

CITY OF LACONIA - CITY COUNCIL SUBCOMMITTEE MEETING
FINANCE COMMITTEE

November 13, 2023 - 6:15 pm

City Hall - Armand A. Bolduc Council Chamber

1. **CALL TO ORDER**
2. **SALUTE TO THE FLAG**
3. **RECORDING SECRETARY**
4. **ROLL CALL**
5. **STAFF IN ATTENDANCE**
6. **ACCEPTANCE OF MINUTES FROM PREVIOUS MEETINGS**
7. **FINANCE (Lipman (Chair), Cheney, Soucy)**

7.A. **Consideration of bids for FY24 bonded projects**

Documents:

[STAFF REPORT - SANITARY SEWER FUND AND FIRE ENGINE BONDS.PDF](#)
[MEMO FROM GLENN SMITH RE FY24 BONDING.PDF](#)
[RESPONSES REGARDING BOND FINANCING - SSF AND FIRE ENGINE.PDF](#)

7.B. **Discussion with NH Municipal Bond Bank**

8. **Any other business that may come before the Committee**
9. **ADJOURNMENT**

This meeting facility is ADA accessible. Any person with a disability who wishes to attend this public meeting and needs additional accommodations, please contact Laconia City Hall by calling (603) 527-1265 at least 72 hours in advance so that the City can make any necessary arrangements.

**LACONIA CITY COUNCIL – FINANCE SUBCOMMITTEE - AGENDA
NOVEMBER 13, 2023**

**STAFF REPORT
AGENDA ITEM 7.A.
ACCEPT THE BOND BID RELATED TO THE PURCHASE OF A
REPLACEMENT FIRE ENGINE AND SANITARY SEWER SYSTEM
IMPROVEMENTS**

Discussion: The purpose of the bond is to distribute the net cost of the acquisitions over a twenty-year period. The net cost of both items is \$3,935,000, with \$3,000,000 committed for sanitary sewer system projects and \$935,000 for fire engine replacement.

Issuance of these bonds was approved by the City Council under Resolution 2023-24 (Fire Engine) and 2023-25 (Sewer System Improvements) on September 11, 2023.

On September 18, 2023, a bid request was distributed to Bank of New Hampshire, Franklin Savings Bank, Northway Bank, TD Bank, Meredith Village Savings Bank, New Hampshire Municipal Bond Bank (NHMBB) and Newburyport Bank.

Bank of New Hampshire and Franklin Savings Bank filed bids for this project. Both institutions filed proposals for one bond covering both projects.

TD Bank declined to bid, noting they do not issue bonds for terms in excess of 10 years.

No response was received from Meredith Village Savings Bank, Newburyport Bank or Northway Bank. NHMBB filed a letter of interest outlining their upcoming issue.

All responses provided for a fixed interest rate, annual principal payments and semiannual interest payments. Rate and fee information is summarized below.

	FSB	BNH
Rate	5.35%	6.85%
Prepay Penalty	None	Not Specified
Fees	\$500 (est.)	None

The project has been proposed for inclusion in the January 2024 issue of the New Hampshire Municipal Bond Bank. Interest rates for this issue have not been finalized. For purposes of comparison, the most recent NHMBB issue offered a rate of 3.65%.

Fiscal Impact: Interest cost ranges from \$1,508,000 to \$2,830,248 over the 20 year life of the bond, depending on which institution is selected as the successful bidder. FY25 costs range from \$143,627 to \$269,547.

Staff Recommendation:

This report submitted by: Glenn Smith, Finance Director



TO: Laconia City Council Finance Subcommittee
FROM: Glenn Smith, Finance Director
SUBJECT: **FY24 BONDING**
DATE: November 8, 2023

At your meeting of October 23, 2023, you were presented with bond bids from Bank of New Hampshire and Franklin Savings Bank for a bond in the amount of \$3,935,000 to fund sewer system upgrades and the purchase of a fire engine. The New Hampshire Municipal Bond Bank also filed a letter indicating interest in adding these projects to their January 2024 issue. These items are attached.

