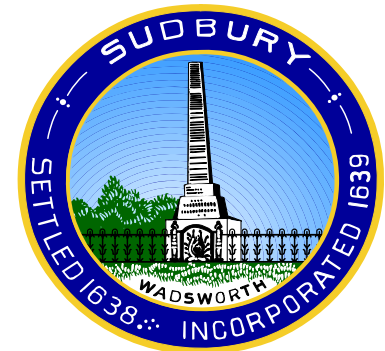


Review of Petitioners' Analysis Presented for Articles 40 & 41

Sudbury FinCom
March 25, 2010



TOWN OF SUDBURY

WWW.SUDBURY.MA.US

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Work Plan

- Goal: Perform due diligence on the data and assumptions that are the inputs for an analysis that looks at:
 1. the financial impact of reducing the CPC surcharge to 1.25%

AND

 2. the proposed early retirement of certain outstanding CPC debt using current CPC cash reserves.
- Diligence and work performed:
 - reviewed key documents (CPC, bond issuance amortization schedules, etc.);
 - met with key stakeholders (Town personnel, CPC Members, Petitioner) to verify data, assumptions and methodology;
 - create my own analysis based on the data and assumptions; and
 - separately fact checked and validated the spreadsheet analysis presented to FinCom on 2/4/10.

Preliminary Diligence

- Constructed an analysis that mirrored the assumptions presented on 2/4/10
 - Goal was to limit the variables and as a result, determine if there were any potential errors in the analysis
- In doing so, discovered that the debt repayment assumption used in the petitioner's analysis needed to be updated
 - Original analysis assumed ~ \$4.3M for debt repayment
 - As per the amortization schedules for the Cutting and Libby bonds, correct amount was ~\$5.5M (variance of ~ \$1.1M)
- Met with Tammie on 3/3/10 to review preliminary findings
- Continued due diligence and refining the analysis
 - Subsequently updated the analysis based on review of all relevant materials
 - In particular, as per the bond documents, there is an early retirement provision in each bond which prevents the bond's from being repaid before certain dates
 - Libby bond cannot be pre-paid, in whole or in part, until on or after June 15, 2013
 - Cutting/Dickson bond cannot be pre-paid, in whole or in part, until on or after June 15, 2014

Final Diligence & Recommended Changes

After careful review of the information provided and discussions with stakeholder's, recommend the following changes to the petitioner's analysis:

- change the investment/interest income rate to 1.8% per annum (reflective of the derived "FY10 Appropriated" cash investment rate and more consistent with historical and current cash rates of return);
- change the timing for the early retirement of the Libby and Cutting debt to the beginning of FY14 and FY15, respectively, given the early redemption provisions contained in each bond;
- include a 10% set aside for historic preservation purchases in the cash flow analysis;
- include a 10% set aside for open space purchases in the cash flow analysis (and not include a separate, arbitrary amount for new purchases from FY11 onwards);
- include CPA Admin costs in the cash flow analysis (suggest modeling at the maximum allowable rate of 5% of CPA annual revenues); and
- use the unreserved fund balance, vs. the total fund balance, as the starting point for a cash flow analysis (suggest excluding the reserved fund balances of approximately \$0.5 million as by definition, this cash has been reserved for a particular purpose including, but not limited to, encumbrances, accruals, current liabilities and mandated reserve allocations).

Analysis using recommended changes....

Comparison of Fiscal Year End CPA Unreserved Fund (i.e. Cash) Balance

Scenario 1:

Assumes a reduction in the surcharge to 1.25% effective FY12.

Scenario 1

2010 \$ 6.51	2020 \$ 4.44
2011 \$ 6.27	2021 \$ 4.42
2012 \$ 6.04	2022 \$ 4.43
2013 \$ 5.68	2023 \$ 4.50
2014 \$ 5.35	2024 \$ 4.60
2015 \$ 5.11	2025 \$ 4.98
2016 \$ 4.90	2026 \$ 5.54
2017 \$ 4.73	2027 \$ 6.13
2018 \$ 4.59	2028 \$ 6.76
2019 \$ 4.50	2029 \$ 7.43

Scenario 2:

Assumes a reduction in the surcharge to 1.25% effective FY12 and early debt repayment of Cutting & Libby bonds.

Scenario 2

2010 \$ 6.51	2020 \$ 3.43
2011 \$ 6.27	2021 \$ 3.82
2012 \$ 6.04	2022 \$ 4.25
2013 \$ 5.68	2023 \$ 4.71
2014 \$ 3.97	2024 \$ 5.21
2015 \$ 1.89	2025 \$ 5.74
2016 \$ 2.14	2026 \$ 6.30
2017 \$ 2.42	2027 \$ 6.91
2018 \$ 2.72	2028 \$ 7.55
2019 \$ 3.06	2029 \$ 8.24

..... results in different (& lower) unreserved CPC cash balances