

**Board of Finance Special Meeting
October 27, 2022 6:00 PM**

Please click the link below to join the webinar:

<https://us02web.zoom.us/j/82982680672?pwd=UGJ5aGxrbm1aM0JuY2FZNEFSMmVqUT09>

Join by Phone: 646-558-8656

Webinar ID: 829 8268 0672

Passcode: 415022

- 1 - Discussion regarding an update on the Board of Finance's review of future capital expenditures and potential bonding (continuation of 10/13 discussion). Rone Baldwin, Chairman, Board of Finance.
- 2 - Adjourn

Preliminary Draft/Work in Progress

Board of Finance:
Update on Assessment of Capital
Expenditures and Bonding Levels
for Town of Weston

October 13, 2022

Tonight's Discussion

- Debt benchmarking and peer analysis
 - Overview of Moody's scorecard for municipal bond ratings
 - Moody's scorecard: recent Weston results
 - Key debt ratios and peer comparisons
 - AAA rated Connecticut towns
 - Median and 90th percentile for 169 Connecticut towns
 - Weston peak ratios since 2003
 - Key points from discussion with bond advisor
 - Implied debt levels from different peer comparisons and ratios
- Review of draft, hypothetical scenario from last meeting
 - Assumptions
 - Output
 - Debt ratios

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Introduction

- In August we reviewed work to date on the BOF effort to assess capital expenditure and bonding levels for Weston
 - Preliminary capital expenditure draft proposal
 - \$3.25 MM annual capital budget guideline based on recent history and 5 year plan
 - \$2.0 MM for Town; \$1.25 MM for BOE
 - Guideline – not a rule
 - Capital projects that exceed \$0.5 MM to \$1.0 MM should plan to be accreted for over multiple years or be bonded to avoid excessive annual fluctuations
 - 20 year projection model
- Tonight we plan to review progress since our last meeting
 - 20 year projection model: added median house tax impact; adjusted key metric definitions to align with Moody's, model clean up in certain areas
 - Draft hypothetical model scenario: added \$7 MM Town facility investment per Tecton study; corrected timing of state grants, inflation factor for annual capital budget
 - Rating and bonding level implications: Moody's scorecard analysis; peer town analysis; discussion with bonding advisor

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Moody's Scorecard for Municipal

Bond Ratings

EXHIBIT 1

Scorecard Factors and Weights

Local Governments

Broad Rating Factors	Factor Weighting	Rating Sub-factors	Sub-factor Weighting
Economy/Tax Base	30%	Tax Base Size (full value)	10%
		Full Value Per Capita	10%
		Wealth (median family income)	10%
Finances	30%	Fund Balance (% of revenues)	10%
		Fund Balance Trend (5-year change)	5%
		Cash Balance (% of revenues)	10%
		Cash Balance Trend (5-year change)	5%
Management	20%	Institutional Framework	10%
		Operating History	10%
Debt/Pensions	20%	Debt to Full Value	5%
		Debt to Revenue	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Full Value	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Revenue	5%

Two of Moody's Scorecard Factors are Directly Impacted by a Town's Debt Levels

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Weston Results for Moody's Scorecard

Weston Key Indicators.5

	2016	2017	2018	2019	2020	2021 US Median	Credit Trend	Scorecard	
Economy/Tax Base									
Tax Base Size (full value, \$MM)	\$ 3,584	\$ 3,542	\$ 3,399	\$ 3,418	\$ 3,197	\$ 3,184	\$ 2,024	Weakened	Aa
Full Value Per Capita	\$ 346,468	\$ 341,621	\$ 330,471	\$ 332,347	\$ 310,854	\$ 309,816	\$ 97,657	Weakened	Aaa
Wealth (median family income % US median)	368%	353%	338%	313%	313%	385%	114%	Weakened	Aaa
Finances									
Fund Balance (% revenue)	17.3%	17.3%	18.3%	20.4%	18.7%	20.4%	35.5%	Stable	Aa
Fund Balance Trend (5-year change)						7.4			A (?)
Cash Balance (% of revenues)	28.5%	29.1%	28.9%	29.6%	28.9%	30.0%	40.0%	Stable	Aaa
Cash Balance Trend (5-year change)						7.6			A (?)
Management									
Institutional Framework	AA	AA	AA	AA	AA	AA			AA
Operating History: 5 Year Average of Operating Revenues/Operating Expenditures						1.0			A (?)
Debt/Pensions									
Debt to Full Value	1.1%	1.0%	0.9%	0.7%	0.6%	0.5%	1.1%	Stable	Aa
Debt to Revenue	0.52	0.44	0.37	0.32	0.24	0.20	0.82	Stable	Aaa
Moody's Adjusted Net Pension Liability (3-Year Average) to Full Value	0.8%	1.1%	1.2%	1.4%		1.9%	1.9%	Weakened	Aa
Moody's Adjusted Net Pension Liability (3-Year Average) to Revenue	0.38	0.47	0.52	0.63		0.7	1.57	Stable	A

