

THE COMMONWEALTH OF MASSACHUSETTS

CITY OF LOWELL

In City Council

LOAN ORDER  
**(Refunding Bonds)**

To issue refunding bonds, to refund all or any portion of the City's general obligation bonds outstanding as of the date of adoption of this order.

IT IS ORDERED BY THE CITY COUNCIL OF THE CITY OF LOWELL BY A TWO-THIRDS VOTE OF ITS MEMBERS, as follows:

**Ordered:** That in order to reduce interest costs, the Treasurer, with the approval of the City Manager, is authorized to issue refunding bonds, at one time or from time to time, pursuant to G.L. c. 44, §21A, or pursuant to any other enabling authority, to refund all or any portion of the City's general obligation bonds outstanding as of the date of adoption of this order, and that the proceeds of any refunding bonds issued pursuant to this vote shall be used to pay the principal, redemption premium and interest on the bonds of the City to be refunded, and costs of issuance of the refunding bonds; and that the City Manager and the Treasurer are each authorized to execute such documents as may be necessary or desirable to carry out this transaction, including one or more refunding trust agreements with a bank or trust company. The Treasurer is authorized to file an application with the appropriate officials of The Commonwealth of Massachusetts (the "Commonwealth") to qualify under M.G.L. c. 44A any and all bonds of the City authorized by this order, and to provide such information and execute such documents as such officials of the Commonwealth may require in connection therewith.

**ORDER RECOMMENDED AND INTRODUCED BY:**



Thomas A. Golden, Jr.  
City Manager

Orders:LoanOrderRefundingBonds



Conor Baldwin  
Chief Financial Officer

## MEMORANDUM

**TO:** Thomas A. Golden, Jr., City Manager

**FROM:** Conor Baldwin, Chief Financial Officer 

**CC:** Austin Ball, Deputy CFO

**DATE:** July 25, 2023

**SUBJECT:** Refunding Opportunity – Budget Savings

I am pleased to inform you that the finance team, through an analysis performed of our outstanding debt, has identified opportunities for budgetary savings by refinancing several debt issues which are near their call date. Based on an estimate of current market rates, present value savings are approximately 7.45% of the bonds refunded and could generate anywhere from \$300,000 to \$400,000 in budgetary savings over the remaining life of the bonds refunded. The average remaining life of the debt is approximately 10 years.

This process is a regular occurrence by the finance team to identify any potential savings for the city. We have identified some of our existing debt from September 12, 2013, in the general fund for school construction, other municipal facility improvements, paving, heavy equipment acquisition; as well in the enterprise funds for debt which was issued to finance improvements to the water and sewer system. In order to take advantage of this opportunity, we will need the City Council to authorize a new order to approve the refinancing. The city has a blanket refunding order on file, which has allowed us to take advantage of these opportunities in the past. However, that order was passed by the Council in 2012, so any debt issued after that date was not included. Since the current opportunity is dated 2013, an additional vote is needed. It will give the Administration the authority to take advantage of this refunding opportunity, as well as any future opportunities which may present themselves for debt issued between 2012 and 2023. Attached is also the wording of a blanket refunding loan order, drafted by our bond counsel and approved as to form by the city's law department. It is important to note that this loan order does not authorize the City to issue additional debt, but it does allow us in the future to refund any debt that is outstanding as of the date of passage.

We have confirmed with bond counsel that the order can be approved with a single vote and, thanks to flexibility granted to municipalities through the Municipal Modernization Act of 2018, does not need a public hearing and is not subject to the referendum period like other loan orders. This is critical whereas time is of the essence for us to meet our financing timeline and to appear before the Municipal Finance Oversight Board ("MFOB") for approval to issue state qualified debt at their next meeting in August.

Please let me know if there are any questions.



Thomas A. Golden, Jr.  
City Manager

July 20, 2023

Mayor Sokhary Chau  
And  
Members of the Lowell City Council

Dear Mayor Chau and Members of the Lowell City Council,

I am hereby requesting that the City Council vote to authorize a blanket refunding order to authorize the finance team to take advantage of existing opportunities to realize budgetary savings by refinancing existing debt to take advantage of favorable interest rates in the market and the city's improved credit rating, as compared to the credit rating at the time that the debt was issued. This process is comparable to when a homeowner refinances their existing mortgage when interest rates are low to lower their monthly mortgage payment.

The Municipal Modernization Act that was passed in late 2016 (Chapter 218, of the Acts of 2016) amended the refunding statute so that it would be easier for cities to approve refunding and, therefore act swiftly to take advantage of savings opportunities in the municipal bond market. Before that, municipalities would have followed the same process as it would to approve a typical borrowing for a new project.

While the City of Lowell passed a blanket refunding order in 2012, the order only applied to debt issued to that date. This current order does not authorize the City to issue additional debt, but it does allow us in the future to refund any debt that is outstanding as of the date of passage. This order will also allow future refunding opportunities to take place immediately, if the analysis shows a present value (PV) savings. This will save the city weeks of lead time and enable us to take advantage of temporary dips in interest rates.

Enclosed is a memorandum from the Chief Financial Officer which outlines the current savings opportunity in more detail and includes an analysis of the outstanding debt in question. I want to recognize the diligent efforts of the CFO and the finance team to identify and execute these savings opportunities.

Sincerely,

Thomas A. Golden, Jr.  
City Manager

Cc: Conor Baldwin, Chief Financial Officer