
INTEROFFICE MEMORANDUM

TO: BOARD OF COMMISSIONERS
FROM: CARFAC
SUBJECT: RECENT BOND ISSUE UPDATE
DATE: 4/7/2015
CC: ROBERT A ZIENKOWSKI, TOWNSHIP MANAGER



This memorandum is meant to provide the Board of Commissioners with a financial summary of the two recent bond transactions. More specifically, we want to assure that the Board understands the success of the pricing process with these two issues. The team that analyzed the transactions and provided the recommendations to the Board during the approval process included the Township Administration, CARFAC, PFM and Boenning & Scattergood. PFM served as the pricing agent and Boenning & Scattergood served as the underwriter. The two transactions included the December 2014 Open Space Bond Issue and the March 2015 Current Refunding of the 2009 Open Space Bonds. CARFAC and the Administration met with PFM during our March meeting to review the pricing results. A summary of the pricing was prepared by PFM and is attached to this memo.

2014 Series Open Space Bonds (\$9,855,000 / 3.55% All-In Cost):

These Bonds were issued to fund a majority of the open space acquisition at Ardrossan. The Township elected to sell the bonds by way of a direct negotiation with Boenning & Scattergood, who served as the bond underwriter. To ensure that the pricing received by the Township was consistent with market conditions and that the underwriter provided the best pricing possible on the day of sale, the Township engaged PFM to serve as pricing agent. CARFAC and the Administration are both very pleased with the pricing process and the results. In fact, due to favorable market conditions and through negotiations between PFM and Boenning & Scattergood, the aggregate pricing improved from the initial pricing scale with a reduction in all-in cost of 0.15%, resulting in lower aggregate debt service of \$294,640.

2015 Series Current Refunding of the 2009 Open Space Bonds (\$4,965,000 / 2.15% All-In Cost):

These Bonds were issued to refund the 2009 Open Space Bonds in an effort to take advantage of market conditions to lower the debt service expense. Similar to the 2014 Series Bonds, the Township elected to negotiate directly with Boenning & Scattergood who served as underwriter in the transaction. To ensure that the Township received market level pricing and that the underwriter provided the very best price possible, the Township again engaged PFM to serve as pricing agent. Armed with favorable market conditions, PFM and Boenning & Scattergood negotiated the aggregate pricing in a positive direction from the initial pricing scale, resulting in a reduced all-in cost of 0.08%, with a \$30,703 reduction in aggregate debt service (as compared to the initial pricing scale presented). Based on the facts of the transaction, CARFAC and the Administration feel that the Township received an outstanding price. In fact, the refunding generated a net present value savings of 7.06%, or \$345,100, which will lower the annual debt service by an average of \$32,036 through maturity. The 7.06% of savings far exceeds GFOA's Best Practice that suggests a baseline of 3% when determining when to proceed with a refunding.

General Comparison Notes:

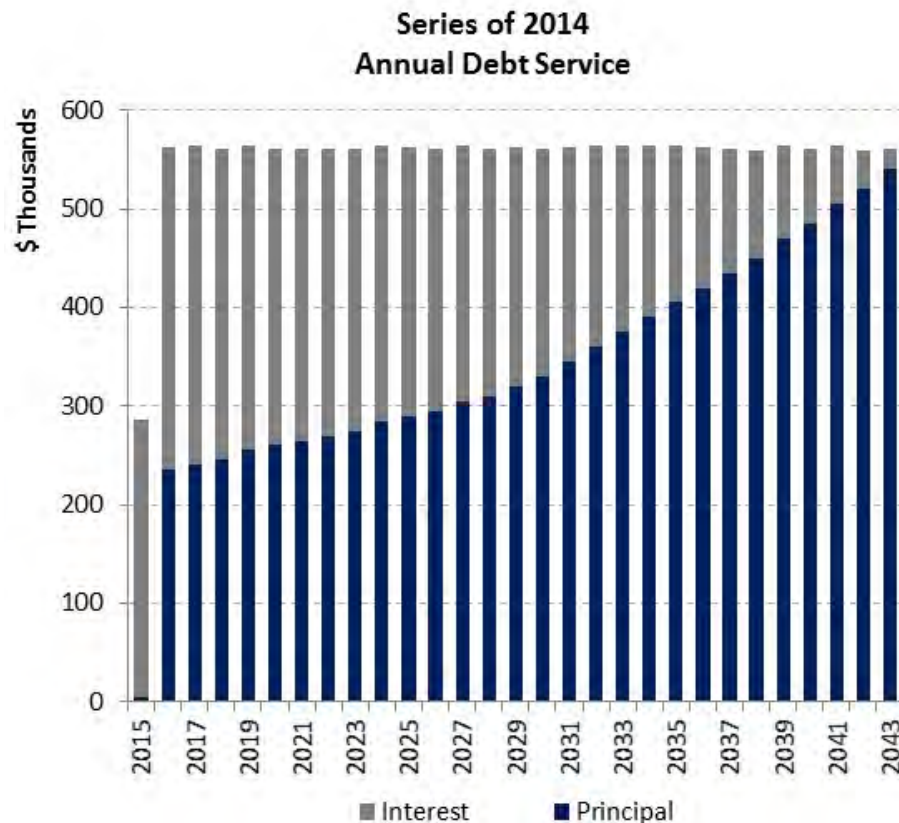
There are two important notes when comparing the pricing of the 2014 Series with the 2015 Series. First, the All-In Cost difference of 3.55% with the 2014 Series versus the 2.15% with the 2015 Series was caused by two primary reasons: (a) the size of the issue and (b) the length of the issue. Specifically, the 2015 Series bonds were half the size of the 2014 issue, and the 2014 Series matures in 2043 (average life of 17 years) while the 2015 Series matures in 2026 (average life of 6 years). The second note is that since the 2014 Series was a new money issue, there is no present value savings to be calculated. Consequently, the summary table prepared by PFM for the 2014 Series does not include a calculation of present value savings nor an annual dollar amount of debt service savings.

CARFAC will continue to work with the Administration to identify opportunities within the Township's debt portfolio to reduce cost. If the Board of Commissioners should have any questions, please don't hesitate to contact us. Thank you for your consideration.

Series of 2014 Transaction Summary



- Series of 2014
 - \$9,855,000 issued to fund purchase of Ardrossan parcels
 - Sold on December 16, 2014 through a negotiated sale with Boenning & Scattergood
 - 28 year term with final repayment in 2043 (Average life = 17 years)
 - All-in cost = 3.55%
 - Aggregate pricing improvement from initial scale = 0.15% (\$294,640 debt service reduction)
 - Pricing improvements are a result of market movements and narrowing of credit spread
 - Total debt service = \$16,028,246
 - Average annual debt service = \$555,411



Series of 2015 Transaction Summary



- Series of 2015
 - \$4,965,000 issued to refinance existing Township bonds
 - Sold on February 18, 2015 through a negotiated sale with Boenning & Scattergood
 - 11 year term with final repayment in 2026 (Average life = 6 years)
 - All-in cost = 2.15%
 - Aggregate pricing improvement from initial scale = 0.08% (\$30,703 debt service reduction)
 - Pricing improvements are a result of market movements and narrowing of credit spread
 - Total debt service = \$5,645,614
 - Average annual debt service = \$486,574
 - Present value debt service savings; net of issuance costs = \$345,100 (7.06% of refunded par)
 - Average annual debt service savings = \$32,036

