jlboudreau3@verizon.net | Add to Contacts
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reply-to jlboudreau3@verizon.net
to hatch@masstech.org
cc charley@charley-rose.com

WiredWest Debt Question

Hi Chris:

I have an additional question relative to the WiredWest/MBI proposal. Because I am not sure to whom this should be addressed, please feel free to forward it to the appropriate person. If you do, would you let me know to whom it was forwarded?

The question is certainly going to be asked at town meeting and I would like the Finance Committee to be prepared to give WiredWest's answer. In the beginning, town meeting was told that other than the initial fee to join all costs would be borne by the users and there would be no cost for non-users of the service. To this day a lot of people are still under that impression. Indeed, even with the creation of a Municipal Light Plant Cooperative pursuant to C.164, s.47C one could assume that it would be self-sufficient based on user fees.

While clause (vii) of Section 47C allows MLP Cooperatives to borrow money through the issuance of notes and bonds, why did WiredWest/MBI choose not to be the <u>one</u> entity that would do the borrowing, but rather require <u>forty</u>towns to individually borrow? This causes all taxpayers whether they are users or not, to incur the costs of issuing the debt (Bond Counsel and FA's) and most importantly they become immediately liable for the actual debt service. As I understand it, if the Cooperative issued the debt, the underlying towns and taxpayers would only become liable if the Cooperative defaulted on the bonds.

I read in a number of places in the Project Update section on WiredWest's web site that WiredWest/MBI have been investigating the issuance of cooperative debt, but cannot find anything on a decision to change to an individual town issuance or the reasoning behind such a decision. In your answer to one of my previous questions, you stated that the operation of the network would be done on a regional basis and not town specific, so why would the issuance of network debt be any different?

I thank you in advance for your response.

Joe Boudreau

Worthington Finance Committee, Chair

Charles Rose | rose.charley@gmail.com | Add to Contacts
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reply-to rose.charley@gmail.com
to "jlboudreau3@verizon.net" jlboudreau3@verizon.net, "hatch@masstech.org" hatch@masstech.org
cc Steve Nelson <steve@stevenelson.us>, "jim@ddgwebmedia.com" <jim@ddgwebmedia.com>, "info@wiredwest.net" <info@wiredwest.net>

Re: WiredWest Debt Question

HI Joe,

Thanks for copying me on your inquiry. I am in turn copying the key people at Wired West. I think I can address your questions to some degree… At least to the extent of my understanding.

I think the short answer as to why the towns are being asked to individually borrow as opposed to Wired West, MBI or some other entity is quite simply because they can and are able with the help of the state to get far and away the best and really only feasible borrowing rates. Assuming Wired West as an organization could find a lender, the rates would be much higher in the commercial market. With no business track record the ability of Wired West to borrow is also limited.

The process that brought us to this point has been I think evolutionary. I think it's fair to say that Wired West began with some fairly optimistic assumptions as to how this project would eventually be financed. I have been involved as a representative for 2 years. When I began there seemed to be a pretty strong assumption that Federal money would eventually be available through Department of Agriculture programs that have been around for a long time and possibly FCC phone charges. At the same time, MBI has been building out the middle mile, completely with state appropriations, and operating on the "if you build it, they will come" assumption. I think there really was an assumption that once they got that built, private companies like Crocker, Cornerstone and Comcast would be willing to invest in last mile service. The truth is there still isn't the density to make the investment worthwhile from a for-profit business standpoint. Even for a non-profit like Wired West it's not feasible to borrow money on the commercial market to build the infrastructure and run the network. The hoped for Federal Money isn't there. At least not now. President Obama made some pretty important proposals about changing that and has in fact pointed to Leverett, MA as a model of what he's thinking. Eventually I think the Federal Government will start investing and making more funds available, but I doubt seriously that's going to happen soon. Do we want to wait another 3, 4 or 5 years to get this started? Can we afford to do that?

