

Town of Southington  
Board of Finance  
Wednesday, October 9, 2013

STENOGRAPHER'S NOTE: The Minutes are now being prepared in summary style. Please refer to the audio or videotape for more details.

Appropriations from Contingency Account:

Approved to date.....	\$ 50,000
Approved this meeting.....	<u>0</u>
Total Appropriations.....	\$ 50,000

Appropriations with Revenue Offsets:

Approved to date.....	\$ 1,520
Approved this meeting.....	<u>55,977</u>
Total Appropriations.....	\$ 57,497

Chairperson John Leary, called the Regular Meeting of the Town of Southington Board of Finance to order at 7:00 p.m. in the Council Chambers of the Town Hall with the following members in attendance:

Joseph Labieniec, Edward Pocock, Jr, Sandra Feld & Wayne Stanforth

Also in attendance: Emilia Portelinha, Finance Director  
Garry Brumback, Town Manager

Absent: Anthony Casale, Jr., Board Member

A quorum was determined.

The Pledge of Allegiance to the American Flag was recited by everyone in attendance.

**JOHN LEARY, CHAIR, Presiding:**

**III. Public Hearing Items**

1. Ordinance appropriating \$615,000 for the costs related to the design and construction of a storage tank, pump station, water

mains, and appurtenances to serve the east side pressure zone; and authorizing the issuance of \$615,000 bond, notes and temporary notes to finance said appropriation (Water Department)

2. Ordinance appropriating \$1,020,000 for the costs related to the design and construction of a replacement well (well #7); and authorizing the issuance of \$1,020,000 bond, notes and temporary notes to finance said appropriation (Water Department)

3. Ordinance appropriating \$4,850,000 for the costs related to the design and construction of water mains, along portions of Prospect Street, Clark Street, Route 322, Beecher Street and Mulberry Street; and authorizing the issuance of \$5,850,000 bond, notes and temporary notes to finance said appropriation (Water Department)

4. Ordinance appropriating \$1,550,000 for the costs related to the design and construction of a backup well (well #2A) for well #2; and authorizing the issuance of \$1,550,000 bond, notes and temporary notes to finance said appropriation (Water Department)

Mr. Brumback introduced the four bond ordinances. They delineate approximately \$8 million worth of bonding requests.

I will ask Mr. Rogers to come forward and talk specifics.

I believe that #4 is the one that they are looking to bond only for the purposes of becoming grant eligible. And, he will answer any other questions the board may have.

Fred Rogers, Superintendent, Southington Water Department. He gave a brief overview indicating the water department and board of water commissioners completed a capital improvement plan this past year. Our goal is to identify, prioritize and then budget for these projects. This is the implementation of that plan.

In reference to the Well 2 replacement project, that is a State Drinking Water Revolving Fund loan and not a grant. That does require a bond ordinance.

Are there any specific questions you have of me?

Mr. Stanforth asked for an overview of each project.

Mr. Rogers noted the 4.850 million came out of the capital improvement plan. Our consultant engineer did a detailed hydraulic model of our current underground infrastructure. With that list that was generated, we also looked at town projects, road reconstruction and paving and tried to marry those two together as best we could. That list is good and definitely addresses the next three to five years of what is happening in town with the road.

Well #2 and 7, very important. That's water supply sources. Some records and tests we've done suggest that they're heading towards

the end of their useful life. The board has done some preliminary testing and surveys within the 200' radius of those wells and the tests and engineering we've done suggest that we have found two sources that are going to produce the same water supply, if not more. We're looking to drill new wells, new pumps, motors, new well house and utilize the current structure for water treatment, et cetera.

It is definitely very important on our list because it directly relates to water supply.

The east side pressure zone, we really looked at our overall system and how it supplies water to the residents. We serve the east side through our West Queen Street tanks. Explained.

That is the only feed we have to the east side of town which creates a hydraulic straw, if you will. And, some liability if we lose that service. We're looking to separate that pressure zone, one on the east side of Route 10 and the West Queen Street tank on the west side. That would expand our east side pressure zone with a more redundant supply, better water quality and better fire flow and fire suppression supply.

