

MEETING ITEM COMMENTARY

AGENDA ITEM: Authorize Bond Question Regarding School Construction Bond

COUNCIL RESOURCE: Councilor David Precourt

STAFF RESOURCE: Cheryl Fournier, Finance Director

BACKGROUND: Over the past several years, there has been a lot of discussion regarding the future of a new Young School and the necessary repairs at Fairfield School. On February 3, 2016, the Saco School Board voted to recommend moving forward with two separate elementary schools, with the motion as follows: “Construction of a new 370 +/- student, pre-kindergarten through 2nd grade school on the existing Young site, and construction of additions to the existing Gov. John Fairfield School and associated renovations to support a 330 +/- student, pre-kindergarten through 2nd grade school with accommodations to provide similar learning spaces to those that will be provided in the new Young School at the November 2016 General Election.”

Project Name	Estimated Cost
New Young School	\$12,000,000
Gov. John Fairfield School Renovations	\$ 5,000,000
School project costs	\$ 4,500,000
TOTAL	\$21,500,000

EXHIBIT:

1. Time line for Referendum Questions – November 7, 2016
2. Order Authorizing the City of Saco to Borrow an Amount Not to exceed **\$21,500,000** for Elementary School Construction Purposes
3. Treasurer’s Financial Statement for Proposed Bonds (*updated one will be provided at Council meeting, Joe Cuetara is out of the office until then*)
4. Minutes from School Board from February 3, 2016
5. 2016 General Obligation Bonds, 30 years, Debt Service Schedule

SUGGESTED MOTION: *“The City of Saco hereby approve the First Reading of the Order entitled, ‘Order Authorizing City of Saco to Borrow An Amount not to Exceed \$21,500,000 for Construction of a new 370 +/- student, pre-Kindergarten through 2nd grade school on the existing Young School site AND Construction of additions to the existing Gov. John Fairfield School and associated renovations to support a 330 +/- student, pre-Kindergarten through 2nd grade school with accommodations to provide similar learning spaces to those that will be provided in the new Young School’ and direct that a copy of said Order be included in the minutes of this meeting and that said Order be scheduled for a Public Hearing on August 1, 2016 and for final Council action on September 6, 2016.”*

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DATE: July 11, 2016
Exhibit Item: 1

Time Line for Referendum Question - November 7, 2016

1. July 11, 2016 – City Council hold First Reading and calls Public Hearing for Orders.
2. July 12, 2016 – Date for publication of Public Notice (including full text of the Order) in daily newspaper and posting of Public Notice by City Clerk in two public places.
3. August 15, 2016 – City Council holds Public Hearing on proposed Orders.
4. September 6, 2016 – City Council holds Second Reading and adopts proposed Orders requiring that questions be placed on November 8, 2016 ballot.
5. September 7, 2016 (or as soon as practicable if either sooner or later) – Clerk publishes Orders in a daily newspaper together with notice of their adoption.

Note: Final action needs to occur at least 7 and no more than 30 days after hearing. Public Notice should provide at least 7 days' notice of hearing and 14 days' notice of final action. Readings should occur at least 7 days apart.

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**Order Authorizing the City of Saco to Borrow an Amount
Not to Exceed \$21,500,000 for Elementary School Construction Purposes**

BE IT ORDERED BY THE CITY COUNCIL
OF THE CITY OF SACO, MAINE IN CITY COUNCIL ASSEMBLED:

1. Bonds Authorized. Pursuant to Maine law, including 30-A M.R.S.A. 5772 and Section 6.15 of the Charter of the City of Saco and all other authority thereto enabling, there is hereby authorized and approved the issuance of general obligation bonds (the "Bonds") of the City, and temporary notes in anticipation thereof (the "Notes), in an aggregate principal amount not to exceed \$21,500,000. The Bonds shall be designated "City of Saco, Maine, General Obligation Bonds" and any notes in anticipation thereof shall be designated "City of Saco General Obligation Bond Anticipation Notes." The proceeds of the Bonds and any Notes shall be used to finance the costs of school construction purposes, including construction and equipping of a new 370+/- student, prekindergarten through 2nd grade school on the existing Young School site, and construction and equipping of additions to the existing Gov. John Fairfield School and associated renovations to support a 330+/- student, prekindergarten through 2nd grade school (the "Project") and reasonably related costs, costs of issuance of the Bonds and any Notes, and capitalized interest prior to and during construction of the improvements.