Source: Moody's Issuer Report for Weston (2020), Moody's statistics for AAA Connecticut towns (2021)

Weston's Economy/Tax Base and Finances are solidly AAA with some AA

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Weston Compared to 18 Other AAA Rated Connecticut Towns

Weston Town, CT

	Comparison Against All 18 AAA Connecticut Towns						Weston Percentile
	Min	Max	Median	Weston Rank	Weston Percentile		
Economy/Tax Base							
Tax Base Size (full value, \$MM)	3,184,291	48,909,139	7,175,463	15	6.60%		
Full Value Per Capita							
Wealth (median family income % US Median)	309,816	779,876	254,542	7	60.00%		
	384.8	384.8	225.0	1	100.00%		
Finances							
Fund Balance (% revenue)	20.4%	20.4%	13.6%	1	100.00%		
Fund Balance Trend (5-year change)	7.4	8.8	3.8	3	86.60%		
Cash Balance (% of revenues)	30.0%	39.4%	18.7%	3	86.60%		
Cash Balance Trend (5-year change)	7.6	21.2	2.6	4	80.00%		
Management							
Operating History: 5 Year Average of Operating Revenues/Operating Expenditures	N/A	N/A	N/A	N/A	N/A		
Institutional Framework	N/A	N/A	N/A	N/A	N/A		
Debt/Pensions							
Debt to Full Value	0.5%	1.4%	0.9%	2			
Debt to Revenue	0.20	0.70	0.40	1			
Moody's Adjusted Net Pension Liability (3-Year Average) to Full Value	1.9%	5.5%	1.5%	10	60.00%		
Moody's Adjusted Net Pension Liability (3-Year Average) to Revenue	0.7	1.7	0.8	8	46.60%		

Source: Moody's statistics for AAA Connecticut towns (2021)

Compared to other AAA rated CT towns, Weston is Small, but with a Strong Economy/Tax Base and Finances/Balance Sheet

Preliminary Draft/Work in Progress Weston Compared to 169 Other Connecticut Towns

	Debt/Revenue	Debt/ Full Value	Debt Service/ Revenue	Bonded Debt Per Capita	Total Debt Per Capita (Bonded Debt, OPEB, Net Pension Liability)
CT Town Median	34.8%	0.94%	4.4%	\$1,794	\$3,071
CT Town 90 th Percentile	71.3%	2.20%	8.2%	\$3,798	\$7,432
Weston 2020 Actual	23.8%	0.61%	7.2%	\$1,889	\$3,788
Weston Percentile	38%	35%	84%	53%	61%
Weston 20 Year High	133%	2.01%	11.3% (\$77.9 MM debt in 2005)		

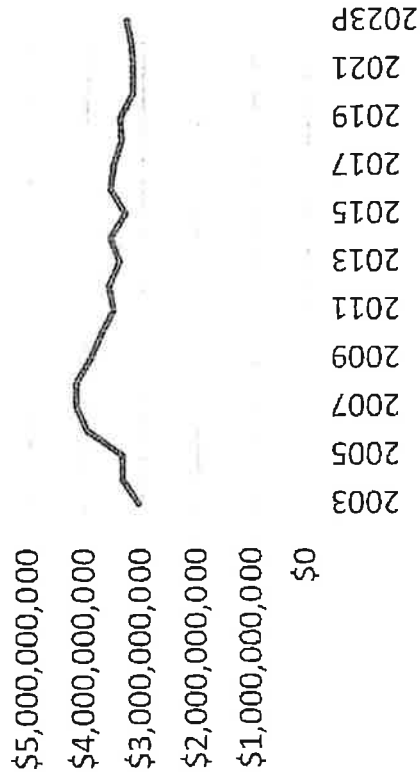
Source: Connecticut OPM Municipal Financial Indicators (2020)

Compared to 169 other CT towns, Weston Currently Has a High Level of Debt Service, but is Below the Median for Total Debt

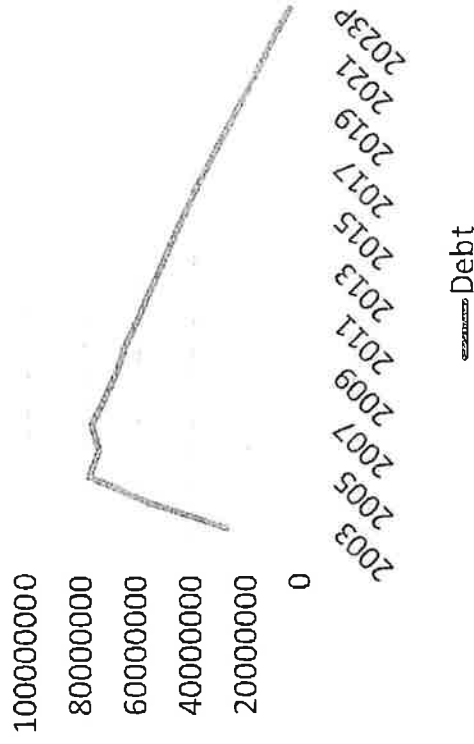
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Weston Historical Financials (2003-2023)

