



Article 16: Accept Provision of Municipal Modernization Act concerning Bond Issuance Premiums

Mr. Whelan moves: that each prior vote of the Town that authorizes the borrowing of money to pay costs of capital projects is hereby supplemented to provide that, in accordance with Chapter 44, Section 20 of the Massachusetts General Laws, the premium received by the Town upon the sale of any bonds or notes thereunder, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to pay project costs and the amount authorized to be borrowed for each such project shall be reduced by the amount of any such premium so applied.



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- A bond premium is the amount the Town receives over and above the principal amount of the bonds issued
- Bond premiums are commonly received and are generated when the stated interest rate, or coupon rate, exceeds the bond yield, or rate of return.
- These premiums can be sizeable, and often exceed the cost of bond issuance.
- Going forward, as of 2017 ATM, all new borrowing authorizations will include will include language for the automatic resizing of a bond issue to account for receipt of a premium



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- However, the Town still has some “Authorized, but Unissued Debt” (debt authorized prior to 2017) for which it would like to apply premium to resize the bond at the time of issuance
- This warrant article seeks the authorization required to automatically resize at bond issuance
- Resizing resulting from the application of premium will save taxpayer dollars



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