

Real Example of a Long-Term CAB:

Years to Maturity	Principal Amount of CAB	Maturity Value	Interest as a Percentage of Principal
22 Years	\$ 6,570,615	\$ 30,500,000	364.19%
23 Years	\$ 9,192,226	\$ 46,680,000	407.82%
24 Years	\$ 8,803,904	\$ 48,320,000	448.85%
25 Years	\$ 8,305,120	\$ 49,770,000	499.27%
26 Years	\$ 7,923,383	\$ 51,010,000	543.79%
27 Years	\$ 7,522,497	\$ 52,030,000	591.66%
28 Years	\$ 7,107,170	\$ 52,810,000	643.05%
29 years	\$ 6,607,226	\$ 53,340,000	707.30%
30 years	\$ 6,072,405	\$ 53,610,000	782.85%
35 years	\$ 22,909,566	\$ 315,835,000	1278.62%
40 years	\$ 13,986,038	\$ 321,740,000	2200.44%
	\$ 105,000,150	\$ 1,075,645,000	

Maturity Value is the amount due (i.e., principal and compound interest) to the investor at the Maturity Date. *All values above, except for “interest as a percentage of principal” come from the Official Bond Statement dated August 2011 for Poway Unified School District’s \$105 million CAB -Series B Bonds. See Official Bond Statement at: <http://emma.msrb.org/EA475815-EA365414-EA764813.pdf>*

In The News

Sex

Got ready: Camille's spiel is a new take on feminism
Accent, 1C

High lands

Detroit has a Scottish fling with designer Cilla Scott
Homestyle, 10D



Cloudy.
High 41. Low 32.

Tigers open

Pitchers, catchers work out; 2nd time a charm for King?
Sports, 1B

Pistons win

Aguirre scores 20; Rodman grabs 23 against Magic
Sports, 1B

The Detroit News AND Free Press

Metro final ..

Saturday, February 22, 1992

25 cents, 50 cents outside metro Detroit



NEW WORLD AT PLAY

It's funny, it's serious, it's sometimes Olympian

As the winter games close in a close, Mitch Albrow offers a retrospective on the everlastig moments and a changing world.

In COMMENT, SUNDAY

SPRINGY UPDATE

DRAINING THE SUBURBS

Sewer costs swamp 3 townships

By JIM THURTELL
Free Press Staff Writer

Six years ago, three Wayne County suburbs decided to save their residents millions of dollars at sewer fees.

Wayne County wanted \$25.5 million for the three to join its Super Sewer project. But the supervisors of Plymouth, Canton and Northville Townships said they could do it for \$17 million and want their own way.

Their war is costing the 88,000

residents of the townships \$94.6 million.

At least \$30 million of that is being spent on non-construction costs.

And more than \$11.5 million in contracts has been awarded to people who have connections to the township officials, a Free Press investigation shows.

What will the townships get for the extra money? Sewer rates at least twice as high as those of the 12 communities tied into Super Sewer. A

system with only half as much additional capacity as Super Sewer would have given them — and only if the Ypsilanti plant, which will treat the sewage, is expanded. That cost hasn't been calculated.

"Holy Toledo! That's incredible!" exclaimed former Canton Township Clerk Linda Chisum, who now regrets casting one of the seven votes in 1986 that established the Western Townships Utilities Authority, which oversees the sewer system.

Canton Township supervisor and sewer authority chairman Thomas Yack defends the project, saying it's better for the environment and provides all the capacity the western townships will need for growth.

"The project is a lot different than the early project envisioned by Wayne County," Yack said. "Why it's four or five fold, I really couldn't respond."

But a Free Press investigation by SEWER PROJECT, Page 4A

"We told them when they started that it was going to be very expensive."

JIM MURRAY, who was chairman of the Michigan Water Resources Commission.



