

CITY DIVISION REFINANCING

AUGUST 10, 2020



REVIEW OF LEASE BONDS

Bond Series	Existing Debt
2013 Series A – tax exempt, callable in 2023	\$245.6 M
2013 Series B – non-callable, zero coupon	\$64.3 M
2018 Fulton Loan – refinancing of 2013 Series C bonds – taxable	\$17.9 M
TOTAL	\$327.8 M

- Phase 1 – 2020 Refinancing:
 - 51% of Lease debt will be based on new Lease agreement
 - Series A tax-exempt bonds become taxable (*due to new tax law restrictions*)
 - Conversion to taxable bonds works due to near-historic low interest rates
- Phase 2 – 2023 Optional Refinancing:
 - Remaining Series A bonds are callable in 2023
 - Allows refunding as tax-exempt bonds
 - Assumes bond market / interest rates remain favorable

PURPOSE OF FINANCING (SUMMARY)



Settle all outstanding disputes between LCA and Allentown



Extend the maturity of the LCA debt to a more manageable level



Realize interest rate savings

HOW GOALS WILL BE REALIZED

Refinance a portion of the existing debt so 51% of the LCA Bonds outstanding are issued in 2020.

- Allows changes to the Concession Lease Agreement to move ahead
- Given tax law constraints, the proposed Series of 2020 will be issued with taxable interest rates

Extend Final Maturity

- Current debt – 2047
- Proposed debt – 2059

Produce Interest Rate Savings

- Existing rate on Series of 2013 A – 5.45%
- Current projected borrowing rate – 3.39%

SUMMARY OF IMPACTS: 2020 REFINANCING



- ▶ 2020-2030 → debt service reduced \$19.8 M
- ▶ 2031-2040 → debt service reduced \$51.8 M
- ▶ 2041-2050 → debt service reduced \$30.3 M
- ▶ **31-Year Debt Service Reduction = \$101.9 M Total**

- ▶ 2051-2059 → debt service increased \$147.1 M

- ▶ **Total Debt Service Impact = \$45.2 M**

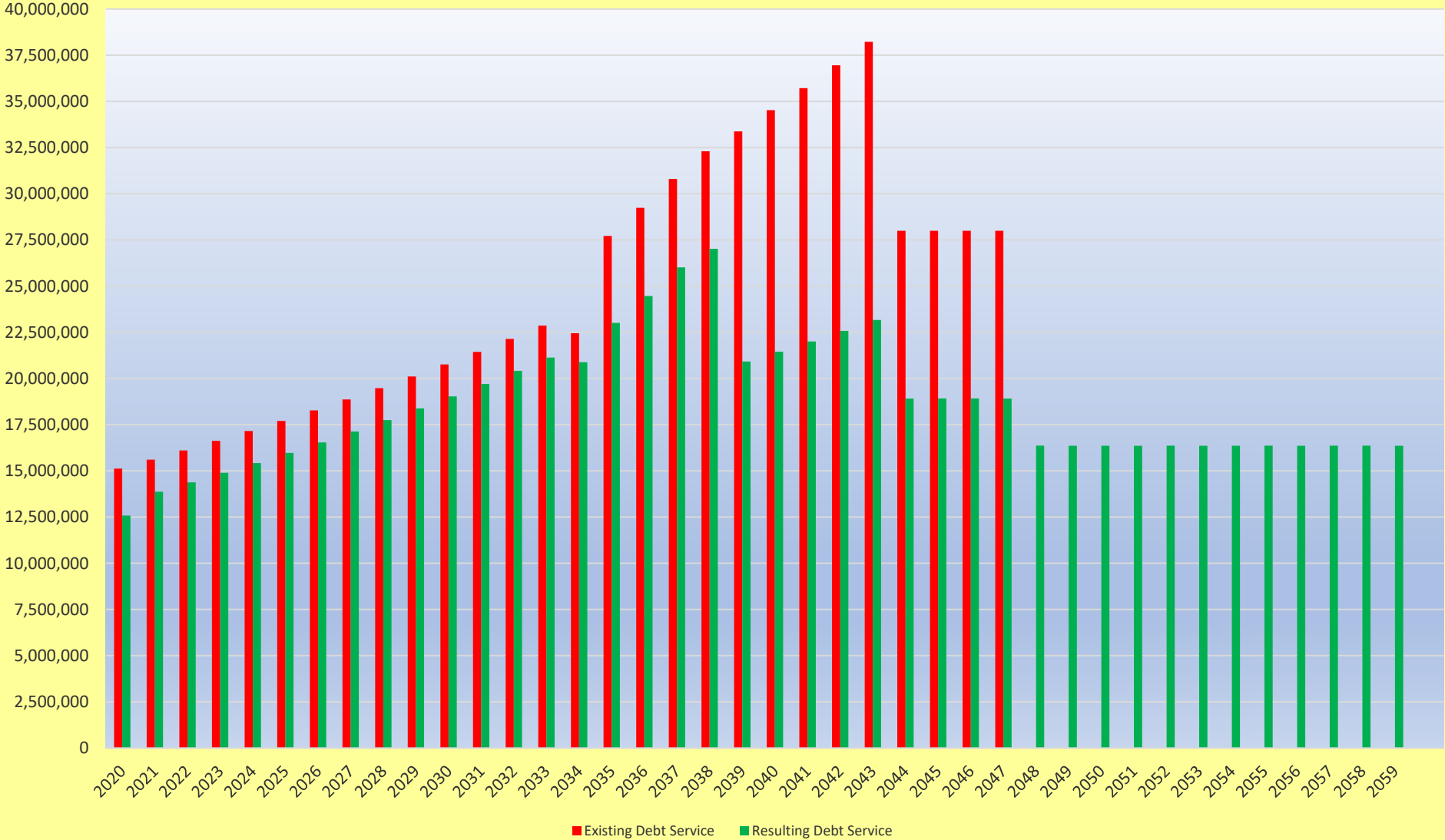
- ▶ **Net Present Value of Difference = \$13 M**

