

# COUNTY OF DAUPHIN

Commonwealth of Pennsylvania

## CURRENT MARKET OPPORTUNITY

April 16, 2014



**Susquehanna Group Advisors**

Jay Wenger  
Managing Director  
(717) 561-8089 ext. 5002  
*[jwenger@susgrp.com](mailto:jwenger@susgrp.com)*

John Hewlett  
Director  
(717) 561-8089 ext. 5030  
*[jbewlett@susgrp.com](mailto:jbewlett@susgrp.com)*

# Overview

- The County's total non-electoral debt outstanding is currently \$108,552,723, all of which is currently outstanding at a fixed interest rate.
- The County currently has two outstanding swap agreements:
  - 1.) 2015 Swap: \$20,330,000 Notional / Effective May 15, 2015 / County Pays 2.252% / Receives 70% 3mo LIBOR;
  - 2.) 2016 Swap: \$14,405,000 Notional / Effective May 15, 2016 / County Pays 2.403% / Receives 70% 3mo LIBOR.
- The County's total lease rental debt outstanding is currently \$233,823,283, of which \$165,625,503 is deemed self-liquidating.
- One of the lease rental debt issues that is not self-liquidating is the LCSWMA Guaranteed Authority Bonds, Series B of 2013 (the "2013B Bonds") in the principal amount of \$24,000,000.
  - The fixed rate on the 2013B Bonds is 5.00%. The County is obligated to pay 4.00%.
  - The maturity date of the 2013B Bonds is December 15, 2033, at which time the entire principal amount is due.
- In connection with the 2013B Bonds, the County has the opportunity to execute a fixed receiver swaption in order to:
  - 1.) Potentially convert its fixed rate obligation to a floating rate; and
  - 2.) Receive an upfront cash payment.

