

# Township of Lower Merion

\$7,525,000

Series B of 2016

General Obligation Bonds



## Board of Commissioners Presentation

May 4, 2016



# Transaction Overview

- **\$7,525,000 General Obligation Bonds, Series B of 2016**
  - Sale Date: Wednesday, May 4, 2016
  - Anticipated Dated and Delivery Date: June 7, 2016
  - Use of Proceeds: \$7,500,000 for Financing Various Capital Projects
  - Bank Qualified
  - Ratings:
    - Moody's **Aaa, Stable outlook**
    - Standard & Poor's: **AAA, Stable outlook**

Comparison of Recent Tax-Exempt Sale Results						
Series	Par	Purpose	Tax Status	1st Call Date	Average Life	TIC
A of 2010	18,995,000	Refunding	BQ	1/15/2021	8.744 years	<b>3.082266%</b>
B of 2010	9,460,000	New Money	BQ	1/15/2016	6.039 years	<b>2.589618%</b>
C of 2010	14,540,000	New Money	Taxable BABs	1/15/2021	15.735 years	<b>3.384897%</b>
A of 2011	15,345,000	Refunding	Non-BQ	1/15/2021	6.014 years	<b>2.196739%</b>
B of 2011	10,830,000	Refunding	Non-BQ	1/15/2021	12.091 years	<b>3.486284%</b>
A of 2012	11,680,000	Refunding	Non-BQ	1/1/2022	7.908 years	<b>2.361818%</b>
A of 2013	9,935,000	New Money	BQ	4/1/2020	13.043 years	<b>2.283896%</b>
A of 2014	9,405,000	Refunding	BQ	7/15/2019	6.145 years	<b>2.074263%</b>
B of 2014	9,455,000	New Money	BQ	7/15/2019	11.307 years	<b>2.862649%</b>
A of 2015	4,195,000	Refunding	Non-BQ	NC	4.430 years	<b>1.405081%</b>
B of 2015	9,595,000	New Money	Non-BQ	4/15/2023	12.040 years	<b>2.872874%</b>
A & B of 2015	13,790,000	Refunding & New Money	Non-BQ	4/15/2023	9.725 years	<b>2.638407%</b>
A of 2016	3,655,000	Refunding	BQ	NC	2.783 years	<b>0.779620%</b>
B of 2016	7,625,000	New Money	BQ	11/1/2021	11.059 years	<b>2.068876%</b>

# Auction Summary

- Today's sale received strong interest from bidders.
  - Total firms bidding: 6
  - Total bids: 15
  - Total lead changes: 2
  - Time of auction: 15 minutes
- Overall, bids improved by a total of 0.50% between the initial bid and the winning bid.
- The cover bid (2<sup>nd</sup> place) and the winning bid were separated by only 0.038%.

# Summary of Bids

- Bidders were initially asked to bid on \$7,625,000 of Bonds maturing in 2017 through 2036.

