Meeting Minutes for the
7 PM, 11/17/20 Meeting of the
Board of Finance Communication Sub-committee

MINUTES

Members Present: Joe Corbett, Bruce Dutch, Todd Gelston
Staff Present: Cindy Varricchio
Guests Present: None

AGENDA
For the
11/17/20 BoF Communications Sub-committee Meeting
7 PM at the MOBC, Meeting Room #4

1. Call to Order
2. Approval of the Minutes – November 4, 2020 Special Meeting
3. Review of the intended content and available information for the Re-financing article.
4. Review with the Finance Department of the FEMA submittal and award process for a FEMA Grant
    a. What are the typical financial factors?
    b. What are the other submittals and how many?
    c. Overview of the FEMA reimbursement process
5. Discussion on the print font and format for the next article
6. Scheduling for the next Meeting
7. Adjournment

DISCUSSION

Meeting called to order at 7:11 PM in Meeting Room 4.

The attendees reviewed the meeting minutes for the 11/04/20 Meeting. Joe Corbett moved that the meeting minutes, as presented, be approved. Bruce Dutch seconded the motion. Motion was approved unanimously.

The attendees reviewed the intended content and available information for the Re-financing article by asking questions to the Finance Director, Cindy Varricchio, and discussing the answers. The questions asked by the Sub-committee members, Cindy's answers and subsequent discussions were as follows:

1. What will be the impact of the re-financing to the town taxes? Answer – There will be no immediate impact. The money saved from the lower interest rates due to the re-financing can be used to fund future projects. In other words, the money saved can be banked for future projects. In order to help assure that any financing committed by the Town would minimally impact town taxes, the Board of Finance has formulated and implemented a Debt Service Policy. This Policy sets a Threshold for the Debt levels incurred by the Town. This

re-financing will be below that threshold. Cindy pointed out that this re-financing is more properly termed as re-funding. She also pointed out that the actual interest rate for this planned re-funding will not be known until after the Bond Sale scheduled for Thursday, 11/19/20.

2. What are the reasons for this opportunity to re-fund? Answer - There are several reasons as follows:

A. Interest rates are at an all-time low.
B. The Town has an excellent credit rating. It has maintained a AA+ Credit Rating.
C. The Town has increased it's Financial Management Score.

The interest rate reduction with this re-funding is going from the current 3.625% (for the USDA Loan) to something less than 2%! Again, the actual rate will be determined on Thursday , 11/19/20, at the Bond Sale.

3. Who started the initiative to re-fund? Answer – Bill Lindsay, Municipal Financial Advisor for the Town. Cindy Varricchio explained that the Finance Department touches base with the Bill Lindsay on a periodic basis. Recently, Mr. Lindsay told the Board of Finance Chairman, Finance Department and the Board of Selectmen that this may be a good time to refund the Town Debts. The current Debt Service covers the USDA Loan for the Municipal Office Building Complex, Elementary School Improvement Projects, Firehouse Improvements. the town-wide Radio Project, the Open Space Acquisition Funding and the 2010 Bond.

4. Are there any special features for these re-funding bonds? Answer – The Town is issuing tax free bonds with no pre-payment penalty.

5. How will the Bond Sale be offered and closed? Answer - This will be a Negotiated Sale, not a Competitive Sale. The underwriters will be used to make the Sale.

6. Why a Negotiated Sale? Answer - It is an opportunity to use the underwriters to get the best deal.

7. What are the components of the Sales Package for the Bond Sale? Answer – The Sale will cover the following:

A. General Obligation (GO) Bond for the existing Debt for all of the current Projects -- -- $19,135,000.00
B. General Obligation (GO) Bond for the Open Space Funding ----- $ 450,000.00

Total ……$19,585,000.00

8. What is going to be the total cost to the Town for the Refunding of our Debt Service? Answer – Cindy estimated approximately $100,000.00. However, the net savings to the Town will be between 1 and 2 million dollars. The actual net savings will be determined at the Bond Sale whicj is scheduled for Thursday, 11/19/20. The Plan is to close on the Debt Refunding during the first week in December.

9. What are the credit ratings for the surrounding towns? Answer – Some neighboring towns have a AAA credit rating, primarily because they have a larger Grand List.

The review and discussion of the planned refunding of the Town's Debt Service ended with this summary:

- The Finance Director (Cindy Varricchio) gave the sub-committee members two financial reports to read and review. They are:

    1. "Preliminary Official Statement Dated November 12, 2020" written by the Town's Municipal Financial Advisor, Hilltop Securities
    2. Research Report for the Town of East Haddam provided by S&P Global Ratings

- As shown below, the Town has been very deliberate in the management of finances and the refunding opportunity is one of the payoffs.
    - The Town has an excellent credit rating
    - The provided financial reports listed above substantiate the Town's deliberation
    - The Goal has always been to eliminate the Bond Anticipation Notes (BANs)
    - This is the second year in a row where the Annual Audit has yielded no management letters
    - The Board of Finance has a Debt Management Policy. It is on the BoF Website.
    - Over the past 17 years the Town has spent the Open Space funds, but never took steps to repay ourselves. Consequently, we have a negative fund balance
    - The USDA Loan is a 40 year loan. However, the Town is paying it off commensurate for a 20 year loan.
    - With the completion of the refunding, the Town can now start discussion on the funding for the High School Track.
- Bill DiCristofaro is drafting a Press Release for the Refunding initiative. The timing is to release the Press Release first. Our article would be the follow-up.

Next, the attendees discussed the FEMA Grant for the "Quint". The discussion started with this question – What factors helped to win the Grant Award? Cindy listed these factors:

1. The "Quint " enables a more efficient use of the fire equipment by going from 2 trucks down to one.
2. The "Quint" requires less people.
3. The "Quint" fulfills 5 functions
4. The existing ladder suffered a non-repairable break down at the time of grant application submittal
5. The Town committed to contribute 10% to the cost of the Fire Truck which was double the minimum 5% required.

The Grant submittal, evaluation and selection process began on November 18, 2019.

The attendees had several more questions that could best be answered by the Fire Department personnel who write the FEMA Grant applications. These personnel have been invited to the next meeting of the Communications Sub-committee scheduled for 11/24/20.

Next, the attendees discussed the Font and Format for the articles printed in the East Haddam News. A determination was reached that the Font can be increased to more closely match the Font for the regular articles in the East Haddam News. Cindy estimated that this would incur only a negligible increase in cost. The increase should be well within the budget. Consequently, a clear consensus was reached to recommend to the Board of Finance that the East Haddam News be asked to increase the size of the Font for the BoF articles. This recommendation by the Communications Sub-committee is to increase the font size to the same as that for the articles in the rest of the newspaper.

Lastly, the members scheduled the next meeting for Wednesday, 11/24/20.

Meeting was adjourned at 8: 20 PM.

The Meeting Minutes were written by Todd Gelston.