
City of Annapolis, Maryland



Capital Funding Strategies

February 14, 2011

UPDATE

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Member NYSE • FINRA • SIPC



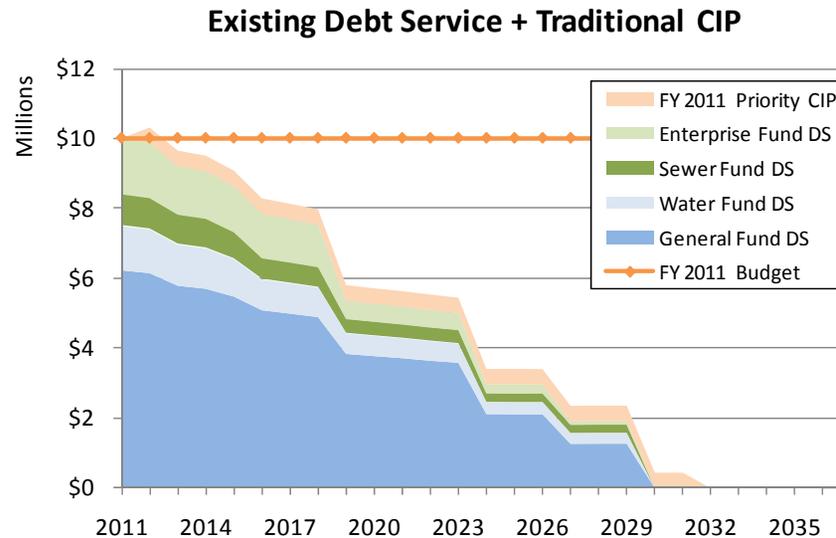
CASE ONE:
Traditional New Money Issuance

Case 1: Traditional New Money



- The City has traditionally issued 15-20 year debt amortized as Level Debt Service.
 - This structure has helped save the City considerable debt service compared to other like-rated credits.

- The following case assumes the FY 2011 Priority CIP Needs (\$6 million in total) are layered-in over 20 years with Level Debt Service.
 - CIP Debt Service starts in FY 2012.
 - Debt Service tops out at \$10.3 million in FY 2012 (which is \$300,000 above the FY 2011 Budget of \$10 million).



MADS:
(Max Annual Debt Service)

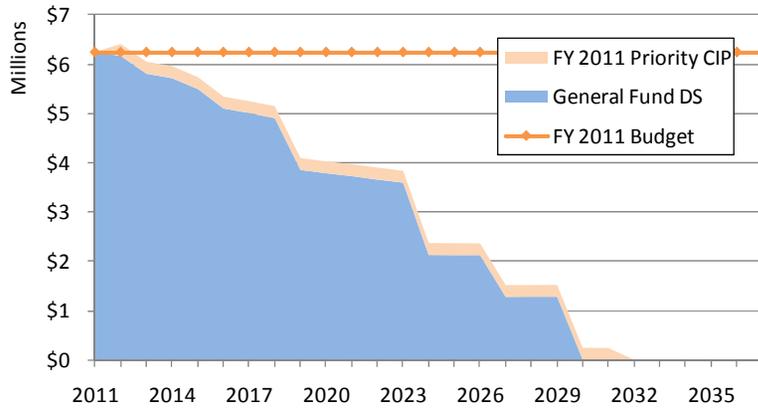
Case 1 (FY12)
\$10.3 million

Case 1: Debt Service Breakdown (by Fund)

