

# BOARD OF FINANCE

Minutes of the Regular Meeting held on September 19, 2019

	<u>Regular Members</u>	<u>Others</u>
Present	N Joe Pryor (CHM)	Y Gordon M. Ridgway, First Selectman
	Y Lisa Lansing	Y Barbara Herbst, BoF Clerk
	Y David Hubbard	Y Selectmen Bramley
	N William Hurlburt	
	N Janet Sanders	
	Y John LaPorta	
		<u>Alternate members</u>
		Y K.C. Baird
		N Vacancy

**Call to Order**

7:14 p.m.

**Vice Chairman**

Lisa Lansing elevated K.C. Baird to sit for William Hurlburt.

**# 1 - Additions**

None

**# 2 - Minutes**

Minutes for the BoF meeting 6/20/19 were emailed to all members prior to the meeting. Copies of the minutes were also available at the meeting.

**Motion**

**David Hubbard** Made a motion to approve the minutes as presented.  
**John LaPorta** Seconded the motion.

**Motion passed unanimously**

**# 3 - NIB**

National Iron Bank Assistant Branch Manager, Ronald Goldstein, addressed the Board of Finance. The presentation focused on the following items;

- a) A request for the Town of Cornwall to keep more funds on deposit at NIB.
- b) Setting up a meeting with Steven T. Cornell, President of NIB.
- c) The intent of NIB to be competitive regarding interest earnings for the Town of Cornwall.
- d) October 25th "Grand Reopening" to celebrate office renovations.

A brief dialogue ensued and board members requested printed information on investment products and interest rates. First Selectman Ridgway stated that since NIB is a private bank, transparency is a paramount concern and State Statute governs how Municipal Funds are invested.

**# 4 - H. Prud'homme**

Mr. Prud'homme again revisited his request for the Board of Finance to start working on and ultimately produce a long-term Financial Plan for the Town of Cornwall. He passed out a document that is appended to these minutes.

Discussion was concurrent with his presentation and the following points were made;

- a) BoF members questioned their roll in this endeavor and referred to the ***Powers and Duties of Boards of Finance*** as outlined in the ***Handbook for Connecticut Boards of Finance***.
- b) It was agreed that any attempt at this process must be collaborative with the Board of Selectmen and other Town Departments, Boards and Commissions.
- c) Multiple members of the Board of Finance felt that the request, as presented by Mr. Prud'homme, is actually the Plan of Conservation and Development also know as a Master Plan, which is outlined in CGS 8-23. That document is the responsibility of the Planning and Zoning Commission and as projects and initiatives are approved by the taxpayers, it is the job of the Board of Finance to present funding options.
- d) It was pointed out that Real Estate tax revenue is over 90% of the funding for the municipal operating budget.

**# 5 - Budget Transfer**

Budget Transfers #2,3,4,and 5 were provided to members and available at the meeting. Finance Director, Barbara Herbst presented the information and a copy is appended to these minutes.

**Motion**

**David Hubbard** Made a motion to approve the budget transfers as recommended by the Board of Selectmen.

**John LaPorta** Seconded the motion.

**Motion passed unanimously.**

**# 6 - Correspondence**

Moody's Annual Comment on Cornwall was received on 7/2/2019 and is appended to these minutes.

**# 7 - Reports**

### Board of Selectmen

First Selectman Ridgway reported in brief on the following items.

- a) ***WC Firehouse Renovations:*** work is almost completed and the CVFD will host an open

house on 10/2/19 from 12 to 4 which is open to the public. Everyone is encouraged to stop by and see the improvements, tours will be provided.

