



Amherst Massachusetts

ASSISTANT TOWN MANAGER / FINANCE DIRECTOR

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December 4, 2009

TO: Larry Shaffer, Town Manager
Select Board

FROM: John P. Musante, Assistant Town Manager/Finance Director

JPM

CC: Finance Committee
Sonia Aldrich, Comptroller

SUBJECT: General Obligation Refunding Bonds and Municipal Purpose Loan Bonds

The Town is poised to complete a most successful \$3,080,000 bond sale and refunding (refinancing) dated December 15, 2009 that has achieved a very low interest rate on the bonds (1.85% TIC), budgetary savings from the refunding that will total \$125,306, and an improved long-term bond rating of AA with a Stable outlook from Standard & Poor's.

At your December 7 meeting, I will need the Select Board to vote to authorize the issuance and sale of \$1,915,000 General Obligation Refunding Bonds for the purpose of refunding (refinancing) a portion of the Town's \$1,000,000 General Obligation Bonds, Series A originally issued August 1, 1999 for construction of the Boltwood Parking Garage and a portion of the Town's \$3,775,000 General Obligation Bonds, Series B originally issued August 1, 1999 for repairs to the Jones Library and construction of the Atkins Water Treatment Plant. In addition, this bond issue includes the issuance of \$3,080,000 in G.O. Bonds, which includes a new \$1,165,000 Municipal Purpose Loan Bonds for Town Hall exterior renovations (\$505,000), Bangs Community Center roof and HVAC replacement (\$420,000), and the remaining unpaid portion of notes issued for improvements to the Plum Brook Recreation Area (\$240,000). All of these projects were previously authorized by Town Meeting.

The Town received favorable bids in a competitive sale at a true interest cost of 1.85% and will realize a budgetary savings of \$125,307 and a net present value savings of \$106,202, by refunding (refinancing) the bonds at today's lower interest rates. Savings will be spread over the remaining eleven years of debt service, including a savings of \$46,060 in the current fiscal year.

On November 9, Mr. Shaffer, Comptroller Sonia Aldrich, David Eisenthal from UniBank Fiscal Advisory Services, and I traveled to Boston and made a detailed presentation to senior analysts at Standard & Poor's (see attached), summarizing the Town's economy and tax base strengths, financial results from 2000 – present, financial management policies and practices, and our

financial plan being implemented to weather the current economic downturn. Standard & Poor's assigned the Town a bond rating of "AA" with a Stable outlook. The rating of "AA" is their next to highest rating and is considered a better rating than the Town's previous "AA3" rating from Moody's in 2005. We were very pleased with the rating and vote of confidence from an outside independent source. Below is an excerpt of key points from the summary page.

Standard & Poor's Ratings Services assigned its 'AA' long-term rating and a stable outlook to the town of Amherst, Mass.' general obligation municipal purpose bonds, series 2009.

In our opinion, the rating reflects the Town's:

- *Strong and stable economic base, anchored by the flagship campus of the University of Massachusetts, as well as Amherst College and Hampshire College;*
- *Good income and wealth indicators, which are particularly significant given the high student population;*
- *Good financial management and good reserve levels heading into 2010; and*
- *Low overall debt burden, and rapid debt amortization.*

You will also need to sign a short-term Bond Anticipation Note (BAN) in the amount of \$220,000 for portable classrooms. These notes are being renewed for 6 months while final disposition of the portables is determined. The Note will be dated December 16, 2009 and will mature on June 16, 2010. The Town received a favorable net interest rate of 1.19% via competitive bid.

The Select Board will need to approve the motion (attached and in the motion sheet) and sign bond-related documents at their meeting. I will bring the necessary documents with me to the meeting for your signature and be available to answer any questions.