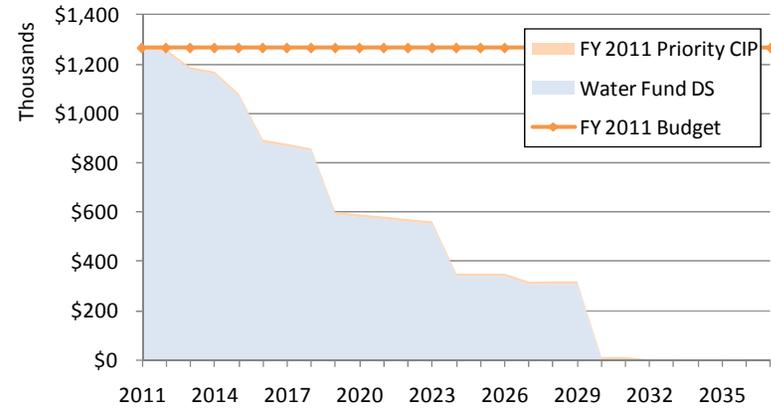


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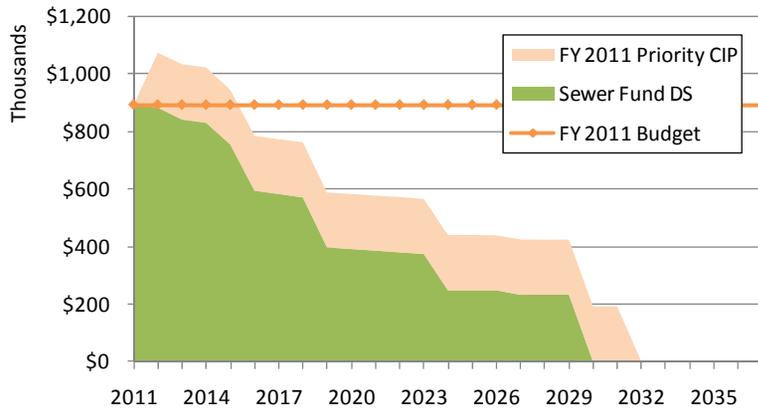
**General Fund
(Case 1)**



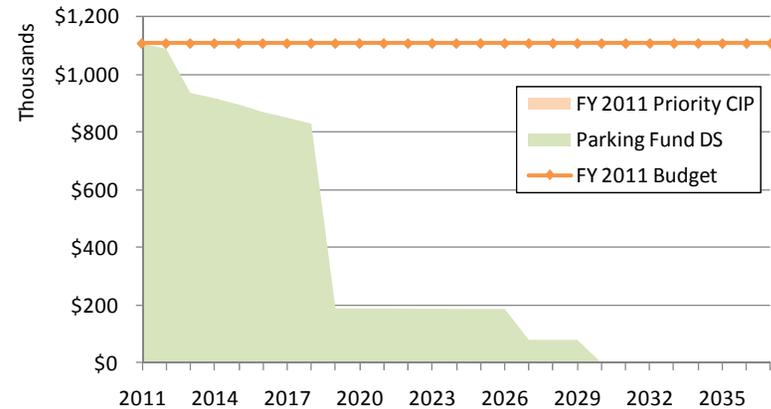
**Water
(Case 1)**



**Sewer
(Case 1)**



**Parking
(Case 1)**





CASE TWO:
Restructuring + New Money Issuance

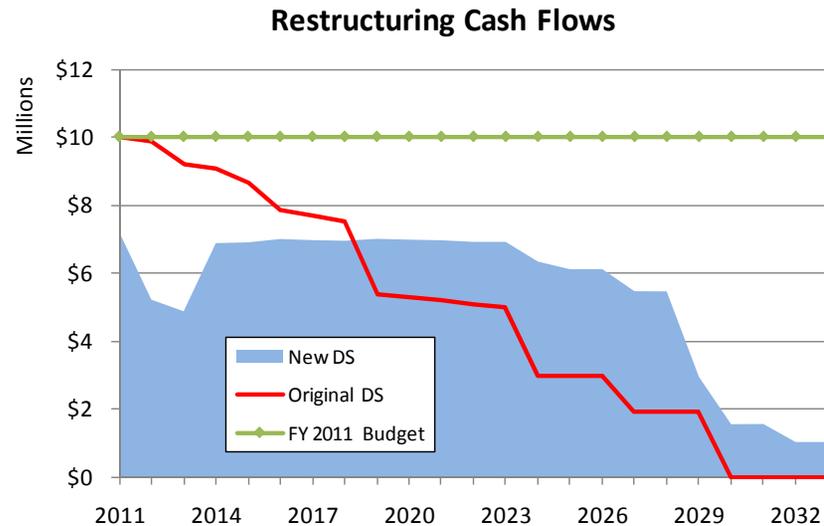
Case 2: Results of a Targeted Restructuring



