



Debt Overview

October 29, 2013



Debt Portfolio Synopsis

- County has approximately \$380,000,000 of outstanding debt service (principal and interest).
 - 19 Total Outstanding Series of Bonds/Notes/Loans
 - Principal - \$269,000,000 (approximately)
 - Interest + Fees - \$112,000,000 (approximately)
 - Fees include Standby Note Purchase Agreement fee, remarketing fee, S&P surveillance fee
- The liquidity facility rate on the 2006A bonds is currently undergoing renegotiation.

*Debt service numbers assume County pays portion of Series of 1997 LCCC and Series B of 2008

Annual Debt Service

- Prior to 2008, the County had a very uneven overall debt service structure.
- In 2008 and 2009 the County restructured existing debt to help create immediate budget relief as well as level out its total annual debt service payments.
- As a result of these restructurings, the County has eliminated most of the peaks and valleys in its debt service payments.
- Since then, the County has approved a debt policy that should be reviewed periodically.

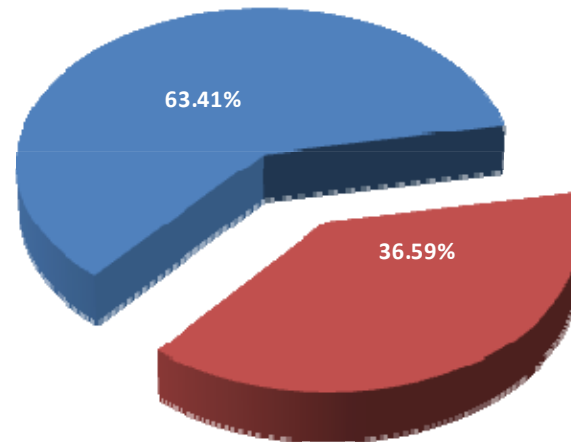
Fiscal Year Ended	Debt Service
12/31/2014	27,215,128*
12/31/2015	27,169,017
12/31/2016	27,633,952
12/31/2017	28,038,383
12/31/2018	27,968,822
12/31/2019	27,890,357
12/31/2020	27,805,671
12/31/2021	28,123,152
12/31/2022	27,610,772
12/31/2023	27,473,188
12/31/2024	27,335,227
12/31/2025	27,159,553
12/31/2026	26,981,748
12/31/2027	21,356,563
Totals	379,761,532

*Estimated Amount contingent on ongoing letter of credit fee renegotiation with J.P. Morgan and PNC Bank

Fixed Rate Versus Variable Rate Debt

COUNTY OF LUZERNE
OUTSTANDING DEBT (FIXED vs VARIABLE RATE)

Fixed Rate Bond Issues	
LCCC 1997	2,122,500
LCFPA 1998A	18,570,000
Series of 2002C	1,655,000
Series of 2003C	11,780,000
Series of 2005A	10,820,000
Series of 2006B	9,025,000
Series of 2006C	2,810,000
LCIDA 2008	16,530,000
Series of 2008A	42,340,000
Series of 2008B	10,232,500
Series of 2008C	3,845,000
Series of 2008D	1,730,000
Series of 2008E	1,790,000
Series of 2009 (Bonds)	5,180,000
Series of 2009 (Notes)	5,435,000
LCIDA 2009	18,985,000
LRDA Pennvest	592,000
PIB 2006	642,342
PIB 2009	231,775
Sub Total:	164,316,117
Variable Rate Bond Issues	
Series of 2004	4,180,000
LCIDA 2005	12,470,000
Series of 2006A	88,515,000
Sub Total:	105,165,000
TOTAL	269,481,117



■ Fixed Rate Bond Issues ■ Variable Rate Bond Issues

*Debt service numbers assume County pays portion of Series of 1997 LCCC and Series B of 2008

