

NVC Finance Committee Meeting (Zoom Only)

Agenda:

- 1.) Discussion/exploration of NVC Financing options pertaining to:
 - a. potential short-term operating funds gap funding, in advance of approved annual village tax receipts (ref. Article 5 of the NVC Aug. 8, 2023 Annual Report)
 - b. Capital Projects financial planning, as approved (ref. Article 6 of the NVC Aug. 8, 2023 Annual Report, and Bill Cressey's Bond Financing guidance as attached)
- 2.). Other NVC financial matters, as necessary

Topic: NVC Finance Committee Meeting

Time: Jun 4, 2024 05:00 PM Eastern Time (US and Canada)

Join Zoom Meeting

<https://us02web.zoom.us/j/86569259179?pwd=aDRLeVpzNkpLSGJzdkMyeEFEd0UT09>

Meeting ID: 865 6925 9179

Passcode: 307542

Bond Financing for Capital Projects Bill Cressey. April 14, 2024

A great way to fund large capital projects. Good interest rates and probably a longer term than most banks will give. I've been involved in two and I'm happy to share some of what I learned from being involved in these two endeavors.

Headlines:

A. It's a complex process and it can take some time to do the preliminary work before funds are actually available. Ten to eighteen months in most cases.

B. Many parties need to be involved and it's good to make sure up front that we have established good working relationships with people at all the entities we'll be depending on: A Bond issuing agency, a bank, especially if we might need a bridge loan to provide funds before the bond is issued, a law firm, engineers &/or contractors. We typically should have a committee, chaired by an overseer, managing the whole process.

C. We need some analysis of how the bond payments will fit into our operating budget and what the impact will be on our tax rate.

I will talk a bit about the steps that I see as crucial in the process. For illustrative purposes, I'm assuming a project that we want to be shovel ready in late August 2025. It's an ambitious timetable.

Three phases: Preliminary planning,
Bond Application and Project definition
Implementation

I. Preliminary Planning (April – August 2024)

- A. Define the project and meet with engineering firm/ contractors to get an idea of the feasible timing and likely cost.
- B. Make projections as to how the funding costs will fit into our operating budget and assess impact on taxes. I'll have more to say about this later.
- C. Establish and cultivate necessary contacts. *Bond issuers*: who will be issuing bonds that are appropriate to the project and what is their timetable for application? Get a *Bond lawyer* involved from the start—there are a lot of regulations we need to be aware of and there probably isn't anyone on staff or among the volunteer corps who has all this knowledge. *Bank* if we might need a bridge loan. *Permitting agencies* for example DEP. *Town of Northport*.
The goal should be to submit a preliminary plan to the Village at the August meeting.

II Bond Application and Project Definition (August 2024 – August 2025)

- A. Another meeting with engineering firm &/or contractors to establish a detailed project definition, timeline, and a better cost estimate.
- B. Check with lawyer to make sure all projected expenditures are allowable under the rules of various bond agencies.
- C. File an application or applications.
- D. Assuming a successful outcome, put the project out for bids. Select firms to award the job to, and prepare the final proposal for the 2025 Warrant.

The goal should be to submit a complete plan and funding proposal to the Village at the August 2025 meeting, and to schedule a closing on the bond as soon thereafter as possible.

III. Implementation

Close on the Bond in late August 2025

Begin work in late August or September, 2025.

More on the financing issues.

Two guidelines we need to keep in mind:

A. Village debt should not exceed 5% of total valuation. Bond agencies care about this and may be reluctant to issue a bond if we are over 5%. We are at about 2.25% now so we're in pretty good shape regarding this guideline.

B. The other calculation is total debt service cost as a % of annual budgeted expenses.

2 – 7% is considered low

8 – 12% is considered medium

Anything over 12% is considered a high tax burden.

We're at a bit under 25% on this one, so it may be a red flag for possible agencies, and possibly for villagers as well.

We may be able to argue that this guideline is not appropriate in our case because we are not a true municipality. A typical municipality (Town of Northport, for example) will have many large categories of expenses in their budgets that we don't have: school costs, a county levy, and others. Also our utilities are separate, which is not always the case.

But whenever you get involved with arguments like this, there are bound to be people who suspect you are playing games, and it could be a tough sell. You just need to be aware that this could come up as you begin making plans.

By the way, we have bonds maturing in 2024, 2025, and 2028, so we may be able to add a new bond without increasing the tax rate.