

**A Special Meeting of the Town Board of the Town of Brighton was held on Monday, September 12, 2005 at 6:00 p.m. at the Brighton Town Garage, 17 County Route 31, Paul Smiths, NY, with the following:**

**PRESENT:** Supervisor Robert Tebbutt

Council Members: David Knapp, John Quenell, Steve Tucker and Lydia Wright

**ABSENT:** None

**OTHERS PRESENT:** Donald Oliver - Superintendent of Highways, Elaine Sater - Town Clerk

**GUESTS:** None

**RESIDENTS:** There were no residents present

**Meeting was Called to Order** by Supervisor Robert Tebbutt at 6:00 p.m. He stated the purpose of the meeting was to discuss the BAN or bond for the Highway Garage financing. He has been discussing this issue with John Quenell and most of this information was received today for this meeting.

**Public Notice** was posted on the Town Clerk's signboard on Friday, September 9 and faxed to the Adirondack Daily Enterprise. Notices were posted at the three post offices and at local businesses on the same date.

**Supervisor Robert Tebbutt** read a letter addressed to the Board as follows:

“We have always assumed the \$470,000 loan portion of the financing would begin with a short-term loan to pay contractors and other expenses, and then when all expenses were accounted for and it became certain exactly how much we would have to finance over the long term we would go into the market for a long term bond - for 20 to 30 years, depending on availability and terms and conditions, such as interest rates. Accordingly, at the beginning of actual construction on the project we sold a \$470,000 Bond Anticipation Note (BAN) to Tupper Lake National Bank (TLNB), so that we could pay contractors. It is a one-year note, bearing an interest rate of 2.35%, running from 9/15/04 to 9/15/05. The interest cost, which we budgeted in the 2005 General Fund budget, is \$11,045. The \$470,000 principal and interest on this BAN are due and payable to TLNB on Thursday, September 15. The question is, how do we refinance? I am sure we all feel that it is our duty to minimize the cost of the garage project financing, including the cost of servicing any long-term debt. There are a number of considerations involved in pursuing this goal, as follows:

**1) What long-term financing periods are available to us (e.g. 20, 25, 30 years)?**

Two years ago, when we began looking at financing options, it appeared that we could readily find financing for a long as a 25-year period. More recently, it appears that a maximum of 20 years is available. But this is based on a survey of regional institutions and we cannot be sure of what terms are presently available elsewhere without more research.

**2) Where are long-term interest rates now and where are they going?**

Two years ago, based on indications from regional institutions, we felt that a 25-year interest rate would be about 5.15%. Recently, we have had a quote from NBT Bank for a rate of 4.5% for a 20-year bond. It appears that long-term rates are not rising, and if anything, are declining or remaining level at this time.

**3) How do long-term interest rates vary with the period of debt?**

The longer the period of debt, the higher the interest rate. This is a reflection of lenders' uncertainty over the return on alternative investments in the long term which might yield higher returns.

**4) What are the options for repaying the principal in a long-term debt situation?**

First, it should be noted that a standard “mortgage”, as understood by those of us who have used this method of financing to purchase homes, etc., is not legally available to municipalities in New York State. Instead, we must sell bonds - a promise to pay the bondholders periodic interest on the outstanding debt at a fixed interest rate, and to redeem the principal in its entirety by some periodic

schedule throughout the term of the loan or as a one-time payment at the end of the loan period.

As a practical matter, we do not think it would be responsible to leave the Town of Brighton with, say, a \$470,000 one-time payment of \$470,000 twenty years from now. We believe we should provide for the gradual redemption of the principal over time. Generally, the notion of interest payments plus principal payments is known as “debt service.”

For the long-term financing of the garage project, there are two forms of debt service available to us: 1) Declining Annual Debt Service (Straight Line Principal) 2) Substantially level debt service. Under Option 1, the repayment of the principal (debt) is based on dividing the total by the number of years of the loan. For example, a \$470,000 loan over 20 years would be redeemed by a fixed payment of  $\$470,000/20 = \$23,500$  per year. In addition to that, an interest payment would be made on the outstanding balance. For example, on a 20-year bond at 4.5% the first-year interest payment would be \$21,150 and in the final year it would be only \$1,058. So, under this scenario, the total payment by the town would be \$44,650 in the first year and \$24,558 in the final year of the loan, i.e., the annual debt service cost to the town would decline over time.