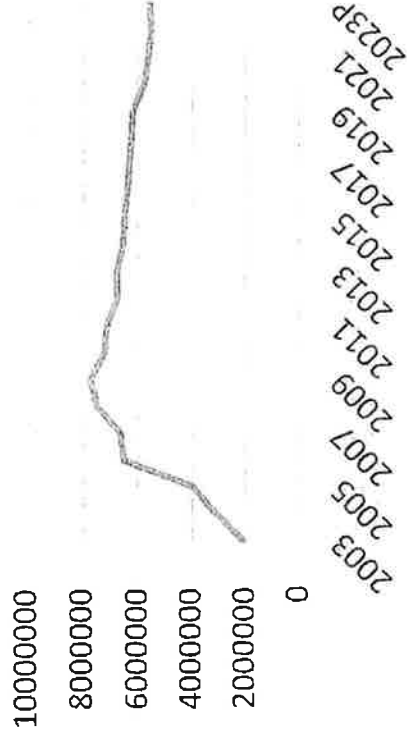
Full Value Grand List (ENGL)



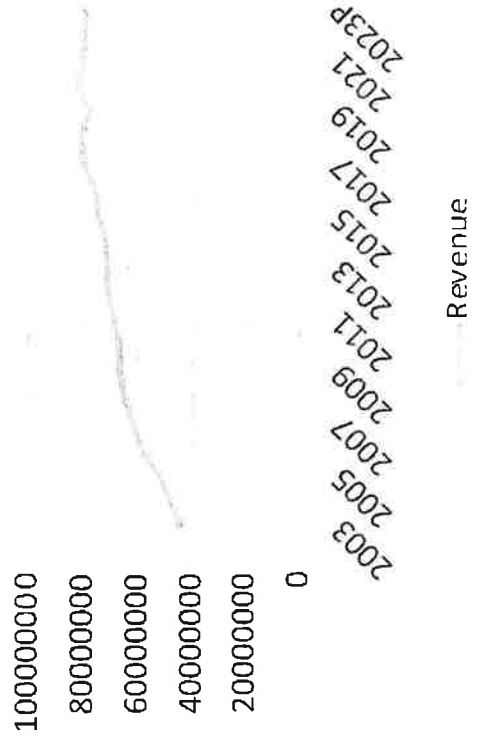
Debt Outstanding



Debt Service



Revenue

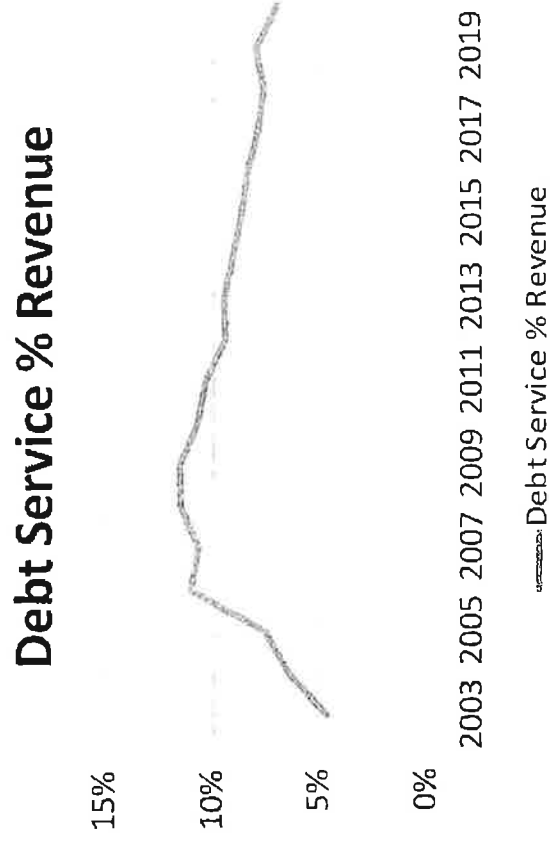
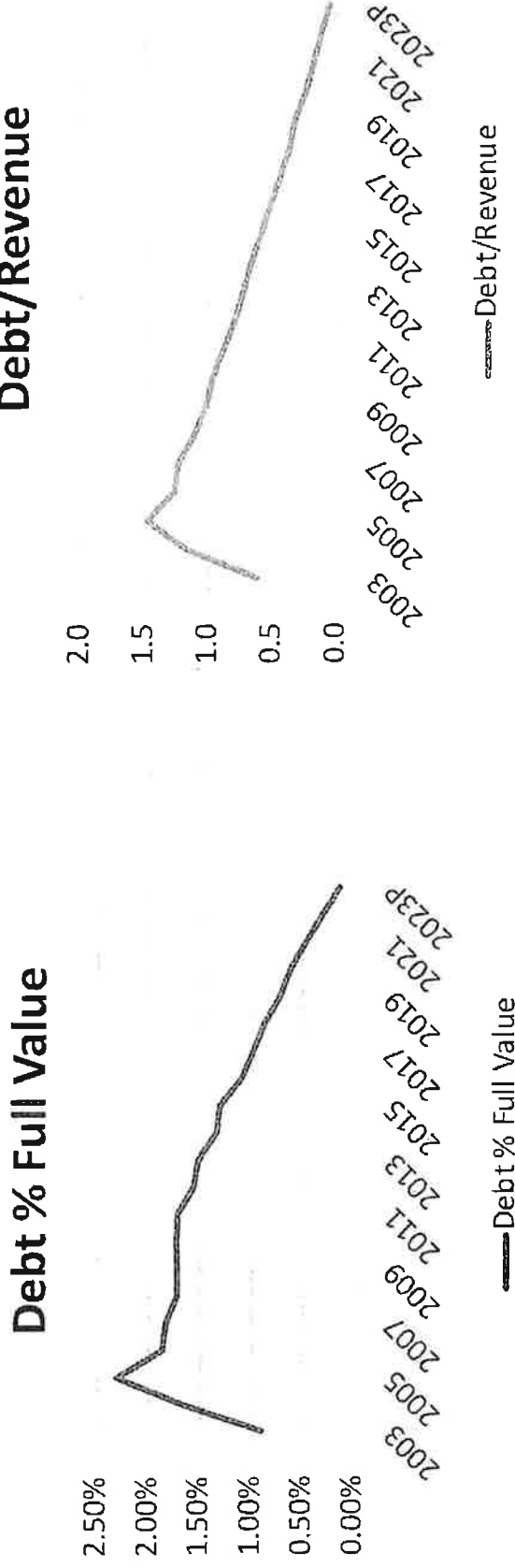


