

Minutes of the Town of Farmington
Regular Town Council Meeting
January 23 2018

Present:

Nancy W. Nickerson, Chair
Patricia Boye-Williams
Bruce Charette
Paul Cianci
Edward Giannaros
Beth Kintner

Kathy Eagen, Town Manager
Paula B. Ray, Clerk

A. Call to Order.

The Chair called the meeting to order a 7:00 p.m.

B. Pledge of Allegiance.

The Council and members of the public recited the Pledge of Allegiance.

Motion was made and seconded (Charette/Giannaros) to suspend the Rules of Procedure to add to the Agenda as item E-2 Appointment to the Land Acquisition Committee.

Adopted unanimously

C. Public Comments

There were no public comments made.

D. Consideration of Special Topics.

1. Public Financing Presentation from Barry Bernabe, Managing Director of Phoenix Advisors, LLC

Mr. Barry Bernabe, Managing Director, Phoenix Advisors LLC gave the Council a credit overview and debt analysis for the Town of Farmington using the presentation recorded with these minutes as Agenda Item D-1 and answered Council questions.

2. Direct Report Presentations

Paul Melanson, Chief of Police; Russ Arnold, Director of Public Works and Development Services; Steve Hoffman, Director of Fire and Rescue Services; Rose Ponte, Economic Development Director; Jay Johnson, Library Director; Nancy Parent, Director of Community and Recreational Services; Joe Swetcky, Director of Finance

and Administrative Services; Erica Robertson, Assistant Town Manager gave the Council an overview of their departmental operations and answered Council questions.

E. New Business.

1. To take action on Budget Targets for the 2018-2019 Fiscal Year

Motion was made and seconded (Charette/Giannaros) to take action on budget targets for the 2018-2019 Fiscal Year.

Motion was made and seconded (Charette/Giannaros) to amend the motion to set a budget target range of 2.25% to 2.75% for the Board of Education and the Town sides of the Budget.

Adopted unanimously

Adopted as amended unanimously

2. Appointment Land Acquisition Committee

Motion was made and seconded (Charette/Giannaros) that Guy Wolf be appointed to the Land Acquisition Committee as a representative of the Conservation and Inland Wetlands Commission beginning immediately for an indefinite term.

Adopted unanimously

F. Executive Session

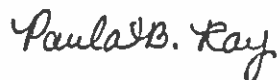
There was no Executive Session held.

G. Adjournment

Motion was made and seconded (Charette/Giannaros) to adjourn the meeting at 10:35 p.m.