Series A of 2006- \$88,515,000

Standby Note Purchase Agreement Renegotiation

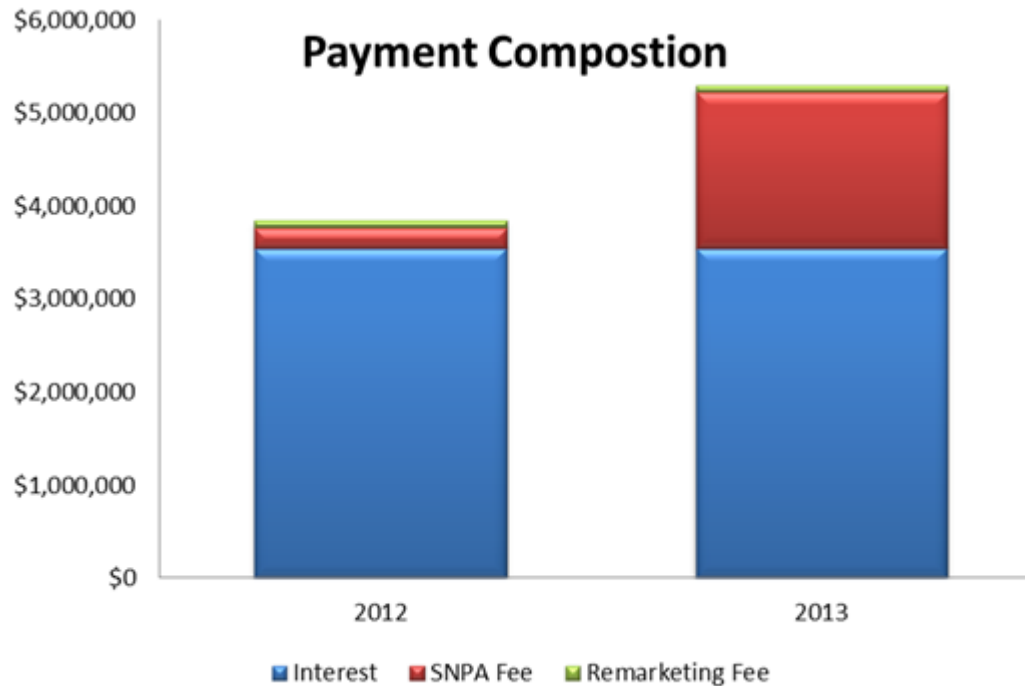


- In May of 2013, existing Standby Note Purchase Agreement (SNPA) of 0.25% expired
- Since May, renegotiations of SNPA have been ongoing with J.P. Morgan and PNC Bank
- Subsequent short-term extensions are in place until March 15, 2014 and have had a much higher rate of 2.80%
 - In 2012 SNPA cost was approximately \$222,000. In 2013 it will be higher at approximately \$1,700,000.
- The cost of the renegotiated SNPA with J.P. Morgan and PNC Bank is dependent on the results of the 2012 Audited Financials, 2013 Estimated Actual Financials, and the 2014 Budgeted Financials. Based on these, the cost could vary dramatically.

SNPA Fee	Estimated Annual Cost	Estimated Impact on Debt Service Payments	Banks Need To See
1.75%	\$1,550,000	\$0	Fiscally Sustainable Budget
2.00%	\$1,775,000	\$225,000	Fiscally Sustainable Budget
2.50%	\$2,215,000	\$665,000	Fiscally Sustainable Budget
2.80%	\$2,480,000	\$930,000	Fiscally Unsustainable Budget
3.00%	\$2,670,000	\$1,120,000	Fiscally Unsustainable Budget

Series A of 2006 Payments

- The Series A of 2006 budgeted payments are made up of 3 major components:
 - Fixed Interest rate: 4.0125% fixed for life
 - SNPA Fee: .25% (Prior to May 15, 2013) – currently 2.80% in 2013
 - Remarketing Fee: .08% fixed for life