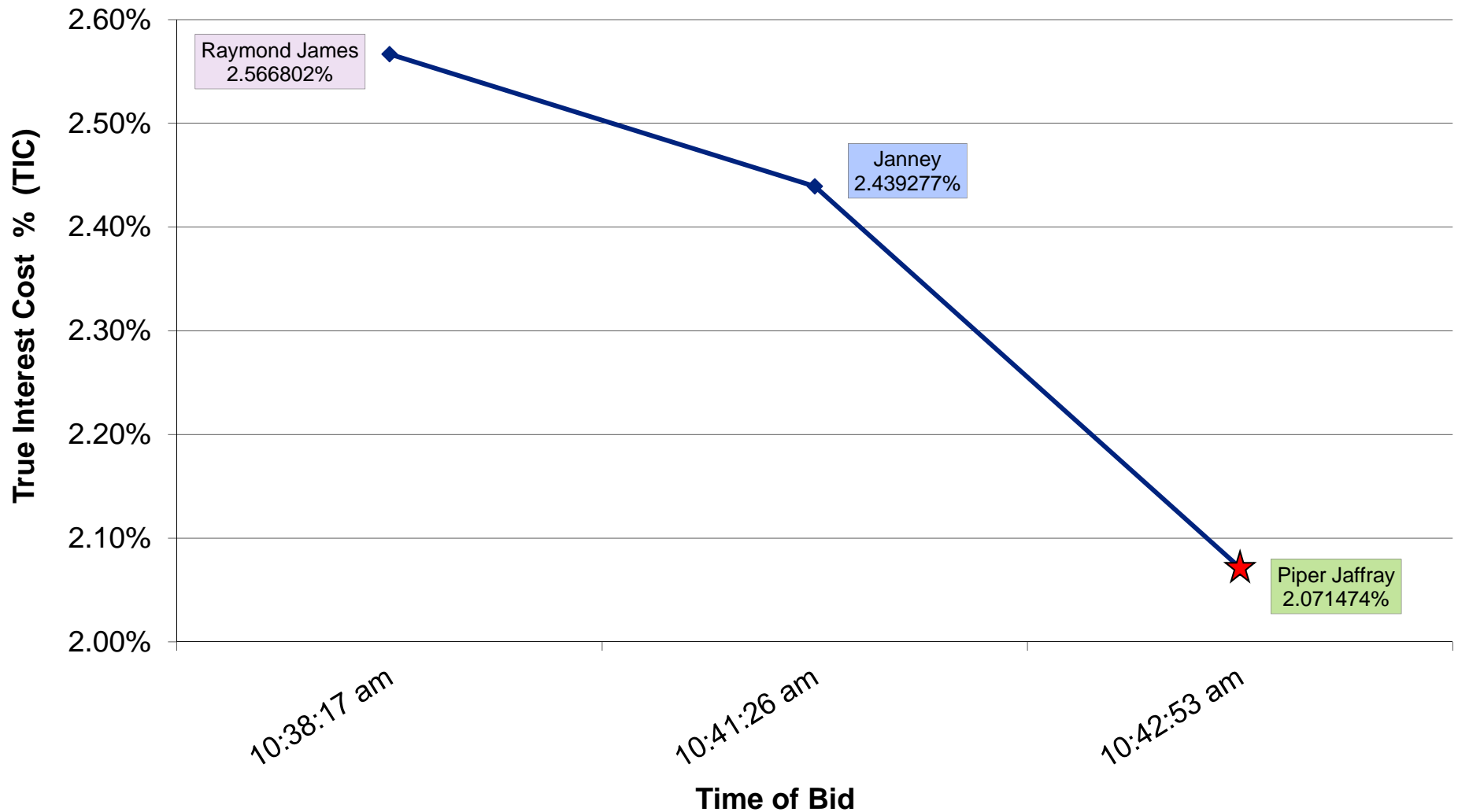
General Obligation Bonds, Series B of 2016					
Rank	Bidder	TIC	Time of Bid	# of Bids	Cumulative Improvement
1st	Piper Jaffray	2.071474%	10:42:53 am	1	0.0 bps
2nd	Robert Baird	2.109569%	10:43:01 am	1	0.0 bps
3rd	Roosevelt & Cross	2.284780%	10:44:30 am	4	11.7 bps
4th	Janney Montgomery Scott	2.314929%	10:44:11 am	3	12.4 bps
5th	FTN Financial	2.330610%	10:44:50 am	2	4.2 bps
6th	Raymond James	2.471640%	10:43:32 am	4	9.5 bps

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**TOTAL BIDS: 15**

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# Summary of Leading Bids During Auction



# Series B Final Bond Pricing Results

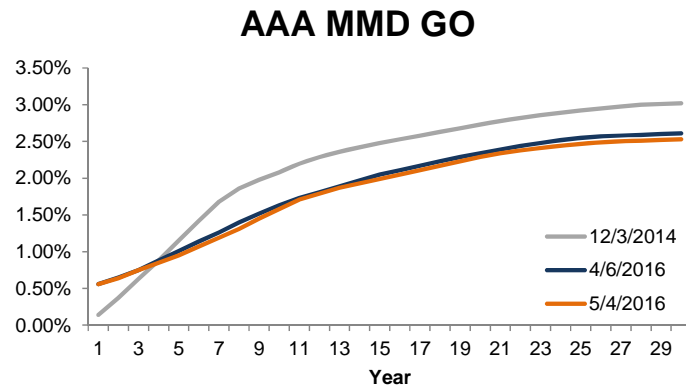
- After awarding the winning bid, the size of the Bonds was decreased by \$100,000 from \$7.625 million to \$7.525 million to account for issuance premium and achieve a level debt service structure.

<b>\$7,525,000 G.O. Bonds, Series B of 2016 (Tax-Exempt, BQ)</b>						
<i>Winning Bidder: Piper Jaffray, TIC: 2.068876%</i>						
Year	Maturity	Par	Coupon	Final Yields	Wednesday, 5/4/2016 3:00PM	
					'AAA' MMD	Spread
2017	5/1/2017	310,000	4.000%	0.650%	0.560%	9.0 b.p.
2018	5/1/2018	320,000	2.000%	0.700%	0.640%	6.0 b.p.
2019	5/1/2019	325,000	2.000%	0.850%	0.750%	10.0 b.p.
2020	5/1/2020	330,000	1.500%	0.950%	0.850%	10.0 b.p.
2021	5/1/2021	335,000	1.500%	1.100%	0.950%	15.0 b.p.
2022	5/1/2022	340,000	2.000%	1.200%	1.070%	13.0 b.p.
2023	5/1/2023	345,000	2.000%	1.300%	1.190%	11.0 b.p.
2024	5/1/2024	355,000	2.000%	1.400%	1.310%	9.0 b.p.
2025	5/1/2025	360,000	2.000%	1.500%	1.450%	5.0 b.p.
2026	5/1/2026	370,000	2.000%	1.600%	1.580%	2.0 b.p.
2027	5/1/2027	375,000	2.000%	1.700%	1.710%	(1.0 b.p.)
2028	5/1/2028	385,000	2.000%	1.800%	1.790%	1.0 b.p.
2029	5/1/2029	390,000	2.000%	1.900%	1.870%	3.0 b.p.
2030	5/1/2030	400,000	2.000%	2.000%	1.930%	7.0 b.p.
2031	5/1/2031	410,000	2.100%	2.100%	1.990%	11.0 b.p.
2032	5/1/2032	415,000	2.150%	2.150%	2.050%	10.0 b.p.
2033	5/1/2033	425,000	2.250%	2.250%	2.110%	14.0 b.p.
2034	5/1/2034	435,000	2.300%	2.300%	2.170%	13.0 b.p.
2035	5/1/2035	445,000	2.400%	2.400%	2.230%	17.0 b.p.
2036	5/1/2036	455,000	2.500%	2.500%	2.290%	21.0 b.p.

