



Bond/Note Sale & Moody's Bond/Note Rating Process

Thomas E. Warren, Town Comptroller

(September 2012)





Definitions

Serial Bond = A long-term debt obligation issued to pay for a capital improvement or judgments and claims (such as for tax certiorari claims)

BAN (Bond Anticipation Note) = A one year note issued in anticipation of being converted to a serial bond within a few years

Bond Rating = A system of gradation by which future relative creditworthiness of debt securities may be gauged. Assists potential investors. Rating agencies: Moody's, Standard & Poor's, Fitch



Definitions (continued)

Fiscal Advisor = provides financial advice, guidance and assistance to local jurisdictions with the planning, structure and issuance of bonds and notes, including help with preparation of official statement document, and assists with securing credit ratings and credit enhancements





Moody's Rating Scales

Moody's Investors Service global long-term rating scale, which applies to long-term municipal serial bonds:

- **Aaa** – Obligations judged to be the highest quality, subject to the lowest level of credit risk
- **Aa** – Obligations judged to be of high quality and subject to very low credit risk
- **A** – Obligations judged to be of upper-medium grade and subject to low credit risk
- **"B"** ratings categories (Baa, Ba, B) judged to be medium grade
- **"C"** ratings categories (Caa, Ca, C) judged to be speculative



Moody's Rating Scales (con't)

Moody's global long-term rating scale (continued):

- Appends numerical modifiers 1 (higher end), 2 (mid-range), and 3 (lower end) to each generic rating classification. For example, Aa1, Aa2, Aa3
- Outlook – is an opinion regarding the likely direction of an issuer's rating over the medium term. If assigned, categories include "Positive Outlook" and "Negative Outlook"



Moody's Rating Scales (con't)

Moody's U.S. municipal short-term rating scale:

- Municipal Investment Grade ("MIG") scale used for U.S. municipal BAN's
- MIG 1 – Designation denotes superior credit quality. Excellent protection
- MIG 2 – Designation denotes strong credit quality. Margins of protection are ample
- MIG 3 – Designation denotes acceptable credit quality
- SG – Speculative Grade credit quality



Town's Debt History

- **Last Bond Sale for \$1,695,000 in 2007 (rated Aa3)**
- **\$4,400,000 TAN in 1/2010 and \$900,000 TAN in 1/2011 for cash-flow purposes (both sold unrated)**
- **Moody's announcement of U.S. local government debt recalibration to global bond rating scale, April 2010**



Town's Debt History (con't)

- **Moody's surveillance rating, August 2010 (Aa3 rating)**
- **Many BAN's issued for Highway vehicles and small capital improvements (sold unrated)**
- **Installment purchase debt for police vehicles**
- **NYS Environmental Facilities Corp. \$1.5 mil. loan for sewer capital improvements**



Town's 2010 Bond Rating

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2012 Bond & BAN

Serial Bond of \$2,425,000 for:

- Permanent financing for EFC note and remaining expenditures for sewer pump station upgrades, \$1,450,000
- Parks Dep't Truck, \$55,000
- Permanent financing for Tax Certiorari Claims, \$920,000



2012 Bond & BAN (con't)

Bond Anticipation Note of \$662,000 for:

- Temporary financing for Cedar Lane water mains capital improvements, \$450,000
- Temporary financing for North State Road drainage project, \$50,000
- Cash flow for Old Albany Road "S" curve project, \$162,000 (primarily FEMA aid)



Moody's Bond Rating

For the upcoming bond and note sale, the Town had to provide a **bond and notes rating** from Moody's to make the bonds and notes **marketable** to investors and attract **lower interest rates**.

MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns a Aa3 rating to the Town of Ossining's (NY) \$2.425 million G.O. Bonds of 2012 and MIG1 rating to \$662,000 Bond Anticipation Notes, Series A of 2012; outlook revised to positive

Global Credit Research - 14 Sep 2012

Aa3 rating applies to approximately \$6.825 million of General Obligation debt including this s

OSSINING (TOWN OF) NY
Cities (including Towns, Villages and Townships)
NY

Moody's Rating	
ISSUE	RATING
Bond Anticipation Notes, 2012 A	MIG 1
Sale Amount	\$662,000
Expected Sale Date	09/15/12
Rating Description	Note: Bond Anticipation





2012 Official Statement

Part of the bond sale process is to prepare an **Official Statement** for potential investors. Such document contains Town financial data, property tax and debt information, and economic and demographic data.