* Estimated

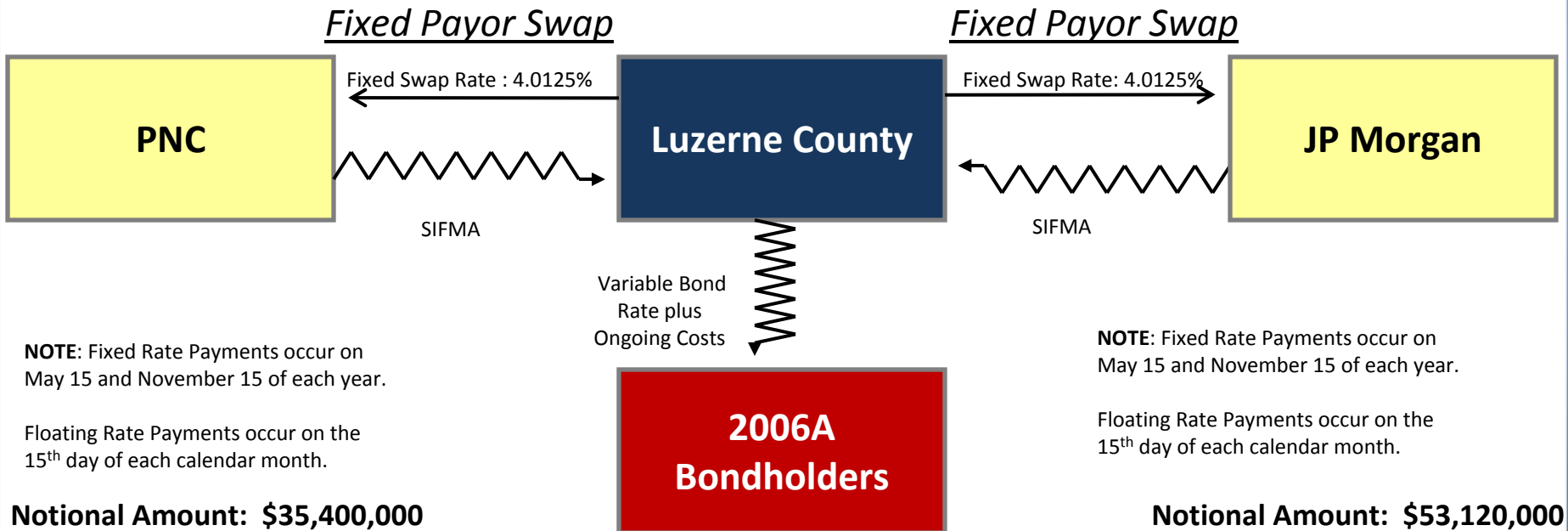
G.O. Notes, Series of 2006A – Fixed Payor Swap

Luzerne County, Pennsylvania

Report as of 10/21/2013

Snapshot	Accrued Interest	MTM Value
10/21/2013	(\$1,537,928.95)	(\$14,788,135.69)

Client						Snapshot	Accrued Interest	MTM Value			
Luzerne County, Pennsylvania (4)						10/21/2013	(\$1,537,928.95)	(\$14,788,135.69)			
Name	Product	Client Pays	Client Receives	Trade Date	Effective Date	Maturity Date	MTM Value	Bank Counterparty	Moody's	S&P	Fitch
LUZERNE20061	Swap	4.01250%	SIFMA Swap Index	11/21/2006	12/14/2006	11/15/2026	(\$8,874,224.73)	JPMorgan Chase Bank, N.A.	Aa3	A+	A+
LUZERNE20061	Swap	4.01250%	SIFMA Swap Index	11/21/2006	12/14/2006	11/15/2026	(\$5,913,910.96)	PNC Bank, National Association	A2	A	A+



Potential Refinancing Opportunities

- If the County had an investment grade credit rating, it would present multiple refunding opportunities.
- An investment grade rating could also trigger a release of all or a portion of the 2008A&B reserve fund; approximately \$6 million. The amount would be at the discretion of bond insurer, Assured Guaranty Municipal.

MOODY'S DESCRIPTION OF RATINGS		
Investment Grade	Aaa	Strongest
	Aa1/Aa2/Aa3	Very Strong
	A1/A2/A3	Above-Average
	Baa1/Baa2/Baa3	Average
Below Investment Grade	Ba1/Ba2/Ba3	Below-Average
	B1/B2/B3	Weak
	Caa1/Caa2/Caa3	Very Weak
	Ca	Extremely Weak
	C	Weakest

S&P DESCRIPTION OF RATINGS		
Investment Grade	AAA	Strongest
	AA+/AA/AA-	Very Strong
	A+/A/A-	Above-Average
	BBB+/BBB/BBB-	Average
Below Investment Grade	BB+/BB/BB-	Below-Average
	B+/B/B-	Weak
	CCC+/CCC/CCC-	Very Weak
	CC	Extremely Weak
	C	Weakest