**Weighted Average Spread: 9.5 b.p.**

# Pricing Comparison

- Relative to the maturities included in this transaction, tax-exempt rates have dropped since April 6, 2016 (the Township's last sale).
  - Decreases range from 0.00% to 0.09%.



Township of Lower Merion, PA G.O. Bonds								
Historical Spreads to AAA MMD								
Year	Series B of 2016		Series A of 2016		Series B of 2015		Series A of 2015	
	Actual Pricing	Spread to AAA MMD	Actual Pricing	Spread to AAA MMD	Actual Pricing	Spread to AAA MMD	Actual Pricing	Spread to AAA MMD
1	0.65%	9.0 bps			0.28%	(9.0 bps)	0.28%	(9.0 bps)
2	0.70%	6.0 bps	0.58%	(7.0 bps)	0.28%	(9.0 bps)	0.28%	(9.0 bps)
3	0.85%	10.0 bps	0.67%	(8.0 bps)	0.53%	(10.0 bps)	0.53%	(10.0 bps)
4	0.95%	10.0 bps	0.83%	(5.0 bps)	0.79%	(9.0 bps)	0.79%	(9.0 bps)
5	1.10%	15.0 bps			1.05%	(10.0 bps)	1.05%	(10.0 bps)
6	1.20%	13.0 bps			1.32%	(10.0 bps)	1.32%	(10.0 bps)
7	1.30%	11.0 bps			1.58%	(10.0 bps)	1.58%	(10.0 bps)
8	1.40%	9.0 bps			1.80%	(6.0 bps)	1.80%	(6.0 bps)
9	1.50%	5.0 bps			1.96%	(2.0 bps)		
10	1.60%	2.0 bps			2.10%	2.0 bps		
11	1.70%	(1.0 bps)			2.44%	24.0 bps		
12	1.80%	1.0 bps			2.64%	35.0 bps		
13	1.90%	3.0 bps			2.80%	44.0 bps		
14	2.00%	7.0 bps			3.00%	58.0 bps		
15	2.10%	11.0 bps			3.05%	57.0 bps		
16	2.15%	10.0 bps			3.10%	57.0 bps		
17	2.25%	14.0 bps			3.15%	57.0 bps		
18	2.30%	13.0 bps			3.18%	55.0 bps		
19	2.40%	17.0 bps			3.23%	55.0 bps		
20	2.50%	21.0 bps			3.30%	57.0 bps		
21					3.33%	55.0 bps		
Weighted Avg Spread:		9.5 bps	(6.6 bps)		30.7 bps		18.6 bps	
					Blended:		(9.1 bps)	

# Impact on Existing Debt Service

<b>Township Long-Term Debt Service as of 5/4/16*</b> <i>Before &amp; After Series B of 2016 Issuance</i>			
<b>Fiscal Year</b>	<b>PRIOR BONDS*</b>	<b>SERIES B of 2016</b>	<b>AGGREGATE</b>
2016	\$ 2,944,944	\$ 64,332	\$ 3,009,276
2017	11,084,901	464,630	11,549,531
2018	10,627,176	465,230	11,092,406
2019	10,337,376	463,780	10,801,156
2020	10,091,389	463,055	10,554,444
2021	9,812,937	463,068	10,276,005
2022	9,451,661	462,155	9,913,816
2023	9,056,663	460,305	9,516,968
2024	8,455,831	463,305	8,919,136
2025	7,720,517	461,155	8,181,672
2026	6,949,736	463,855	7,413,591
2027	6,032,260	461,405	6,493,665
2028	5,111,565	463,805	5,575,370
2029	4,244,779	461,055	4,705,834
2030	3,483,373	463,155	3,946,528
2031	2,808,276	464,850	3,273,126
2032	2,289,796	461,084	2,750,880
2033	1,810,609	461,841	2,272,450
2034	1,283,175	462,058	1,745,233
2035	665,644	461,715	1,127,359
2036	-	460,688	460,688
<b>TOTAL</b>	<b>\$ 124,262,606</b>	<b>\$ 9,316,525</b>	<b>\$ 133,579,131</b>

*\*Debt service on the Series C of 2010 Bonds reflects announced reductions in BAB Credits through September 2024. Subsidy reduction rate of 6.80% for Federal Fiscal Year ("FFY") 2016 has been confirmed by IRS. FFY 2017 and beyond assumed at 6.80%, actual future sequestration reduction percentages are not yet available.*