



Presentation to:



STIMULUS ACT OF 2009:

New Subsidized Financing Opportunities

Prepared by:

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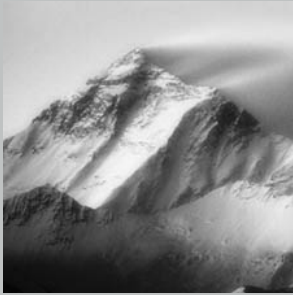
Oct. 19, 2009



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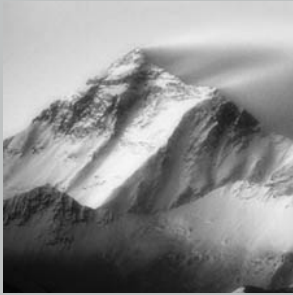
OVERVIEW



- The American Recovery & Reinvestment Act of 2009 (“ARRA” or the “Stimulus Act”)
 - Created funding programs that substantially lowers financing costs

- Three major programs:
 - Recovery Zone Economic Development Bonds (Taxable)
 - Recovery Zone Facility Bonds (Tax-Exempt)
 - Build America Bonds (Taxable)

RECOVERY ZONE BONDS



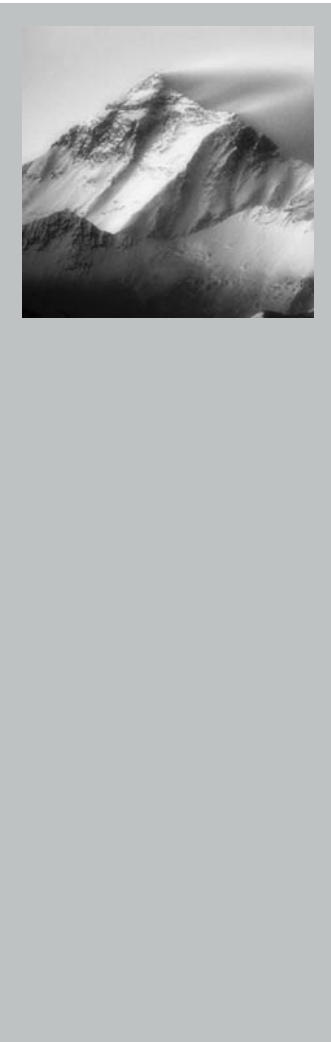
➤ **Recovery Zone Economic Development Bonds (RZED)**

- Taxable Bonds for Public Facility Financing
- Deep Subsidy – 45% subsidy of interest cost
- Limited issuance allocation - \$104.4MM in VA
- Project construction must use prevailing wage

➤ **Recovery Zone Facility Bonds (RZF)**

- Tax-Exempt Bonds for Private Development
- Limited issuance allocation - \$156.6MM in VA
- Project construction must use prevailing wage

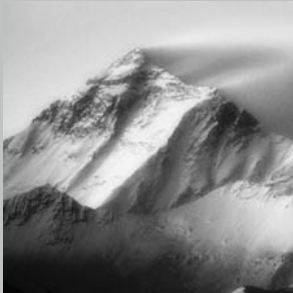
RECOVERY ZONE BONDS



➤ RZEDs & RZFs

- Federal program sunsets December 31, 2010
- Governor's Executive Order 94:
 - Notice of Intent due November 2, 2009
 - "Definite and binding financing commitment..." due December 15, 2009
 - Reallocation process begins for unused allocations
- VML/VACo:
 - Recovery Zone Bond Pool for Recovery Zone Economic Development Bonds
 - *Assembling list of shovel-ready projects to bring to Governor's Chief of Staff for new or additional RZED allocations*

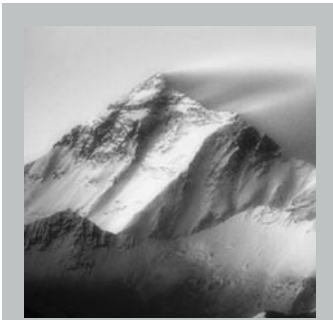
BUILD AMERICA BONDS



➤ **Build America Bonds (BABs)**

- Taxable bonds
- Public Facilities and Other Conventional Municipal Projects
- Limited Subsidy – 35% subsidy of interest cost
- Unlimited issuance allocation
- Federal program sunsets December 31, 2010

ECONOMIC BENEFIT OF SUBSIDIZED BONDS



- “AA” rated, \$5 million par amount per participant
- Current market rates
- 30-year term

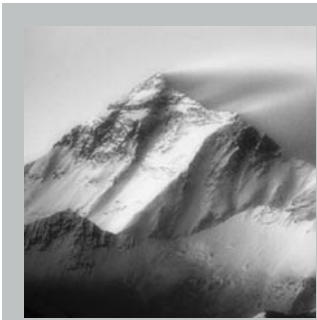
All-Inclusive Cost:

Financing Structure	All Inclusive Cost	All Inclusive Cost with RZED Subsidy (45%)	All Inclusive Cost with BAB Subsidy (35%)
Tax-Exempt	4.56%	N/A	N/A
Pooled Taxable Financing	5.94%	3.31%	3.89%

Interest Rate Savings:

Financing Structure	Gross Debt Service	Net Debt Service with RZED Subsidy (45%)	Net Debt Service with BAB Subsidy (35%)
Pooled Taxable Financing	+1.38%	-1.25%	-0.67%

ECONOMIC BENEFIT OF SUBSIDIZED BONDS



- “AA” rated, \$5 million par amount per participant
- Current market rates
- 30-year term

Estimated Debt Service:

Financing Structure	Gross Debt Service	Net Debt Service with RZED Subsidy (45%)	Net Debt Service with BAB Subsidy (35%)
Tax-Exempt	9,269,450	N/A	N/A
Pooled Taxable Financing	10,841,811	7,971,492	8,569,693

Debt Service Savings:

Financing Structure	Gross Debt Service	Net Debt Service with RZED Subsidy (45%)	Net Debt Service with BAB Subsidy (35%)
Pooled Taxable Financing	+1,572,361	(1,297,958)	(699,757)

ECONOMIC BENEFIT OF SUBSIDIZED BONDS



- “A” rated, \$5 million par amount per participant
- Current market rates
- 30-year term

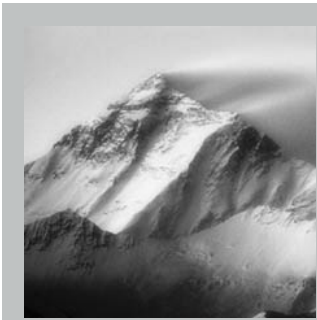
All-Inclusive Cost:

Financing Structure	All Inclusive Cost	All Inclusive Cost with RZED Subsidy (45%)	All Inclusive Cost with BAB Subsidy (35%)
Tax-Exempt	4.78%	N/A	N/A
Pooled Taxable Financing	6.38%	3.55%	4.17%

Interest Rate Savings:

Financing Structure	Gross Debt Service	Net Debt Service with RZED Subsidy (45%)	Net Debt Service with BAB Subsidy (35%)
Pooled Taxable Financing	+1.60%	-1.23%	-0.61%

ECONOMIC BENEFIT OF SUBSIDIZED BONDS



- “A” rated, \$5 million par amount per participant
- Current market rates
- 30-year term

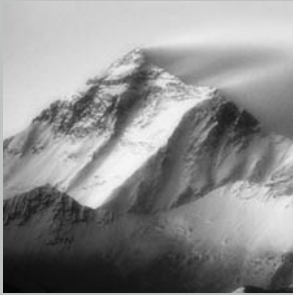
Estimated Debt Service:

Financing Structure	Gross Debt Service	Net Debt Service with RZED Subsidy (45%)	Net Debt Service with BAB Subsidy (35%)
Tax-Exempt	9,518,000	N/A	N/A
Pooled Taxable Financing	11,359,385	8,213,464	8,861,837

Debt Service Savings:

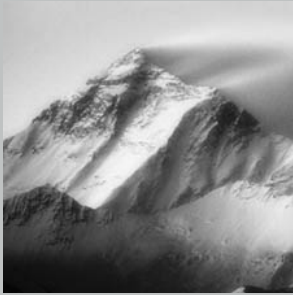
Financing Structure	Gross Debt Service	Net Debt Service with RZED Subsidy (45%)	Net Debt Service with BAB Subsidy (35%)
Pooled Taxable Financing	+1,841,385	(1,304,536)	(656,163)

THE TAXABLE MARKET



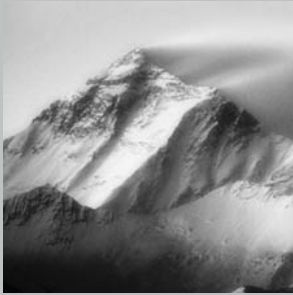
- Primarily institutional investors
- Larger issues are preferred due to perception of liquidity
- Major investors of taxable bonds are property & casualty insurance companies and life insurance companies
- BAB financings have been issued very successfully since April

COMBINATION TAX-EXEMPT & TAXABLE BOND STRUCTURE



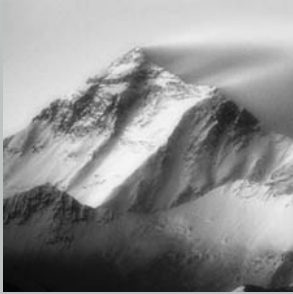
- For many issuers, RZED bond allocation is not large enough for meaningful projects
 - Hybrid structure accommodates projects of any size
- Taxable Bonds
 - Most efficient with \$10+ million maturities
 - Most efficient in maturities out 10+ years
- Tax-exempt Bonds are more efficient in earlier, serial maturities (years 1 – 10)

