

Memorandum to: Weston Board of Finance Members
 From: Michael Imber, Chairman
 Date: April 27, 2023
 RE: Town Charter provisions relevant to establishing a Capital Account for the Land Mobile Radio Project

Under consideration is a motion for the Board of Finance to approve the creation of a Capital Account entitled "Public Safety Telecommunications (Land Mobile Radio Project)" and to fund said account with a special appropriation of \$4,500,000 from the Unassigned Fund Balance, subject to the approval of a Special Town Meeting.

The requested special appropriation, as well as previously approved land mobile radio capital appropriations, would cover the up-front costs associated with the procurement of the equipment and infrastructure improvements necessary for a new public safety communications system, as outlined in the sources & uses table below:

TOTAL SOURCES	
Public Safety Communications Capital Account	\$ 4,500,000
Capital appropriations from 2017 & 2018	255,000
TOTAL SOURCES	\$ 4,755,000

TOTAL USES	
Land Mobile Radio Project System Purchase	\$ 4,439,384
New firehouse boiler / remove waterpipes	96,000
New Roof on Godfrey Tower Shelter	5,500
New HVAC Heat Pump Norfield Shelter	12,500
New Security Cage Station #2 Attic	2,500
Facility Improvements Norfield Tower Shelter	7,500
TOTAL USES	\$ 4,563,384

The surplus of \$191,616 of sources over uses could be used as a contingency fund during the project.

The specific pricing details of the Land Mobile Radio Project may be found on page 5-77 (pdf page 91) of the Motorola Solutions - Firm Priced Proposal, Town of Weston, CT - *Communications System Upgrade* CLMRN Integration dated April 21, 2023 (the "Proposal"), attached as back-up to this memo. Please note that Motorola's price quote is valid through June 30, 2023.

As outlined in the Proposal, the Post-Warranty Services quoted on page 5-77 are discounted and assumed to be paid in a lump sum at the time of the system order or prior to final system acceptance. This lump sum totals \$587,709. If Weston were to avail itself of this discounted option, it would be budgeted for Fiscal Year 2025 as we would expect final system acceptance in late calendar year 2024. If Weston chose to pay Maintenance and Lifecycle Services each year, the payment in Year 2 would be \$147,046, a 6.1% premium above the lump sum price attributable to that year. Subsequent years would increase by the Consumer Price Index.

The purpose of this memo is to discuss the impact on liquidity, outline the special appropriation process, and reference the relevant passages in the Town Charter (see Appendix A) that govern this motion.

Expenditure Timing and Impact on Liquidity

The expenditure of \$4,500,000 would take place across a 12-18 month schedule outlined on pdf page 93 of the Proposal. But for the sake of this analysis, we will assume that the entire amount is expended on June 30, 2023 to evaluate the impact on Weston’s liquidity.

As shown below, Table 1 calculates the liquidity ratio that Moody’s utilizes to assess Weston’s credit rating. Finance Director Rick Darling estimates that the Town’s cash balance will be approximately \$22 million at the end of the current fiscal year on June 30. If we were to subtract the entire \$4.5 million appropriation from this balance and add our short-term investments of \$13.2 million, our unrestricted cash balance would be \$30.7 million. Weston’s liquidity ratio would be 39.5% and 38.6% when compared to gross revenues forecasted for FY 2023 and FY 2024 budget, respectively.

Moody’s confirmed Weston’s *Aaa* credit rating as recently as November 2022. The assumed liquidity ratios for FY 2023 and FY 2024 are just below the 40% criteria for *Aaa*. It is important to note that (a) liquidity ratios have a 10% weighting impact on overall municipal credit scores and (b) Moody’s has frequently confirmed our *Aaa* rating when our liquidity ratio has been just below this threshold.

Table 1: Moody’s Liquidity Ratio (\$ thousands)

Algorithm		Current	6/30/23	Less LMR	
		Balance	Estimate	Appropriation	Adjusted
a	Cash	\$ 35,685	\$ 22,000	\$ (4,500)	\$ 17,500
	Short-term Investments	13,239	13,239		13,239
	Total Unrestricted Cash	\$ 48,924	\$ 35,239	\$ (4,500)	\$ 30,739
b	FY 2023 Total Revenue	\$ 77,897	\$ 77,897		\$ 77,897
a/b = c	Liquidity Ratio (FY 2023)	62.8%	45.2%		39.5%
	Moody’s <i>Aaa</i> criteria	40.0%	40.0%		40.0%
b’	FY 2024 Budgeted Revenue	\$ 79,699	\$ 79,699		\$ 79,699
a/b’ = c’	Liquidity Ratio (FY 2024 budget)	61.4%	44.2%		38.6%

Another measure of Weston’s liquidity is to consider the number of budget days cash on hand. This calculation involves dividing total unrestricted cash by the average daily gross budget, as shown below in Table 2.

Table 2: FY 2024 Budget Days Cash on Hand (\$ thousands)

Algorithm		Current	6/30/23	Less LMR	
		Balance	Estimate	Appropriation	Adjusted
a	Total Unrestricted Cash	\$ 48,924	\$ 35,239	\$ (4,500)	\$ 30,739
b	FY 2024 Gross Budget	\$ 79,699	\$ 79,699		\$ 79,699
(b / 365) = c	FY 2024 Daily Gross Budget	\$ 218	\$ 218		\$ 218
a / c = d	FY24 Budget Days Cash on Hand	224	161		141
	<i>GFOA Recommended Minimum</i>	60	60		60

The Government Finance Officers Association recommends that municipal governments maintain a minimum of 60 days of available fund balance to respond to unanticipated budget variances. Available fund balance is defined as unrestricted cash plus the net working assets on the balance sheet. The

calculation in Table 2 is more conservative as it only considers cash. Under these conditions, Weston would hypothetically maintain 141 days of budgeted cash on hand as of June 30, 2023, more than 2.3x the minimum suggested.

