



## Erie County Fiscal Stability Authority

# Erie County Bond Refinancing Proposal

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Presentation to the Erie County Legislature  
Finance & Management Committee

Thursday May 24, 2007

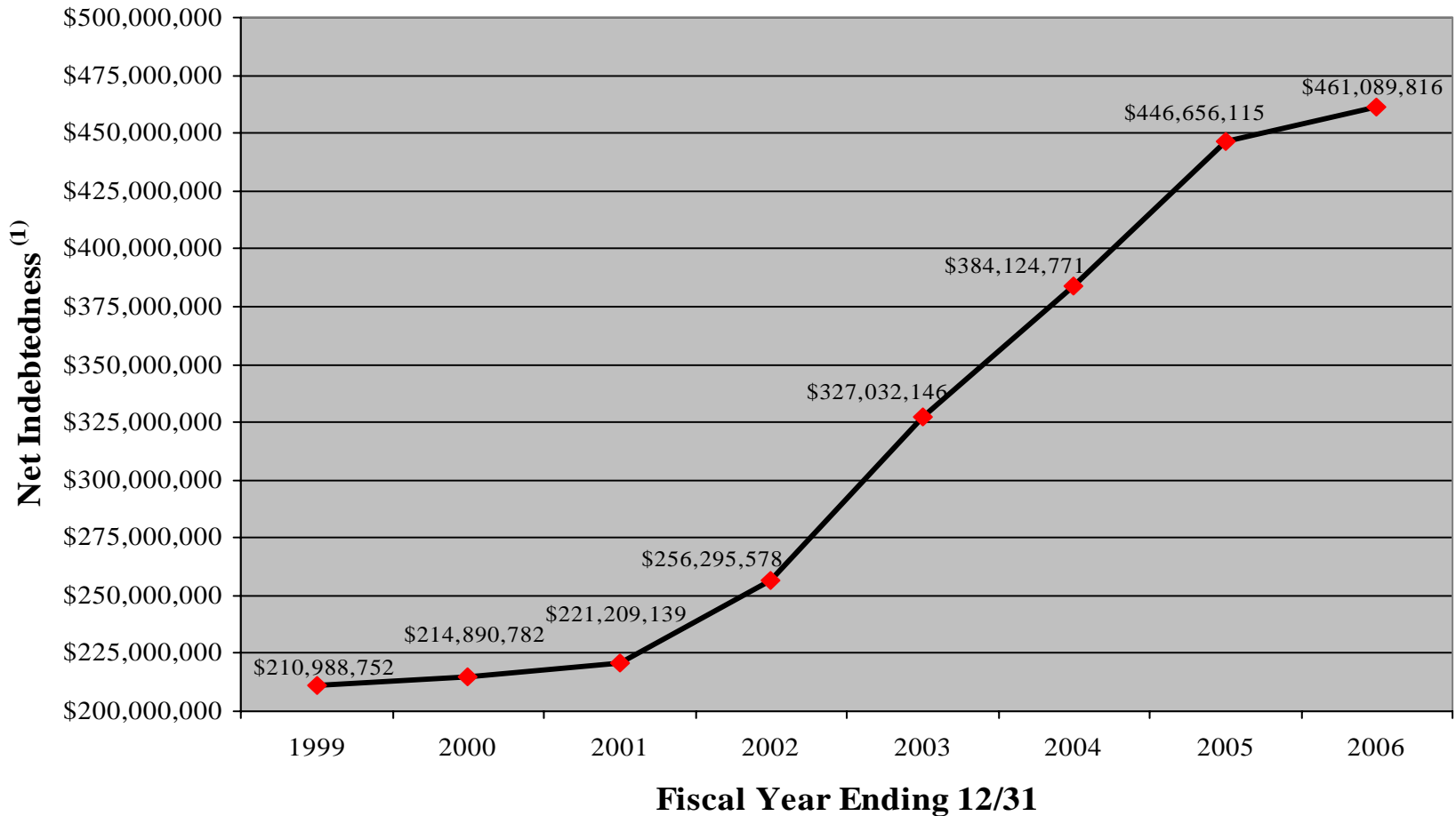
# PARTICIPANTS

- ✓ Erie County Fiscal Stability Authority
  - Kenneth Vetter, Executive Director
  - Kenneth Kruly, Board Member
  
- ✓ Capital Markets Advisors, LLC
  - Michael Neumeister, Senior Vice President & Principal
  - Richard Ganci, Assistant Vice President
  
