
PINE-STRAWBERRY WATER IMPROVEMENT DISTRICT
Water Systems Acquisition and Improvement Project, Series 2009/10

Summary of \$6,414,000 Interim Financing Terms and Conditions

\$4,164,000

2009 Series Single Advance Note (Fixed Rate) – *Acquisition*
&

\$2,250,000

2009/10 Series Line of Credit Note (Variable Rate) – *Working Capital & System*
Improvements

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BACKGROUND

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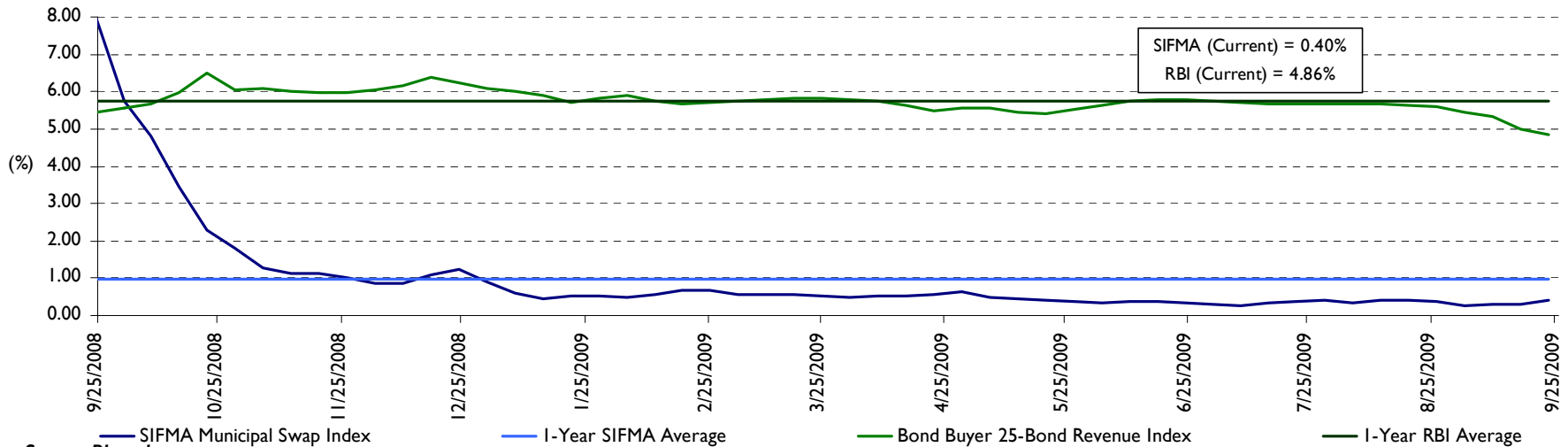
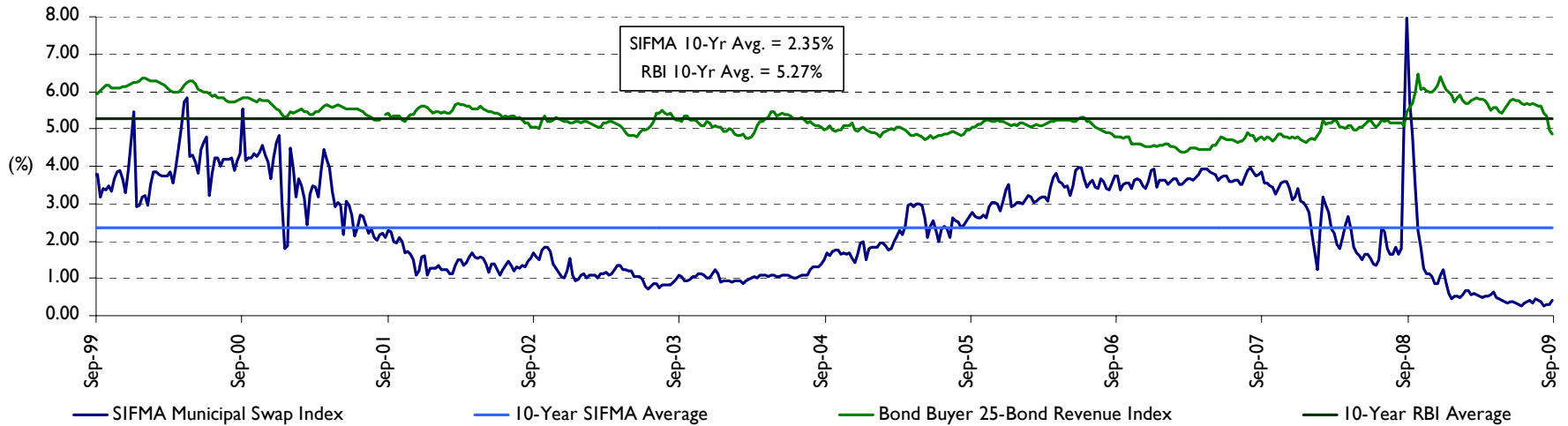
1. S&Y (District's financial consultant) and Greenberg Traurig (District's special legal counsel) retained by the District in 2008 to assist with evaluating financing options to acquire the water utility assets
2. Economists.Com utility financial plan/model used to communicate District financial plan and Coe & Van Loo report used to communicate system improvement needs and asset valuation
3. District not eligible for WIFA acquisition financing due to condemnation structure of acquisition. District potentially eligible for new money improvements
4. District was precluded from issuing bonds in the market due to lack of access to utility system(s) financial records and availability of general information – and accelerated closing requirements
5. Financing plan focused on acquisition and improvement loan(s) with commercial banks/lenders
6. Negotiated with Compass Bank over the past approximate nine months
7. Closing expected to occur tomorrow - Wednesday, September 30th



