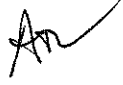


Town of Concord
Finance Department
Memorandum

TO: Christopher Whelan, Town Manager

FROM: Anthony T. Logalbo, Finance Director 

SUBJ: Bond Sale Results

DATE: May 18, 2012

Bids were accepted Wednesday at 11 AM for a \$2,785,000 bond issuance of the Town of Concord with serial maturities from one to seven years. The issuance date will be May 29, 2012 and principal payments will be payable yearly from May 15, 2013 through May 15, 2019. Interest is payable semiannually on May 15 and November 15.

Three bids were received (record attached). The recommended award is as follows:

Janney Montgomery Scott LLC @ 0.941567% TIC (true interest cost)

Janney is paying the Town a premium of \$175,519.55 in addition to the face amount of the bonds. Gross interest cost for the life of the bonds, \$264,865.28, is thus reduced to a net interest cost of \$89,345.73, which equals the TIC of 0.94% (less than 1%). The bond premium will be applied first to issuance costs. The net premium (which will be about \$135,000) will be credited as current revenue to the General Fund, except for a 0.36% share (about \$500) that must be reserved and allocated to future debt service on the Willard School excluded debt portion of this issue (a procedure required by state DOR rules to ensure that the tax levy for excluded debt cost is properly derived).

Market access:

The number of bidders was fewer than usual, a consequence of the small size and short duration of this bond, a crowded tax-exempt issuance market (sellers) taking advantage of the extraordinary low rate environment, and a segment of potential purchasers (buyers) preferring to seek higher yield elsewhere at higher risk on the rating scale. However, the rate offered by the low bidder is appropriate to current market conditions given our credit rating and the 3.3 year average life. The likely overriding reason for the scarcity of bids (we usually receive 6 to 10 bids) was the very limited profit potential of this issue for underwriters, itself a product of low interest rates. In fact, the underwriting discount based on the reoffering yields of the winning bidder is equal to just \$20 per \$5,000 bond, compared to \$23 per bond for the May 2011 \$8.75 million bond issue and \$35 per bond for the January 2010 \$15.1 million bond issue.

Coupon rates:

Subject to limits set by the Town in the Notice of Sale, the bidder sets the bond coupon rates as part of the bid. These are the rates the winning underwriter will offer to the retail market (most likely, Concord bonds have usually been completely or substantially pre-sold before the bid occurs). The Town's Notice of Sale specified that no coupon rate could exceed any other coupon by more than 3%, and that the minimum premium offered must be \$45,000 (an amount deemed sufficient to cover issuance costs).

Janney has set coupon rates at 2% for the bonds maturing 2013 and 3% for all other years. As these rates are substantially over current market rates, buyers will pay the underwriter a

premium in order to purchase a bond. Janney's expectation that it can sell the bonds at a premium price is the source of its ability to offer the Town a premium above the face value of the bonds.

Why then would a bond purchaser be willing to pay more than face value? Actually, in the current rate environment, this is rational rather than paradoxical. Most investors recognize that current interest rates are artificially low, driven by Federal Reserve policy at the short end and "stimulus" measures at longer terms. When interest rates return to normal (historically, the inflation rate plus a little is a good benchmark), the value of outstanding bonds will fall. Holders who sell before maturity would face a realized capital loss. Thus buying these bonds today at a price above par value serves to mitigate the risk of a future capital loss due to a rise in interest rates.

How does the coupon rate affect Concord? For budget purposes, we focus on the coupon rate rather than the TIC on which the original award is based. Coupons of 3% for the period FY14-20 are within (in fact, under) the town's long-term fiscal planning allowance for debt service. And we immediately receive more than the face value of the bonds we are issuing, a current revenue item above the FY12 budget estimate.

