MUNICIPAL BORROWING
New Treasurer & Collector's Day
May 5, 2022

Presented by
Lynne A. Foster-Welsh
Margaret A. MacLean

UNIBANK FISCAL ADVISORY SERVICES, INC.
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MUNICIPAL BORROWING

What is Municipal Debt?

- Debt authorized by a City, Town or District to finance governmental obligations

- Construction and/or Renovations to Public Buildings
- Purchase Property and Equipment
- Refund Outstanding Notes and/or Bonds
- Cash Flow needs – RANS
- Grant Funded Projects – Ch. 90 Roads
- Emergency Situations/Court Judgements

MUNICIPAL BORROWING

Borrowing Authorization

- Debt is authorized by a 2/3 vote of Town Meeting or Town/City Council
- Chapter 44, Section 7 or 8-most common statutory references
- Length of Borrowing Determined by Statute
- Debt Exclusion or Levy Funded
- Debt Exclusion authorized by majority vote

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MUNICIPAL BORROWING

Financing

- Short-Term Borrowing

Bond Anticipation Notes (BANS)

- Typically Issued for up to One Year
- Provide Temporary Financing for Project(s)
- Can Be Issued with Legal Opinion or through the State House Note Program
- Authorizations of $500,000 and above, must have a legal opinion ("green light) from bond counsel in order for the DOR to certify the issuance.
- Can be issued for up to 10 years
- Mandatory Principal Payments starting in Year 3

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Financing

- Short-Term Borrowing (Cont.)

  Revenue Anticipation Notes (RANS)

  ➢ Chapter 44, section 4
  ➢ Issued in Anticipation of Revenue to Provide Cash Flow during Fiscal Year
  ➢ Borrowing Term Cannot Exceed One Year

  State Aid Anticipation Notes (SANS)

  ➢ Chapter 44, section 6A
  ➢ Borrow in Anticipation of Federal or State Grants
  ➢ Borrowing Term Cannot Exceed Two Years

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MUNICIPAL BORROWING

Financing

- Long-Term Borrowing

  Bonds

  - Maximum Length of Bonds Determined by Statute
  - Provide Permanent Financing for Project(s)
  - Tax-Exempt or Taxable
  - Refunding

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Borrowing Process

- Plan/Establish the need or feasibility for a project
- Capital Planning Document
- Authorize Borrowing-Town Meeting vote
- Debt Exclusion or Levy Funded
- Satisfy Legal Requirements & Structure the Issue
- Work in conjunction with Bond Counsel and Municipal Advisor
- Distribute Bond Disclosure/Solicit bids
- Evaluate & Award- Lowest TIC
- Deliver/Settle/Receive Funds

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Borrowing Considerations

- Issuer Specific
- 5-Year Revenue & Expenditure Projections
- Capital Improvement Plan- 5 yrs.
- Debt Policies
- Financial Health of the Community
- Outstanding Debt- Tax Impact of Adding Additional Debt
- Legal Constraints

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Structuring The Issue

- Type of Sale
- Sale Schedule and Sale Date
- Bid Specifications
- Principal Maturities by Purpose
- Redemption Features
- Payment Dates for Debt Service
- User of Credit Enhancement
- Security-Source of Funds to Pay Debt Service
- Rating(s)

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Current Issues

- Interest Rates- Long & Short-Term
- Federal Reserve Decisions
- Rate Differential
- Tax-Exempt vs Taxable
- Bank Qualified vs Non-Bank Qualified
- National & Global Economy
- Market Supply

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QUESTIONS

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NOTES

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