- ✓ Roosevelt & Cross, Inc
  - Herman Charbonneau, Senior Vice President & Manager
  
- ✓ Phillips Lytle LLP
  - David McNamara, Partner

# AGENDA

- ◆ Erie County Debt History and Comparisons
- ◆ Bond Rating Comparison
- ◆ Overview of Refunding Opportunity
- ◆ Projected Savings
- ◆ New York State Approval Process
- ◆ Legal Overview
- ◆ Conclusion

# RAPIDLY GROWING DEBT BURDEN



- (1) Excludes sewer district debt and RANs. Fiscal years 2005 and 2006 also exclude outstanding bonded debt in the amount of \$101,375,000 of ECMCC for which the County has indirect responsibility as guarantor.

# Comparison to Largest Counties in NYS

County	Net Indebtedness	Full Valuation	Net Indebtedness as Percentage of Full Value
Erie	\$461,089,816 <sup>(1)</sup>	\$38,102,215,587	1.21%
Monroe	\$402,256,061	\$33,528,442,885	1.20%
Albany	\$225,487,483	\$20,159,222,152	1.12%
Nassau	\$2,692,362,990 <sup>(2)</sup>	\$248,610,000,000	1.08%
Onondaga	\$143,345,326	\$21,412,101,056	0.67%
Orange	\$179,906,355	\$28,223,656,673	0.64%
Rockland	\$180,582,439	\$39,549,592,471	0.46%
Westchester	\$661,103,946	\$162,857,724,477	0.41%
Suffolk	\$785,815,907	\$270,108,342,139	0.29%
Niagara	\$16,094,338	\$8,351,852,229	0.19%

