

MEMO

Date: April 29, 2021

To: Matthew Sturgis, Town Manager

From: John Quartararo, Finance Director



Re: Short Term Financing Bonded Capital Projects Policy

CC: Debra Lane, Town Clerk

Included with this memo are the following file, Policy Short Term Financing Bonded Capital Projects – Draft 04292021 and my April 13, 2021 memo.

As the first proposal for this policy, there is no redline copy. I changed the title of this policy from “Short-Term General Fund Borrowing” that was used in the original discussion memos. My thinking is that this new title, “Short Term Financing Bonded Capital Projects”, is a better description of the policy.

The April 13, 2021 memo is the basis for the content of this policy statement.

Adoption of this policy will vest the Town Council with the authority to approve the use of the Town’s cash resources to fund capital projects where a bond order exists and that will allow the Town to save of the costs of issuance and/or interest costs for the issuance of a bond anticipation note. This policy will also allow the Town to charge the project for the use of the Town’s cash resources. Finally, the time period is limited to one-year from the date of Town Council approval with the option of two additional one-year extensions by approval of the Town Council.

MEMO

Date: April 13, 2021

To: Matthew Strugis, Town Manager

From: John Quartararo, Finance Director

Re: Short-Term General Fund Borrowing

CC: Debra Lane, Town Clerk and Marcia Weeks, School Business Manager

In light of the concerns raised at last night's Town Council meeting, I am revising the proposed language for a policy concerning short-term general fund borrowing. I understood that the concerns as:

1. The establishment of criteria for the use of the General Fund cash resources;
2. The establishment of a maturity with the option to renew, and
3. The approval by the Town Council rather than Town Manager.

Criteria:

The Councilors did not offer any insights as to what they thought would be appropriate criteria. That being the case, I anticipate that a criterion of concern would focus on the amount of self-funding and secondly the impact on available cash for other Town operations. If there were other areas of concern related to criteria, I would need additional guidance to address those concerns.

The first criteria is that there should be an approved bond order in place for the project. The bond order is the basis of the authority to issue a bond anticipation note (BAN) or a bond. Without such approval in place, there is no need for self-funding a project in place of the issuance of either a BAN or a bond.

Regarding the amount of self-funding, I suggest that the amount be limited to \$500,000. Further, I suggest that the Finance Director and/or the Town Manager make an affirmative statement that the use of the Town's cash to self-fund a project would not have a detrimental effect on the Town's finances.

Maturity:

Concerning setting a maturity date, I suggest that such financing be limited to one-year from the date of approval with an option to renew at the same or amended terms for up to two additional one-year terms.

Approval:

There is no compelling reason for the Town Council not approve such financing. The Town Council would approve the award of a BAN therefore changing the approval authority is appropriate.