There was a very informative article about what the President is proposing and what Leverett is doing in the Daily Hampshire Gazette this week. http://www.gazettenet.com/businessmoney/15395348-95/broadbandagreement-tiny-leverett-shares-presidents-outlook-on-high-speed-internet

So the key is to get the municipal borrowing rates and the backing of the state treasury to build and operate this on a non-profit basis. I don't think there is a precedent or mechanism for a group of towns to borrow cooperatively at the same rates. At least not that I'm aware of. As it is, I believe the state Treasurer along with MBI and Wired West have been pretty creative in how they've designed this borrowing program for the towns in order to get the most advantageous rates. I think you could reasonably look at what's being proposed as a form of regional borrowing as each town borrows to invest in a commonly owned regional infrastructure.

So if you're willing to take the assumption that it makes sense for towns to borrow individually, it's the belief of Wired West, MBI and our legislators that it also makes sense to pool resources and create a regional network to operate this vs. each town going it alone. While some costs like stringing fiber are fixed, others like administrating and maintaining a network are more efficient and cost effective when run regionally.

What towns like Leverett and Princeton are doing is certainly a viable option. Frankly if you asked me to vote for that option I would. Raise my taxes and build a network. I'm fine with that. There are other towns like Mt. Washington who have not joined Wired West and are considering building their own networks. We'll see whether they are able to do it. It's hard to see how they could for less money. When this came to a vote in Leverett it passed by 80% according to what I read. According to Matt Crocker at Crocker Communications, who Leverett has contracted with to administer the network, the take rate for service is at about that rate as well. So they voted to raise their own taxes by I believe about $200 per household for 20 years to pay for building the network. Period.

What we're being asked to do though is to be willing to back loans to build a network and back a business plan that would, as it operates, at least pay back some of that debt service, vs. what Leverett voted to do, just pay for it and own it. With what Wired West and MBI are proposing we at least have the potential of not necessarily having to pay the whole thing. I believe that no matter how you look at it, it's hard to see how we lose.

- At worst, we commit to this debt, the infrastructure get's built and there isn't enough people taking the service or it's so poorly run that is all goes belly-up and we're on the hook for the next 20 years with fiber strung across town and no service. If that occurred, I think it would finally be a no-brainer for Crocker or someone else to be able to take over the service and make money. Matt Crocker pretty much told me that if the town put in the fiber and could show that at least 60% or so of the town would take the service he would at that point be willing to invest in the rest of the network equipment and be able to service the town and make money. It is I think important to point out here that once the town has fiber on the poles passing virtually everyone's house and the town owns that fiber, we'll always have viable options for service and a valuable asset.

- Not as bad, but possible is that the network get's built and there's enough revenue to pay for running and maintaining it but there's never enough extra to service the debt. So again we're on the hook for 20 years of debt service but we have the broadband. In that case the town has invested probably half what Leverett spent to build and run their own network, we own the infrastructure as a member of the Wired West Cooperative and we have the service our town needs to be viable in the 21st century.

- And quite possibly according the business plan Wired West has been working on, the network is built, within a very short time we have at least 75-80% of the town taking the service and there is sufficient revenue to at least partly service the debt going forward. So we have the service and spend a fraction of what Leverett spent to go it alone.

You're initial question was what changed from the initial proposals presented when we voted to create the MLP and were told that if we did that, and invested $1,000 we'd eventually get broadband service and never have to spend anything other than the cost of the service should we choose to use it. Honestly I was not there when those votes were taken and can't speak to exactly what was said. Clearly that was an over-optimistic prediction that probably shouldn't have been made. I think the answer is what I've stated above. Those initial projections were wrong for a number of reasons, and what we're now being presented with is a realistic plan that has been vetted by consultants and experts in this type of infrastructure and the state. In addition the state has committed about a 1/3rd of the cost for the last mile after bearing the entire cost of the middle mile.

So is this bait and switch, and will the voters see it that way. Last spring we were worried that when the request was made for another $1,000 that question would be asked and the vote would be contentious. It wasn't. It passed overwhelmingly with virtually no discussion and I believe every single Wired West town passed the $1000 appropriation. I think people get it and I think that the hunger for the service is bigger than we think.

