

REPORT OF THE SPECIAL FINANCE COMMITTEE

DECEMBER 13, 2006

A special meeting of the Finance Committee was held on Wednesday, December 13, 2006 at 6:40 p.m. in the Aldermanic Chamber.

Mayor Bernard A. Streeter presided.

Members of the Committee present: Alderman-at-Large Steven A. Bolton
Alderman-at-Large Fred S. Teeboom
Alderman-at-Large David W. Deane
Alderman Robert A. Dion
Alderman Daniel L. Richardson
Alderman Richard P. Flynn

Members not in Attendance:

Also in Attendance: Carol Anderson, Chief Financial Officer/Comptroller
David Fredette, Treasurer/Tax Collector

COMMUNICATIONS

From: Mayor Bernard A. Streeter
Re: Special Finance Committee Meeting

**MOTION BY ALDERMAN FLYNN TO ACCEPT AND PLACE ON FILE
MOTION CARRIED**

From: Carol A. Anderson, CFO/Comptroller
David G. Fredette, Treasurer/Tax Collector
Re: Confirmation of Advance Refunding of 1/15/99, 9/15/00 and 1/15/02 Bonds

**MOTION BY ALDERMAN FLYNN TO ACCEPT, PLACE ON FILE, AND CONFIRM THE
ADVANCE REFUNDING OF THE JANUARY 15, 1999, SEPTEMBER 15, 2000, AND JANUARY
15, 2002 BONDS**

**MOTION BY ALDERMAN BOLTON TO AMEND TO INCLUDE RESOLUTIONS CONTAINED
ON THE DOCUMENT TO BE SIGNED BY THE CLERK OF THE COMMITTEE
MOTION CARRIED**

Mayor Streeter

Are we ready for the motion as amended, which includes statement that it be signed by the clerk of the committee on Finance?

David Fredette

We basically just completed about an hour and a half ago. We have been trying to get everything put together. We would like to keep this at a high level if possible. We have two statements; one gives just a rough outline or a detailed outline of what took place today, and as I mentioned in the memo that you received last week with your packet, there were three separate previous bonds that we were refunding. Also included some new bond money that was approved by the Board over the last few years.

I am not sure if you would like to have this statement read. The aggregate savings for the refunding is \$2,625,692.83 or \$2,042,596.77 on present value basis. That savings begins in FY07 and goes out each year until the last bond is paid.

Alderman Richardson

I haven't been through this before so a little information and help in understanding it would be great. A little educational session maybe. In one document it says \$80 million for R-04-28.

David Fredette

Not to exceed \$80 million.

Alderman Richardson

Obviously I don't understand. The original documents I have had time to read. Obviously I haven't had time to read the two pieces of paper that you have given.

Carol Anderson

The \$80 million were all the bonds at that point in time that could be eligible to be re-funded. What you do is we passed the one resolution at that time – the Board passed that resolution, which left us open at that time that whenever the market was favorable that we could go out there and do an advance refunding and capture those savings. If not, we would be doing it on bond-by-bond basis and you would be missing too many opportunities. That is the norm is to do it in total. In this particular case, it has been that long that we have been waiting for the market to be favorable for these particular bonds. It came to the point that these three bonds were favorable, and we entered into the market to do the advance refunding. In total it saves 3.88%. That is significant because what you are always looking for is to save a net of 3%, and we were fortunate this time to have saved 3.88%.

Alderman Richardson

Those three bonds are the 1999, 2000, and 2002?

Carol Anderson

Yes.

Alderman Richardson

I notice on this other document talking about a sale of \$67,775,000 is that what the total amount was involved in the refunding?

Carol Anderson

In refunding but also in new money. In the new money that we had we had over \$10 million. It is a combination of the two.

Alderman Richardson

Could you explain that?

Carol Anderson

We had to do one negotiated sale, and it was a combination of the refunding and the \$10 million in new bonds that were being issued.

Alderman Richardson

I didn't see anything on here about that. Could you point that out?

Carol Anderson

On this particular one at the very beginning it says the bonds today were comprised of \$10,555,000 20-year new money bonds and \$57,220,000 of refunding bonds. I believe Mr. Fredette passed out the...

David Fredette

I can give you an outline of all the new money bonds that we sold.

Alderman Richardson

These are not handled as one fund these are all – is this what it is all the separate lines on here?

Carol Anderson

That is just for the – yes. That should be for all of it. The reason why – in the past, it has only been for the refunding portion because we have just gone out and just done a refunding. This time you have the new money, and the two were combined. Normally when you go out with new money you do a competitive bid so we never have to go through this process it is just competitively sold. When you have a negotiated process if the new money had been far greater than the refunding then we could have done a competitive sale, but because the refunding, which is the most complicated issue and you need to negotiate that drove what was happening also with the new money because the new money was only \$10 million versus \$57 million in refunding bonds or old bonds. It was the older bonds as they said that was the dog and the new money was actually the tail at that point.