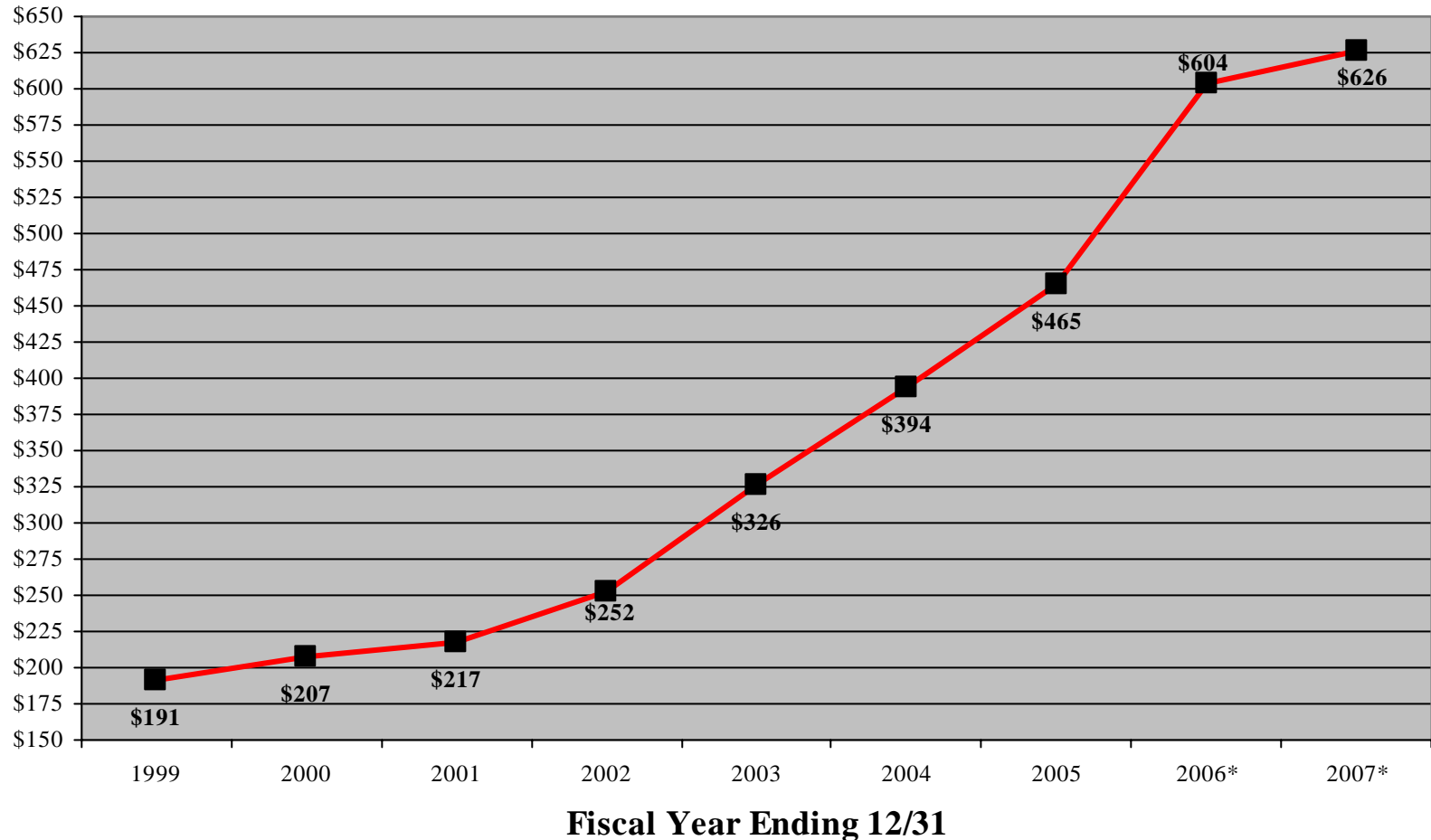
as of 12/31/2006

<sup>(1)</sup> Excludes sewer district debt, RANs and outstanding bonded debt in the amount of \$101,375,000 of ECMCC for which the County is guarantor

