



Town of Amherst, NY Debt Overview Presentation

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How BANs and Bonds Work

- ▶ Bond Anticipation Notes (BANs) are short-term financing, typically for one year
 - ▶ A project can be kept in a BAN (or “rolled over”) for a maximum of 5 years, with financing required each year
- ▶ Bonds are long-term financing, typically between 10 and 40 years
 - ▶ The maximum term of the financing is determined by the Period of Probable Usefulness
 - ▶ Once the project is rolled into a bond, the principal and interest payments are set for the term of the bond
 - ▶ Bonds can be refinanced under certain circumstances, should interest rates decline
- ▶ The maximum time period a municipality can finance an object or purpose through debt is known as the period of probable usefulness (PPU), which is determined by NYS Local Finance Law

The Bond Authorization Process

- ▶ The Town establishes its Capital Improvement Program (CIP) each year, in conjunction with the budget process
- ▶ When a department is ready to move forward with an approved project, a map plan and report (MPR) is submitted to the Finance Department for review, and then to the Legal Department for processing
- ▶ The Legal Department coordinates with bond counsel (Harris Beach, PLLC), who provides a bond resolution for placement on the Town Board agenda
- ▶ One of several processes may be followed, depending on the project
 - ▶ Projects with a PPU of 5 years or less become effective immediately upon approval of the bond resolution by the Town Board
 - ▶ Projects within a special district require a public hearing, and become effective after the public hearing has been closed and upon approval of the bond resolution by the Town Board
 - ▶ Projects with a PPU over 5 years, not in a special district, become effective after a 30-day permissive referendum period, which begins the day of Town Board approval of the bond resolution
- ▶ All bond authorizations must be approved by a super-majority (2/3 of the board's voting strength, or 4 board members in the case of the Amherst Town Board)

The Borrowing Process

- ▶ The Town typically issues debt annually, in a single borrowing in the fall
 - ▶ If there are larger projects which require earlier financing, a BAN may be issued earlier in the year, and then rolled into the regular fall borrowing
- ▶ The Comptroller's Office works with the Town's Municipal Advisor (Capital Markets Advisors, LLC), and the Town's Bond Counsel (Harris Beach PLLC) on finalizing the Town's Official Statement, which outlines the borrowing
- ▶ A credit rating for the issuance is obtained from Moody's Investors Service (The Town's 2023 bond rating was Aa3 positive)
- ▶ The borrowing is put out to market by the Municipal Advisor
- ▶ The Town closes on the borrowing (typically in November)
- ▶ Projects with a 5-year PPU are typically kept in short-term financing (BANs) for the life of the borrowing
- ▶ Projects with longer PPUs are initially issued as short-term debt (BANs), and then rolled into long-term debt (bonds)
 - ▶ Typically Held in BANs for 2 years, and then rolled into bonds
 - ▶ May be held in BANs for shorter or longer periods of time, depending on what is projected for interest rates
 - ▶ Infrastructure projects such as road/water/sewer may be bonded in year 1

Constitutional Debt Limit

- ▶ The Town has the power to contract indebtedness for any Town purpose
- ▶ The principal amount of debt cannot exceed 7% of the most recent 5-year average full valuation of taxable real estate of the Town
 - ▶ This is subject to certain exclusions and deductions, such as water and certain sewer facilities
- ▶ The Town's Constitutional Debt limit as of 12/31/2023 was 19.01%

Total Debt less exclusions:	\$177,813,691
Debt Limitation:	\$935,448,202
- ▶ The Estimated Constitutional Debt Limit at 12/31/2024 is 17.30%

Total Debt less exclusions:	\$178,389,354
Debt Limitation:	\$1,031,056,697

Questions?

Jeffrey Storch, Harris Beach PLLC
(Bond Counsel)

and

Rick Ganci, Capital Markets Advisors LLC
(Municipal Advisor)

are present to assist with any questions