Under option 2 the debt service would look more like a standard mortgage contract, where the payment would be constant and the principal would be retired in increasing amounts with time. Using the previous example of a \$470,000 loan over 20 years, the regular annual payment under this option would be about \$36,000.

**5) What are short-term interest rate now (i.e, BAN rates) and where are they going?**

As noted above, the BAN rate we are paying on the note that is about to be redeemed is 2.35%. We have just received a quote from NBT Bank of 3.75% for a one-year BAN, should we wish to renew the \$470,000 short-term financing. Clearly, this is an indication that short-term rates are up compared to one or two years ago, as we all know. But note that they are still below long-term rates.

**6) Under state law, it is possible to finance a project such as the highway garage under short-term financing (BANs) for up to five years, but then, long term financing must be arranged for any remaining debt.**

As you can determine from the above, there is a very interesting “mix” of possibilities concerning the future financing of the highway garage project. Short-term interest rates continue to be substantially less than long-term rates, so for the time being it is to our advantage to keep the debt short-term. Meanwhile, we need to stay in touch with the markets to determine where long-term interest rates are headed, and we need to shop around further for the best deal in terms of loan term and interest rate.

I recommend, therefore, that at this time we continue our financing with a BAN. We have received quotes from NBT Bank for a 3-month BAN at an annual interest rate of 3.5%, a 6-month BAN at a rate of 3.65% and a 12-month BAN at 3.75%. I recommend that we accept the 6-month BAN offer from NBT. (Other banks in the area have been polled but none will offer a BAN for less than 12 months.) This will give us time to see where the market is going in terms of long-term debt terms and conditions while in the meantime we are minimizing our interest expense.

The BAN would mature March 15, 2006, at which time a follow-on decision would be required. The interest charge to our 2006 budget would be  $\$470,000 \times .0365 \times 6/12 = \$8,578$ .

In addition, when we become engaged in the 2006 budget process, I believe it would be prudent to budget some amount of money toward retirement of the principal, just as we would have to do if we were already involved in a long-term bond situation.”

Discussion was held concerning the cost of interest for this loan. Lydia Wright said the BAN should be for three months not six to get the lower interest rate. She said there could be an estimated additional \$253,000 over the original \$600,000 for the project. She did not think the residents of the Town were aware of the additional expense for this loan. John Quenell said the interest difference was insignificant for 3 more months and Supervisor Robert Tebbutt said it would make the BAN due in December which makes the interest payment be due from this year funds. John Quenell said the interest payment should come from next year’s budget. Other banks out of this region should be looked at for longer terms and lower rates. Attorney for the Town is the current bond council. A professional bond council was hired to complete the bond for the covering the landfill.

**RESOLUTION #90**

**AUTHORIZATION TO CONTRACT WITH NBT BANK FOR A 6-MONTH BAN**

**Motion made** by John Quenell, **second** by Steve Tucker, **To Wit:**

**RESOLVED** that the Supervisor be authorized to contract on behalf of the town with NBT Bank for a Bond Anticipation Note in the amount of \$470,000 for a 6-month period commencing September 15, 2005 at an annual interest rate of .0365

**Roll Call Vote:** Aye 4 (Knapp, Tucker, Quenell, Tebbutt), Nay 1 (Wright)

**Resolution #90 declared duly amended.**

**RESOLUTION #91**

**AUTHORIZATION OF A \$470,000 BOND ANTICIPATION NOTE (BAN) OF THE TOWN OF BRIGHTON, FRANKLIN COUNTY, NEW YORK, FOR THE CONSTRUCTION OF THE TOWN HIGHWAY GARAGE PROJECT**

**Motion made** by John Quenell, **second** by Supervisor Robert Tebbutt, **To Wit:**

**WHEREAS**, the Bond Anticipation Note authorized by the Town on September 15, 2004, to pay for the construction of the Town Highway Garage will mature on September 15, 2005, and

**WHEREAS**, the Town of Brighton solicited bids for a replacement BAN in the sum of \$470,000, and

**WHEREAS**, the following bids were received:

<u>BANKS</u>	<u>TERM</u>	<u>RATE</u>
Tupper Lake National Bank	1 year	3.5%
NBT	1 year	3.75%
NBT	6 months	3.65%
NBT	3 months	3.5%

**WHEREAS**, the Town of Brighton desires a BAN with a 6 month term.

**NOW, THEREFORE BE IT HEREBY RESOLVED, by the Town Board of the Town of Brighton, Franklin County, New York, as follows:**

**Section 1.** The specific object or purpose for which obligations are to be issued pursuant to this resolution is to finance the construction of the Town Highway Garage, construction of which commenced in September 2004. At that time, a \$470,000.00 bond was issued with a maturity date of September 15, 2005.

