

FRAZER LANIER

Overview of Debt Issuance + Market Update



PRESENTED BY:



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DIAMOND LEVEL SPONSOR

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Table of Contents

Frazer Lanier: pp.3-11
Bonds vs Warrants: p.12
Steps taken by a BOE to Issue Debt: pp.13-14
Preparation of Official Statement: p.15
Rating Process: p.16
Rating Agencies and Insurance Companies: p.17
Rating Scales: p.18
Financial Management Assessment (S&P): p.19
Tuscaloosa City Board of Education: pp.20-21
Insurance: p.22
Sale of Debt: p.23
Closing of Debt Issue: p.24
Continuing Disclosure: pp.25-26
Audits: p.27
Market Update: p.28

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The Frazer Lanier Company is an investment banking firm. With over 250 years of combined experience and an outstanding record, the company clearly demonstrates that there is strength in numbers.

Our firm is dedicated solely to new and refinancing of existing debt from small to large issuances. Since 1976, our Alabama owned company has served as an investment banker to cities, counties, states, local boards and agencies throughout the State. During each calendar year 2019-2023 our firm ranked #1 in Alabama underwritings according to Thompson Reuters.

Our main office is located at 300 Water Street, Montgomery, Alabama. We also have bankers strategically located in Birmingham, Florence, Tuscaloosa and Mobile.

John Mazyck (Montgomery)

Tamika Reed (Montgomery)

Brian Spear (Montgomery)

Andy Waid (Montgomery)

Bob Young (Montgomery)

Johnny Dill (Florence)

Lee Garrison (Tuscaloosa)

David Langham (Mobile)

Jason Grubbs (Birmingham)

Lance Hyché (Birmingham)

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Robert H. Young, Jr. graduated from the public schools of Selma, Alabama, and from Auburn University with a Bachelor of Science degree in 1971. After serving in the United States Army, he entered the investment banking field in 1972 and joined The Frazer Lanier Company in 1976. Mr. Young has served as a member of the Auburn University Business School Advisory Committee, and as a Committeeman and Vice-Chairman on the District V Business Conduct Committee of the National Association of Securities Dealers.

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Prior to joining The Frazer Lanier Company, **Tamika H. Reed** was a staff attorney for the Alabama Education Association (AEA). During her twelve-year journey with the AEA she served as the Executive Assistant to the Associate Executive Secretary and was later promoted to Legal Advisor for the organization.

Tamika received her Bachelor of Science in Psychology from Xavier University in New Orleans, Louisiana, her Master of Arts in Educational and Counseling Psychology from the University of Missouri at Columbia and her Juris Doctorate from the University of Dayton School of Law. She was admitted to the Alabama State Bar in 2008.

Tamika was nominated by Governor Kay Ivey to serve on the Alabama Women's Tribute Statue Commission. She is chairperson of the Montgomery Health and Wellness Task Force and the 100 Women Strong Committee. She serves on The Montgomery Academy Board of Trustees and the Hugh Maddox Inn of Court. She is a member of the Montgomery, Alabama chapters of The Links, Incorporated, Delta Sigma Theta Sorority, Incorporated and Jack and Jill of America, Incorporated. Tamika is a native of New Orleans, but has lived in Montgomery, AL with her husband Steven since 2006. They have three children – Kyla, Joe Klein and Karsten.

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Johnny Dill is a graduate of the University of Alabama School of Business. He was a member of the All-SEC Academic Team and played basketball on the 1974 and 1975 SEC championship teams. In 1975, he was selected to serve as a Co-Captain. Following graduation, Mr. Dill has been involved solely in municipal financing.

Mr. Dill has been directly responsible for developing financings for a number of cities and their utility systems. Additionally, he has structured and managed various financings for airport authorities, boards of education and institutions of higher learning. Mr. Dill has also participated in several major projects with the State of Alabama.

