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COUNTY OF ERIE

DAVID J. SHENK
COMPTROLLER

August 31, 2012

Erie County Legislature
92 Franklin Street
Buffalo, New York 14202

Hon. Mark Poloncarz
Erie County Executive
95 Franklin Street
Buffalo, New York 14202

Re: Report of Secured Funds relating to 2012 Capital Borrowing (2012 Consolidated Bond Resolution)

Dear Honorable Members and County Executive Poloncarz:

Pursuant to the Erie County Charter, Article 19, this correspondence serves as notice that Erie County (the "County") closed on its 2012 capital borrowing on August 14, 2012; i.e., General Obligation Public Improvement Bonds, Series 2012A (the "2012A Bonds"). The purpose of this correspondence is to review the pricing and sale of the 2012A Bonds.

BOND STRUCTURE FOR 2012 BONDS

The proceeds of the 2012 Bonds are being issued for the purposes of (1) providing funds to finance approved capital improvement project within the County and (2) paying certain costs of issuance in connection with the issuance of the 2012A Bonds.

At closing on August 14, 2012 the project funding in the amount of $23,987,689.04 was delivered to the County's General Account for the County's Series 2012A GO Bonds. Funds will be distributed from the County's General Account to each designated project as specified in Attachment A.

The 2012A Bonds are structured as fixed rate tax-exempt general obligation serials bonds maturing April 1, 2014 through and including April 1, 2026. Bonds maturing on or after April 1, 2022 are callable at par plus accrued interest.

MARKETING OF THE 2012A BONDS

Interest rates across the credit market continue to decline allowing debt issuers access to cheaper financing. In conjunction with absolute yield decreases, credit spreads narrowed over the previous two months.

On Thursday morning, August 2, 2012 solid domestic economic news was presented but it was overshadowed by Mario Draghi, President of the European Central Bank, who released comments highlighting the willingness of the ECB to do "whatever it takes" to deliver economic strength to the European Union. Overall, the market deemed the comments fairly weak causing a rally in the Treasury market, leading to strong demand for investment grade credit products throughout the market.

The 2012A Bonds were sold through an aggressive and well-timed negotiated sale process on August 2, 2012 with Citigroup ("Citi") as the senior manager and M&T Securities, Inc. and Ramirez & Co. serving as co-managers in the transaction. In addition, seven other financial firms served as selling agents to optimize the bond sale process. Overall, the County, in collaboration with its bond counsel, Citi, the co-managers, the seven selling agents and First Southwest Company, employed a successful strategy for the bond sale. Citi began the order period on August 2 at 9:00am EDT and solicited orders until 11:30am EDT.

The transaction was strong throughout the morning with significant investor demand, especially for the longer dated maturities. Ultimately, the final All-in True Interest Cost was 2.73903%, resulting in a cost that was lower than anticipated.

CONCLUSION

Based upon the County's senior underwriter's, financial advisor's and my review of the market and our involvement in the sale, we conclude that the County received the

highest price (i.e., lowest yields) for the 2012A Bonds that was available in the marketplace on the date of sale; this was an ideal time to go to market. The County was able to price the 2012A Bonds in the market with an aggressive all-in-cost of 2.739031% (All-In TIC). By comparison, the 20 Bond Buyer General Obligation Index on the day of pricing was at 3.66%.

The All-In TIC rate includes the following:

Par Value: Principal Amount of Series 2012A Bonds		$ 20,960,000.00
	+Premium	3,244,665.65
	-Underwriter's Discount	(95,686.61)
	-Costs of Issuance Expense	(121,290.00)
	Total Value	$ 23,987,689.04
	Yield	2.739031%

Attachment A lists the projects for which the capital borrowing is occurring, Attachment B contains the costs associated with the borrowing, and Attachment C outlines the repayment schedule of the 2012A Bonds.

If you have any questions regarding this correspondence, please contact Lorne Steinhart, Deputy Comptroller of my office at 858-8400.

Respectfully submitted,

David J. Shenk
Erie County Comptroller

DJS/nr
Attachments

Cc: Robert W. Keating, Director of Budget and Management
Erie County Fiscal Stability Authority

ATTACHMENT A

Erie County, NY
Capital Borrowing for 2012 Consolidated Bond Resolution
List of Projects

2011 Buffalo Zoo Polar Bear Exhibit
2012 Rehabilitation of Ralph Wilson Stadium
2012 Bridge & Road Reconstruction Projects - Fed
2012 Preservation of Roads Construction
2012 Erie Community College Equipment
2012 FEMA Road Construction
2012 Countywide Code & Environmental Compliance
2012 Countywide Parks Improvements and Equipment
2012 Countywide Mechanical/Electrical/Plumbing Improvement
2012 Large Vehicle Replacement Program
2012 Akron Falls Valley Service Road Bridge Replacement
2012 Dam Safety and Preservation Reconstruction
2012 Preservation Bridges & Culverts Construction
2012 Countywide Highway Facility Building Improvement
2012 Countywide Roof Replacement/Exterior Waterproofing
2012 Erie County Morgue and Toxicology Improvement
2012 Niagara Convention Center Rehabilitation
2012 Shelter, Building & Comfort Station Replacement
2012 Roads, Pathways and Parking Lot Repair
2012 Black Rock Canal Park Improvements
2012 Public Safety Campus-Redundant A/C for 911
2012 FEMA Projects/Road Design
2012 FEMA Projects/Road Right-of-Way
2012 Burdick Road Right-of-Way

