

From: SimsburyCT Postings March 7, 2012 2:37:45 PM
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Cc:

BOARD OF FINANCE
SPECIAL MEETING - 8:15AM
MARCH 2, 2012

CALL TO ORDER

Paul Henault, Chairman, called the special meeting of the Board of Finance to order on Friday, March 2nd, at 8:25AM., in the the Board of Education Conference Room at the Town Offices, 933 Hopmeadow Street, Simsbury, CT. The following members were also present: Nicolas Mason, Peter Askham, Kevin North, Jeff Blumenthal, and Barbara Petitjean. Also present were Mary Glassman, First Selectman; Mary Ann Harris, Finance Director/Treasurer; Diane Ullman, Superintendent of Schools; Burke LaClair, Board of Education Business Manager and other interested parties.

6-YEAR CAPITAL PLAN

Mr. Henault began by saying the purpose of the meeting is to have discussion and possible action on the 6-year capital plan, as a carry over from the meeting on Tuesday, February 28th. He then said the goal is to decide what will go onto public hearing. He then noted that after Public Hearing, the Board of Finance will have another look at everything, taking into consideration the comments from the public.

Mr. Henault said he would like to start by looking at individual projects on the list and make some comments. He went through the list and identified the projects that were on last year's 6-year capital plan list, which items were new to the list and which items had been on the previous list but now have a revised number. He also noted that there were some grants on the list that were either fully approved or applied for, but he wanted Ms. Glassman to speak further about those later.

Mr. Henault said the numbers have been reviewed in order to come up with the amount that can be bonded, while still remaining under the 7% debt threshold. Mr. Henault said he is willing to hear about alternative solutions to fund some of these projects. He then added that the total dollar amount of the list is, in their opinion, about \$6MM too high, so some of the projects will have to be modified or pushed out to bring the total number down.

Mr. North said he had spent a lot of time looking at the 6-year capital plan list and he said there are a couple projects that stand out to him as potentially eligible for delay in order to decrease that total number by the \$6MM referenced by Mr. Henault earlier. Mr. North continued by naming some projects that he thinks could be accommodated by excess the debt service amount that is not yet committed (approximately \$370,000) Radio Console Replacement, Emergency Generator Improvements, Owens Brook/West Street/Greenway Improvements and the Truck Wash. He continued by saying once the FEMA reimbursement comes in and the reserves are reestablished, he anticipates at that point he could be in support of paying cash for these projects he just listed. Mr. North referenced two projects; Town Teledata Infrastructure and Office Improvements, that he sees as CNR and not bonding projects.

He said, if the Senior Center projects gets pushed out just one year (to 2019), it will accomplish a large part of that \$6MM reduction. Mr. North said that brings him to two large projects on which people will want to voice their opinion; Ethel Walker Phase II and Board of Education District Network Infrastructure. He said, in his opinion, the District Network Infrastructure is substantially more important than the Ethel Walker project. Mr. North said he would urge the Town to go back to Ethel Walker to see if they would consider an extension of the option period so Phase II & III could be done at the same time. Mr. North mentioned the Henry James Sprinkler Project saying it would help a lot if that, and the other two phases of the Henry James Project, got deferred to 2015 & 2016, when we will have substantially more capacity due to older bonds dropping off.

Mr. Mason asked Mr. North where he was with regards to the Greenway project. Mr. North responded by saying he would delay it to 2015.

Mr. Askham began by referencing Simsbury's strong bond rating and how we got that, by being conservative and smart about the bonding. He said that the High School project limited their financial flexibility and we will be digesting that for a few more years. Mr. Askham said those large projects will limit what we can do now and his concern is to not limit the flexibility further in the future by over spending. He said, while each

project on the list is good, he is looking at it to see which ones will cause harm by not getting completed. He and Ms. Harris spoke about different options of structuring bond payments.