2. Period of Utility. The estimated period of utility of the Project is forty (40) years.

3. Tax Levy. Pursuant to Section 6.15 of the Charter of the City of Saco, an amount necessary to meet the annual payments of principal and interest on the Bonds (and any Notes not paid from the proceeds of Bonds issued hereunder) shall be included in the tax levy of the City each year until the debt represented by said Bonds and Notes is extinguished.

4. Details of Bonds. To the extent not inconsistent with this Order and the Charter of the City, the discretion to fix the dates, maturities of the Bonds and/or Notes, denominations, interest rates, place(s) of payment, forms and other details of said Bonds and Notes, and to provide for the sale thereof, including execution of said Bonds and Notes on behalf of the City of Saco and delivery against payment therefore, is hereby delegated to the Treasurer and Mayor of the City of Saco. The Bonds shall be payable within a fixed term of years to be determined by the Mayor and Treasurer, not to exceed thirty (30) years, and Notes in anticipation of Bonds shall not exceed three (3) years from the date of the initial issuance of any Notes. Bonds shall be made payable as pertains to interest semi-annually and as pertains to principal in equal, annual serial installments, except that: (1) each year's installments may be adjusted to the nearest multiple of \$5,000; and (2) the amount of each year's installment may vary provided that it is equal to or greater than the installment due and payable in any succeeding year. The Bonds and any Notes shall contain such terms and provisions, not inconsistent herewith, as the Treasurer and Mayor may hereafter determine. All determinations by the Mayor and Treasurer shall be conclusively evidenced by their execution of the Bonds or Notes. The Treasurer and Mayor are authorized to provide that any of the Bonds and Notes be made callable, with or without premium, prior to their maturity. Each Bond or Note issued hereunder shall be signed by the Treasurer and countersigned by the Mayor. The Mayor and Treasurer are authorized to select a financial advisor and/or an underwriter for the Bonds and Notes, and the Mayor and Treasurer are authorized and empowered to execute and deliver such contracts or agreements as may be necessary or appropriate in connection therewith.

5. Sale of Bonds. The Treasurer is authorized to prepare, or cause to be prepared, a Notice of Sale and/or a Preliminary Official Statement and an Official Statement for use in the offering and sale of the Bonds and/or Notes, such Notice of Sale, Preliminary Official Statement and Official Statement to be in such form and contain such information as may be approved by the Treasurer. Distribution of the Notice of Sale and/or Preliminary Official Statement and the Official Statement in the name of and on behalf of the City in connection

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with offering the Bonds and/or Notes is hereby authorized and approved. The Treasurer is authorized to covenant, certify and agree, on behalf of the City, for the benefit of the holders of the Notes or Bonds, that the City will file any required reports, make any annual financial or material event disclosure, and take any other action that may be necessary to insure that the disclosure requirements imposed by Rule 15c2-12 of the Securities and Exchange Commission, if applicable, are met.

6. Tax Exempt Bonds. The Treasurer is authorized to covenant and certify on behalf of the City that: (a) no part of the proceeds of the issue and sale of the Notes or the Bonds authorized to be issued hereunder shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause such Notes or Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), (b) no part of the proceeds of the issue and sale of such Notes or Bonds (including any notes and bonds in renewal thereof) shall be used, directly or indirectly, in such manner which would cause the Notes or Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, (c) all required information reports shall be filed and any rebate due to the United States in connection with the issuance of said Bonds and Notes shall be paid, and (d) the City shall take all other lawful actions necessary to insure the interest on the Bonds and Notes will be excluded from the gross income of the owners thereof for purposes of federal income taxation and to refrain from taking any action which would cause interest on the Bonds or Notes to become includable in the gross income of the owners thereof. The Treasurer is also authorized and empowered to designate the Bonds and/or Notes as qualified tax-exempt obligations for purposes of Section 265(b) of the Code, if and to the extent the election may be available and advisable as determined by the Treasurer.

7. Documents and Certificates. The Mayor, Treasurer, City Clerk and other appropriate officials of the City of Saco are authorized to execute and deliver on behalf of the City such other documents and certificates as may be required in connection with such Bonds and Notes, and to do or cause to be done all acts and things, not inconsistent herewith, as may be necessary or appropriate in order to effect the issuance, execution, sale and delivery of the Bonds and any Notes, and to carry out the provisions of this Order in connection with the Project.

