Cedar Hills, UTAH

Bond Refunding

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Cedar Hills, Utah

Bond Refunding

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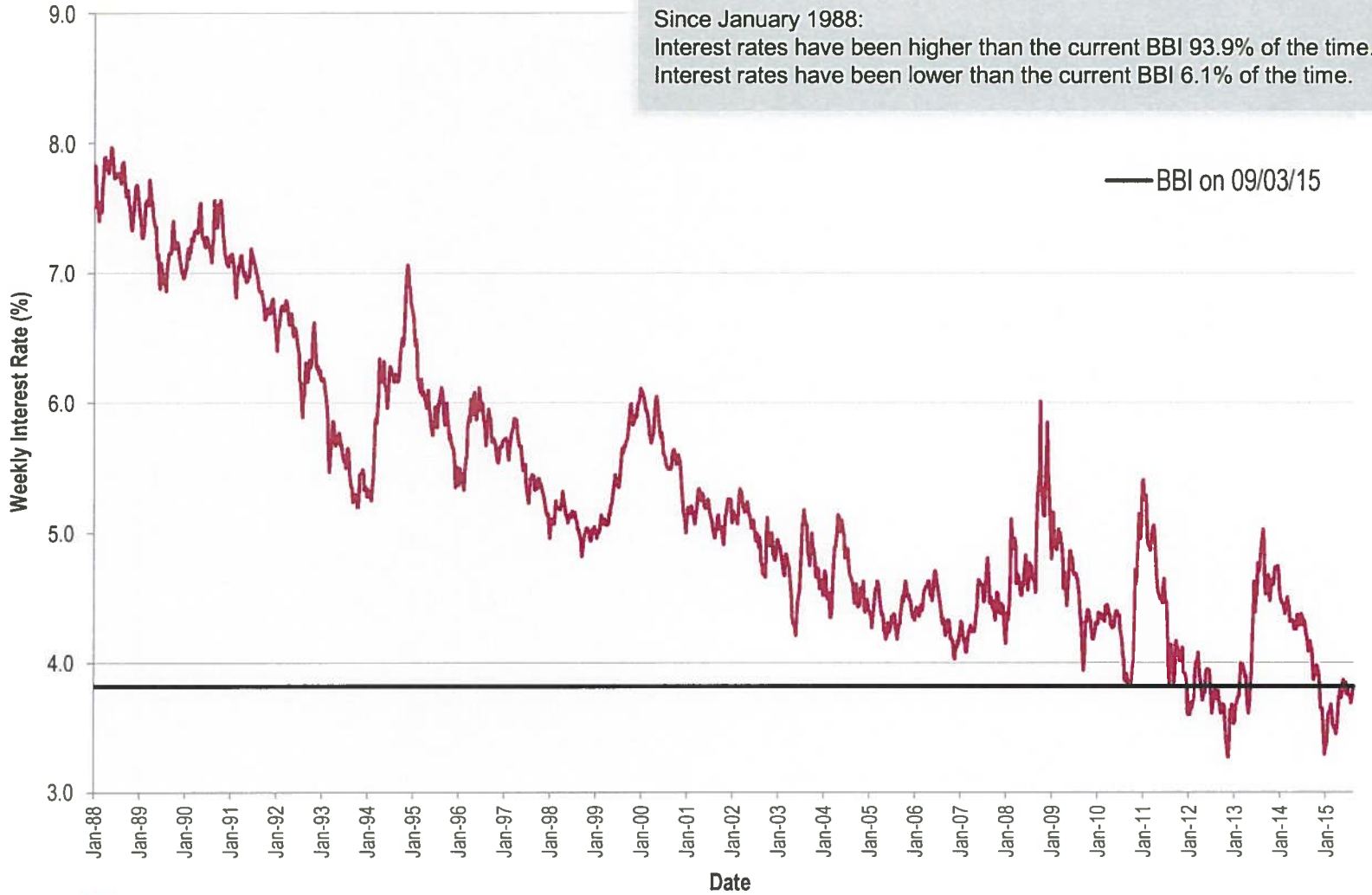
Bond Buyer Index