Adopted unanimously

Respectfully submitted,



Paula B. Ray, Clerk

Town of Farmington, Connecticut



Credit Overview & Debt Analysis

January 23, 2018

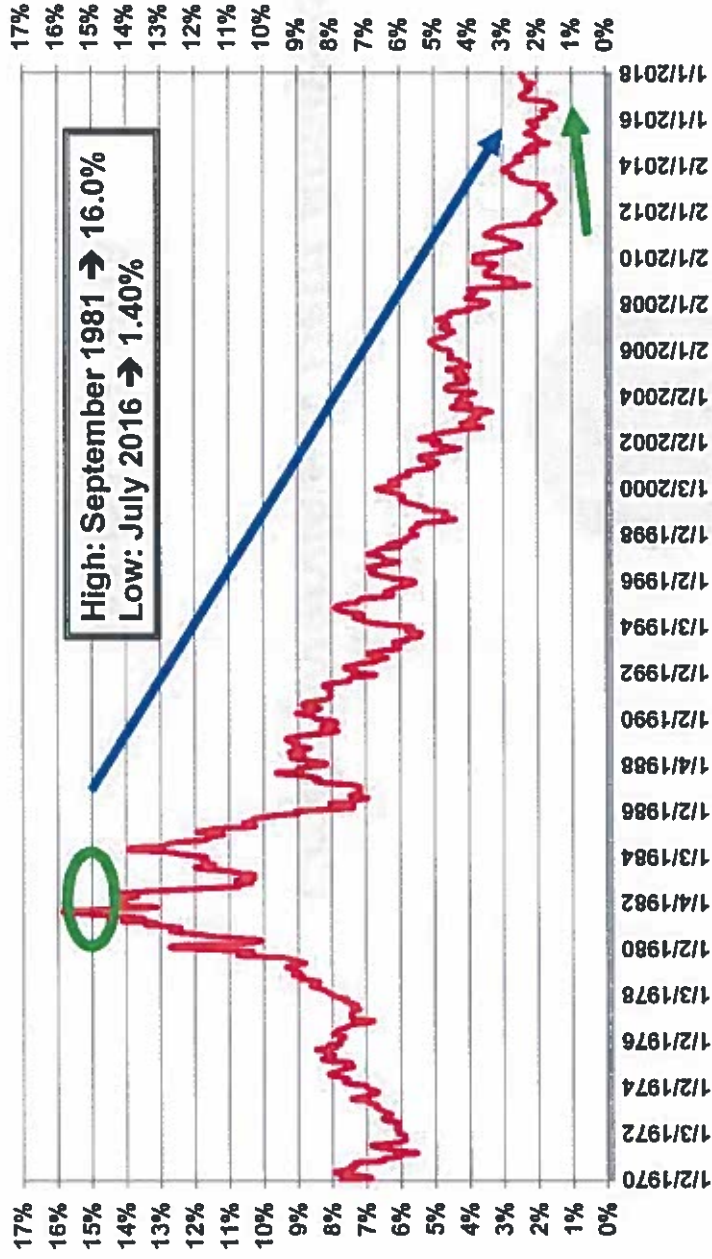
Barry Bernabe
Managing Director



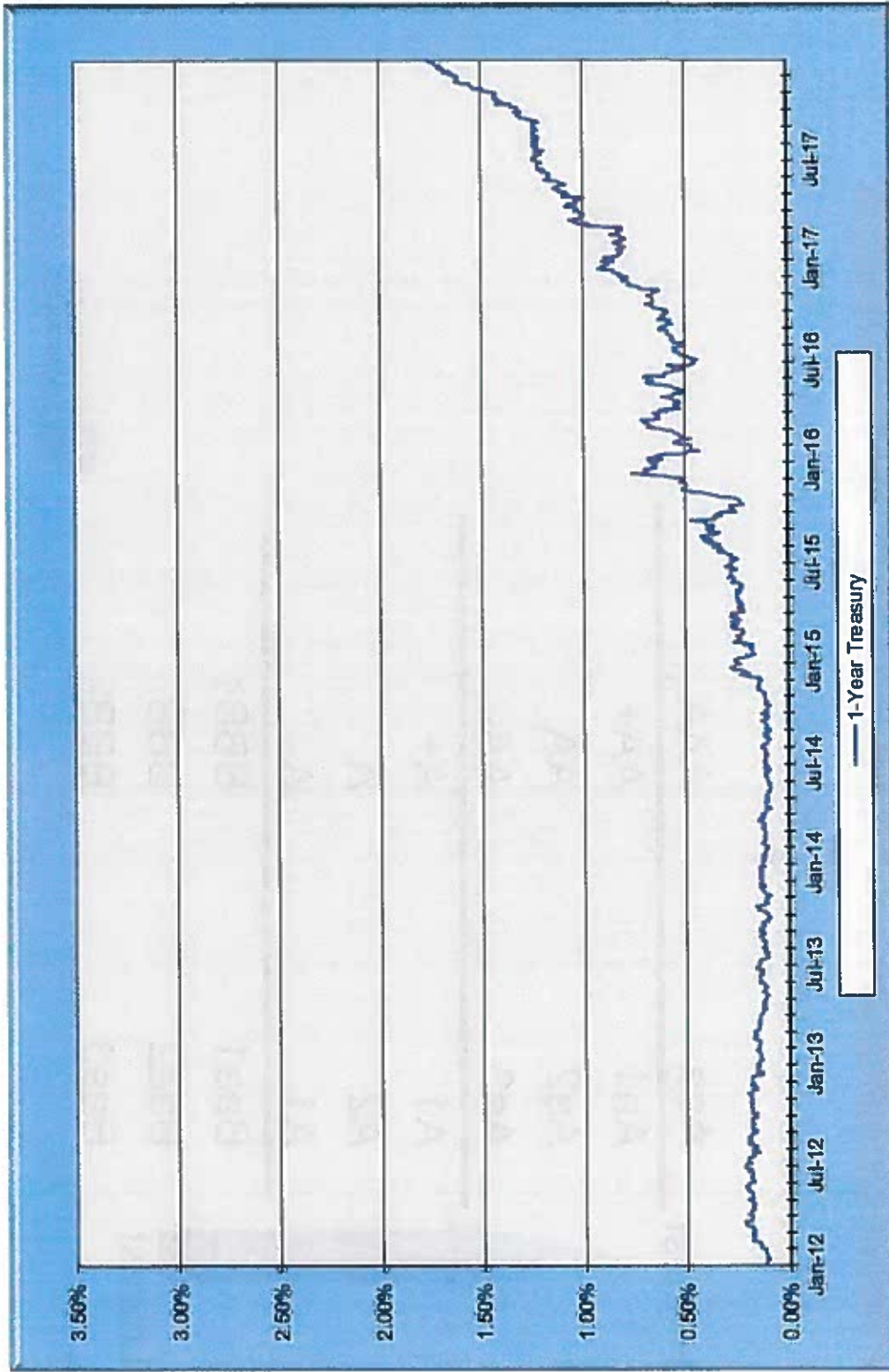
PHOENIX
ADVISORS, LLC

Long-term Interest Rates (Bonds)

Ten Year U.S. Treasury Yield - January 1, 1970 to January 1, 2018




Short-term Interest Rates (Bond Anticipation Notes – BANS)



Bond Ratings

Moody's and S&P Rating Scales



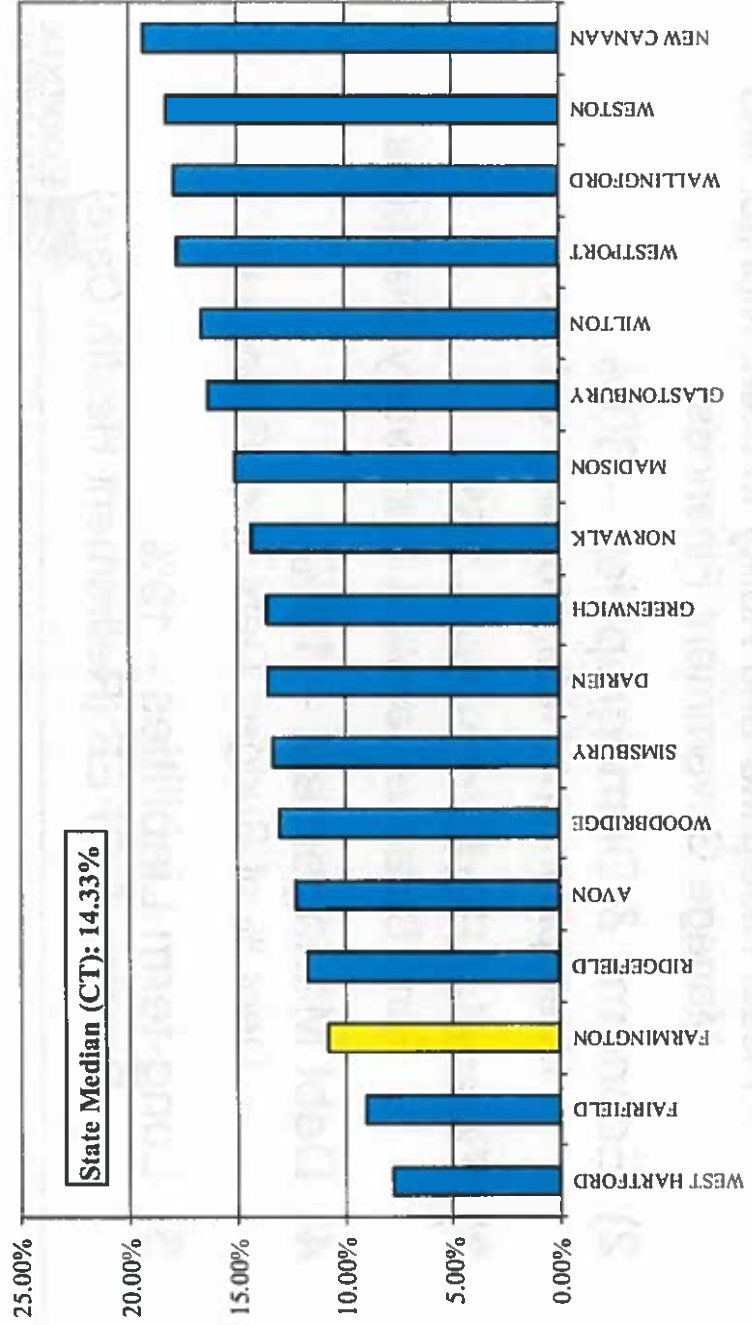
Highest	Aaa	AAA
	Aa1	AA+
	Aa2	AA
	Aa3	AA-
	A1	A+
	A2	A
	A1	A-
	Baa1	BBB+
	Baa2	BBB
	Baa3	BBB-
Lowest		



