

February 2, 2023

To: MERSD School Committee (SC)

From: Avi Urbas, Director of Finance & Operations

Copy: Pam Beaudoin, Superintendent of Schools

Re: Vote to Approve \$1.3 million Bond Anticipation Note (BAN) at 2/7/23 School Committee Meeting

Hello, MERSD School Committee.

The following is an overview of School Committee's vote to approve the \$1.3 million Bond Anticipation Note (BAN), providing temporary funding for the Manchester Memorial Elementary School (MMES) construction project. This memo also explains the related Accounts Payable Voucher 1040 to pay off the prior \$1.3 million BAN that was issued last year and comes due this March.

Prior BAN: Voucher 1040

- Back in March of 2022, we borrowed \$1,300,000 million using a one-year, short-term BAN to provide temporary cash flow for the construction project prior to final project closeout. That amount is due on 3/3/23, prior to the next School Committee meeting, so we are seeking approval for this payment now on Voucher 1040.
- The total voucher amount is \$1,325,927.79. The \$25,927.78 on this voucher represents interest on the \$1.3 million note.
- The interest portion was included in our FY23 Capital Budget, and will be apportioned to and reimbursed by our member towns.
- The principal portion will be paid by receipt of a fresh \$1.3 million using a new/rollover BAN (see below).

New BAN: Vote to Approve

- The new BAN was publicly bid on 2/1/23, and the lowest bid carries a net interest rate of 3.1825% (\$41K), which is more than the old BAN (1.0935%) due to rising interest rates over the past year. A summary of the bid results is included with this packet.
- School Committee must vote to approve the new BAN on 2/7/23. The transaction will close (i.e., new funds received) on the same day that the old BAN is paid off (3/3/23), so those two amounts offset, leaving MERSD with a net actual cost of just the interest payment.
- A copy of the required vote language from bond counsel is included in the packet.

Final Strategy for MMES Borrowing

- When the project is complete, and we know our final total project cost, and final reimbursement total from the Massachusetts School Building Authority (MSBA), we will pay off the BAN by permanently borrowing using long-term debt (aka bonds). The amount of the final bond is not yet known, but will equate to the final portion of "district share" (i.e., spending not paid by MSBA) for which we have not already issued permanent funding with bonds.
- So far, we have received \$11.6 million from MSBA. The total project budget is \$52.2 million, and given MSBA's maximum potential reimbursement for our project of \$12.6 million, we have

already permanently funded \$38.5 million of completed project spending that we know will be a permanent district obligation.

- This permanent funding was accomplished with two long-term bond issues that are also in our Capital Budget, and were borrowed at favorable long-term rates.
 - The first issue, in FY19, raised \$35 million, of which \$32.29 million are 30-year, level principal, long-term bonds carrying an effective interest rate of 3.45%. The remaining \$2.71 million was premium (i.e., cash from lender not part of the bond). Both amounts are used exclusively for project costs.
 - The second issue, in FY22, raised \$3.5 million, of which \$3.23 million was 20-year level principal bonds carrying an effective interest rate of 1.71%. The remaining \$270K was premium with both amounts used exclusively for project costs.
- The final bonds should be less than \$1.3 million, as some savings in total project spending is likely (i.e. vs. the \$52.2 million budget) and we are also still expecting some additional MSBA reimbursement. As a result, these BANs and their eventual replacement bonds represent a small portion of our overall funding for the project, leaving us minimally exposed to future changes in interest rates.

Best regards,

Avi Urbas

Manchester Essex Regional School District, MA

\$1,300,000 General Obligation Bond Anticipation Notes

Sale Date: 2/1/2023
Dated Date: 3/3/2023
Delivery Date: 3/3/2023
Due Date: 3/1/2024
Days Per Year: 360
Day Count: 358
Bank Qualified: Yes
Rating: None



Bidder	Underwriter	Principal	Coupon Rate	Premium	Interest	Net Interest	NIC	Prorata Premium	Prorata Interest	Award	Reoffering Yield
Fidelity Capital Markets	•	\$1,300,000	4.00%	\$10,569.00	\$51,711.11	\$41,142.11	3.1825%	\$10,569.00	\$51,711.11	\$1,300,000	
Oppenheimer & Co.	•	\$1,300,000	4.50%	\$14,830.00	\$58,175.00	\$43,345.00	3.3529%				
Piper Sandler & Co.	•	\$1,300,000	5.50%	\$27,352.00	\$71,102.78	\$43,750.78	3.3842%				
Award Totals								\$10,569.00	\$51,711.11	\$1,300,000	