I believe you're also asking why should those who don't care about or want the service have to pay for it through their taxes. I think this is simply a more fundamental question of government and why it spends money on any infrastructure. Why do we all pay for schools? I don't have any kids. Why should I have to pay for someone else's kids to have a good school? The most obvious comparison that's used for building out municipal broadband like this is rural electrification. It simply couldn't happen without local, state and federal government involvement. Water systems, sewer systems and in many cases gas and electric grids are owned and operated by municipalities. Westfield and Holyoke operate their own utilities. In fact much of the fiber infrastructure in Holyoke, Springfield and Chicopee is, I believe, operated by Holyoke Gas & Electric. I don't know the history of electrification in Worthington, but I'm sure that in those towns across the country where electrification and/or phone service came because of government investment, everyone didn't choose to take the service. Today, it's virtually unthinkable to not have electric service. The same is true of telephone service, though it's also interestingly and not coincidentally a time where the ubiquitousness of wired telephone service is being replaced by cell and the very Broadband internet service we're proposing.

We as towns and municipalities decide to do these things, to invest in our towns in order to make them better more attractive places to live. We do it for our own comfort and convenience, and we do it in order to be able to live and do business here. Towns and cities make investments in infrastructure all the time to make them more attractive places to live and do business. We worry about having good schools here in Worthington and have put a lot of energy into that process as of late. Well having good schools and having access to broadband increasingly go hand in hand. Imagine where we'd be if Worthington was never electrified or delivered telephone service. In order for towns like Worthington to thrive in the 21st century as places that people will want to live, broadband is becoming a necessity. Without it, we will find it increasingly harder to sell our homes and attract any significant business activity. I think the argument for this investment is just as strong as the reasoning behind what we just did to support our schools.

So forgive the long answer, but I hope that at least in part addresses those concerns and I welcome further clarification from MBI & Wired West.

Thanks,
Charley

jlboudreau3@verizon.net | Add to Contacts
Sunday, Feb 1 03:44 PM | Hide Details | View source

reply-to jlboudreau3@verizon.net
to rose.charley@gmail.com, hatch@masstech.org
cc steve@stevenelson.us, jim@ddgwebmedia.com, info@wiredwest.net
Re: Re: CR WiredWest Debt Question

Hi Charley:

Thank you for your response to my questions and your take on what happened relative to the decision to shift the responsibility to bond to the towns rather than WiredWest/MBI. I too await further explanation and details of that decision from WiredWest/MBI.

In the interim let me make a few comments. First let me say that I don't need to be convinced of the need for last mile broadband but rather how it is financed. You mention that the towns can get more favorable borrowing rates then WiredWest. I believe most towns on the list have never done a bond issue. For the most part their biggest borrowings have been for highway equipment or an occasional fire truck. Most debt that they have issued has been notes through DOR's Statehouse Note Program which does not require the employment of bond counsel or a financial adviser. Except for two or three of the towns none have bond ratings listed with either Standard and Poor's or Moody's. This fact alone will have an adverse impact on any "municipal" borrowing rate.

I fail to see the advantage of forty small towns independently doing bond issues. You mention…"So the key is to get the municipal borrowing rates and the backing of the state treasury to build and operate this on a non-profit basis. I don't think there is a precedent or mechanism for a group of towns to borrow cooperatively at the same rates. At least not that I'm aware of. As it is, I believe the state Treasurer along with MBI and Wired West have been pretty creative in how they've designed this borrowing program for the towns in order to get the most advantageous rates. I think you could reasonably look at what's being proposed as a form of regional borrowing as each town borrows to invest in a commonly owned regional infrastructure." I hope that someone will forward the details of the State Treasurer/MBI/WiredWest designed borrowing program as I cannot find anything on it in what was handed out at meetings or posted on web sites. A MLP Cooperative is a municipal entity why not enlist the state to help WiredWest to borrow rather than forty towns?