Weston has applied for a state grant of \$500,000 and a federal earmark of \$1 million to defray costs on the Land Mobile Radio Project. If approved, the cash would be received between July and December 2023 and applied to the milestone payments outlined in the Proposal. Weston Finance Department would fund the special capital account as needed such that the sum of the appropriation plus the grants would be sufficient to meet the milestone payment schedule previously referenced. Weston's liquidity position would be enhanced if such monies were received.

Special Appropriations Above 2.0% of Current Tax Levy

In any given fiscal year, special appropriations outside of the approved budget are governed by Section 9.9 of the Town Charter.

- Section 9.9(a) permits the Board of Selectmen to make special appropriations up to \$5,000 in each instance, subject to an aggregate limit of \$50,000 in any fiscal year;
- Section 9.9(b) permits special appropriations between \$5,000 and 2.0% of the current tax levy, subject to the approval of the Board of Selectmen and the Board of Finance;
- Section 9.9(c) specifies that any special appropriation above 2.0% of the current tax levy is subject to the approval of the Board of Selectmen, the Board of Finance, and a Town Meeting

The special appropriation requested, \$4,500,000, is 6.0% of the current fiscal year tax levy of \$74,633,642. It follows that Section 9.9(c) is the relevant Town Charter passage for the requested special appropriation.

On April 19, 2023, the Weston Board of Selectmen unanimously approved the creation of a Capital Account entitled "Public Safety Telecommunications (Land Mobile Radio Project)" and to fund said account with a special appropriation of \$4,500,000 from the Unassigned Fund Balance.

Special Town Meeting Scheduled for June 7, 2023

Town Charter Section 3.4(d) specifies that a Special Town Meeting is required to approve special appropriations that are subject to Section 9.9(c).

The Weston Board of Selectmen unanimously voted on April 19 to schedule a Special Town Meeting on June 7, 2023 at 7:00 pm at the Weston High School Cafeteria for the purpose of answering the following question: "Shall the Town create a Capital Account entitled "Public Safety Telecommunications (Land Mobile Radio Project)" and to fund said account with an appropriation of 54,500,000 Unassigned Fund Balance? Yes/No" contingent upon Board of Finance approval of creation of a Capital Account entitled "Public Safety Telecommunications (Land Mobile Radio Project)" and to fund said account with a special appropriation of \$4,500,000 from the Unassigned Fund Balance.

At that Special Town Meeting, Qualified Voters will have the final approval authority to appropriate \$4,500,000 for the Land Mobile Radio Project.

APPENDIX A

Section 9.9. Additional and Supplemental Appropriations

- (a) The Board of Selectmen shall have the power to make an appropriation or appropriations in addition to those provided in the Annual Town Budget for any Town department, Board or Commission in a sum not exceeding \$5,000 in a Fiscal Year, provided that the total sum so appropriated for all Town departments, Boards and Commissions in any Fiscal Year shall not exceed \$50,000.
- (b) The Board of Selectmen shall also have the power to make, with the approval of the Board of Finance, supplemental appropriations beyond those appropriated under Section 9.9(a) above, for one or more specific purposes, provided the total sum appropriated under this Section 9.9(b) in any Fiscal Year shall not exceed two percent of the then current tax levy. Funds for such additional and supplemental appropriations shall, as directed by the Board of Selectmen, be provided from the following:
 - (i) available unappropriated and unencumbered General Fund cash balance;
 - (ii) the Reserve Fund for Capital and Non-recurring Expenditures, if for a capital expenditure; or
 - (iii) the Town's Contingency Fund
- (c) Any Officer, Board or Commission may apply at any time for an appropriation in excess of the amounts available under this Section 9.9 (a) and (b), but only in the amount, and on terms, approved by the Board of Selectmen, the Board of Finance and a Town Meeting.

Section 3.4. When a Special Town Meeting is Required

The Board of Selectmen shall call a Special Town Meeting for consideration of the following matters:

- (a) Appropriations or authorizations for issuance of bonds, notes or other borrowing, as recommended by the Board of Selectmen and the Board of Finance, except as provided in Section 9.7(c) (relating to an interim Annual Town Budget);
- (b) The purchase, sale or leasing of real estate by the Town;
- (c) Applications for federal or State grants involving a multi-year commitment to expend Town funds that have not yet been appropriated, but only if, in the Fiscal Year in which such commitment is first incurred, the Board of Finance determines, in its discretion, that the commitment is sufficiently material to warrant a Town Meeting;
- (d) Requests for appropriations described in Section 9.9(c);
- (e) Petitions meeting the requirements of Section 3.6 or 3.7;
- (f) The proposed abolition of any office provided for in the Charter (other than an elected office), or a reduction in membership of, or abolition of, an appointed Board or Commission provided for in Article 8 of the Charter, in each case, in accordance with Section 4.2(b);
- (g) The proposed change of the position of Town Clerk from an elected office to an appointed office, pursuant to Section 6.6(c), or the proposed change of the position of Tax Collector from an appointed office to an elected office, pursuant to Section 6.6(d)(i); and
- (h) Any proposal the Board of Selectmen deems of sufficient importance.

You can find the complete Town of Weston charter, ordinances, and regulations at:

<https://ecode360.com/WE2073>