The capital improvement plan looked at every piece of infrastructure above and below ground. All of our buildings, mechanical safety, HVAC, how we operate, water quality, storage, supply, pumping, electrical, energy efficiency.

Mr. Stanforth asked why Well 2A is the one eligible for the state revolving. Mr. Rogers said #7 would be, but 2A is a main source of supply for us. We could've gone for bonding for both projects, low interest loan program. No specific reason other than we did the engineering and why not try to see where we want. Because it was water supply with a water quality component, it would rank very high on how they rank and rate projects. It ranked #3 out of 30, I believe. It is a viable project.

Discussion about Well 2 vs 7 relative to water supply and quality.

Some of the pipe replacement is for pipes dating back to the 1800's.

Discussion.

Ms. Feld asked for the rate users, what do you have in mind for increasing the rates for water service users?

Bob Berkmoes, Vice President of the Board of Water Commissioner. It depends on a lot of things. We anticipate a rate increase of between 2 and 8 percent. That's not cast in stone.

Discussion.

The Chair further explained that the people who will pay for this are those who use water from the Southington Water Company through the

rates they pay for water usage. This will in no way affect the ratios we use to measure the amount of debt we have to our expenses.

Mr. Berkmoes explained the importance of being proactive where water is concerned. The capital improvement plan helped us out tremendously to provide better quality for the town and we know how important that is.

Discussion.

Mr. Brumback complimented the water commission and the water department. We are as a town responsible for some of this. As a result, they're saving money by partnering with the town as we're going through our road program. So we're going to be bearing a portion of the cost of tearing the road up and while the roads are torn up is the best time for them to evaluate, replace infrastructure. They've been onboard since the outset. It's beneficial for not only the water ratepayers but also the taxpayer. We're getting a lot of infrastructure improvements for the minimum amount necessary to do it.

The Chair called for anyone else wishing to speak on these public hearings.

Arthur Cyr, 103 Berlin Avenue. I stand here tonight and I am in favor of all four of these bond issues. This is what it means for the town to work together and all departments. The water department doing their bonding through the town saves ratepayers money because the financing is better. Better communication regarding the roads.

This all works together and I would recommend that we pass this with flying colors.

Thank you.

Hearing no other speakers, the Chair closed the public hearing item.

He asked for unanimous consent to move the bond ordinance shown here in Manager's Memos #1 next on the agenda.

Mr. Stanforth so moved as did Mr. Labieniec. Mr. Pocock seconded. Motion passed unanimously to move the item forward.

## **2. Manager's Memos**

1. Bond Ordinance                      \$615,000      See Public Hearing #1

Ordinance appropriating \$615,000 for the costs related to the design and construction of a storage tank, pump station, water mains, and appurtenances to serve the east side pressure zone; and authorizing the issuance of \$615,000 bond, notes and temporary notes to finance said appropriation (Water Department)

Ms. Feld made a motion to approve as written in the meeting agenda. Mr. Labieniec seconded. Motion passed 5 to 0 on a roll call vote.

Bond Ordinance                    1,020,000    See Public Hearing #2

2.    1.    Ordinance appropriating \$1,020,000 for the costs related to the design and construction of a replacement well (well #7); and authorizing the issuance of \$1,020,000 bond, notes and temporary notes to finance said appropriation (Water Department)

Ms. Feld so moved the motion to approve. Mr. Pocock seconded. Motion passed 5 to 0 on a roll call vote.

Bond Ordinance                    \$4,850,000    See Public Hearing #3

3.    Ordinance appropriating \$4,850,000 for the costs related to the design and construction of water mains, along portions of Prospect Street, Clark Street, Route 322, Beecher Street and Mulberry Street; and authorizing the issuance of \$5,850,000 bond, notes and temporary notes to finance said appropriation (Water Department)

Mr. Labieniec so moved the motion to approve. Ms. Feld and Mr. Pocock seconded. Motion passed 5 to 0 on a roll call vote.

Bond Ordinance                    \$1,550,000    See Public Hearing #4

4.    Ordinance appropriating \$1,550,000 for the costs related to the design and construction of a backup well (well #2A) for well #2; and authorizing the issuance of \$1,550,000 bond, notes and temporary notes to finance said appropriation (Water Department)

Ms. Feld so moved the motion to approve. Mr. Labieniec seconded. Motion passed 5 to 0 on a roll call vote.