You also mention …. So is this bait and switch, and will the voters see it that way. Last spring we were worried that when the request was made for another $1,000 that question would be asked and the vote would be contentious. It wasn't. It passed overwhelmingly with virtually no discussion and I believe every single Wired West town passed the $1000 appropriation. I think people get it and I think that the hunger for the service is bigger than we think. The letter from WiredWest requesting the additional annual fee stated it was for "increasing operating expenses, which include fees for corporate counsel, bond counsel, other consulting and professional services…". The Finance Committee did have some discussion in regard to the onetime fee turning into an annual fee but felt it seemed reasonable. If the letter had informed us that it was WiredWest's intention to require that the towns pay for the last mile rollout I can without a doubt state that there would have been much more discussion both from the Finance Committee and from the floor of town meeting. Now that we are poised to have that discussion in a few months it might have been better to have had an initial discussion last year.

Thanks again Charley for your response and I await further explanation on this decision.

On 02/02/15, Jim<jim@ddgwebmedia.com> wrote:

Joe Markarian and I would like to meet with your finance committee and selectboard to answer all of your questions.  Please provide us with a couple of dates that would be convenient for you so we can schedule a meeting.

Thanks

From: jlboudreau3@verizon.net
Date: Feb 2, 2015 1:32:18 PM
Subject: Re: RE: Re: CR WiredWest Debt Question
To: jim@ddgwebmedia.com
Cc: rose.charley@gmail.com, charley@charley-rose.com, hatch@masstech.org, steve@stevenelson.us

At this time, a written response would be preferred and appreciated. If after both of the town's committees have had a chance to read WiredWest/MBI's rationale not to bond and have a chance to review the State Treasurer's design of the forty town borrowing program, we can schedule a meeting if needed.

Thanks

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- reply-to jlboudreau3@verizon.net
  to alexlak@aol.com, modestowvuss@verizon.net, dunlevyp@yahoo.com, selectboard@worthington-ma.us, evanjohnson19@gmail.com, rwagner54@verizon.net, powellcj1@verizon.net
  cc rose.charley@gmail.com

Bond Rating

**1 Attachment** Download

HI All:

Please find attached for your reading enjoyment an article published in DOR's City and Town on what it takes for a town to get a bond rating. This is just some back-up to my question to WiredWest/MBI as to why they think it will be easier and better for forty towns to bond individually rather thanWiredWest. I have not yet received an answer from WiredWest and I am contemplating send this out to the forty towns.

Municipal Bond
Ratings
by Joan E. Grourke

Cities and towns borrow money to finance many types of public facilities and infrastructure by issuing bonds.
These types of bonds are commonly referred to as long-term, or General Obligation (GO) bonds, which means
that they are guaranteed by the city or town's pledge of "full faith and credit and taxing power." This phrase conveys the pledge of utilizing all taxing powers and resources, if necessary, to pay the bondholders.**1**

The process of issuing long-term bonds is complex and involves many key players. In addition to municipal officials, these include participants who charge fees for their services, such as a financial advisor, bond counsel and also credit rating agencies. Although long-term bond issuance involves significant costs, it is still the preferred method of financing capital borrowing in excess of $1 million. A key reason for the attractiveness
of bond financing is that municipal bonds offer income exempt from both federal and state taxes. The tax-exempt status of the earnings enables municipalities to offer bonds at lower interest rates than they could get borrowing from lenders at commercial rates.

Should a city or town choose to borrow funds by issuing long-term bonds, it must apply for a credit rating from an independent rating agency such as Moody's Investors Service or Standard & Poor's (S&P). This article highlights some of the criteria these agencies use to assign creditworthiness or bond ratings.**2**

Both Moody's and S&P consider four key factors when assigning credit ratings to GO bonds.**3** These are economy, finances, debt and administration/ management. Moody's stresses that "there is no algebraic formula by which a rating can be predicted. The most useful tool for evaluating credit risk is examining the way the four credit areas interact."

**Economy**

Both credit rating agencies consider the economy as one of the most critical elements in determining a community's rating since the economic base of a community ultimately generates the resources that repay municipal debt.