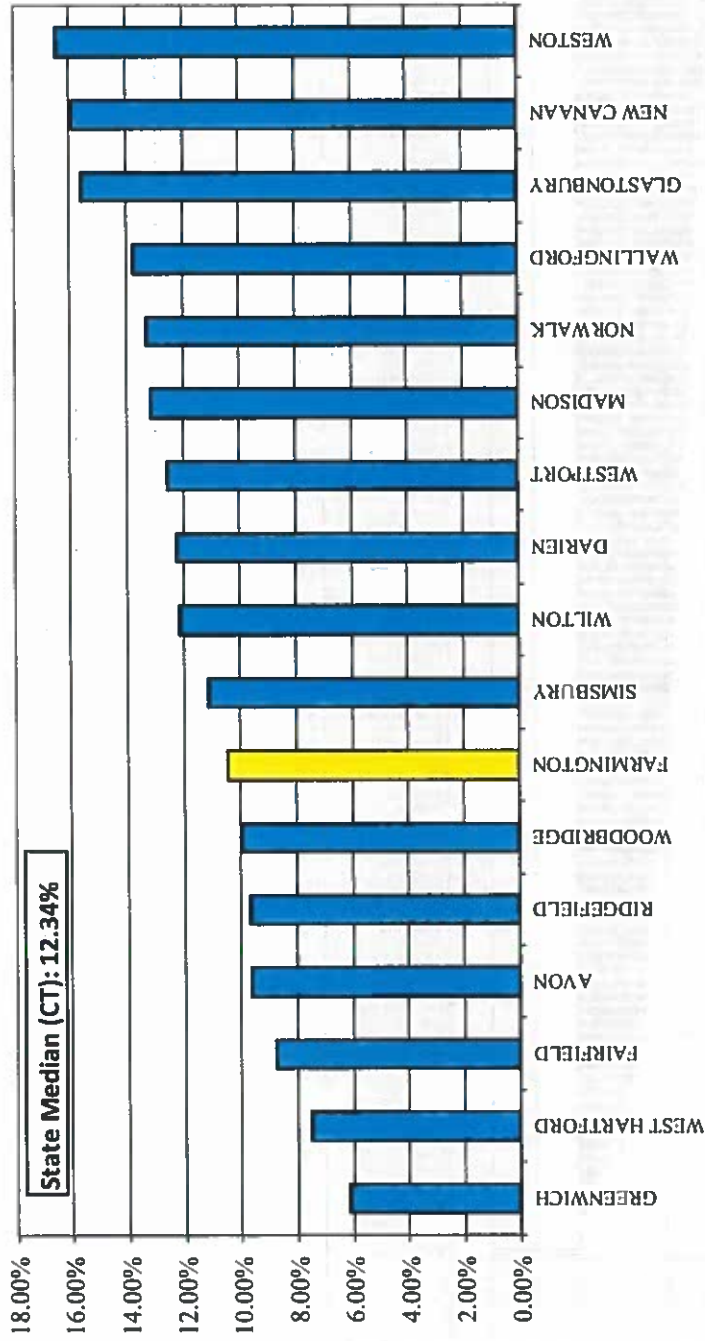
Major Rating Assessment Categories

- 1) Management Practices – 25%**
 - Fiscal Discipline and Ability to Plan, Monitor and Manage Government Finances
- 2) Economy & Demographics – 30%**
 - Unemployment Rate, Housing Values
- 3) Financial Performance – 25%**
 - Fund Balance Levels & Budgetary Discipline
- 4) Debt Management – 10%**
 - Debt % of Budget, Debt % of Grand List
- 5) Long-term Liabilities – 10%**
 - Pension & OPEB (Retirement Health Care)