Debt Service

Revenue

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Weston Historical Financial Ratios (2003-2023)



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Discussion with Bond Advisor

- Status of Moody's scorecard methodology
- Level of debt: impact on rating
- Comparison against other CT towns versus national benchmarks
- Unassigned fund balance % target
- AAA versus AA rating
- Maturity
- Interest rates
- Bonding size

Key Debt Ratios from Peer Analysis

	CT AAA Town Max	CT Town Median	CT Town 90 th Percentile	Weston 20 Year Peak
Debt/Revenue	0.70	0.35	0.71	1.3
Debt % Full Value	1.4%	0.94%	2.20%	2.01%
Debt Service % Revenue	10.1%	4.4%	8.2%	11.3%

Notes: CT AAA Town Max is maximum among the 18 AAA Connecticut towns
 CT Town Median is the median among all 169 Connecticut towns
 CT Town 90th % is the 90th percentile among all 169 Connecticut towns
 Weston 20 Year Peak is the highest ratio for Weston since 2003

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Implied Debt Limits Based on Different Factors

	Implied Debt Limits \$(MM)			
	AAA Max	CT Median	CT 90th %	Weston Peak
Debt/Revenue	\$60.74	\$30.37	\$61.87	\$115.40
Debt/Full Value	\$46.24	\$31.05	\$72.66	\$66.39
Debt Service/Revenue	\$87.64	\$38.18	\$71.15	\$98.05
Bonded Debt/Capita	\$50.83	\$18.59	\$39.35	\$78.57
Total Debt/Capita (Bonded debt, OPEB, NPL)	N/A	\$31.82	\$77.00	N/A

