

The City of Lake City, Florida

Utility System Refunding Revenue Bonds - Series 2010A&B

Presented during City Financial Consultant, Jim Gollahon's presentation to the City Council on August 8, 2010

- The Series 2010 A&B utility bonds have been structured and are ready for the Mayor's and Council's consideration and approval to market.
- The extensive efforts of the City's staff and finance team were successful in securing the City's first underlying credit ratings.
- Moody's Investor Services and Standard & Poor's have rated the utility bonds A1 and AA-, respectively, exceeding our initial expectations of receiving ratings in the mid A range.
- These high ratings make the City's bonds very attractive, leading to lower interest rates and a lower bond insurance premium
- We were able to negotiate a bond insurance premium approximately \$100,000 lower than first quoted and secured the Aa3/ AAA ratings of Assured Guaranty.
- A debt service surety policy will also be purchased from Assured Guaranty negating the need to borrow an additional \$2 million for the debt service reserve.
- The Series 2010A bonds refund and restructure the Series 1998A and Series 2000 bonds with a combined present value savings of approximately \$625,000 or 6.5% of the par amount of the refunded bonds.
- The true interest cost on the Series 2010A bonds, including all issuance expenses, is in the 4.15-4.25% range given current market conditions.
- The Series 2010B bonds will generate \$18 million for the new wastewater plant and wastewater projects and will be structured as taxable "Build America Bonds" (BABs).
- BABs interest payments are reduced by 35% with semi-annual subsidies from the U.S. Treasury.
- We estimate that BABs will save approximately \$1.5 million or about \$50,000 per year versus issuing conventional tax-exempt bonds, given current market conditions.

- BAB interest rates, net of the subsidy, are about .25% less than tax-exempt rates.
- The true interest cost on the BABs, including all issuance expenses and subsidies, is in the 4.50-4.60% range given current market conditions.
- The City's bonds will be underwritten by Raymond James & Associates as senior manager and RBC Capital Markets Southwest Securities and Stephens & Co. as co-managers.
- The bonds will be priced on August 11th at Raymond James' desk in St. Petersburg.
- A pre-closing and closing is scheduled for August 25-26 in Lake City.