INTEREST RATE GRAPHS

LONG-TERM RATES VS. SHORT-TERM RATES

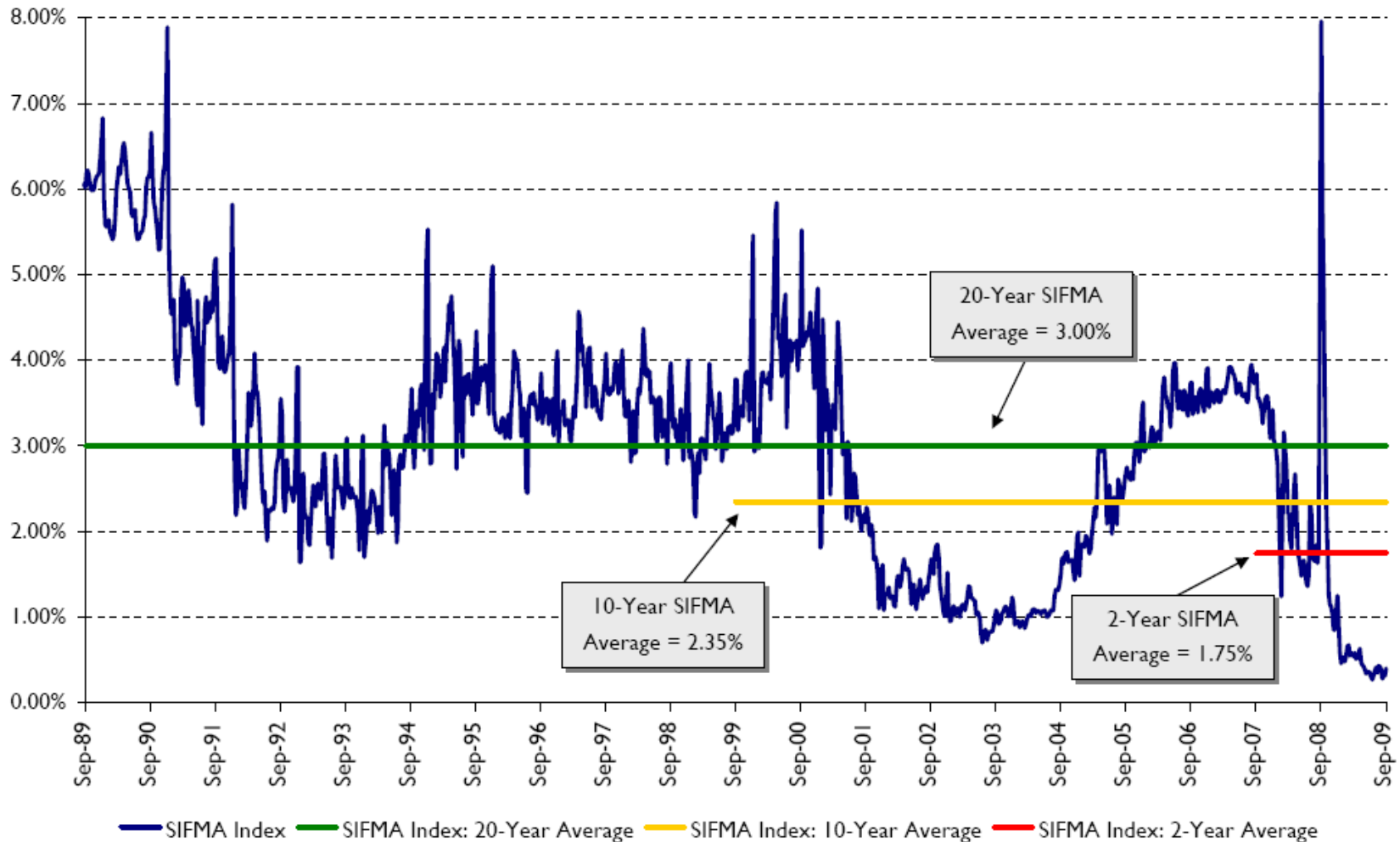
Long-Term Tax-Exempt (RBI) vs. Short-Term Tax-Exempt (SIFMA)