City of Annapolis

- The City can strategically target a restructuring in order to carve out near-term debt service for cash flow savings, while smoothing overall debt levels and allowing for the implementation of the FY 2011 Priority CIP (and following CIP issues) in a more strategic and affordable fashion.
 - The restructuring, as envisioned, would refinance approximately \$30M of the \$84M outstanding (or just over one-third of the City’s debt profile).
 - Bond counsel to the City will need to sign off on certain matters.
 - General Fund is extended up to 5 years, W/S out to a 30 year final maturity, and Parking to 25 years.
 - From FY 2011 through FY 2018, the City can “free up” approximately **\$17.8 million** in cash flow relief compared to the existing debt payment schedule.
 - Starting in FY 2014, the restructured debt service will start to smooth out at approximately \$6.9 million per year (and stay at/below that level going forward).
 - All restructured debt service remains well below the FY 2011 Debt Service Budget of \$10 million.

Cash Flow Savings (mil \$)	
FY 2011	\$2.8
FY 2012	4.7
FY 2013	4.3
FY 2014	2.2
FY 2015	1.7
FY 2016	0.8
FY 2017	0.7
FY 2018	0.6
	\$17.8



MADS:

Existing DS (FY11)
\$10.0 million

Restructured DS (FY11)
\$7.2 million

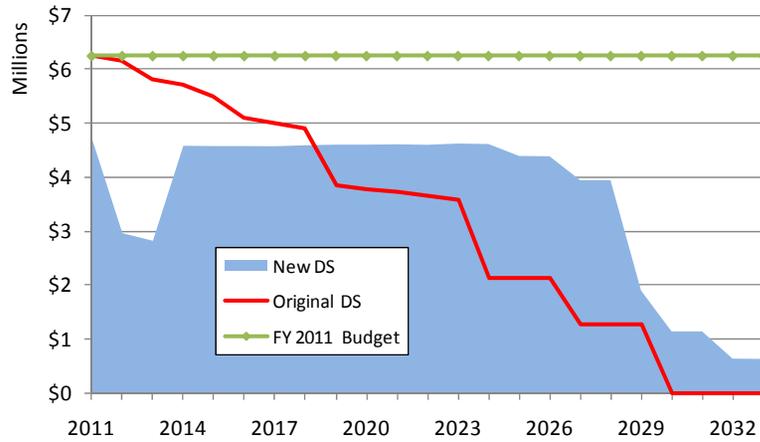
Note: PV cost of the restructuring is approximately \$1.9M as of 2/9/2011.

Case 2: Restructuring Results Only (by Fund)

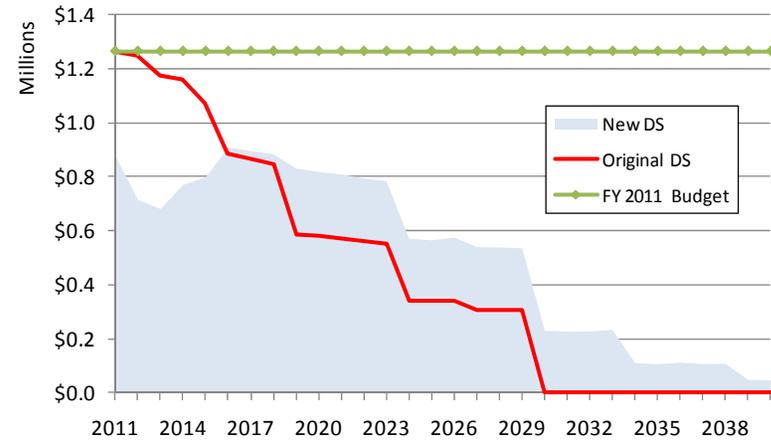


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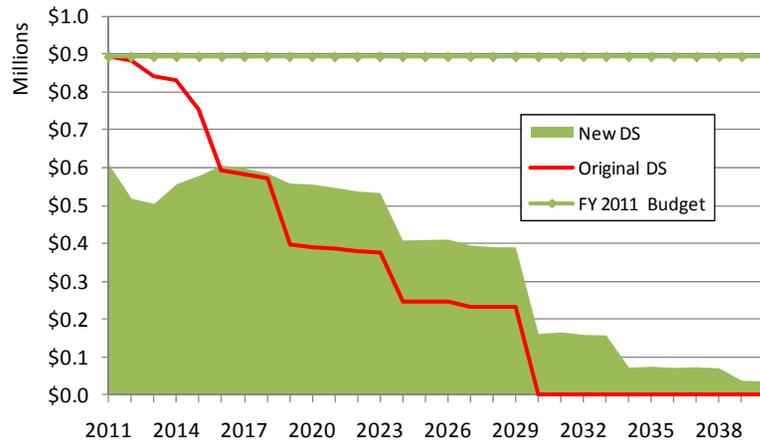
General Fund Restructuring