Notes: AAA Max is maximum among the 18 AAA Connecticut towns

CT Median is the median among all 169 Connecticut towns

CT 90th % is the 90th percentile among all 169 Connecticut towns

Weston Peak is the highest ratio for Weston since 2003

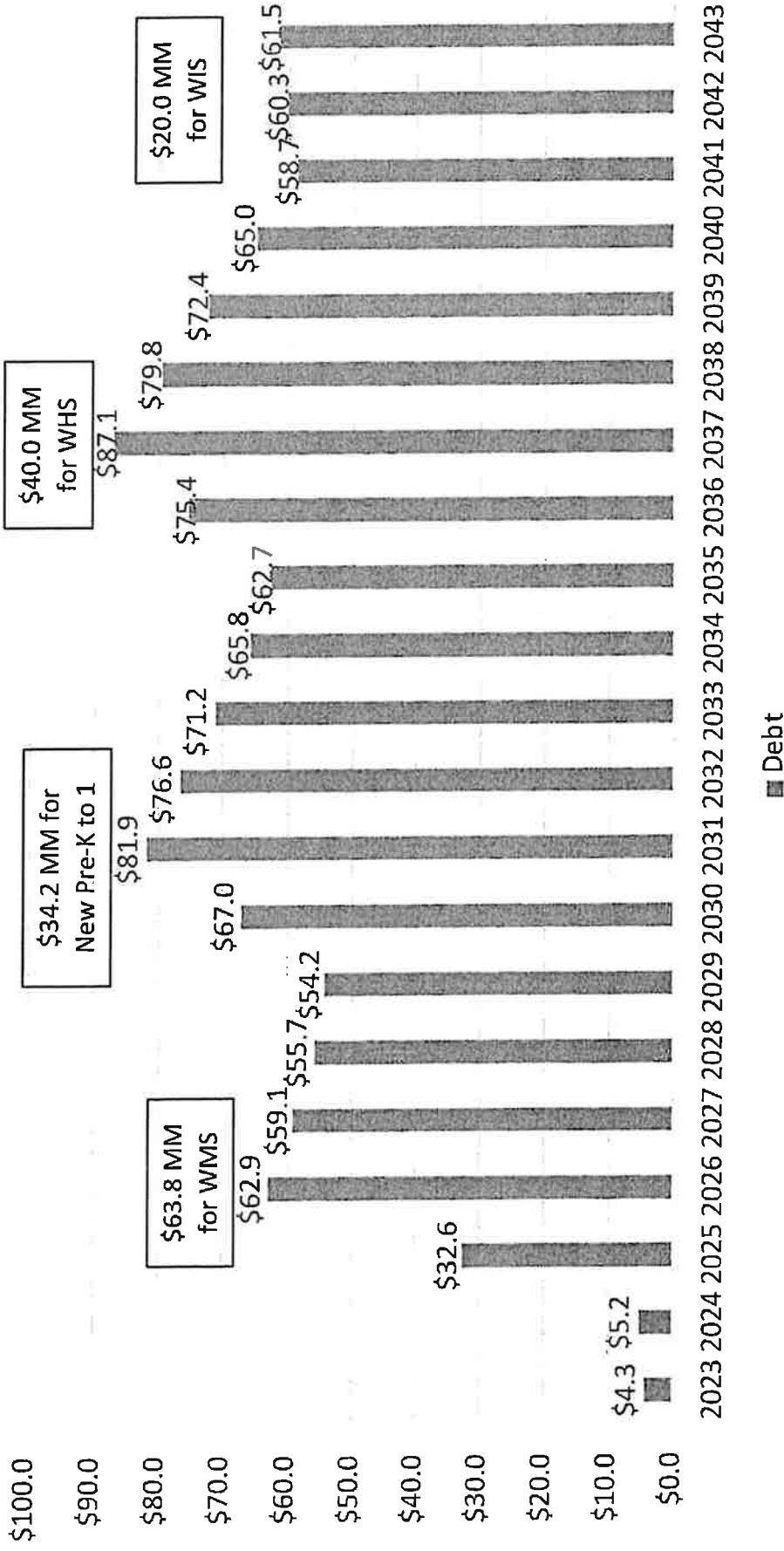
AAA Max debt service factor seems to be heavily affected by three towns who may have short maturities (Greenwich, New Canaan, West Hartford)

- AAA peer comparisons imply \$60-70 MM debt limits
- CT median comparisons imply \$40-50 MM debt limits
- CT 90th percentiles imply \$70-80 MM debt limits
- Weston peak levels exceeded these factors in 2005-2007

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Hypothetical Town Budget and Tax Levy/Mill Rate Analysis
 Draft 20 Year Projection (2023-2043)