DEBT SERVICE AFTER REFINANCE

Fiscal Year	Existing Debt Service	Resulting Debt Service	Difference	Cumulative Difference
2020	15,125,388	12,583,586	2,541,801.33	2,541,801.33
2021	15,605,025	13,873,768	1,731,257.50	4,273,058.83
2022	16,107,525	14,376,843	1,730,682.50	6,003,741.33
2023	16,622,650	14,893,518	1,729,132.50	7,732,873.83
2024	17,155,400	15,423,793	1,731,607.50	9,464,481.33
2025	17,705,775	15,972,843	1,732,932.50	11,197,413.83
2026	18,273,538	16,540,493	1,733,045.00	12,930,458.83
2027	18,863,688	17,131,743	1,731,945.00	14,662,403.83
2028	19,475,988	17,746,418	1,729,570.00	16,391,973.83
2029	20,111,713	18,379,343	1,732,370.00	18,124,343.83
2030	20,760,913	19,030,693	1,730,220.00	19,854,563.83
2031	21,439,588	19,705,793	1,733,795.00	21,588,358.83
2032	22,142,413	20,412,718	1,729,695.00	23,318,053.83
2033	22,863,738	21,133,468	1,730,270.00	25,048,323.83
2034	22,448,238	20,883,043	1,565,195.00	26,613,518.83
2035	27,713,238	23,008,043	4,705,195.00	31,318,713.83
2036	29,236,238	24,463,043	4,773,195.00	36,091,908.83
2037	30,797,988	26,013,043	4,784,945.00	40,876,853.83
2038	32,295,738	27,018,043	5,277,695.00	46,154,548.83
2039	33,374,988	20,918,043	12,456,945.00	58,611,493.83
2040	34,525,738	21,454,043	13,071,695.00	71,683,188.83
2041	35,714,738	22,003,043	13,711,695.00	85,394,883.83
2042	36,949,488	22,576,793	14,372,695.00	99,767,578.83
2043	38,221,738	23,171,293	15,050,445.00	114,818,023.83
2044	27,998,238	18,912,543	9,085,695.00	123,903,718.83
2045	27,998,331	18,916,129	9,082,202.50	132,985,921.33
2046	27,998,206	18,916,164	9,082,042.50	142,067,963.83
2047	27,994,788	18,915,735	9,079,052.50	151,147,016.33
2048	0	16,363,820	(16,363,820.00)	134,783,196.33
2049	0	16,361,020	(16,361,020.00)	118,422,176.33
2050	0	16,362,020	(16,362,020.00)	102,060,156.33
2051	0	16,361,340	(16,361,340.00)	85,698,816.33
2052	0	16,365,488	(16,365,487.50)	69,333,328.83
2053	0	16,360,900	(16,360,900.00)	52,972,428.83
2054	0	16,362,410	(16,362,410.00)	36,610,018.83
2055	0	16,364,348	(16,364,347.50)	20,245,671.33
2056	0	16,361,210	(16,361,210.00)	3,884,461.33
2057	0	16,368,378	(16,368,377.50)	(12,483,916.17)
2058	0	16,368,295	(16,368,295.00)	(28,852,211.17)
2059	0	16,360,618	(16,360,617.50)	(45,212,828.67)
Totals	695,521,025	740,733,854	(45,212,828.7)	(45,212,828.7)
Net present value of difference			12,994,406.41	

Source: Data provided by
Concord Public Finance

Lehigh County Authority (City of Allentown Concession) Comparison of Existing and Resulting Debt Service



Source: Data provided by Concord Public Finance

MAJOR MILESTONES IN PLAN OF FINANCE

- LCA Board approval of Agreements
- Appraisal of existing Concessioned System
- Engineer's report reviewing proposed cash flows
- Municipal Bond Rating provided (August 12, 2020)
- Allentown City Council considers approval of Agreements (August 12, 2020)
- Obtain municipal bond insurance quotes – reduces LCA's cost of capital (August 13, 2020)
- Distribute Preliminary Official Statement (August 14, 2020)
- LCA Board considers passage of Borrowing Parameters Resolution (August 24, 2020)
- Bonds Priced and interest rates set (September 2, 2020)
- Settlement of Financing (September 17, 2020)
- LCA operates system under revised Agreements (October 1, 2020 rate effective date; January 1, 2021 other terms of agreement)

BORROWING PARAMETERS RESOLUTION (8/24/2020)

Board Chair, Vice Chair, CEO and CFO authorized to sign the Bond Purchase Agreement with Underwriter (scheduled for September 2) so long as the following parameters are met:

- ✓ Maximum borrowing amount – not greater than \$225,000,000.
- ✓ Maximum overall interest rate – not greater than 3.75%.

*It is anticipated the numbers will be lower.

- ▶ **Financial Advisor** – Concord Public Financial Advisors, Inc.
- ▶ **Bond Counsel** – McNees Wallace & Nurick LLC
- ▶ **Authority Counsel** – King, Spry, Herman, Freund & Faul LLC
- ▶ **Underwriters** –
 - ▶ RBC Capital Markets
 - ▶ Janney Montgomery Scott LLC
- ▶ **Underwriters' Counsel** – Stevens & Lee, P.C.
- ▶ **Bond Trustee** – M&T Bank
- ▶ **Authority Engineer** – Arcadis, U.S., Inc.
- ▶ **System Appraiser** -- AUS Consultants

FINANCING PARTICIPANTS

QUESTIONS / DISCUSSION

Thank you!

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