At the meeting, the Committee agreed to recommend to the full Council that the purchase of two ambulances be added to the issue, increasing the bond amount by \$981,262, to a total of \$4,916,262.

I have reached out to all three organizations, and each has indicated that they are able to extend the terms previously filed to accommodate the revised bond amount. Franklin Savings Bank advised that they are unable to hold the rate quoted on September 26th until the anticipated decision date of November 27th due to changing financial markets. Their new proposed rate is 5.75%.

Interest cost ranges from \$1,884,157 to \$3,536,021 over the 20 year life of the bond, depending on which institution is selected as the successful bidder. FY25 costs range from \$179,627 to \$336,763.

October 2, 2023

City of Laconia
Attn: Glenn Smith, Finance Director
45 Beacon Street East
Laconia, NH 03246

Dear Mr. Smith,

Thank you for inviting Bank of New Hampshire (“Bank”) to bid on the financing of a bond for the purpose of Upgrading and Repairing the Sanitary Sewer System and the Replacement of a Fire Engine the City of Laconia (“Issuer”). Based upon your request and any supplemental information that may have been provided to us, we are pleased to submit the following terms for your consideration:

Issuer:	City of Laconia
Counsel:	Devine, Millimet & Branch, PA
Par Amount:	\$3,935,000
Security:	General Obligation of City of Laconia, NH
Purpose:	Bond to Upgrade and Repair the Sanitary Sewer System and the Replacement of a Fire Engine
Note Date:	To Be Determined
Delivery Date:	To Be Determined
Interest Rate:	6.85% Fixed for 20 years
Tax-exempt:	Yes
Interest Method:	30/360
Note Terms:	Principal Annually & Interest Semi-annually
Note Maturity:	20 year term
Callable:	No

City of Laconia
October 2, 2023
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Bank Qualified: Yes

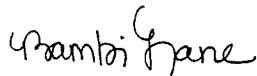
Rated: No

Costs/Fees: Issuer responsible for satisfying all costs and fees

Please be advised that this Term Sheet is not a commitment to lend, but rather a description of the Note terms that the Bank is willing to provide, should the City of Laconia request for financing be approved by the Bank, the decision will be conveyed to you as soon as possible.

If you have any questions please do not hesitate to call me at 527-3264 or by emailing bambi.lane@bnh.bank. Again, thank you for giving Bank of New Hampshire this opportunity to assist the City of Laconia.

Best regards,



Bambi R. Lane
AVP Commercial Banker & CRA Officer



September 26, 2023

City of Laconia
Glenn Smith-Finance Director
45 Beacon St. East
Laconia, NH 03246

Re: 20-year General Obligation Bond Note

Dear Glenn,

Thank you for the opportunity to provide a financing proposal for the 20-year General Obligation Bond Note in the amount of **\$3,935,000**. The purpose being to purchase a replacement Fire Engine #2 and for Sanitary Sewer System repairs and upgrades.

It is our understanding that the Bond will be bank qualified.

Please note that this is not a commitment to lend. This proposal must be approved by the appropriate authorities within the Bank. Upon written acceptance of this proposal, the Bank will move forward with requesting necessary loan approval.

The purpose of this letter is to outline the basic terms and conditions of the proposed financing. Additional terms and conditions may apply as part of the final loan approval. Based on our review of the information you provided, the Bank is willing to consider financing under the terms outlined below. We reserve the right to withdraw this proposal until a formal commitment letter has been signed.

Terms:

1. The loan will be written at an interest rate of **5.35% Fixed**, for a term not to exceed 20 years.
2. Principal payments annually, interest payments semi-annually.
3. There will be no prepayment penalty imposed on the loan.

4. Borrower agrees to provide lender with an opinion letter from Bond Counsel stating that all requirements, such as City approvals and State statutes have been met in relative to the authority of the City of Laconia, State of New Hampshire to borrow funds.
5. Borrower agrees to provide lender with the documents associated with the general obligation bond including but not limited to the certification of vote and excerpts of City Council meeting whereby the Council approved the borrowing and named the authorized signer for this loan.
6. Bank Fee: None
7. Attorney Review: \$500.00, any additional legal costs needed to close the loan will be the responsibility of the borrower.
8. Collateral: Unsecured

Please indicate your acceptance of the terms stated herein by signing and returning this document. This offer will expire on October 25, 2023, unless extended in writing.

