General Obligation Bond
Work-Out Plan

December 14, 2011

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.
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.

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
Current and Revised Levies

<table>
<thead>
<tr>
<th>Levy Per $100,000 Assessed Value</th>
<th>Change from 2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Levy</td>
<td></td>
</tr>
<tr>
<td>Current: 2011-12</td>
<td>$2.1 M</td>
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<tr>
<td>Required: 2012-13</td>
<td>$3.5 M</td>
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<tr>
<td>Work-Out Plan</td>
<td></td>
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<tr>
<td>Tender</td>
<td>$2.0 M</td>
</tr>
<tr>
<td>Defeasance</td>
<td>$2.2 M</td>
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</tbody>
</table>

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

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
Questions?