A TRIUMPH OF SKATING GRACE

Most oppose

Detroit Free Press

Monday

April 5, 1993

For home delivery call 222-6500

35 cents (50 cents outside 6-county metropolitan area)

Metro Final

Becoming mostly cloudy.
High 44. Low 32.
Tuesday: Partly cloudy and cool. ■■

On Guard For 161 Years

WHAT WE FOUND

- The financial community has grown alarmed about the debt awaiting the next generation of Michigan taxpayers. Analysts predict some school districts saddled with heavy-interest, delayed-payment bonds — known as CABs — will be hard-pressed to borrow money for future needs.
 - In one case, Romulus schools eventually will pay \$35.8 million in interest on a \$6.2-million loan.
 - Despite state orders, districts are setting aside no money to meet the debt.
- Inside**
- A former state Treasury official leads the charge for CABs. Page 9A.
 - Districts are satisfied with long-term payments for computers, gym. Page 9A.

Michigan schools load the future with debt

BY JOEL THURTELL
Free Press Staff Writer

Buy now, pay later. Pay much later, but pay millions more. That's the deal for taxpayers in dozens of Michigan school districts that are using a heavy-interest form of bonds to stretch out paying for new buildings, football fields, swimming pools — even buses and computers that are likely to be outdated long before the bill for them is paid.

Since such financing was made legal in 1986 by the Legislature, 82 districts have borrowed \$571 million that will require \$2 billion to repay — about 2½ times more interest than conventional bonds would require.

In most cases, districts won voter approval of the bonds with a pledge that little or no additional property taxes would be needed to pay them off.

But the payoffs will at least require extending debt-service taxes by 10 or 20 years, and could force tax increases if property values are stagnant or



DANIEL LIPPITT/ Detroit Free Press

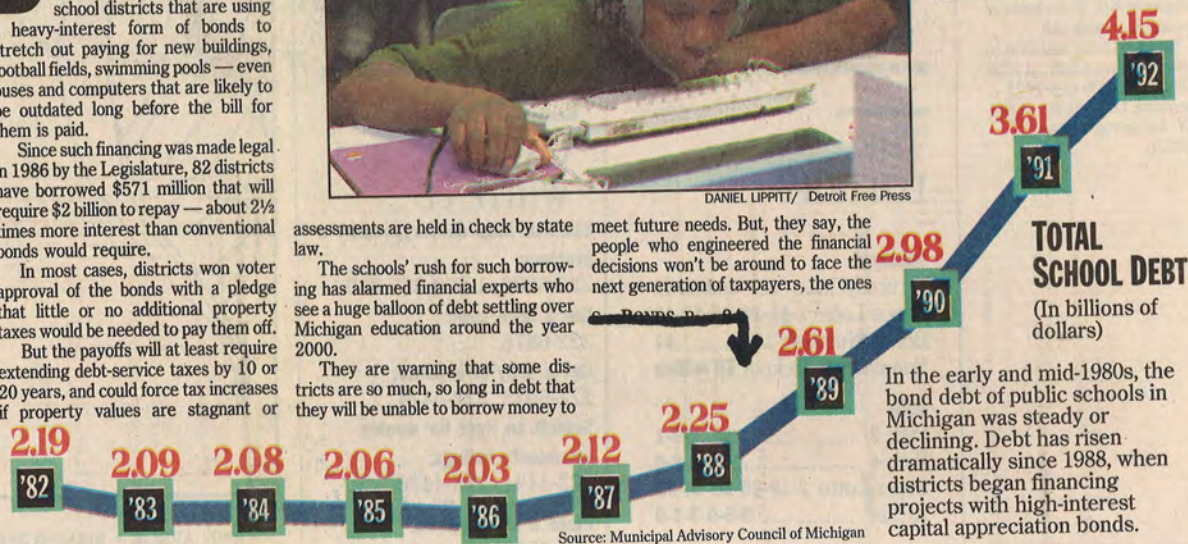
Fifth-grader Marlos Butler, 12, works at a computer in a Romulus school.

assessments are held in check by state law.

The schools' rush for such borrowing has alarmed financial experts who see a huge balloon of debt settling over Michigan education around the year 2000.

They are warning that some districts are so much, so long in debt that they will be unable to borrow money to

meet future needs. But, they say, the people who engineered the financial decisions won't be around to face the next generation of taxpayers, the ones



A MATTER OF INTEREST

At left is a list of Michigan school districts that have issued capital appreciation bonds with the length of the loan, the dollar amount of interest and interest as a percentage of principal.

