

**MINUTES OF MEETING
FINANCE COMMITTEE
January 3, 2022**

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A meeting of the Finance Committee was held on Monday, January 3, 2022, electronically via Zoom due to the Covid-19 Pandemic. The meeting was called to order at 7:04 P.M. by the Chair, Jeron Alston.

MEMBERS PRESENT: Jeron Alston, Chair; Sarah Gallagher, Vice-Chair; Lesley DeNardis; Justin Farmer; Cory O'Brien; Marjorie Bonadies; Betty Wetmore (after roll call)

MEMBERS ABSENT: None

Also in attendance were: Barry Bernabe, Financial Advisor, Alexander Shih, Underwriter

Public Input (for any agenda item): There were no speakers

Public Hearing (Item #1): 7:06pm – 7:11pm

There were 2 speakers. One who asked if these were new bonds and one who said he doesn't understand how you make up the money.

The following items were addressed:

1. Resolution with respect to the authorization, issuance and sale of not exceeding \$60,000,000 Town of Hamden, Connecticut General Obligation Refunding Bonds

-- Moved by Ms. Bonadies, seconded by Mr. O'Brien. DISCUSSION:

Ms. Bonadies asked if it is correct that 80% of the bonds are eligible for refinancing at a lower interest rate. Mr. Bernabe confirmed that is correct. Ms. Bonadies asked what if the lower interest rate is not available. Mr. Shih said based on the latest numbers, for example, the Town refinanced debt in December at a lower rate - in the current interest rate environment, the Town was able to refinance this down from 3.8% to 2.1%. Ms. Bonadies asked is this rate current, can this happen quickly? Mr. Shih said, with this particular bond issue, unfortunately due to tax law the Town will not be able to execute this transaction until May of 2022. Ms. Bonadies asked if this rate will be available in May. Mr. Shih indicated rates may eventually rise, we are dealing with inflation, Omicron, supply chain issues, other economic drivers, the best way to answer is, your financial team will continue to monitor the market and provide updates. If Council authorizes this refinancing bond resolution, it does not mean it has to proceed. This is getting set up so if the refinancing opportunity is available, it is authorized. Ms. Bonadies asked what the current rate is. Mr. Shih said 2.1%.

Mr. Bernabe gave a presentation. Mr. Bernarbe said they are recommending that the Town authorize up to 6 million of refinance in bonds. Those bonds will not add any new debt to the Town's outstanding debt, because it will be new debt issued at a lower cost that would refinance previously issued bonds. There are savings in two ways. The bonds will be issued at lower rate which will generate a certain amount of savings. In addition, part of this refinancing bonds is what we also call restructuring bonds. This typically has somewhat of a negative connotation to it because the restructuring component would actually take out some debt that would come due next year and the year after and push it out into the future a bit. The ironic thing about that is, typically when you do that it increases the Town's Debt Service because debt you would pay next years into the future which means you would add more interest cost. But because interest rates are lower now, even though some debt is being pushed out into the future, it still results in an aggregate savings to the Town due to the new lower rate. Most importantly, the plan/strategy is that these savings we are projecting, will fall right down into the fund balance position, the Town's Capital position. The last audit in 2020 - the Town had a negative fund balance. We looking to not only make that positive, but go up to perhaps 10% of the Town's budget or roughly 25 million dollars. So, this refinancing could have a very transformative effect on the Town's financial position because one of the key things the rating agencies look at is- the town's reserve position has been very low in fact, negative which is really causing a lot of downward pressure on the Town's bond rating. They believe that over the next two to three years, this plan could help generate up to 25 million dollars in the Town's fund balance position. This is really what this plan is all about. That is the goal-to refinance, restructure a small amount of debt to turbo charge those savings and have it fall right down to fund balance. The one big caveat is that in order for this plan to work, The Town's budget, going forward excluding debt service, has to be structurally balanced. We can't generate a 6 million dollar surplus in debt service and then have a core deficit of 6 million dollars because those will just balance each other out and there will be no movement forward. As long as the Town's core budget is balanced- revenues equal expenditures, the savings from debt service will fall right to fund balance. That is the overall theme.

Per Mr. Alston's request Mr. Bernabe explained which of the bonds listed could be refinanced when and said they are urging the Town to authorize the entire plan. This could provide a better opportunity for a bond rating upgrade.