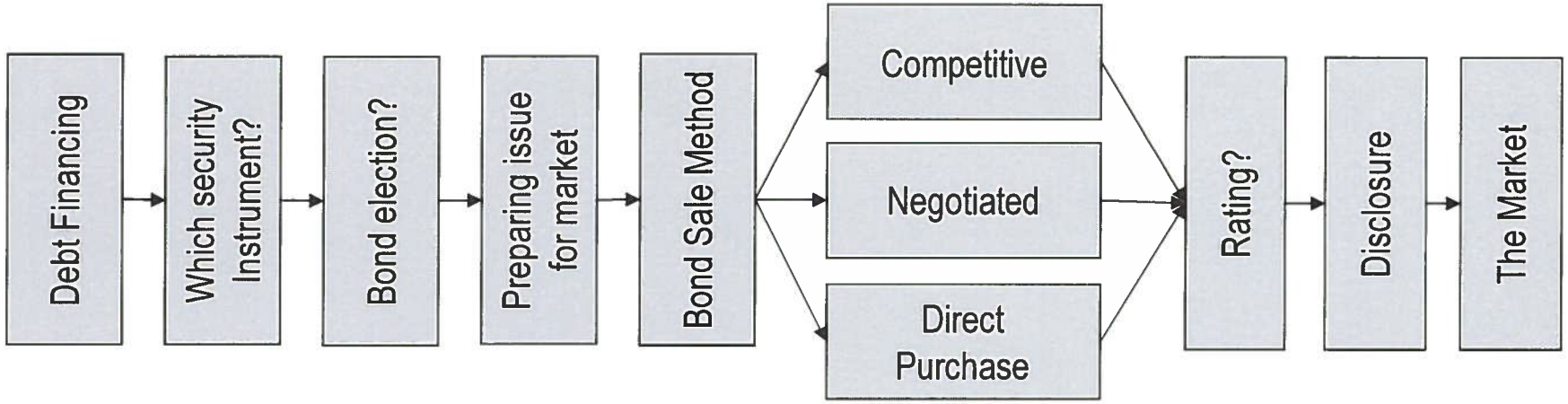
Types of Bonds

Type of Bond	Security	Repayment Source	Authority
General Obligation	Property Tax & Taxing Power	Any Legal Source	Election/Resolution
Sales Tax Revenue	Sales Tax	Any Legal Source	Resolution
Excise Tax Revenue	Excise Tax	Any Legal Source	Resolution
Lease Revenue/Capital Lease	Annual Appropriations & Improvements	Any Legal Source	Resolution
Special Assessment	Special Assessment/Property	Special Assessment	Resolution/Negative Protests
Tax Increment	Tax Increment	Increment/Other Taxes	Resolution
Tax Anticipation	Future Property Tax & Taxing Power	Future Taxes	Resolution

Financing History

- 2006 Excise Tax Revenue Bonds ($2,325,000)
- Purpose: Public works/City offices
- Term: 25 years
- Outstanding Coupons: 4.0% to 4.5% (4.43% Avg)
- Prepayment Feature: July 1, 2016
- Cash Debt Service Reserve: $176,000

How Bonds Are Sold



- Competitive Sale: Underwriters compete
- Negotiated Sale: Underwriter preselected
- Direct Purchase: Bypass underwriter to access investors
- Typically a 3 month process, but it can vary by method

Bond Sale Pros/Cons

- Public Market Offering
  - PRO: Lower rates, fixed rates for any maturity, standardized terms
  - CON: Higher upfront costs, bond ratings, SEC governance, longer process time
- Direct Purchase
  - PRO: Lower upfront costs, flexible prepayment terms, no SEC governance, shorter process time
  - CON: Purchaser specific terms and conditions, higher interest rates, limited fixed rate maturity

Savings Comparison

Sale Methodology	All Inclusive Interest Rate (AIC)	NPV Savings (%)	NPV Savings ($)
Public Offering (Backend Savings)	3.161%	8.435%	$140,859
Public Offering (Level Savings)	3.325%	6.274%	$104,768
Direct Purchase (Backend Savings)	2.537%	13.23%	$220,949
Direct Purchase (Level Savings)	3.491%	4.365%	$72,889

Sale Methodology	Costs of Issuance	Insurance	DSRF
Public Offering (Backend Savings)	$49,685	$19,470	Surety
Public Offering (Level Savings)	$49,945	$19,056	Surety
Direct Purchase (Backend Savings)	$23,500	N/A	N/A
Direct Purchase (Level Savings)	$20,000	N/A	N/A