- b) **Bridge Projects:** the bids have come in on Lake Road and Cream Hill, it looks like there may be a small amount of residual funding from the Bridge funds to address other smaller projects.
- c) **WC Wastewater:** First Selectman Ridgway, Steve McDonald from WMC Engineering, Todd Piker and Finance Director Barbara Herbst met with USDA representatives to discuss the application process and timing of funding for the WC Wastewater project. The take-away from that meeting was the following;
  - 1) USDA application acceptance starts 10/1/2019
  - 2) Taxpayers will need to approve a project sometime in the Spring of 2020
  - 3) USDA will release notification of funding which will include any grant funding awarded to Cornwall.
  - 4) Design / bid specs will be issued sometime in 2021
  - 5) Construction (if all approvals are in place) will start sometime in 2022
- d) **Resignation at DPW:** Buddy Hurlburt has resigned from his position with the Cornwall Highway department. The position will remain unfilled for the current time. There will be some savings realized from the elimination of the salary and the health insurance benefits.

e) **Five Year Capital Plan:** a copy of the proposed Five Year Capital Plan was presented to the Board by First Selectman Ridgway.

Motion

**David Hubbard** Made a motion to approve the Five Year Capital Plan as recommended by the Board of Selectmen, and to recommend approval of said plan to the taxpayers.

**John LaPorta** Seconded the motion.

**Motion passed unanimously.**

**Finance Director**

Barbara Herbst reported that there is **Financial Projection software** available for governments and municipalities. A draft of the Financial Statements for FY 2018-2019 will be available on Monday the 23rd. Cornwall received a member equity distribution from CIRMA in the amount of \$7,179.

# 8 - Public Comment

Richard Bramley noted that the Board of Selectmen and the Board of Finance are actually already making long-term financial plans for the Town of Cornwall as evidenced by the stable Mill rate which is lower now than it was in 2007. Many of the issues are already "in play" however just aren't formalized in a document.

**John LaPorta** Made a motion to adjourn the meeting.

Adjournment

**David Hubbard** Seconded the motion

**Motion passed unanimously**

8:18 PM

*Barbara E. Herbst, Board Clerk*

Note:

Minutes remain "Draft" until accepted at the next regular scheduled meeting, please see subsequent meeting minutes for any corrections to these minutes.

## SOME OF CORNWALL'S BIGGEST, TOUGHEST, PRIORITY ISSUES

The list below is not in order of importance nor sequential. It may not even be complete, but many of these issues need attention more-or-less at the same time -- a very big order, but a necessary and urgent one. The proposed 2020 Plan of Conservation and Development will in due course cover much the same ground and in greater detail.

The fact is that the resolution or non-resolution of each of these issues will in the long run directly affect both the town's tax base and its bond rating.

1. Addressing the decline of the resident population, especially the younger cohort  
(housing for young families, Child Center and school issues, future of all-volunteer Fire Dept.)
2. Accommodating a growing weekender and retirement population  
(weekenders bring income and tax revenue and require few town services but want amenities such as grocery stores and restaurants; elders need more services, plus downsizable housing)
3. Encouraging new local businesses and tourism while avoiding sprawl  
(adding local jobs, tourist and home-based businesses without endangering the town's natural beauty)
4. Planning for allocation of resources between West Cornwall and Cornwall Bridge  
(one a tourist and artisanal center, the other a true commercial center; traffic flows need to be addressed)
5. Conserving natural resources and rural open spaces such as forests, wetlands, fields, wildlife  
(Cornwall's future is very much dependent on its rural, farm-based and forever-wild character; clean air and water are essential)
6. Accommodating climate and ecosystem changes  
(floods or droughts, forest fires, possible effects on agriculture and farming or health).

To help resolve some of the above issues we need a long-range financial plan, and we should start work on this soon. Simply focusing on maintaining the tax base as it exists today is not good enough and leaves much to chance.

In resolving the above issues the tax base will naturally grow with more employment, home-based work, construction, artisans, artists, writers, etc. More young people and weekenders will bring more tax revenue and more tourists will provide more jobs.

So the town needs to start investing more heavily in itself in order to achieve greater future returns. We need to consider some big, new investments, and this means using additional debt for long-term capital projects. There is room for more borrowing and interest costs look to stay low for several more years.

Priorities need to be set. The septic line in West Cornwall is an example, but truly affordable housing is also urgently needed as well as fiberoptic communications. In view of the complexities and scope of creating a financial plan a professional facilitator may well be required. The Sustainable CT program should be utilized to the fullest extent.