<sup>(2)</sup> Includes NIFA debt

Source: Official Statements and other County sources

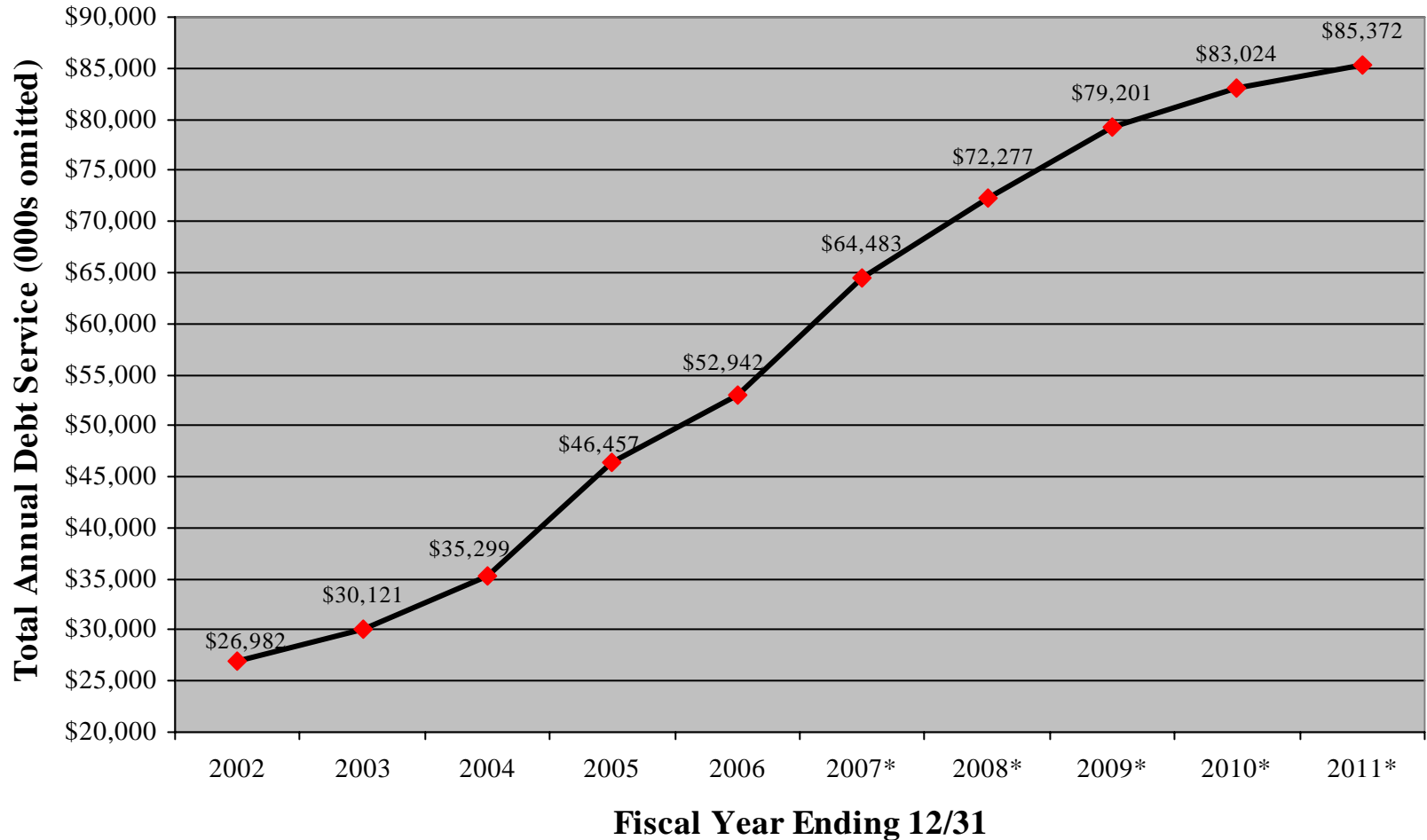
# NET BONDED DEBT PER CAPITA



\*Estimated

Source: 2007 Budget Book B pg. 282 (Erie County Comprehensive Annual Financial Report and Official Statements)