Source: Bloomberg

SIFMA INDEX: 20-YEAR HISTORY

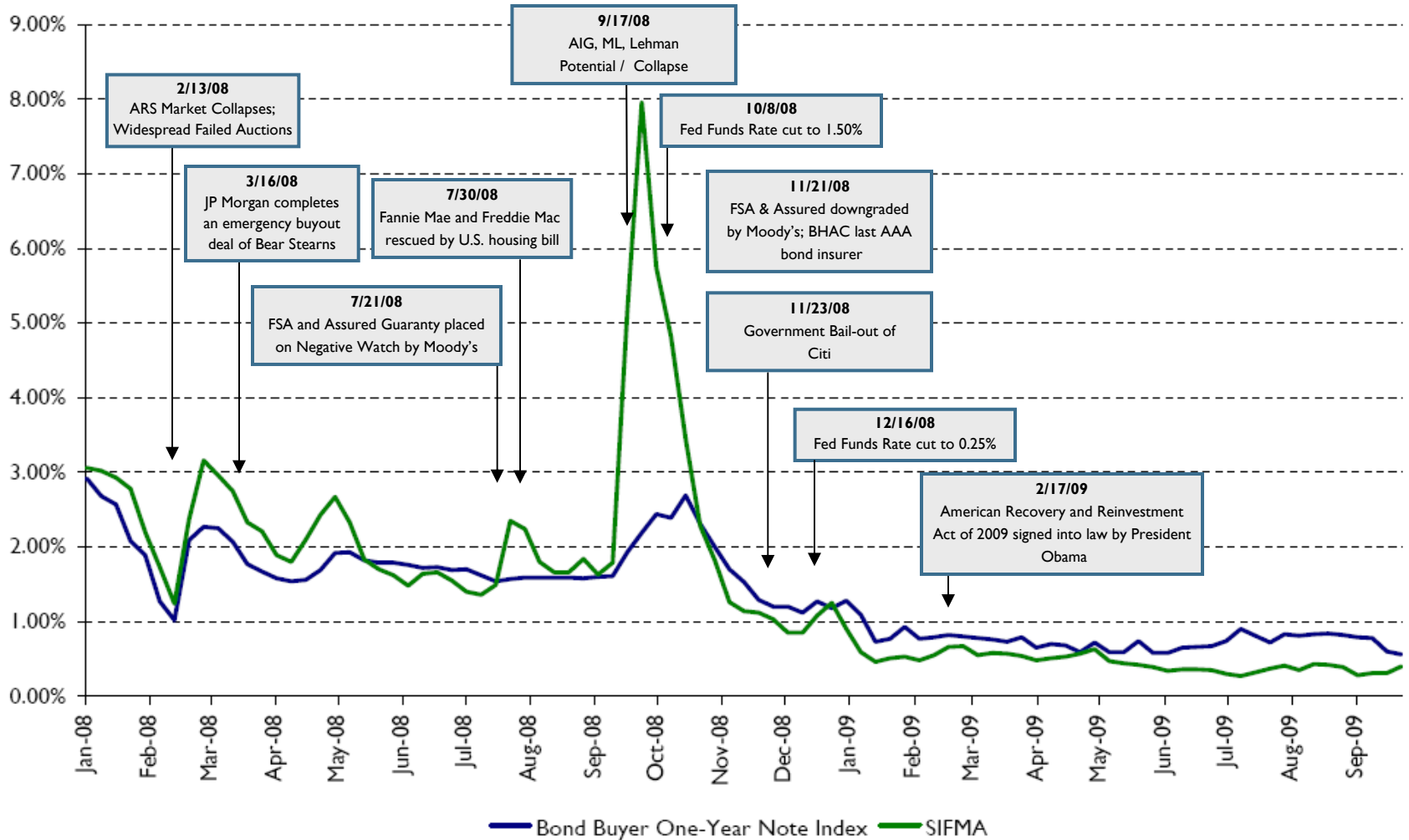
Tax-Exempt Variable Rate Demand Obligations with Weekly Interest Rate Resets



Source: SIFMA. All bonds in Index must be tax-exempt, non-AMT, have \$10mm or more outstanding and the highest short-term rating by Moody's or S&P, and pay interest monthly with interest rate resets occurring on Wednesdays.

