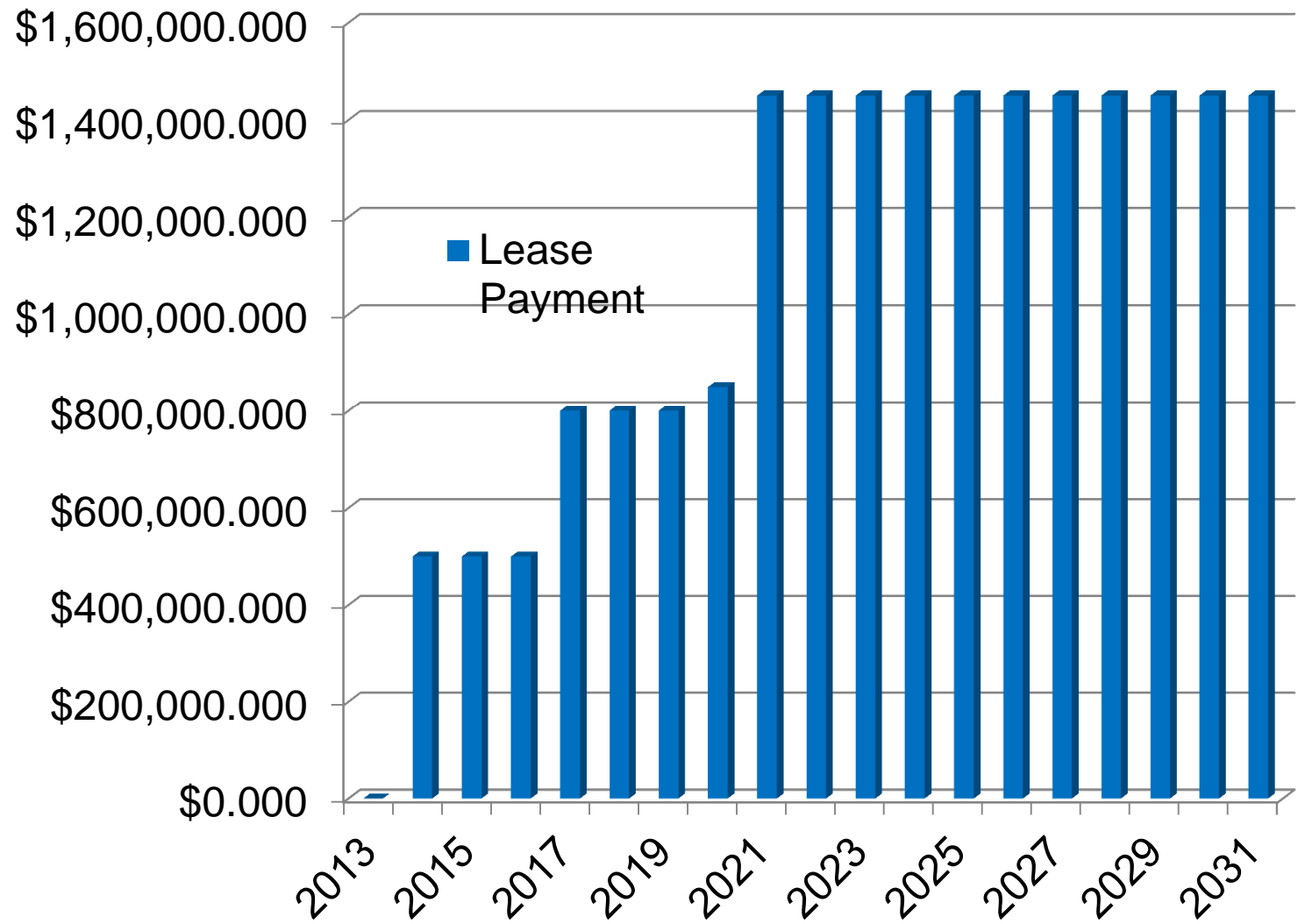
**Payments from \$500,000 to \$1,450,000 /
year, Even though they were advertised
at \$586K - \$1,491K/ yr**

**Increase in payments will not occur
until after most presently existing
bonds retired**

**Tax Impact is the Value of the \$500,000,
not \$586,000**

LEASE PAYMENT SCHEDULE

Annual Repayment Schedule



Impact of \$500,000

\$500,000 = \$0.0247 per \$100 Assessed

For Homeowners

\$100,000 Home - increase \$8.85 / year

\$150,000 Home - increase \$17 / year

\$200,000 Home – increase \$25 / year

For Farms (assuming \$1,620 acre AV)