# Actual and Projected Annual Debt Service Cost



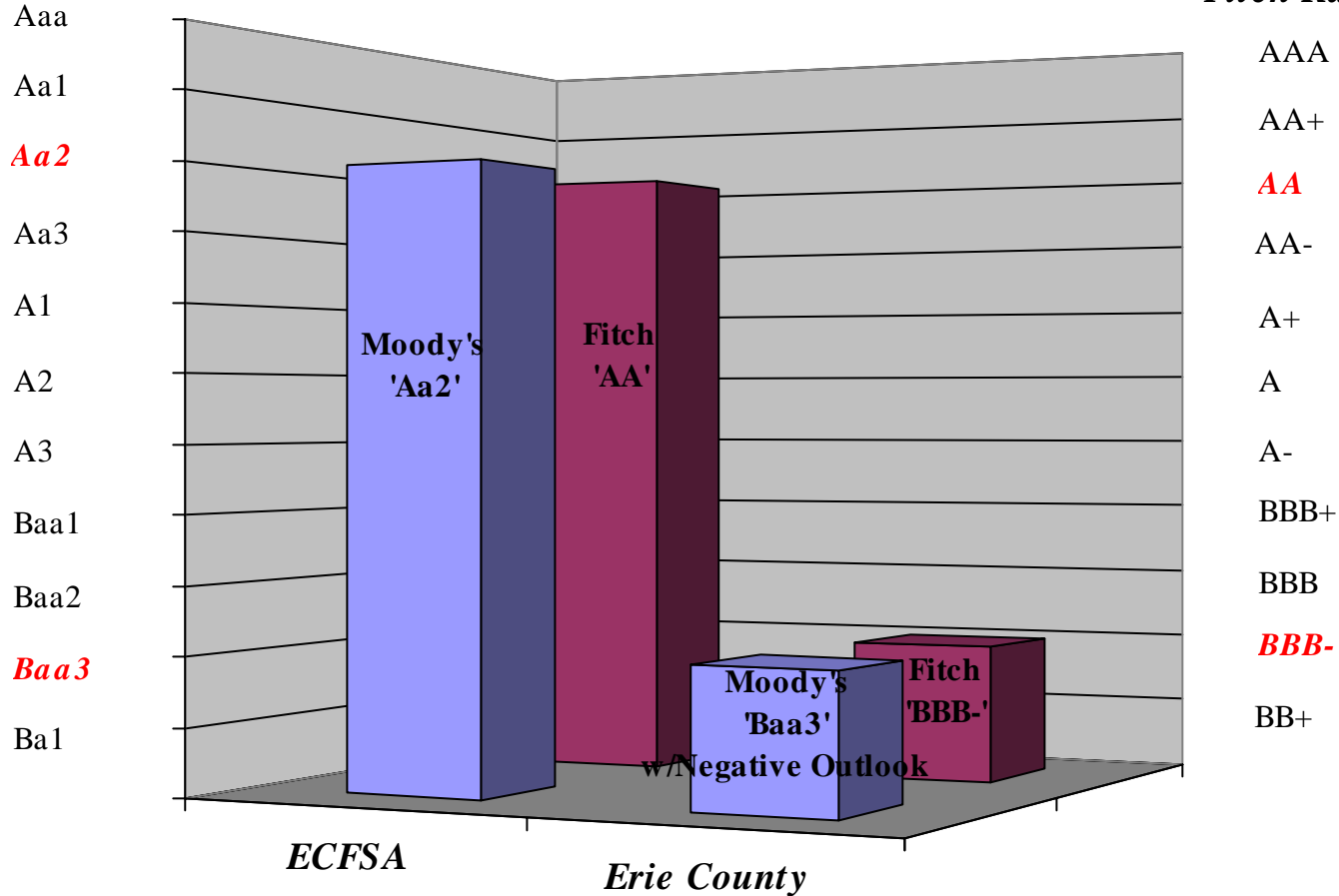
\* Projected

Source: Adopted Budgets and projections from Erie County Comptroller's Office

# BOND RATING COMPARISON

*Moody's Investors Service*

*Fitch Ratings*





# IMPACT OF BOND RATING

Higher Bond Rating



Greater Investor Confidence

Lower Interest Rates

Lower Bond Insurance Cost

Larger Pool of Potential Investors



Lower Cost to Issue New Debt

*and*

Ability to Refinance Old Debt at Lower Rates

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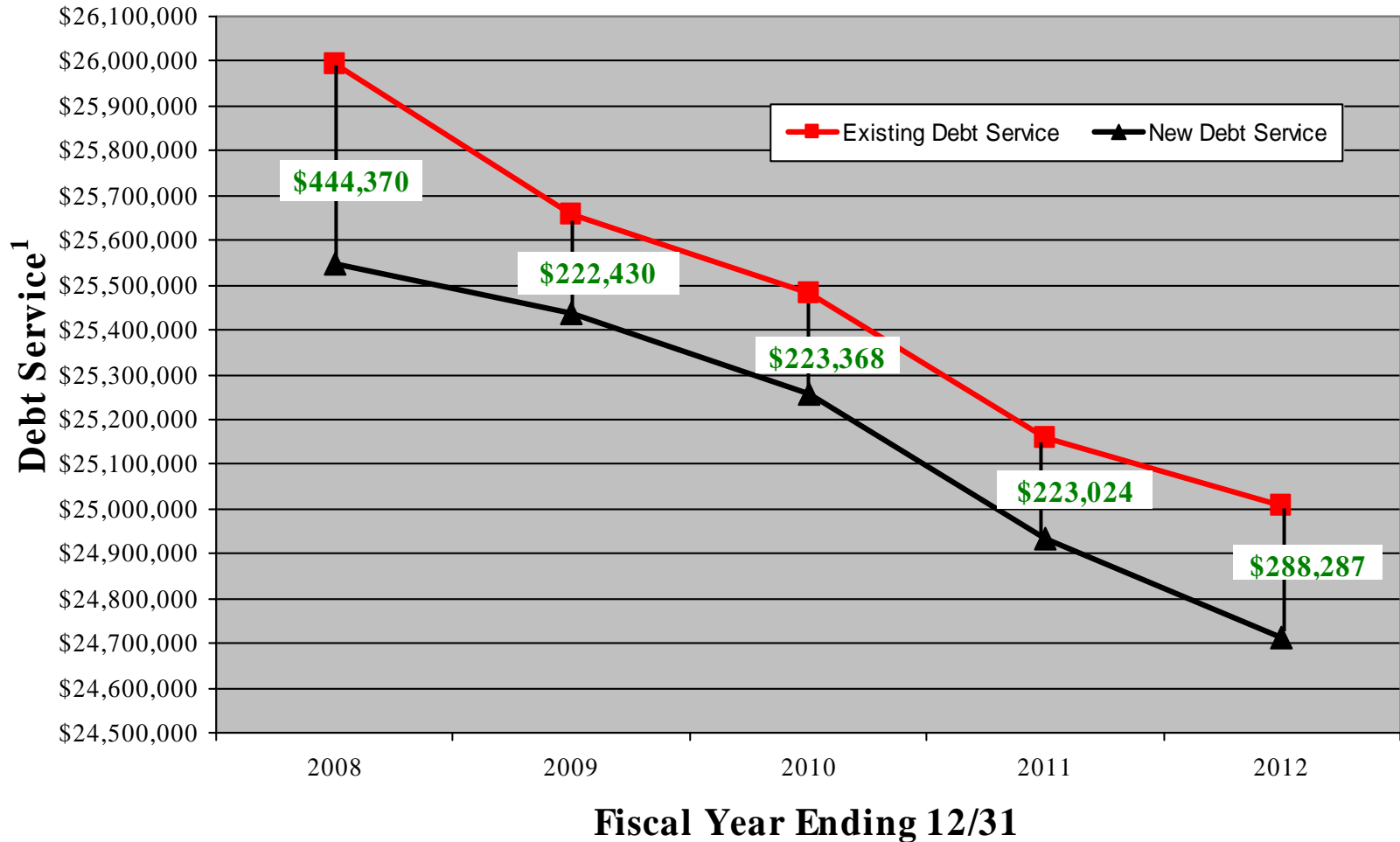
*Savings For Erie County Taxpayers*



