

COMMUNITY AFFAIRS

DIVISION OF LOCAL GOVERNMENT SERVICES

LOCAL FINANCE BOARD

Bond Refundings Meeting Certain Conditions

Proposed New Rule: N.J.A.C. 5:30-2.5

Authorized By: Local Finance Board, Thomas H. Neff, Chair.

Authority: N.J.S.A. 40A:2-51(c) and 18A:24-61.5.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2012-032.

Submit written comments by April 21, 2012 to:

Patricia McNamara, Executive Secretary

Local Finance Board

Department of Community Affairs

PO Box 803

Trenton, NJ 08625-0803

The agency proposal follows:

Summary

The proposed new rule would allow any municipality, county, or school district (local unit) to issue refunding bonds where the issuance of refunding those bonds realizes debt service savings on outstanding obligations, without prior approval of the Local Finance Board, when the following conditions are present: 1) the present value savings is at least three percent; 2) the new debt service shall be structured such that no annual payment is more than it was under the original debt service schedule; 3) the final maturity of the refunding bond does not extend the maturity date of the refunded debt; and 4)

the debt savings are substantially level across the life of the refunding. Such issuers would be required to file certain information concerning the refunding with the Local Finance Board.

As the Board has provided a 60-day comment period on this notice of proposal, this notice is exempted from the rulemaking calendar requirement, pursuant to N.J.A.C. 1:30-3.3(a)5.

Social Impact

The proposed new rule would permit local units meeting certain criteria, to refund bonds without prior approval of the Local Finance Board, allowing local units to move forward more timely with bond refundings that save money for taxpayers.

Economic Impact

The Board anticipates that the proposed new rule for refunding bonds would permit local units to move forward more efficiently and effectively, and assist them in achieving significant savings in interest costs on refunding and professional fees associated with unnecessary applications.

Federal Standards Statement

No Federal standards analysis is required because the new rule is not being proposed in order to implement, comply with, or participate in any program established under Federal law or under a State law that incorporates or refers to Federal law, standards, or requirements.

Jobs Impact

The Board does not anticipate that any jobs will be created or lost as a result of the proposed new rule.

Agriculture Industry Impact

The Board does not anticipate that the proposed new rule would have an impact on the agriculture industry.

Regulatory Flexibility Statement

The proposed new rule would affect municipalities, counties, and school districts that issue refunding bonds that meet conditions set by the Local Finance Board. The proposed new rule would not

impose any reporting, recordkeeping or compliance requirement on “small businesses,” as defined by the New Jersey Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq.

Housing Affordability Impact Analysis

There is an extreme unlikelihood that the proposed new rule would evoke a change in the average costs associated with housing. The proposed new rule would allow any municipality, county, or school district (local unit) to issue refunding bonds where the issuance of refunding those bonds realizes debt service savings on outstanding obligations, without prior approval of the Local Finance Board, when certain conditions are present.

Smart Growth Development Impact Analysis

There is an extreme unlikelihood that the proposed new rule would evoke a change in the housing production within Planning Areas 1 or 2, or within designated centers, under the State Development and Redevelopment Plan. The proposed new rule would allow any municipality, county, or school district (local unit) to issue refunding bonds where the issuance of refunding those bonds realizes debt service savings on outstanding obligations, without prior approval of the Local Finance Board, when certain conditions are present.

Full text of the proposed new rule follows:

5:30-2.5 Refunding of bonds meeting certain conditions

- (a) Any municipality, county, or school district meeting all of the conditions set forth below, may issue bonds to refund long term debt without prior approval of the Local Finance Board, where the issuance of those bonds realizes debt service savings on the outstanding obligations, provided all of the following conditions are present:

1. The present value savings is at least three percent;

2. The new debt service shall be structured such that no annual payment is more than it was under the original debt service schedule;
3. The final maturity of the refunding bond does not extend the maturity date of the refunded debt; and
4. The debt savings are substantially level across the life of the refunding.

(b) The municipality, county, or school district shall, within 10 days of the closing on the refunding bond sale, file with the Board a comparison of the initial and refunding debt service schedule showing annual present value savings; a summary of the refunding; an itemized accounting of all costs of issuance; a certification from the chief financial officer for a municipality or county, or the school business administrator or board secretary for a school district, that all of the conditions of this section have been met; and that a resolution, pursuant to N.J.S.A. 40A:2-51(c) or 18A:24-61.5(b), as appropriate, passed by two-thirds of the full membership of the governing body or board of education allowing for the refunding.