December 15, 2016

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

In accordance with the provisions of RSA 35-A:26, I submit herewith the Annual Report of the New Hampshire Municipal Bond Bank for the fiscal year ended June 30, 2016.

Respectfully submitted,

Matthew Boucher, Chairman
Board of Directors

jmt

NEW HAMPSHIRE MUNICIPAL BOND BANK

2016 ANNUAL REPORT

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HOW THE BOND BANK OPERATES

MAJOR GOAL

To reduce overall long-term borrowing costs of governmental units within the State for capital improvement projects through lower interest and reduced issuance costs of bond issues.

BENEFITS TO PARTICIPATING COMMUNITIES

Compared to a traditional public bond sale by a local governmental unit, the Bond Bank's financing program offers communities and districts several significant advantages, including:

REDUCED TIME REQUIREMENTS. The local government does not have to manage its own public sale of bonds. Instead, the Bond Bank obtains funds for the community's loan by its own issuance of bonds.

REDUCED COST OF ISSUANCE. By participating in the Bond Bank program, a local government is, in effect pooling its borrowing with that of many other New Hampshire local governments. Since many costs of borrowing are fixed, this pooling spreads the fixed costs of issuance across all participating community loans, thereby reducing the costs paid by each individual borrower. Participating local governmental units who borrow through the Bond Bank do not need to print their own bonds or prepare or mail any Official Statements, and there are no annual trustee and paying agent fees.

COMPETITIVE INTEREST RATES. By reaching the national capital markets, the Bond Bank has been able to obtain competitive interest rates on its Bonds since its initial issue in 1978 and has passed those rates on to communities through the loan rates charged by the Bond Bank.

STREAMLINED DISCLOSURE AND BORROWING PROCESS. The only disclosure requirements for most communities borrowing from the Bond Bank are those contained in the Bond Bank's application form. Participating communities do not have to prepare or print their own Official Statements or obtain their own bond ratings or bond insurance. Given the Securities and Exchange Commission's increased emphasis on municipal disclosure, this streamlined Bond Bank disclosure process will be of increased benefit to communities participating in Bond Bank sales.

TECHNICAL ASSISTANCE AND BOND RATING. The Bond Bank also offers communities on-going assistance in the review of planned maturity schedules, preparation of debt service estimates and the updating of such estimates as bond market conditions change. The Bond Bank staff, Board of Directors and professional financial advisor and bond counsel also review Bond Bank financing for compliance with tax reform.

In September, 2016, Moody’s Investors Service affirmed the Bond Bank’s rating of Aa2 and Standard and Poor’s affirmed the Bond Bank’s rating of AA+ for bonds issued per the 1978 Resolution. Moody’s Investors Service affirmed a rating of Aa3 while Standard and Poor’s affirmed a AA rating for bonds issued per the 2005 Resolution.

Participating in a Bond Bank financing eliminates the need for a community to obtain a bond rating or bond insurance. Each community simply fills out its loan application and follows the process for obtaining local approval of debt prescribed by state law. Participants benefit from the Bond Bank's strong credit rating, receiving credit enhancement without having to obtain bond insurance.

POWER AND DUTIES

The New Hampshire Municipal Bond Bank is empowered to issue bonds and notes in its own name and to use the proceeds to directly purchase the bonds or notes of governmental units. The result is to combine a number of smaller bond issues into a single attractive package which the Bond Bank then offers to the national credit markets.