Projected Total Debt



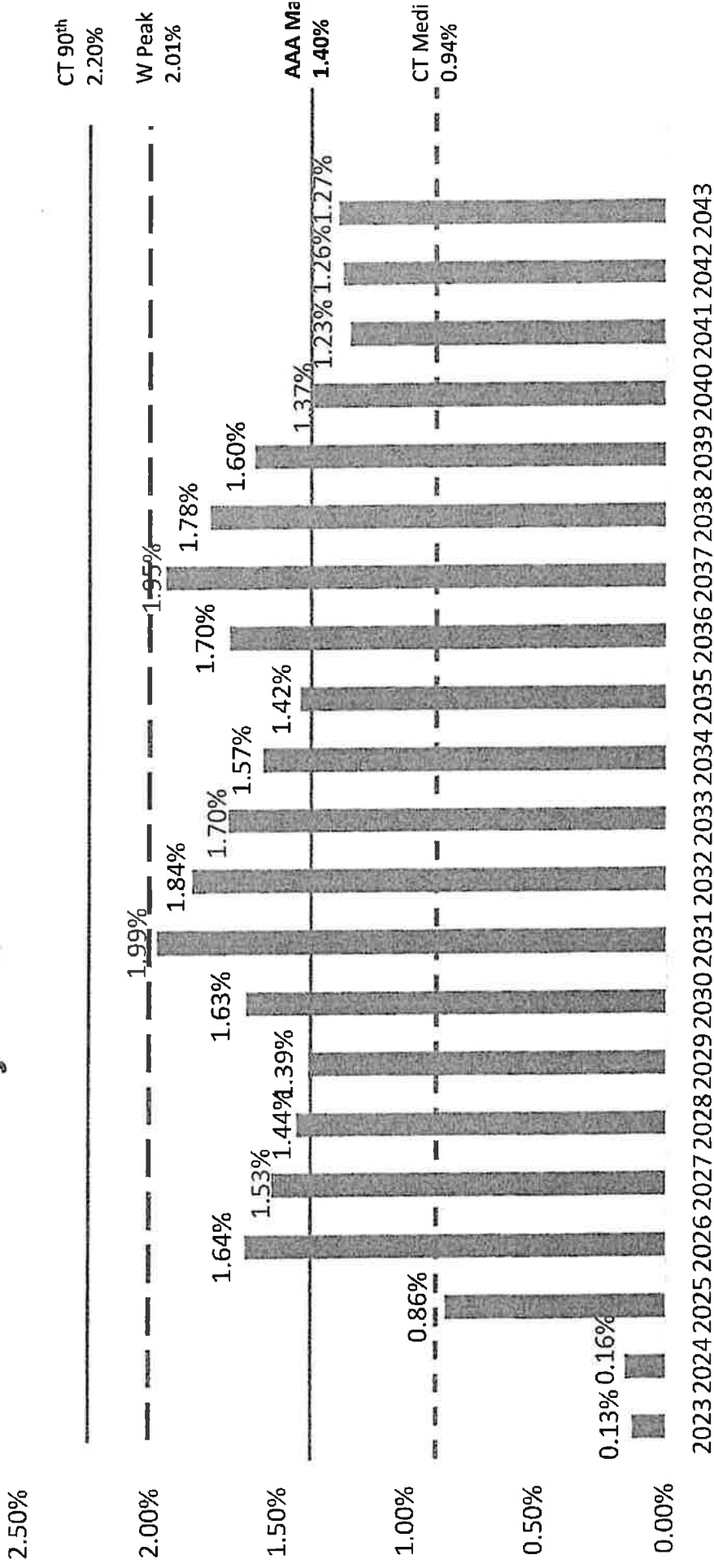
• Projected debt levels exceed \$60 MM for 14 years and peak at \$87 MM in 2037

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Hypothetical Town Budget and Tax Levy/Mill Rate Analysis

Draft 20 Year Projection (2023-2043)