SHORT-TERM INTEREST RATE UPDATE

Last year's volatility has subsided, except for certain 'troubled' LOC banks



Source: Bloomberg & The Bond Buyer



SOURCES & USES OF FUNDS (BUDGET)

SOURCES & USES OF FUNDS (BUDGET)

Water Systems Acquisition and Improvement Project 2009 Series Single Advance Note & 2009/10 Line of Credit Note

Sources & Uses of Funds

	2009 Fixed Rate Acq. Note	2009 Variable Rate LOC	Other Funds	Total
Sources:				
Loan Proceeds	\$4,164,000.00	\$2,250,000.00		\$6,414,000.00
Meter Deposits from Brooke Utilities, Inc.			\$45,913.61	45,913.61
Security Deposits			25,065.00	25,065.00
Total Sources of Funds:	<u>\$4,164,000.00</u>	<u>\$2,250,000.00</u>	<u>\$70,978.61</u>	<u>\$6,484,978.61</u>
Uses:				
Account Receivable Acquisition		\$100,000.00		\$100,000.00
Water System Acquisition	\$3,500,000.00			3,500,000.00
Capital Improvements		1,568,264.00		1,568,264.00
Debt Service Reserve Fund (a)	317,472.00	261,036.00 (b)		578,508.00
Costs of Issuance and Contingency	346,528.00			346,528.00
Working Capital Funds		320,700.00		320,700.00
Meter Deposits (Restricted Fund)			\$45,913.61	45,913.61
Security Deposits (Restricted Fund)			25,065.00	25,065.00
Total Uses of Funds:	<u>\$4,164,000.00</u>	<u>\$2,250,000.00</u>	<u>\$70,978.61</u>	<u>\$6,484,978.61</u>

(a) Asset of the District. Used to make final payment.

(b) Asset of the District. Funded as amounts are advanced.



**SUMMARY OF FINANCING TERMS: 2009
SERIES SINGLE ADVANCE NOTE (FIXED RATE) -
*ACQUISITION***

2009 SERIES SINGLE ADVANCE NOTE – FIXED RATE SUMMARY OF TERMS

Type of financing:	Fixed Rate “Interim” Financing Structure. District/Compass Bank Objective: Refinance Within Reasonable Period of Time
Principal Amount of Note:	\$4,164,000
Initial Interest Rate:	4.55%
Amortization Period:	20-Years
Interest Only Payments:	Two-Years (\$190,000)
First Interest Payment Date:	November 1, 2009
Annual Principal and Interest Payments:	\$340,000
Prepayment Requirement:	As Soon as Reasonably Available, District Shall Provide Compass Bank a Repayment/Refinance Plan
Prepayment Provisions:	3%, 2%, 1%
Loan Security Agreement/Covenants:	1.20x Net Annual Debt Service, Security Interest in Assets to the extent permitted by law



**SUMMARY OF FINANCING TERMS: 2009/10
SERIES LINE OF CREDIT NOTE (VARIABLE RATE)
– *WORKING CAPITAL AND SYSTEM IMPROVEMENTS***

2009/10 SERIES LINE OF CREDIT NOTE – VARIABLE RATE SUMMARY OF FINANCING TERMS

Type of Financing:	Variable Rate Line of Credit Note – “Interim”
Principal Amount of Note:	\$2,250,000
Floating Rate Formula:	LIBOR * .65% + 3.75% with 4.50% Floor (Ex: 0.31% * .65% + 3.75% = 3.95%)
Initial Interest Rate:	4.50% (Monthly Re-Set)
Amortization Period:	20-Years
Interest Only Payments:	Two-Years, \$101,000 Based on Full Draw
First Interest Payment Date:	November 1, 2009
Annual Principal and Interest Payments:	\$182,000 (Based on 4.5% and Full Draw of Note)
Prepayment Requirement:	As Soon as Reasonably Available, District Shall Provide Compass Bank a Repayment/Refinance Plan
Prepayment Provisions:	0%
Interest Reserve Covenant:	9.7% of each advance and shall not exceed \$193,536
Interest Stabilization Reserve Covenant:	3.4% of each advance and shall not exceed \$67,500
Loan Security Covenants:	Same as 2009 Series Single Advance Note