# THE REFUNDING OPPORTUNITY

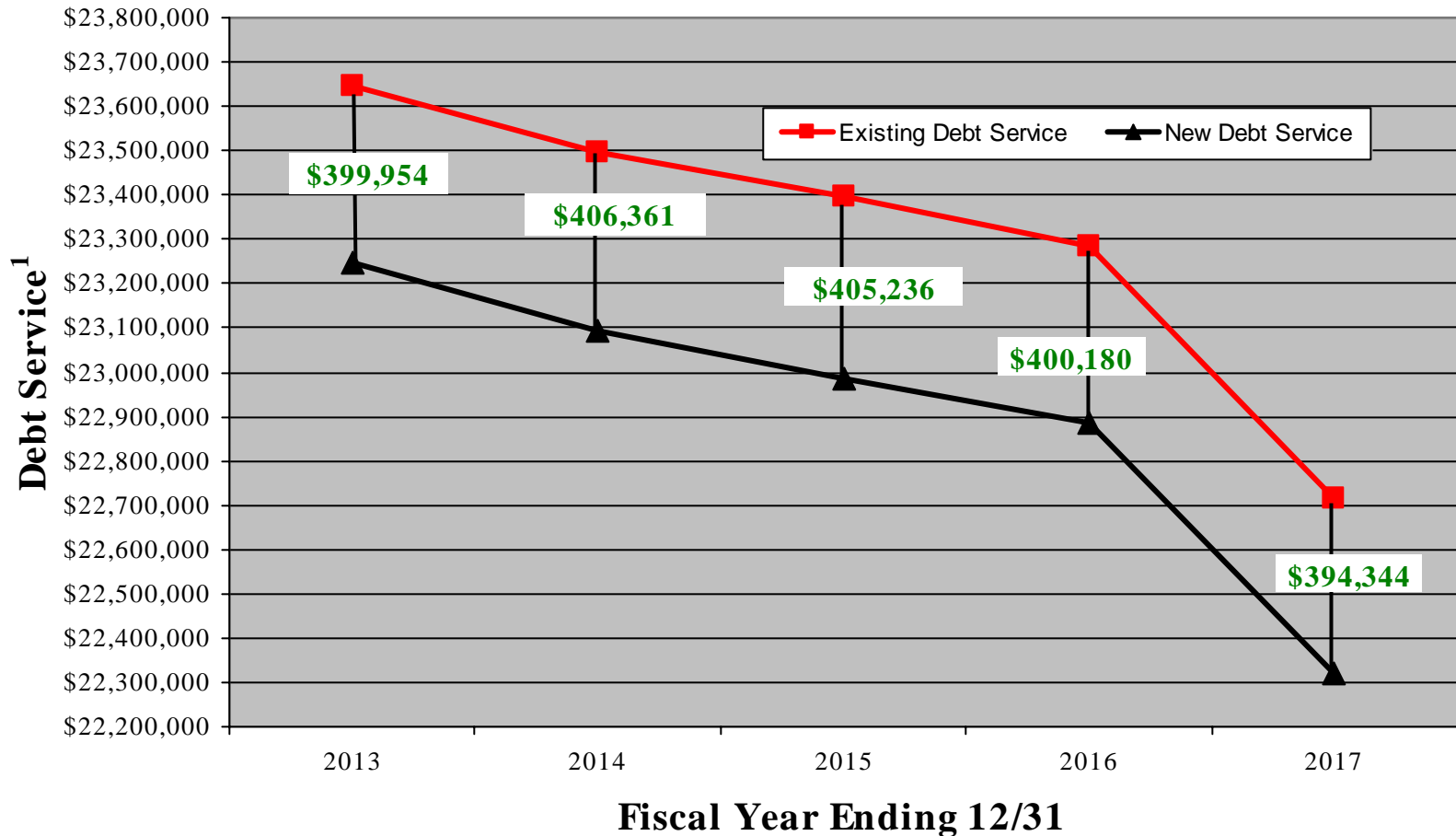
- ◆ Generates approximately **\$4.1 million** in debt service savings by refunding/refinancing the high interest rate callable maturities of ten of the County's outstanding bond issues
- ◆ Takes advantage of ***the superior credit rating of the ECFSA*** and lower prevailing interest rates to reduce current and future debt service costs
- ◆ Term of the refunding bonds does not extend beyond the term of the refunded bonds. ***Savings will not come from extending maturities***
- ◆ Annual County debt service will decrease by approximately \$180,000 - \$445,000 per fiscal year over each of the next 13 years.

