

**Township of Lower Merion**  
**\$3,655,000**  
**Series A of 2016**  
**General Obligation Bonds**  
**Board of Commissioners Presentation**



April 6, 2016



# Transaction Overview

- **\$3,655,000 General Obligation Bonds, Series A of 2016**
  - Sale Date: Wednesday, April 6, 2016
  - Anticipated Dated and Delivery Date: May 10, 2016
  - Use of Proceeds: Current Refunding of Series B of 2010
  - 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>

# Auction Summary

- Today's sale received strong interest with a high volume of bids and numerous lead changes.
  - Total firms bidding: 8
  - Total bids: 60
  - Total lead changes: 15
  - Auction extensions: 12 extensions (6 minutes, 28 seconds)
  - Time of auction: 21 minutes, 28 seconds
- Overall, bids improved by a total of 0.10% between the initial bid and the winning bid.
- The cover bid (2<sup>nd</sup> place) and the winning bid were separated by only 0.001%.

# Summary of Bids

- Bidders were initially asked to bid on \$3,850,000 of Bonds maturing in 2017 through 2020.

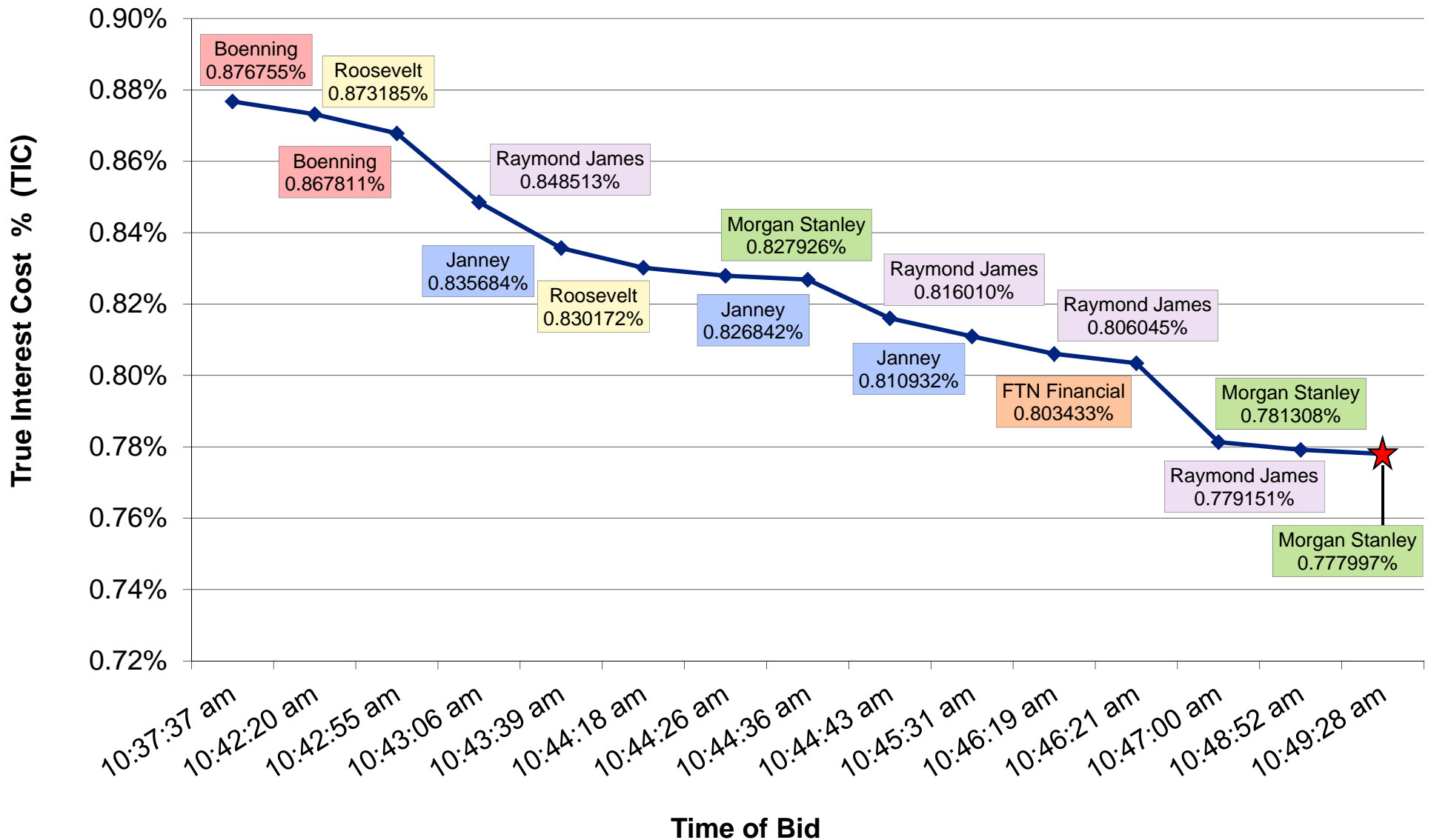
General Obligation Bonds, Series A of 2016					
Rank	Bidder	TIC	Time of Bid	# of Bids	Cumulative Improvement
1st	Morgan Stanley	0.777997%	10:49:28 am	12	19.1 bps
2nd	Raymond James	0.779151%	10:48:52 am	7	6.9 bps
3rd	Janney Montgomery Scott	0.795890%	10:50:24 am	10	8.4 bps
4th	FTN Financial	0.803433%	10:46:21 am	10	45.4 bps
5th	Boenning & Scattergood	0.818027%	10:48:04 am	11	5.9 bps
6th	Roosevelt & Cross	0.830172%	10:44:18 am	3	4.3 bps
7th	Robert Baird	0.852699%	10:43:23 am	1	0.0 bps
8th	Piper Jaffray	0.957925%	10:43:22 am	6	11.3 bps