Throughout his career, Mr. Dill has been involved in numerous business and civic organizations including: President of the A Club Alumni Association, Member of the Colbert County Sports Hall of Fame, Omicron Delta Kappa (National Leadership Honor Society), Executive Vice President District 1 University of Alabama National Alumni Association, the Board of Trustees Riverhill School, the National Association of Security Dealers, the Board of Trustees Montreat Home and Selections Committee Member of the University of Alabama Business Hall of Fame. Mr. Dill is an Executive Vice President with the firm and located in Florence, Alabama.

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An investment banker since 1999, **John Mazyck** has underwritten public finance issues across the Southeast. He has also served as investment banker to numerous domestic and international corporations on debt financings. John's volunteer board service includes leadership roles on the Business Council of Alabama, the Montgomery Area Committee of 100, Montgomery United, and the Montgomery Area Chamber of Commerce. He has served on the boards of the Jackson Hospital Foundation and Peabody College (Vanderbilt University). John is 2019 graduate of Leadership Alabama. John is a 1991 graduate of Woodberry Forest School, a 1995 graduate of Vanderbilt University (BS) and a 2002 graduate of Auburn University at Montgomery (MBA).
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Lance Hyche is a graduate of the University of North Alabama in Florence. Before entering the investment banking industry in 2012, Mr. Hyche spent 14 years working in public education advocacy and media relations. He has an extensive knowledge in the areas of state and local government affairs. Mr. Hyche specializes in public finance investment banking, with focus areas of general obligation, water and sewer revenue, gas revenue, boards of education, college and university, and public-private partnership.

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David Langham is a graduate of Spring Hill College in Mobile, AL. He earned a Bachelor of Science degree with a major in Accounting and minor in Finance. Before entering the investment banking industry in 2008, Mr. Langham served as the youngest manager, in history, of a Fortune 500 wireless telecommunications company. Mr. Langham works in the public and corporate finance practices of the Firm, with focus areas of general obligation, water, sewer and gas revenue, boards of education, college and university, and public-private partnerships. Mr. Langham further specializes in economic development projects, working with municipal and corporate clients. Over the course of his career, Mr. Langham has assisted numerous municipal and corporate partners to create significant new retail, commercial, entertainment, sports, lodging and industrial facilities that added new employment opportunities and enhanced the communities in which the Firm serves.

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Jason Grubbs earned his Bachelor of Science degree from Auburn University with a major in Finance. Mr. Grubbs provides investment banking services to clients throughout the United States and specializes in tax-exempt and taxable bond financings for a variety of industries and municipalities. He has significantly high levels of expertise and experience in the financing of food processing facilities, agri-business projects, solid waste disposal facilities, recycling facilities, wastewater treatment facilities and industrial development projects.

Mr. Grubbs manages the firm's Birmingham, Alabama office.
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L. Lee Garrison, L. Lee Garrison graduated from the University of Alabama in 1997 with a Bachelor of Science in finance with a concentration in real estate and a minor in political science. In 1996, He was elected president of the Interfraternity Council and was instrumental in the return of the Student Government Association. He was inducted into several honor societies while on campus, including Jasons, the Blackburn Institute, the Anderson Society and the Carl A. Elliott Society. Lee received the Outstanding Senior Award from the University of Alabama National Alumni Association as well as Order of Omega Greek Man of the Year.

Lee provides investment banking services to clients throughout the United States and specializes in tax-exempt and taxable bond financings for corporations, cities, counties, states, higher education, school boards, utility boards, healthcare, and government agencies.

Lee was elected to four consecutive terms on the Tuscaloosa City Council from 1997 to 2013. He served as finance chair of the Tuscaloosa City Council from 2001-2013. During those 12 years, the City of Tuscaloosa had an impeccable financial record, resulting in bond rating upgrades. In 2013, Lee opted to run for, and was elected citywide as Chair of the Tuscaloosa City Board of Education. Pledging to serve only one term and help turn the school system around, Lee led the Tuscaloosa City Board of Education in adopting a \$200MM+ multiyear strategic plan that addressed curriculum, human resources, technology and facilities.

