

Frequently asked municipal bond questions.

During the past year, there are number of questions raised on the process the Town would undertake in bonding for a project. In this brief article, some common questions are asked and these answers can be applied to any circumstance under which the Town pursues bond funding for a project.

When is a bond issued for a project?

Bond issuance could take place at different times during a project. Issuance could take place at the end of a project when the exact amount (not in excess of the amount approved by voters) is known and such a bond would be based on the prevailing rates at that time. In such a case, funding during construction is by smaller bond anticipation notes that are retired at the conclusion of the project and combined into one large bond. Bond anticipation notes traditionally have interest only payments during the project and the impact is felt in following fiscal year's budget. Payment for the bond that consolidates the bond anticipation notes is in the following fiscal year's budget.

Bond issuance could happen at the beginning of a project and funds are drawn down from that funding during the project. That bond issuance would take place again at the prevailing rates at the time of issuance, and the impact for payment would be felt in the next fiscal year's budget.

Multiple bonds could also be issued during a project. The Town could structure funding with a bond at the beginning of the project, one in the middle, and one at the end of the project. Each issuance of a bond would impact the following fiscal year budget as payments begin. This approach could spread the impact of bond payments over a three to four year period as each bond comes into the annual budget, and as each bond is paid off over the course of time, its impact as the debt service retires, would also be spread out.

Can municipal bonds be refinanced?

The Town has a history of refinancing municipal bonds to lower interest rates, and robustly explores all opportunities to maximize the best financial terms available in the market. Municipal bonds generally have an option of refunding (refinancing) after ten years.

Does the Town use consultants for the bond process?

For each bond issuance, the Town uses a team of bond consultants to guide and advise the Town on the issuance of bonds, obtaining the best terms available in the market, and the best time to issue bonds to the market. The Town uses a bond counsel for the legal process and bond consultants on the issuance of bonds. Due to the Town's perfect credit rating, the Town receives the best terms available.