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**TOTAL BIDS: 60**

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# Summary of Leading Bids During Auction



# Series A Final Bond Pricing Results

- After awarding the winning bid, the size of the Bonds was decreased by \$195,000 from \$3.850 million to \$3.655 million to account for issuance premium, optimize the debt service structure and maximize savings.
  - This resulted in the ability to eliminate the 2017 maturity altogether.

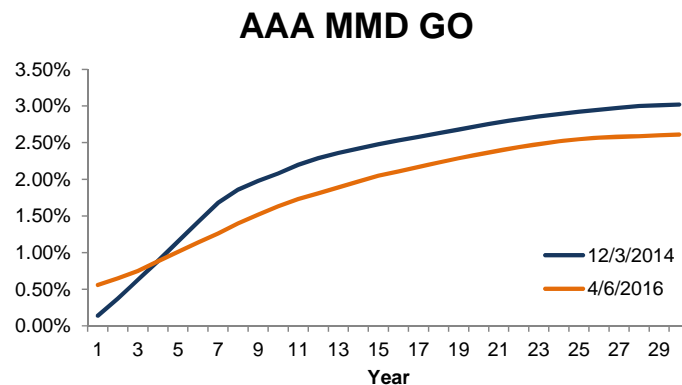
<b>\$3,655,000 G.O. Bonds, Series A of 2016 (Tax-Exempt, BQ)</b>						
<i>Winning Bidder: Morgan Stanley, TIC: 0.779620%</i>						
Year	Maturity	Par	Coupon	Final Yields	Wednesday, 4/6/2016 3:00PM	
					'AAA' MMD	Spread
2018	1/15/2018	980,000	5.000%	0.580%	0.650%	<b>(7.0 b.p.)</b>
2019	1/15/2019	1,320,000	5.000%	0.670%	0.750%	<b>(8.0 b.p.)</b>
2020	1/15/2020	1,355,000	2.000%	0.830%	0.880%	<b>(5.0 b.p.)</b>

**Weighted Average Spread: (6.6 b.p.)**

# Pricing Comparison

## Series A of 2016, and Series A of 2015 and Series B of 2015

- Relative to the maturities included in this transaction, tax-exempt rates have risen since December 3, 2014 (the Township's last sale).
  - Increases range from 0.00% to 0.42%.