Call Status

Bond Issue	Purpose	Proceeds	Outstanding Par Amount	Optional Redemption Date	Call Status
LCCC 1997	New Money / Refunding	\$16,730,000 *	2,122,500	8/15/2007	Currently Refundable
LCFPA 1998A	Advance Refund 1996 Bonds	\$21,834,295	18,570,000	7/15/2008	Currently Refundable
Series of 2002C	Fund Workers Compensation Insurance Reserve	\$4,885,339	1,655,000	8/15/2008	Currently Refundable
Series of 2003C	Advance Refund 1995A & 1997 Bonds	\$21,040,000	11,780,000	Non-Callable	Non-Callable
Series of 2004	Fund Unfunded Debt / Capital Projects of County The Acquisition of Leased Premises (Moon Lake Park)	\$16,718,450	4,180,000	Anytime	Currently Refundable
LCIDA 2005	Pay Portion of Unfunded Liability of Pension Trust Fund	\$12,500,000 *	12,470,000	Anytime	Currently Refundable
Series of 2005A	Advance Refund 2002 A&B Bonds & 2003 A&D Bonds	\$10,201,531	10,820,000	12/15/2014	12/15/2014
Series of 2006A	Currently Refund 1995B & Second Series of 2001 and Advance Refund 2003B	\$86,139,740	88,515,000	Anytime	Currently Refundable
Series of 2006B	Refund a Portion of 2003C, 2000A, 2000B / Fund Portion of Unfunded Pension	\$9,609,970	9,025,000	Non-Callable	Non-Callable
Series of 2006C		\$5,461,945 (Refunding) \$4,200,000 (Pension)	2,810,000	Non-Callable	Non-Callable
LCIDA 2008	The Lease of Leased Premises (Moon Lake Park) Fund Capital Improvements / Capital Improvements of Community College	\$19,265,000 *	16,530,000	6/15/2018	6/15/2018
Series of 2008A	Fund Capital Improvements / Capital Improvements of Community College	\$34,399,368	42,340,000	6/15/2018	Advance Refundable
Series of 2008B	Unfunded Debt	\$19,771,128	10,232,500	6/15/2018	Advance Refundable
Series of 2008C	Debt Restructuring of 2003C & 2005A Bonds	\$5,046,544	3,845,000	Non-Callable	Non-Callable
Series of 2008D	Debt Restructuring of 2006C Bonds	\$1,385,307	1,730,000	11/1/2018	11/1/2018
Series of 2008E	Debt Restructuring of 2000A, 2002C, 2003C, 2005A & 2008A Bonds	\$1,650,980	1,790,000	11/1/2018	11/1/2018
Bonds of 2009	Debt Restructuring of 2006A & 2006C Notes	\$4,975,972	5,180,000	11/1/2019	11/1/2019
Notes of 2009	Acquire Leasehold Interest in Leased Premises (Water Street Parkade & Bernard Brominski Building)	\$4,860,144	5,435,000	11/1/2019	11/1/2019
LCIDA 2009		\$19,000,000 *	18,985,000	12/15/2019	12/15/2019
LRDA Penn Vest	New Money	\$794,650	592,000	Anytime	
PIB 2006	New Money	\$1,920,000	642,342	Anytime	
PIB 2009	New Money	\$318,169	231,775	Anytime	
			Currently Refundable	128,978,617	
			Advance Refundable	52,572,500	
			Noncallable	27,460,000	
			Non Advance Refundable	60,470,000	
			Total Principal Outstanding	269,481,117	

Deficits

- The County has historically either run large deficits or utilized one time funding measures such as bond issues/refundings to balance its budget
- Credit rating agencies (and creditors) want to see a surplus

Year	General Fund Surplus (Deficit)
2006	(-\$13,025,751)
2007	(-\$13,674,477)
2008	\$5,018,263
2009	\$12,764,423
2010	(-\$5,619,014)
2011	(-\$6,490,973)

All surpluses as a result of debt issues/restructurings

*Surplus/Deficit numbers taken from Audited Financial Statements

Steps to Investment Grade Rating

The following steps would be a essential for the County to achieve the goal of an investment grade credit rating:

1. 2013 calendar year ending with *balanced budget* or an *operating surplus* with a goal of building a general fund reserve
2. Adopting *realistic* and *sustainable* 2014 budget
3. Prepare and file an unqualified *on time* audit for 2013 by September 30, 2014.
4. Show strong progress after implementing the new Home Rule structure, including organizational reforms with *positive financial impact*
5. Prepare a viable multi-year financial projection that shows the County's ability to deliver balanced budgets *even under stressed conditions* within the 8 percent property tax cap