Projected Debt % Full Value

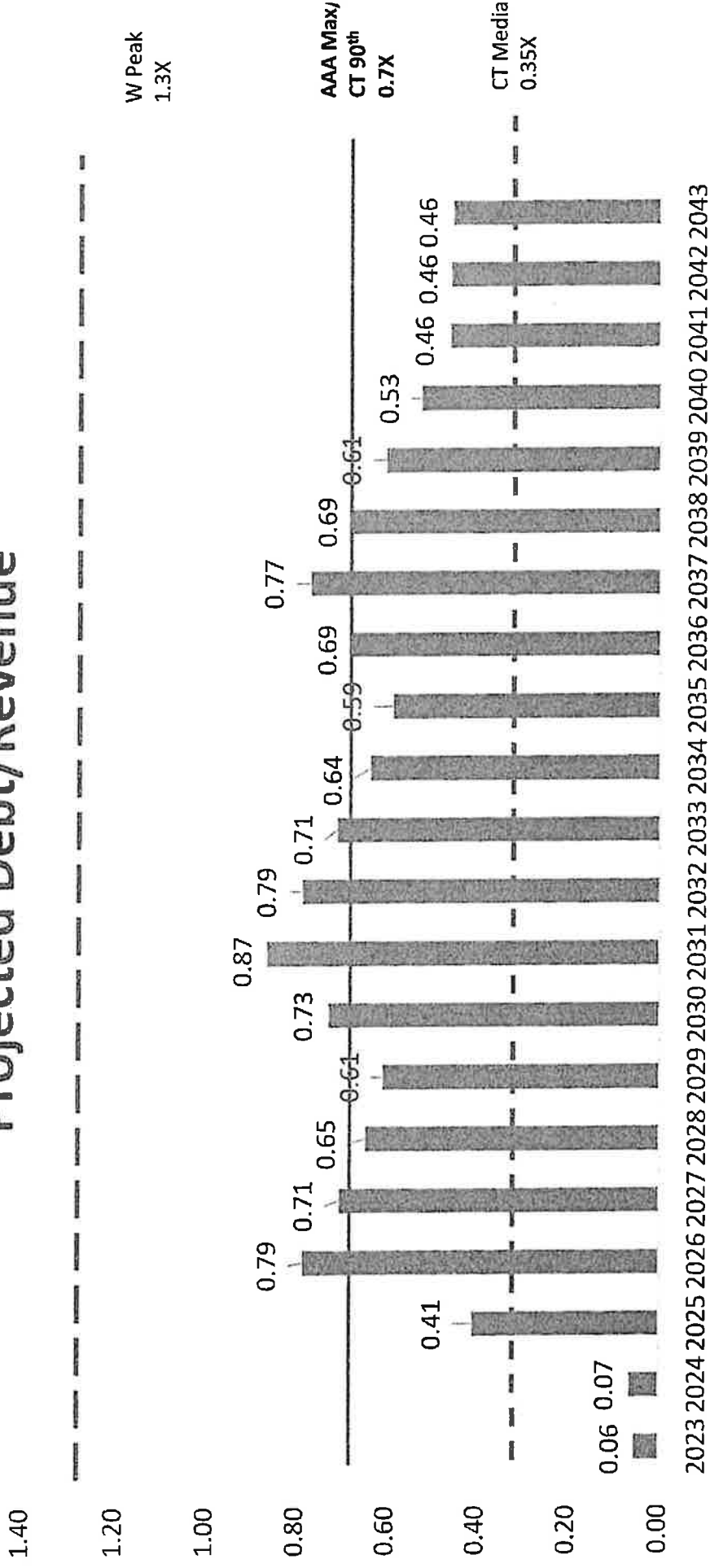


- Exceeding AAA max for majority (13) of years
- Below CT 90th percentile and Weston peak
- Well above CT medians nearly every year

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Hypothetical Town Budget and Tax Levy/Mill Rate Analysis
 Draft 20 Year Projection (2023-2043)

Projected Debt/Revenue



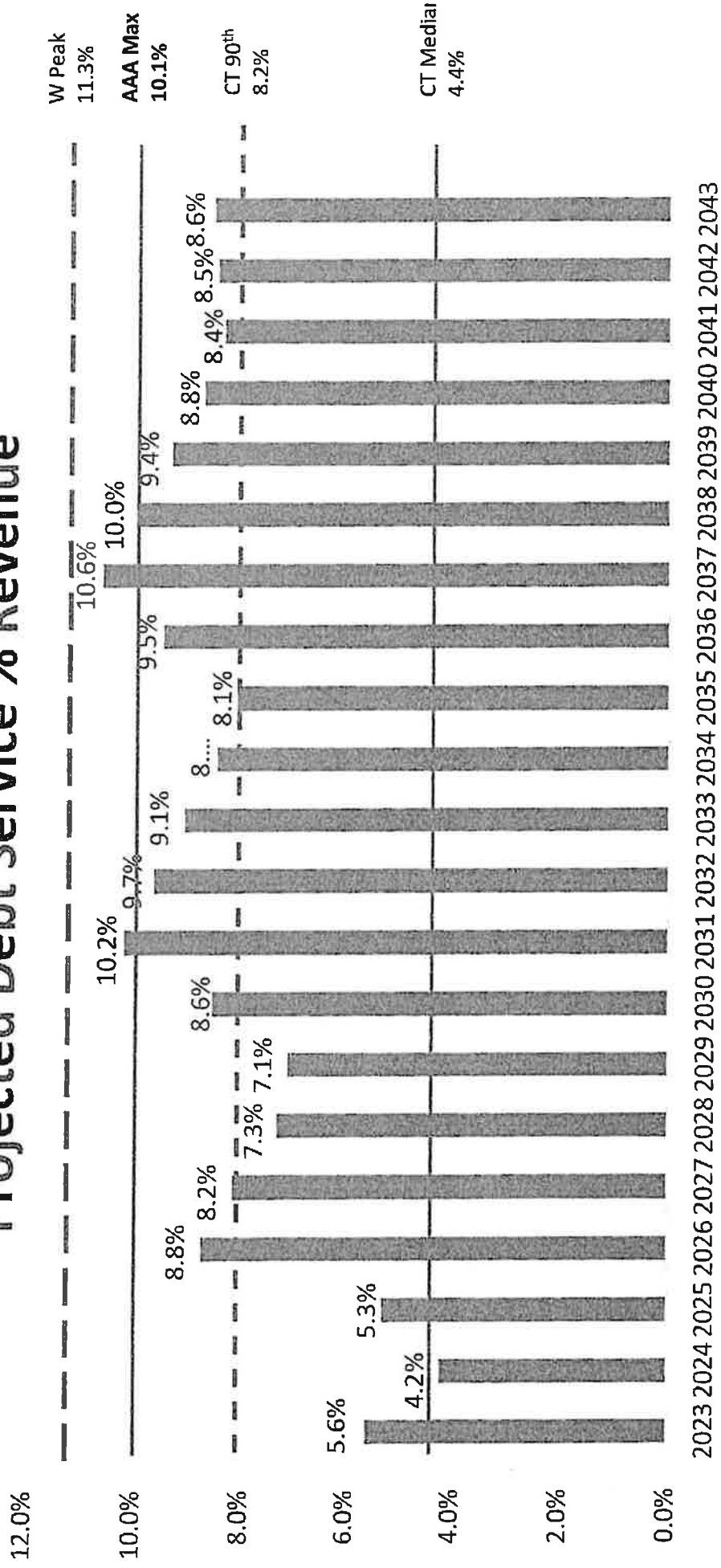
■ Total Debt/Revenue

- Close to or exceeding AAA max/ CT 90th percentile for majority (14) of years
- Below Weston peak
- Well above CT medians nearly every year