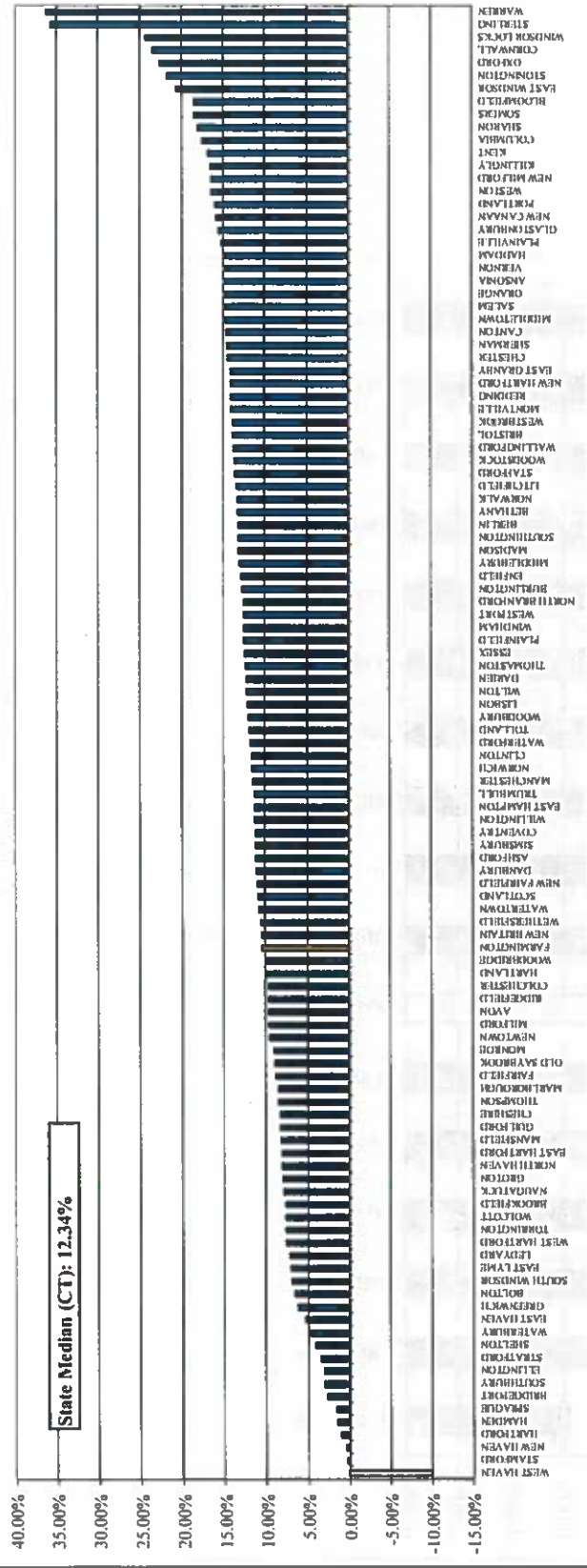
TOTAL Fund Balance as % of Revenues



Unassigned General Fund Balance as % of Revenues



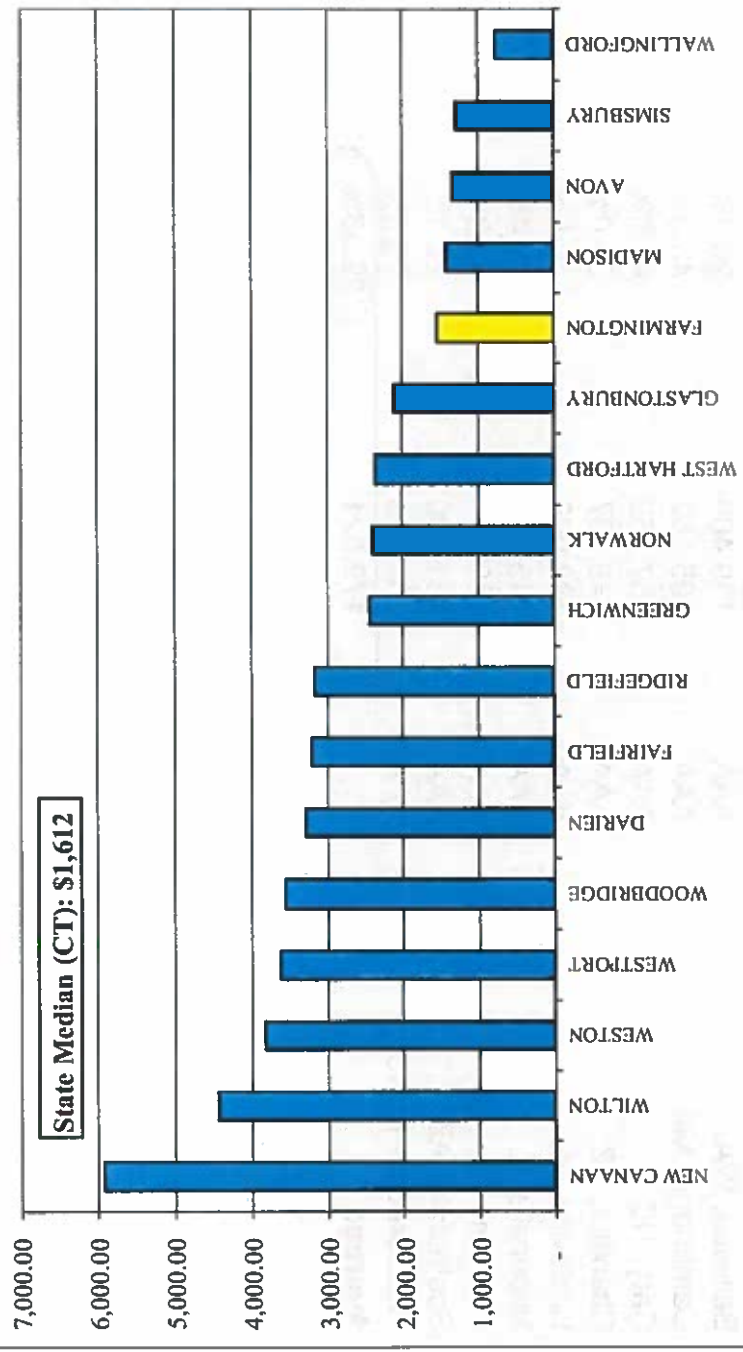
Unassigned General Fund Balance as % of Revenues

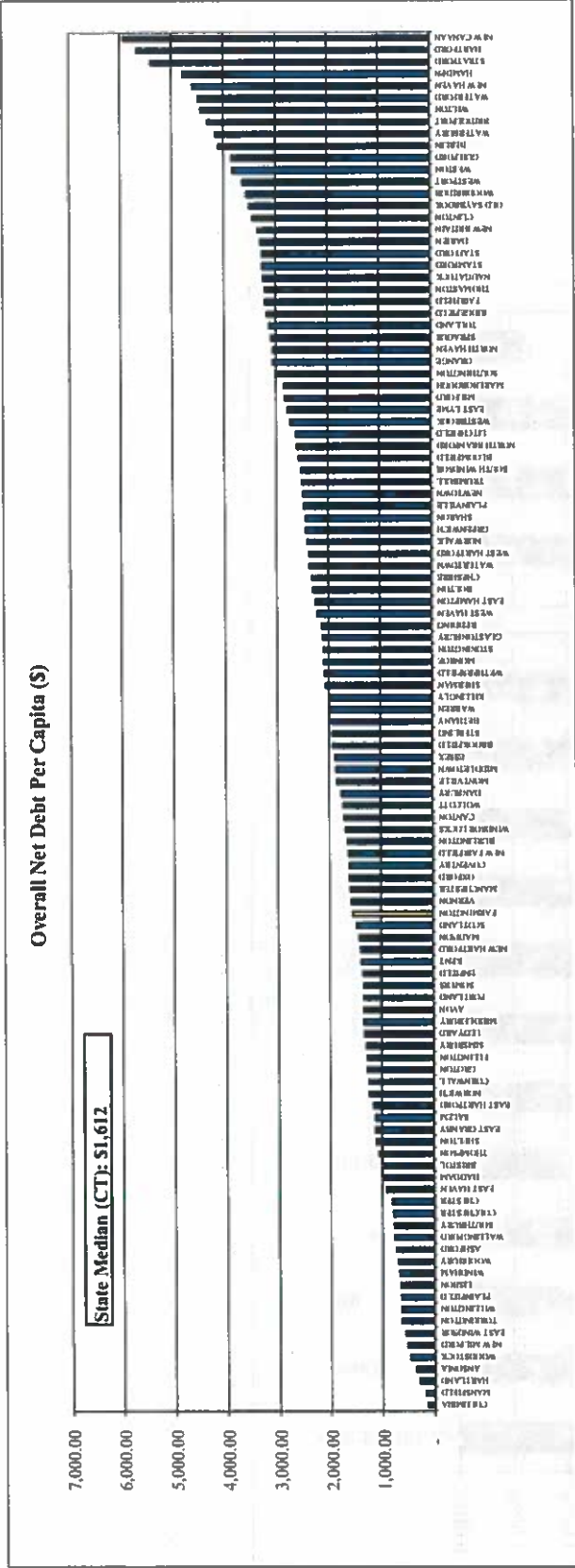


Sample of National "AAA" Fund Balance Levels

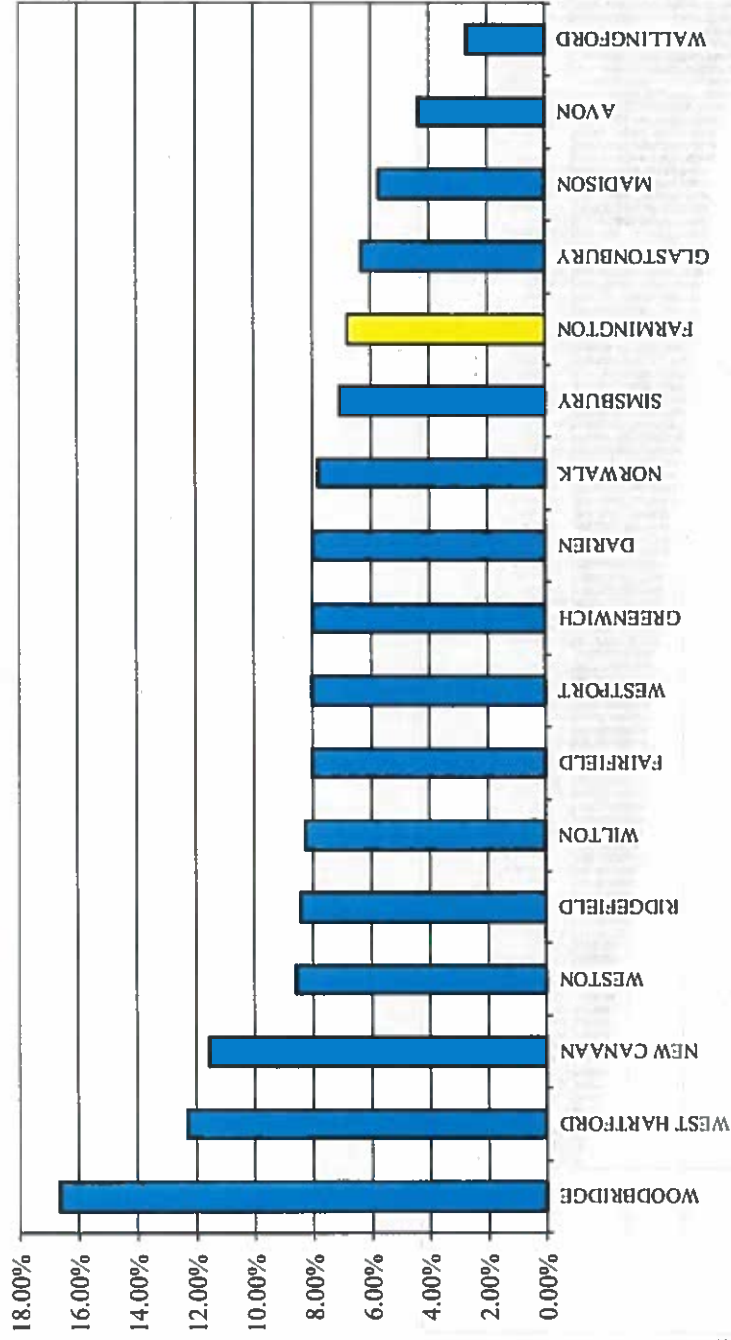
City	S&P Rating	Population	Unassigned Fund Balance as % of Revenues
Alexandria, VA	AAA	146,294	19.0%
Bellevue, WA	AAA	139,400	20.3%
Cambridge, MA	AAA	105,152	40.6%
Cary, NC	AAA	157,259	44.6%
Chandler, AZ	AAA	249,497	35.0%
Huntsville, AL	AAA	188,000	19.6%
Naperville, IL	AAA	145,058	23.4%
Overland Park, KS	AAA	189,450	40.9%
Scottsdale, AZ	AAA	231,200	27.1%
Winston-Salem, NC	AAA	238,899	23.0%
Average		179,021	29.35%

