

**BOARD OF FINANCE
REGULAR MEETING – July 12, 2022
HELD ELECTRONICALLY**

PRESENT: Michael Kaelin, Stewart Koenigsberg, Sandra Arkell, Matthew Raimondi, Richard Santosky (via phone)

ABSENT: Chris Stroup

Others Present: First Selectwoman Lynne Vanderslice, CFO Dawn Norton

Call to Order

Chairman Michael Kaelin called the meeting to order at 7:11 pm.

Approval of Regular Meeting Minutes of May 10, 2022

Mr. Raimondi made a motion to approve the Regular Meeting Minutes of May 10, 2022. Motion seconded by Ms. Arkell and carried 4-0.

Review of the May Bond Offering and Moodys Report – CFO Dawn Norton

CFO Dawn Norton reviewed the May Bond Offering and Moodys Report. See attached report. Discussion amongst the board and Ms. Norton with the First Selectwoman commenting.

Discussion of Debt Service Projections in Upcoming Fiscal Years and Budget Implications – First Selectwoman Lynne Vanderslice

Ms. Vanderslice began the discussion of Debt Service Projections in Upcoming Fiscal Years and Budget Implications highlighting changes in Wilton's debt service obligations over the coming years (see attached). She noted that over \$19 million in debt referendums that were approved at the May 2022 Annual Town meeting and likely to see \$25 million in additional bonded projects that will be proposed in the next few years. Discussion with the BOF during presentation. In discussion, Ms. Vanderslice noted that it is meaningful for the BOS to know budget targets from the BOF as well as what is an acceptable mill rate increase to help with the budget process.

Discussion of HB 5506

Mr. Raimondi began the discussion on HB 5506 noting that the Bill was passed in February and will affect Special needs funding that will change the way funding is allocated for specific towns. He noted that Wilton would be affected by receiving less special needs funding for FY2023. Ms. Norton discussed with the BOF how Wilton BOE funds would be affected with Ms. Vanderslice providing additional comment. Further discussion amongst the board.

Update on RFQ

Ms. Arkell gave an update on the RFQ. She noted that no progress has been made to date. Mr. Kaelin noted that Ms. Arkell and Mr. Stroup should be coordinating with Ms. Norton on the RFQ and return to the BOF with recommendation.

Discussion of Scheduling and Agenda for Upcoming Meetings

Mr. Kaelin began the Discussion of Scheduling and Agenda for Upcoming Meetings. He noted that the BOF needs to begin discussion on the budgets sooner and to agree on a process in terms of information needed to evaluate the budget/set mill rate targets and information that should be given to the BOS & BOE as they develop

**Minutes have not been reviewed by this Board and may be subject to revision in future minutes.*

their budgets. He discussed items for the August 9, 2022 meeting agenda as well as agenda items for meetings in September.

Committee Reports

BOE Operations Committee: Matt Raimondi noted email from BOE regarding BOE beginning process for the budget and inviting BOF members to the workshops on how budget is created. Ms. Arkell also noted that the BOE at their Operations Committee meeting asked the BOF to designate a member to assist with contract negotiations. Mr. Kaelin noted that will add that request to the August 9, 2022 BOF meeting.

No other Committee Reports

Public Comment

None.

Having no further business, the board voted to adjourn meeting at 8:05 pm.

Respectfully submitted,
Jacqueline Rochester
(from video recording)

CREDIT OPINION

26 May 2022



Send Your Feedback

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Wilton (Town of) CT

Update to credit analysis

Summary

The credit quality of the [Town of Wilton](#) (Aaa stable) reflects the a solidly sized tax base and strong resident wealth and income measures that will remain consistent. The town also benefits from stable financial operations that have produced consistent liquidity and reserves. Fiscal operations are further bolstered by the revenue reliance on the wealthy tax base from which the town can raise revenues as needed to support operations. The town's overall financial solidity will remain intact despite the expected reduction of reserves in fiscal 2023 to lessen millage increases. The town's credit quality is also driven by its leverage position, which includes low long-term retirement liabilities.

Credit strengths

- » Sound financial position supported by stable property tax revenues
- » strong resident wealth and income
- » Low fixed costs

Credit challenges

- » Moderate planned reduction of reserves in fiscal 2023
- » Recent weakness in commercial occupancy

Rating outlook

The stable outlook reflects the expectation that the town's financial position will remain sound given reliance on property tax revenues and proactive management of long-term liabilities.