VOTE OF THE SELECT BOARD

I, the Clerk of the Select Board of the Town of Amherst, Massachusetts (the "Town"), certify that at a meeting of the board held December 7, 2009, of which meeting all members of the board were duly notified and at which a quorum was present, the following votes were unanimously passed, all of which appear upon the official record of the board in my custody:

Voted: that under and pursuant to Chapter 44, Section 21A, of the General Laws, and any other enabling authority, there is hereby authorized the issuance and sale of \$1,915,000 General Obligation Refunding Bonds (the "Refunding Bonds") of the Town for the purpose of refunding all or any portion of the outstanding principal amount of the Town's (i) \$1,000,000 General Obligation Bonds, Series A dated August 1, 1999 and (ii) \$3,775,000 General Obligation Bonds, Series B dated August 1, 1999 (collectively, the "Refunded Bonds") and, in addition, to finance costs of issuance of the Refunding Bonds, any redemption premium and any interest due on the Refunded Bonds.

Further Voted: that the sale of the \$3,080,000 General Obligation Municipal Purpose Loan of 2009 Bonds of the Town dated December 15, 2009 (the "Bonds"), to First Southwest Company at the price of \$3,181,493.27 and accrued interest is hereby approved and confirmed. The Bonds shall be payable on August 1 of the years and in the principal amounts and bear interest at the respective rates, as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
2010	\$910,000	2.50%	2015	\$150,000	2.25%
2011	885,000	2.50	2016	150,000	2.50
2012	190,000	4.00	2017	145,000	3.00
2013	180,000	3.00	2018	145,000	3.00
2014	180,000	3.00	2019	145,000	4.00

Further Voted: that in connection with the marketing and sale of the Bonds, the preparation and distribution of a Notice of Sale and Preliminary Official Statement dated November 18, 2009, and a final Official Statement dated December 1, 2009 (the "Official Statement"), each in such form as may be approved by the Town Treasurer, be and hereby are ratified, confirmed, approved and adopted.

Further Voted: that the Town Treasurer and the Select Board be, and hereby are, authorized to execute and deliver a continuing disclosure undertaking in compliance with SEC Rule 15c2-12 in such form as may be approved by bond counsel to the Town, which undertaking shall be incorporated by reference in the Bonds, as applicable, for the benefit of the holders of the Bonds from time to time.

Further Voted: that each member of the Select Board, the Town Clerk and the Town Treasurer be and hereby are, authorized to take any and all such actions, and execute and deliver such certificates, receipts or other documents as may be determined by them, or any of them, to be necessary or convenient to carry into effect the provisions of the foregoing votes.

I further certify that the votes were taken at a meeting open to the public, that no vote was taken by secret ballot, that notice stating the place, date and time of the meeting was filed with the Town Clerk and a copy thereof posted in the office of the Town Clerk or on the principal official bulletin board of the Town at least 48 hours, including Saturdays but not Sundays and legal holidays, prior to the time of the meeting and remained so posted at the time of the meeting, that no deliberations or decision in connection with the sale of the Bonds were taken in executive session, and that the official record of the meeting was made available to the public promptly and remains available to the public, all in accordance with G.L. c.39, s.23B as amended.

Dated: December 7, 2009

Clerk of the Select Board

Town of Amherst, Massachusetts

\$3,080,000 GO Bonds

December 15, 2009

Refunding Summary

Dated 12/15/2009 | Delivered 12/15/2009

	MPL	Garage Refunding	Advance Refunding	Issue Summary
Sources Of Funds				
Par Amount of Bonds	\$1,165,000.00	\$500,000.00	\$1,415,000.00	\$3,080,000.00
Reoffering Premium	53,803.55	22,578.65	30,359.70	106,741.90
Total Sources	\$1,218,803.55	\$522,578.65	\$1,445,359.70	\$3,186,741.90
Uses Of Funds				
Total Underwriter's Discount (0.170%)	1,985.28	852.05	2,411.30	5,248.63
Costs of Issuance	14,183.83	4,806.56	13,469.61	32,460.00
Deposit to Current Refunding Fund	-	516,633.75	1,427,091.25	1,943,725.00
Rounding Amount	1,202,634.44	286.29	2,387.54	1,205,308.27
Total Uses	\$1,218,803.55	\$522,578.65	\$1,445,359.70	\$3,186,741.90

Flow of Funds Detail

State and Local Government Series (SLGS) rates for
Date of OMP Candidates

Primary Purpose Fund Solution Method	Net Funded	Gross Funded	Gross Funded	Gross Funded
Total Cost of Investments	-	\$516,633.75	\$1,427,091.25	\$1,943,725.00
Total Draws	-	\$516,633.75	\$1,427,091.25	\$1,943,725.00