Overall Net Debt Per Capita (\$)



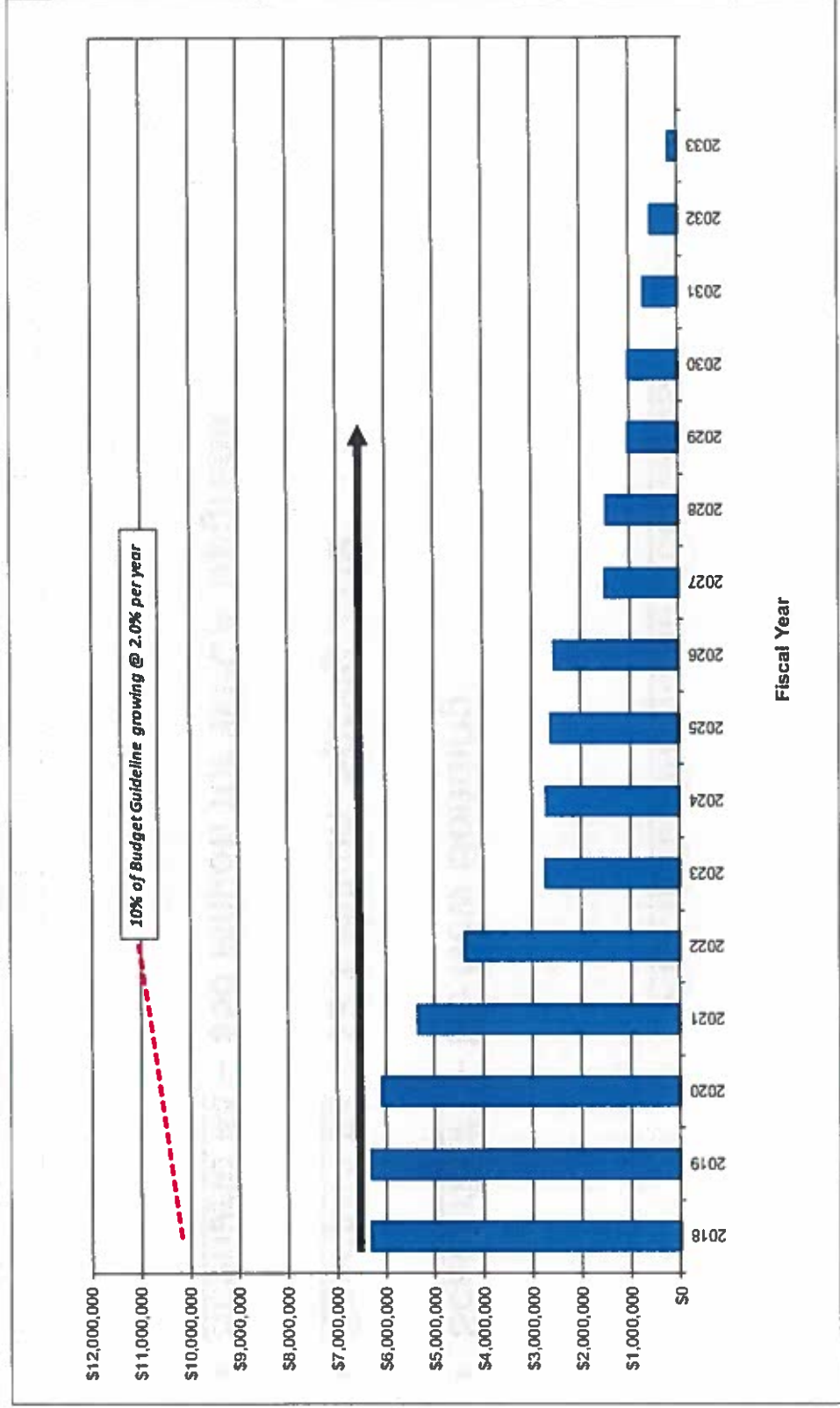


Debt Service as % of Operating Expenditures



Existing Debt Metrics & Debt Graph

- 90% of existing debt is amortized over 10 years and 100% in 15 years
- Debt-per-capita \$3,000 vs. State average of about \$1,600
- Debt as % of Grand List 1.50% vs State average of 1.50%
- Annual Debt Service as percentage of Budget is 6.40% vs State average of 9.0%