Mr. Henault asked that Dr. Ullman be allowed to speak on her projects, as she was due to be in another meeting. Dr. Ullman said, with regards to Henry James Project, the sprinkler work has to be completed prior to any other construction can begin and for them, the most critical part of that project is the science labs. Dr. Ullman continued by saying those science labs are 1950's labs and they are going to be testing students on new national standards (adopted by the State), for which they cannot be prepared on the existing labs. She said those tests begin in the 2014/2015 school year. She said the students will be at a disadvantage if the labs cannot be upgraded.

Mr. Mason asked about the cost to the Town of the October storm after FEMA reimbursement. There was discussion regarding the ongoing negotiation regarding a piece of the reimbursement regarding the Federal Highway Funds. Mr. Askham said these are unknown numbers that are forcing them to make some very difficult decisions now.

Mr. Mason continued by saying he is less concerned with violating the 7% guideline than he is of making a bad decision for the sole purpose of just staying within that guideline.

Ms. Petitjean said while she is supportive of being flexible with regards to structuring financing, but she would like to figure out what can be afforded using the 7% guideline.

Mr. Blumenthal said he is concerned about making decisions that will come back to bite us later on, and that they can be conservative, smart and creative all at the same time. Mr. Blumenthal also mentioned the amount the Town stands to lose if the Ethel Walker project is not done. He said he thinks the Henry James Project is critical. Mr. Henault mentioned, with regards to Ethel Walker, the voters are the ones with the final say and then the Board would have to decide how to fund the project.

Mr. Henault asked Ms. Harris to walk them through the schedule spreadsheet distributed to the Board. Ms. Harris gave an overview of her borrowing assumptions she used. She said she looked at doing a Bond Anticipation Note (BAN) in March, and described how the payments would work and highlighted the assumptions she used for the BAN. She explained her calculations on the schedule and said, using her assumptions and if she bonds in October, there is excess capacity of \$321,984. Ms. Petitjean asked for further clarification on the schedule so she could see the affordability using the 7% guideline. She then asked how much they could bond to use up the

\$321,984 in year 1. Ms. Harris said they could actually spend that amount in cash as opposed to bonding it. Mr. Askham made the point, by using all of this capital, they are still borrowing from future years, putting further pressure on future years. Ms. Harris then explained that in FY'13 they are retiring principal in the amount of \$4.93MM. She continued by saying this analysis of the existing debt shows the drop off in FY'16. Ms. Harris said if they authorize the Henry James Project in '13, they could issue the debt over multiple years, since not all of the capital is needed at once. The same goes for the District Network Infrastructure. Mr. Askham raised the issue of drying up capital in future years by structuring the financing like that. The duration of the bonds were discussed by Mr. Askham and Ms. Harris. Ms. Harris said the Board could authorize everything at the May meeting, total cost of \$8,384,850, but the bonding amount, which would happen over a period of time, would be \$5,803,684. She explained they could structure the debt so it would meet their needs, but not cripple them, which is why she suggested the BAN in March.

Ms. Petitjean said maybe they need to look at 10 year plans, because this seems like it might be creating a longer term issue. She then requested they get a schedule from the Board of Education illustrating the capital needed each year for their potential projects, so they can plan accordingly. Mr. LaClair discussed the timing of their projects and how that relates to the timing of the bonding.

Mr. North said, rather than delay the problems by creatively financing projects, he would rather take the medicine now and work to get to a more smooth consideration of capital projects in the future. He continued by saying the Board needs to see the annual capital flow of the projects because it is different than dealing with one lump sum number, as previously presented.

Mr. Blumenthal said that since the interest rates are so favorable now, why not use a BAN. He said he does not think it compounds the problem, he sees it as utilizing all of the tools in the tool-chest. He continued by saying there are projects he sees as candidates for 5 year bonding, some for 10 year and some for 15 year. Mr. Blumenthal continued by saying there are AAA rated towns out there who use a mix of bonding methodology and still remain competitive.

Mr. Henault then introduced Ms. Glassman to speak about their priority lists. Ms. Glassman said they have come to the meeting in the spirit of cooperation to work with the Board of Finance to fund important Town projects. She then said it is the Board of Selectmen's job to communicate the needs of the Town and the Board of Finance is to decide what can be funded and the best methods to use.