#### **IV.    Old Business**

1.    Approval of Minutes from the meeting of September 11, 2013.

Mr. Pocock so moved the motion to approve. Ms. Feld seconded. Motion passed unanimously on a voice vote.

#### **V.    Assess current financial state of the town**

1.    Review revenue vs budget

Ms. Portelinha stated we are now one quarter of the way through the fiscal year. Picking out items where there are changes -

- Prior year's tax collection was projected about 42,000 higher than anticipated.
- Building permits and fees have come in at \$150,000 higher than projected. That's due to increased activity plus a few large permits received in July and September.
- Interest on investments is approximately \$3,000 under budget. Much better than last year.
- Town Clerk fees are currently \$65,000 over budget and that is from increased activity.

Mr. Brumback explained what you are seeing is the money effect of a very robust economic development effort. We're seeing a lot of activity in this town which is not characteristic throughout the state. Credit to the economic development folks. We're landing things that a lot of communities aren't enjoying and it's reflected in the fees. We're hoping that is going to continue.

Discussion of the VoAg fees projected to come in as expected.

## **2. Review expenses vs budget**

Ms. Portelinha stated that currently there is nothing that we've seen that is going to be a dramatic change from what was budgeted.

The tax department issues with manpower were discussed. Mr. Brumback explained they've experienced some fairly significant illnesses inside their ranks. They've had to fill the gaps with overtime and seasonal employees. We think we'll be able to absorb most of it through the course of the year. Bu not all of it. It hit right in July which is one of their two biggest months and that'll be hard to recover.

Mr. Stanforth also brought up bulky waste's budget. Mr. Brumback said we have a very robust bulky waste program going on right now. Explained the volume experienced every week. An enormous amount of electronic stuff and the cost of disposal of that has been in excess of what was expected. We're hoping to see that taper off.

Discussion.

The Calendar House maintenance was for the floors, at one time thing, responded Mr. Brumback to Mr. Stanforth's query.

## **3. Discuss unplanned items that impact revenue or expenses**

Nothing to report.

#### **4. Sub Committee Reports (Emphasis on financial aspects)**

##### **A. Sewer Committee**

Mr. Stanforth noted there was a meeting today. They're working on the facilities plan. That's the big item getting done right now at the wastewater plant. We have no costs for that until the plan is put together. Very preliminary at this point in time.

The Farmstead Interceptor and Water Street project is pretty much complete.

The digesters, the odor from the plant. The money will have to be spent, either short term or long term, to fix the digester issues. Between \$160,000 to \$6 million are the figures to fix the digesters.

##### **B. Public Works Committee**

Ms. Feld reported a meeting on October 2<sup>nd</sup>. The scanners are in and we working last Saturday. We need to track that very carefully.

The leaf program will begin November 4<sup>th</sup> and will run through as usual Zone 1 twice and the other zones once at the discretion of the highway department. If they feel zone 2 needs more work, they will entertain that.

The pools are closed. Snow removal is getting bids. Discussion about mailbox replacement. It was decided to take to the council the recommendation that \$75 would be paid for replacing post and mailbox and \$50 to replace the mailbox, only, by the town.

The streetlights are in good shape.

With regard to new business, real briefly, there was a discussion of the road repair projects and the town's policy with regard to road repair - big ventures. The policy with regard to cuts on new road repairs was discussed.

The fire station roof came in below expectations. We are providing 20% contingency based on possible uncertainties but we are still within what was allotted.

Western Little League water line will be set up. Approval from the health department is needed by the highway department to put in the water line. And, the connection should be done in the next couple of weeks.

Community Services parking lot bids came in too high. That's going out again for bids.

##### **C. Middle School Building Committee & Education Capital Building Committee**

Mr. Pocock reported we are presently on budget. Everything has been going well there. We have a meeting next week. I have to say there has been a lot of cooperation from the town manager's office and obviously Mark Sciota's office. Emilia's office is doing the bookkeeping for us. We'll get financial statements out on this so we know where we stand.

The Education Capital Building Committee has not met.

