

To: Board of Selectmen, Board of Finance, RTM
From: Robert Mayer, CFO
Date: Monday, February 09, 2015 3:19 PM
Re: Town of Fairfield Bond Refinancing

Attached are the proposed resolution, the governing State statute, and a summary explanation for the potential refinancing the Town is working toward.

As spelled out in the statute paragraph, only RTM approval is required; therefore, this will be an information only item for the BOF and the BOS and a voting item for the RTM.

**RESOLUTION AUTHORIZING APPROPRIATION OF THIRTY-FIVE MILLION
DOLLARS (\$35,000,000) TO REFUND CERTAIN OF THE TOWN'S
OUTSTANDING BONDS AND AUTHORIZING THE ISSUANCE OF
REFUNDING BONDS TO FINANCE SUCH APPROPRIATION**

Resolved:

1. That the Town of Fairfield (the "Town") appropriate THIRTY-FIVE MILLION DOLLARS (\$35,000,000) to fund the redemption and the payment, in whole or in part, as determined by the Board of Selectmen, the Treasurer and the Fiscal Officer of the Town, of the outstanding principal, accrued interest and any call premium on all or any portion of any issue of the Town's General Obligation Bonds including, but not limited to the Town's General Obligation Bonds issued in 2007, 2008 and 2010 (the "Refunded Bonds"), together with the costs of any applicable consultants' fees, financial advisory fees, legal fees, escrow fees, trustee's or agent's fees, investment fees, verification fees, underwriters' fees, net temporary interest and other financing or transactional costs, and other expenses related to the payment or redemption of such bonds for the purposes of refunding them.
2. To finance such appropriation, the Town will issue its serial refunding bonds (the "Refunding Bonds") under its corporate name and upon the full faith and credit of the Town in an amount not to exceed THIRTY-FIVE MILLION DOLLARS (\$35,000,000) for the payment, in whole or in part, at or prior to maturity, as determined by the Board of Selectmen, the Treasurer and the Fiscal Officer of the Town, of the principal, interest and call premium on the Refunded Bonds and the costs related to such refunding.
3. The Board of Selectmen, the Treasurer and the Fiscal Officer of the Town are hereby appointed a committee (the "Committee") with full power and authority to cause said Refunding Bonds to be sold, issued and delivered; to determine their form, including provision for redemption prior to maturity; to determine the aggregate principal amount thereof within the amount hereby authorized and the denominations and maturities thereof; to fix the time of issue of each series thereof and the rate or rates of interest thereon; to select the maturities of the Refunded Bonds to be refunded; to establish a reserve, escrow or similar fund for the payment of the Refunded Bonds; to designate the bank or trust company to certify the issuance thereof and to act as transfer agent, paying agent and as registrar for the Refunding Bonds, and to designate bond counsel and escrow agent and to do or cause to be done all other acts that are necessary or appropriate to issue the Refunding Bonds all in accordance with the Connecticut General Statutes and any other law which may be applicable.
4. The Committee shall have all appropriate powers under the Connecticut General Statutes, to issue the Refunding Bonds and to sell the Refunding Bonds at public or private sale and, further, shall have full power and authority to do all that is required under the Internal Revenue Code of 1986, as amended, and other applicable laws and regulations of the United States, to provide for issuance of the Refunding Bonds in tax exempt form and

to meet all requirements which are or may become necessary in and subsequent to the issuance and delivery of the Refunding Bonds in order that the interest on the Refunding Bonds be and remain exempt from Federal income taxes, including, without limitation, to covenant and agree to restriction on investment yield of bond proceeds, rebate of arbitrage earnings, expenditure of proceeds within required time limitations and the filing of information reports as and when required.