**Section 2:** The maturing \$470,000 bond may be renewed or extended another year for the full amount under Local Finance Law section 23.00.

**Section 3:** For the specific object or purpose of paying for the construction of the Town Highway Garage, there is hereby authorized to be issued a \$470,000.00 bond of said Town in accordance with the plan set forth above, and pursuant to the provisions of the Local Finance Law. Such bond shall be dated approximately as of September 15, 2005, and the power to fix and determine the exact date of such bond is hereby delegated to the Town Supervisor.

**Section 4:** It is hereby determined that the period of probable usefulness of the aforesaid specific object or purpose is thirty (30) years for the Highway Garage (*pursuant to Section 11.00[a][11](a) of the Local Finance Law*).

**Section 5:** It is hereby further determined that the maximum maturity of the bond herein authorized will not exceed six months.

**Section 6:** Subject to the provisions of the Local Finance Law, the power to authorize the issuance of and to sell bond anticipation notes in anticipation of the issuance and sale of the bond herein authorized, including renewals of such notes, is hereby delegated to the Town Supervisor. Such notes shall be of such terms, form and contents, and shall be sold in such manner, as may be prescribed by said Town Supervisor, consistent with the provisions of the Local Finance Law.

**Section 7:** The faith and credit of said Town of Brighton, Franklin County, New York, are hereby irrevocably pledged for the payment of the principal of and interest on such bond as the same respectively becomes due and payable. All the taxable real property within said Town shall be subject to the levy of ad valorem taxes without limitation as to rate or amount sufficient to pay the principal of and interest on said bond.

**Section 8:** Such bond shall be in a fully registered form and shall be signed in the name of the Town of Brighton, Franklin County, New York, by the manual or facsimile signature of the Town Supervisor and a facsimile of its corporate seal shall be imprinted thereon and attested by the manual signature of the Town Clerk.

**Section 9:** Said bond shall obligate the Town to pay to NBT, as the registered owner, the principal sum of \$470,000.00 and to pay interest on the unpaid balance of such principal sum at the rate of 3.65% per annum, annually from the date of the bond until it matures.

**Section 10:** The bond anticipation notes authorized by this resolution may be renewed at the discretion of the Town Board.

**Section 11:** When said bond shall have been duly sold, the same shall be delivered by the Town of Brighton Town Clerk to the purchaser upon payment to it of the purchase price including accrued interest, and the receipt of the Town of Brighton shall be a full acquittance to said purchaser who shall not be obligated to see to the application of the purchase money.

**Section 12:** The intent of this resolution is to give the Town Supervisor sufficient authority to execute those agreements, instruments or to do any similar acts necessary to effect the issuance of the aforesaid bonds without resorting to further action of this Town Board.

**Section 13:** This resolution shall constitute a statement of official intent for purposes of Treasury Regulations Sections 1.150-2(d) and (e). Other than as specified in this resolution, no monies are, or are reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside with respect to the permanent funding of the object or purpose described herein.

**Section 14:** The validity of such bonds and bond anticipation notes may be contested *only if:*

1. Such obligations are authorized for an object or purpose for which said Town is not authorized to expend money, or
2. The provisions of law which should be complied with at the date of publication of this resolution are not substantially complied with, and an action, suit or proceeding contesting such validity is commenced within twenty (20) days after the date of such publication, or
3. Such obligations are authorized in violation of the provisions of the Constitution.

**Section 15:** Pursuant to the provisions of the Tax Reform Act of 1986, this Board expressly represents that the Town will not issue more than ten million dollars of tax-exempt obligations in any calendar year and directs that a copy of this Resolution be furnished to the bond purchaser.

**Section 16:** This resolution shall take effect immediately.

**Roll Call Vote: Aye 4** (Knapp, Tucker, Quenell, Tebbutt), **Nay 1** (Wright)

**Resolution #91 declared duly amended.**

**Motion to Adjourn at 6:35 p.m. made by John Quenell, second by Steve Tucker, Aye 5**

Respectfully submitted,

Elaine W. Sater  
Brighton Town Clerk