Ms. Glassman began to speak about specific projects by referencing the two that had not been on the schedule until now; the Emergency Generator Improvements and West Street Greenland Improvement, which were both added as a result of safety issues that recently arose. She said the Dispatch Radio Console Replacement is for the replacement of the entire 911 system, which is over 13 years old (with an expected life span of 10 years). Ms. Glassman said the priority list has been written up, but they have not had a chance to speak with the Board of Education on this and do not know if they agree on this list. With regards to Ethel Walker-Phase 2A, Ms. Glassman said, they have to send it to referendum, or there are legal and financial implications. Those implications are 1) Loss of the \$1MM deposit, 2) Loss of the state grant of \$691,000. Ms. Glassman said they have had discussions with Ethel Walker and she has asked if they could move both phases to 2015, but she does not think that will be successful. Even if that were successful, we could still stand to lose the \$691,000 grant. Ms. Glassman explained, since these implications exist, they have not put it on the priority list and kept it as a separate project. Ms. Glassman then went onto the priorities list and started with the 1) Dispatch Radio Console Replacement, saying it had to be replaced this year and the Town would be at risk of exposure if it is not replaced. 2) District Network Infrastructure is clearly a need for the Board of Education, 3) Owens Brook/West Street/Greenway Improvements Project - Ms. Glassman said there has been significant constituent response to this. 4) DPW Vehicle Wash - Ms. Glassman said this is a requirement of the DEP and it will effect the life of the Town's vehicles if it is not done, due to the impact of the chemicals used on the roads. Mr. North confirmed this with his experience through his responsibilities at the Fire District. Ms. Glassman said she does not want to go through the whole list, but explained how items were split up and did say the Tariffville Connection could be moved out, but they would like to make sure the State Grant would not be negatively effected if the project were moved.

Mr. LaClair said although the full Board of Education has not seen the priority list yet, he said it was clearly stated by the Board of Education that the District Network Infrastructure was the top priority. With regards to the Henry James Project, Mr. LaClair said, it is more than just improving the structure, it is an instructional related issue. Mr. LaClair then gave an overview of the potential project schedule and history of the Henry James project. Mr. North and Mr. LaClair discussed the timing of the authorization of projects versus the timing of the funding. Mr. LaClair said if he can get the authorization, he can prepare the project (i.e. getting bids, grant applications, etc.) while not spending the money yet.

Mr. Henault asked Ms. Glassman about the status of some of the grants and that was discussed briefly.

Mr. North went through Ms. Glassman's list, saying he thinks they can pay cash for priority #'s, 1, 3, 4, 5 & 11, totaling \$1,147,500. Mr. North then went on to talk about the District Network Infrastructure and Ethel Walker. Ms. Petitjean asked Mr. LaClair to clarify the schedule of the District Network Infrastructure project further. Mr. North then said if they could then finance the District Network Infrastructure and Ethel Walker, then nothing else on the list (besides the previously mentioned #'s, 1, 3, 4, 5 & 11) would be in this year.

Mr. Askham then spoke about being careful with our reserves level.

Mr. Blumenthal asked Dr. Ullman and Mr. LaClair further about the timing of Henry James. Mr. North suggested they combine some of the project elements to create larger phases and then come back with it next year. Mr. LaClair said by deferring the authorization, it delays the ability to start doing the preparation work that has to take place prior to any construction. The timing of the project was discussed further.

Mr. Henault reviewed the priority list and listed the status of each project in terms of cash, bond or pushed. He asked Ms. Glassman to go back and get a consensus on these items from her Board. Mr. Henault asked Ms. Harris to run financials and redistribute to the Board members in excel format.

The calendar was discussed for future meetings and Mr. Henault adjourned the meeting at 10:25AM.

Respectfully submitted,

Paul Henault, Chairman
Commissions Clerk

Leslie U. Faraci,