Township of Lower Merion, PA G.O. Bonds Historical Spreads to AAA MMD						
Year	Series A of 2016		Series A of 2015		Series B of 2015	
	Actual Pricing	Spread to AAA MMD	Actual Pricing	Spread to AAA MMD	Actual Pricing	Spread to AAA MMD
1						
2	0.58%	(7.0 bps)	0.28%	(9.0 bps)	0.28%	(9.0 bps)
3	0.67%	(8.0 bps)	0.53%	(10.0 bps)	0.53%	(10.0 bps)
4	0.83%	(5.0 bps)	0.79%	(9.0 bps)	0.79%	(9.0 bps)
5			1.05%	(10.0 bps)	1.05%	(10.0 bps)
6			1.32%	(10.0 bps)	1.32%	(10.0 bps)
7			1.58%	(10.0 bps)	1.58%	(10.0 bps)
8			1.80%	(6.0 bps)	1.80%	(6.0 bps)
9					1.96%	(2.0 bps)
10					2.10%	2.0 bps
11					2.44%	24.0 bps
12					2.64%	35.0 bps
13					2.80%	44.0 bps
14					3.00%	58.0 bps
15					3.05%	57.0 bps
16					3.10%	57.0 bps
17					3.15%	57.0 bps
18					3.18%	55.0 bps
19					3.23%	55.0 bps
20					3.30%	57.0 bps
21					3.33%	55.0 bps
Weighted Avg Spread:		(6.6 bps)	Blended:		18.6 bps	30.7 bps

# The Township Captured over \$170,000 in Debt Service Savings

- The refunding produces cash flow savings totaling \$173,968 with a resultant Net PV Savings of \$175,663 or 4.611% of refunded par.

## General Obligation Bonds, Series A of 2016

Summary of Refunding Results		SAVINGS				
Dated Date	5/10/2016					
Delivery Date	5/10/2016					
Arbitrage yield	0.733%					
		<b>Date</b>	<b>Prior Debt Service</b>	<b>Refunding Debt Service</b>	<b>Savings</b>	<b>PV to 05/10/2016 @ 0.733%</b>
Bond Par Amount	\$3,655,000	12/31/2016	\$60,613	\$25,657	\$34,956	\$34,909
True Interest Cost	0.7796%	12/31/2017	121,225	142,100	(20,875)	(20,733)
Average Coupon	3.529%	12/31/2018	1,145,625	1,097,600	48,025	47,444
Average Life	2.78 years	12/31/2019	1,437,763	1,380,100	57,663	56,510
		12/31/2020	1,422,750	1,368,550	54,200	52,760
Par amount of refunded bonds	\$3,810,000	Rounding				4,772
Average coupon of refunded bonds	3.209%		<b>\$4,187,975</b>	<b>\$4,014,007</b>	<b>\$173,968</b>	<b>\$175,663</b>
Average life of refunded bonds	2.78 years					
<b>Gross Debt Service Savings</b>	<b>\$173,968</b>					
<b>Net PV Debt Service Savings</b>	<b>\$175,663</b>					
<b>Percentage savings of refunded bonds</b>	<b>4.611%</b>					



# Impact on Existing Debt Service

Township Long-Term Debt Service as of 4/6/16*				
Before & After Series A of 2016 Issuance				
Fiscal Year	PRIOR BONDS*	DS of Refunded Bonds	SERIES A of 2016	AGGREGATE
2016	\$ 2,979,899	\$ (60,613)	\$ 25,657	\$ 2,944,944
2017	11,064,026	(121,225)	142,100	11,084,901
2018	10,675,201	(1,145,625)	1,097,600	10,627,176
2019	10,395,039	(1,437,763)	1,380,100	10,337,376
2020	10,145,589	(1,422,750)	1,368,550	10,091,389
2021	9,812,937	-	-	9,812,937
2022	9,451,661	-	-	9,451,661
2023	9,056,663	-	-	9,056,663
2024	8,455,831	-	-	8,455,831
2025	7,720,517	-	-	7,720,517
2026	6,949,736	-	-	6,949,736
2027	6,032,260	-	-	6,032,260
2028	5,111,565	-	-	5,111,565
2029	4,244,779	-	-	4,244,779
2030	3,483,373	-	-	3,483,373
2031	2,808,276	-	-	2,808,276
2032	2,289,796	-	-	2,289,796
2033	1,810,609	-	-	1,810,609
2034	1,283,175	-	-	1,283,175
2035	665,644	-	-	665,644
2036	-	-	-	-
<b>TOTAL</b>	<b>\$ 124,436,575</b>	<b>\$ (4,187,975)</b>	<b>\$ 4,014,007</b>	<b>\$ 124,262,606</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.