Moody's and S&P compile an economic profile of the bond issuing community in order to evaluate specific economic strengths and weaknesses. In compiling this profile, they consider such things as the community's geography, infrastructure, utility systems and proximity to transportation networks. Indicators of economic growth, such as building permits, retail sales and employment data are also evaluated.

Demographic characteristics are also used to assess the vitality of a given area's economy. The population base is profiled in terms of age, education, labor skills and wealth and income levels. To evaluate the extent of a community's overall wealth, Moody's looks at the full value per capita — which is the full valuation of taxable property divided by a given population — as an important indicator.

The tax base of a community is also evaluated by these agencies. They consider the credit quality and market position of a region's largest employers, and the strength, as well as the diversity, of its largest taxpayers. According to Moody's, "a diverse economic base (one that is not highly concentrated in a single employer or type of industry) will be more likely to steadily expand and keep pace with the national economy. Conversely, a tax base that is highly dependent on a cyclical industry may periodically surge, stagnate, or experience declines."

Both Moody's and S&P regard communities with higher income levels and diverse economic bases as having superior debt repayment capabilities, reflecting better protection from economic changes or unexpected volatility.

**Finances**

According to Moody's, a municipality's prudent fiscal policies should include some plan related to reserves. Maintaining adequate reserves provides cities and towns with the ability to:

- meet cash flow needs until major revenues are received, thereby reducing or eliminating the need for cash flow borrowing;

- provide funds to leverage state or federal grants; and

- provide for the unexpected.

Moody's emphasizes that one financial statistic that is key to evaluating financial strength is the General Fund balance as a percent of revenues. This statistic is important because it provides a measure of the financial reserves potentially available to fund unforeseen contingencies. Moody's likes to see a General Fund balance sufficient to address normal contingencies, a level which, as a general guideline, is typically between 5–10 percent of annual revenues.

In terms of reserve policies, Moody's believes that formal policies (ordinance, bylaw or inclusion in local charters) are superior to "targeted levels." According to Moody's, formal policies are viewed more favorably "because they minimize political considerations of adequate reserve levels and keep the municipalities more focused on providing structural balance in their operations, with less dependence on one-time reserves."

An important variable in judging financial performance for S&P is the method of accounting and financial reporting. S&P evaluates a community's financial reports based on the guidelines of Generally Accepted Accounting Principles (GAAP). The Government Accounting Standards Board (GASB) interpretations of accounting rulings are also considered in evaluating organizations of funds, accruals, and other financial reporting methods. Issuers are expected to supply adequate and timely financial reports. Financial reports prepared by an independent certified public accountant are preferred. Lack of an audited financial report prepared according to GAAP could have a negative impact on an issuer's rating, since questions about reporting will be raised.**4**

In reviewing an issuer's financial performance, Moody's and S&P consider pension liabilities as a "significant credit factor" for local governments. According to S&P, "even a well-funded plan can fall victim to unanticipated changes. Therefore, it is important to consistently monitor a retirement system's funding trend."

Moody's believes that "an unfunded pension liability, in and of itself, does not pose an immediate credit threat to most local governments." In order to determine the effect that the unfunded pension liability may have on the city or town's rating, Moody's will "examine the reason that it has arisen and the agency's ability and willingness to address it over a reasonable period of time." "Funding levels," states Moody's," naturally will rise and fall as actual experience diverges from actuarial assumptions. A trend of declining funding levels and/or failure to make recommended annual payments, however, would be viewed as negative credit factors."

Both Moody's and S&P examine a range of other financial data, such as annual growth in revenues and expenditures; the amounts of and reasons for interfund transfers; primary revenue sources and expenditure items; the composition of assets and liabilities; cash position; and actual financial performance relative to budget.

**Debt**

With every new issuance, Moody's reevaluates the issuer's debt position in order to determine the increased debt load on credit quality. Such debt characteristics as the amount of short-term debt an issuer has outstanding and the overall structure of debt service payments are analyzed.