Alderman Richardson

Could you explain just a little bit about a negotiated sale? I am not familiar with the concept.

Carol Anderson

The underwriters actually talk to all of the various institutions to see which ones they want to buy, which blocks of bonds they will buy, and try to get the best price for that. Some of the – depending on what dates they were, how far they went out, some of them there were money market managers that were buying, others were trusts, some were retailers buying them in the end the ones that were way out with the discounts the retailers were buying them, and institutional organizations. Our underwriters negotiate with them to get the best rate for the City. That is what has taken so long, and the market was in fluctuation with the economic news. It made it – they were trying to get the best buy for us.

Alderman Richardson

Our underwriters are?

Carol Anderson

A. G. Edwards and then there were several others.

David Fredette

Edward Jones, Bank of America, and RDC.

Alderman Richardson

Thank you.

Alderman Teeboom

About the savings, it says here the savings are \$2.043 million. You said of that savings \$1.390 million is going to happen this year 2007?

Carol Anderson

Yes.

Alderman Teeboom

That leaves \$653,000 that is the difference. That \$653,000 is accrued up to 2026, which is the last year of the payments that are due?

Carol Anderson

Yes.

Alderman Teeboom

So you managed to get all of this up front?

Carol Anderson

Yes, and they recommended that we take it up front.

Alderman Teeboom

Up front rather than larger amounts to be delayed, and why did they recommend that?

Carol Anderson

Because actually the difference between present value is very very small, and they recommend that you take the money up front. It was more valuable to you to take it up front then to have those monies – that is actually going to reduce what our debt service is, the debt of the interest payment for this year. We can use that for other sources.

Alderman Teeboom

It is good financial sense. Okay. Well it certainly seems like \$1.4 million and \$650,000 over the next 20 years you certainly got most of it up front. Did that include fees?

Carol Anderson

The fees actually come up to 3/10 of 1%, and the savings is net of the fees. When you calculate the 3% it is net of those fees.

Alderman Teeboom

In other words it is a savings of \$2.042 million include or exclude the fees? Is it \$200,000 roughly?

Carol Anderson

Right. That amount is net of all cost of issues.

Alderman Teeboom

I am not sure what that means.

Carol Anderson

It means that it is subtracted out. When you are looking at that savings the cost of issue, which is the cost for the underwriters, bond council, all of that, is already taken out of those savings.

Alderman Teeboom

How much are those fees?

Carol Anderson

A total of \$186,750 or 3/10 of 1% of the principle amount.

Alderman Teeboom

Refunding really means refinancing isn't that true?

Carol Anderson

Yes.

Alderman Teeboom

Why do they use the term refunding?

Carol Anderson

Because with a refinance you generally do – it is like when you refinance your home you refinance it and then you pay off the old debt and then you end up having new debt. With this one we have portions. There is the callable, the non-callable, it gets paid off as those bonds – you see one bond, but they are all individual series in a year. That is a refunding, an advance refunding.

Alderman Teeboom

Is it better to take the savings of the \$1.4 million now or would it have been smarter to pay off the bonds with that money?

Carol Anderson

We talked with our financial advisors about that, and they said that we were wiser to take the savings now, and then we can choose to do what we want with that money.

Alderman Teeboom

And who is your advisor?

Carol Anderson

First Southwest.

Alderman Teeboom

Thank you.

Alderman Deane

Through you to Mrs. Anderson, the \$1.4 million now where will that money linger?

Carol Anderson

For the most part where that will be will be in the bonded debt. When it comes time to make the next payments on those bonds, the second interest payment, that is where the savings are going to be so that will remain in the bonded debt area. There may be some premium coming in, and that gets a little complicated as to how that gets handled, but that is not something that gets spent it has to be allocated properly. I would see it as unexpended bonded debt interest.

Alderman Deane

I want to give you a phone call and discuss this further with you. Thank you.

David Fredette

I believe we have been told that this needs to be read into the record.

Alderman Teeboom

What is the purpose of reading this whole thing when we can all read it?

David Fredette

We were told by bond council that it needs to be read into the record.

Alderman Flynn

I, the Clerk of the Committee on Finance (the "Committee") of the Board of Aldermen of the City of Nashua, New Hampshire, certify that notice of the time and place of the meeting of the Committee held December 13, 2006 was posted in two appropriate places in the City at least 24 hours, exclusive of Sundays and holidays, before said meeting, that all members of the Committee were duly notified of said meeting and that a quorum was present at the meeting, which was open to the public, and that the following resolutions were unanimously adopted, all of which appears in the official records of the Committee in my custody.

