

**SPECIAL MEETING MINUTES
TOLLAND TOWN COUNCIL**

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**HICKS MEMORIAL MUNICIPAL CENTER
6TH FLOOR COUNCIL CHAMBERS**

Shirley M. Bailey

FEBRUARY 15, 2018 – 7:00 P.M.

MEMBERS PRESENT: William Eccles, Chair; David Skoczulek, Vice-Chair; Brenda Falusi; Tammy Nuccio; John Reagan; Paul Reynolds and Christine Vincent

MEMBERS ABSENT: None.

OTHERS PRESENT: Steven Werbner, Town Manager; Michael Wilkinson, Director of Administrative Services; Lisa Hancock, Director of Finance and Records; Barry Bernabe, Phoenix Advisors; Beverly Bellody, Human Services; John Littell, Fire Chief/Director of Public Safety; Christopher Jordan, Assistant Finance Director; Scott Lappen, Public Works

1. **Call to Order:** William Eccles called the meeting to order at 7: p.m.
2. **Overview of Debt Management Plan – Barry Bernabe, Managing Director from Phoenix Advisors**

Barry Bernabe of Phoenix Advisors gave a presentation with the use of a PowerPoint entitled *Proposed Debt Management Plan Fiscal Years 2019 to 2023*. As of February 2018, the town has outstanding gross tax-supported debt in the principal amount of \$28,165,433, not including sewer debt paid from assessments. Authorized but unissued debt totals \$13,786,266. The actual and proposed capital projects for fiscal years ending 2019 through 2023 total \$26,600,000. He reviewed the several different analytical debt scenarios they put together. From a historic perspective, 50 years, interest rates are not far off from their all time lows. With regard to short-term rates and long-term rates, from the historic perspective, they are still relatively low, but going in the wrong direction. The town has three different bond ratings, Standard & Poor's, Fitch and Moody's. Standard & Poor's and Fitch both rate the town AAA (the highest possible rating). Moody's rates Tolland Aa2. There are five factors that come into play when determining the town's bond rating: 1) Management Practices – 25%; 2) Economy & Demographics – 30%; 3) Financial Performance – 25%; 4) Debt Management – 10%; and 5) Long-term Liabilities – 10%. The town does great with all of these, especially the management practices. With regard to the town's existing debt service, the town is below the 10% benchmark. 93% of the debt service is amortized over the next 10 years. A slide was shown outlining the proposed debt issuance plan. The last page of Mr. Bernabe's presentation contained the following summary points:

- Tax Reform Act effective January 1, 2018 has negatively impacted the municipal bond market. SALT deduction is capped at \$10,000, corporate tax rates are cut resulting in less demand for tax-exempt securities.
- Advance Refinancing have been eliminated, which reduces ability to save on debt service or to restructure existing debt service.
- Federal Reserve has started to raise short-term interest rates and they are expected to continue to increase short-term rates three or four times in 2018.
- Long-term rates are still very low from an historic perspective, but have increased since the election, and especially the past few weeks.

- The town has \$4,810,000 of BANs that mature in May 2018. The town is planning on issuing Bonds and BANs in May 2018. Expected bond rate is 3.00% and BAN rate is 1.75%.
- The town has above average bond ratings, which will allow the town to borrow at the lowest possible rate.
- Some factors mentioned in the recent S&P and Fitch reports that justify the AAA ratings include: very strong management practices, strong budget flexibility and liquidity and limited pension and OPEB liabilities.
- The town has numerous formalized policies including: fund balance, debt service and capital improvement.
- The town's existing debt service amortizes aggressively.
- This aggressive debt amortization will help mitigate the impact of the proposed new debt.
- Structured appropriately, the town's CIP totaling about \$22,600,000 will have minimal impact on the town's existing annual debt requirements.

Mr. Reynolds asked what will happen when the State applies pressure to the municipalities. Mr. Bernabe said the town is rated the highest. It will be a challenge to maintain that rating. He said towns with good ratings have a target on their back. Mr. Reynolds asked what options they would have to get more money on the operating side. Mr. Bernabe said outside of doing a debt restructuring, which he does not recommend, there isn't much you can do.

