

MEMORANDUM

To: Municipal Accountability Review Board
From: Julian Freund
Subject: City of West Haven September 2021 Bond Issue
Date: September 20, 2021

Background

The City of West Haven is preparing to issue \$20.545 million in long-term general obligation bonds and \$6.5 million in short-term general obligation bond anticipation notes (BANs). State statute requires that the MARB be provided an opportunity to review and comment on any proposed debt obligations of Tier III municipalities. No action by the MARB is required.

The \$20.545 bond issue is comprised of \$7.545 million to fund various City-wide and Board of Education projects and \$13.0 million to permanently finance a portion of BANs previously issued to fund the West Haven High School project. The \$6.5 million in BANs represents the portion of the maturing notes that will be rolled forward to September 2022. The long-term bonds and the BANs are summarized in the tables below.

Use	Bonds	
	Amount	Note
West Haven High School	\$13,000,000	Finance portion of maturing BANs
Other BOE Capital	\$3,178,000	Bldgs and Grounds improvement
City Capital	\$4,367,000	Public Works, Police, IT projects
Total	\$20,545,000	

Bond Anticipation Notes	
	Amount
BANs Maturing Sept. 30, 2021	\$19,500,000
Financed in \$20.545 bond issue	<u>\$13,000,000</u>
Balance to roll forward to Sept. 2022	\$6,500,000

As noted in the summary memo provided by the City’s Bond Advisor, Bill Lindsay, the \$13 million to be issued for the high school project will be the second of three planned bond issues for that project. The high school project was authorized in 2017 with an estimated total cost of \$133.25 million. Of that amount, \$95.67 million was anticipated to be reimbursable by State school construction grants, leaving the City’s total share of the project costs at approximately \$37.58 million.

Alignment with FY 2022 Budget and 5-Year Plan

Thus far, the City has issued \$13 million in bonds for the high school project. This issuance will bring the total amount issued for the high school project to \$26 million. The final bond issuance for the high school project is expected in September 2022, when the \$6.5 million in BANs mature. The final borrowing installment in 2022 will finance the maturing BANs and any remaining cash flow needs of the project. While this plan has been adjusted at times to reflect project cash flow needs and changing market conditions, it is generally consistent with the original plan for financing the high school project with three bond issues over several years.

The only material adjustment to the City portion of the bond issue, when compared to the City’s 5-Year Capital Plan, is an addition of \$800,000 to fund street paving expenses. The remaining projects funded in this issuance are in alignment with the Capital Plan as shown in the City’s FY 2022 budget and the current 5-Year Plan.

Both the Bond Advisor’s memo and the Bond Issue Summary (shown on page i of the Preliminary Official Statement) indicate that this bond issue will have no impact on the FY 2022 budget, with the first principal and first interest payments due in September 2022 (FY 2023).

The City’s debt service payments on existing debt plus the projected debt service resulting from this bond issue for the next five years are depicted in the following table. The table also provides the debt service payments included in the current 5-Year Plan for comparison purposes.

Fiscal Year	Debt Service on Existing Debt ¹	Projected Debt Service: This Issue ²	Total	Debt Service in 5-Year Plan	Variance
2021/22	19,698,565	-	19,698,565	19,698,565	-
2022/23	11,530,742	2,707,658	14,238,400	14,230,955	(7,445)
2023/24	11,883,126	2,264,500	14,147,626	16,818,430	2,670,804
2024/25	11,833,898	2,203,100	14,036,998	18,562,135	4,525,137
2025/26	8,918,993	2,127,000	11,045,993	16,218,055	5,172,062

1. Pages 48-50 of POS

2. Pro Forma Bonds 2021, Market as of 9/10/21, Piper Sandler, Munistat Services

As noted previously, the September 2021 bond issue has no impact on debt service in FY 2022. A modest variance is noted for FY 2023. The significantly higher debt service payments built into the 5-Year Plan for FY 2024 – FY 2026 are based on future bonding requirements related to the final payments on the high school project as well as the City’s 5-year capital plan.