Special Joint Board of Selectmen and Board of Finance Meeting

January 26, 2010

Present: First Selectman Gayle Weinstein; Selectman David Muller; Selectman Dan Gilbert; Michael O'Brien, Board of Finance Chairman; Robert Atkinson, Board of Finance; Melissa Koller, Board of Finance; Michael Carter, Board of Finance; Steve Ezzes, Board of Finance; Town Administrator Tom Landry; Finance Director Rick Darling; Administrative Assistant Judy DeVito, and members of the public.

This meeting was recorded and video taped and the tapes are available in the Selectmen's office.

Ms. Weinstein called the meeting to order at 7:05pm

Discussion/decision regarding approval of general bond refinancing issue and consideration of new bond issue of approximately 4.2 million for various school and town building renovation projects- Bruce Chudwick, Shipman and Goodwin and Mark Chapman, IBIC. Rick Darling, Finance Director, said we have been presented with an opportunity to refund some of our previously issued bonds. The refinancing would be for $1,550,000 General Obligation Bonds, dated August 1, 2002, $47,165,000 General Obligation Refunding Bonds, Issue of 2004, Series B, dated November 9, 2004 and $5,750,000 General Obligation Bonds, Issue of 2007, dated May 15, 2007.

Mark Chapman from IBIC said they are looking at the [abovementioned] three outstanding bond issues. For the 2002 bond, there is one maturity left. For the 2004 issue, they are looking at refinancing that bond, which is a refinancing of a previous issue and also looking at the 2007 issue. They are calling just the callable maturities.

Mark Chapman said we were refinancing $49,245,000 and given rates as of January 11th we would be issuing new bonds in the amount of $47,130,000 at a premium. They will put the $49,245,000 in an escrow account until they can call the outstanding bonds and the Town will begin paying debt service on the new $47,130,000. The true interest cost which is the effective rate the town will be paying over the term of the bonds is 2. 82%. The average coupon for the new bonds is 3.9% verses the old bond which is just over 4%. The cash flow savings net of expenses is just over $4,000,000. Net Present Value is 3.3 million and the percentage of savings for the prior bonds is 6.7%.

Mr. Muller asked, cash flow wise, how does it flow so that there is sufficient proceeds in escrow to pay at the call date when we are actually raising less in proceeds of the new issue. The response was the way they are pricing this currently is generating a lot of premium. They are taking the premium and in essence it is reducing your PAR. In the analysis they are generating about $3,000,000 of premium. Those funds will go right to the escrow.

Mr. Muller asked where in the process does Moody's get involved in the rating. Mr. Chapman said that the Town was in a very sound financial position and with the demographics this is a sound management tool to refinance and save tax payers money. He would be confident to say that we would retain the AAA rating. He said that would happen two to three weeks prior to the date of pricing.

Mr. Muller asked if it was correct that any subsequent rise in interest rates post issuance but prior to the call date has zero impact on anything that would affect the Town. Mr. Chapman said that was correct.

Mr. Chapman said that traditionally, on a new money transaction, they recommend that we do it competitively. For a refunding, they recommend a negotiated transaction due to the complexities of escrows, potentially the timing of the market, so logistically it is a lot easier.

Mr. Muller asked if they were to approve this at the earliest possible point, what is the minimum time from approval to actual issuance of the debt. Mr. Chapman said because we have to wait until August 1st, the soonest we could close is the beginning of May. The soonest we can lock in on the rates without a penalty is about 30 days before that. The beginning of April would be the soonest without a penalty.

Mr. Muller asked if on a negotiated transaction, is it a daily call that has to be made or is there discretion given within a range of bases points of issuance cost. Mr. Chapman said they would request a minimum threshold type of scenario. They will work up a schedule and keep an eye on it. This is a fully underwritten transaction and there is no risk of a failed issuance. If the market goes away from us and there is no savings then we walk away from it.

Mr. Chapman said 30 days is no penalty and 60 days the penalty would be 15 basis points. Mr. Chapman said that he recommends that we do this as soon as possible. It is $4,000,000 at almost 7%. Present value savings is very strong. Mr. Landry said that we are talking about doing a new bond issue on top of the refinancing of the bond issue, which requires a town meeting vote which affects the timing.

Mr. O'Brien asked what the estimated length was on the escrow account. Mr. Chapman said there were three pieces. The first piece is the 2002 issue which will be 30 days. The 45 million piece will be outstanding for 90 days, the 2007 piece will be outstanding until the call date which is May of 2012. Mr. Chapman said that they are looking at the short duration which is the 2 largest pieces to go with state and local governments which is issued by the treasury.

Bruce Chudwick, Bond counsel said that they have prepared a resolution for the Board of Finance and the Board of Selectmen. Glen Rybacki from Shipman and Goodwin said that the resolution acknowledges that under state statues the town does have the ability to refund outstanding bonds. It identifies what the new bonds that would be issued in the amount the $56,000,000 and it identifies what is outstanding for the three bonds that could be the target for the refunding. The Board of Finance then recommends proceeding with the issuance of the refunding bonds and the refunding of the old bonds to the Board of Selectmen.

