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Town of Danville
Board of Selectmen
May 29, 2019
6:00 PM

7:00 PM

Meeting is Video-Recorded

Selectmen Present: Shawn O'Neil, Vice Chair; David Knight, and David Cogswell

Others Present: Patty Shogren, Town Administrator; Keith Pike TD Bank Municipal Loan Representative

Shawn called the meeting to order at 6:00PM, noting this is a special meeting to discuss the TD Bank Municipal Loan Process as the BOS explores other options for the new Police Station besides the use of Bond Banks. The presentation of information is from Keith Pike, Municipal Loan Officer for TD Bank.

Mr. Pike presented a summary of the various municipal loans offered by TD Bank. He notes that because Towns are in a tax-exempt space, the loans are also tax exempt, resulting in better rates than offered to the private sector. He offered some differences between the Bond Banks and the TD Municipal Loan program

Bond Banks:

- ✚ Only very specific items can be bonded
- ✚ Bonds are issues twice a year, at very specific times, which may not match local voting periods or capital project needs.
- ✚ Bond requests are pooled with other municipalities that do not have their own bond rating.
- ✚ Bonds are issued at the Bond Bank rates.
- ✚ Town is responsible for obtaining a legal opinion from a Municipal Bond Attorney
- ✚ Other fees may apply

TD Bank Municipal Loans:

- ✚ Offer greater selection of loan products for cash needs of Town
- ✚ Offers flexible timing for issue of loan
 - To generate a general obligation immediately after a Warrant Article Vote.
 - To generate a loan the meet funding timing for projects
- ✚ Comparable rates to Bond Banks
- ✚ Fewer Fees
- ✚ Bank pays for Legal Opinion
- ✚ Flexible Payment schedule. Dave K. asks Mr. Pike for more details on the payment schedules
 - Payments may be made annually or semi-annually

Shawn asks if payments can be timed to meet cash flows of Town. Mr. Pike replied in the affirmative

Shawn asks if the Town can pre-pay a loan.

- ✚ Mr. Pike responded they have a no-penalty pre-pay option; however, rates are a bit higher.
- ✚ Typically, the Warrant Article states the tax impact of a project and that is then budgeted through the life of the loan.

Mr. Pike notes the TD loans are up to ten (10) years. For longer loans (e.g: 15-20 years) the Town would need to use the Bond Bank.

Shawn asks what the process is for evaluating the Town and determining the loan rates. Mr. Pike explains the process is different because the Town and the loan are tax-exempt and therefore not tied to the usual indices.

He explains the rates are a result of:

- ✚ A review of the annual audit and financials
- ✚ A review of tax collection rates
- ✚ The underwriting process

Mr. Pike notes that rates for NH towns have historically been very consistent and competitive.

Dave K. asks if Mr. Pike would be the BOS' interface if they decided to go through this process. Mr. Pike replied in the affirmative.

Dave K. asks if the Town suddenly had a surplus and wished to pre-pay the loan if there would be a penalty. Mr. Pike explained that if the Town had not opted into a pre-pay loan agreement there would be a penalty assessed on the remaining life of the loan.

Patty explains to the BOS that TD Bank handles the process of putting the loan together. Mr. Pike expanded on this explaining that it is more complicated with the Bond Banks, they generally charge a percentage fee for their process. TD Bank does not charge for the loan process. The only income is from the interest generated on the loan. He continues explaining that TD Bank offers the Town flexibility in the financing process.

Dave K. notes that while he has no idea what the cost of the new Police Department will be, his preference is to go the commercial route with people (i.e: TD Bank) the town already does business with and staying within the ten (10) year repayment schedule. He reiterates this comparison with other groups such as Bond Banks that are set up to support governments that incur additional costs throughout the process.

After a short discussion regarding the possibility of school financing needs, Shawn asks if there is a maximum amount that can be borrowed. Mr. Pike states there is no maximum amount that towns can finance, that it comes down to making the payment and budget process work within those ten (10) years. He then clarifies these loans are actually notes, held by the bank, on the bank's books, unlike the Bond Banks who sell their loans.

Dave K. asks if using the TD Bank loan process would eliminate the NH Statute requiring a 2/3 vote. Mr. Pike said that it would not. The Town would still need a 2/3 vote to move forward with a loan. The exception would be a lease situation. Mr. Pike also notes that Bond Counsel would assist in writing the Warrant Article to ensure it met all the legal standards for the loan.

Dave K. expresses his opinion that he personally would like to see all three Warrant Articles concerning financing the Police Station: a one year pay-off, a ten (10) year loan, and a fifteen to thirty (15-30) year bond; noting the what he sees as the very serious liability of not building a new Police Department. He notes the BOS feels an urgency to fund this project, but believes the Town should have the options presented to them. Shawn expresses concern this may dilute the vote so that nothing would pass.

Mr. Pike notes he has not seen a financing issue approached this way, noting most Towns present a clean and clear option, having done the legwork prior to writing the Warrant Article. David C. expresses his opinion the BOS is responsible for doing its due diligence and presenting the best option and then going forward educating the Town why that is the best option. Mr. Pike notes that it comes down to understanding the tax impact. Dave K. notes the importance of looking at total costs, including opportunity costs of doing or not doing the project. He also comments the Police Department is one of the most respected and supported organizations in town.

Mr. Pike explains the BOS' timing on the project is still good as there has been pause in rate increases. He suggests that as the BOS start to get an idea of the costs for the Police Station they begin building an amortization table to track the tax impacts.

Shawn asks if the Town receives the financing in a lump sum, can they deposit it in such a way as to offset the interest charges. Mr. Pike reassures them this is certainly possible, recommending a ladder portfolio of CD's. The typical structure is to keep 10% liquid for immediate costs and divide the remainder into 30, 60, 90 day and 6

month CD's that can mature and be liquidated for expenses, or if not immediately needed rolled back over to generate more interest growth. This is another example of the flexibility that TD Bank offers. He gave several examples of towns that have done exactly this.

Dave K. asks if the BOS were to prepare the loan documents pending the approval of a Warrant Article would that lock in the loan rates; noting the BOS would need this information to provide an accurate tax impact statement. Mr. Pike explains that while they cannot lock in rates until the loan is completed; calculations are very conservative, allowing the BOS to provide accurate tax information to the Town. He also notes that Bond Banks also do not lock in rates; towns are at the mercy of the going sale rates whenever they bond a capital project.

Dave K. expresses gratitude on behalf of the BOS for Mr. Pike taking the time to address the BOS and answer their questions.

There being no further items to discuss. Dave K. motions to adjourn. Seconded by David C. Vote is unanimous

Meeting is adjourned at 6:32PM

Minutes derived by video provided on the Town of Danville website.

Respectfully Submitted
Deborah A. Christie