80 acre = \$ 130,000 AV ... increase of \$32/ yr

800 acre= \$1,296,000 AV.. Increase of \$321/ yr

Business has Same Calculation as Ag

Every \$100,000 of A V = about \$24.75/ year

Lease Terms

- 20 Year Terms from Completion
- Capital Leases: East Allen Maintains Control Operations, Insurance, Repairs
- Property Deeded back after Debt is Retired
- Bonds may be Refinanced
- Leases may be Renewed, Extended or Retired Early – Payments Reduced After Bonds Sales

Consider
Refinancing
the 2003
Bonds

Potential Refinancing of the 2003 Bonds

Series 2003 requires payments of about
\$870,000 per year through 2020

\$5,990,000 Principal Outstanding at 4¼% -
5.0%

Issue \$6.3 million at 2.3% for the same term

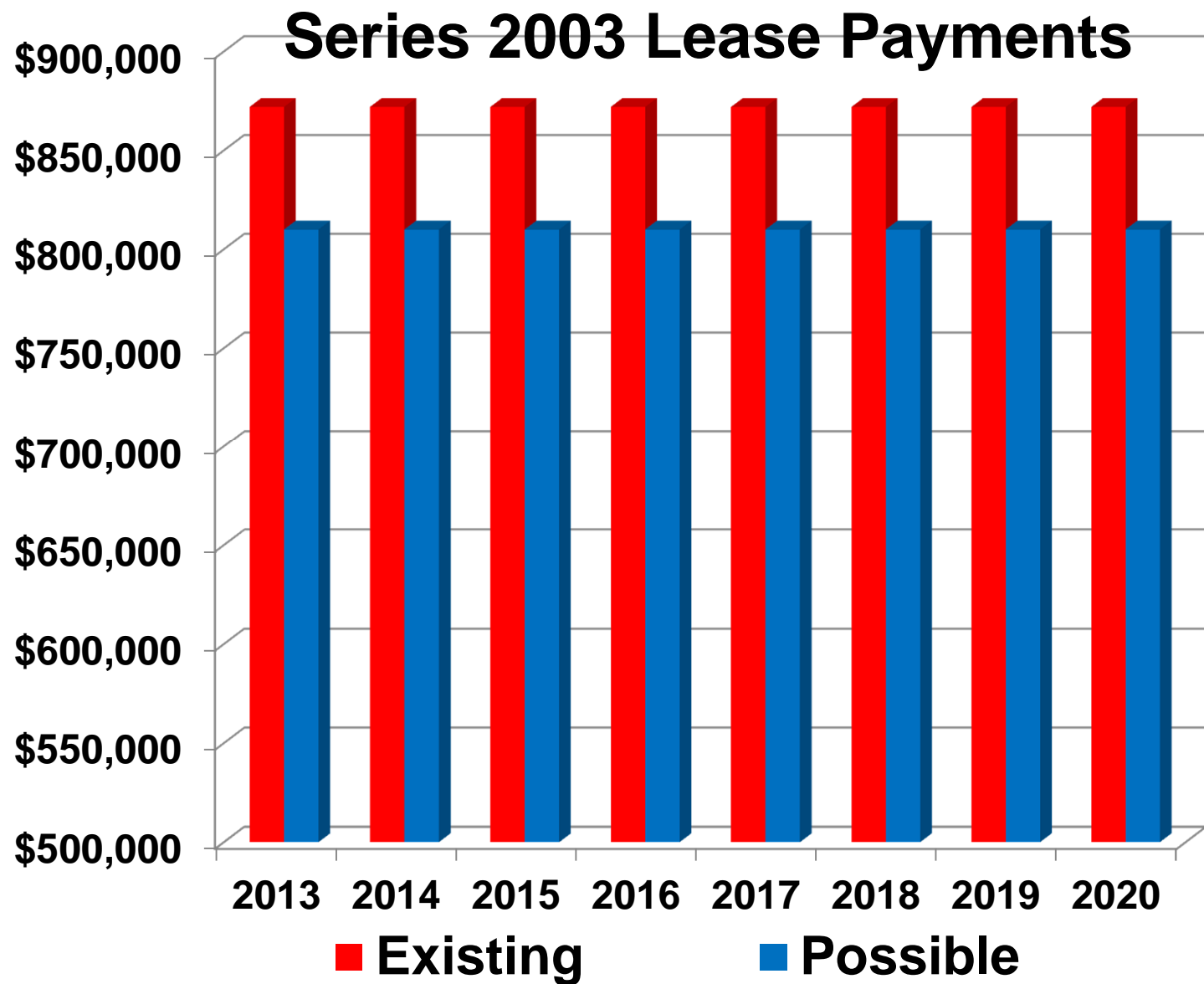
Savings at Current Rates of \$62,000/ year
for 7½ years, or \$472,000

Results in Present Value Savings of \$430,000

Payment Would be reduced to about \$807,000



Reduce
Lease
Payments



Potential Refinancing of the 2003 Bonds

Some Savings in Issuance Costs by
Marketing New Money Issues at
the same time as Refinancing

