Members Present: Bettyann Peck, Kwame Dunbar, Richard Demko, Bill Sawicki, Beverly Kennedy, Jim Cretella, John Stelma (7:04pm); Paul Wetowitz, Grace Brangwynne (alternates)

Members Absent: Grace Brangwynne, Gary Popielasz (alternates)

Others Present: Veronika Jelenik (Voices), John Healey, Paul Wetowitz, Doug Thomas

Item #1 - Call Meeting to order
Chairman Bill Sawicki called the meeting to order at 7:00pm.

Item #2 - Pledge of Allegiance
Everyone saluted the Flag and recited the Pledge of Allegiance.

Item #3 - Seating of Alternates
None

Item #4 - Public Comment
None

Item #5 - Approval of Minutes - December 23, 2019 Regular Meeting
Motion to approve Minutes from December 23, 2019 Regular Meeting
Motion: Richard Demko
Second: Bettyann Peck
Yes: 7  No: 0  Abstain: 0

Item #6 - Comments from the First Selectman
None

Item #7 - Report from the Finance Director
Fiscal Year 2020
Major area of concern is the retirement funding. The budget included a funding rate of 12.0% and 17.0% for general and Police wages respectively. Actual retirement funding is 13.73% and 20.24%. Budgeted general wage is $3,525,283 and Police wages are $3,636,917. The percentage difference is a budget deficit variance of $60,987.39 general wages and $117,836.11 police wages.

Other concern’s; Town buildings repairs and maintenance 105.28% or $4,220.48 over expended, Fire Department buildings repairs and maintenance 105.13% or $1,897.71 over expended, Overtime Town Building 149.96% or $4,996.08 over expended and Town Buildings general supplies 106.61% or $528.44 over expended. Doug spoke with the Director and he will be putting together a Transfer from the Building Improvement Fund to cover these. Also, Fire Abatements over budget $16,326. Town newsletter is over $8,352.
Bill Sawicki asked how we could be over that much in abatements. Doug said that they have a lot more volunteers that applied for the abatement than anticipated. Doug will make sure that the proper number is included for this coming budget.

The First Selectman has instituted a Spending Freeze effective January 1st, 2020 to address these issues and continue to look for savings.

The Fire Abatement started out as a break on taxes for the fire and EMS personnel, but the IRS said that that money should be considered wages and be paid directly through salaries (included on the W2). Paul Wetowitz said that the amount is based on a point system and varies based on how many calls, how many trainings, how many meetings the individual attends ($500, $750, or $1,000).

Projected over expended accounts are; Town Engineer 23,000, Town Buildings Regular wages $20,969 and Trash hauling $34,728.

**Fiscal Year 2019**
The fiscal year 2019 Town budget appears to have a surplus. The surplus is $544,985. Revenue had a budget surplus of $141,120 and expenditures had a surplus of $403,865.

**Software Update**
Registered with software and working on the mapping of the chart of accounts. Bill Sawicki said that we should be getting more detailed reports from this new system (the auditors commented on this last year) and wanted to make sure that we will be running parallel systems until June. Doug said yes to both.

**Item #8 - Presentation of Future Bonding Plans by Town Bond Advisors**

- Bill Sawicki said that, as discussed at the meeting in December, the Town is going to be adding some new money & re-funding (retiring old debt and re-issuing for a better rate and a shift in the payments) so that we can spread out the payments and make them a little smaller. Fortunately, our budget is such that we have debt that is going to be dropping off so that the impact to the taxpayers will be minimal, if any.

- John Healey from Mesirow Financial is the underwriter for the Town. He thanked the Board for having him here. I will take you through the thought process behind the proposed bond issuance for this year. One of the things over the past six to eight years in this Town has been the level of proactive thinking employed by the Board of Selectmen and the Board of Finance to try to stay ahead of the curve rather than being reactionary to it.

- First, I will go over where the Town’s debt is today, what the debt would look like if you were to layer on the new money that was approved at the November referendum, and then take you through what we are calling a “mini-restructuring” to help layer in that new debt while mitigating the overall impact to the mill rate.

- Town’s existing debt profile – has a rather attractive profile – it’s downward sloping. This is due to fiscal responsibility by the Town. In 2017 the Town took on a restructuring to head off a potential negative action by the State. Would have affected Seymour by about $8 million if the projected cuts had come through. If the cuts came through, we would be all set, if they did not come through, we could use the money for some of our Legacy payments (pension & OPEB). This was received favorably by the credit agencies. They affirmed our AA+ bond rating. Over 50% of debt falls off in just 10 years. The issue with this overall profile is that we were fettered by some existing laws that are no longer in existence. This is why there are some plateaus. We have about a million dollars outstanding for this fiscal year. For the
upcoming budget and budgets going out to 2025, you will have about a $3.2 million payment per year before it starts dropping down on 2026.

- On Page 9 of handout, we talk about new money. The residents of the Town did approve two projects at referendum: $5 million was approved for continuation of the Road Program. The rating agencies look very favorably on this (the Town showing that it is taking care of itself). The other is $1.4 million to upgrade the Town’s Emergency Communications System. For this projection, we are using $6 million issue of new money. If you just take this $6 million and lay it on top of existing debt (graph is shown on Page 10 of handout). This is called a Level Debt Service Structure (which looks better than a Level Principal Service Structure). This becomes a bit of an upward slope in the short-term which would put a bit of a negative strain on the budget. So, we wanted to find a better way to feather or layer in this new debt.

