TOWN OF EAST HADDAM
Board of Finance
Special Meeting Minutes
February 25, 2025
Municipal Office Building – Room 1 & 2
Via Zoom and YouTube Live

Participating:

Board of Finance Members:

William Barney
Todd Gelston
Maureen Goff
Eric Kolasinski
Harvey Thomas

Absent: Joseph Corbett

Others: Valerie Belles, Finance Director
William Lindsey, Bond Counsel
And other members of the public

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

Mr. Gelston called the meeting to order at 7:00 p.m. and the attendees said the pledge of allegiance.

BOND DISCUSSION

Mr. Gelston provided opening comments and stated that the Town's immediate Capital projects under consideration for bonding are two fire trucks, a new fire house, and a road reclamation project.

Mr. Gelston introduced Mr. Lindsey who stated that his presentation at this meeting builds off of the presentations he made to the Board of Finance in February and July of 2024. He provided an overview of the how the Town's Capital Projects Savings program helps to stabilize its Debt Service budget.

Mr. Lindsey noted that there is a large drop off of the Town's debt in FY 2028-2029, which he targeted for use to fund the proposed new firehouse and road reclamation debt. In response to a question raised by Mr. Gelston, Mr. Lindsey stated that the firehouse and the roads/bridges projects will take up most of the Town's capacity for borrowing through 2036. He noted that Finance Director Belles had asked him to address two tasks at this meeting; the first is "What additional amounts of debt, if any, will be needed to fund the Town's current total approved capital projects for FY2025-2026?".

Regarding that question, he stated that the Town will have to borrow $6.56M in June 2025 to refinance the BANs for the BOE HVAC, Athletic Complex, and Elementary School projects, and the Kronberg Open Space purchase. He provided the Board with two options to consider and noted that under Option 1 (two interest payments in FY2025-2026, and a principal payment in June 2026), no additional contribution to the Capital Project Savings is required. Option 2 considers deferring the first principal payment for one year which results in a significant drop in Debt Service for FY25-26. He stated that Option 2 also requires no increased contribution to the Capital Project Savings, but results in a $150k increase in the interest paid over the life of the loan.

It was the consensus of the Board to move forward using Option 1 and Ms. Belles confirmed that that that is how she drafted the FY2025-2026 budget.

Mr. Lindsey responded to several questions from the Board. Concerning projections for the FY2025-2026 budget, he noted that, based on his conversations with Ms. Belles, the new firehouse project won't be ready for bonding in that fiscal year. He advised that the Town should plan on issuing short-term debt for that project in June of 2026, and bonding for the project in June 2027 when its existing debt drops off. He summarized, therefore, that the Town's new capital needs for FY2025-2026 include $865k for bridge work and $2.25M for road reclamation. He suggested issuing 12 month notes for $3.1M for those two priorities and noted that that would require a modest increase to the Town's contribution to its FY2025-2026 Capital Projects Savings.

In response to a question from Ms. Belles, he stated she would have to plan for paying interest on that note in June 2026; however, the positive investment income the Town generated last year, plus other factors, may cover the first year of interest payments.

He stated the second task Ms. Belles had asked of him was to model a longer range borrowing plan which includes the firehouse project and the bridges/roads project. He stated that his 3-year model assumes the 2025 $6.56M refinancing bond, issuing a $2.25M 12-month BAN for the roads/bridges projects in June 2025, and a $14M 12-month BAN in June 2026 for the firehouse, and issuing $28M in long term bonds in June 2027, which includes three years of road reclamation work.

He stated that the model also assumes a $725k increase to Capital Projects Savings over 10 years beginning in FY2025-2026. Ms. Goff expressed concern about not having information about funding the complete road reclamation project.

Mr. Lindsey noted that he had reviewed the BOF's debt policy and stated that the borrowing plan proposed in his model does not violate any of its guidelines; however, it does approach the recommended cap of 8% of the Town's budget. He stated that if he extends the model from 3 to 7 years, it could approach the 10% total cap.

In response to a question from Mr. Thomas about establishing a policy of rolling debt for road maintenance, Mr. Lindsey stated that the most successful municipal plans for on-going road maintenance are ones that utilize pay-as-you go financing, by doing so, they did not incur interest expense. He provided an example of a municipal BOF that has articulated to the town's finance staff a definitive practice of borrowing for road maintenance. Mr. Lindsey suggested that defining a

practice for borrowing vs. establishing a policy provides the town with more flexibility and, in his opinion, is the best approach.

There was a general discussion about current and future capital projects. Mr. Gelston noted it is important to bring the Town's roads back into shape. Mr. Lindsey responded to several questions from the Board. He discussed statutory, affordability, and credit rating "guardrails" for municipal borrowing. He recommended the BOF work with the Finance Director to draft a memo defining their recommendation to establish a practice of borrowing, as needed, for emergent situations.

In response to a question raised by Ms. Belles, Mr. Lindsey stated that he believes bond counsel will provide wording for the Town's road reclamation project resolution that includes a general description of the project which provides flexibility on the structure of borrowing and how the funds are spend on the various aspects of the project.

In response to a question from Ms. Goff, Ms. Belles stated she would get clarification from Public Works Director Velez that she has included funding in the FY2025-2026 budget for regular road maintenance. Mr. Thomas recommended appraising Ms. Velez of the amount of funding the BOF is considering for road reclamation so that she can adjust here FY2025-2026 budgets accordingly and Mr. Gelston agreed to do so.

Ms. Goff emphasized that she would like to see a financing plan to complete the entire proposed road reclamation project. In response to Mr. Lindsey request for guidance on the term or the Board's tolerance level for an increase in the contribution to the Capital Projects Savings, the Board asked Mr. Lindsey to run models for a $30M project keeping the contribution to Capital Projects Savings below $1M. Ms. Belles stated she will schedule another meeting with Mr. Lindsey in the near future.

In response to a request from Ms. Belles, Mr. Lindsey agreed to provide her with the amount to transfer into the FY2025-2026 budget from Capital Projects Savings.

ADJOURNMENT

Motion made by Mr. Barney to adjourn the meeting at 9:01 p.m. Mr. Kolasinski seconded the motion and it was approved by a unanimous aye vote. Motion carried.

Respectfully submitted,
/s/
William Barney
Secretary