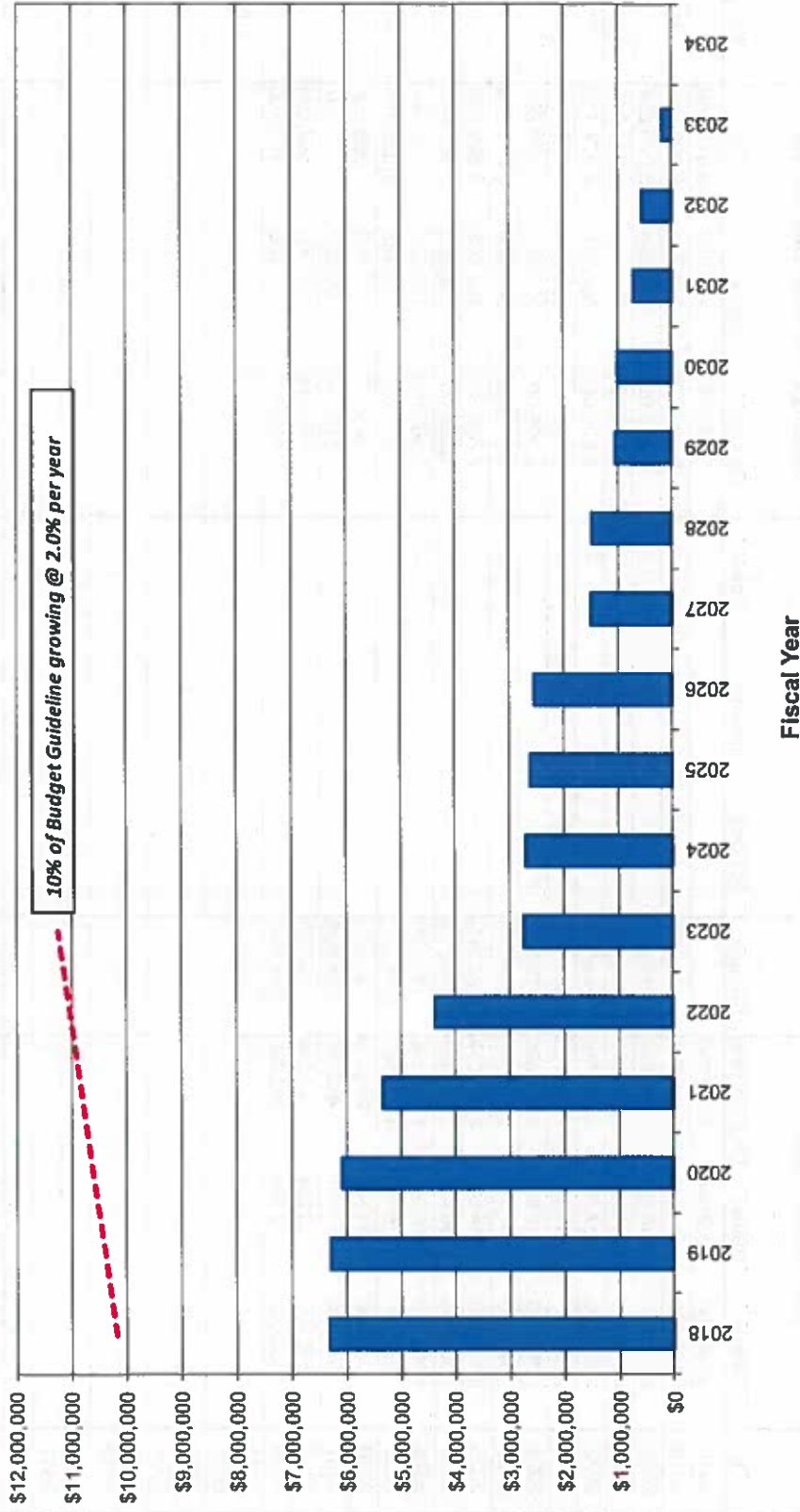
Possible Financing Scenarios

- Scenario #1 – No New Bonding
- Scenario #2 – \$2.1 Million, Spring 2019
- Scenario #3 – \$50 Million for WPCA Upgrade

Scenario #1 - No New Bonding

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)		
					Proposed Debt Service ==>								
	Total Existing Debt			Change	Principal			Interest			Total		
FY	Principal	Interest	Debt Service	Change	Principal	Interest	Total	Principal	Interest	Total	Change		
2018	5,030,000	1,283,066	6,313,066		-	-	-	5,030,000	1,283,066	6,313,066			
2019	5,180,000	1,116,744	6,296,744	(16,323)	-	-	-	5,180,000	1,116,744	6,296,744	(16,323)		
2020	5,185,000	894,694	6,079,694	(217,050)	-	-	-	5,185,000	894,694	6,079,694	(217,050)		
2021	4,660,000	681,219	5,341,219	(738,475)	-	-	-	4,660,000	681,219	5,341,219	(738,475)		
2022	3,870,000	507,719	4,377,719	(963,500)	-	-	-	3,870,000	507,719	4,377,719	(963,500)		
2023	2,350,000	383,719	2,733,719	(1,644,000)	-	-	-	2,350,000	383,719	2,733,719	(1,644,000)		
2024	2,395,000	302,894	2,697,894	(35,825)	-	-	-	2,395,000	302,894	2,697,894	(35,825)		
2025	2,370,000	241,288	2,611,288	(86,606)	-	-	-	2,370,000	241,288	2,611,288	(86,606)		
2026	2,345,000	184,069	2,529,069	(82,219)	-	-	-	2,345,000	184,069	2,529,069	(82,219)		
2027	1,365,000	136,456	1,501,456	(1,027,613)	-	-	-	1,365,000	136,456	1,501,456	(1,027,613)		
2028	1,360,000	106,294	1,466,294	(35,163)	-	-	-	1,360,000	106,294	1,466,294	(35,163)		
2029	955,000	75,169	1,030,169	(436,125)	-	-	-	955,000	75,169	1,030,169	(436,125)		
2030	945,000	51,506	996,506	(33,662)	-	-	-	945,000	51,506	996,506	(33,662)		
2031	675,000	27,097	702,097	(294,409)	-	-	-	675,000	27,097	702,097	(294,409)		
2032	535,000	12,094	547,094	(155,003)	-	-	-	535,000	12,094	547,094	(155,003)		
2033	180,000	2,700	182,700	(364,394)	-	-	-	180,000	2,700	182,700	(364,394)		
2034	-	-	-	(182,700)	-	-	-	0	0	0	(182,700)		
2035	-	-	-	-	-	-	-	-	-	-	0		
2036	-	-	-	-	-	-	-	-	-	-	0		
2037	-	-	-	-	-	-	-	-	-	-	0		
2038	-	-	-	-	-	-	-	-	-	-	0		
2039	-	-	-	-	-	-	-	-	-	-	0		
2040	-	-	-	-	-	-	-	-	-	-	0		
2041	-	-	-	-	-	-	-	-	-	-	0		
2042	-	-	-	-	-	-	-	-	-	-	0		
	39,400,000	6,006,726	45,406,726		0	0	0	39,400,000	6,006,726	45,406,726			