If you should have any questions, please feel free to call me directly at (603) 455-7266 or e-mail me at ken.sawyer@fsbnh.bank

We appreciate your business and thankful for the opportunity to provide this proposal.

Best regards,



Ken Sawyer, Vice President & Commercial Loan Officer

The foregoing terms and conditions are acceptable, and we herewith accept this commitment.

City of Laconia, State of New Hampshire

 By:
 Authorized on behalf of the City of Laconia

 Date

 Printed Name

 Title

NHMBB New Hampshire Municipal Bond Bank

October 2, 2023

Glenn Smith
Finance Director
City of Laconia
45 Beacon Street East
Laconia, NH 03246

Dear Glenn:

Thank you for including the New Hampshire Municipal Bond Bank in the City of Laconia's recent request for quotes for financing your \$975,000 fire truck and \$3,000,000 to fund capital improvements. The Bond Bank is in a unique position of having provided more than \$3.317 billion in long-term financing to over 338 New Hampshire cities, towns, counties, school districts and other districts during its forty-six years of existence. The Bond Bank is a non-profit agency created by the state legislature and our goal is to permit communities to access the national capital markets at the lowest possible cost to the taxpayers.

Compared to a traditional public bond sale by a local governmental unit, the Bond Bank's Tax-Exempt Financing Program offers communities and districts several advantages, including reduced time requirements, competitive, fixed interest rates, flexible maturity schedules, technical assistance, a streamlined disclosure and borrowing process and the benefits of the Bond Bank's strong credit ratings.

The Bond Bank sells bonds on behalf of NH communities at least twice a year, in January and July. The communities issue bonds in their own names to the Bond Bank, which in turn pools the loans of several communities and sells them in the national capital markets. The bonds will be sold competitively on the sale date and awarded to the lowest bidder. Competitive sales generally achieve the lowest interest costs to the issuer. Our last bond issue was on July 12, 2023. The Bond Bank sold \$100,150,000 in bonds and the 5-year interest rate was 3.26%, the 10-year interest rate was 2.99%, the 15-year interest rate was 3.35%, the 20-year interest rate was 3.65%, and the 30-year interest rate was 4.09%. For this bond issue, S&P Global affirmed our AA+ rating. Our next issue is expected to be priced on January 9, 2024 and proceeds would be available to you on February 14, 2024. We also provide assistance with Bond Anticipation Notes to fund immediate capital needs until the time of our next bond issue.

The Bond Bank does not charge any upfront fees as the cost of issue is shared with other communities and included in the issuance and final pricing. We also do not

charge any annual administration, trustee or paying agent fees. This includes services for short term financing with a Bond Anticipation Note as long as the City permanently finances the project through the Bond Bank. The City can expect to receive BAN funds approximately five weeks after the Bond Bank receives a completed bond application.

The City will likely achieve the best possible results by financing this project through the Bond Bank with low interest rates and no fees. No pre-payments are allowed when issuing debt through the Bond Bank.

The market is very volatile and interest rates change on a daily basis therefore there is no way to predict what the actual interest rate will be until we sell the bonds. The history of our bond rates as well as additional information about the Bond Bank can be found on our website at www.nhmhb.com. I have attached an estimated debt schedule using a conservative interest rate for budgeting purposes.

The mission of the Bond Bank is to help all New Hampshire communities and School Districts in any way possible. I will gladly discuss any aspect of the City's issuance of debt whether or not we are selected.

If you have any additional questions, please do not hesitate to call me at 1-603-271-6639. Thank you for your consideration and I look forward to serving the City of Laconia.

Sincerely,

A handwritten signature in cursive script that reads "Tammy St. Gelais".

Tammy J. St. Gelais
Executive Director