- So, we looked at a re-structuring. If we were in an environment where rates were quite high, going up, we would not have considered a re-structuring. In 2008 the market crashed. Rates went to at or near zero. They have crept up slowly. Over the past two years, rates were brought up. Recently, rates have gone back down. This past week, we have seen a flight quality. It is now a very good time (environment) to re-fund existing debt in our case. (not necessarily for every case). Looking at Page 13 of the handout you will see the re-structuring graph for our scenario. Assumes $6 million in new money but then also re-structures the near term (less than 10 years) debt. But gives the Town a very attractive, graduated, declining debt profile. It is helpful in the short-term AND does not bind the hands of future administrations. Because you will have debt falling off every year, you will find it much easier to layer on modest new money or capital outlays without causing an uptick in the profile. These results on Page 13 show that we would reduce our $3.2 million debt service payment for the next four years by about $200,000 and change per year. In 2028, the uniform decline would come up. We think that rating agencies will see this as yet another prudent step forward to set this profile up for the foreseeable future and easier for the Town to make the necessary investments that we need to make.

- On Page 12, we see the reasons WHY we are doing this:

Proactive Strategy to Manage Debt Service

- Short Term
  - Gain some near-term budgetary latitude
  - Provide additional mill rate stability
  - Assist in financing public-private opportunity for Community Center
  - Smooth impact of new money issue

- Long Term
  - Remove plateaus & gain a truly downward-sloping debt profile
  - Take advantage of historically low rate environment
  - Utilize enabling legislation before sunset
  - Proactively position the Town to weather future market downturns or negative state action

Bill Sawicki said that we dodged a $187,000 bullet last year from the State pension plans. This year it is up to $250,000. Not sure if we will need to pay it. There is a real possibility we may need to pay it.

John said that also, Healthcare Coverage – if we stay with Cigna, we will need more money.
Long-Term – the enabling legislation in early 2017 opened up a five-year window whereby a municipality can undertake, on its own, exactly what we are talking about here – control its own destiny, be able to re-structure its debt, and set itself up on firmer financial footing. The enabling legislation sunsets next year and we don’t want to create the need to do TWO market entries within two years. We have been able to keep it to ONE market entry every two years. There are extra fees involved when you have market entries: lawyers, underwriters, etc.

Invariably the market will correct at some point. This keeps us ahead.

- On Page 15 of handout is this story in NUMBERS. (Post-Financing Debt Overview). This transaction would bring our 10-year amortization rate to 48%, however, within one year you would be back up to 52%. If the market keeps up as it has, it may go to 50%.
- What are the rating agencies going to say about us doing two re-structuring within three years? We did, proactively, have an off the books conversation with Standard & Poors last week. They said to: First, have some good reasons WHY we are doing it and Second, be able to conclusively PROVE that we are not masking any structural deficit or some other sort of deficiency—which we should be able to do very easily. This should be very well received by the rating agencies.
- Page 18 of the handout is the Yield Curve: 30-year Lookback
  - Bettyann Peck asked what could collectively change the positive environment now? John said that the Fed could raise the rates, inflation, any sort of volatility. The curve has not behaved as expected.
  - Bill Sawicki said that we should get familiar with debt and the reasons for incurring. If we are not availing ourselves of debt service, the rating agencies will wonder why we are not improving the Town. If we don’t borrow to improve the roads, they will want to know why. The rates could actually be higher with no regular re-funding. We do the re-funding to lower our hit on the budget.
  - If anyone has any questions, please feel free to reach out to John.
  - Kwame asked if the rating agencies would question the 10-year amortization rate going from 55% to 48%. John said that is actually why they wanted to talk to them ahead of time. They did voice that the 10-year factor is not as big a consideration as it used to be. Also, the rate will be returning to around 50% within a year. The debt is still falling off quickly, and the overall debt load is not great. Generally speaking, going from $3.2 million to $2.9 million payment is do-able for us.
  - Richard Demko said that John did a very good presentation. He explained everything very well.

Item #9 - Transfers
None

Item #10 – New Business
Bill Sawicki asked when the actuaries will come to our Budget Deliberations. Doug said that he will call them and ask if they can come to our March Regular Meeting.
Also, next month, Scott Bassett will come to present the Audit Report. Doug will confirm this. Bill Sawicki said that one of the things they talk about is the OPEB Fund Liability and other post-employment liabilities (which should be around $37 million). Also talk about Health Insurance, Self-Insurance. Since the actuaries are actually involved in these numbers, they could explain what we are dealing with. They could explain a working knowledge of this for the Board. If we have no OPEB Trust, the interest rates would be higher.
Item #11 – Correspondence
None

Item #12 – Adjournment
Motion to adjourn
Motion: Beverly Kennedy
Yes: 7
No: 0
Second: Richard Demko
Abstain: 0

Meeting was adjourned at 7:45pm.

Submitted by:

_Monica Dimon_
Recording Secretary