If you borrowed \$100,000 to buy a house, using a conventional mortgage at 7 percent interest, the proportion of interest to principal would vary based on the length of the loan. Here's how interest as a percentage of principal would look over different time periods:

Mortgage years	Interest as percentage of principal
15 years	62 percent
20 years	86 percent
25 years	112 percent
30 years	139 percent

8A DETROIT FREE PRESS/MONDAY, APRIL 5, 1993

MICHIGAN SCHOOLS' CAPITAL APPRECIATION BOND DEBT

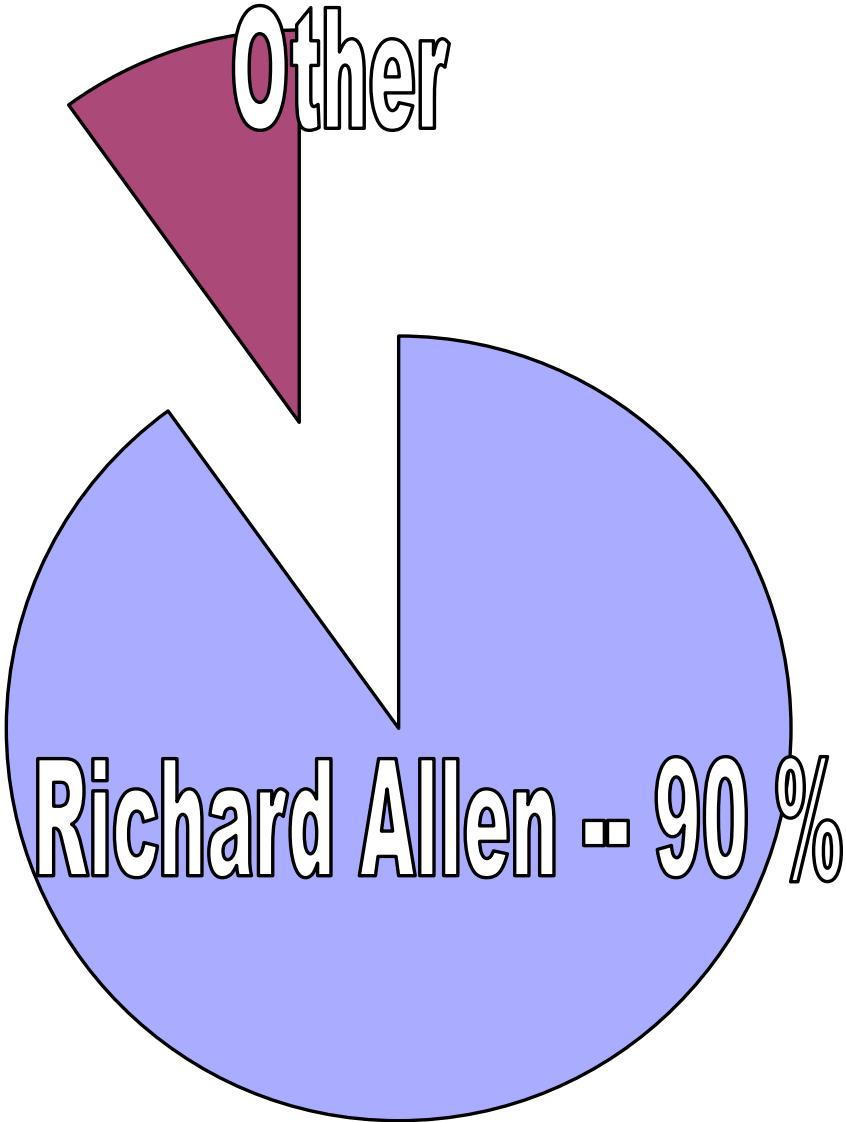
Dollar amounts are in millions

District	Project	CAB Amount	CAB Interest	Length of bonds	Interest as % of principal
Airport	Remodeling, athletic facilities refund bonds	\$1.024	\$1.536	18 years	150%
Algonac	Grade school, additions, remodel high school	\$8.879	\$14.660	20 years	165%
Alma	Remodeling, equipment	\$2.074	\$4.581	21 years	221
Ann Arbor	Remodeling, additions, library equipment, athletic improvements	\$9.409	\$16.356	15 years	174%
Avondale	Grade school, additions, remodeling, athletic improvements	\$3.390	\$12.885	26 years	380%
Baraga	Building improvements	\$0.557	\$1.158	21 years	208%
Baraga	Building improvements	\$0.680	\$1.070	17 years	157%
Bath	Building improvements	\$0.926	\$1.064	15 years	115%
Bloomington	Additions	\$1.075	\$2.500	24 years	233%
Breitung	Middle school, bus garage, athletic improvements	\$4.210	\$9.610	23 years	228%
Brighton	Middle and grade schools, child development center, remodeling	\$23.004	\$63.902	30 years	278%
Brighton	Refund bonds	\$28.816	\$96.974	28 years	337%
Buena Vista	Equipment, buses, remodeling	\$0.635	\$1.265	17 years	199%
Caledonia	Middle school, addition, refund bonds	\$5.029	\$7.651	18 years	152%
Caro	Remodeling, junior high and grade school additions	\$0.710	\$1.610	20 years	227%
