



County of Erie

MARK C. POLONCARZ
COMPTROLLER

August 12, 2011

Honorable Members
Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, NY14202

Re: Results of 2011 Revenue Anticipation Note RFP

Dear Honorable Members:

As noted in my letter to your Honorable Body dated July 28, 2011, upon adoption of the 2011 Revenue Anticipation Note ("RAN") Resolution, my office promptly issued a Request for Proposals ("RFP") to solicit statements from qualified financial institutions interested in serving as purchaser, placement agent and/or underwriter with responses due by August 5, 2011. Our office received nine (9) responses to the RAN RFP from the following respondents:

- Bank of America/Merrill Lynch;
- Sterne Agee;
- Siebert Brandford Shank & Co., LLC;
- JPMorgan Chase Bank;
- Citigroup Global Markets Inc.;
- Ramirez & Co., Inc.;
- Edward Jones;
- Jefferies & Company, Inc.; and
- M&T Securities, Inc.

Our office also received the proposed pricing schedule for the Erie County Fiscal Stability Authority ("ECFSA") to issue a Bond Anticipation Note through its underwriter, Roosevelt & Cross ("R&C"), on behalf of the County in which the County would issue a similar priced note to ECFSA. This transaction would be comparable to past mirror transactions the two parties have performed. ECFSA's proposal was priced as if the note would have a term of one (1) year, while all other proposals were priced for a six (6) to nine (9) month term, as is standard for our Office's usual RAN issuance.

Results of 2011 Revenue Anticipation Note RFP

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First Southwest Company (“FSC”), the County’s fiscal advisor, assisted our office in the analysis of these responses. The advantage of having FSC as the County’s fiscal advisor is, in addition to offering standard fiscal advisor services, FSC is also a full service underwriter with its own underwriting desk and the ability to make accurate comparisons of responses.

FSC and our office concur that the three (3) best proposals were received from M&T Securities, Inc. (“M&T”), JPMorgan Chase (“JP”) and the ECFSA/R&C (adjusted based on its proposal and current market rates to a similar shorter term). In fact, in the event the County obtains a Moody’s Investment Grade 1 (“MIG-1”) rating, the best and least expensive proposal was submitted by M&T. Chart 1 below describes the major differences between proposals:

Chart 1: Analysis of 3 Best RAN Proposals

Par	<u>M&T</u> \$90 million	<u>JP Morgan</u> \$90 million	<u>ECFSA</u> (Roosevelt and Cross) \$90 million
All-in Tic	0.68%	1.10%	0.74%
Type of Sale	Public	Direct Purchase	Public
Transaction Costs	\$189,370	\$50,000	\$215,267
Rating	MIG-1	None	MIG-1

The differences between the three proposals are: (1) M&T and ECFSA/R&C both propose a public sale of a rated RAN and (2) JP proposes to directly purchase the County’s note without a rating. As a result of these differences, the interest rate related to the JP purchase would be more expensive than M&T and ECFSA/R&C, but the transactional costs would be significantly less, thereby making its total costs comparable to the M&T and ECFSA/R&C proposals.

In comparing the M&T and ECFSA/R&C proposals, M&T’s proposal is less expensive than ECFSA/R&C’s proposal in both interest rate and transactional costs. The transactional costs are less expensive as there is no duplication of costs associated with the mirror transaction. As stated, the M&T proposal assumes the County receives a MIG-1 rating. Our Office and FSC believe the County is eligible to receive a MIG-1 rating. However, as we have not priced a rated note in many years, until we apply for and receive the rating from Moody’s we cannot be certain that the rating would be received. Application and issuance of a rating would take at least two (2) to three (3) weeks.