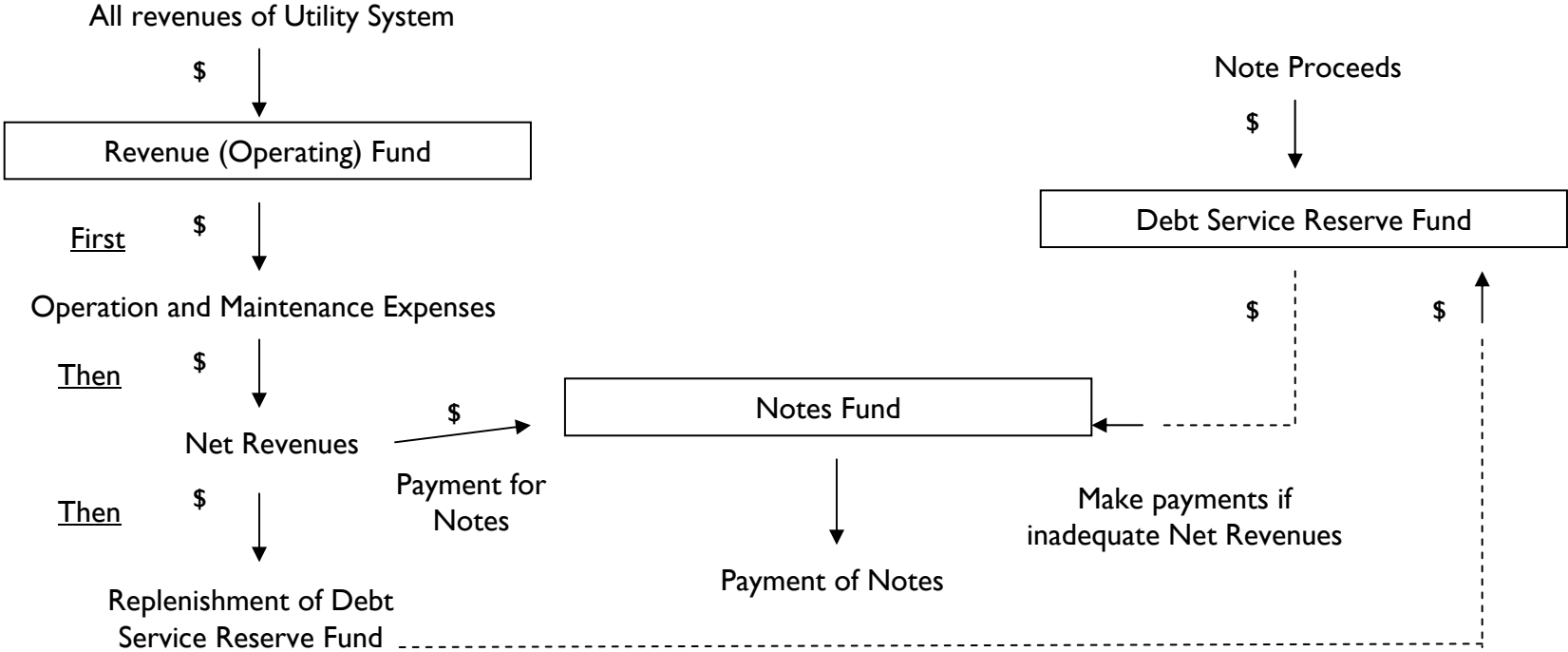


FLOW OF FUNDS

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Revenue Fund
(Held as deposit of District at Compass Bank)

Notes and Debt Service Reserve Funds
(Held as security at Compass Bank for repayment; balances returned upon payment in full of Notes)





DISTRICT GOALS AND OBJECTIVES



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1. Consider merits of submitting WIFA financing application immediately to refinance variable rate line of credit note
2. Need to work closely and cooperatively with Compass Bank to accomplish
3. WIFA interest rates are currently less than 2.75% (on or about)
4. Complete June 30, 2010 PSWID Audit
5. Complete financial feasibility report
6. Secure investment grade credit rating (Goal: BBB+ / A- Range)
7. Prepare for open market bond financing to refinance 2009 Series Single Advance Note and, if necessary, the 2009/10 Line of Credit Note
8. Design debt service to accommodate the utility rate structure objectives of the District



APPENDIX