Carrollton	Building improvements	\$0.600	\$1.038	18 years	173%
Chesaning Union	Equipment, remodeling, bus garage addition, athletic site improvements	\$2.249	\$4.781	21 years	213%
Clintondale	Building improvements	\$3.655	\$6.992	15 years	191%
Coloma	Phys ed building	\$2.040	\$6.969	29 years	342%
Comstock	Auditorium, remodeling	\$3.051	\$6.859	20 years	225%
Comstock	Refund bonds	\$3.081	\$9.324	25 years	303%
Croswell	Additions, track, remodel middle school	\$1.889	\$2.061	15 years	109%
Lexington	Building improvements	\$2.057	\$1.608	11 years	78%
DeWitt	Building improvements	\$0.248	\$0.162	9 years	65%
E. Jackson	Additions, remodeling, athletic facilities	\$7.140	\$10.920	17 years	153%
Elk Rapids	Grade school, additions	\$2.449	\$4.726	20 years	193%
Forest Hills	Grade school, additions, communications improvements	\$9.500	\$18.085	19 years	190%
Fowlerville	Building improvements	\$3.789	\$3.581	14 years	95%
Gaylord	High school, facility additions technology, refund bonds	\$9.519	\$39.037	29 years	410%
Gibraltar	Remodeling, athletic improvements	\$1.855	\$3.165	17 years	171%
Glen Lake	Additions to and remodeling community school	\$2.798	\$11.811	30 years	422%
Gull Lake	New school, additions, athletic improvements	\$1.905	\$4.816	21 years	253%
Harbor Springs	Early school and playground, remodeling grade/middle school	\$2.595	\$7.035	22 years	271%
Hartland	Building improvements	\$5.617	\$4.248	12 years	76%
Haslett	Additions, remodeling, buses, phys ed facilities	\$1.100	\$2.850	15 years	259%
Hemlock	Additions, remodeling, athletic improvements	\$0.362	\$0.613	15 years	169%
Holland	Middle school, bus garage, additions, remodeling	\$4.652	\$7.078	15 years	152%
Holland	Refund bonds	\$9.728	\$34.761	27 years	357%
Holt	Refund bonds	\$4.854	\$7.211	12 years	149%

