

Town of Brunswick, Maine

**Finance Committee Meeting
Thursday, February 17, 2022 at 6:30 PM
85 Union Street – Council Chambers
and by electronic devices**

Meeting Minutes (DRAFT)

Elected Officials: Councilor Kathy Wilson
Councilor Sande Updegraph

Staff: Julia Henze
Branden Perreault (remote)
John Eldridge (remote)

1. Acknowledgement that meeting was properly noticed

KW called meeting to order. JH confirmed the meeting was properly noticed.

2. Adjustments to agenda / Public comment

None.

3. Review of meeting minutes from 1/24/22

SU moved. KW seconded. Unanimously approved by those present.

4. Review 2022 Bond issue

a. Moody's and S&P ratings

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

S&P highlighted strong tax base, good management and strong institutional framework, high reserves enabled by consistent positive operating performance and low overall net debt burden coupled with manageable fixed costs supported their stable rating. Potential upside in rating if economic metrics were to improve. Potential downside in rating if the town's budgetary performance were to deteriorate leading to a decline in reserves.

Moody's reported potential upside in rating if significant growth in reserve levels, and sustained trend of material tax base growth and improvement in come levels. Potential downside in rating if there are operating deficits leading to a decline in reserves or liquidity, increased reliance on fund balance to balance the budget, material decline in tax base or income levels.

b. Bid results

The Town received 6 (six) bids for the 2022 GO bonds – a result management is happy with. True Interest Costs (TIC) ranged between 2.23% and 2.48%. 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 respective principal and interest payment dates to the purchase price received for the new issue of bonds.

All 6 bidders proposed large premiums – amounts above the par amount of the bonds, so the bond advisor re-sized the bond sale such that \$13.23MM is the bond issue amount, with an additional \$888k 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 2.23%. The \$13.23MM issued in bonds plus \$888k in premium is “equivalent” to \$14.12MM in bonds at 2.23%.

c. Debt service schedule

FY 22 is the first year debt service payments will be made and amount to \$79,045 (interest only). FY23 debt service payments will amount to \$966,819 (principal + interest). FY23 GO Bonds debt service payments in the first year are equivalent to about a 1.91% tax rate impact where 1% tax rate impact is equal to \$506,000.

d. Summary of Brunswick debt

FC reviewed list of Brunswick’s current debt including the new bond issue.

5. 2023-2027 CIP Draft #3 (33:48)

The third draft of the CIP was presented to the FC. Changes made since draft #2 are as follows:

- Jordan Ave / Bath Rd pedestrian crossing has moved from in-development to recommended.
- Riverwalk has been moved forward by one year.
- Simpson’s Point Access has moved to recommended.
- Emerson Station HVAC moved from recommended to in-development.
- Former Outdoor Recreation Center project was updated to current “MARC” (Mid-coast Athletic Recreation Complex).

JH noted that the debt calculations have been updated for the actual debt service on the 2022 Bond. Debt service graphs now show existing debt (no authorized debt).

6. Long-term Financial Planning

JH modeled years of actual operating expenditures, two years of budget, and five years of projections based on assumptions. The model incorporates estimated debt service from the CIP.

Model shows a line called “Gap” – which is revenues over/(under) expenditures, in which bracketed (negative) numbers show a budget shortfall, positive numbers show a budget surplus. This line changes as the model is manipulated. JH outlined the increase percentage assumptions at the bottom of the page. Percentages can be adjusted to see how each element affects the bottom line. JH suggested several assumptions, and the committee discussed the elements and how they affect the model.

7. Adjourn

KW moved to adjourn. KW seconded. Approved by those present.