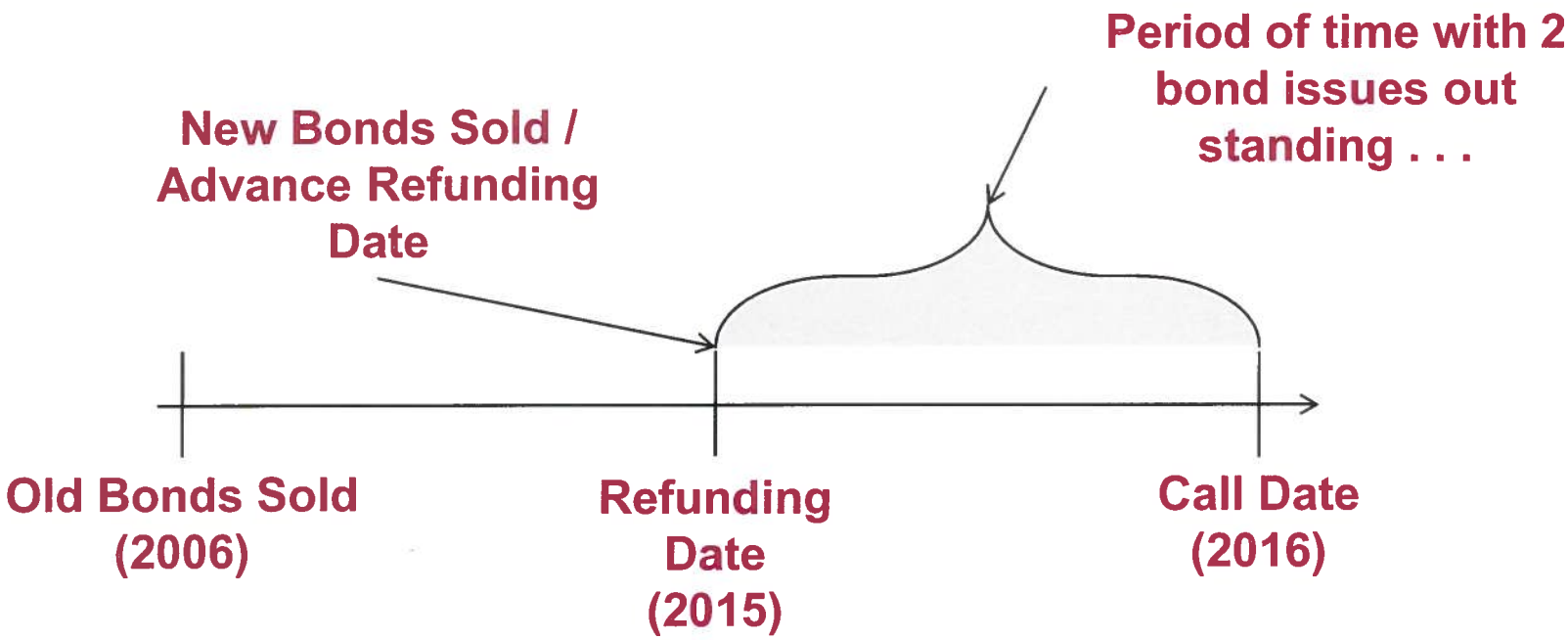
Financing Calendar

- Delegating Resolution: Combines the parameters and authorizing resolution into one to expedite the process
- Publication of Notice of Bonds to be Issued (30-Day Contest Period)
- Term Certificate: Locks in the final terms and conditions within the parameters set by the Council
- Close: Funds are delivered for repayment of the old bonds

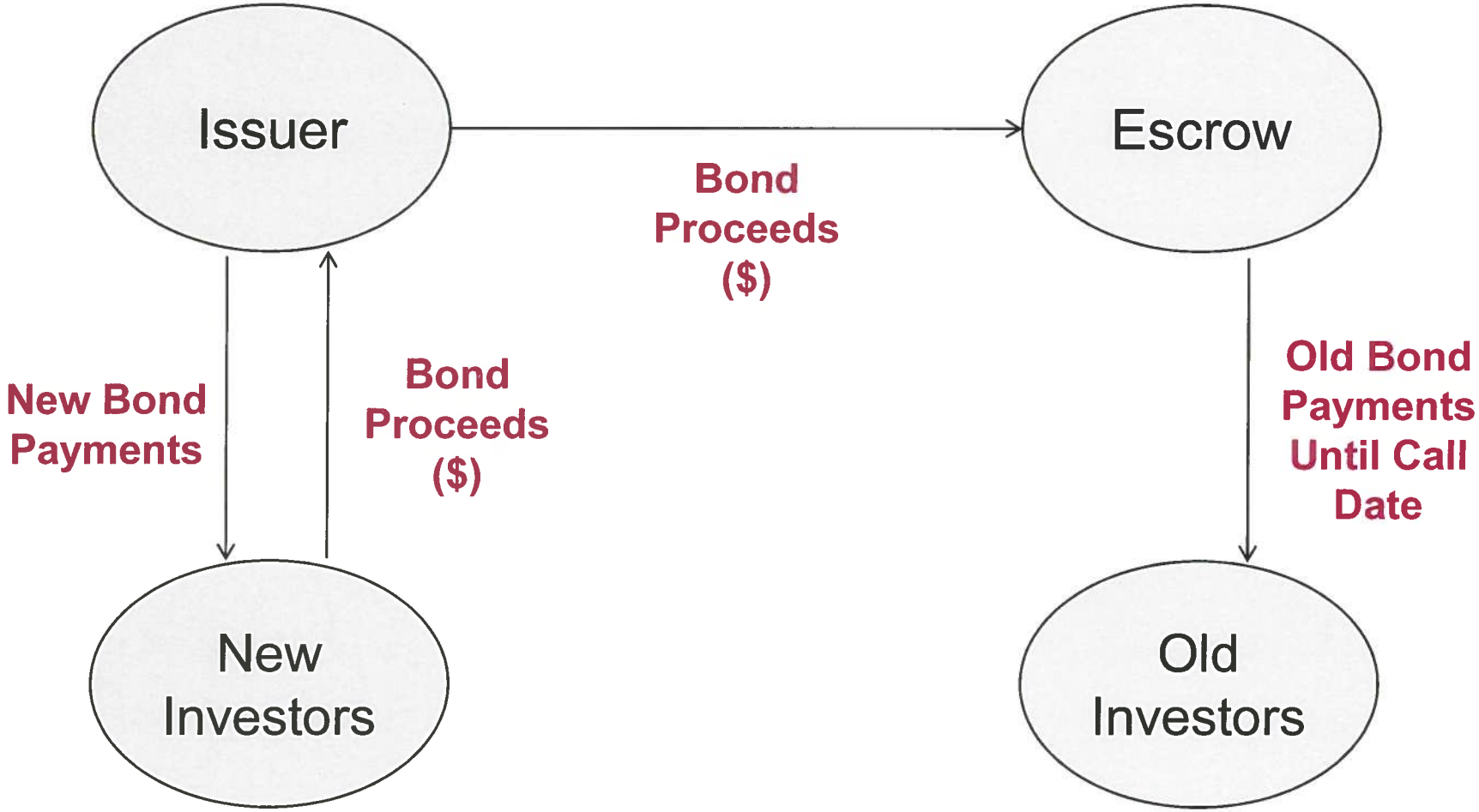
September 8
September 13
September 15
October 14