Bid range and history

The range of the three bids received for this offering was to 1.089847%. The cover bid (the next highest to the winning bid) was 0.996023%. For reference purposes, the current sale and recent previous sales results are reported below:

<u>Sale Date</u>	<u>Amount</u>	<u>Average term</u>	<u>Max term</u>	<u>TIC</u>	<u># of bids</u>	<u>Award</u>
May 16, 2012	\$ 2,785,000	3.312 yrs	7 yrs	0.9416%	3	Janney Montgomery Scott
May 4, 2011	\$ 8,750,000	5.758 yrs	15 yrs	2.3145%	10	Fidelity Capital Markets
Jan. 20, 2010	\$15,100,000	8.892 yrs	19 yrs	3.0929%	6	Fidelity Capital Markets
Mar. 18, 2009	\$14,465,000	8.708 yrs	19 yrs	3.6096%	8	UBS Financial Services
Mar. 20, 2008	\$ 6,301,000	4.845 yrs	10 yrs	3.0162%	7	First Southwest Co.

This bond sale will finance the following projects approved at Annual Town Meetings:

A. Debt service to be paid within the property tax levy limit

- **School Building Improvements** \$ 600,000
-Pursuant to Article 24 of the 2010 Annual Town Meeting
- **Road Improvement Program** \$ 750,000
-Pursuant to Article 22 of the 2011 Annual Town Meeting
- **School Building Improvements** \$ 100,000
*-Pursuant to Article 27 of the 2011 Annual Town Meeting;
 -Partial issuance of \$600,000 authorization*
- **Fire Department Equipment – Aerial Ladder Truck** \$ 800,000
*-Pursuant to Article 33 of the 2011 Annual Town Meeting;
 -Partial issuance of \$900,000 authorization, with the unused
 balance expected to be rescinded at a future Town Meeting*
- **Library – Radio Frequency ID system (automated security and self-service check-out)** \$ 125,000
*-Pursuant to Article 34 of the 2011 Annual Town Meeting
 -Partial issuance of \$140,000 authorization*

- **Recreation Facilities – Rideout Playground Improvements** \$ 250,000
-Pursuant to Article 35 of the 2011 Annual Town Meeting

- **Land Acquisition - 169 Harrington Ave (Marshall)** \$ 150,000
-Pursuant to Article 42 of the 2011 Annual Town Meeting
-Partial issuance of \$450,000 authorization, with the unused balance expected to be rescinded at a future Town Meeting

- B. Debt service authorized by ballot vote to be excluded from the property tax levy limit**

- **Willard Elementary School Building** \$ 10,000
-Pursuant to Article 5 of the November 2007 Special Town Meeting
-Issuance of the remaining authorization to meet final project charges

A portion of the bond proceeds (\$2,675,000) will be used to redeem short-term notes originally issued October 12, 2011 at a net interest rate of 0.2785% and maturing May 31, 2012.

General Information

Bond documents are scheduled to be submitted to the Board of Selectmen for approval and signing on May 21, 2012.

Moody's Investors Service reaffirmed Concord's Aaa credit rating prior to the bond sale. A copy of the credit report is attached.

Cc: Patricia Robertson, Deputy Treasurer-Collector
 Gail Henry, Town Accountant

11:00:13 a.m. EDST

[Upcoming Calendar](#)

[Overview](#)




[Compare](#)

[Summary](#)

Bid Results

**Concord (Town)
\$2,785,000 General Obligation Municipal Purpose Loan of
2012 Bonds**

The following bids were submitted using **PARITY**[®] and displayed ranked by lowest TIC.
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
	Janney Montgomery Scott LLC	0.941567
	UBS Financial Services Inc.	0.996023
	Robert W. Baird & Co., Inc.	1.089847

*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.

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Upcoming Calendar Overview Result Excel

Janney Montgomery Scott LLC - Philadelphia , PA's Bid
Concord (Town)



\$2,785,000 General Obligation Municipal Purpose Loan of
2012 Bonds

For the aggregate principal amount of \$2,785,000.00, we will pay you \$2,960,519.55, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %
05/15/2013	680M	2.0000
05/15/2014	490M	3.0000
05/15/2015	465M	3.0000
05/15/2016	350M	3.0000
05/15/2017	300M	3.0000
05/15/2018	300M	3.0000
05/15/2019	200M	3.0000