5. The net proceeds of the sale of the Refunding Bonds, after payment of costs of issuance, shall be deposited in an irrevocable escrow or similar account and invested in appropriate legal investments including, but not limited to non-callable direct obligations of, or obligations guaranteed by, the United States of America, or any other investments permitted by Section 7-400 of the Connecticut General Statutes, all of which shall not be callable or pre-payable, the principal of and interest on which, when due, shall be in an amount sufficient to pay the principal of, interest and redemption premium, if any, on the Refunded Bonds at maturity, or to redeem the Refunded Bonds at the redemption price prior to maturity, pursuant to the plan of refunding. The Committee is further authorized to appoint a verification agent to verify the sufficiency of the escrow investments and to execute and deliver any and all escrow, and other agreements necessary to provide for the payment when due of the principal of and interest and redemption premium, if any, on the Refunded Bonds.
6. The First Selectman or Fiscal Officer, on behalf of the Town, shall execute, deliver and secure such bond purchase agreements, reimbursement agreements, letters of credit, credit facilities, remarketing agreements, standby bond purchase agreements, and any other commercially necessary or appropriate agreements which the Committee determines are necessary, appropriate or desirable in connection with or incidental to the sale and issuance of Refunding Bonds.
7. The First Selectman or Fiscal Officer shall execute on the Town's behalf such interest rate swap agreements or similar agreements related to the Refunding Bonds for the purpose of managing interest rate risk which the Committee determines are necessary, appropriate or desirable and if the Committee determines that it is necessary, appropriate or desirable, the obligations under such interest rate swap agreements shall be secured by the Town's full faith and credit.
8. The Refunding Bonds may be designated "Refunding Bonds" or other designation selected by the Committee and may be issued in one or more series, and may be consolidated as part of the same issue with other bonds of the Town; shall be in serial form with a final maturity date not later than the final maturity date of any of the bonds being refunded, or as otherwise provided by statute. Interest on the Refunding Bonds shall be payable semiannually or annually. The Refunding Bonds shall be signed on behalf of the Town by at least a majority of the Board of Selectman and the Town Treasurer, and shall bear the seal of the Town. The signing and the imposition of the Town's seal on the Refunding Bonds may be by facsimile as provided by statute.

9. The Committee is hereby authorized to take all action necessary and proper for the sale, issuance and delivery of the Refunding Bonds in accordance with the provisions of the Connecticut General Statutes and the laws of the United States.

Connecticut State Statute Section 7-370c

Sec. 7-370c. Authority to issue refunding bonds for payment, funding or refunding of bonds, notes or other obligations previously issued. Any municipality, as defined in section 7-369, which has issued bonds, notes or other obligations pursuant to any public or special act may issue refunding bonds for the purpose of paying, funding or refunding prior to maturity all or any part of such municipality's bonds, notes or other obligations, the redemption premium, if any, with respect thereto, the interest thereon, the costs with respect to the issuance of such refunding bonds and the payment of such refunded bonds, notes or other obligations. Such refunding bonds shall mature not later than (1) in the case of a single series of bonds, notes or other obligations being refunded, the final maturity date thereof; and (2) in the case of multiple series of bonds, notes or other obligations being refunded, the final maturity date of any such series last to occur. Notwithstanding the provisions of the general statutes or any special act, local law or charter governing the authorization and issuance of bonds, notes or other obligations and the appropriation of the proceeds thereof, such refunding bonds shall be authorized, and the proceeds appropriated for the purposes permitted under this section, by resolution of the legislative body of the municipality, and shall be subject to the same limitations and requirements as bonds issued pursuant to this chapter, provided the provisions of section 7-371 regarding limitations on the date of the first maturity, or on the amount of any principal or on any principal and interest installments on any bonds, shall not apply to refunding bonds issued under this section which shall achieve net present value savings after comparing total debt service payable on the refunding bonds to the total debt service payable on the refunded bonds, after accounting for costs of issuance and underwriters' discount. As used in this section "legislative body" means (A) the board of selectmen in a town that does not have a charter, special act or home rule ordinance relating to its government, (B) the council, board of aldermen, representative town meeting, board of selectmen or other elected legislative body described in a charter, special act or home rule ordinance relating to government in a city, consolidated town and city, consolidated town and borough or a town having a charter, special act, consolidation ordinance or home rule ordinance relating to its government, (C) the board of burgesses or other elected legislative body in a borough, or (D) the district committee or other elected legislative body in a district, metropolitan district or other municipal corporation.

Refinancing Summary

Please note the summary below is based on current interest rates and subject to change based upon market conditions:

- Issue Size: ~25MM -35MM
- Callable Bonds to be refunded from the following issues: 2007, 2008, 2010
- Term: (tied to refunded bonds): 12 years
- Gross Savings spread over term: \$1.9MM
- Present Value Savings: \$1.6MM
- % Present Value Savings divided by Refunded Bonds: 5.5% (GFOA/Industry guideline: above 2-3% NPV Savings)

It's important to note that all savings figures are net of costs and that the new bonds' term will not exceed the original bonds' term (per state statute). The size of the issue may also increase if rates move down further or reduce if rates increase. We want to ensure maximum efficiency of the transaction.

The hope would be to price the refunding bonds shortly after the bonds are authorized by the Town. Anticipated closing would be mid-March. Of course, if interest rates rise, resulting in significant reduction of savings, the issue would be postponed until market conditions improve.

Robert Mayer, CFO
February 9, 2015