For Moody's, a key analytic issue is the rate of debt payment. This statistic measures the rate of principal retirement within a given period of time and can sometimes be indicative of an issuer's willingness to pay. According to Moody's, "If retirement is rapid, the issuer may be viewed as very willing to draw upon its resources to pay its obligations. Conversely, if debt is structured for a very slow payout, the opposite may be true. As a general rule, issuers usually structure their issues so that all debt is repaid within the useful life of the asset(s) being financed."

S&P measures the debt burden against a community's ability to repay. According to S&P, three indicators of this ability are:

- the tax base;
- the wealth and income of the community; and
- total budget resources.

In general, S&P considers a debt burden high when debt service payments represent 15–20 percent of the combined operating and debt-service fund expenditures. However, this benchmark will vary with the structure of government and the level of services an entity provides.

**Administration/Management**

Both Moody's and S&P acknowledge that administrative factors may be the most difficult to assess because they are not easily quantifiable. However, despite the qualitative nature of management assessment, there are a number of elements that are important to their analysis of creditworthiness. In Moody's view, management strength can be judged from looking at the other three factors:

- Good management strategies will help ensure that financial practices, such as tax collection procedures, and budgeting and investments, are appropriate and responsive to the municipality's needs.
- Debt practices will be thoughtfully structured and in line with statutory and voter prescribed debt limits.
- Good economic development policies will be adopted and government officials will be balanced in response to the demands for services relative to the needs of business and residential taxpayers.

S&P views the consistent timing of budget adoption as an indication of management strength. "Late budgets are a hindrance to planning and can be indicative of political or administrative difficulties."

Another measure of financial management strength is the review of financial results against original expectations. Variances between budget and actual results are indicative of management's financial planning capabilities. S&P also likes to see well-documented capital improvement plans and adherence to long-range financial plans.

Property tax administration is also analyzed by focusing on tax rates, levies, collection rates and delinquent tax collection procedures. Tax due dates and delinquency rates are noted for their possible cash flow effects.
Interestingly, Moody's points out that "most issuers, both large and small, are well managed. Despite this fact, they may not all achieve high ratings because the ultimate rating outcome reflects the synthesis of all credit factors."

**Factors that Drive Rating Upgrades and Downgrades**

Moody's points out that the factors discussed above are certainly not static and will most likely change over the life of the bond rating. For example, significant growth in assessed values could eventually drive ratings up — simply because the growth results in a larger tax base supporting debt obligations. Conversely, should the tax base decline, reflecting successful abatements or property demolition, debt burden could be driven up. This may result in a rating downgrade as there will be less taxable value to support government operations and pay debt service.

In another example, a "trend of prudent and sustainable fiscal management strategies coupled with carefully managed reserve levels" can also drive ratings upward. To the extent that reserves are bolstered and are expected to be maintained, a rating upgrade may be warranted. Also, an issuer that is able to decrease financial vulnerability, "perhaps through the elimination of a service that historically proved to be expensive and difficult to budget such as a … hospital … could be a key credit strength that leads to a rating upgrade."

FROM; City & Town February 2004 Division of Local Services

**From:** Charles Rose
**To:** Jim ; hatch@masstech.org
**Cc:** Steve Nelson
**Sent:** Thursday, February 05, 2015 1:00 PM
**Subject:** FW: Bond Rating

Hi Jim and Joe,

Can one or both of you please address this?  I'm afraid this is beyond me.  As you saw in Joe's earlier response to your request to meet he's trying to get this fundamental question about individual town bonding vs. some kind of regional approach answered before meeting.

Thanks,

Charley
Worthington

Charley Rose
Charley@charleyrose.net

**From:** Joe Markarian [mailto:joe.markarian4849@gmail.com]
**Sent:** Thursday, February 05, 2015 6:49 PM
**To:** Charles Rose; Joe Markarian
**Cc:** Jim; Steve Nelson
**Subject:** Re: FW: Bond Rating

To All,

I have resisted answering this question because I am not entirely fluent with bond markets. That being said, the most direct answer I have heard for why WW shouldn't bond is that they are not bond credible. WW has no assets and no revenue to repay bonds. They have no operational history and no basis for a bond rating. WW would be an extremely high risk venture for an investor. Consequently, interest on the bonds would be prohibitive. I don;t know how many years of operational experience would alter this circumstance. The question has been passed on to those with knowledge, but no response yet.

