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March 10, 2005

Mr. James Conner, Interim Superintendent
Middlebury Community Schools
57853 Northridge Drive
Middlebury, IN 46540

Re: School Board Work Session, March 7, 2005 - Tax Impact Presentation

Dear Jim:

This letter is to confirm our review of the Tax Impact Presentation of March 7, 2005 and the amortizations and tax rate summaries that backup the presentation. Based on the assumptions as to assessed value growth, estimated interest rates, estimated hard costs, estimated soft construction costs and estimated capitalized interest, the projects as presented could be financed at the levels and at the tax rate impacts as shown.

Questions have been raised as to the differences between the Presentation of March 7, 2005 and the estimates presented by Educational Services Company (the "Educational Services") in its June 11, 2004, "A Finance Study for Middlebury Community Schools". Educational Services Company presents on page 14, Table T-8, of the study, an estimated debt service rate per \$1,000,000 of new debt repaid. These tax impact estimates a higher than the estimates presented at the Presentation of March 7, 2005 for the following reasons:

1. The Educational Services' calculations assume simple interest. The Presentation of March 7, 2005's use of semi-annually compounded interest provides for a more efficient amortization of debt, as well as utilizes the actual calculation of compounding used in the municipal bond markets.
2. The Educational Services' calculations assume a 21 term with 20 years of annual payments. The Presentation of March 7, 2005 assumed 22 years of semi-annual payments. Semi-annual payments payoff the principal more efficiently. The 22 year term lowers the semi-annual payments slightly by extending the repayment term.
3. The Educational Services' calculations assume payments begin in tax year 2006 with an estimated 2006 assessed valuation of \$1,089,661,053. The estimated assessed valuation is based on 5.44% annual growth over the 2004 actual

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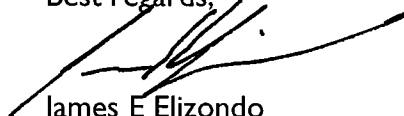
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assessed valuation. The Presentation of March 7, 2005 assumed 5% annual growth over the actual 2005 assessed valuation. That provides an estimated 2006 assessed valuation of \$1,092,171,225 and an estimated 2008 assessed valuation of \$1,204,118,809. The Presentation of March 7, 2005's repayment was assumed to start in tax year 2008. Based on the higher 2008 assessed valuation, a lower tax rate impact is possible.

4. The Educational Services' calculations assume level annual payments for the entire term of the bonds, including the first payment. The Presentation of March 7, 2005's payments assume level semi-annual payments for the majority of the term of the bonds. The first six semi-annual (first three years) payments are reduced to provide a smooth tax impact in those early years. The first year of repayments are reduced to approximately 50% of the maximum annual payments. The second year is reduced to approximately 70% and the third year is reduced to approximately 95%. These reductions greatly reduce the initial tax impact of the project.
5. The Educational Services' calculations present the tax impact with no consideration to current school debt being paid off and thus with no reduction in debt service required to pay the current school debt. The Presentation of March 7, 2005 estimates that the current Debt Service Fund rate will decline as current debt is paid and thus offset some of the Debt Service Fund rate required to amortize the new debt. The Presentation of March 7, 2005 presented the entire new debt service required, with a focus on the net increase to the debt service fund over the current 2005 Debt Service Fund tax rate of \$0.3566.
6. The Educational Services' calculations present the tax impact as a gross tax impact. The Presentation of March 7, 2005's calculations assume an estimate for the other revenues received by the School Corporation that reduce the Debt Service Fund tax rate.

In summary, we are confident that the Presentation of March 7, 2005 presented a "picture" of what can actually be accomplished with regards to your project based on the assumptions presented. The study completed by Educational Services Company fairly presented a basic total maximum gross tax impact for preliminary study purposes.

Best regards,



James E Elizondo
Vice President