ARTICLE 9:

ARTICLE 9: To see if the Town will vote to appropriate the net premium paid to the Town upon the sale of bonds issued to pay costs of the North and South High School Projects, each of which are the subject of a Proposition 2½ debt exclusion, to pay costs of the South High School Project being financed by such bonds and to reduce the amount authorized to be borrowed for the South High School Project, but not yet issued by the Town, by the same amount, or to take any other action relative thereto.
BOARD OF SELECTMEN

RECOMMENDATION: Approval (Unanimous, 12-0-0)
The Advisory & Finance Committee recommends Town Meeting approve Article 9. Town Meeting approval of this article will allocate bond premium (savings from favorable financial terms) of $1,448,510.66, received from portions of both the Plymouth North and Plymouth South High School projects, to pay project costs directly for the Plymouth South High School project. This will reduce the amount the Town has to borrow for the Plymouth South High School project. The Town received permission from the Massachusetts Department of Revenue to utilize this "alternative use method" because both projects were initially voted as one article and approved as one debt exclusion by the voters of Plymouth.

Town of Plymouth
Finance Department

TO: Board of Selectmen
Advisory & Finance Committee

FROM: Lynne A. Barrett
Director of Finance

RE: Plymouth South High School Pay Down

DATE: September 2, 2015

Similar to what the Town did in the fall of 2013 with the Plymouth North Project, the town recently received a premium on long term bonds issued for a portion of the Plymouth South High School project and the final long term borrowing for the Plymouth North High School project. The net premium received was $1,448,510.66 combined (see detail of borrowing activity and premium attached).

The Town has chosen to use the *"alternative use method"* and apply the premium to pay project costs directly for the Plymouth South High School project. This article will transfer those funds to the project and reduce the amount we would need to borrow. The Town received permission from the DOR to use both projects premium for the one project due to our initial vote as one article and one debt exclusion. Copy of the email from DOR is attached.

For further explanation of this process and about premiums in general I refer you to the City & Town – December 18, 2014 issue (attached) which describes what options are available to Towns when they receive premiums.

Thank you for your consideration in this matter.

Bond BAN Spreadsheet of Results
Bond Information - May 2015

Purpose	This Issue	Premium	Borrowing Costs	Net Premium
Plymouth South High School	24,755,000.00	1,338,648.99	74,786.00	1,263,862.99
Plymouth North High School	3,571,186.00	195,436.39	10,788.72	184,647.67
Total for Debt - Exclusion				$ 1,448,510.66
PSMS Brick Veneer Renovation	361,877.00	27,006.48		
Police Station Mitigation	1,635,000.00	111,364.11		
Fire Truck	560,000.00	59,078.04		
Fire Equipment	405,000.00	42,797.14		
Federal Furnace HVAC	5,770,000.00	420,439.23		
Open Space Beach Purchase	305,000.00	20,420.04		
Water Street Bridge	1,700,000.00	114,952.30		
Total General Fund	10,736,877.00	796,057.34	32,436.62	$ 763,620.72
Sewer Interceptor Project	1,549,800.00	106,755.98	4,682.01	$ 102,073.97
Water Main Replacement	2,652,137.00	181,199.67	8,012.22	$ 173,187.45
Grand Total	43,265,000.00	2,618,098.37	130,705.57	$ 2,487,392.80

Lynne Barrett

From: Peter Frazier <Peter.Frazier@firstsw.com>
Sent: Thursday, July 16, 2015 12:49 PM
To: Lynne Barrett; Pamela Borgatti
Cc: Lisa Driscoll; Manley, Richard
Subject: Plymouth - Revised Sources and Uses - 2015 Bonds

Lynne and Pam,

The DOR has signed off on the plan to allocate the net exempt premium on the North High School (and South High School) Bonds to the South High School project. We will request the appropriate town meeting language from Bond Counsel.

Please call with any questions.

Peter

Peter Frazier
Senior Vice President
First Southwest

direct 617.619.4409 fax 617.619.4411
54 Canal Street, Suite 320, Boston, MA 02114

From: Arrigal III, William F. [mailto:arrigal@dor.state.ma.us]
Sent: Thursday, July 16, 2015 11:46 AM
To: Peter Frazier
Cc: Lisa Driscoll; Cole, Gerald H.; Curtis, Jared; Guilfoyle, Thomas J.; Rassias, Anthony A.
Subject: RE: Plymouth - Revised Sources and Uses - 2015 Bonds

Peter,

As long as the $184,647.67 is rescinded from the remaining South High School project there should be no problem.

http://www.mass.gov/dor/docs/dls/city-town/2014/ctown-dec18.pdf

Please let me know if you have any questions

Bill

Bill Arrigal
Division of Local Services/MA DOR
Public Finance Section
P.O. Box 9569
Boston, MA 02114-9569

P: 617.626.2399 | F: 617.660.3977
E: arrigal@dor.state.ma.us | Web: www.mass.gov/dls

From: Peter Frazier [mailto:Peter.Frazier@firstsw.com]
Sent: Tuesday, July 14, 2015 3:48 PM
To: Arrigal III, William F.
Cc: Lisa Driscoll
Subject: Plymouth - Revised Sources and Uses - 2015 Bonds

Bill,

Attached is a statement of sources and uses in connection with the Town of Plymouth's recent bond issue. The Town authorized the North and South High Construction projects under a single town meeting borrowing vote and ballot question. The yellow highlighted areas show the net exempt premium that the Town would like to vote at town meeting to allocate to the South High School project and reduce the borrowing authority accordingly. After receiving the bids on the recent bond issue, the Town reduced the par amount of the South High School from $26,000,000 to $24,755,000 and will vote the difference ($1,245,000), plus the additional $18,862.99 net premium to fund South High School construction costs. The Town was not able to reduce the North High School par amount because the Town needed the total amount of principal borrowed to retire maturing bond anticipation notes. The North High School is now finished and completely financed. The Town would like to appropriate the $184,647.67 net exempt premium on the North High School portion to pay additional costs of the South High School project which is only partially constructed and financed.