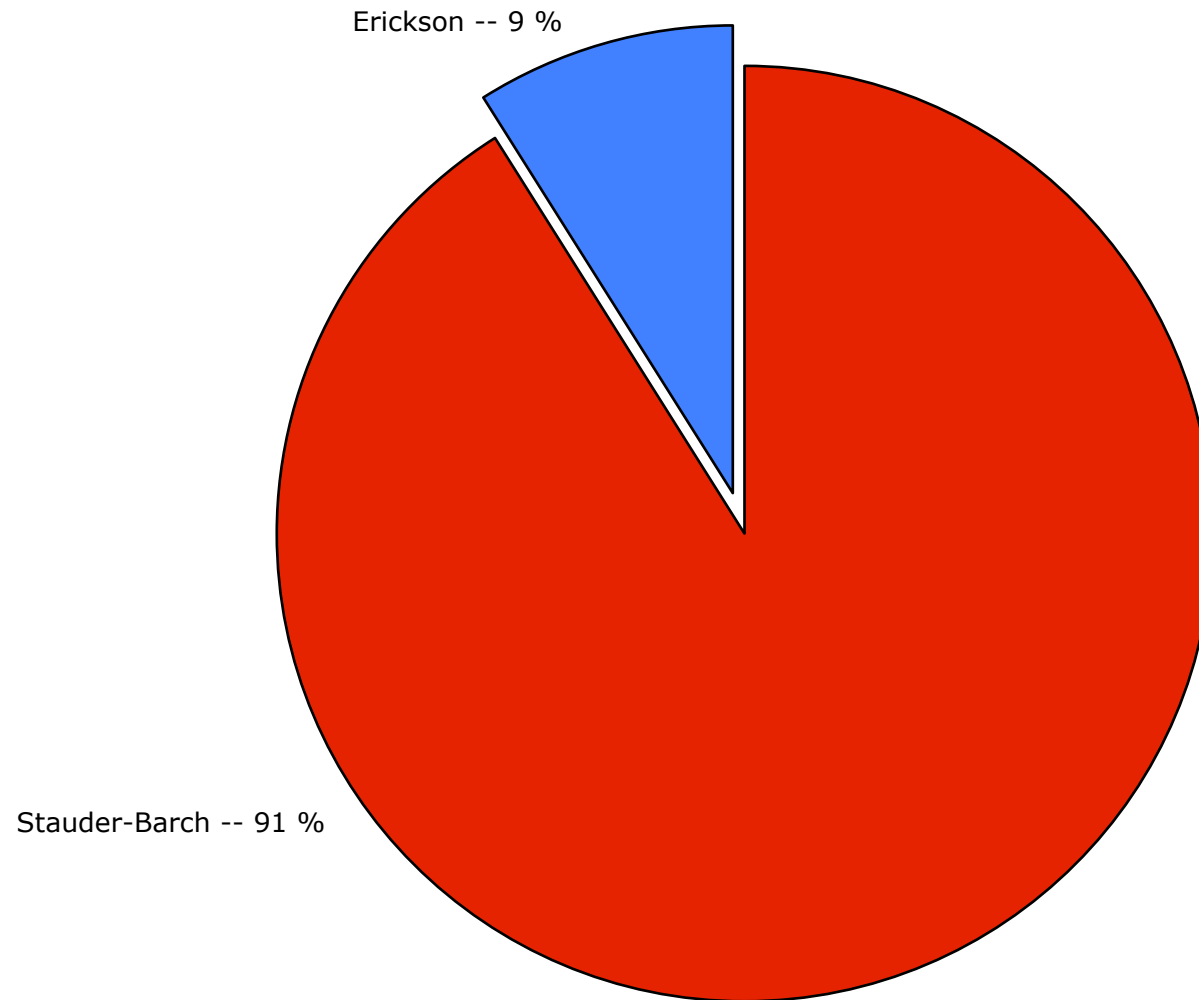
Houghton-Portage	Building improvements	\$0.340	\$0.585	20 years	172%
Howell	Grade school, pool, refund bonds	\$15.821	\$27.319	26 years	173%
Hudsonville	Additions, remodeling, office, phys ed facilities	\$2.075	\$3.760	15 years	181%
Huron	Refund bonds	\$1.765	\$2.795	15 years	158%
Huron	Refund bonds	\$6.144	\$15.991	27 years	260%
Huron Valley	School, additions, remodeling	\$26.350	\$63.240	27 years	240%
Inlay City	High school, remodeling, phys ed improvements	\$7.071	\$21.731	20 years	307%
Kalamazoo	Remodeling, improving sites	\$6.275	\$12.155	20 years	194%
Kaleva Norman	Additions, school remodeling, 2 grade schools	\$0.410	\$0.630	18 years	154%
Dickson	Additions, remodeling	\$4.885	\$11.720	30 years	240%
Kalkaska	Middle school, bus garage, additions, remodeling	\$0.959	\$1.616	18 years	169%
Lake City					
Livonia	Additions, remodeling, technology	\$7.399	\$25.287	20 years	342%
Livonia	Additions, remodeling, technology	\$25.274	\$63.463	29 years	251%
Lowell	High school, additions, remodeling	\$8.193	\$20.707	10 years	253%
Lowell	Refund bonds	\$15.598	\$52.397	28 years	336%
Menominee	Additions, remodeling	\$1.901	\$6.409	20 years	337%
Menominee	Refund bonds	\$0.570	\$1.510	21 years	265%
Mid Peninsula	Building improvements	\$0.616	\$1.319	19 years	214%
Mount Clemens	Media center, remodeling, technology equipment	\$5.734	\$13.146	20 years	229%
Munising	Refund bonds	\$2.149	\$8.231	29 years	383%
Negaunee	Refund bonds	\$2.774	\$3.781	20 years	136%
Novi	New technology, remodeling, additions, athletic facilities	\$6.239	\$7.901	15 years	127%
Oak Park	Additions, remodeling	\$2.974	\$4.526	14 years	152%
Okemos	Refund bonds	\$17.322	\$62.903	28 years	363%
Okemos	2 schools, garage, remodeling, athletic facilities	\$5.343	\$12.412	20 years	232%
Oxford	Building improvements	\$1.463	\$0.877	9 years	60%
Pellston	Additions, remodeling, athletic improvements	\$2.895	\$14.215	30 years	491%
Plymouth-Canton	Refund bonds	\$3.780	\$7.230	20 years	191%
Plymouth-Canton	Technology systems, buses, improve playgrounds	\$2.274	\$5.456	18 years	240%
Pontiac	Additions, remodeling, buses, textbooks, refund bonds, deficit elimination	\$35.615	\$68.765	24 years	193%