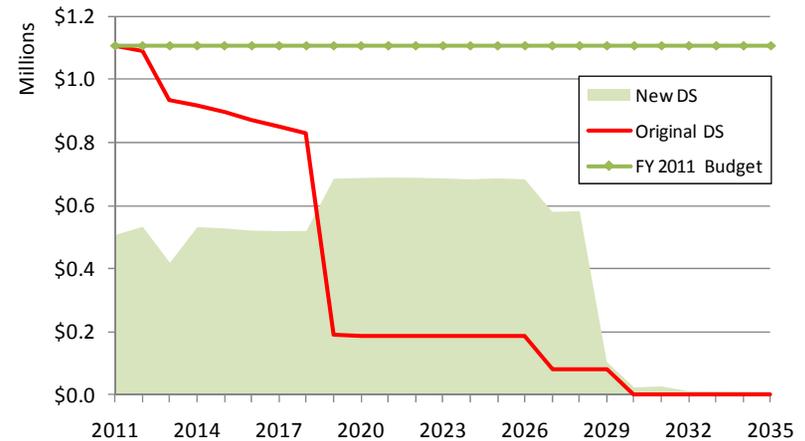
Water Restructuring



Sewer Restructuring



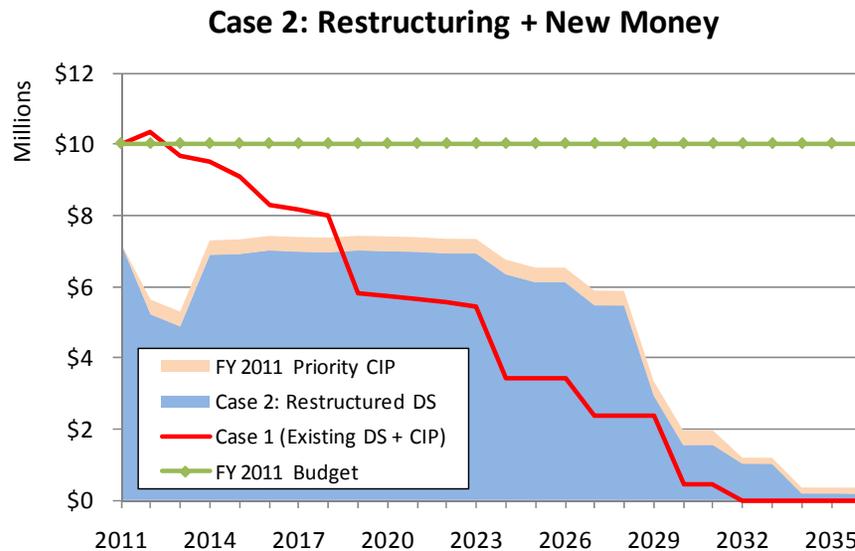
Parking Restructuring



Case 2: Restructuring + New Money



- Taking advantage of a restructuring and slightly more strategic new money amortizations than the City has used in the past (which should be more in line with the economic life of the projects), the City is able to:
 - Create near-term cash flow relief (\$17.8 million through FY18).
 - Reduce maximum annual debt service, inclusive of the FY 2011 Priority CIP Needs, from \$10.3 million (Case 1) to \$7.4 million (Case 2), which is a \$2.9 million reduction.
 - Push out the timing of the maximum annual debt service payment from FY12 (Case 1) to FY19 (Case 2).
- Case 2 includes additional cash flow strategies, such as varying amortizations for General Fund projects (20 years) versus Enterprise projects (30 years).



MADS:

Case 1 (FY 12)
\$10.3 million

Case 2 (FY 19)
\$7.4 million

Case 2: Restructuring + New Money (by Fund)



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