



Lexington-Fayette Urban County Government
Sewer System Revenue Bonds
Bond Indenture Restructuring

Council Work Session

August 19, 2014

Sewer Bond Indenture Restructuring

- **Challenge:** The current indenture is from 1985 and is outdated.
- Requires multiple cash reserves which constrain LFUCG's capabilities and flexibility.
- LFUCG has the requirement to fund a large scope of projects in the near future.
- The requirements of the current indenture will force LFUCG to hold exponentially more cash as the amount of funded projects increases.
- **Solution:** Refunding the outstanding sewer revenue bonds under the current indenture.
 - **Series 2014A** – Tax-Exempt refunding of the Series 2009 Bonds (Build America Bonds).
 - **Series 2014B** – Taxable refunding of the Series 2010A Bonds (Non-Callable).
- The current rate environment is conducive to refunding the outstanding Bonds and restructure the bond indenture.
- The current amount of sewer debt is relatively small, but slated to grow considerably over the next 12 years.
- The changes to the Indenture are being made in accordance to covenants acceptable to today's market.

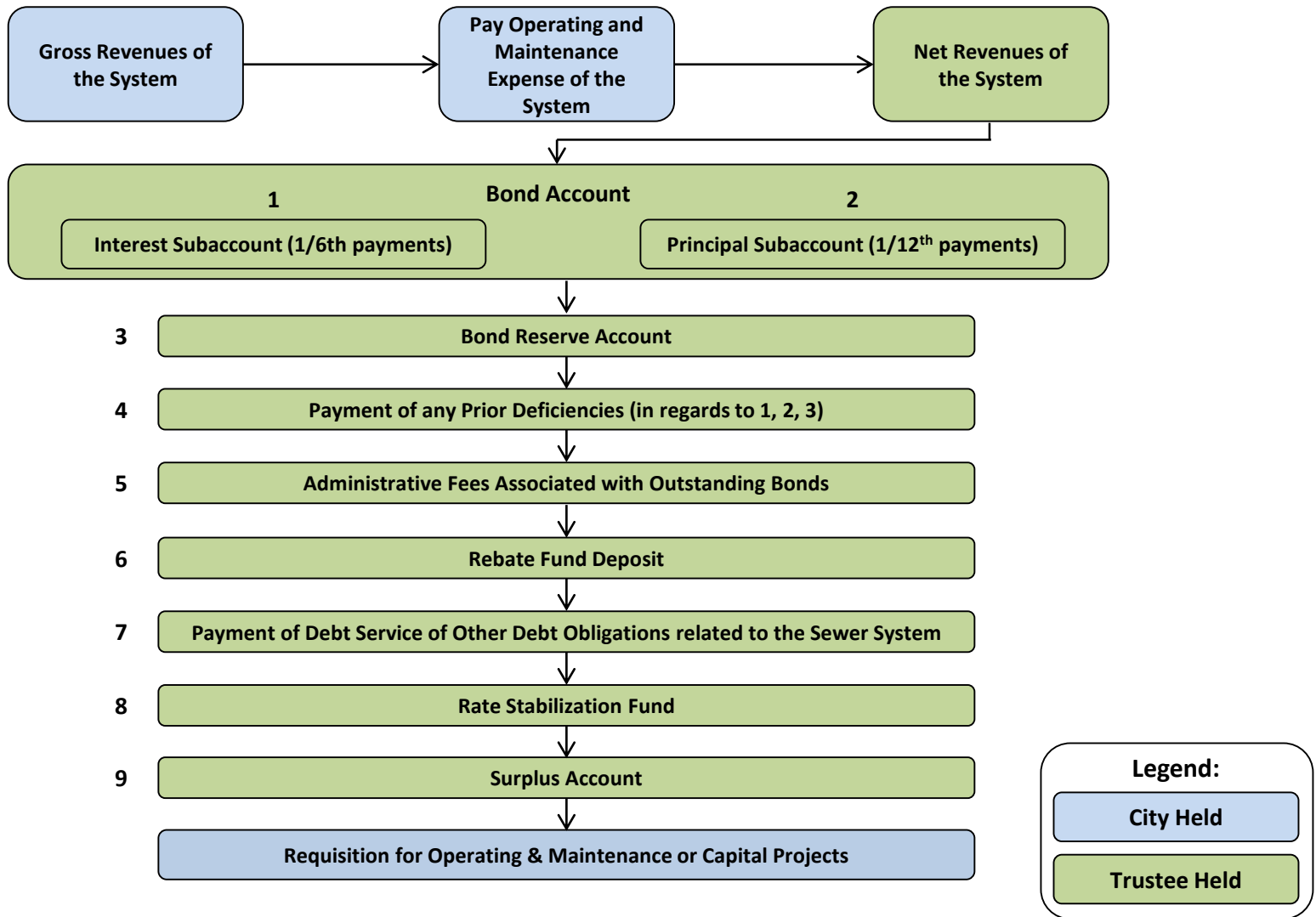


Indenture Comparison Summary

	Current Indenture	New Indenture
Revenue Pledge	Gross Pledge	Net Pledge
Funds and Accounts	City Held	Trustee Held
Debt Service Reserve Fund	3 Prong	Series Specific or Common
Operating and Maintenance	Mandated	Outside of the Indenture
Depreciation Account	Mandated	Outside of the Indenture
Rate Stabilization Fund	N/A	Allowed under the Indenture
Excess Revenues	Capital Project Fund Restricted for Capital	Surplus Fund not Restricted
Coverage Requirement	1.25x	1.20x
Additional Bonds Test	1.25x	1.20x
KIA Loans	Subordinate through Agreement with KIA	Subordinate through Indenture



New Indenture Flow of Funds



The Refunding Structure

- **Purpose:** Refunding the outstanding sewer revenue bonds under the current indenture.
 - **Series 2014A** – Tax-Exempt refunding of the Series 2009 Bonds (Build America Bonds).
 - **Series 2014B** – Taxable refunding of the Series 2010A Bonds (Non-Callable).
- We have structured the new debt service in the same shape as the existing debt service.