Port Huron	Additions, remodeling	\$7.275	\$10.730	18 years	148%
Pottersville	Building improvements	\$0.145	\$0.150	12 years	104%
Rapid River	Building improvements	\$0.284	\$0.546	17 years	192%
Reed City	Addition, library	\$1.680	\$4.635	21 years	276%
Reeths-Puffer	Additions, remodeling, equipment	\$1.450	\$3.210	19 years	221%
Reeths-Puffer	Refund bonds, technology facility, jr. high addition	\$3.805	\$17.930	30 years	471%
Reeths-Puffer	Refund bonds	\$0.826	\$2.939	25 years	356%
Rockford	High school, maintenance building, refund bonds	\$3.842	\$8.903	19 years	232%
Romeo	Additions, remodeling, phys ed improvements	\$10.000	\$27.110	15 years	271%
Romulus	Media center, technology systems, remodeling	\$11.666	\$23.844	19 years	204%
Romulus	Refund bonds	\$10.134	\$29.906	24 years	295%
Romulus	Technology, remodeling, playgrounds	\$6.226	\$35.810	30 years	575%
Royal Oak	Additions, remodeling, improving athletics	\$33.275	\$64.666	22 years	194%
Saranac	Grade school, additions	\$0.535	\$0.970	15 years	181%
South Haven	Middle school, playgrounds	\$2.474	\$9.531	29 years	385%
Suttons Bay	Additions, remodeling, phys ed facilities	\$0.540	\$0.840	16 years	156%
Swan Valley	Building improvements	\$2.622	\$2.943	15 years	112%
Vicksburg	Additions, remodeling	\$7.524	\$30.525	29 years	406%
Warren	Refund bonds, remodeling, buses	\$3.118	\$4.212	15 years	135%
Warren	Additions, buses, improve athletics, remodeling	\$3.640	\$8.725	20 years	240%
Warren Woods	Building improvements	\$6.998	\$10.401	14 years	149%
Wayland Union	Storage facility, additions, remodel grade schools	\$3.424	\$9.467	25 years	277%
W. Bloomfield	Operations center, additions, remodeling	\$14.250	\$19.700	20 years	138%
W. Ottawa	Grade, middle schools, additions, phys ed facilities	\$9.804	\$23.201	20 years	237%
W. Ottawa	Refund bonds	\$11.695	\$39.730	28 years	340%
White Cloud	Bus garage, additions	\$2.970	\$7.181	19 years	242%
Whitehall	Grade school; additions	\$1.660	\$2.125	17 years	128%
Woodhaven	Building improvements	\$3.648	\$3.132	11 years	85%
Wyandotte	Remodeling, technology systems, athletic facilities	\$4.835	\$9.655	20 years	200%