ATTACHMENT B

Erie County, NY
Costs Associated with 2012 Capital Borrowing
Underwriter's Discount and Costs of Issuance

1. Underwriter's Discount relating to General Obligation Bonds, Series 2012A

Underwriter's Discount	$/1000	Amount
Average Takedown (underwriters' sales commission)	3.00000	$62,880.00
Mintz Levin/Underwriter's Counsel	0.95420	20,000.00
Out-of-Pocket (reimbursement of expenses)	0.12405	2,600.00
Dayloan	0.02800	586.88
NetRoadshow (marketing of bonds leading to bond sale)	0.35782	7,500.00
CUSIP	0.01823	382.00
Dalcomp (system charge for pricing wires)	0.08291	1,737.73
Total	**4.56520**	**$95,686.61**

2. Costs of Issuance Expense relating to General Obligation Bonds, Series 2012A

Cost of Issuance	$/1000	Amount
Fitch Ratings/Rating Agency	0.71565	$15,000.00
Moody's Investors Service/Rating Agency	0.73950	15,500.00
Standard & Poor's/Rating Agency	0.71565	15,000.00
First Southwest Company/Financial Advisor	1.43130	30,000.00
Hiscock & Barclay/Bond Counsel	1.19275	25,000.00
BoNY Mellon/Trustee (County's paying agent)	0.02385	500.00
Carter, Ledyard & Milburn, LLC/Trustee's Counsel	0.04771	1,000.00
Imagemaster (printing/e-distribution of POS/OS)	0.06155	1,290.00
Drescher & Malecki, LLP/Auditor	0.69179	14,500.00
Contingency (Misc amt to account for addtl fees)	0.16698	3,500.00
Total	**5.78674**	**$121,290.00**

ATTACHMENT C

Erie County, NY
Repayment Schedule for 2012 Capital Borrowing

BOND DEBT SERVICE

County of Erie, New York
General Obligation Bonds
Public Improvement Serial Bonds
Series 2012A

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
04/01/2013			578,219.44	578,219.44	
10/01/2013			458,500.00	458,500.00	
12/31/2013					1,036,719.44
04/01/2014	1,265,000	2.000%	458,500.00	1,723,500.00	
10/01/2014			445,850.00	445,850.00	
12/31/2014					2,169,350.00
04/01/2015	1,290,000	2.000%	445,850.00	1,735,850.00	
10/01/2015			432,950.00	432,950.00	
12/31/2015					2,168,800.00
04/01/2016	1,320,000	3.000%	432,950.00	1,752,950.00	
10/01/2016			413,150.00	413,150.00	
12/31/2016					2,166,100.00
04/01/2017	1,370,000	4.000%	413,150.00	1,783,150.00	
10/01/2017			385,750.00	385,750.00	
12/31/2017					2,168,900.00
04/01/2018	1,425,000	4.000%	385,750.00	1,810,750.00	
10/01/2018			357,250.00	357,250.00	
12/31/2018					2,168,000.00
04/01/2019	1,490,000	5.000%	357,250.00	1,847,250.00	
10/01/2019			320,000.00	320,000.00	
12/31/2019					2,167,250.00
04/01/2020	1,565,000	5.000%	320,000.00	1,885,000.00	
10/01/2020			280,875.00	280,875.00	
12/31/2020					2,165,875.00
04/01/2021	1,645,000	5.000%	280,875.00	1,925,875.00	
10/01/2021			239,750.00	239,750.00	
12/31/2021					2,165,625.00
04/01/2022	1,730,000	5.000%	239,750.00	1,969,750.00	
10/01/2022			196,500.00	196,500.00	
12/31/2022					2,166,250.00
04/01/2023	1,820,000	5.000%	196,500.00	2,016,500.00	
10/01/2023			151,000.00	151,000.00	
12/31/2023					2,167,500.00
04/01/2024	1,915,000	5.000%	151,000.00	2,066,000.00	
10/01/2024			103,125.00	103,125.00	
12/31/2024					2,169,125.00
04/01/2025	2,010,000	5.000%	103,125.00	2,113,125.00	
10/01/2025			52,875.00	52,875.00	
12/31/2025					2,166,000.00
04/01/2026	2,115,000	5.000%	52,875.00	2,167,875.00	
12/31/2026					2,167,875.00
	20,960,000		8,253,369.44	29,213,369.44	29,213,369.44