8. Appropriation. The sum of \$21,500,000 is hereby appropriated to finance the Project costs, such amount to be raised by the issuance of the Bonds and/or Notes of the City. In addition, the investment earnings on the proceeds of the Bonds and Notes, if any, and the excess proceeds of the Bonds and Notes, if any, are hereby appropriated for the following purposes, such proceeds to be held and applied in the following order of priority: (a) to any Project costs in excess of the principal amount of the Bonds or Notes; and (b) in accordance with applicable terms and provisions of the Arbitrage and the Use of Proceeds Certificate delivered in connection with the sale of the Bonds or Notes.

9. Reimbursement. This Bond Order shall constitute the City's declaration of official intent within the meaning of Treasury Regulation 1.150-2 to pay, on an interim basis, costs of the Project in an amount up to the principal amount of the Bonds to be issued, which costs the City reasonably expects to reimburse with proceeds of the Bonds or Notes.

10. Referendum Vote. Pursuant to Section 6.15 of the Charter of the City, the following question shall be submitted to the voters of the City of Saco for ratification or rejection at a referendum vote to be held on November 8, 2016: Shall the Order of the City Council of the City of Saco entitled "Order Authorizing the City of Saco to Borrow an Amount Not to Exceed \$21,500,000 for Elementary School Construction Purposes" be ratified and approved?

11. City Clerk. A copy of this order shall be filed with the City Clerk.

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CITY OF SACO, MAINE
Treasurer's Financial Statement for Proposed Bonds

Referendum Question 1: School Construction Bond

As of June 15, 2016, the total amount of bonds of the City of Saco outstanding and unpaid is \$17,099,784 of which \$13,168,198 is principal and \$3,931,586 is interest. The City has no other bonds authorized but not yet issued. The bonded indebtedness to be assumed if the questions authorizing these borrowings are ratified by the voters is as follows:

<u>Question</u>	<u>Proposed Improvements</u>	<u>Bond Principal</u>	<u>Estimated Bond Interest</u>	<u>Total Principal and Interest</u>
Question 1	School Infrastructure	\$21,500,000	\$9,982,500	\$31,482,500

The total debt service costs will vary depending on the prevailing interest rates at the time the bonds are issued. The above estimated costs for the bonds are based upon an estimated interest rate of 3% over an estimated term of 30 years.

The validity of this obligation and of the voters' ratification of this obligation may not be affected by any errors in the estimate made pursuant to the above statement. If the actual amount of the total debt service for the bond issue varies from the estimate, the ratification by the electors is nevertheless conclusive and the validity of the obligation is not affected by reason of the variance.

Dated: _____, 2016 at Saco, Maine

Cheryl Fournier, Finance Director/Treasurer
City of Saco

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Minutes from School Board

February 3, 2016

A motion was made by Michel Ohayon and seconded by Garrett Abrahamson to send to the City Council for approval and to appear on the ballot Option #1: Construction of a new 370 +/- student, pre-kindergarten through 2nd grade school on the existing Young site, and construction of additions to the existing Gov. John Fairfield School and associated renovations to support a 330 +/- student, pre-kindergarten through 2nd grade school with accommodations to provide similar learning spaces to those that will be provided in the new Young School at a special election after Labor Day and before the November 2016 General Election. After some discussion a motion was made by Michel Ohayon and seconded by Garrett Abrahamson to amend the motion to read: to send to the City Council for approval and to appear on the ballot Option #1: Construction of a new 370 +/- student, pre-kindergarten through 2nd grade school on the existing Young site, and construction of additions to the existing Gov. John Fairfield School and associated renovations to support a 330 +/- student, pre-kindergarten through 2nd grade school with accommodations to provide similar learning spaces to those that will be provided in the new Young School at the November 2016 General Election. Beth Johnston suggested it might be a better service to the community to provide both options during the referendum. If only one option is offered and it fails, the Board is back to the drawing board. Mayor Michaud said he did not believe the Council will allow for two bond questions. With no further amendments to the original motion the vote was 5-2. Motion approved.