The second resolution for the Board of Selectmen identifies the bonds that are being authorized and appropriates the proceeds from those bonds to refund the prior bonds. It identifies what the prior bonds are. It delegates the authority to the First Selectman and the treasurer for various functions. One of those is the sale. It discusses and lays out the bond form, who would execute the bond, what the maturity structure would be, and how that would be chosen.

It delegates to the First Selectman and the Treasurer to designate an escrow agent also to engage a verification agent. It authorizes the First Selectman and Treasurer to execute sales documents and also authorizes the execution of continuing disclosure agreement in which the town would, for the life of the bonds, agree to provide various financial information on a regular basis to the secondary market. It also authorizes tax documents to be executed and for representations to be made in order to keep the refunding bonds exempt from tax. Finally it authorizes designating a paying agent as well as any of the other related documents to the transaction.

Mr. Gilbert asked where the $56,000,000 in the first paragraph came from. Mr. Chudwick said that they wanted to make sure that we have enough authorization to issue the bonds. Mr. Chapman’s initial run shows $47,000,000 of bonds but if interest rates went up and we had to issue more bonds to still make the refunding work, the $47,000,000 could increase to $49,000,000 or even $52,000,000. They wanted to make sure we have authorization so that it does still make sense to do it. If it is not in the resolution they do not have the authority to do it.

Mr. O’Brien, Board of Finance Chair, made a motion for the Board of Finance to approve a resolution recommending that the Board of Selectmen Authorize, Issue and Sell General Obligation Funding Bonds

WHEREAS, the Connecticut General Statutes provide that refunding bonds may be issued by a municipality for the purpose of paying, funding or refunding prior to maturity all or any part of such municipality’s bonds, and that such refunding bonds shall be authorized by resolution of the municipality’s board of selectmen, and

WHEREAS, the Weston Board of Selectmen is proceeding to authorize, issue and sell the Town’s General Obligation Refunding Bonds in a principal amount not to exceed $56,000,000 (the “Bonds”) for the purpose of refunding, prior to maturity, all or part of the Town’s outstanding $1,550,000 General Obligation Refunding Bonds, dated August 1, 2002, $47,165,000 General Obligation Refunding Bonds, Issue of 2004, Series B, dated November 9, 2004 and $5,750,000 General Obligation Bonds, Issue of 2007, dated May 15, 2007.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Finance hereby recommends that the Board of Selectmen authorize, issue and sell such Bonds if the Town achieves debt service savings by such action. Ms. Koller seconded and the motion passed unanimously.

Mr. Muller made a motion for the Board of Selectmen that we approve the resolution to Authorize, Issue and Sell Town of Weston General Obligation Refunding Bonds as stipulated in the document attached. Mr. Gilbert seconded and the motion passed unanimously.

Mr. Chudwick said that any new money issue would go through Board of Finance, Board of Selectman and a Town Meeting for approval. Shipman and Goodwin will prepare the resolutions for the two boards and the town meeting. Mr. Muller asked what an advanced calendar required for a new issue verses refunding. Mr. Chudwick said if they were ready to go at the same time they would put them in the same book. There would be one offering document. Mr. Chapman said he would recommend not holding up the refunding to save possibly $70,000 and potentially lose $4,000,000.

Ms. Weinstein said that one of the big issues has been the Middle School Roof. They are looking at putting three boilers as well into the bonding to help off set the Capital Budget. The Middle School Roof is 3.7 million, the boilers are $379,000. Mr. Muller said if we were not capping at 4 million, what would the list include, and would we want to include them in a bond issue currently.

Ms. Koller said we have all time low interest rates. If we could fund more it seems like a good idea to get all of this financed over a long period of time than taking it year after year out of our tax dollars. Mr. Muller said that you can look at it another way and say what we are doing is removing 4 million from those capital needs and therefore the ability to meet those other obligations that we are going to have is easier because we have taken a chunk out up front. Ms. Koller said that she felt we were being overly conservative.

Ms. Keating said when the study was completed a few years ago the facility sub-committee of the Board of Education took the study and took it project by project, item by item and made a judgment call, do we put this in our capital plan, do we handle it through maintenance and not replace rather repair. How do we stage a plan for those projects over a period of ten years? That was a process that took about a year. The most urgent needs were put up front for the capital budget and put off the projects that were going to be financed through debt service.

Ms. Keating said within a window of the next 10 years, there are a good number of projects that need to be completed to improve the conditions at the Middle School, the old building at the High School and at Hurlbutt. They are ready to go with projects in a prioritized order. The windows and the doors would be the other big project that they would put in there.

Ms. Weinstein asked to get what the debt service would be at 4 million, 6 million and 10 million. Mr. Muller said he would like to see 4.2 million as proposed and the incremental cost of the windows and doors which is approximately 2 million and change.

Ms. Weinstein said she would like to assess the pro's and con's of bonding that amount. She asked Mr. Darling to do a forecast of 4 million and 6 million and they can piggyback on the Board of Finance meeting on February 11, 2010.

At 8:25pm Mr. Gilbert made a motion to adjourn the meeting. Mr. O'Brien seconded and the motion passed unanimously

Respectfully submitted

Judy M. DeVito
Administrative Assistant.
Approve 02/25/10