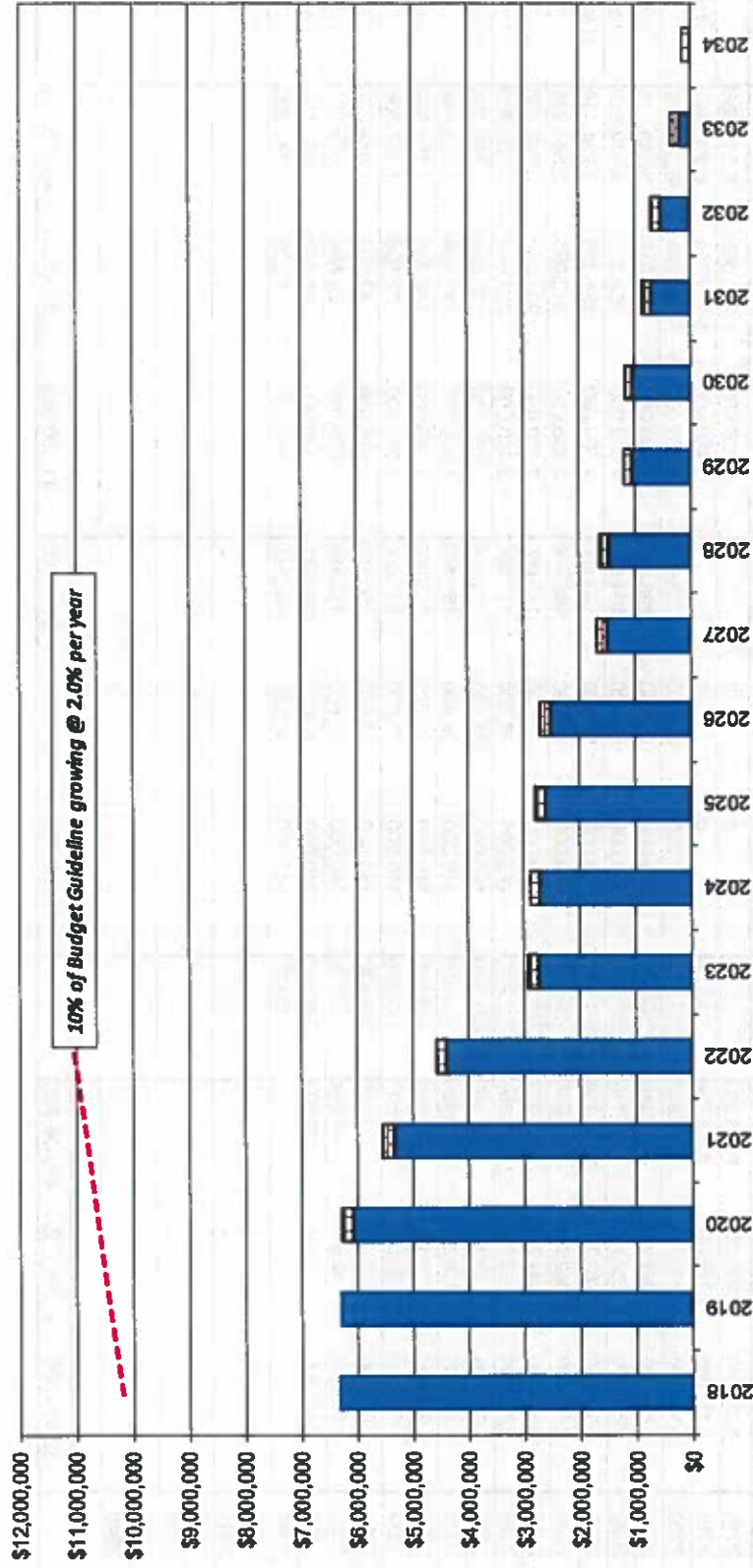
Scenario #1 - No New Bonding



Scenario #2 - \$2,100,000 Bonds Spring 2019

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Proposed Debt Service ==>											
Total Existing Debt											
FY	Principal	Interest	Debt Service	Change	Principal	Interest	Total	Principal	Interest	Total	Change
2018	5,030,000	1,283,066	6,313,066		0	0	0	5,030,000	1,283,066	6,313,066	
2019	5,180,000	1,116,744	6,296,744	(16,323)	0	0	0	5,180,000	1,116,744	6,296,744	(16,323)
2020	5,185,000	894,694	6,079,694	(217,050)	140,000	63,000	203,000	5,325,000	957,694	6,282,694	(14,050)
2021	4,660,000	681,219	5,341,219	(738,475)	140,000	58,800	198,800	4,800,000	740,019	5,540,019	(742,675)
2022	3,870,000	507,719	4,377,719	(963,500)	140,000	54,600	194,600	4,010,000	562,319	4,572,319	(967,700)
2023	2,350,000	383,719	2,733,719	(1,644,000)	140,000	50,400	190,400	2,490,000	434,119	2,924,119	(1,648,200)
2024	2,395,000	302,894	2,697,894	(35,825)	140,000	46,200	186,200	2,535,000	349,094	2,884,094	(40,025)
2025	2,370,000	241,288	2,611,288	(86,606)	140,000	42,000	182,000	2,510,000	283,288	2,793,288	(90,806)
2026	2,345,000	184,069	2,529,069	(82,219)	140,000	37,800	177,800	2,485,000	221,869	2,706,869	(86,419)
2027	1,365,000	136,456	1,501,456	(1,027,613)	140,000	33,600	173,600	1,505,000	170,056	1,675,056	(1,031,813)
2028	1,360,000	106,294	1,466,294	(35,163)	140,000	29,400	169,400	1,500,000	135,694	1,635,694	(39,363)
2029	955,000	75,169	1,030,169	(436,125)	140,000	25,200	165,200	1,095,000	100,369	1,195,369	(440,325)
2030	945,000	51,506	996,506	(33,662)	140,000	21,000	161,000	1,085,000	72,506	1,157,506	(37,862)
2031	675,000	27,097	702,097	(294,409)	140,000	16,800	156,800	815,000	43,897	858,897	(298,609)
2032	535,000	12,094	547,094	(155,003)	140,000	12,600	152,600	675,000	24,694	699,694	(159,203)
2033	180,000	2,700	182,700	(364,394)	140,000	8,400	148,400	320,000	11,100	331,100	(368,594)
2034	-	-	-	(182,700)	140,000	4,200	144,200	140,000	4,200	144,200	(186,900)
2035	-	-	-	-	-	-	-	-	-	-	(144,200)
2036	-	-	-	-	-	-	-	-	-	-	0
2037	-	-	-	-	-	-	-	-	-	-	0
2038	-	-	-	-	-	-	-	-	-	-	0
2039	-	-	-	-	-	-	-	-	-	-	0
2040	-	-	-	-	-	-	-	-	-	-	0
2041	-	-	-	-	-	-	-	-	-	-	0
	39,400,000	6,006,726	45,406,726		2,100,000	504,000	2,604,000	41,500,000	6,510,726	48,010,726	