Lee's board service includes the Business Council of Alabama, West Alabama Chamber of Commerce and Public Affairs Chair, United Way of West Alabama Campaign Chair Cabinet, Black Warrior Council of the Boy Scouts, West Alabama Chapter of the American Red Cross, Tuscaloosa Tourism and Sports Commission (now named Visit Tuscaloosa), Black Warrior Solid Waste Disposal Authority, and Chair of the Board of Directors of the Boys and Girls Clubs of West Alabama. In 2017, Lee was awarded the Richard C. Shelby Leadership Award by the West Alabama Chamber of Commerce.

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Bonds vs Warrants

- Warrants are similar to a bond but legally different as per the Alabama Constitution
- Bonds must be voted on, but warrants do not

Steps taken by a BOE to Issue Debt

- Select an Underwriter & Bond Attorney
- Review the repayment schedule of any outstanding debt
- Determine structure of the new debt
 - Level debt (equal annual payment)
 - Wrap (levelized total payments after new issue)
 - Final maturity equals economic life of projects financed
- Review operating results of BOE
- Prepare Preliminary Official Statement (POS)

Steps taken by a BOE to Issue Debt

- Submit POS and five (5) years of audits to the rating agencies and insurers
- Conduct ratings and insurers meetings or calls
- Receive ratings/insurance commitment
- Sell issue
- Close issue
- Process should take approximately 60 days

Preparation of Official Statement

- Official Statement is the offering document used to rate and sell Issue
- Contains
 - Amount borrowed
 - Security for repayment
 - Early repayment options
 - Financial operating history (5 years)
 - Present year's budget
 - Economic/demographic information on district
 - Reviewed by BOE officials

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Rating Process (Standard & Poor's, Moody's or Fitch)

- Rating is similar to a credit score
- The higher the rating, the lower the interest rate
- Underwriter guides BOE through rating process
 - Outline
 - Example (Tuscaloosa BOE)
- Properly organized rating process is straightforward
 - Present to rating agency analysts
 - Analysts presents BOE credit to committee and they vote on the rating
- Rating Agencies review BOE “Best Practices” (S&P Report)

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Rating Agencies and Insurance Companies

Rating Agencies



S&P Global



MOODY'S



Fitch Ratings

Insurance Companies (AA rating)



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Rating Scales

Credit Rating Scales by Agency, Long-Term

| Moody's | S&P | Fitch | |
|---------|------|-------|--|
| Aaa | AAA | AAA | Prime |
| Aa1 | AA+ | AA+ | High grade |
| Aa2 | AA | AA | |
| Aa3 | AA- | AA- | |
| A1 | A+ | A+ | Upper medium grade |
| A2 | A | A | |
| A3 | A- | A- | |
| Baa1 | BBB+ | BBB+ | Lower medium grade |
| Baa2 | BBB | BBB | |
| Baa3 | BBB- | BBB- | |
| Ba1 | BB+ | BB+ | Non-investment grade speculative |
| Ba2 | BB | BB | |
| Ba3 | BB- | BB- | |
| B1 | B+ | B+ | Highly speculative |
| B2 | B | B | |
| B3 | B- | B- | |
| Caa1 | CCC+ | CCC | Substantial risk |
| Caa2 | CCC | | Extremely speculative |
| Caa3 | CCC- | | Default imminent with little prospect for recovery |
| Ca | CC | CC | |
| | C | C | |
| C | D | D | In default |
| / | | | |
| / | | | |



Financial Management Assessment (S&P)*

“Answers to the Test”

- Revenue and Expenditure Assumptions
- Budget Amendments and Updates
- Long-Term Financial Planning
- Long-Term Capital Planning
- Investment Management Policies
- Debt Management Policies
- Reserve and Liquidity Policies

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Tuscaloosa City Board of Education



Jay Duke, CPA is the CSFO for the Tuscaloosa City Board of Education. Prior to that he was the CSFO in Hale County. Duke is a Graduate of Huntingdon College in Montgomery, AL. Before entering school business, Duke was elected and served three consecutive terms in Clarke County, two as County Revenue Commissioner and one as Circuit Court Clerk. In 2012 Duke did not seek re-election and became Chief of Staff for State Senator Marc Keahey in Alabama's 22nd Senate District, which included eight counties in Southwest Alabama.

