Accepted: 8/27/2015

Voted: 3-0-0

MEETING MINUTES OF ASHFIELD FINANCE COMMITTEE
August 17th, 2015 at Ashfield Town Hall

Members Present: Ted Murray (Chair), David Newell, and Tom Schreiber

Absent: Ricki Carroll, Janet Rogers

Also Attending: Clark Rowell, Ashfield's Financial Advisor from Unibank; Brianne Susel, Unibank Fiscal Advisory Officer; Eric Nakajima, Executive Director, Massachusetts Broadband Institute (MBI); Bill Stathis, Sales Director of Crocker Communications; Jim Drawe, WiredWest (WW); Tom Carter; Ron Coler; Derek Brindisi, Town Administrator; Brian Clark, Ashfield Technology Committee; and Chris Gray.

Ted called the meeting to order at 1:35 PM, when Tom arrived to join David and Ted.

Until that time, starting at 1:05 PM, Ted had reviewed his understanding of major issues in anticipation of the upcoming August 24 hearing and September 8 Special Town Meeting. He distributed a handout (Document 2) and explained it, requesting any corrections, or amendments. None were offered.

Prior to Tom's arrival, Clark Rowell, Ashfield's Financial Advisor from Unibank, had been giving an overview of the debt issuance process, focusing on the State House Loan Notes Program and longer-term general obligation bonds.

After Tom's arrival at 1:35, discussion continued. In response to Bill Stathis's concern about whether bond proceeds could be used for startup costs, as proposed in WW's business plan and financial projections, Clark Rowell thought bond proceeds could be used for those purposes.

Clark then addressed a number of other issues pertaining to Ashfield's prospective issuance of debt:

By Year 3 (assuming bond anticipation notes were being used), we should be planning for a bond issue: at least 6 months would be necessary to cover all the procedural steps needed to issue bonds.

One of the key requirements for issuing bonds would be the need for annual audits, and at least 3 years of prior annual audits would be needed, so those (and their associated costs) should be planned now. Another 50 basis points would likely cover the costs of annual audits, estimated to be $12,000-$15,000/year. (Currently, we are paying $13,000/year for bi-annual audits.)

Use of increased interest rates would be prudently conservative. Instead of a single 0.45% Bond Anticipation Note (BAN) interest rate for 5 years, we should consider the likelihood of rising rates, and perhaps use 1% for Year 1 and 1.5%, 2.0%, 2.5%, and 3.0% for each respective year thereafter. In like manner, we should consider the use of a 5% bond interest rate instead of the currently projected 4%.

Given Ashfield's circumstances, we are unlikely to be approved for State Qualified Bonds (enabling borrowing for a period in excess of 20 years).

Clark raised the question of whether we should seek to borrow $3.7 million to cover the total cost of design and construction. Eric Nakajima said he could understand why we might want to do that, but it could suggest that MBI wasn't good for their share of the funding. He pointed out that they already had received $19 million, and those funds would apply to the up-front design and construction-related costs, in effect ensuring that there was virtually no risk of MBI not maintaining its commitment to fund its share of the overall project costs. Moreover, there were considered a number of ways in which MBI could economize on the original ("fully robust") cost estimates. It was finally agreed that Ashfield would seek $2.3 million in authorized borrowing, per the signed and posted warrant.

Clark indicated that there were no prepayment penalties associated with the bonds; there was an 8-10 year redemption call feature.

Clark noted that though Ashfield was a small town, its per capita income was good, its assessed valuation per capita was good, it had healthy resources in terms of financial reserves, and it had relatively little debt. Overall, he thought bond-rating agencies would likely assign an AA- or A+ rating.

The steps and expenses associated with a bond offering typically fall into 5 categories: 1) preliminary legal opinion from bond counsel (~$2,000); 2) note insurance (~$500 for 1-year note); 3) advice from Financial Advisor (~$2,000); 4) issuance of notes (~$10,000); 5) Bond Counsel, bond rating, and issuance of bonds (~$50,000, including a contingency), all of which could be taken out of bond proceeds. Our Bond Counsel, Rick Manley, at Locke, Lord, and Edwards, also should be consulted re: the various steps of the bond issuance process.

Tom Carter wondered whether there would be a possibility of getting any debt financing authorized by the voters done in less than 20 years, e.g., by using 10-year State House Loan Notes.

Ted then asked Bill Stathis to speak briefly about the availability of Crocker Communications to meet with town officials about their experience with Leverett's broadband system. Bill expressed willingness to meet and further urged us to consult with Peter d'Errico of Leverett to learn more about how they planned, built and now operate their system. Similarly Jim Drawe of WiredWest expressed willingness to meet and review their business plan with us. Ted also urged that we contact Matrix Design Group and Axia, two other organizations that may provide options if Ashfield residents approve borrowing to establish a broadband system.

At 3:13 PM, it was moved, seconded, and voted unanimously to adjourn the meeting.

Doc 1 Agenda for 8/17/15

Doc 2 Town of Ashfield – 4% Bonds

Respectfully submitted,
Ted Murray, 8/24/15