Please call at your convenience to discuss.

Peter

Peter Frazier
Senior Vice President
First Southwest

direct 617.619.4409 fax 617.619.4411
54 Canal Street, Suite 320, Boston, MA 02114

City & Town - December 18th, 2014

City & Town

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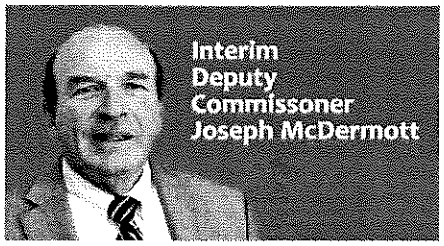
Amy Pitter, Commissioner • Joseph McDermott, Interim Deputy Commissioner & Director of Municipal Affairs



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MUNICIPAL DATA BANK

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Editor: Dan Bertrand

In this Issue:

Premium Information

Tony Rassias - Deputy Director of Accounts

The Bureau has received many questions regarding the proper application of premiums from borrowed funds. Certain rules have changed on the matter and they can be very confusing. Therefore, the Bureau of Accounts would like to offer the following FAQs.

The town borrowed funds and received a premium. Can the premium be used to reduce issuance costs?

Premiums received from the sale of bonds and notes by a city, town or district may be used to reduce issuance costs, such as bond insurance and underwriting, of their associated bonds and notes. Issuance costs are usually paid for from the bond proceeds first, if budgeted there, or if not, from the premium.

Must the premium be appropriated to offset the issuance costs?

No. The premium may be spent for this purpose without appropriation.

Can any remaining premium be reserved per the Uniform Massachusetts Accounting System (UMAS)?

It depends. Normally, the premium remaining after paying issuance costs, or net premium, is general revenue of the city, town or district. MGL c. 44 sect. 20.

For a city, town or tax rate setting district, if received prior to the certification of the tax rate by the Bureau of Accounts, the net premium may be used as an estimated receipt for that fiscal year. If received prior to March 31 and not used as an estimated receipt, the net premium may become part of a request to update free cash. Otherwise, the net premium must close to the General Fund as of June 30.

However, if there is an enterprise fund or debt exclusion associated with the debt, there is a different approach.

What happens if there is an enterprise fund associated with the debt?

According to IGR 08-101 on enterprise funds, the net premium belongs to the enterprise fund.

If received prior to the certification of the tax rate by the Bureau of Accounts, the net premium may be used as estimated revenue of the enterprise fund. If received prior to March 31 and was not used as estimated revenue, the net premium may become part of a request to update retained earnings. Otherwise, the net premium must close to the enterprise fund balance as of June 30.

What happens if there is a debt exclusion associated with the debt?

When a debt exclusion has been voted, Bulletin 2013-01B details (a) the reservation requirement through maturity method or (b) an alternative use method for the net premium.

The reservation requirement through maturity method requires the net premium to be reserved and amortized over the life of the debt from which it was received. Because the debt exclusion must by law be the true interest cost, the amortized net premium must reduce excluded debt service annually.

The alternative use method allows a reserved premium to be appropriated to (1) pay project costs directly or (2) pay-down BANS for the project, so long as there is debt authorized that has not yet been issued. That unissued portion of the project's authorization must then be rescinded by the legislative body in the same amount as the net premium appropriated.

The provisions regarding the net premium as general revenue and the reservation requirement also apply to a regional school district. The regional school district then passes through the amortized net premium via the assessment. The alternative method is available to a regional school district only if all members of the district have approved the debt exclusion on the project.

How is a reserved net premium reflected on the next Tax Rate Recap?

The reserved net premium must be applied annually to reduce the debt exclusion by a city or town in either one of two ways:

1. By appropriating the reserved amount to cover a portion of that fiscal year's debt service on the associated debt (the recommended practice) and reporting the action on page 4, column (d) of the Tax Rate Recap and on Schedule B-2. Schedule DE-1, then, will only show the balance being appropriated; or

2. By indicating the reserved amount on Schedule DE-1 as an adjustment to the current fiscal year's debt service appropriated (column H) and by including the same amount as a Miscellaneous Non-Recurring estimated receipt on page 3 of the Tax Rate Recap.

The net premium passed through by a regional school district to its applicable members should have already reduced the members' debt assessment and only the remainder need be appropriated by the city or town and shown on Schedule DE-1.

How is the alternative use method for premiums reported on the Tax Rate Recap?

For the alternative use method, report the appropriation of the premium on the Tax Rate Recap, page 4, column (d) of the Tax Rate Recap and on Schedule B-2. In addition, report the rescission of authorized debt as a negative amount on page 4, column, (g) of the Tax Rate Recap.

How can a reserved net premium be invested?

Treasurers should consult with bond counsel to ensure that the investment is consistent with federal arbitrage regulations on tax-exempt borrowings.

Why do the auditors amortize the net premium on the financial statements?

For purposes of your entity's audited financial statements only, Generally Accepted Accounting Principles (GAAP) apply de minimus premiums to offset the interest expense in the year received, apply significant Bond Anticipation Note premiums to offset the interest expense in the year paid and amortize material bond premiums to offset the interest expense over the life of that bond.

There may be other scenarios not covered in this article. If so, contact your Bureau of Accounts field representative for more information. We hope you've found this helpful.