HPP  
9/16/19

**RECEIVED BY THE  
FINANCE OFFICE**

**SEP 17 2019**

**TOWN OF CORNWALL**

**Town of Cornwall**  
**Budget Transfers**  
 Fiscal year 2018 - 2019

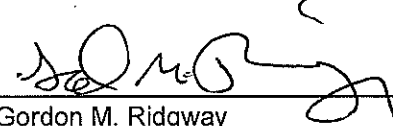
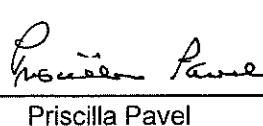

Budget Transfer #1 was the WC Wastewater transfer within Capital - approved earlier  
 Budget Transfers #2, 3, 4, and 5 are all being covered by the \$30,000 budgeted for Contingency.

Board of Selectmen				<u>GL# 50204:</u>
50204 · BoS Temp Clerk	361	# 2		Budgeted for 56.5
10000 · Contingency	-361			hrs., utilized 73 hrs.
Variance	0			

Highway Administration		#3		<u>GL#64016:</u> The tree
64016 · Tree Maintenance	1,000			maintenance program
10000 · Contingency	-1,000			required additional
Variance	0			contracted services
				above budgeted
				amount.

Registrar of Voters				<u>GL# 56602:</u>
56602 · Registrar Salaries	500	#4		Budgeted 213.5 hrs.,
10000 · Contingency	-500			utilized 286.6 hrs.
Variance	0			

Sanitation & Recycling				Hauling fees for
62787 · Bulk Waste	3,000			Bulky Waste, MSW
67002 · Salaries / Wages	3,100	#5		and Recycling were
67114 · Supplies / Repairs	4,100			more than
67116 · MSW Hauling	2,000			anticipated.
67388 · Recycling Hauling	1,300			There was
10000 · Contingency	-13,500			unanticipated staff
Variance	0			turnover in May
				requiring additional
				use of substitutes.
				There was a large
				repair to the
				cardboard bailer in
				January that was
				unanticipated.

Selectmen:     
 Gordon M. Ridgway      Priscilla Pavel      Richard Bramley

*Bas Meeting 8.6.19*

## ISSUER COMMENT

1 July 2019

## RATING

General Obligation (or GO Related) <sup>1</sup>

Aa2

Stable

## Contacts

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EMEA	44-20-7772-5454

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FINANCE OFFICE

JUL - 2 2019

TOWN OF CORNWALL

## Town of Cornwall, CT

## Annual Comment on Cornwall

## Issuer Profile

The Town of Cornwall is located in Litchfield County in northwestern Connecticut, bounded on the west by the Housatonic River, approximately 30 miles northwest of Hartford. The county has a population of 184,454 and a moderate population density of 201 people per square mile. The county's median family income is \$94,908 (1st quartile) and the April 2019 unemployment rate was 3.1% (3rd quartile) <sup>2</sup>. The largest industry sectors that drive the local economy are health services, retail trade, and manufacturing.

## Credit Overview

The credit position for Cornwall is very strong given that its Aa2 rating is slightly stronger than the median rating of Aa3 for cities nationwide. Key credit factors include no unfunded pension liability, very small debt burden, a solid financial position, and a very small tax base supported by a strong wealth and income profile.

**Debt and Pensions:** The town has a very small debt burden and no pension burden, which are favorable in comparison to its Aa2 rating. Since the town participates in a defined contribution plan for its employees, it does not have an unfunded pension liability, which is a credit positive. Additionally, net direct debt to full value (0.4%), which rose slightly between 2014 and 2018, and net direct debt to operating revenue (0.33x) are very manageable given that these metrics are below the US medians.

**Finances:** The financial position of Cornwall is sound relative to the town's Aa2 rating. The cash balance as a percent of operating revenues (31.7%) is slightly below the US median, but has remained stable from 2014 to 2018. Furthermore, the fund balance as a percent of operating revenues (29.8%) is also slightly below other Moody's-rated cities nationwide, but also remained stable between 2014 to 2018. Connecticut local governments tend to have financial ratios lower than US medians because they generally derive a majority of revenues from stable property taxes and their financials typically incorporate school operations which are predictable.