PV Analysis Summary (Net to Net)

Net PV Cashflow Savings	-	60,117.56	48,120.93	-
Contingency or Rounding Amount	-	286.29	2,387.54	-
Net Present Value Benefit	-	\$60,403.85	\$50,508.47	-
Net PV Benefit / - Refunded Principal	-	12.081%	3.660%	-
Net PV Benefit / - Refunding Principal	-	12.081%	3.570%	-

Bond Statistics

Average Life	4.761 Years	4.918 Years	1.119 Years	3.113 Years
Average Coupon	3.0742479%	3.0565354%	2.5000001%	2.9748833%
Net Interest Cost (NIC)	2.1399728%	2.1729412%	0.7348070%	1.9163999%
Bond Yield for Arbitrage Purposes	1.7919911%	1.7919911%	1.7919911%	1.7919911%
True Interest Cost (TIC)	2.0662185%	2.1004898%	0.7224038%	1.8476923%
All Inclusive Cost (AIC)	2.3334579%	2.3050601%	1.5708690%	2.1962882%

2009 | Issue Summary | 12/ 1/2009 | 12:18 PM

TOWN OF AMHERST, MASSACHUSETTS
 Refunding Analysis
 Refunding Bonds - Aggregate

UniBank Fiscal Advisory Services, Inc.

1-Dec-2009

Target Value 1,946,398.83
 Discount 2.01%
 PV Savings (108,202.44)



	Principal	Coupon	IPM	Interest	Periodic	Fiscal	Savings Periodic	Savings Fiscal
12/15/2009				0.00			(33,291.25)	
1/15/2010				0.00		0.00	(12,768.75)	(46,060.00)
2/1/2010				0.00		0.00	(33,291.25)	
7/15/2010	775,000.00	2.500%	19,375.00	31,514.44	808,514.44		743,745.89	
8/1/2010				0.00			(728,291.25)	
1/15/2011				0.00			3,893.75	(13,943.06)
2/1/2011				15,412.50	15,412.50	821,926.94	0.00	(16,611.25)
7/15/2011	750,000.00	2.500%	18,750.00	15,412.50	765,412.50		703,893.75	
8/1/2011				0.00			(701,611.25)	
1/15/2012				0.00			(4,231.25)	(18,580.00)
2/1/2012				0.00		771,450.00	768.75	
8/1/2012	55,000.00	4.000%	2,200.00	6,037.50	61,037.50		(4,081.25)	(3,312.50)
2/1/2013				0.00	4,937.50	65,975.00	(4,081.25)	
8/1/2013	50,000.00	3.000%	1,500.00	4,937.50	54,937.50		(3,581.25)	(7,662.50)
2/1/2014				0.00	4,187.50	59,125.00	(3,581.25)	
8/1/2014	50,000.00	3.000%	1,500.00	4,187.50	54,187.50		(3,081.25)	(6,662.50)
2/1/2015				0.00	3,437.50	57,625.00	(3,081.25)	
8/1/2015	50,000.00	2.250%	1,125.00	3,437.50	53,437.50		(3,081.25)	
2/1/2016				0.00	2,875.00	56,312.50	(2,362.50)	(5,443.75)
8/1/2016	50,000.00	2.500%	1,250.00	2,875.00	52,875.00		(1,687.50)	(4,050.00)
2/1/2017				0.00	2,250.00	55,125.00	(1,687.50)	
8/1/2017	45,000.00	3.000%	1,350.00	2,250.00	47,250.00		(1,050.00)	(7,737.50)
2/1/2018				0.00	1,575.00	48,825.00	(6,050.00)	
8/1/2018	45,000.00	3.000%	1,350.00	1,575.00	46,575.00		(412.50)	(6,462.50)
2/1/2019				0.00	900.00	47,475.00	(5,412.50)	
8/1/2019	45,000.00	4.000%	1,800.00	900.00	45,900.00			(5,412.50)
Total	1,915,000.00			114,739.44	2,029,739.44	2,030,639.44	(125,306.81)	(125,306.81)

Budgetary Savings