Mr. Farmer asked for clarification on money that would go into the fund balance-if it could only be used in an emergency. Attorney Gruen said that question should be answered by Mr. Panico. She will communicate with him. Mr. Bernabe explained this process is being done to create a positive fund balance. Mr. Bernabe explained that while it may be possible to tap into said money in an emergency, that is not the game plan with this undertaking. The purpose is to let it grow. The Town has never had a positive fund balance. The rating agencies like to see 25% of the budget in this account as a savings account, not be used to balance the budget. It is to create a positive fund balance.

Ms. Gallagher asked for clarification regarding some information in the slides and what will happen after 2025. Mr. Bernabe said the goal is to get the Town at 10% of their budget, so going forward he does not think there will be a need to anymore of this debt refinancing/restructuring, unless/except for the potential of pure savings.

Ms. Bonadies asked for clarification on the bond premium. Mr. Bernabe explained anytime you issue bonds in the municipal market, you tend to get what is called a bond premium, which is, the interest rate you pay on the bonds tends to be slightly above the market rate. The market compensates you for

paying those slightly above market rates.

Mr. O'Brien explained some of the background leading up to this and said many of the concerns/questions stem out of that past. Mr. O'Brien emphasized this plan will require discipline on the part of the administration and the council to pay our bills. If we do not have that discipline, this plan is not worth doing.

Brief discussion followed.

Mr. Alston suggested postponing this until the next finance committee meeting of February 7, 2022 and said he wanted 3 things. 1) An opinion about availability of use of the general fund, 2) if there are any other approval items they're unaware of let them know, and 3) where payments will fall off in the out years.

Mr. O'Brien then moved a motion to postpone this item until the Finance Committee on February 7th. The motion was seconded by Mr. Farmer and approved unanimously. **POSTPONED until the February 7, 2022 committee meeting.**

(Discussion on this item submitted with the help of Rose Lion, LC Secretary by watching the video)

2. Resolution to transfer appropriation and unexpended bond proceeds to Furniture, Fixtures and Equipment Project

-- Moved by Ms. Wetmore, seconded by Mr. Farmer and approved unanimously

3. Capital Improvement Program (CIP) – Project Balance Transfer \$53,610

-- Moved by Mr. O'Brien, seconded by Ms. Wetmore. DISCUSSION: Ms. Bonadies asked for an itemized list of what is being spent. Ms. Wetmore wondered why they had to spend it at all. Mr. Galarza stated they're in the process of closing out accounts. A vote was taken and the item passed unanimously.

4. Refund of Property Taxes collected prior to July 1, 2021 – (16) totaling \$4,404.73

-- Moved by Mr. Farmer, seconded by Ms. Wetmore and approved unanimously.

5. Refund of Property Taxes collected between to July 1, 2021 and June 30, 2022 Overpayments on current Grand List –(4) totaling \$12,127.82

-- Moved by Ms. Wetmore, seconded by Mr. Farmer and approved unanimously.

6. Refund of Motor Vehicle Taxes collected between July 1, 2021 and June 30, 2022 – Overpayments on current Grand List – (58) totaling \$23,797.04

-- Moved by Mr. Farmer, seconded by Ms. Wetmore and approved unanimously.

7. Order authorizing the Finance Department to reclassify uncollectable taxes to the Suspense Tax Book – C.G.S. §12-165

-- Moved by Ms. Bonadies, seconded by Ms. Wetmore and approved unanimously. DISCUSSION: Ms. Bonadies asked if these were still collectable once on the suspense book. Mr. Grace said he'd have to get back to her on that. Mr. Alston said that the backup says it's still collectable. A vote was taken and the item passed unanimously.

**8. Order authorizing intradepartmental transfer 2021-2022 Fiscal Year Budget - \$300,000
Accrued Benefits/Retirement (from E&C acct)**

-- Moved by Mr. Farmer, seconded by Mr. O'Brien. DISCUSSION: After a brief discussion about the recent retirements and the extra money needed Mr. O'Brien stated his concern with \$592,412.34 left in E&C when we haven't even started snow yet. A vote was taken and the item passed unanimously.

There being no further business the meeting adjourned at 8:46 P.M.

Respectfully submitted,

Kim Renta, Clerk
for Jeron Alston, Chair

(with the help of Rose Lion, LC Secretary)