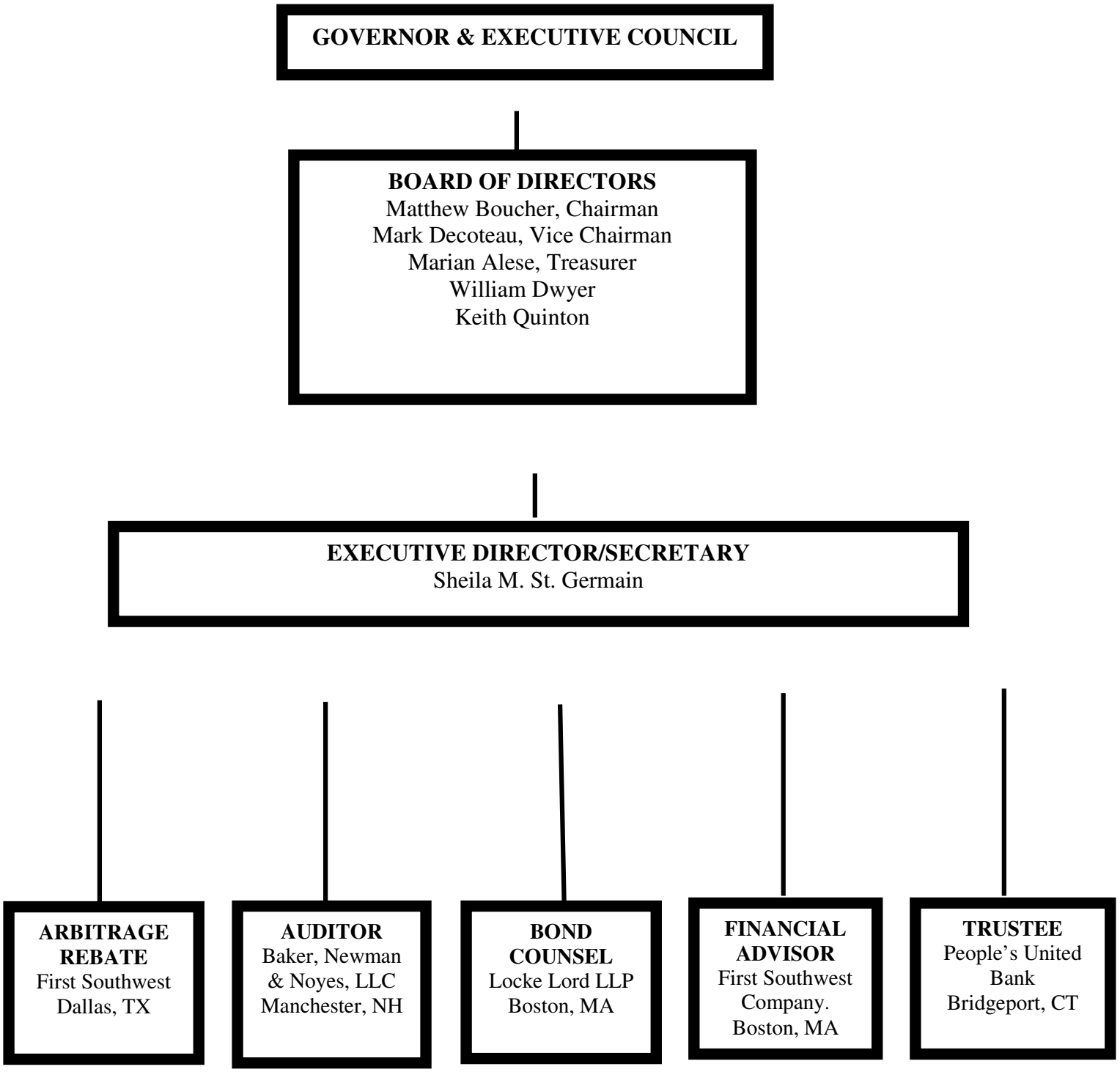
ORGANIZATIONAL BACKGROUND

The membership of the Bond Bank consists of five directors: The State Treasurer, who is a director ex-officio, and four directors appointed by the Governor and Council, one of whom shall be a designee of the NH Municipal Association and at least two of whom shall have a background in municipal finance. The four directors appointed by the Governor and Council serve for terms of five years except that vacancies shall be filled for the unexpired term. The Board annually elects one of its members as Chairman, one as Vice-Chairman, and one as Treasurer and appoints an Executive Director who also serves as Secretary.

No State appropriations are made to the Bank. Fees and charges are authorized to be charged by the Bank for the use of its services or facilities.

Each governmental unit which requests that the Bank purchase its bonds will have its application reviewed by the Directors. Factors to be considered in such review include the outstanding debt of the unit, state and local valuation, tax levy and tax receivables, demographic trends of each area and the ability of the governmental unit to repay the loan. Once approved for the loan, the local unit issues a bond in marketable, negotiable form, accompanied by a legal opinion from a recognized bond counsel. The Bank will establish dates, maturities, and redemption provisions for the bonds. After the bonds are purchased by the NHMBB, the Bank's Trustee will supervise the payment of debt service for the term of the bond issue.

All bonds of the Bank are secured by reserve funds. These reserves provide security for the repayment of the Bank’s bonds in the event of a governmental unit default. Although the Bank’s bonds are not guaranteed by the State, the law provides a procedure for the Bank to request an advance of State funds, at no interest cost, to maintain these legally required reserves. Operating costs of the Bank are covered by fees and charges and by income from its investments.


GOVERNOR & EXECUTIVE COUNCIL
BOARD OF DIRECTORS
Matthew Boucher, Chairman
Mark Decoteau, Vice Chairman
Marian Alese, Treasurer
William Dwyer
Keith Quinton
EXECUTIVE DIRECTOR/SECRETARY
Sheila M. St. Germain
ARBITRAGE REBATE
First Southwest
Dallas, TX
AUDITOR
Baker, Newman & Noyes, LLC
Manchester, NH
BOND COUNSEL
Locke Lord LLP
Boston, MA
FINANCIAL ADVISOR
First Southwest Company.
Boston, MA
TRUSTEE
People's United Bank
Bridgeport, CT

EXECUTIVE DIRECTOR'S REPORT

INTRODUCTION

In its thirty eighth completed year of operations, the New Hampshire Municipal Bond Bank issued two bonds totaling 11,260,000 during fiscal year 2016.