# Projected Savings: Fiscal Years 2008 - 2012



<sup>1</sup> Includes only the debt service on bond issues included in refunding transaction

# Projected Savings: Fiscal Years 2013 - 2017



<sup>1</sup> Includes only the debt service on bond issues included in refunding transaction

# TOTAL SAVINGS FOR ERIE COUNTY

<u>Fiscal Year</u>	<u>Projected Savings</u>
2008	\$444,370
2009	222,430
2010	223,368
2011	223,024
2012	288,286
2013	399,954
2014	406,361
2015	405,236
2016	400,180
2017	394,344
2018	257,683
2019	194,281
2020	182,649
2021	12,900
2022	<u>6,150</u>
<b>TOTAL SAVINGS:</b>	<b><u>\$4,061,216</u></b>

# NEW YORK STATE APPROVAL PROCESS

- ◆ Transaction **MUST** be approved in writing by the New York State Comptroller's Office following a thorough review process
  
- ◆ What does the NYS Comptroller's Office review?
  - Complete Refunding Financial Plan, including structure of issue and proof of the present value savings
  - Cost-benefit analysis of bond insurance
  - The reasonableness of the savings and savings structure, with the goal of a structure that produces *no cash flow dis-savings in any year* during the amortization period and with no extension of maturity
  - The reasonableness of the total cost of the borrowing is reasonable and appropriate taking into account the nature, size, structure and complexity of the transaction
  - The reasonableness of the underwriter's spread, reoffering yields and prices and costs of issuance

- *The Required Duration of the ECFSA*
  - *The ECFSA “shall continue until its control, advisory or other responsibilities, and its liabilities have been met or otherwise discharged, which in no event shall be later than” December 31, 2039. N.Y. Pub. Auth. Law § 3952(3).*
  - *The ECFSA’s responsibilities include its intercept of Erie County tax revenues at least monthly, through December 31, 2039. N.Y. Pub. Auth. Law § 1261(c).*
  - *Result: In the absence of a change in New York State law, the ECFSA’s responsibilities shall not have been met before December 31, 2039, the date when the ECFSA shall cease to exist. Erie County’s decision to issue bonds through the ECFSA, therefore, will not affect the ECFSA’s longevity.*

- *The Duration of Any Control Period*
  - *No control period shall continue beyond December 31, 2039, or “the date when all the bonds of the [ECFSA] are refunded, discharged or otherwise defeased,” whichever comes later. N.Y. Pub. Auth. Law § 3959(1).*
  - *Notwithstanding the status of bonds issued by the ECFSA, however, the ECFSA “shall terminate [a] control period when it determines that none of the [five] conditions which would permit the [ECFSA] to impose a control period exist.” N.Y. Pub. Auth. Law § 3959(1).*
  - *Result: Erie County’s decision to issue bonds through the ECFSA will not affect the duration of any control period, which must end when the statutory circumstances that originally authorized its commencement no longer exist.*



# CONCLUSION

- ◆ Leverage superior credit ratings of the ECFSA to secure significantly lower interest rates
- ◆ Reduce debt service burden for Erie County taxpayers
- ◆ No extension of debt
- ◆ Structure is in compliance with NYS State Comptroller's guidelines
- ◆ Approximately \$180,000 - \$445,000 in debt service savings over each of the next 13 fiscal years
- ◆ No impact on hard vs. soft control period
- ◆ No impact on length of existence of control board
- ◆ Need to work together as one team to achieve worthy goal
- ◆ Declaration of Need and Legislature approval are required to save taxpayers money