

## Interest Free Loans Provide Storm Relief

The New York State Environmental Facilities Corp. has established a loan program named **Hurricane Emergency Loan Program (HELP)** to assist municipalities that suffered infrastructure damage from Hurricane Irene and Tropical Storm Lee earlier this fall.

Interest-free financing of up to \$1 million is available for critical assessment and repairs to municipal drinking water, storm water and wastewater treatment facilities damaged in these two storms.

To date, 15 cities, towns and villages have applied for a total of nearly \$14 million in loans from the \$25 million available in HELP.

The deadline for applications is **December 31, 2011**. To learn more about EFC's interest-free HELP loans please contact CMA.

*CMA wishes you  
a joyous Holiday Season and  
a healthy and Happy New Year!*

## Rates Widen Based on Credit Quality

As illustrated in the chart below, the spread in interest rates based on credit quality has widened significantly since the fiscal crisis that brought down Bear Stearns and Lehman Bros. three years ago.

While an A-rated issuer might have expected to pay approximately 25 basis points higher than an Aaa-rated credit before the crisis in 2006 and 2007, that same A-rated issuer might expect to pay 100 basis points more than a Aaa credit today.

The spread between A-rated issuers and those in the Baa category has also increased – from approximately 20 basis points in 2006 and 2007 to over 100 basis points in 2011.

	10 year	10 year	Spread	10 year	Spread
	MMD	MMD	to	MMD	to
	'Aaa'	'A'	'Aaa'	'Baa'	'Aaa'
10/1/2011	2.45%	3.43%	0.98%	4.45%	2.00%
10/1/2010	2.36%	3.14%	0.78%	4.10%	1.74%
10/1/2009	3.04%	3.90%	0.86%	5.02%	1.98%
10/1/2008	4.86%	5.64%	0.78%	6.32%	1.46%
10/1/2007	3.87%	4.14%	0.27%	4.35%	0.48%
10/1/2006	3.79%	4.05%	0.26%	4.21%	0.42%

## RECENT SALE RESULTS

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Syracuse City	Airport Bonds (AMT)	44,300,000	11/17	24 years	4.76%	Morgan Keegan
Glen Cove City	RAN	\$2,900,000	11/16	8 mos.	3.41%	Oppenheimer & Co., Inc.
New Rochelle UFSD	Lease	6,331,460	11/14	15 years	2.55%	Bank of America
Ossining Village	Bonds	2,330,000	11/10	19 years	3.65%	Roosevelt & Cross Inc.
Amherst Town	BAN	28,247,489	11/02	12 mos.	0.39%	TD Securities (USA) LLC
Brewster CSD	BAN	15,000,000	10/20	12 mos.	0.25%	TD Securities (USA) LLC
Suffolk County	Bonds	76,075,000	10/19	13 years	3.29%	Bank of America Merrill Lynch
Orchard Park Town	BAN	4,480,000	10/13	12 mos.	0.56%	Janney Montgomery Scott LLC
Red Hook Town	Bonds	1,800,000	10/12	19 years	3.69%	Roosevelt & Cross Inc.
Manhasset UFSD	Ref. Bonds	13,200,000	9/28	16 years	2.75%	Roosevelt & Cross Inc.

## **Critical Change in Rules Governing School Building Aid**

Final Cost Reports, commonly referred to as "FCRs" or Final Building Project Reports, have always been important to school districts receiving state aid on construction projects. In the past, if the reports were not turned in by June 30 of the year following the calendar year in which a project was completed, the school district would lose all of the aid related to that project. Buried in the language of the new 2% Property Tax legislation is an important change related to filing FCRs and the timing of the receipt of building aid.

The new rule states that aid on an "assumed amortization for a project approved by the commissioner, on or after the first day of July, two thousand eleven, shall commence: eighteen months after such approval, or on the date of receipt by the commissioner of BOTH the final Certificate of Substantial Completion of the project issued by the architect or engineer and the Final Cost Report for such project, *whichever is later*". In other words, no building aid will be paid by the State until the FCR for each project number is submitted and no earlier than 18 months after commissioner approval dates.

The impact to a school district as a result of this new law is a change in the timing of the district's receipt of building aid, accordingly, it is essential that the FCR gets submitted to the NYS Education Department as soon as possible following the completion of a capital project to start the aid flow. Fortunately, there is some good news. Unlike the current rule that has a school district lose all building aid if the FCR is turned in late, the new rule is more forgiving. If the FCR is turned in late, the start of building aid will be delayed, causing cash flow issues, but building aid will not be lost if the FCR is submitted in a reasonable timeframe.

Capital Markets Advisors can assist school districts as they manage their capital projects, building aid and debt service under the new rules. Going forward we expect to assist all of our school clients as they prepare and submit their FCRs. Please contact us if you have any questions.

## **Energy Performance Contracts Provide Savings**

While there has been much attention paid to energy efficiency and the resultant benefits to the bottom line from reduced utility bills, the cost of capital improvements has often been a stumbling block for cash strapped school districts. However, with the use of energy performance contracts and New York State incentives, many school districts have been able to go green and save enough money to finance the cost of improvements. CMA has been active in assisting school district clients with lease financing of equipment and improvements associated with energy performance contracts resulting in a cost of capital lower than the savings generated from the financed energy improvements.

The process begins with an energy service company (ESCO) providing analysis of a jurisdiction's energy related expenses and the identification of opportunities where capital improvements can improve energy efficiency and save money. The ESCO will guarantee that savings generated over a 15 to 18 year period will exceed the cost of improvements plus financing costs resulting in zero cost to the district over the life of the transaction. In addition, building aid is often available to provide further incentives and voter approval is not required for the projects.

CMA's role is to assist in obtaining the financing necessary to fund the upfront costs of capital improvements under the energy performance contract. CMA designs an RFP suitable to the client's needs, solicits bids from pre-qualified institutions, evaluates bid responses and provides recommendations. Once a financing partner is chosen, CMA assists the client through the documentation and funding process. By entering into a competitive process to obtain financing, the client ensures that it has garnered the lowest interest rate available, thereby maximizing savings.

For those jurisdictions that have entered into financing for energy performance contracts in the past, CMA has been very successful in the current low interest rate environment in helping to refinance their existing debt to generate budgetary relief. Leases executed as recently as 2009 have been refinanced by CMA to generate over \$1 million in savings for our clients. To date in 2011, CMA has financed or refinanced leases for Bethpage, Brewster, Carle Place, Haldane, New Rochelle, Pearl River and Scarsdale schools and has seen rates as low as 2.24% for a 15-year financing.

If you have a new or existing lease that you would like CMA to review for possible savings, please contact us at your convenience.