MUNICIPAL DIVISION

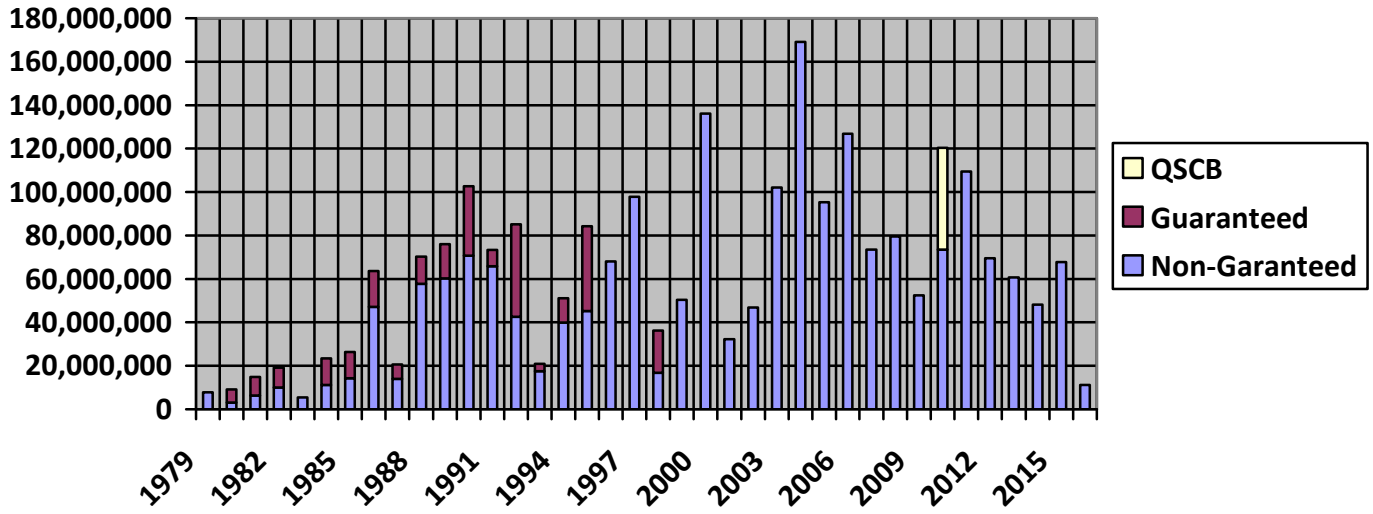
The following is a breakdown of the issues relative to the date of sale, amount and type of issue and the true interest cost versus the Bond Buyer Index:

Date of Sale	Date of Closing	Series	Amount of Issue	Type of Issue	True Interest Cost	Date of Bond Buyer Index	Bond Buyer Index**
06/10/15	07/16/15	2015 C	$6,245,000	New Loans	2.72%	6/11/15	3.87
1/13/16	2/3/16	2016 A	$5,015,000	New Loans	1.91%	1/14/16	3.45

**A barometer of the market which is an average of interest costs received on various municipal issues traded during the previous week.

Proceeds from these issues provided funds for 7 communities for purposes such as: road construction, new heating and lighting systems, library and town hall renovations and additions and refinancing.

Since its inception in 1978, the Bank has made 1,198 loans to communities. The Bank has issued a total of $2,409,019,033 in municipal bonds.



The Bond Bank has also played an effective role in reducing local governments' debt in times of falling interest rates. The following advanced refunding bonds have been issued by the Bond Bank:

Year	Amount Issued	Number of Governmental Borrowers	Savings to Governmental Units
1986 D	$37 million	38	nearly $2 million
1991 H, I	$33.5 million	67	nearly $1 million
1993 A, B, E, F	$100 million	105	over $2 million
1996 A, B	$40.9 million	92	over $765 thousand
1998 A, B	$28 million	85	over $513 thousand
2002 D	$90.9 million	48	nearly $2.7 million
2003 G	$5.2 million	4	over $76 thousand
2004 A	$74 million	43	over $1.3 million
2005 A	$34 million	27	over $504 thousand
2007 A	$40 million	25	over $612 thousand
2009 A	$13.7 million	42	over $300 thousand
2009 B	$7.8 million	5	over $268 thousand
2010 A	$98.9 million	77	over $4.5 million
2011 D	$44 million	23	nearly $850 thousand
2012 A	$52 million	22	nearly $890 thousand
2013 A, B	$59 million	11	over $5.64 million
2014 B	$14 million	1	over $2.3 million
2015 A,B	$106 million	36	over $11.2 million

CONCORD REGIONAL SOLID WASTE/RESOURCE RECOVERY COOPERATIVE

No bond issues were sold during the fiscal year 2016, and all prior bonds have matured.

PUBLIC UTILITY DIVISION

No bond issues were sold during the fiscal year 2016, and all prior bonds have matured.

EDUCATIONAL INSTITUTIONS DIVISION

No bond issues were sold during the fiscal year 2016, and all prior bonds have matured.

CONCLUSION

I would like to thank all of the governmental units that participated in this year's issues, and I am looking forward to another successful year of working with the communities of New Hampshire to provide low-cost capital financing.

Respectfully submitted,

Sheila M. St. Germain
Executive Director