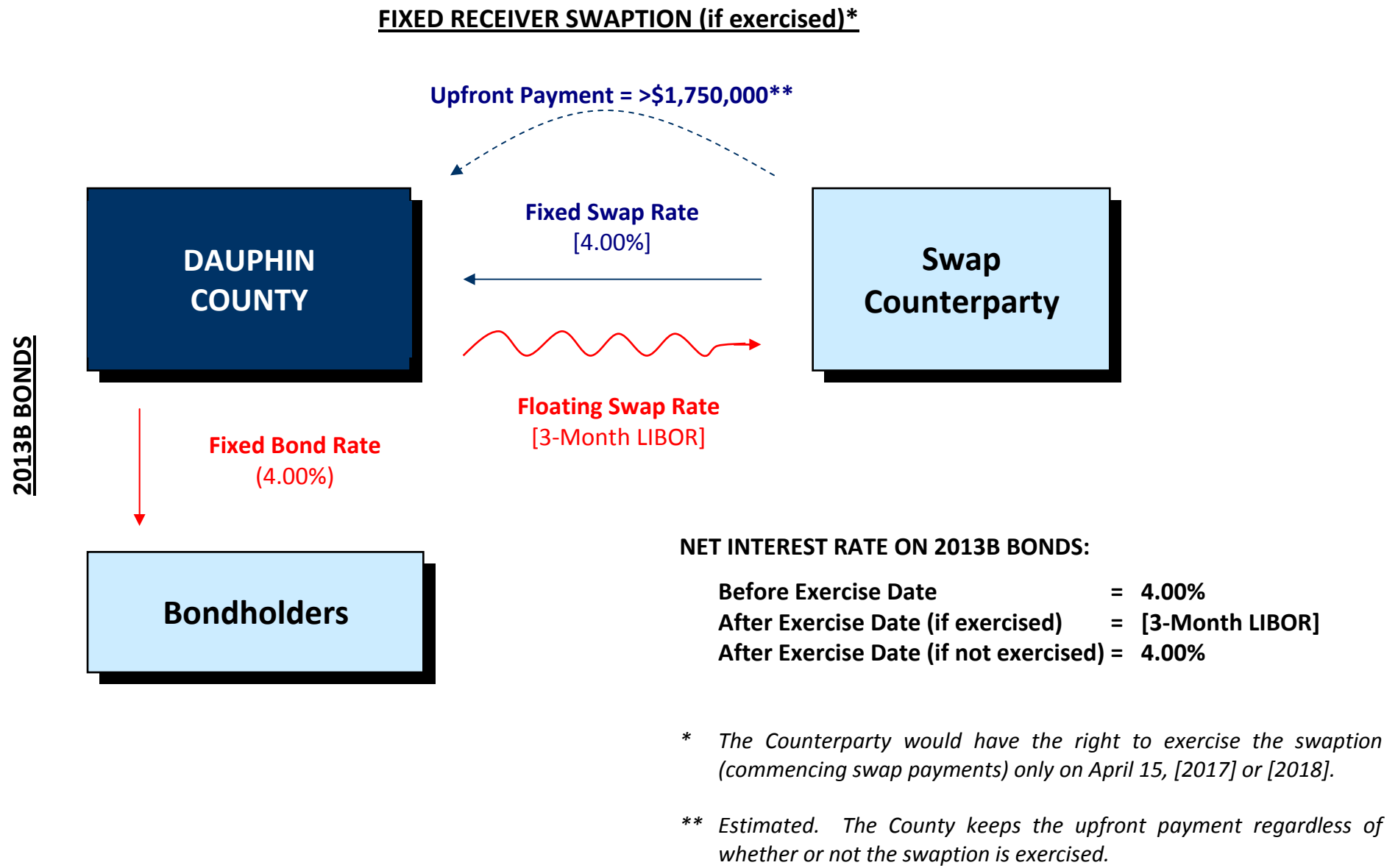
# Fixed Receiver Swaption Opportunity

- By executing a fixed receiver swaption, the County would potentially convert its fixed rate obligation under the 2013B Bonds to a floating rate (on a future date) by selling an option to a swap counterparty (for the right to commence swap payments) in exchange for a cash payment today.
- Terms:
  - Exercise (Effective) Date: April 15, [2017] or [2018] (European-style option)
  - County Receives: Fixed (Strike) Rate of [4.00%] (only if exercised, commencing on the exercise date)
  - County Pays: Floating Rate [3-month LIBOR] (only if exercised, commencing on the exercise date)
  - Upfront Payment: [>\$1,750,000] depending on final structure and market conditions on execution date.

*\* If exercised by the counterparty on the exercise date, the exchange of swap payments commences. If not exercised, the County keeps the upfront payment and no additional payments are exchanged.*

- The proposed floating swap rate [3-Month LIBOR] is currently 0.236%.
  - 10-year average = 2.042%                      - 10-year maximum = 5.725%
  - 20-year average = 3.301%                      - 20-year maximum = 6.851%
- Key risks include:
  - 1.) Interest Rate Risk      2.) Termination Risk      3.) Counterparty Risk      4.) Event Risk
- The County previously executed three (3) fixed receiver swaptions in 2007 with a combined notional amount of \$40,055,000 and a combined upfront payment to the County of \$1,001,000. The swaptions expired in 2012 without being exercised, at which point the County was released from all future obligations.

# Fixed Receiver Swaption Opportunity



# County's Swap History

## TERMINATED SWAPS

<u>Description</u>	<u>Notional</u>	<u>Trade Date</u>	<u>Termination Date</u>	<u>Upfront Payment</u>	<u>Swap Cashflow</u>	<u>Termination Payment to County (Net)</u>	<u>Final Net Benefit/(Cost) to County</u>
1. 2002A Fixed Receiver Swaption	11,150,000	4/29/2004	3/16/2007	860,701	-	(349,000)	511,701
2. 2005B Fixed Receiver Swaption	12,465,000	4/29/2004	2/22/2007	867,264	-	(342,500)	524,764
3. 2005C Fixed Receiver Swaption	11,320,000	4/29/2004	3/16/2007	875,535	-	(355,000)	520,535
4. 2004D Basis Swap	14,805,000	9/22/2005	10/16/2012	-	295,000	118,500	413,500
5. 2008 Fixed Payer Swap (1)	16,865,000	6/8/2006	4/13/2010	-	-	(632,472)	(632,472)
6. 2004D Constant Maturity Swap	13,960,000	8/9/2006	2009	-	-	290,000	290,000
7. 2006 Constant Maturity Swap	16,450,000	8/10/2006	2009	-	-	352,000	352,000
8. 2008 Range Accrual Swap I	11,110,000	3/21/2008	1/21/2009	-	74,000	163,000	237,000
9. 2008 Range Accrual Swap II	30,685,000	3/21/2008	1/21/2009	-	132,000	255,000	387,000
10. 2009 Basis Swap	45,040,000	1/21/2009	8/7/2009	-	68,000	1,250,000	1,318,000
11. 2011 Basis Swap	45,040,000	2/2/2011	10/16/2012	-	275,000	353,500	628,500
12. 2005B Fixed Receiver Swaption	6,600,000	9/13/2007	11/15/2012	164,950	-	-	164,950
13. 2005C Fixed Receiver Swaption	16,975,000	9/13/2007	11/15/2012	424,200	-	-	424,200
14. 2011 Fixed Receiver Swaption	16,480,000	9/13/2007	11/15/2012	411,850	-	-	411,850
<b>TOTAL NET BENEFIT OF TERMINATED SWAPS:</b>							<b>5,551,528</b>

## OUTSTANDING SWAPS

<u>Description</u>	<u>Notional</u>	<u>Trade Date</u>	<u>Termination Date</u>	<u>Upfront Payment</u>	<u>Swap Cashflow</u>	<u>Termination Payment to County (Net)</u>	<u>Final Net Benefit/(Cost) to County</u>
1. 2015 Fixed Payer Swap	20,330,000	11/15/2011	-	-	-	-	-
2. 2016 Fixed Payer Swap	14,405,000	11/16/2011	-	-	-	-	-

(1) Swap cashflow offset by floating rate bond payments; net termination payment equals actual termination payment (\$2,363,500) less net PV savings from 2010D bond issue (\$1,731,028).