Resolution Authorizes Issuance of
Refunding Bonds As long as
Savings Exceeds \$300,000,
Retains City Securities to Market
the bonds and Engages Ice Miller
to Issue Legal Opinion

Board
Resolutions
- Woodlan
- Heritage

Tonight's Actions

Hold Public Hearings on Woodlan Lease and Heritage Lease Amendment

Consider Resolutions:

- Accepting Petitions Requesting Leases for Each Project
- Approving Execution of Woodlan Lease
- Approving Execution of Heritage Lease
- Reapproving the use of the Building Corporation to sell its Bonds
- Approving the Refunding and Amending 2003 Heritage Lease to Save \$300,000

CITY SECURITIES CORPORATION DISCLOSURE

The Municipal Securities Rulemaking Board (the “MSRB”) has adopted MSRB Rule G-23 (“G-23”). G-23 prohibits a broker, dealer or municipal securities dealer (each, a “Dealer”) from acting as a Financial Advisor or Municipal Advisor, as defined in Section 15B of the Securities Exchange Act of 1934, as amended, to an issuer of municipal securities on a particular issue of municipal securities and subsequently switching roles to act as an underwriter or placement agent with respect to the same particular issue of municipal securities. MSRB Notice 2011-29 (the “G-23 Notice”) defines “underwritings” to be both (i) the acquisition, either alone or as a participant in a syndicate or other similar account formed for purpose of acquiring an issue of municipal securities, of all or any portion of an issue of municipal securities, directly or indirectly, from the issuer, as principal and (ii) acting as an agent for the issuer in arranging the placement of such issue. Additionally, the MSRB states in the G-23 Notice, “the primary role of an underwriter is to purchase securities in an arm’s-length commercial transaction between the issuer and the underwriter” and, “the underwriter has financial and other interests that differ from those of the issuer.” Furthermore, G-23 states that an underwriter may provide advice concerning the structure, timing, terms, and other similar matters related to the issuance of municipal securities to the extent the underwriter discloses that such advice is provided with respect to the underwriting and not in relation to a financial advisory relationship, as specifically defined in G-23.

The MSRB has also adopted MSRB Rule G-17 (“G-17”). In accordance with MSRB Notice 2012-25 (the “G-17 Notice”), a Dealer, which is involved as the underwriter in the sale of municipal securities on a negotiated basis (the “Underwriter”), is required to provide to the Municipal Entities, as defined in Section 15B of the Securities Exchange Act of 1934, as amended, that are involved in the issuance of such municipal securities the following written disclosures: (a) G-17 requires the Underwriter to deal fairly at all times with both municipal issuers and investors; (b) the Underwriter’s primary role in any anticipated purchase and sale of such municipal securities is to purchase the municipal securities with a view to distribution in an arms-length commercial transaction with such Municipal Entities, and the Underwriter has financial and other interests that differ from those of such Municipal Entities; (c) unlike a Municipal Advisor, the Underwriter does not have a fiduciary duty to such Municipal Entities under the federal securities laws, and is, therefore, not required by federal law to act in the best interests of such Municipal Entities without regard to its own financial or other interests; (d) the Underwriter has a duty to purchase such municipal securities from such Municipal Entities at a fair and reasonable price, but must balance that duty with the Underwriter’s duty to sell such municipal securities to investors at prices that are fair and reasonable; and (e) the Underwriter will review the official statement for such municipal securities in accordance with, and as a part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the Transaction. Furthermore, under G-17 the Underwriter may not recommend that such Municipal Entities not retain a Municipal Advisor.

Accordingly, and in compliance with G-17, G-23, the G-17 Notice and the G-23 Notice, City Securities Corporation (“CSC”) hereby expressly states that: (a) CSC is acting as an underwriter or placement agent under G-17 and G-23 and not as a Financial Advisor or Municipal Advisor in connection with all services proposed and/or provided with respect to any of the matters set forth in the City Securities Corporation Possible Financing Options attached to these disclaimers (the “Financial Presentation Materials”); (b) any services provided by CSC as they relate to its role as underwriter or placement agent should not be construed by anyone to be those provided by a Financial Advisor or Municipal Advisor and such notice, as required under G-23 and the G-23 Notice and described above, is hereby provided; (c) the written disclosures, as required under G-17 and the G-17 Notice and described above with respect to CSC acting as the Underwriter, are hereby provided to each recipient of the Financial Presentation Materials; and (d) it is CSC’s understanding that each Municipal Entity that is involved in the issuance of one or more of the municipal securities identified in the Financial Presentation Materials has consulted, or will consult, with such Municipal Entity’s own legal and financial advisors to the extent such Municipal Entity deemed, or will deem, appropriate in connection with the issuance and sale of any such municipal securities.