Resolved: that the sale of the \$67,775,000 Capital Improvement and Refunding Bond (the "Bonds") of the City dated December 15, 2006, to A.G. Edwards & Sons, Inc., as representative of the underwriters (the "Underwriters") named in the Bond Purchase Agreement dated December 13, 2006 (the "Agreement") at the purchase price of \$69,828,804.96 and accrued interest in accordance with the Agreement, is hereby confirmed. The bonds shall be payable on July 15 of the years and in the principal amounts and bear interest at the respective rates, as follows, subject to earlier redemption at the option of the City as provided in the Preliminary Official Statement dated December 5, 2006:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
2007	\$ 590,000	3.50%	2017	\$6,560,000	4.00%
2008	795,000	3.50	2018	6,495,000	4.00
2009	815,000	3.50	2019	6,145,000	4.25
2010	820,000	3.50	2020	6,110,000	4.375
2011	4,175,000	4.00	2021	2,810,000	4.375
2012	4,155,000	4.00	2022	530,000	4.00
2013	6,105,000	5.00	2023	530,000	4.00
2014	5,525,000	4.00	2024	530,000	4.00
2014	1,075,000	5.00	2025	525,000	4.125
2015	6,585,000	5.00	2026	305,000	4.125
2016	6,595,000	5.00			

Further Resolved: to confirm and approve the provisions of the Agreement dated December 13, 2006.

Signed Richard Flynn, Clerk of the Committee on Finance.

Alderman Teeboom

I had a chance to add up all of these numbers mentally. They don't add up to \$67 million, they add up to \$80 million. Are they supposed to add up to the figures that are stated here on the other sheets?

Carol Anderson

They should add up to those sheets.

Alderman Teeboom

Is it \$67 million or \$80 million?

Carol Anderson

Not to \$80 million. The \$80 million is what we could refund.

Alderman Teeboom

Has anybody checked that arithmetic?

Carol Anderson

We got this as I was coming up the stairs.

Alderman Bolton

It adds up to \$67,775,000.

Alderman Teeboom

Did you use a calculator?

Alderman Bolton

No I did it in my head.

Alderman Teeboom

I would rather use a calculator.

David Fredette

Alderman Bolton is correct.

Mayor Streeter

Are there any further comments? Are we ready for the question?

Alderman Flynn

Is there a reason why 2014 has two entries?

Carol Anderson

It could be the year when there is one of them is callable – like within the 10-year period. I believe that is what it is, and they would split that up as callable and non-callable, and I think that is why it is listed that way.

MOTION CARRIED

ADJOURNMENT

MOTION BY ALDERMAN DION TO ADJOURN

MOTION CARRIED

The special Finance Committee meeting was adjourned at 7:02 p.m.

Alderman Richard P. Flynn
Committee Clerk

**City of Nashua
New Bond Sale 12-13-06**

New Bonds Totaling \$10,641,265

20 year bonds included with
refunding bond negotiated sale

<u>Resolution</u>	<u>Description</u>	<u>Amount</u>
R-03-173	Renovation and expansion of Nashua Senior Center located at 70 Temple St	\$ 2,400,000
R-03-265	Replacement of the HVAC system at Nashua Police 731-3719 & 631-11	\$ 325,000
	Replacement of the HVAC system at Nashua Police 731-3719 & 631-11	\$ 575,000
R-04-37	Acquisition of the land at 50 East Hollis Street 732-3702	\$ 450,000
R-04-56	Construction and associated improvement of the "Riverwalk" in Nashua	\$ 1,135,000
R-05-166 R-05-278	Construction of a fire station & associated site improvements To reduce \$4.7 million to \$3,756,265	\$ 3,756,265
R-05-255	Purchase and redevelopment of property located at 11 Riverside Street	\$ 2,000,000
		<u>\$ 10,641,265</u>
	True Interest Cost	4.057%

City of Nashua, New Hampshire

The City of Nashua priced \$67,680,000 general obligation new money and refunding bonds today comprised of \$10,555,000 20-year new money bonds, and \$57,220,000 refunding bonds. The new money bonds are were priced at a true interest rate of 4.0%. The refunding bonds are being issued to refund certain of the callable maturities of bonds originally issued by the City dated January 15, 1999, September 15, 2000, and January 15, 2002. The gross savings produced by the refunding aggregate \$2,625,692.83, or \$2,042,596.77 on a present value basis, 3.88% of the principal amount of the bonds refunded. \$1,390,172.51 of the savings produced by the refunding will be realized in Fiscal 2007. The balance of savings will flow to the City throughout the remainder of the original term of the bonds being refunded.

The Bonds were issued on a negotiated basis due to the complexity of structuring refunding bonds, and were underwritten by a syndicate comprised of A.G. Edwards, Bank of America, RBC Dain Rauscher, and Edward Jones. A.G. Edwards was the Manager of the deal. First Southwest Company, Financial Advisor to the City, structured the transaction and served as Pricing Advisor on the Bonds. Edwards Angell Palmer & Dodge LLP served as Bond Counsel.

The aggregate \$67,680,000 bond issue sold at a TIC of 3.97%.

The Bonds are rated AA+ with Standard and Poor's Corporation credit rating agency, which is a confirmation of the City's existing bond rating. MBIA insurance is being used on the Bonds at a cost of 14.8 basis points of total debt service.


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Dated: December 13, 2006


 Clerk of the Committee on Finance