Advance Refunding

- Unlike mortgages, Bonds are NOT usually prepayable at anytime
- 10 year prepayment or call protection
- Advance refunding is in advance of the call or prepayment date

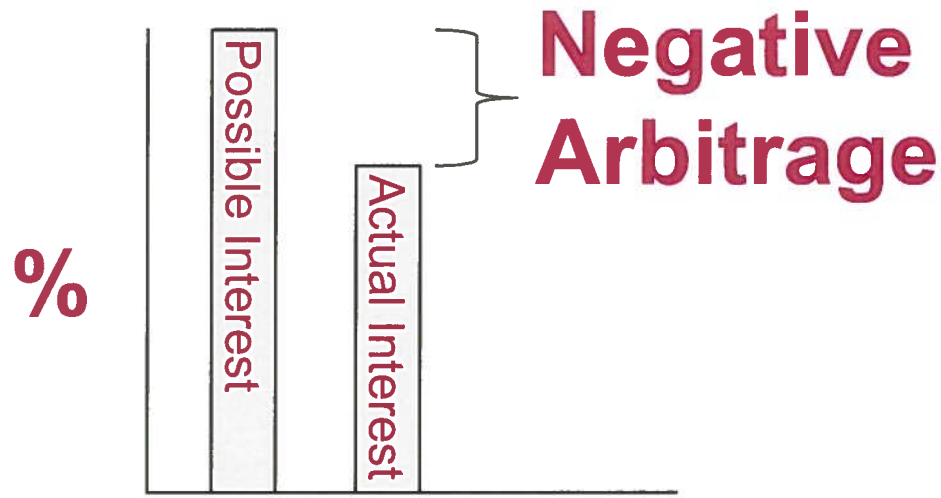


Advance Refunding Mechanics



Advance Refunding Timing

- Net Present Value Savings are at least 3% of bonds refunded
  - Example: $30,000 savings on $1,000,000 refunded
  - "Net" means after costs to professionals and negative arbitrage
  - Negative arbitrage is the difference between the interest actually earned in the escrow and what could possibly be earned
- Savings are 2x the negative arbitrage
- Save more than professionals make
- Always exceptions



Advance Refunding Timing

- Not possible to time the markets
  - "We continue to make more money when snoring than when active."—Warren Buffett
  - "Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves."—Peter Lynch

ISSUER		2012	2013	Lost Savings
	NPV %	6.87%	2.60%	
Washington SD	NPV $	$ 4,618,265	$ 1,749,007	$ 2,869,258
	NPV %	13.33%	7.66%	
Cache SD	NPV $	$ 2,910,631	$ 1,673,854	$ 1,236,777
	NPV %	5.07%	4.56%	
Jordan SD	NPV $	$ 1,587,828	$ 1,072,027	$ 515,801

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