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ERIE COUNTY COMPTROLLER

HON. STEFAN I. MYCHAJLIW

June 24, 2020

Honorable Erie County Legislators
Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Re: Revenue Anticipation Note

Dear Honorable Members,

Please be advised that Erie County is issuing a Revenue Anticipation Note (RAN) for \$125 million, with a closing date scheduled for tomorrow, June 25, 2020. As per section 1802I this is formal notification of the action. Please see attached for complete details of the transaction. The RAN will assist Erie County in addressing cash shortfalls that are, in part, a result of the economic impact from COVID-19.

As your honorable body is aware, my office did not see the need to conduct a RAN last year because of the considerable sales tax revenue generated by a strong economy. However, Erie County anticipated sales tax collections for 2020 to be approximately \$491 million, and crafted a spending plan for this fiscal year with those amounts budgeted. Because sales tax collections will not meet those levels, but Erie County taxpayers are still relying on the services, programs, and infrastructure work that the revenue would have funded, Erie County found it necessary to issue a RAN.

Erie County anticipates collecting revenue due us from the state and federal government for various programs and services that we are then reimbursed for. Once those funds are received, they will be set aside for repayment of the Revenue Anticipation Note. However, it should be noted that with the RAN we anticipate a cash decrease for this fiscal year of 3.46%. Without the Revenue Anticipation Note that figure would be 10.8%.

The federal government has allocated \$160 million to Erie County to help with COVID-only related expenses. In other words, those funds cannot go towards any spending that was already planned for in the 2020 budget.

The need for a RAN comes when bills come due before anticipated revenue comes in. While FEMA reimbursements and the CARES Act funding of \$160 million will likely over the COVID expenses. However, there is still a loss in revenue from what was budgeted for in 2020.

Erie County went to market for RAN issuance one week after New York State and was able to secure a better rate than the state, despite New York State's higher credit rating. I believe that is a strong indicator that we are on sound financial footing with the markets and is proof that we needed a timely deficit declaration. This allowed the administration to develop a plan, and subsequently allowed the County to prepare to go to Wall Street and get the best rate possible.

The fact that the County was able to receive this favorable rate is a tribute to the hard work by the team that I put together. Hilltop Securities, the County's fiscal advisor, Jefferies and TD Securities, the underwriters for this transaction. Harris Beach PLLC, the County's bond counsel, Hodgson Russ LLP, the underwriter's Counsel, as well as my staff, the County Attorney, Director of Budget and Management and all others that participated in this very successful transaction.

Erie County benefits from strong financial management and we should do bond sales soon to begin some of the many needed infrastructure projects this year. That will also help to jump start the local economy.

I realize you face some difficult budget decisions, including managing salary and benefit costs within your honorable body, as well as in Erie County departments. There continues to be volatility in some areas, and a larger than historical use of fund balance. In addition, I am certain the deficit plan passed recently by your honorable body will also direct much of your decision making going forward. I hope this letter provides you some guidance. As always, I am happy to answer any questions you have relative to the issuance of the Revenue Anticipation Note.

Sincerely,



STEFAN I. MYCHAJLIW
Erie County Comptroller

CC: Hon. Mark Poloncarz, Erie County Executive
ECFSA
Robert Keating, Erie County Budget Director

Enclosure

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County of Erie, New York
Revenue Anticipation Notes - 2020

-- Priced on 6/17/2020 --

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SOURCES AND USES OF FUNDS

County of Erie, New York
Revenue Anticipation Notes - 2020

-- Priced on 6/17/2020 --

Dated Date 06/25/2020
Delivery Date 06/25/2020

Sources:

Bond Proceeds:	
Par Amount	125,000,000.00
Premium	3,100,000.00
	<hr/>
	128,100,000.00

Uses:

Project Fund Deposits:	
Project Fund	127,797,043.29
Delivery Date Expenses:	
Cost of Issuance	105,000.00
Underwriter's Discount	<hr/> 197,956.71
	302,956.71
	<hr/>
	128,100,000.00

BOND SUMMARY STATISTICS

County of Erie, New York
Revenue Anticipation Notes - 2020

-- Priced on 6/17/2020 --

Dated Date	06/25/2020
Delivery Date	06/25/2020
First Coupon	06/24/2021
Last Maturity	06/24/2021
Arbitrage Yield	0.500054%
True Interest Cost (TIC)	0.655585%
Net Interest Cost (NIC)	0.671898%
All-In TIC	0.738228%
Average Coupon	3.000000%
Average Life (years)	0.997
Duration of Issue (years)	0.997
Par Amount	125,000,000.00
Bond Proceeds	128,100,000.00
Total Interest	3,739,583.33
Net Interest	837,540.04
Total Debt Service	128,739,583.33
Maximum Annual Debt Service	128,739,583.33
Average Annual Debt Service	129,098,189.41
Underwriter's Fees (per \$1000)	
Average Takedown	1.250000
Other Fee	0.333654
Total Underwriter's Discount	1.583654
Bid Price	102.321635