Weighted Average Net Interest Cost: 3.1825%

VOTE OF THE SCHOOL COMMITTEE
OF THE MANCHESTER ESSEX REGIONAL SCHOOL DISTRICT

I, the District Secretary of the Regional School District School Committee (the “Committee”) of the Manchester Essex Regional School District, Massachusetts (the “District”), certify that at a meeting of the Committee held February 7, 2023, of which meeting all members of the Committee were duly notified and at which a quorum was present, the following votes were unanimously passed, all of which appear upon the official record of the Committee in my custody:

Voted: We hereby determine, in accordance with G.L. c.70B, that the cost of the Manchester Memorial Elementary School project authorized by vote of the Committee passed on September 4, 2018 being financed with proceeds of a portion of the Notes (defined below), together with all other bonds and notes of the District previously issued to pay costs of this project, does not exceed the portion of the total cost of the project that is not being paid by the school facilities grant and we hereby approve the issuance of notes and bonds to finance this project under G.L. c.70B.

Further Voted: to approve the sale of \$1,300,000 4.00 percent General Obligation Bond Anticipation Notes (the “Notes”) of the District dated March 3, 2023, and payable March 1, 2024 to Fidelity Capital Markets, a division of National Financial Services LLC, at par and accrued interest, if any, plus a premium of \$10,569.

Further Voted: that in connection with the marketing and sale of the Notes, the preparation and distribution of a Notice of Sale and Preliminary Official Statement dated January 26, 2023 and a final Official Statement dated February 1, 2023, each in such form as may be approved by the District Treasurer, be and hereby are ratified, confirmed, approved and adopted.

Further Voted: that the District Treasurer and the Chair of the Committee be, and hereby are, authorized to execute and deliver a significant events disclosure undertaking in compliance with SEC Rule 15c2-12 in such form as may be approved by bond counsel to the District, which undertaking shall be incorporated by reference in the Notes for the benefit of the holders of the Notes from time to time.

Further Voted: that we authorize and direct the District Treasurer to establish post issuance federal tax compliance procedures and continuing disclosure procedures in such forms as the District Treasurer and bond counsel deem sufficient, or if such procedures are currently in place, to review and update said procedures, in order to monitor and maintain the tax-exempt status of the Notes and to comply with relevant securities laws.

Further Voted: that any certificates or documents relating to the Notes (collectively, the “Documents”), may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same

document; delivery of an executed counterpart of a signature page to a Document by electronic mail in a “.pdf” file or by other electronic transmission shall be as effective as delivery of a manually executed counterpart signature page to such Document; and electronic signatures on any of the Documents shall be deemed original signatures for the purposes of the Documents and all matters relating thereto, having the same legal effect as original signatures.

Further Voted: that each member of the Committee, the District Secretary and the District Treasurer be and hereby are, authorized to take any and all such actions, and execute and deliver such certificates, receipts or other documents as may be determined by them, or any of them, to be necessary or convenient to carry into effect the provisions of the foregoing votes.

I further certify that the votes were taken at a meeting open to the public, that no vote was taken by secret ballot, that a notice stating the place, date, time and agenda for the meeting (which agenda included the adoption of the above votes) was filed with the Town Clerks of each of the member towns of Manchester-by-the-Sea, and Essex, Massachusetts (together, the “Town Clerks”) and a copy thereof posted in a manner conspicuously visible to the public at all hours in or on the municipal buildings in which the offices of the Town Clerks and the District Secretary are located, or in accordance with an approved alternative method of notice prescribed or approved by the Massachusetts Attorney General as set forth in 940 CMR 29.03(4), at least 48 hours, not including Saturdays, Sundays and legal holidays, prior to the time of the meeting and remained so posted at the time of the meeting, that no deliberations or decision in connection with the sale of the Notes were taken in executive session, all in accordance with G.L. c.30A, §§18-25, as amended.

Dated: February 7, 2023

District Secretary