



Office of the Treasurer & Collector of Taxes

**Town of Arlington, Massachusetts
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Arlington, MA 02476**


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**Stephen J. Gilligan
Treasurer & Collector of Taxes**

MEMORANDUM

To: Board of Selectmen:
Mr. Kevin F. Greeley, Chairman
Ms. Diane M. Mahon, Vice Chairman
Mr. Stephen Byrne,
Mr. Joseph Curro,
Mr. Daniel J. Dunn.

Cc: Adam W. Chapdelaine, Town Manager

From: Stephen J. Gilligan, Treasurer & Collector of Taxes 

Date: October 14, 2015

Re: Request Vote(s) of The Board – To Determine The Useful Life Of Certain Capital Equipment – And To Proceed With Issuing \$13,294,000.00 General Obligation Bonds and Bond Anticipation Notes – And Vote To Authorize The Treasurer To Issue A Refunding Of Prior Debt.

This memorandum requests a vote of the Board of Selectmen to Vote to Determine the Useful Life of certain Capital Equipment included in the Town’s upcoming borrowing in November. Additionally, this memorandum requests the Board’s consensus to proceed with that issuance, and to Vote to authorize the Treasurer to issue a refunding of prior debt. Specific language for the votes appears below at the end of this memorandum.

Massachusetts General Laws Chapter 44, Section 7(9) enables borrowing for equipment for a term of up to five years by default, or up to 20 years, but not to exceed the useful life of the equipment as determined by the Board of Selectmen.

The capital equipment for requesting a vote to determine useful life is:

- Purchase of IT Equipment for Inspectors – \$ 31,150 Useful Life – 5 Years
- Heating/Cooling Water Pumps (Library) – \$ 21,400 Useful Life – 5 Years
- MGR – Replace Gibbs Fire Alarm System – \$ 40,000 Useful Life – 5 Years
- 44,000 GVW, 4WD Truck w/Sander – \$160,000 Useful Life – 7 Years
- Backhoe/Loader 1.5 CY – \$113,000 Useful Life – 7 Years
- Sander Body – \$ 17,000 Useful Life – 5 Years
- Bus – 77 Passenger #104 (Schools) – \$130,000 Useful Life – 7 Years
- Install Carbon Monoxide Detectors through District (Schools) – \$ 75,000 Useful Life – 5 Years

Determining the useful life of equipment enables the Town to borrow funds at a term near the life expectancy of the equipment, and provide favorable debt service payments for the equipment.

The appropriation(s) authorized by vote of the 2015 Annual Town Meeting under Warrant Article #24(3) for Capital Projects is \$13,594,350.00.

Appropriations authorized by the 2015 Annual Town Meeting for Water Facilities and Sewer Facilities projects under Warrant Article Nos. 26 & 27, are eligible for grants and/or loans from the M.W.R.A., potentially eliminating borrowing costs for those projects.

The eligible projects are:

- \$1,000,000 Sewer Facilities: Art. 26 – 2015 ATM
- \$900,000 Water Facilities: Art. 27 – 2015 ATM

Application(s) to the M.W.R.A. is underway by the Department of Public Works.

The Office of the Treasurer is prepared to expedite a borrowing for any project currently anticipating other funding, should the need arise.

Details of the General Obligation Bonds to be issued follow:

Of the total \$13,594,000 to be borrowed, \$4,362,000 is in bonds and \$9,232,000 is in notes. The purpose of issuing BANs in lieu of permanent financing is to take advantage of lower interest rates for BANs versus Bonds, and to defer debt service payments in the near term.

Capital Projects:

- \$13,594,000 of Capital Projects appropriated by vote under Article 24(3) of the 2015 Annual Town Meeting (ATM), for the following categories:
 - \$7,647,000 Community Safety
 - \$1,153,000 Public Works
 - \$ 196,150 Health & Human Services
 - \$ 965,840 Information Technology
 - \$ 600,000 Recreation Department
 - \$ 275,000 Rink Renovations
 - \$2,040,000 School Projects
 - \$ 52,360 Library
 - \$ 280,000 Redevelopment Board
 - \$ 85,000 Planning & Community Development

A chart accompanies this memorandum detailing each project with authorization amount, borrowing amount, start and completion dates, spending schedule, and the recommended vote to determine useful life as requested of the Board.

Bond Anticipation Notes (BANs)

- Community Safety Building \$7,647,000
- Peirce School Field Renovations \$ 500,000
- Stratton School Improvements \$1,085,000

Refunding of Prior Bond Issues:

The Refunding(s) will be issued as Series-B bonds.

In the next few weeks the Town will issue \$4,062,000 bonds and \$9,232,000 notes to fund ongoing projects. In addition, the current low interest rate environment has created an opportunity to refinance Town of Arlington bonds issued September 15, 2005, and July 15, 2006 and generate in excess of \$280,000 in debt service savings over the remaining life of the bond issues. The analysis is based upon prevailing market conditions which are subject to change. A summary of the results of the analyses follows:

<u>Bond Issue</u>	<u>Purpose</u>	<u>Principal Amount to be Refunded</u>	<u>Estimated Budgetary Savings</u>	<u>Estimated Present Value Savings</u>	<u>Savings as a % of Refunded Principal</u>
9/15/2005	Various	\$1,000,000	\$60,030	\$54,044	5.40%
7/15/2006	Various	\$2,350,000	\$220,183	\$198,362	8.44%

Efficiency of the refunding: Generally, a bond issue can be refinanced only once, so it is important to ensure that the transaction is worthwhile. Since we cannot know what interest rates will be in the future, the industry relies on an efficiency ratio to help us decide which refunding opportunities are worth pursuing. If the ratio of savings to principal

refunded is greater than 3%, the refunding transaction is deemed worthwhile, and the higher the percentage the better the transaction. As you can see in the table above, the candidates exceed the minimum threshold savings ratio. It is also important to note that the savings shown are net of all costs of issuance. This continues our practice of seeking savings in all debt issuance – previous and present issues - the Town previously refinanced bonds in 2005, 2007, 2011 and 2012.