Results of 2011 Revenue Anticipation Note RFP

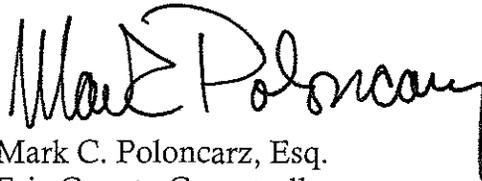
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The JP proposal does not require a rating. As such, we assert with certainty that the total costs associated with its proposal are comparable to the ECFSA/R&C proposal. Attached please find the individual comparison runs for the M&T, JP and ECFSA/R&C proposals.

If you have any questions, please do not hesitate to contact me.

Sincerely yours,

A handwritten signature in black ink that reads "Mark C. Poloncarz". The signature is written in a cursive, flowing style.

Mark C. Poloncarz, Esq.
Erie County Comptroller

MCP/nr
Encl.

Cc: Hon. Christopher C. Collins (w/encl.)
Erie County Fiscal Stability Authority (w/encl.)
Steven J. Kantor (w/out encl.)
C. Todd Miles, Esq. (w/out encl.)

SOURCES AND USES OF FUNDS

Erie County RANs, Series 2011
 M&T Securities
 Assumes Issued by the County with MIG 1 Rating

Dated Date 09/30/2011
 Delivery Date 09/30/2011

Sources:

Bond Proceeds:	
Par Amount	89,370,000.00
Premium	821,310.30
	90,191,310.30

Uses:

Project Fund Deposits:	
Project Fund	90,000,000.00
Cost of Issuance:	
Other Cost of Issuance	100,000.00
Underwriter's Discount:	
Other Underwriter's Discount	89,370.00
Other Uses of Funds:	
Additional Proceeds	1,940.30
	90,191,310.30

BOND SUMMARY STATISTICS

**Erie County RANs, Series 2011
M&T Securities
Assumes Issued by the County with MIG 1 Rating**

Dated Date	09/30/2011
Delivery Date	09/30/2011
First Coupon	04/15/2012
Last Maturity	04/15/2012
Arbitrage Yield	0.300603%
True Interest Cost (TIC)	0.483987%
Net Interest Cost (NIC)	0.488000%
All-In TIC	0.689598%
Average Coupon	2.000000%
Average Life (years)	0.542
Duration of Issue (years)	0.542
Par Amount	89,370,000.00
Bond Proceeds	90,191,310.30
Total Interest	968,175.00
Net Interest	236,234.70
Bond Years from Dated Date	48,408,750.00
Bond Years from Delivery Date	48,408,750.00
Total Debt Service	90,338,175.00
Maximum Annual Debt Service	90,338,175.00
Average Annual Debt Service	166,778,169.23
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	1.000000
Total Underwriter's Discount	1.000000
Bid Price	100.819000

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bond	89,370,000.00	100.919	2.000%	0.542
	89,370,000.00			0.542

	TIC	All-In TIC	Arbitrage Yield
Par Value	89,370,000.00	89,370,000.00	89,370,000.00
+ Accrued Interest			
+ Premium (Discount)	821,310.30	821,310.30	821,310.30
- Underwriter's Discount	-89,370.00	-89,370.00	
- Cost of Issuance Expense		-100,000.00	
- Other Amounts			
Target Value	90,101,940.30	90,001,940.30	90,191,310.30
Target Date	09/30/2011	09/30/2011	09/30/2011
Yield	0.483987%	0.689598%	0.300603%

BOND PRICING

Erie County RANs, Series 2011
M&T Securities
Assumes Issued by the County with MIG 1 Rating

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bond:	04/15/2012	89,370,000	2.000%	0.300%	100.919
		89,370,000			

Dated Date	09/30/2011		
Delivery Date	09/30/2011		
First Coupon	04/15/2012		
Par Amount	89,370,000.00		
Premium	821,310.30		
Production	90,191,310.30	100.919000%	
Underwriter's Discount	-89,370.00	-0.100000%	
Purchase Price	90,101,940.30	100.819000%	
Accrued Interest			
Net Proceeds	90,101,940.30		