3. Public Hearing Item

3.1 Consideration of the Proposed 5-Year Capital Improvement Plan

Mr. Werbner gave his presentation with the use of a PowerPoint entitled *FY 2018 – 2019 through 2022 – 2023 Town Manager's Five Year Capital Plan, February 15, 2018*. The first part explains what the capital budget is, what capital items are and what it includes: streets, parks, buildings, school facilities, large equipment and technology. The plan is for five years. The town's five year capital improvement program is developed to ensure adequate capital investment in the town's assets and to provide an orderly method for funding these assets. The definition of capital projects is: any project, to be included in the Town's Capital Improvement Program, should fall into one of the following three program categories: 1) any new or expanded physical facility, including preliminary design and related professional services; 2) land or property acquisition; and 3) items of a non-recurring nature where the benefits are realized over a long period of time. A project should also exhibit the following characteristics to be included in the Capital Improvement Program: 1) life expectancy; and 2) cost.

He reviewed the Capital Budget planning process and calendar; and the types of funding methods.

The FY 18-19 Significant Capital Projects include:

Town Administration: Plan of Conservation & Development

Capital Equipment: Replacement of Public Works Dump Trucks and Torro Mower

Public Facilities: Municipal Center Pedestrian Pathway; Replacement of salt shed tarp

Streets & Roads: Drainage and detention basin repair; Pavement management

Year 2:

Town Administration: Contribution of Town of Vernon Water Pollution Control Plant Facility Plan as defined by Inter-Municipal agreement with Vernon

Capital Equipment: Replacement of various equipment

Fire & Ambulance: Replacement of rescue 240, Refurbishment of ET-140; Replacement of Service 240

Pavement Management: Various road improvements and paving Cross Farms rear parking lot;
Drainage and detention basin repairs; Plains Road Culvert major repairs
Recreation Center: Playground equipment at Rec Center
Streets & Roads: Drainage construction & replacement of Plains Road Culvert; Road
Improvements and parking lot restoration at Cross Farms

Year 3:

Capital Equipment: Replacement of various capital equipment
Public Facilities: Firehouse improvement designs to Station 140, Station 340 and Station 440
Town Administration: Contribution to Town of Vernon Water Pollution Control Plant Upgrade
Facility Plan
Pavement Management: Various road improvements
Streets & Roads: Various drainage construction

Year 4:

Capital Equipment: Various Public Works capital equipment replacements
Town Administration: Contribution to Town of Vernon Water Pollution Control Plant Upgrade
Facility Plan
Public Facilities: Firehouse improvement implementation phase; Replacement of Jail Museum Roof
Pavement Management: Address road maintenance, parking lot and neighborhood roads; Various
drainage construction

Year 5:

Town Administration: Contribution to Town of Vernon Water Pollution Control Plant Upgrade
Facility Plan
Capital Equipment: Replacement of various Public Works capital equipment
Fire & Ambulance: Replacement of Ambulance 540; Refurbishment of ET 240
Streets & Roads: Address road maintenance, parking lot and neighborhood roads according to
automated pavement management system recommendations; Town-wide road improvements
Various drainage constructions

He said if we don't get the TAR Grant, it will impact the drainage and the road work. That will all
need to be adjusted based on available funds and grants at that point in time.

The last slide contained the budget schedule with important upcoming dates.

Dave Skoczulek motioned to open the public hearing; Seconded by Christine Vincent. All
in favor. None opposed.

Dave Skoczulek motioned to close the public hearing; Seconded by Christine Vincent. All
in favor. None opposed.

4. **Adjournment:** Dave Skoczulek moved to adjourn the meeting; Seconded by Christine
Vincent at 7:50 p.m. All were in favor.

William N. Eccles, Chairman

Michelle A. Finnegan
Town Council Clerk