Borrowing Authorization Process: Refunding bonds are authorized by a majority vote of the Board of Selectmen. Under Massachusetts General Law, refunding bonds cannot be issued unless (1) the transaction produces present value savings and (2) the Selectmen and Treasurer approve the results of the sale (i.e., amount of savings and structure of the issue, etc.).

Below please find a suggested form of vote for the Board of Selectmen to authorize the issuance of Refunding Bonds:

Voted: That, in order to save interest costs, the Treasurer is authorized to provide for the sale and issuance of bonds under G.L. c. 44, Section 21A, to refund all or any portion of the remaining principal of and redemption premium and interest on the Town's General Obligation Bonds dated September 15, 2005 and July 15, 2006 and that for this purpose the Treasurer is authorized to provide for the preparation and distribution of a Preliminary Official Statement; provided, however, that no bonds shall be issued under this vote unless and until the final interest rates and other terms of the refunding bonds are approved by the Board.

As the vote indicates, the refunding is subject to final approval by the Board of Selectmen when the final details of the refunding bonds are determined.

The Board's consideration is appreciated.

Thank you.

VOTE OF THE BOARD OF SELECTMEN

I, the Clerk of the Board of Selectmen of the Town of Arlington, Massachusetts, certify that at a meeting of the board held October 19, 2015, of which meeting all members of the board were duly notified and at which a quorum was present, the following vote was unanimously passed, all of which appears upon the official record of the board in my custody:

Voted: that the maximum useful life of the departmental equipment listed below to be financed with a portion of the proceeds of the \$13,594,350 borrowing authorized by the vote of the Town passed April 29, 2015 (Article 24) is hereby determined pursuant to G.L. c.44, §7(9) to be as follows:

<u>Borrowing Amount</u>	<u>Purpose</u>	<u>Maximum Useful Life</u>
\$31,150	Purchase of IT Equipment for Inspectors	___5___ years
\$21,400	Heating/Cooling Water Pumps (Library)	___5___ years
\$40,000	MGR – Replace Gibbs Fire Alarm System	___5___ years
\$160,000	44,000 GVW, 4WD Truck w/Sander	___7___ years
\$113,000	Backhoe/Loader 1.5 CY	___7___ years
\$17,000	Sander Body	___5___ years
\$130,000	Bus – 77 Passenger #104 (Schools)	___7___ years
\$75,000	Install Carbon Monoxide Detectors through District (Schools)	___5___ years

I further certify that the votes were taken at a meeting open to the public, that no vote was taken by secret ballot, that a notice stating the place, date, time and agenda for the meeting (which agenda included the adoption of the above votes) was filed with the Town Clerk and a copy thereof posted in a manner conspicuously visible to the public at all hours in or on the municipal building that the office of the Town Clerk is located, or, if applicable, in accordance with an alternative method of notice prescribed or approved by the Attorney General as set forth in 940 CMR 29.03(2)(b), at least 48 hours, not including Saturdays, 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 subject matter of this vote were taken in executive session, all in accordance with G.L. c.30A, §§18-25 as amended.

Dated: _____, 20__

Clerk of the Board of Selectmen

VOTE OF THE BOARD OF SELECTMEN

I, the Clerk of the Board of Selectmen of the Town of Arlington, Massachusetts, certify that at a meeting of the board held October 19, 2015, of which meeting all members of the board were duly notified and at which a quorum was present, the following vote was unanimously passed, all of which appears upon the official record of the board in my custody:

Voted: That, in order to save interest costs, the Treasurer is authorized to provide for the sale and issuance of bonds under G.L. c. 44, Section 21A, to refund all or any portion of the remaining principal of and redemption premium and interest on the Town's General Obligation Bonds dated September 15, 2005 and July 15, 2006 and that for this purpose the Treasurer is authorized to provide for the preparation and distribution of a Preliminary Official Statement; provided, however, that no bonds shall be issued under this vote unless and until the final interest rates and other terms of the refunding bonds are approved by the Board.

I further certify that the votes were taken at a meeting open to the public, that no vote was taken by secret ballot, that a notice stating the place, date, time and agenda for the meeting (which agenda included the adoption of the above votes) was filed with the Town Clerk and a copy thereof posted in a manner conspicuously visible to the public at all hours in or on the municipal building that the office of the Town Clerk is located, or, if applicable, in accordance with an alternative method of notice prescribed or approved by the Attorney General as set forth in 940 CMR 29.03(2)(b), at least 48 hours, not including Saturdays, 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 subject matter of this vote were taken in executive session, all in accordance with G.L. c.30A, §§18-25 as amended.

Dated: _____, 20__

Clerk of the Board of Selectmen