BOND DEBT SERVICE

**Erie County RANs, Series 2011
M&T Securities
Assumes Issued by the County with MIG 1 Rating**

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
04/15/2012	89,370,000	968,175	90,338,175	90,338,175
	89,370,000	968,175	90,338,175	90,338,175

PROOF OF ARBITRAGE YIELD

**Erie County RANs, Series 2011
M&T Securities
Assumes Issued by the County with MIG 1 Rating**

Date	Debt Service	Present Value to 09/30/2011 @ 0.3006031%
04/15/2012	90,338,175.00	90,191,310.30
	90,338,175.00	90,191,310.30

Proceeds Summary

Delivery date	09/30/2011
Par Value	89,370,000.00
Premium (Discount)	821,310.30
Target for yield calculation	90,191,310.30

SOURCES AND USES OF FUNDS

**Erie County RANs, Series 2011
Erie County Fiscal Stability Authority
Proposed Note Transaction**

Dated Date 09/30/2011
Delivery Date 09/30/2011

Sources:

Bond Proceeds:	
Par Amount	89,755,000.00
Premium	460,443.15
	90,215,443.15

Uses:

Project Fund Deposits:	
Project Fund	90,000,000.00
Cost of Issuance:	
Cost of Issuance of Notes	80,000.00
FA Fee for Mirror Bonds	10,000.00
Counsel Fee for Mirror Bonds	40,000.00
	130,000.00
Underwriter's Discount:	
Other Underwriter's Discount	85,267.25
Other Uses of Funds:	
Additional Proceeds	175.90
	90,215,443.15

BOND SUMMARY STATISTICS

Erie County RANs, Series 2011
 Erie County Fiscal Stability Authority
 Proposed Note Transaction

Dated Date	09/30/2011
Delivery Date	09/30/2011
First Coupon	04/15/2012
Last Maturity	04/15/2012
Arbitrage Yield	0.301358%
True Interest Cost (TIC)	0.476269%
Net Interest Cost (NIC)	0.478308%
All-in TIC	0.743556%
Average Coupon	1.250000%
Average Life (years)	0.542
Duration of Issue (years)	0.542
Par Amount	89,755,000.00
Bond Proceeds	90,215,443.15
Total Interest	607,716.15
Net Interest	232,540.25
Bond Years from Dated Date	48,617,291.67
Bond Years from Delivery Date	48,617,291.67
Total Debt Service	90,362,716.15
Maximum Annual Debt Service	90,362,716.15
Average Annual Debt Service	166,823,475.97
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	0.950000
Total Underwriter's Discount	0.950000
Bid Price	100.418000

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bond	89,755,000.00	100.513	1.250%	0.542
	89,755,000.00			0.542

	TIC	All-In TIC	Arbitrage Yield
Par Value	89,755,000.00	89,755,000.00	89,755,000.00
+ Accrued Interest			
+ Premium (Discount)	460,443.15	460,443.15	460,443.15
- Underwriter's Discount	-85,267.25	-85,267.25	
- Cost of Issuance Expense		-130,000.00	
- Other Amounts			
Target Value	90,130,175.90	90,000,175.90	90,215,443.15
Target Date	09/30/2011	09/30/2011	09/30/2011
Yield	0.476269%	0.743556%	0.301358%

BOND PRICING

**Erie County RANs, Series 2011
Erie County Fiscal Stability Authority
Proposed Note Transaction**

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bond:	04/15/2012	89,755,000	1.250%	0.300%	100.513
		89,755,000			

Dated Date	09/30/2011		
Delivery Date	09/30/2011		
First Coupon	04/15/2012		
Par Amount	89,755,000.00		
Premium	460,443.15		
Production	90,215,443.15	100.513000%	
Underwriter's Discount	-85,267.25	-0.095000%	
Purchase Price	90,130,175.90	100.418000%	
Accrued Interest			
Net Proceeds	90,130,175.90		