#### **D. Open Space Committee**

Mr. Pocock advised we have a meeting tomorrow and some will be to discuss real estate in executive session. But one good thing that went on with the open space is Dawn Miceli spearheaded up at Crescent Lake getting some of the trees cut by a sawmill that is UCONN's project. The wood will go to the high school to be used by the workshop students. They'll plan another day on a Saturday. That'll be well publicized.

#### **E. Self Insurance Committee**

Mr. Labieniec explained the last meeting had to be cancelled due to lack of quorum. The numbers through two months of the year --- in August we were below budget of close to \$140,000. In July we were over budget by about \$27,000.

We are right now approximately 3% below the budget set for this fiscal year. We're actually less than 1 percentage point higher than we were to date fiscal year 12-13. Our budget is about 10% over last year's fiscal year.

It is very early with a long way to go but we are in relatively good shape at this time.

#### **F. Gura Building Plan Review**

Mr. Brumback said nothing new add at this time.

#### **G. Other Committees**

Ms. Feld noted the Turf Committee is on for bonding in January along with a slew of other things. Ms. Portelinha confirmed.

### **7. Board Communications**

Ms. Feld thanked everybody who has worked with us for the past two years. This is our last meeting. Thank all the departments in town and those who show up at our request for more information and all

the information you are able to get us. We all appreciate the effort made on our behalf for the residents.

The Chair stated we are elected to a two year term. This is our last meeting together as this elected Board of Finance. We have two members who are not seeking re-election:

Wayne Stanforth who I want to thank for his many years of service. He joined in November of 2007. He has great acuity and attention to detail and very insightful analysis. He comes well prepared. He looks at things in advance and asks a lot of insightful questions. He was the champion for many years of the town's capital improvement plan and we have that finally. That's a credit to his persistence and insistence that that be something that's prioritized and we have it.

We also want to thank the members of the Boar of Finance who served this term, including Tony Casale. He is not with us tonight and he is not seeking re-election. We thank him for his work on this board.

Being on this board takes time away from family, other hobbies and interests so we thank spouses and families of the members of this board for sharing us with the town.

We thank all department heads for working with us hand in hand as we govern the finances of the town.

A huge and very special thank you to all the employees of the town. Enumerated all departments in the school system and town government for what they do for the town.

Thank you for working with us to make this a financially healthy town.

Mr. Labieniec added it should be noted publicly that it has been a pleasure serving with Wayne Stanforth. The highest compliment any departing board member can be paid is that it's genuinely a loss for the town. I don't think people understand what goes into this. And, in Wayne's case, how well he knows the budget. He has served the town in an exceptional manner. I do genuinely think it is a big loss for this board and the town. It is deserving of a big thank you.

Mr. Stanforth thanked Mr. Labieniec. It's great. Anybody who wants to come serve, you make a lot of enemies, no pay, late nights and away from family and friends. Feel free to serve if you want to come do it. But, thank you. It has been an honor to serve the taxpayers of Southington.

Mr. Pocock thanked everybody on the board he worked with. It has been a real pleasure to be here and be around Wayne. I learned a lot sitting next to him. Also, I want to ditto what you said as far as

all the departments. Communication counts and that's how we get the job done up here. Thank you.

#### **VI. Public Communications (Excluding Public Hearing Items)**

Arthur Cyr, 103 Berlin Avenue. I have no notes this evening. I agree with everything that's been said by your members in the last five minutes.

I think I represent the town when I say we all appreciate your hard work. When there is a change of membership, it's interesting to see that come in. They come in with their political agendas and find out real quick that half of what they thought was fact is actually fiction. It takes time for new members to realize that wow; you're not the bad guys on the other side.

I watch the work this board does and I appreciate it, greatly.

You guys chase the money. Wayne keeps track of what's going on with the sewer committee. That's our biggest liability as Mr. Riccio said a couple of weeks ago at a forum; our biggest liability is our sewer treatment plant that hasn't been upgraded since the 1970's.

I appreciate all the work the people on this board do. Mr. Pocock with the middle schools --- how do you do it. We have major accomplishments to be proud of.

I hope those running get re-elected. That'll be a great service to this town.

Again, thank you.

#### **VII. Review Long Range Plan and Priorities**

##### **1. Review status of LRP items in current fiscal year budget**

###### **A. Status /Reprioritizations**

###### **B. Strategy Discussion**

Discussed earlier.