Total Interest Cost: \$264,865.28
Premium: \$175,519.55
Net Interest Cost: \$89,345.73
TIC: 0.941567
Time Last Bid Received On:05/16/2012 10:55:52 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Janney Montgomery Scott LLC, Philadelphia , PA
Contact: Lauren Carter
Title:
Telephone:215-665-6521
Fax: 215-557-8648

Issuer Name: Town of Concord Company Name: _____

Accepted By: _____ Accepted By: _____

Date: _____ Date: _____

Town of Concord, Massachusetts
\$2,785,000 General Obligation Municipal Purpose Loan of 2012 Bonds
Dated May 29, 2012

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/29/2012	-	-	-	-	-
11/15/2012	-	-	35,390.28	35,390.28	-
05/15/2013	680,000.00	2.000%	38,375.00	718,375.00	-
06/30/2013	-	-	-	-	753,765.28
11/15/2013	-	-	31,575.00	31,575.00	-
05/15/2014	490,000.00	3.000%	31,575.00	521,575.00	-
06/30/2014	-	-	-	-	553,150.00
11/15/2014	-	-	24,225.00	24,225.00	-
05/15/2015	465,000.00	3.000%	24,225.00	489,225.00	-
06/30/2015	-	-	-	-	513,450.00
11/15/2015	-	-	17,250.00	17,250.00	-
05/15/2016	350,000.00	3.000%	17,250.00	367,250.00	-
06/30/2016	-	-	-	-	384,500.00
11/15/2016	-	-	12,000.00	12,000.00	-
05/15/2017	300,000.00	3.000%	12,000.00	312,000.00	-
06/30/2017	-	-	-	-	324,000.00
11/15/2017	-	-	7,500.00	7,500.00	-
05/15/2018	300,000.00	3.000%	7,500.00	307,500.00	-
06/30/2018	-	-	-	-	315,000.00
11/15/2018	-	-	3,000.00	3,000.00	-
05/15/2019	200,000.00	3.000%	3,000.00	203,000.00	-
06/30/2019	-	-	-	-	206,000.00
Total	\$2,785,000.00	-	\$264,865.28	\$3,049,865.28	-

Yield Statistics

Bond Year Dollars.....	\$9,046.69
Average Life.....	3.248 Years
Average Coupon.....	2.9277576%
Net Interest Cost (NIC).....	0.9876064%
True Interest Cost (TIC).....	0.9415672%
Bond Yield for Arbitrage Purposes.....	0.8167502%
All Inclusive Cost (AIC).....	0.9415672%
IRS Form 8038	
Net Interest Cost.....	0.7896734%
Weighted Average Maturity.....	3.312 Years

Town of Concord, Massachusetts
\$2,785,000 General Obligation Municipal Purpose Loan of 2012 Bonds
Dated May 29, 2012

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
05/15/2013	Serial Coupon	2.000%	0.400%	680,000.00	101.533%	690,424.40
05/15/2014	Serial Coupon	3.000%	0.450%	490,000.00	104.973%	514,367.70
05/15/2015	Serial Coupon	3.000%	0.600%	465,000.00	107.033%	497,703.45
05/15/2016	Serial Coupon	3.000%	0.700%	350,000.00	108.969%	381,391.50
05/15/2017	Serial Coupon	3.000%	0.850%	300,000.00	110.422%	331,266.00
05/15/2018	Serial Coupon	3.000%	1.050%	300,000.00	111.239%	333,717.00
05/15/2019	Serial Coupon	3.000%	1.250%	200,000.00	111.631%	223,262.00
Total				\$2,785,000.00		\$2,972,132.05

Bid Information

Par Amount of Bonds.....	\$2,785,000.00
Reoffering Premium or (Discount).....	187,132.05
Gross Production.....	\$2,972,132.05
Total Underwriter's Discount (0.417%)..... <i>21 / bond</i>	\$(11,612.50)
Bid (106.302%).....	2,960,519.55
Total Purchase Price.....	\$2,960,519.55
Bond Year Dollars.....	\$9,046.69
Average Life.....	3.248 Years
Average Coupon.....	2.9277576%
Net Interest Cost (NIC).....	0.9876064%
True Interest Cost (TIC).....	0.9415672%