BOND DEBT SERVICE

**Erie County RANs, Series 2011
Erie County Fiscal Stability Authority
Proposed Note Transaction**

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
04/15/2012	89,755,000	607,716.15	90,362,716.15	90,362,716.15
	89,755,000	607,716.15	90,362,716.15	90,362,716.15

PROOF OF ARBITRAGE YIELD

**Erie County RANs, Series 2011
Erie County Fiscal Stability Authority
Proposed Note Transaction**

Date	Debt Service	Present Value to 09/30/2011 @ 0.3013581%
04/15/2012	90,362,716.15	90,215,443.15
	90,362,716.15	90,215,443.15

Proceeds Summary

Delivery date	09/30/2011
Par Value	89,755,000.00
Premium (Discount)	460,443.15
Target for yield calculation	90,215,443.15

SOURCES AND USES OF FUNDS

Erie County RANs, Series 2011
JP Morgan Direct Purchase
Assumes all in rate of 1.10%

Dated Date 09/30/2011
Delivery Date 09/30/2011

Sources:

Bond Proceeds:	
Par Amount	90,000,000.00
	<hr/>
	90,000,000.00

Uses:

Project Fund Deposits:	
Project Fund	90,000,000.00
	<hr/>
	90,000,000.00

BOND SUMMARY STATISTICS

**Erie County RANs, Series 2011
JP Morgan Direct Purchase
Assumes all in rate of 1.10%**

Dated Date	09/30/2011
Delivery Date	09/30/2011
First Coupon	04/15/2012
Last Maturity	04/15/2012
Arbitrage Yield	1.099748%
True Interest Cost (TIC)	1.099748%
Net Interest Cost (NIC)	1.100000%
All-In TIC	1.099748%
Average Coupon	1.100000%
Average Life (years)	0.542
Duration of Issue (years)	0.542
Par Amount	90,000,000.00
Bond Proceeds	90,000,000.00
Total Interest	536,250.00
Net Interest	536,250.00
Bond Years from Dated Date	48,750,000.00
Bond Years from Delivery Date	48,750,000.00
Total Debt Service	90,536,250.00
Maximum Annual Debt Service	90,536,250.00
Average Annual Debt Service	167,143,846.15
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bond	90,000,000.00	100.000	1.100%	0.542
	90,000,000.00			0.542

	TIC	All-In TIC	Arbitrage Yield
Par Value	90,000,000.00	90,000,000.00	90,000,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense			
- Other Amounts			
Target Value	90,000,000.00	90,000,000.00	90,000,000.00
Target Date	09/30/2011	09/30/2011	09/30/2011
Yield	1.099748%	1.099748%	1.099748%

BOND PRICING

Erie County RANs, Series 2011
 JP Morgan Direct Purchase
 Assumes all in rate of 1.10%

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bond:	04/15/2012	90,000,000	1.100%	1.100%	100.000
		90,000,000			

Dated Date	09/30/2011		
Delivery Date	09/30/2011		
First Coupon	04/15/2012		
Par Amount	90,000,000.00		
Original Issue Discount			
Production	90,000,000.00	100.000000%	
Underwriter's Discount			
Purchase Price	90,000,000.00	100.000000%	
Accrued Interest			
Net Proceeds	90,000,000.00		

BOND DEBT SERVICE

Erie County RANs, Series 2011
 JP Morgan Direct Purchase
 Assumes all in rate of 1.10%

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
04/15/2012	90,000,000	536,250	90,536,250	90,536,250
	90,000,000	536,250	90,536,250	90,536,250

PROOF OF ARBITRAGE YIELD

**Erie County RANs, Series 2011
 JP Morgan Direct Purchase
 Assumes all in rate of 1.10%**

Date	Debt Service	Present Value to 09/30/2011 @ 1.0997485%
04/15/2012	90,536,250.00	90,000,000.00
	90,536,250.00	90,000,000.00

Proceeds Summary

Delivery date	09/30/2011
Par Value	90,000,000.00
Target for yield calculation	90,000,000.00