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Revenue Anticipation Notes, 2020	125,000,000.00	102.480	3.000%	0.997	12,500.00
	125,000,000.00			0.997	12,500.00

	TIC	All-In TIC	Arbitrage Yield
Par Value	125,000,000.00	125,000,000.00	125,000,000.00
+ Accrued Interest			
+ Premium (Discount)	3,100,000.00	3,100,000.00	3,100,000.00
- Underwriter's Discount	-197,956.71	-197,956.71	
- Cost of Issuance Expense		-105,000.00	
- Other Amounts			
Target Value	127,902,043.29	127,797,043.29	128,100,000.00
Target Date	06/25/2020	06/25/2020	06/25/2020
Yield	0.655585%	0.738228%	0.500054%

BOND PRICING

County of Erie, New York
 Revenue Anticipation Notes - 2020

-- Priced on 6/17/2020 --

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Revenue Anticipation Notes, 2020:	06/24/2021	125,000,000	3.000%	0.500%	102.480
		125,000,000			

Dated Date	06/25/2020	
Delivery Date	06/25/2020	
First Coupon	06/24/2021	
Par Amount	125,000,000.00	
Premium	3,100,000.00	
Production	128,100,000.00	102.480000%
Underwriter's Discount	-197,956.71	-0.158365%
Purchase Price	127,902,043.29	102.321635%
Accrued Interest		
Net Proceeds	127,902,043.29	

BOND DEBT SERVICE

County of Erie, New York
Revenue Anticipation Notes - 2020

-- Priced on 6/17/2020 --

Period Ending	Principal	Coupon	Interest	Debt Service
06/24/2021	125,000,000	3.000%	3,739,583.33	128,739,583.33
	125,000,000		3,739,583.33	128,739,583.33

AVERAGE TAKEDOWN

County of Erie, New York
Revenue Anticipation Notes - 2020

-- Priced on 6/17/2020 --

Dated Date 06/25/2020
Delivery Date 06/25/2020

Bond Component	Maturity Date	Par Amount	Takedown \$/Bond	Takedown Amount
Revenue Anticipation Notes, 2020:	06/24/2021	125,000,000	1.2500	156,250
		125,000,000	1.2500	156,250

UNDERWRITER'S DISCOUNT

County of Erie, New York
 Revenue Anticipation Notes - 2020

 -- Priced on 6/17/2020 --

Underwriter's Discount	\$/1000	Amount
Average Takedown	1.25000	156,250.00
Underwriter's Counsel	0.24000	30,000.00
DAC Fee	0.00221	276.00
DTC Fee	0.00280	350.00
CUSIP Fee	0.00227	284.00
iPreo (i.e., Wires, Order Entry, Dalnet, etc.)	0.07216	9,020.29
Day Loan	0.01421	1,776.42
	1.58365	197,956.71

COST OF ISSUANCE

County of Erie, New York
Revenue Anticipation Notes - 2020

-- Priced on 6/17/2020 --

Cost of Issuance	\$/1000	Amount
Cost of Issuance	0.84	105,000.00
	0.84	105,000.00

PROOF OF ARBITRAGE YIELD

County of Erie, New York
Revenue Anticipation Notes - 2020

-- Priced on 6/17/2020 --

Date	Debt Service	Present Value to 06/25/2020 @ 0.5000535170%
06/24/2021	128,739,583.33	128,100,000.00
	128,739,583.33	128,100,000.00

Proceeds Summary

Delivery date	06/25/2020
Par Value	125,000,000.00
Premium (Discount)	3,100,000.00
Target for yield calculation	128,100,000.00

FORM 8038 STATISTICS

County of Erie, New York
Revenue Anticipation Notes - 2020

-- Priced on 6/17/2020 --

Dated Date = 06/25/2020
Delivery Date 06/25/2020

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Revenue Anticipation Notes, 2020:						
	06/24/2021	125,000,000.00	3.000%	102.480	128,100,000.00	125,000,000.00
		125,000,000.00			128,100,000.00	125,000,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	06/24/2021	3.000%	128,100,000.00	125,000,000.00		
Entire Issue			128,100,000.00	125,000,000.00	0.9972	0.5001%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	302,956.71
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00