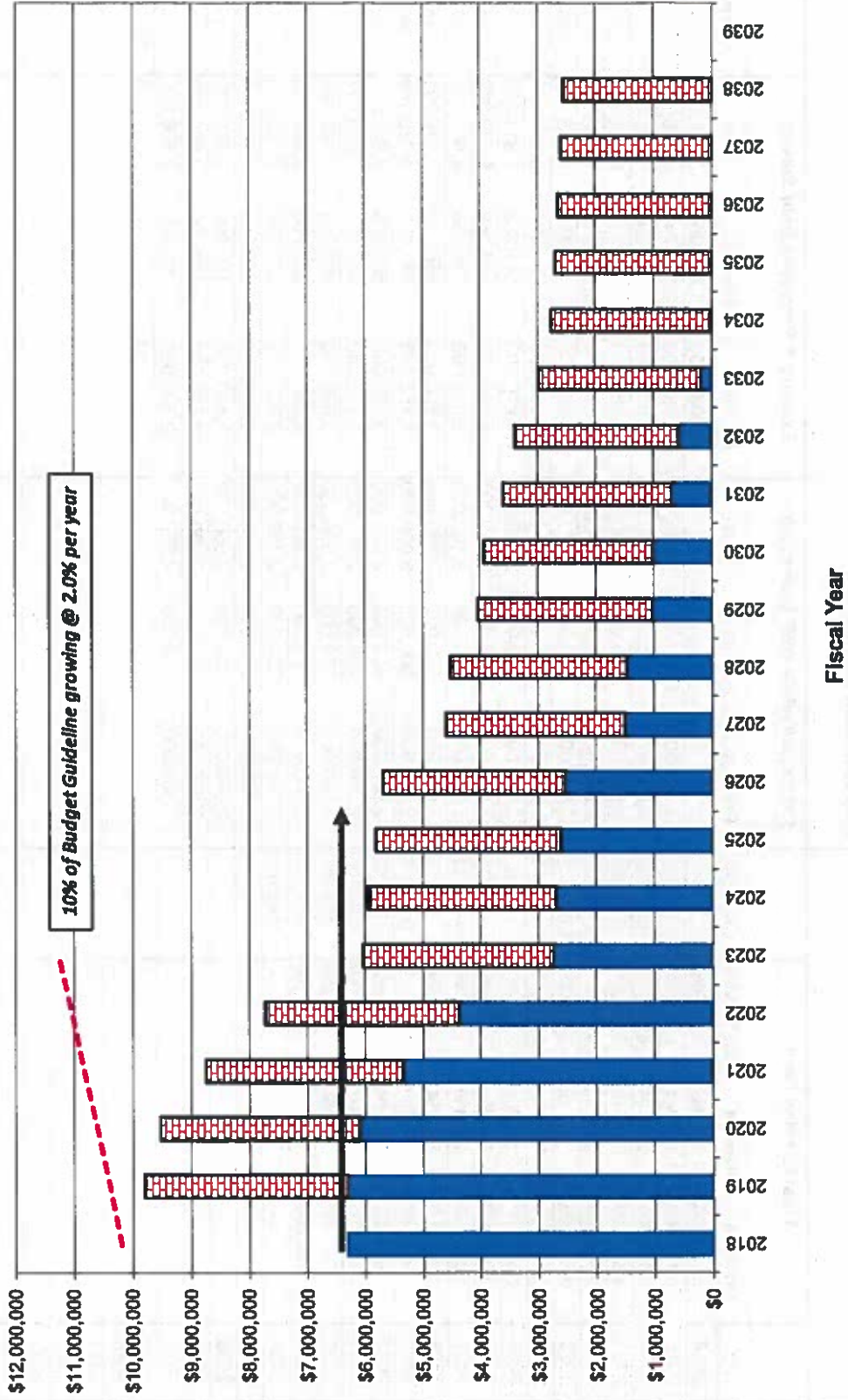
Scenario #2 - \$2.1 Million Bonds in 2019



Scenario #3 - \$50 Million WPCA Loan at 2.0%

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	
	Total Existing Debt				Proposed Debt Service ==>				Existing & Proposed Debt Service			
FY	Principal	Interest	Debt Service	Change	Principal	Interest	Total	Principal	Interest	Total	Change	
2018	5,030,000	1,283,066	6,313,066		0	0	0	5,030,000	1,283,066	6,313,066		
2019	5,180,000	1,116,744	6,296,744	(16,323)	2,500,000	1,000,000	3,500,000	7,680,000	2,116,744	9,796,744	3,483,678	
2020	5,185,000	894,694	6,079,694	(217,050)	2,500,000	950,000	3,450,000	7,685,000	1,844,694	9,529,694	(267,050)	
2021	4,660,000	681,219	5,341,219	(738,475)	2,500,000	900,000	3,400,000	7,160,000	1,581,219	8,741,219	(788,475)	
2022	3,870,000	507,719	4,377,719	(963,500)	2,500,000	850,000	3,350,000	6,370,000	1,357,719	7,727,719	(1,013,500)	
2023	2,350,000	383,719	2,733,719	(1,644,000)	2,500,000	800,000	3,300,000	4,850,000	1,183,719	6,033,719	(1,694,000)	
2024	2,395,000	302,894	2,697,894	(35,825)	2,500,000	750,000	3,250,000	4,895,000	1,052,894	5,947,894	(85,825)	
2025	2,370,000	241,288	2,611,288	(86,606)	2,500,000	700,000	3,200,000	4,870,000	941,288	5,811,288	(136,606)	
2026	2,345,000	184,069	2,529,069	(82,219)	2,500,000	650,000	3,150,000	4,845,000	834,069	5,679,069	(132,219)	
2027	1,365,000	136,456	1,501,456	(1,027,613)	2,500,000	600,000	3,100,000	3,865,000	736,456	4,601,456	(1,077,613)	
2028	1,360,000	106,294	1,466,294	(35,163)	2,500,000	550,000	3,050,000	3,860,000	656,294	4,516,294	(85,163)	
2029	955,000	75,169	1,030,169	(436,125)	2,500,000	500,000	3,000,000	3,455,000	575,169	4,030,169	(486,125)	
2030	945,000	51,506	996,506	(33,662)	2,500,000	450,000	2,950,000	3,445,000	501,506	3,946,506	(83,662)	
2031	675,000	27,097	702,097	(294,409)	2,500,000	400,000	2,900,000	3,175,000	427,097	3,602,097	(344,409)	
2032	535,000	12,094	547,094	(155,003)	2,500,000	350,000	2,850,000	3,035,000	362,094	3,397,094	(205,003)	
2033	180,000	2,700	182,700	(364,394)	2,500,000	300,000	2,800,000	2,680,000	302,700	2,982,700	(414,394)	
2034	-	-	-	(182,700)	2,500,000	250,000	2,750,000	2,500,000	250,000	2,750,000	(232,700)	
2035	-	-	-	-	2,500,000	200,000	2,700,000	2,500,000	200,000	2,700,000	(50,000)	
2036	-	-	-	-	2,500,000	150,000	2,650,000	2,500,000	150,000	2,650,000	(50,000)	
2037	-	-	-	-	2,500,000	100,000	2,600,000	2,500,000	100,000	2,600,000	(50,000)	
2038	-	-	-	-	2,500,000	50,000	2,550,000	2,500,000	50,000	2,550,000	(50,000)	
2039	-	-	-	-	-	-	-	-	0	0	(2,550,000)	
2040	-	-	-	-	-	-	-	-	-	-	0	
2041	-	-	-	-	-	-	-	-	-	-	0	
2042	-	-	-	-	-	-	-	-	-	-	0	
2043	-	-	-	-	-	-	-	-	-	-	0	
2044	-	-	-	-	-	-	-	-	-	-	0	
2045	-	-	-	-	-	-	-	-	-	-	0	
2046	-	-	-	-	-	-	-	-	-	-	0	
2047	-	-	-	-	-	-	-	-	-	-	0	
	39,400,000	6,006,726	45,406,726		50,000,000	10,500,000	60,500,000	89,400,000	16,506,726	105,906,726		

Scenario #3 - \$50 Million WPCA Upgrade



Summary

- Though increasing moderately, long-term rates are not far from all-time lows but the Fed is increasing short-term rates.
- The Town currently has the highest possible rating from Moody's Investors Service of **Aaa**.
- State of Connecticut has been downgraded numerous times and is now in the single "A" category. No rating upgrades in Connecticut in over 2 years.
- Town existing debt service is amortizing very aggressively with 90% amortized in 10 years. The average in Connecticut is 60%
- Most moderate sized bond issues will not materially impact the Town.
- But \$50 million to \$75 million sized bond issues will significantly impact the town's debt budget.
- Town can explore options to help mitigate the impact of large bond issues by lengthening the amortization to 25 year or 30 years and by splitting the proposed debt into multiple pieces or tranches.