**Economy and Tax Base:** Overall, the economy and tax base of Cornwall are strong despite having a much smaller tax base size relative to other Moody's-rated US cities. While the town's total full value (\$556 million) is below other Moody's-rated cities nationwide, its full value per capita (\$407,882) is much stronger than the US median and saw an impressive increase between 2014 and 2018. Moreover, the median family income equates to a solid 128.4% of the US level.

**Management and Governance:** Connecticut cities have an Institutional Framework score<sup>3</sup> of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Connecticut cities' major revenue source, property taxes, is not subject to any caps. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. Connecticut has public sector unions and additional constraints, which limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

### Sector Trends - Connecticut Cities

While Connecticut cities have generally benefited from stable tax bases, populations are aging and new development is challenged by the high cost of living and doing business. Positively, resident wealth and income levels are high. Median financial reserves are smaller than the national median, which represents a pressure for cities in light of state funding uncertainty. Due to the state's biennium budget process, cities are able to plan for cuts in fiscal 2019, although additional cuts could be implemented at any time. Property tax revenues, the primary revenue source, will continue to rise slowly due to stabilizing real estate markets and absence of a cap on local government levies.

#### EXHIBIT 1

#### Key Indicators<sup>4,5</sup> Cornwall

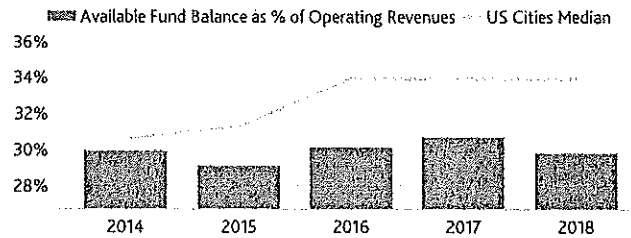
	2014	2015	2016	2017	2018	US Median	Credit Trend
<b>Economy / Tax Base</b>							
Total Full Value	\$506M	\$508M	\$487M	\$535M	\$556M	\$1,867M	Improved
Full Value Per Capita	\$336,588	\$373,449	\$364,537	\$392,615	\$407,882	\$89,200	Improved
Median Family Income (% of US Median)	139%	139%	132%	128%	128%	113%	Weakened
<b>Finances</b>							
Available Fund Balance as % of Operating Revenues	30.0%	29.1%	30.1%	30.7%	29.8%	33.9%	Stable
Net Cash Balance as % of Operating Revenues	31.6%	35.2%	30.5%	33.8%	31.7%	36.9%	Stable
<b>Debt / Pensions</b>							
Net Direct Debt / Full Value	0.3%	0.3%	0.3%	0.5%	0.4%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.25x	0.22x	0.19x	0.37x	0.33x	0.88x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	-0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	-0.00x	0.00x	0.00x	0.00x	0.00x	1.51x	Stable
		2014	2015	2016	2017	2018	US Median
<b>Debt and Financial Data</b>							
Population		1,505	1,362	1,336	1,364	1,364	N/A
Available Fund Balance (\$000s)		\$1,955	\$1,910	\$2,138	\$2,210	\$2,154	\$7,419
Net Cash Balance (\$000s)		\$2,063	\$2,310	\$2,166	\$2,430	\$2,287	\$8,404
Operating Revenues (\$000s)		\$6,525	\$6,561	\$7,091	\$7,193	\$7,216	\$21,930
Net Direct Debt (\$000s)		\$1,605	\$1,460	\$1,315	\$2,660	\$2,350	\$18,580
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)		-\$0.03	\$0.00	\$0.00	\$0.00	\$0.00	-\$32,507

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

## EXHIBIT 2

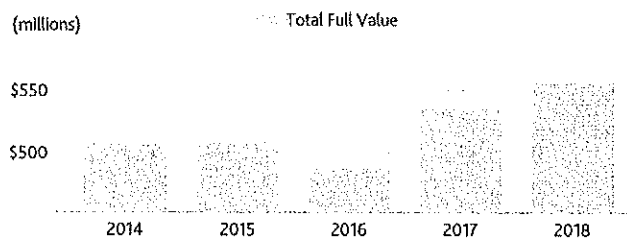
Available fund balance as a percent of operating revenues has remained stable from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