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Hypothetical Town Budget and Tax Levy/Mill Rate Analysis
 Draft 20 Year Projection (2023-2043)

Projected Debt Service % Revenue



- Below AAA max except 2 years; but above CT 90th percentile for 15 years
- Below Weston peak
- Well above CT medians nearly every year

CAPITAL EXPENDITURE ANALYSIS

Annual Capital Expenditure Analysis

Capital Budget and Supplemental Capital Appropriations: 10 Year History

	Historical									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Adjusted for Errors										
Town Non Facility	\$ 737,857	\$ 575,989	\$ 481,019	\$ 673,633	\$ 435,000	\$ 758,405	\$ 1,036,026	\$ 615,703	\$ 1,985,025	\$ 1,560,709
Town Facility	\$ 122,900	\$ 185,000	\$ 427,000	\$ 50,000	\$ 131,200	\$ 309,000	\$ 70,000	\$ 245,000	\$ 319,796	\$ 132,273
BOE Non Facility	\$ 25,000	\$ 130,000	\$ 83,628	\$ 20,000	\$ 41,000	\$ 885,785	\$ 20,000	\$ 137,632	\$ 128,360	\$ 85,000
BOE Facility	\$ 444,737	\$ 593,632	\$ 540,430	\$ 484,589	\$ 390,687	\$ 805,834	\$ 1,356,129	\$ 584,692	\$ 633,000	\$ 1,097,856
Total	\$ 1,330,494	\$ 1,484,621	\$ 1,532,077	\$ 1,228,222	\$ 997,887	\$ 2,759,024	\$ 2,482,155	\$ 1,583,027	\$ 3,066,181	\$ 2,875,838
Less:										
Reserves	\$ (12,500)	\$ (10,000)	\$ (50,000)	\$ -	\$ (380,000)	\$ (1,188,776)	\$ (540,000)	\$ (182,363)	\$ (1,035,427)	\$ (444,767)
Suppl Appr	\$ (201,766)	\$ (212,876)	\$ (177,519)	\$ (56,533)	\$ (11,200)	\$ (895,001)	\$ (655,726)	\$ (379,703)	\$ (1,006,515)	\$ -
Net Taxable	\$ 1,116,228	\$ 1,261,745	\$ 1,304,558	\$ 1,171,689	\$ 606,687	\$ 675,247	\$ 1,286,429	\$ 1,020,961	\$ 1,024,239	\$ 2,431,071

	Historical									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
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Annual Capital Expenditure Analysis

	Historical		Projected					5 Year Avg	Potential Guideline
	10 Year Avg	5 Year Avg	2023-2024	2024-2025	2025-2026	13 Year Avg			
Adjusted for Errors									
Town Non Facility	\$ 885,937	\$ 1,191,174	\$ 3,410,348	\$ 1,814,795	\$ 2,971,967	\$ 1,312,037	\$ 2,348,569	\$ 1,750,000	
Town Facility	\$ 199,217	\$ 215,214	\$ 105,000	\$ 85,000	\$ 90,000	\$ 174,782	\$ 146,414	\$ 250,000	
BOE Non Facility	\$ 155,641	\$ 251,355	\$ 295,000	\$ 43,000	\$ 25,000	\$ 147,647	\$ 115,272	\$ 250,000	
BOE Facility	\$ 693,159	\$ 895,502	\$ 504,855	\$ 984,000	\$ 359,000	\$ 675,342	\$ 715,742	\$ 1,000,000	
Total	\$ 1,933,953	\$ 2,553,245	\$ 4,315,203	\$ 2,926,795	\$ 3,445,967	\$ 2,309,807	\$ 3,325,997	\$ 3,250,000	
Less:									
Reserves	\$ (384,383)	\$ (678,267)	\$ -	\$ -	\$ -	NM	NM		
Suppl Appr	\$ (359,684)	\$ (587,389)	\$ -	\$ -	\$ -	NM	NM		
Net Taxable	\$ 1,189,885	\$ 1,287,589	\$ 4,315,203	\$ 2,926,795	\$ 3,445,967	NM	NM		
Adjusted for Errors/ARPA									
Pro Forma									
Town Non Facility	\$ 885,937	\$ 1,191,174	\$ 2,135,348	\$ 1,714,795	\$ 1,271,967	\$ 1,075,498	\$ 1,733,569	\$ 1,750,000	
Town Facility	\$ 199,217	\$ 215,214	\$ 105,000	\$ 85,000	\$ 90,000	\$ 174,782	\$ 146,414	\$ 250,000	
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Less:									
Reserves	\$ (384,383)	\$ (678,267)	\$ -	\$ -	\$ -	NM	NM		
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