#### **VII. Recommend Amended Fiscal Policies to the Town Council.**

The Chair stated the board of finance has held two workshops with work at home where we looked at the fiscal policies of the town. We have fiscal policies we adhere to and we're called upon to review those policies and we have.

We will recap the changes we made and take a vote on recommending the changes to the fiscal policies to the town council. The town council will take them up and they'll be the changes for the town.

(Reviewed the summary of the fiscal policy changes.)

(Document on file in the Finance Director's Office and attached hereto.)

Mr. Labieniec made the comment that it is the overall collective opinion of this board that we have a sound and conservative policy in place. I don't think we made any changes that made things any easier on us. I think we reviewed the policies and if anything --- look at the floor going from 9 to 10. It's an appropriate move but I think it is a collective opinion of the board that we have sound policies and financially I think we are on solid ground.

Ms. Feld added in going through this and the workshops, we were told by Emilia that the fund balance currently is 11.9% at the end of 2012. And, the debt management as of the end of 2012 was 5.3%. I just wanted to let people know that.

Mr. Stanforth made a motion to approve the policy changes as summarized. Mr. Pocock and Ms. Feld seconded.

Motion passed 5 to 0 on a roll call vote.

The Chair requested the Revised Policies and the Summary of Changes be included in the Minutes of the meeting.

The Board of Finance will formally present the policies to the town council.

## **IX. Conduct Administrative Business**

### **1. Consent Agenda**

Mr. Stanforth made a motion to separate out Item C for discussion purposes.

A.	Appropriation	\$ 500 *	Youth Service - Outside Programs
(Spec Rev)			
	Appropriation	\$178 *	Youth Services - STEPS Donations
(Spec Rev)			
	Appropriations	\$255 *	Youth Services - STEPS Donations
(Spec Rev)			

B. Appropriation \$715 \* Youth Services - STEPS Donations  
(Spec Rev)

Mr. Stanforth made a motion to approve Items A & B. Mr. Pocock seconded. Motion passed unanimously on a voice vote.

C. Appropriation \$55,977 \* Energy Management- Contracted Services

Mr. Stanforth made a motion to approve Item C. I just want more information on it. Mr. Labieniec seconded.

Mr. Brumback explained we were eligible for and received a grant for a micro grid project which is an alternative energy project. The design of which was done by Woodard & Curran.

Some of the items they did exceeded what DEEP felt was appropriate. Woodard & Curran has now decided they will absorb the cost associated with that.

We received a check from DEEP and we are going to pay Woodard & Curran the amount we received from DEEP. There is a \$763 difference and Woodard & Curran will absorb that.

Discussion of a micro grid.

Motion passed unanimously on a voice vote.

#### **Meeting Adjournment -**

Mr. Pocock made a motion to adjourn. Ms. Feld seconded.

Mr. Brumback added: On behalf of the staff, thank you very much. It was a pleasure working with you.

Motion passed unanimously on a voice vote.

(Whereupon, the meeting was adjourned at 8:01 o'clock p.m.)

# FUND BALANCE POLICY

**Purpose:** A municipality's formal fiscal policies should include a policy related to general fund balance reserves. Establishing a Fund Balance Policy that is adhered to is a prudent fiscal management tool that is widely recognized as reflecting positively on the management and protection of the municipality's reserves and ultimately its overall finances. This policy provides both specificity and flexibility, accomplishing one or more of at least three main criteria: establishing a base level of reserves, or a floor; specifying the appropriate circumstances for drawing down reserves; and directing the replenishment of reserves.

## **Policy on Fund Balance Levels:**

The town sets forth the following policies on general fund Unassigned Fund Balance Levels:

**Floor-** the town shall strive to maintain during the year and specifically at fiscal year end a level of general fund unassigned fund balance, also known as accumulated surplus or the rainy day fund at 10% of actual year end general fund revenues. The 10% shall be known as the town's 'floor'.

**Draw Down of Excess Above the Floor:** any excess over the 10% floor may be designated for the following:

- To be used to fund future capital projects or large capital items (e.g. heavy equipment).
- To be used to reduce the following years debt service.

