Dear Mr. Wood, Mr. King, Ms. Romasco and Fellow School Committee Members,

I have been looking at the bond documents and I have a few questions regarding the restructuring of this debt. I requested information at both the Financial Subcommittee and the School Committee meetings (which I did not receive) pertaining to the terms of the bond, specifically if there were any penalties or prohibition from the district restructuring the debt again in the future.

I have been trying to find the answer to this question on my own by reviewing the refunding documents that has now lead to other questions and requests for clarification. While the refinancing of such this debt may ultimately benefit the towns, it is my duty to make sure that I clearly understand this transaction, especially since the School Committee must vote to approve these terms and Ms. Romasco must sign off on the transaction in the name of the school committee.

Given the history of our district having once been in State receivership for poor fiscal condition, I believe it is of the highest importance that we as a School Committee learn from our past mistakes and perform our due diligence on any transaction that shall bear our approval to ensure that any questions we have are fully vetted and clearly answered prior to a vote. I believe anything less than the School Committee performing such due diligence is irresponsible at best and disastrous at worse. Receiving these terms more than one day prior to asking the School Committee Chair to sign off on them would have given the Finance Subcommittee and the School, Committee members plenty of time to ask questions and get facts for those of us who may not be so financially savvy. Expecting someone to vote and sign on terms prior to having them explained is the equivalent of saying you must first vote on it to see what's inside.

While I am not advocating anyone be required to give a comprehensive financial lesson, I would say that a primer for this bond restructuring would be beneficial. In particular, if you could provide an answer to the following questions it would go far to ensuring the School Committee is best aware of what they have voting on (not too mention it will provide greater transparency and understanding to the general public).

Thank you.

1. Why does the paperwork state the bonds were sold on Oct 1st if we haven't had terms explained by Mr. King as requested by Neal Darcy and agreed upon during both the Finance subcommittee meeting and the following School Committee Meeting dated September 23, 2015 and included in the meeting minutes.

I was aware of the question regarding calling of the new bonds, I was not aware of outstanding questions beyond that.   I was prepared to answer the question tonight, but the motion made and explained at the last meeting was not contingent.

The sale was made in conjunction with the authorization vote at the 9/23 meeting:

(Draft Minutes)

MOTION Mark Jones moved that in order to reduce interest costs on outstanding debt, the Treasurer is authorized to issue bonds or notes at one time or from time to time, under and pursuant to Chapter 44, Section 21A of the Massachusetts General Laws, or pursuant to any other enabling authority for the purpose of refunding all or any portion of its $6,605,000 General Obligation State Qualified Bonds, dated December 15, 2005 outstanding at the time of this vote, and that the proceeds of any refunding bonds issued pursuant to this vote shall be used to pay the principal, redemption premium and interest on the Refunded Bonds and costs of issuance of the refunding bonds; seconded by Neal Darcy IN FAVOR: Lorraine Romasco, Cathy Thier, Nicole Odekirk, Mark Jones and Neal Darcy VOTED AND PASSED. UNANIMOUS (5-0-0)

2. Are the funds being refinanced the entire remaining portion of the original debt?

Yes

3. What is the rate and yield of the current bonds being redeemed?

BOND 01/15/2017 345,000.00 3.000%

BOND 01/15/2018 345,000.00 3.000%

BOND 01/15/2019 345,000.00 3.000%

BOND 01/15/2020 345,000.00 3.000

BOND 01/15/2021 345,000.00 4.125%

BOND 01/15/2022 345,000.00 4.000%

BOND 01/15/2023 345,000.00 4.050%

BOND 01/15/2024 345,000.00 4.100%

BOND 01/15/2025 345,000.00 4.150%

4. The savings stated in the paperwork are consistently notated as “net present value savings”, please explain what that means.

It refers the value of the overall nine years of savings in today’s dollars.

5. What is a “redemption premium”?

In this instance it is the money being paid as interest to resolve the current issue. We are calling all bonds at par.

6. Have we explored competitive bids with the parties handling this transaction to ensure the lowest possible premiums?

We did not bid the financial advisor. This is a relatively small issue, we have used this company since well before I was with the District in its previous iterations and the advisor has been working with the District for nearly 26 years. Given their knowledge and history with us, combined with the fact it is a relatively small issue, we felt it was in our best interest to continue to use them given the cost of the transaction seemed to be nominal in the market place.

7. First Southwest Co. LLC appears to be our financial advisors, is that correct?

Yes that is correct.

8. How long have they been our advisors and who awarded them the position?

It was awarded well before either Michael or I were here. We use them minimally of course. I believe the First Southwest (formerly Fleet) has had the account for at least 14 years and the account representative for 25.

9. Are we borrowing funds in excess of what is being redeemed?

Only to cover issuance costs.

10. Are we using any district funds in this transaction and if so where are they coming from?

No budgeted funds are being used outside the bond payment line items. All funds are District funds. Although the costs of payment are a direct pass through to the Towns, this is a District issue.

11. There are several premiums and amounts (fees) listed that we are to pay. Please explain what they are in layman's terms. ($112,200.05 aggregate issuing premium, $99,913.00 premium payable to Roosevelt and Cross, offering premium $101,849.25 Exhibit C, redemption premium charged to district in the amount of $38,460.91, Cost of issuance $57,900.00, purchaser discount $12,287.02.

This is an extremely complex issue and I do not hold myself off as an expert. Essentially the $112.200.05 is a premium that was bid along with the cost of the bonds to satisfy the offering. The redemption premium of $38,460 is the interest payment on the retiring bonds as I understand it. The issuance cost is the amount that it costs to do this refunding. It is a real cost, but the savings show are net of this cost. Same with the $12,287 that is the payment to the underwriter. It is essentially like rolling the fees into refinancing the mortgage.

12. What is the refunding escrow agreement?

The bonds will not be paid off until the January call date. The money is held in escrow until then.

13. Is there an early payoff penalty or a redemption premium for the new bond if we seek to restructure the debt again at a future point?

These bonds are not redeemable early or callable.

14. What is the payment on the interest of the refunded bonds?

This information is on the page immediately preceding Appendix B in the tax certificate document in the packet.

15. Lastly, could this transaction affect any future capital financing the district may take in the near future?

All bonding could potentially have future impacts. In this instance we are lowering our costs, so it would seem the impact would be positive.