Duke is a member of AASBO, SASBO, AICPA, Alabama Society of CPAs, West Alabama Chamber of Commerce Public Affairs Council, appointed to the Tuscaloosa County Special Tax Board and a past member of Huntingdon College Alumni Board of Trustees.

Jay was born in Thomasville, AL and raised in Grove Hill, AL. Jay is married to Laura and has two children, Anna Morgan Duke and Jackson Duke.

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Tuscaloosa City Board of Education

The Tuscaloosa City Schools provide instruction to almost 11,000 Pre-K through 12th grade students throughout metropolitan Tuscaloosa, Alabama.

[Twenty-one schools](#) comprise the district, including 11 elementary schools, 4 middle schools, one K-8 school, 3 high schools, and 2 program sites dedicated to specialty education: one for students receiving alternative education, and a [career-technical facility](#) for grades 9 – 12.

More than 1,500 dedicated employees serve the community by challenging students to a curriculum to exceed the expectations of every student on our 21 campuses from the first day of school to their graduation day.

Insurance

- Bond insurer “co-signs” BOE obligation
- BOE receives insurer AA rating
- Benefit of insurance is lower interest rate
- There is a one-time cost
- Savings using insurance must be greater than one-time cost

Sale of Debt

- Official Statement distributed to potential investors one week in advance of sale
- Banker addresses questions from potential investors
- Day prior to sale, banker gains approval from BOE on proposed interest rate
- Debt sold to investors
- Purchase Agreement signed by BOE

Closing of Issue

- Bond counsel drafts resolution
- Resolution presented to BOE for approval
- Closing takes place and money wired

Continuing Disclosure

1. Audit
2. Non-payment related defaults
3. Unscheduled draws on debt service
4. Reserves reflecting financial difficulties
5. Unscheduled draws on credit enhancements reflecting financial difficulties
6. Substitution of credit or liquidity providers, or their failure to perform
7. Adverse tax opinions or events affecting the tax-exempt status of the security
8. Modifications to rights of security holders
9. Bond call and tender offers
10. Defeasances
11. Release, substitution or sale of property securing repayment of the security

Continuing Disclosure

12. Ratings changes
13. Bankruptcy, insolvency or receivership
14. Merger, acquisition or sale of all issuer assets
15. Appointment of successor trustee
16. Financial Obligation – Incurrence or Agreement
(as of February 27, 2019)
17. Financial Obligation – Event Reflecting
Financial Difficulties (as of February 27, 2019)
18. Material event – closure of dominate employer or
significant decline of employment

Audits

- Audits should be completed within 180 days from the end of the Fiscal Year and typically no later than 270 days
- Final audits should be posted on EMMA. For a nominal fee, companies like Digital Assurance Certification (DAC) assist issuers with EMMA audit posting and provide continuing disclosure monitoring
- Failure to provide timely audits may result in a continuing disclosure event and may also result in loss of rating from the rating agencies

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Market Update

- General Rate Conversation (Fed, Market, etc)
- 50-year chart of the Bond Buyer 20

BBWK20GO Index (Bond Buyer US Weekly Yields 20 General Obligation Bond)

Bloomberg



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The Frazer Lanier Company, Incorporated (FLCO) is providing the information contained in this document for discussion purposes only in anticipation of serving as an underwriter. The primary role of FLCO, as an underwriter, is to purchase, or arrange for the placement of, securities in an arm's-length commercial transaction between the Issuer and FLCO and FLCO has financial and other interests that differ from the Issuer.

Round 2 – Break Out Sessions

Wednesday, May 1st (2:00-2:45pm)



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