The Town of Southington recognizes it is financially advantageous not to use fund balance reserves to balance its budget.

**Draw Down Below-the Floor:** reducing the floor below the 10% minimum shall be only for the following:

- To be used for emergency situations.
- To be used for one time opportunities, provided there is a two-thirds vote by the Town Council.

**Replenishment of the Floor Shortfall:** if at fiscal year end it is determined there is a shortfall to the 10% floor, the unassigned fund balance is to be rebuilt through any one or combination of the following mechanisms.

- Adding an annual appropriation of at least 25% (or greater) of the difference between the policy level and the account balance until the policy level is met, resulting in the amount(s) adding to unassigned fund balance at fiscal year end(s).
- Freezing an amount of the contingency line-item in the current year resulting in preventing further transfer amounts out of contingency once the target shortfall

is known during the year, except in the interest of flexibility for emergencies or one-time opportunities.

- Implementing a Cost Containment Policy as recommended by the Board of Finance.

**Maintenance of Unassigned Fund Balance Percentage:** During the budget development process, once the projected revenue can be estimated, the required unassigned fund balance percentage for the next year's budget year should be calculated and reviewed. If that amount is projected to fall below the estimated current fiscal year-end unassigned fund balance percentage, a line item will be added to the proposed budget to maintain the required target fund balance.

**Yearly Reporting and Monitoring:** a monthly report shall be prepared by the Director of Finance for review by the Town Manager and given to the Board of Finance and Town Council that reflect:

- Year to date use of contingency.
- Any use of fund balance after contingency hits zero.
- Any potential problems that may cause a fiscal year end deficit.
- Monthly status of revenues and expenditures.

**Charts and Graphs:** (to be prepared and included in the annual budget document)

- 5 year rolling Financial Summary of general fund (condensed statement of revenues, expenditures, and changes in fund balances, along with fund balance ratios.)

**Annual review and update of Policy:** this policy shall be annually reviewed by the Board of Finance and recommendations for any changes be submitted to the Town Council.

**Adopted:** Town Council 8-13-2007

**Revision adopted:**

## ***FUND BALANCE POLICY***

### ***Summary of Policy Changes***

- **Title:** removed “and USE OF FUND BALANCE”.
- **Purpose:** removed the sentence “The accumulation of reserves in more favorable economic times is a resource to sustain a municipality in times of economic and political stress and through changes in leadership.”
- **Throughout document:** removed the word “target” when referencing “target floor”.
- **Throughout document:** replaced “undesignated” fund balance with “unassigned” fund balance per Government Accounting Standards Board (GASB) statement No 54.
- **Floor:** changed the target base unassigned fund balance as a percentage of operating revenues from 9% to 10%.
- **Draw Down of Excess Above the Floor:** removed the sentence “to be used to fund capital items in the current budget” and added sentence “The Town of Southington recognizes it is financially advantageous not to use fund balance reserves to balance its budget.”
- **Draw Down Below the Floor:** added the sentence “To be used for one time opportunities, provided there is a two-thirds vote by the Town Council.”
- **Replenishment of Floor Shortfall:** consolidated three bullet points into two and added “Implementing a Cost Containment Policy as recommended by the Board of Finance.”
- **Maintenance of Unassigned Fund Balance Percentage:** Added this new paragraph “During the budget development process, once the projected revenue can be estimated, the required unassigned fund balance percentage for the next year’s budget year should be calculated and reviewed. If that amount is projected to fall below the estimated current fiscal year- end unassigned fund balance percentage, a line item will be added to the proposed budget to maintain the required target fund balance.”
- **Policy on the Use of Undesignated General Fund Balance to Balance the Budget:** removed entire paragraph “The Town of Southington recognizes it is financially advantageous not to use fund balance reserves to balance its budget. Therefore, it shall be a goal of the Town of Southington to reduce and eventually eliminate any use of general fund balance to balance the budget, therefore eliminating ‘designated for subsequent year’s expenditures’ within the fund balance section on the audited general fund balance sheet. This goal shall be accomplished by a reduction of \$100,000-\$125,000 per year of such a budget balancing revenue source until the source/use is completely eliminated.”
- **Charts and Graphs:** removed bullet point ”5 year rolling Use of Fund Balance to balance the general fund budget”.
- **Annual review and update of Policy:** removed” during the budget setting process” and “with the Board of Finance approved budget for Town Council approval”.