Source: Municipal Advisory Council

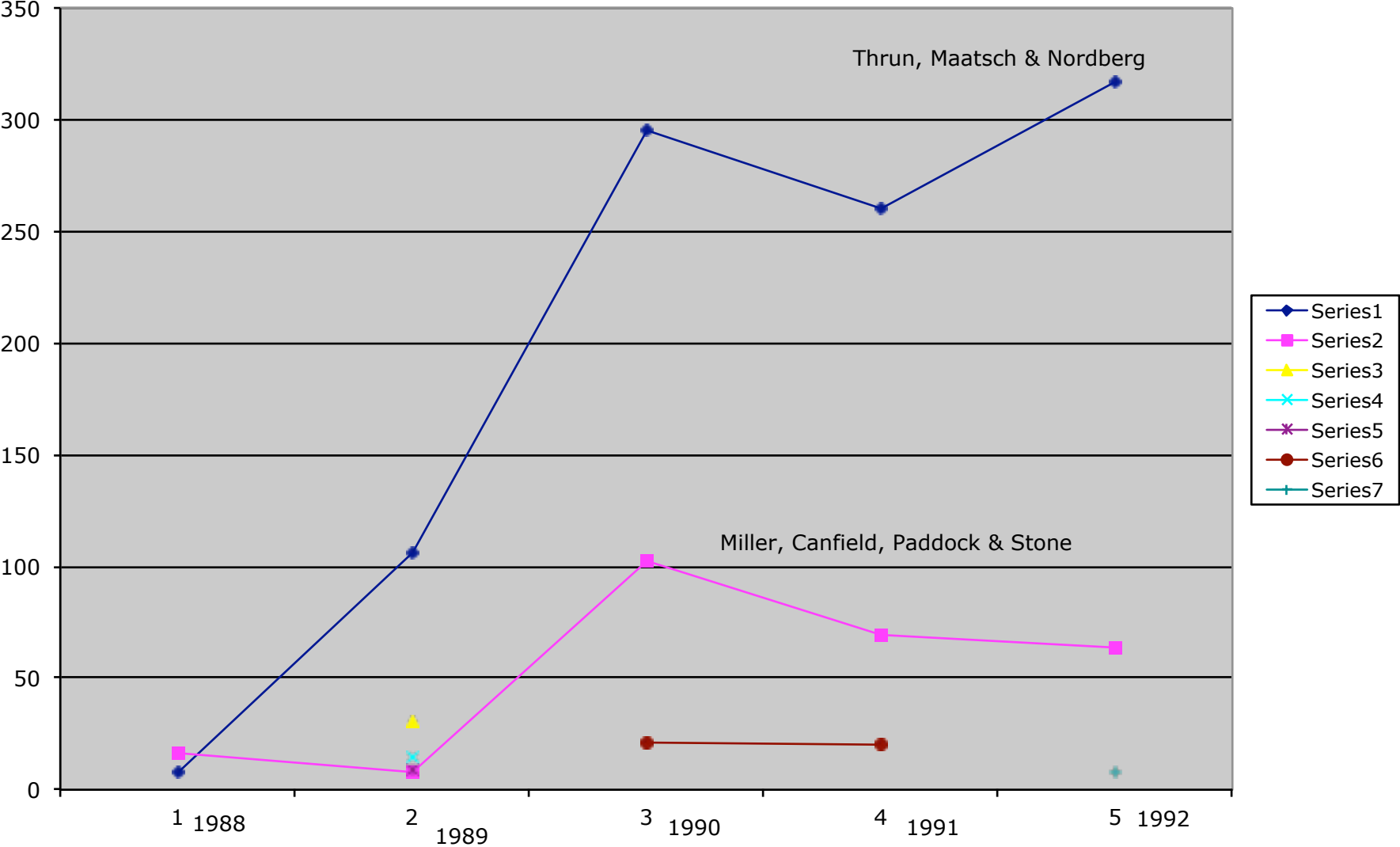
CAB Underwriter Market Share



Michigan CAB issues 1988-1992 with financial adviser



Bond counsel market share



Michigan CABs with double-dipping bond counsel 1988-1992

