

From: SimsburyCT Postings July 20, 2011 4:57:39 PM
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To: SimsburyCT_FinanceMin
Cc:

BOARD OF FINANCE
JUNE 21, 2011
REGULAR MEETING

CALL TO ORDER

The regular meeting of the Board of Finance was called to order at 6 p.m. on Tuesday, June 21, 2011 in the main meeting room of Town Hall. The following members were present: Peter Askham, Paul Henault, Nicholas Mason, Anita Mielert, Kevin North and Barbara Petitjean. Also present were Michael Foley, consultant to the Finance Department, Debra Sweeney, former commission clerk for the Board of Finance / Town of Simsbury, and guest consultant, Chris Doyle of Public Financial Management, Inc. / PFM.

Motion #1:

Mr. North made a motion to change the order of the agenda so that the board could first discuss items #5 (Review of Six Year Capital Plan) and #4 (2003 Bond Refunding). Ms. Petitjean seconded the motion and it was passed unanimously.

REVIEW OF THE SIX YEAR CAPITAL PLAN

The board discussed the packet of information that Michael Foley put together which included projected estimates for the end of FY2011, a 6-year Capital Improvement Plan for FY2011-12 through FY2016-17; and a 6-year Capital Plan for FY2012 with an "assumptions and definitions" page and a two page spreadsheet on legal sized paper.

Mr. Foley noted that the spreadsheet of the 6-year Capital Plan for FY2012 was a work in progress. It is an analysis of all the requests from the town departments at the beginning of the fiscal year. It did not include any revisions by the Board of Selectman or the Board of Education because meetings by these boards have not yet taken place. The board requested that Mr. Foley add a "total project cost" column to the spreadsheet so that it would be

visually easier to track.

The board wanted to make sure that it planned properly for the upcoming expenses, so that the money would be available when it was needed, especially for the next two known projects: the \$3M+ Simsbury Farms project renovation and the \$1.5M+ Ethel Walker purchase. If it is not planned properly, the projects may have to be done in two steps.

2003 BOND REFUNDING

Motion #2:

Mr. North made a motion that the Board of Finance make a recommendation to the Board of Selectmen regarding bond refunding so that the Board of Selectmen may move forward on this topic. Ms. Petitjean seconded the motion and it was passed unanimously.

Ms. Doyle of PFM presented a large "Refunding Analysis Packet" to the board which tried to incorporate the points that were brought up at last week's meeting and the email questions that she received following that meeting. She noted that we had the following options in Bond Refunding: See page 8 of the "Refunding Analysis Packet: Summary of Scenarios."

1. Do nothing with the town's current debt structure for the Series 2003 bonds. PFM will monitor for the town and alert it to what's happening in the market. (Scenario 1).
2. Do a partial advance refunding in 2011. (Scenario 2).
3. Do nothing until January 2012. There are 2 options for advance refunding in 2012. (Scenarios 3A and 3B). Scenario 3A assumes that we will advance refund under the amount of \$10M). Scenario 3B assumes that we will issue new money.
4. Wait until January 2013 to avoid fees, but have an interest rate risk. (Scenario 4).

Special things to consider with bond refunding were discussed by Ms. Doyle and the board.

They included the following:

- For clarification: Public Financial Management, Inc./PFM is a paid advisor to
the Town of Simsbury. The Board of Finance is the budget-making authority for
the Town of Simsbury. The Board of Finance must make a recommendation to
the Board of Selectman. A formal resolution, for tax

purposes, must be approved

by the Board of Selectmen with input from the Bond Council and the town treasurer.

- Making a bond callable: It costs between 0 and 5 basis points to put a call in

place for ten years. We did this in 2003.

- When refunding bonds, we will not add debt to our debt load as long as no more

than \$10M worth of any kind of bonds are issued per IRS calendar year.

This is a tax

issue. More than \$10M loses BQ (bank-qualified status/benefit). BQ will be lost

on the whole amount, not just the margin.

- Advance refunding can only be done once in the life of a bond.

- There are transaction costs whenever a bond is issued. See page 23 of the "Refunding

Analysis Packet: Associated Financing Costs."

- Bonds are given a "tax label/tag" when they are purchased. It is not possible for

us to do the entire bond refunding in 2011 because the bonds that were issued by

us in 2011 include a "tax label/tag" that we will not issue anything beyond \$10M.

- We are in a bind with the federal debt ceiling. When the debt ceiling wasn't raised, the

U.S. Treasury closed the window on all refunding. In the last six weeks, all purchases of

state and local government securities had to be done by open market. This is a more

expensive way to buy securities and to structure escrow. By August 2, 2011, the

Secretary of the Treasury is expected to end the federal debt ceiling issue. If we wait

until then, our transaction costs could be significantly lower.

- Alternatives to bond refunding:

1. Private placement/funding with local banks. We would have to go out to bid, as well

as provide banks with a disclosure update for the end of FY2011 for

credit review.

However, we would still need to do an escrow. We could avoid the Moody's rating fee

if we financed this way. It was noted that private financing was ideal for purchasing town equipment such as buses, etc.

2. Apply for grants. It was noted that we must have local funding in place before we

could apply for grants. The grant application approval process usually takes about 1

year, so the actual funding could take about 2 years to receive.

After much discussion, the Board of Finance decided to go with "Scenario 2," opting to split advance refunding of the 2003 bonds to take advantage of current rates. \$5M would be advance refunded now, and \$2.8M would be left over to refund at a later date. This scenario would provide a savings opportunity to the town of about \$283,000 and would reflect the net of all transaction costs. This assumes that everything stays flat until August 2012.

Motion #3:

Mr. North made a motion that the Board of Finance make a recommendation to the Board of Selectmen, advance refunding the \$5M portion of the 2003 callable bonds subject to a 4.5% minimum savings on a present value basis as well as the final approval of the bond language by the Board of Finance. Ms. Mielert seconded the motion. Some discussion followed about whether 4.5% gave us enough wiggle room. The board felt it was sufficient and the motion was passed unanimously.

APPROVAL OF MINUTES OF THE LAST MEETING

Motion #4:

Mr. North made a motion that the minutes of the May 17, 2011 Regular Meeting be approved. Mr. Askham seconded the motion and it was passed unanimously.

ESTIMATED YEAR END FINANCIALS

No need to take action on this now. There are a couple of discrepancies which still need to be cleared up. Any questions can be directed to Dave Holden or Michael Foley.

SIMSBURY FARMS / APPOINTMENT OF LIAISON TO PUBLIC BUILDING COMMITTEE

Motion #5:

Mr. North made a motion to appoint Barbara Petitjean as a liaison from the Board of Finance to Public Building Committee for the Simsbury Farms renovation project. Mr. Mason seconded the motion and it was passed unanimously.

The Board of Finance recommended that any savings in construction or bids on the Simsbury Farms renovation project be put back into the town budget.

OTHER BUSINESS

The board asked Michael Foley to provide them with a schedule/running list of prior approved projects. They requested that it be in a spreadsheet format with year-by-year percentages, starting with what's been approved (the 'knowns') and following with the unknowns.

Mr. Henault thanked Deb Sweeney for her many years of service as the regular clerk for the Board of Finance meetings. The entire board congratulated her on her new assignment as accounting manager for the Board of Finance.

Motion #6:

Mr. North made a motion to adjourn the meeting 7:20 p.m. Mr. Mason seconded the motion and it was passed unanimously.

Paul Henault, Chairman

Lorrie McElligott, Clerk