# DEBT MANAGEMENT POLICY

## **Purpose:**

- To establish a criteria for the issuance of debt obligations so as not to exceed acceptable levels of indebtedness.
- To provide consistency and continuity to public policy development through the Town's Capital Improvement Plan (CIP), which also provides evidence of a commitment to meet infrastructure needs through a planned program of future financing, and
- To transmit a message to investors and rating agencies who value such evidence of the community's commitment to financial management.

## **Capital Improvement Plan**

- A CIP shall be prepared by Town staff and submitted to the Planning Commission as per Connecticut General State Statutes.
- The Town Council shall approve a CIP annually.
- The CIP shall consist of a multi-year priority listing of long term capital projects, accompanied by a financing plan which finances all projects in the plan, and is supported by the appropriate sources of revenue.

The financing plan shall be in accordance with the debt management policies contained herein.

- It is the intent of these policies that authorized projects must be part of an adopted CIP.

## **Debt Management**

- It shall be the responsibility of the Town Manager or his designee to maintain all necessary files associated with the issuance of Town debt.
- The Town Manager or his designee shall submit for Town Council consideration a fiscal impact statement prior to any Town Council action to authorize a project involving the issuance of debt. The fiscal impact statement shall contain tables, charts and graphs which address the following:
  - a. An estimate of the debt service principle and interest payments required at the time of long term debt issuance.
  - b. A calculation showing the impact of this additional principle and interest payments to the existing debt service payment schedules at this time.
  - c. A schedule showing the projected impact of such issuance on the mill rate over the period of time that the issuance is for, and

- d. Tables, charts, and graphs showing the various debt ratios relating to the Town's indebtedness.

### **Debt Issuance Ratio's/Limits and Repayment Schedules**

*The Town shall use the following limits to guide issuance of debt:*

- Total direct indebtedness shall not exceed three (3) percent as percentage of full market valuation (most recent equalized grand list as developed the State of Connecticut).
- Total debt service shall be maintained below eight (8) percent of general fund expenditures.
- The annual budget shall include a five-year trend showing compliance with the below 3% and 8% limits, which include the prior three audited fiscal years, the current fiscal year, and the proposed budgeted fiscal year.
- The town shall strive to issue debt no more frequently than every other fiscal year unless it is deemed more cost effective to do otherwise.

*Repayment schedules shall be designed to relate to the useful life of the asset and generally be in accordance with the following:*

- The town shall structure the repayment schedule to level principal payments and declining interest payment over the life of the issue.
- On an overall basis, all general obligation debt shall be structured to retire at least 25% of principal in five years and 70% with ten (10) years.
- Any and all premium received on debt issuances shall be appropriated and used to lower budgeted general fund debt service payments in the following budget year.

### **Alternative Financing Plan**

- The Town Manager is encouraged to suggest to the Town Council/Board of Finance an alternative financing plan for proposed capital projects if a complete analysis indicates that an alternative approach is deemed in the best interests of the Town of Southington (hereby referred to as the "Town").

### **Rating Agency Strategy**

Town management shall strive to remain up to date and pro-active on rating agency standards and criteria for rating the town's debt. Management will provide the rating agencies with financial transparency to include full disclosure of operations and open lines of communication. Management shall endeavor to maintain the highest possible bond ratings to aid in minimizing borrowing costs and preserving access to credit.

### **Credit Reports from Rating Agencies**

Credit Reports issued by the credit rating agencies shall be distributed to the Town Council and Board of Finance for review by those boards after each debt issuance is finalized.

### **Debt Disclosure Practices**

The Town is committed to continuing disclosure practices as evidenced by its financial information online and filing its financial information with nationally recognized disclosure organizations such as [www.emma.msrb.org](http://www.emma.msrb.org) The Town shall make available at its online website its: Comprehensive Annual Financial Report (CAFR), Adopted Budget, 5 year Capital Improvement Plan, and most current Bonding Official Statement. The Town shall also file relevant financial information online with [www.emma.msrb.org](http://www.emma.msrb.org).

