

Town of Brunswick, Maine

**Finance Committee Meeting
Thursday, January 23, 2020
6:30 – 8:00 PM
85 Union Street – Council Chambers**

Meeting Minutes (DRAFT)

Elected Officials: Dan Ankeles, Stephen Walker, Dan Jenkins (absent)

Staff: John Eldridge, Julia Henze

1. Select chair and vice chair (ACTION)

SW nominated DA as chair. No second needed. Approved by those present.
DA nominated SW as vice-chair. No second needed. Approved by those present.

2. Acknowledgement that meeting was properly noticed

JH confirmed that the meeting was properly noticed.

3. Adjustments to agenda / Public comment

No adjustments to the agenda & no public comment.

4. Approval of meeting minutes from 12/19/19

DA moved, SW abstained (not on committee in December), approved on vote of DA.

5. Review Finance Committee policy

JH included policy for FC members to review. This is done at least annually to confirm that the FC is completing the duties outlined in the policy. JH noted that monthly budget to actual reports are reviewed by the Town Council as a whole instead of the FC. FC agreed to continue this practice. No adjustments to the policy.

6. 2020 proposed calendar/schedule of work

FC agreed to the 2020 calendar as presented.

7. Review of 2020 G.O. Bonds

a. Moody's and S&P ratings

JH presented committee with Moody's and S&P ratings. JH highlighted that Moody's reported a "credit challenge" if the Town had an "increasing debt burden" beyond what is expected and presented in the CIP. Moody's considers Brunswick's formal fund balance policy (and adherence to the policy) a credit strength.

S&P highlighted strong management and liquidity as strengths to the town.

Ratings remained unchanged with Moody's assigning a rating of Aa2 and S&P assigning a AA+ rating for the Town.

b. Bids received

The Town received 11 bids for the 2020 GO bonds (elementary school) which is a great turnout. True Interest Costs (TIC) ranged between 2.15% and 2.31%. JH explained that TIC is used to compare bids, as by definition, true interest cost is the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds.

The town's bond advisor structured the sale based upon demand in the current bond market and to obtain the best TIC for the town. All 11 bidders proposed large premiums – amounts above the par amount of the bonds. The town needs \$26.25MM in cash for the school project, so the bond advisor re-sized the bond sale such that \$24.45MM is the bond issue amount with an additional \$1.95MM in premium. The end result is that the coupon rates on the bonds are higher, but with the significant premiums provided, the TIC drops to 2.15%. The resulting \$24.45MM issued in bonds plus \$1.95MM in premium is “equivalent” to \$26.25MM in bonds at 2.15%.

c. Amortization schedule / estimated tax rate impact

FY 21 is the first year debt service payments will be made and amount to \$1,428,658 (principal + interest). 2020 GO Bonds debt service payments in the first year are equivalent to a 3.11% tax rate impact where 1% tax rate impact is equal to \$460,000. Previous debt service estimates and financial forecasts were presented with a 3.5% tax rate impact, so actual results were better than estimated.

d. Debt ratios

JH presented historic trending in debt ratios, highlighting why these ratios are of interest to the rating agencies as well as how various factors impact the ratios over time (such as a change in census-reported population and issuance of debt for HBS and the police station). The committee reviewed selected ratios such as outstanding debt per capital and debt service as a percentage of operating expenditures.

8. Capital Improvement Program – DRAFT #2

Second draft of CIP was presented to the FC.

JH noted that the debt calculations have been updated for the actual debt service on the 2020 Bond, and Sally Costello (Economic Development Director) presented a new project added to the CIP. This \$330,000 project is connected to the Maine DOT's Frank Wood Bridge project, and is for upgrades to Brunswick's 250th

Anniversary Park. MDOT will cover limited improvements to the park but Brunswick will need to fund enhanced or premium improvements. SC and JE explained the process that the Design Advisory Committee has undertaken to provide input to MDOT on the bridge project. Both Brunswick and Topsham have been given the opportunity to participate in upgrades to amenities on the bridge approaches.

9. Adjourn

DRAFT