NEW ISSUE

**SERIAL BONDS
BOND ANTICIPATION NOTES**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds and Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds and Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds and Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds and Notes. See "Tax Matters" herein.

The Bonds and Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265 (b)(3) of the Internal Revenue Code of 1986.

**TOWN OF OSSINING
WESTCHESTER COUNTY, NEW YORK**

**\$2,425,000
PUBLIC IMPROVEMENT (SERIAL) BONDS, 2012
(the "Bonds")**

Date of Issue: Date of Delivery **Maturity Date: February 1, 2013 - 2032**

PNC Capital Markets LLC

AND

**0.76% \$662,000 BOND ANTICIPATION NOTES, 2012
(Not Reoffered)
(The "Notes")**

Town of Ossining
~ The Volunteer-Spirited Town ~

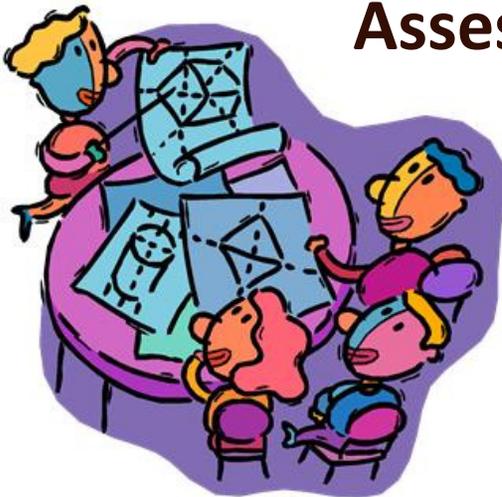




Moody's 2012 Interview

Bond Rating Interview by Moody's was a comprehensive review of Town finances and operations

**Joint effort amongst several Town departments –
Town Supervisor & Budget Officer, Town Assessor, Town Comptroller & Finance Dep't, Town Receiver of Taxes**





Moody's 2012 Interview

Moody's Bond Rating Interview focused on:

- Town's debt levels, capital needs and future borrowing plans
- Town's finances and financial condition
- Town management and strategic planning
- Town's tax base
- Economic and demographic data



Moody's 2012 Bond Rating

“Moody’s assigns a Aa3 rating to the Town’s G.O. Bonds and MIG1 rating to BAN’s; outlook revised to positive”

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ISSUE	RATING
Bond Anticipation Notes, 2012 A	MIG 1
Sale Amount	\$662,000
Expected Sale Date	09/15/12
Rating Description	Note: Bond Anticipation





Town's 2012 Bond Rating

Moody's Summary Ratings Rationale:

- **Strong tax base in a healthy regional economy**
- **An improved financial position**
- **Minimal debt burden**
- **Positive outlook contemplates a stabilization of Town finances arising from recuperation of fund balance**



Town's 2012 Bond Rating

Moody's Summary Ratings Rationale (con't):

- Steps taken by Town to increase fund balance (Fund Balance Policy), budget conservatively, and eliminate cash-flow borrowings (TAN's)
- Expectation to maintain fund balance
- MIG1 due to strong bond rating, ample liquidity, market access, bond authorization



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2012 Bond/Note Sale

September 18, 2012 Bonds and Notes were sold

- Three bids received on the \$662,000 BAN, ranging from 1.23% to 0.76%
- Five bids received on the \$2,425,000 Serial Bond, ranging from 2.85% to 2.48% (average over 20 years)





Thank you!



...and credit to the Town Board (current and past), current Town Supervisor Donnelly, former Town Supervisor Borgia, Finance Department staff, and to the Town department heads and employees that have helped the Town to achieve this improved financial condition and standing.