**Annual review and update of Policy:** this policy shall be annually reviewed by the Board of Finance and recommendations for any changes be submitted to the Town Council.

**Adopted:** Town Council 8-13-2007

**Revision adopted:**

## **DEBT MANAGEMENT POLICY**

### *Summary of Policy changes*

- **Purpose:** changed Capital Improvement Program to Capital Improvement Plan or CIP.
- **Debt Issuance Ratio's/Limits and Repayment Schedules:** added “unless it is deemed more cost effective to do otherwise” to the last bullet point.
- **Rating Agency Strategy:** added the sentences “Management will provide the rating agencies with financial transparency to include full disclosure of operations and open lines of communication. Management shall endeavor to maintain the highest possible bond ratings to aid in minimizing borrowing costs and preserving access to credit.” Also removed the following sentences “The Town of Southington shall be proactive with rating agencies when addressing upcoming Governmental Accounting Standards Board (GASB) Statements. In addition, the Town of Southington shall be proactive with regards to the presenting the town’s adopted practices and policies, and status of practices and policies in the making, (or lack there of) in addressing new rating criteria presented by the rating agencies.”
- **Financial Management Assessment:** removed entire section as it referenced specifically the Standard & Poor Rating Agency, and their then new Financial Management Assessment Criteria (in 2007) which is no longer their current criteria.

“The town shall address Standard and Poor’s new Financial Management Assessment (FMA) criteria for general obligation debt.

The FMA encompasses seven areas most likely to affect credit quality. They are: Revenue and expenditure assumptions; Budget amendments and updates; Long-term financial planning; Long-term capital planning; Investment management policies; Debt management policies; and Reserve and liquidity policies.

The FMA is a word evaluation that offers a more transparent assessment of a government’s financial practices as an integral part of its general obligation credit rating process. S&P presents the following four (4) credit assessments - (The town shall strive for a ‘strong’ or good’ assessment): with emphasis and formal evidence presented towards attaining and maintaining a ‘strong’ assessment):

- “*Strong*” indicates that practices are strong, well embedded, and likely sustainable.
- “*Good*” indicates that practices are deemed currently good, but not comprehensive.
- “*Standard*” indicates that the finance department maintains adequate policies in most, but not all key areas.

- “*Vulnerable*” indicates that the government lacks policies in many of the areas deemed most critical to supporting credit quality.”
- **Debt Disclosure Practices:** updated the nationally recognized disclosure organization to [www.emma.msrb.org](http://www.emma.msrb.org) and the information on the Finance Department Website to “Comprehensive Annual Financial Report (CAFR), Adopted Budget, 5 year Capital Improvement Plan, and most current Bonding Official Statement”.
- **Review and Monitoring:** Changed this section to the “Annual Review and Update of Policy” to mirror that section in the Fund Balance Policy.

# Contingency Planning Policy

**Purpose:**

The Town of Southington (hereby referred to as the “Town”) will utilize this policy as an effort to avoid over expenditures that require the use of Unassigned Fund Balance at year end.

**Contingency Fund Requirements:**

The Town shall require that sufficient Contingency Fund levels be maintained to avoid the use of Unassigned Fund Balance at year end. The Town Manager’s Proposed Budget shall reflect contingency levels commensurate with this objective. The budgeted level of the Contingency Fund shall not exceed 1.125 % of the total budgeted expenditures approved by the Town Council in the previous fiscal year.

**Adopted:** Town Council 8-13-2007

**Revision adopted:**

# **BUDGETARY ACCRUALS**

## **Purpose:**

The Town of Southington (hereby referred to as the “Town”) will utilize this procedure in order to streamline the budgeting of large non-capital expenditures which relate to multiple years but are paid in one year.

## **Requirements :**

- The expenditure is non-capital in nature.
- The expenditure relates to multiple years, but the total is paid in one year.
- The accrual must total at least \$75,000 per year.

The total budgetary expenditure will be accrued on a flat-line basis over the number of years over which it relates. The accruals will be carried forward into the following fiscal year until the expenditure is paid. The carry forward of these appropriations into subsequent years will be designated as “Assigned Fund Balance” at the end of the fiscal year.

## **Adopted:**