- LFUCG will release the balance of \$2,174,000 in the Depreciation Fund to cash and maintain the \$7,305,945 balance in the Maintenance & Operation Fund.

Funds	Present Value Savings
Present Value of Cashflows	38,286
Excess Funds on Hand	6,843
BABs Escrow Subsidy Rebate	134,593
Total	179,722

Fiscal Year	Prior Debt Service	Series 2014 Sewer Bonds			Debt Service Difference	Present Value of Cashflows
		Principal	Interest	Debt Service		
2015	651,264	-	278,722	278,722	372,542	370,393
2016	4,171,915	2,695,000	1,204,338	3,899,338	272,577	267,933
2017	4,174,338	2,730,000	1,162,475	3,892,475	281,863	270,367
2018	4,180,797	2,785,000	1,106,881	3,891,881	288,916	270,355
2019	4,179,530	2,865,000	1,028,935	3,893,935	285,595	260,639
2020	4,177,645	2,960,000	934,213	3,894,213	283,432	252,239
2021	4,178,744	3,065,000	829,160	3,894,160	284,584	246,953
2022	2,762,580	3,180,000	712,945	3,892,945	(1,130,365)	(952,211)
2023	2,338,485	1,525,000	613,831	2,138,831	199,653	164,571
2024	2,335,531	1,600,000	535,706	2,135,706	199,824	160,474
2025	2,335,783	1,685,000	453,581	2,138,581	197,201	154,284
2026	2,335,328	1,760,000	376,256	2,136,256	199,072	151,839
2027	2,337,947	1,835,000	304,356	2,139,356	198,591	147,679
2028	2,336,190	1,910,000	229,456	2,139,456	196,734	142,643
2029	2,334,842	1,975,000	161,631	2,136,631	198,211	140,218
2030	2,339,441	2,035,000	100,209	2,135,209	204,231	140,945
2031	(1,067,971)	2,105,000	34,206	2,139,206	(3,207,177)	(2,151,034)
Total	46,102,389	36,710,000	10,066,904	46,776,904	(674,515)	38,286



Financing Schedule

Date*

Week of August 11
 Week of August 25
 August 28
 September 11
 September 12
 Week of September 8
 September 17
 September 23
 October 9

Event

Rating Agency Meetings
 Receive Indicative Ratings
 First Reading of Bond Ordinance and Resolution
 Second Reading of Bond Ordinance
 Notice of Bond Sale to Various Publications
 Receive Ratings
 Release Preliminary Official Statement
 Bond Pricing
 Closing

August

Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

September

Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

October

Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

**Preliminary and subject to change.*



Questions?