Joe

Jim | jim@ddgwebmedia.com | Add to Contacts
Thursday, Feb 5 07:42 PM | Hide Details | View source

reply-to jim@ddgwebmedia.com
to "'Joe Markarian'" joe.markarian4849@gmail.com, "'Charles Rose'" rose.charley@gmail.com, "Joe" jlboudreau3@verizon.net
cc "'Steve Nelson'" <steve@stevenelson.us>
RE: FW: Bond Rating

The short answer is that if WiredWest could issue bonds at a reasonable interest rate we would. It would be a whole lot easier than going to 32 town meeting to get a two thirds vote for a borrowing authorization and a simple majority at the ballot box for a debt exclusion. We have been quoted 18+% is WiredWest were to issue bonds provided that a buyer could be found which is doubtful in that as Joe Markarian says WiredWest has no operating experience and no assets. 18% interest on the debt would make the project untenable. For the last 3 years we have turned over every rock that we could find to obtain funding and none have worked out. The USDA RUS program funds have been dramatically cut and currently have about $40 million for the entire country. The application for RUS funds takes 6-9 months to complete and costs about $50,000. The odds of us getting the money because we are a startup is low and we have determined not worth the effort. That leaves us with only one last option and that is to have the towns fund the effort. WiredWest is by the way a cooperative of town's MLPs and not an independent company. If some of the towns choose not to participate that is their choice and they will have to seek other means of providing their citizens with high speed internet.

The Financial Advisor that we have been working with thinks that she can place the debt for all of the towns with a consortium of banks. This would not require that the towns get a bond rating. If that effort fails then our only other option is to go to the bond market. And yes that may require each town to get a bond rating and work with a bond counsel to sell the bonds. We are working with the FA and bond counsel to try to get a group discount to do the work for all of the towns.

For those towns that have sufficient local aid, we are looking to use Chap 44a of M.G.L to get each of the towns borrowings authorized as qualified bonds. We have had a meeting with Gerry Perry and his colleagues last November and got a positive response to this idea. If we go the qualified bond route it is likely that each of the towns will not have to get a bond rating as the bonds will be guaranteed by the state and if we have to go to the bond market the bonds will have a rating 1 point below the state's AA+ rating.

At this stage we do not have specific answers to how the funding will work, just the above scenarios. We are working the problem and hope to have more specifics before town meeting time.

jlboudreau3@verizon.net | Add to Contacts
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reply-to jlboudreau3@verizon.net
to jim@ddgwebmedia.com, joe.markarian4849@gmail.com, rose.charley@gmail.com
cc steve@stevenelson.us, hatch@masstech.org

Re: RE: FW: Bond Rating

Thank you !

I have one follow-up question.....its easy. Is the qualified bond program what Charley was talking about when he said.... I believe the state Treasurer along with MBI and Wired West have been pretty creative in how they've designed this borrowing program for the towns in order to get the most advantageous rates.

Joe Markarian | joe.markarian4849@gmail.com | Add to Contacts
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- reply-to joemarkarian4849@gmail.com
  to "jlboudreau3@verizon.net" jlboudreau3@verizon.net
  cc "jim@ddgwebmedia.com" <jim@ddgwebmedia.com>, "joe.markarian4849@gmail.com" <joe.markarian4849@gmail.com>, "rose.charley@gmail.com" <rose.charley@gmail.com>, "steve@stevenelson.us" <steve@stevenelson.us>, "hatch@masstech.org" <hatch@masstech.org>

Re: RE: FW: Bond Rating

Don't know. Qualified bond program has been around a long time and is widely used

Jim | jim@ddgwebmedia.com | Add to Contacts
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reply-to jim@ddgwebmedia.com
to jlboudreau3@verizon.net , joe.markarian4849@gmail.com , rose.charley@gmail.com
cc <steve@stevenelson.us>, <hatch@masstech.org>

RE: RE: FW: Bond Rating

YES