## EXHIBIT 3

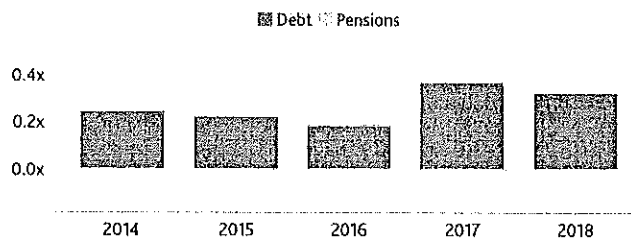
Full value of the property tax base increased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

## EXHIBIT 4

Cornwall has no unfunded pension liability due to its participation in a defined contribution plan



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

## Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
- The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.  
  
The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
- For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
- The medians come from our most recently published local government medians report, [Medians - Property values key to stability, but pension burdens remain a challenge \(March 2018\)](#) which is available on [Moody's.com](#). The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

# TOWN OF CORNWALL

## WORKSHEET CAPITAL PLAN FOR FISCAL YEARS 2021 – 2025

		Approved Previously	Changes	Final
<b>FY 2020 - 2021</b>	Road Improvement: Repair roads in Group 2			
	North Cornwall / Cream Hill	300,000		300,000
	Bridges / Culverts / Lake Road			-
	Cornwall Consolidated School	40,000		40,000
	CVFD Truck Fund	80,000		80,000
	Town Buildings	50,000	100,000	150,000
	HWY Truck replacement fund (Trk # 6)	100,000		100,000
	<b>TOTAL</b>	<b>570,000</b>	<b>100,000</b>	<b>670,000</b>
<b>FY 2021-2022</b>	Road Improvement: Repair roads in Group 3			
	West Cornwall & Cornwall Village	300,000		300,000
	Bridges / Culverts (TBD)	10,000		10,000
	Cornwall Consolidated School Projects	40,000		40,000
	CVFD Truck Fund -	80,000		80,000
	Town Buildings	50,000	100,000	150,000
				-
	HWY Truck replacement fund (Trk # 9)	100,000		100,000
	Revaluation	30,000		30,000
<b>TOTAL</b>	<b>610,000</b>	<b>100,000</b>	<b>710,000</b>	
<b>FY 2022-2023</b>	Road Improvement: Repair roads in Group 4			-
	Cornwall Bridge	300,000		300,000
	Bridges / Culverts	10,000		10,000
	Cornwall Consolidated School	40,000		40,000
	CVFD Truck Fund	80,000		80,000
	Town Buildings	50,000	100,000	150,000
	HWY Truck replacement fund (Trk # 9)	100,000		100,000
	<b>TOTAL</b>	<b>580,000</b>	<b>100,000</b>	<b>680,000</b>
<b>FY 2023-2024</b>	Road Improvement: Repair roads in Group 5			
	East Cornwall	300,000		300,000
	Bridges / Culverts	10,000		10,000
	Cornwall Consolidated School	40,000		40,000
	CVFD Truck Fund	80,000		80,000
	Town Buildings	50,000	100,000	150,000
	Highway Truck #10	100,000		100,000
	<b>TOTAL</b>	<b>580,000</b>	<b>100,000</b>	<b>680,000</b>
<b>FY 2024-2025</b>	Road Improvement: Repair roads 1			-
	Cornwall Hollow	300,000		300,000
	Bridges / Culverts / Smith Place	10,000		10,000
	Cornwall Consolidated School	40,000		40,000
	CVFD Truck Fund	80,000		80,000
	Town Buildings	150,000		150,000
	HWY Truck replacement fund (Trk 10)	100,000		100,000
	<b>TOTAL</b>	<b>680,000</b>		<b>680,000</b>
<b>GRAND TOTAL</b>		<b>3,020,000</b>	<b>400,000</b>	<b>3,420,000</b>

Approved Board of Selectmen 9/18/2019

Modified and Approved Board of Finance \_\_\_\_\_

Town Meeting \_\_\_\_\_