COMBINATION TAX-EXEMPT & TAXABLE BOND STRUCTURE



- The marketplace is readily accepting hybrid structures that include tax-exempt and taxable bonds.
- Mix between Tax-Exempt and Taxable Bonds (BABs & RZEDs) can be fine-tuned at the bond pricing.
- BABs and RZEDs should price same – only Federal subsidy is different

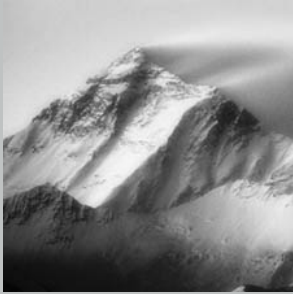
VML/VACo RECOVERY ZONE BOND POOL



Advantages:

- Improved market access for taxable bonds
- Benefits of larger, more liquid bond offerings
 - Up to 50bps (0.50%)
- Lower pooled costs of issuance – 2% limitation
- Streamlined legal documents
- Program is ready to go today – to meet deadlines of Executive Order 94

VML/VACo RECOVERY ZONE BOND POOL



Advantages:

- Local control of
 - Financing amount, borrowing terms, project to be financed, construction schedule
 - No cross-collateralization
- VML/VACo to handle paperwork for Federal subsidy payments
- Financing team expert in taxable – tax-exempt hybrid structures

PIPER JAFFRAY EXPERIENCE



Long-term Municipal New Issues:

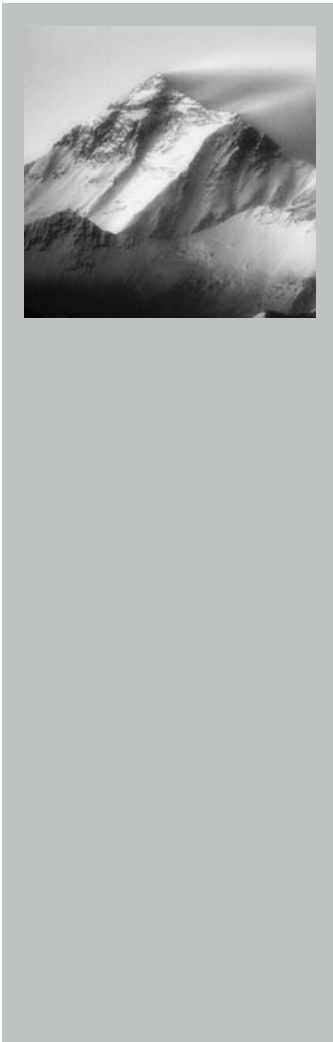
	Rank by #	#	Par (\$ millions)
2008	7	347	\$7,344
2009 1 st Half	5	229	\$5,672

Build America Bond Issues:

	Rank by #	#	Par (\$ millions)
2009 YTD	5	25	\$784

Source: Thomson Financial

BUILD AMERICA BONDS – PIPER JAFFRAY EXPERIENCE



Sale Date	Par Amount	Issuer	State
10/07/09	25,870,000	Pueblo Waterworks Board	CO
09/24/09	30,000,000	Mesa St College Board of Trustees	CO
09/24/09	7,850,000	Mitchell Co Pub Bldg Commission	KS
09/22/09	5,000,000	Jefferson Co (Dunklin) SD #R-V	MO
09/21/09	10,405,000	Columbia City-Missouri	MO
09/15/09	31,400,000	Kansas Development Fin Auth	KS
08/25/09	3,355,000	Truckee Public Financing Auth	CA
08/18/09	26,440,000	Ocean Co-New Jersey	NJ
08/17/09	4,300,000	Overland Park City-Kansas	KS
08/13/09	40,360,000	Kansas Development Fin Auth	KS
08/12/09	43,000,000	Minneapolis-St Paul Metro Council	MN
08/12/09	52,825,000	West Contra Costa USD	CA
08/10/09	19,820,000	Montgomery Co USD #446	KS
08/05/09	33,000,000	DuPage Co (Naperville) CUSD #203	IL
07/29/09	18,340,000	Shoreline City-Washington	WA
07/14/09	10,915,000	Half Moon Bay-California	CA
06/23/09	12,835,000	Western Washington University	WA
06/16/09	9,360,000	Menlo Park-California	CA
06/09/09	60,210,000	San Bernardino Comm College Dt	CA
06/02/09	63,200,000	Finney Co (Garden City) USD #457	KS
05/29/09	79,220,000	Eastern Michigan Univ Bd of Rgt	MI
05/26/09	9,275,000	St Paul City-Minnesota	MN
05/19/09	120,815,000	West Valley-Mission Comm Coll Dt	CA
05/07/09	12,000,000	Victor Valley Comm College Dt	CA
04/22/09	54,280,000	Riley Co (Manhattan) USD #383	KS
Total	\$ 784,075,000	25 Issues	