City of Saco, Maine
2016 General Obligation Bonds
30 Years

Debt Service Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
4/ 1/17			322,500.00	322,500.00	322,500.00
10/ 1/17	720,000.00	3.000000	322,500.00	1,042,500.00	
4/ 1/18			311,700.00	311,700.00	1,354,200.00
10/ 1/18	720,000.00	3.000000	311,700.00	1,031,700.00	
4/ 1/19			300,900.00	300,900.00	1,332,600.00
10/ 1/19	720,000.00	3.000000	300,900.00	1,020,900.00	
4/ 1/20			290,100.00	290,100.00	1,311,000.00
10/ 1/20	720,000.00	3.000000	290,100.00	1,010,100.00	
4/ 1/21			279,300.00	279,300.00	1,289,400.00
10/ 1/21	720,000.00	3.000000	279,300.00	999,300.00	
4/ 1/22			268,500.00	268,500.00	1,267,800.00
10/ 1/22	720,000.00	3.000000	268,500.00	988,500.00	
4/ 1/23			257,700.00	257,700.00	1,246,200.00
10/ 1/23	720,000.00	3.000000	257,700.00	977,700.00	
4/ 1/24			246,900.00	246,900.00	1,224,600.00
10/ 1/24	720,000.00	3.000000	246,900.00	966,900.00	
4/ 1/25			236,100.00	236,100.00	1,203,000.00
10/ 1/25	720,000.00	3.000000	236,100.00	956,100.00	
4/ 1/26			225,300.00	225,300.00	1,181,400.00
10/ 1/26	720,000.00	3.000000	225,300.00	945,300.00	
4/ 1/27			214,500.00	214,500.00	1,159,800.00
10/ 1/27	715,000.00	3.000000	214,500.00	929,500.00	
4/ 1/28			203,775.00	203,775.00	1,133,275.00
10/ 1/28	715,000.00	3.000000	203,775.00	918,775.00	
4/ 1/29			193,050.00	193,050.00	1,111,825.00
10/ 1/29	715,000.00	3.000000	193,050.00	908,050.00	
4/ 1/30			182,325.00	182,325.00	1,090,375.00
10/ 1/30	715,000.00	3.000000	182,325.00	897,325.00	
4/ 1/31			171,600.00	171,600.00	1,068,925.00
10/ 1/31	715,000.00	3.000000	171,600.00	886,600.00	
4/ 1/32			160,875.00	160,875.00	1,047,475.00
10/ 1/32	715,000.00	3.000000	160,875.00	875,875.00	
4/ 1/33			150,150.00	150,150.00	1,026,025.00
10/ 1/33	715,000.00	3.000000	150,150.00	865,150.00	
4/ 1/34			139,425.00	139,425.00	1,004,575.00
10/ 1/34	715,000.00	3.000000	139,425.00	854,425.00	
4/ 1/35			128,700.00	128,700.00	983,125.00
10/ 1/35	715,000.00	3.000000	128,700.00	843,700.00	
4/ 1/36			117,975.00	117,975.00	961,675.00
10/ 1/36	715,000.00	3.000000	117,975.00	832,975.00	
4/ 1/37			107,250.00	107,250.00	940,225.00
10/ 1/37	715,000.00	3.000000	107,250.00	822,250.00	
4/ 1/38			96,525.00	96,525.00	918,775.00
10/ 1/38	715,000.00	3.000000	96,525.00	811,525.00	
4/ 1/39			85,800.00	85,800.00	897,325.00
10/ 1/39	715,000.00	3.000000	85,800.00	800,800.00	
4/ 1/40			75,075.00	75,075.00	875,875.00
10/ 1/40	715,000.00	3.000000	75,075.00	790,075.00	
4/ 1/41			64,350.00	64,350.00	854,425.00
10/ 1/41	715,000.00	3.000000	64,350.00	779,350.00	
4/ 1/42			53,625.00	53,625.00	832,975.00
10/ 1/42	715,000.00	3.000000	53,625.00	768,625.00	
4/ 1/43			42,900.00	42,900.00	811,525.00
10/ 1/43	715,000.00	3.000000	42,900.00	757,900.00	
4/ 1/44			32,175.00	32,175.00	790,075.00
10/ 1/44	715,000.00	3.000000	32,175.00	747,175.00	
4/ 1/45			21,450.00	21,450.00	768,625.00
10/ 1/45	715,000.00	3.000000	21,450.00	736,450.00	
4/ 1/46			10,725.00	10,725.00	747,175.00
10/ 1/46	715,000.00	3.000000	10,725.00	725,725.00	
4/ 1/47					725,725.00

	21,500,000.00		9,982,500.00	31,482,500.00	
ACCRUED					
	21,500,000.00		9,982,500.00	31,482,500.00	

Dated 10/ 1/16 with Delivery of 10/ 1/16
 Bond Years 332,750.000
 Average Coupon 3.000000
 Average Life 15.476744
 N I C % 3.000000 % Using 100.000000

Weighted Bond Years 332,750.000
 Weighted Average Life 15.476744
 Weighted N I C % 3.000000 % Using 100.000000
 T I C % 3.000000 % From Delivery Date

Moors & Cabot, Boston, Massachusetts