Factors that could lead to an upgrade

- » n/a

Factors that could lead to a downgrade

- » Tax base deterioration or weakened income or wealth metrics
- » Trend of structural imbalance leading to narrowed reserves
- » Significant increase in debt or capital needs

Key indicators

Exhibit 1

Wilton (Town of) CT

	2017	2018	2019	2020	2021
Economy/Tax Base					
Total Full Value (\$000)	\$6,590,104	\$6,070,177	\$6,210,325	\$6,065,753	\$6,123,094
Population	18,659	18,542	18,463	18,405	18,405
Full Value Per Capita	\$353,186	\$327,374	\$336,366	\$329,571	\$332,686
Median Family Income (% of US Median)	290.6%	286.1%	285.0%	290.8%	290.8%
Finances					
Operating Revenue (\$000)	\$137,738	\$142,138	\$133,908	\$139,683	\$135,543
Fund Balance (\$000)	\$22,581	\$24,133	\$26,603	\$26,757	\$25,625
Cash Balance (\$000)	\$34,578	\$28,670	\$28,732	\$27,861	\$29,593
Fund Balance as a % of Revenues	16.4%	17.0%	19.9%	19.2%	18.9%
Cash Balance as a % of Revenues	25.1%	20.2%	21.5%	19.9%	21.8%
Debt/Pensions					
Net Direct Debt (\$000)	\$83,194	\$85,699	\$80,370	\$77,864	\$73,630
3-Year Average of Moody's ANPL (\$000)	\$62,560	\$61,164	\$60,654	\$71,600	\$77,292
Net Direct Debt / Full Value (%)	1.3%	1.4%	1.3%	1.3%	1.2%
Net Direct Debt / Operating Revenues (x)	0.6x	0.6x	0.6x	0.6x	0.5x
Moody's - ANPL (3-yr average) to Full Value (%)	0.9%	1.0%	1.0%	1.2%	1.3%
Moody's - ANPL (3-yr average) to Revenues (x)	0.5x	0.4x	0.5x	0.5x	0.6x

Sources: US Census Bureau, Wilton (Town of) CT's financial statements and Moody's Investors Service

Profile

Wilton is located in Connecticut's Fairfield County, approximately 55 miles northeast of New York City. The town provides municipal services, including primary and secondary education, to approximately 18,400 residents.

Detailed credit considerations

Economy and tax base: solidly sized, largely residential tax base with very strong resident wealth and income

Wilton's \$6 billion tax base is slightly below the national median for Aaa rated cities but likely to grow when the town completes its next revaluation. The town also benefits from residents with high wealth indicators. We anticipate that these characteristics will remain credit strengths as a result of some ongoing residential development and a highly competitive housing market.

The town's tax base is 80% residential with median home values that are 341% of the national median. Though this figure is actually well below where it was a decade ago, it remains very strong. Housing values have been recently boosted by strong demand during the pandemic as the town reports an influx of new residents mostly from New York City and other parts of Connecticut. This demand has driven an estimated 22% increase in year over year home sales prices. The town also anticipates tax base growth from the ongoing development of several multi-unit housing projects. The robust residential market will mitigate some of the tax base impact of a recent uptick in commercial vacancies led by the departure of Nuveen from its 340,000 square foot facility.

The town's median family income is a very strong 290% of the national median. The full value per capita is also robust at nearly \$333,000. Wilton's 2% poverty rate and 3% unemployment are both well below the national marks.

Financial operations and reserves: stable fiscal position that will remain so despite anticipated reduction of reserves

The town's financial position is stable and will remain so despite an anticipated reduction of reserves to lessen the amount of fiscal 2024 millage increase. Financial stability has been a product of the town strong revenue base, effective budget control, and adherence to its financial policies.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Property taxes are the largest revenue source at 86%, and current year collections remain very strong at over 99%. Intergovernmental revenues from the state account for the second largest revenue source, totaling 10%. The town anticipates that it will close fiscal 2022, with a small addition to reserves as revenues are tracking to be greater than 100% of budget while expenses have been largely consistent with expectations. We anticipate that the town will produce an operating fund balance of approximately \$23 million, or about 18% of revenues.

The town expects to spend down reserves by about \$3.5 million in fiscal 2023 as a means to limit millage growth to 1.3% as opposed to the 2.8% increase that would otherwise occur. If this comes to fruition, the resulting fund balance of about \$19 million would equal about 16% of revenues. This figure is low relative to national Aaa medians, which is a credit weakness offset by the town's demonstrated ability to control its budget and the latitude of Connecticut cities to efficiently access their tax bases to raise operating revenues.

Liquidity

The town's cash balance as of the fiscal 2021 audit (most recently available) is approximately 22% and in line with the amounts maintained over the last five years. We anticipate that audited results for fiscal 2022 and 2023 will reflect comparable levels of liquidity.

Debt, pension and OPEB: low long term liabilities

Wilton's debt burden is manageable and is 1.2% of full value. The debt burden will remain moderate despite anticipated future bond issuances that will provide the majority portion of the town \$36 million capital improvement plan. The town benefits from the flexibility to manage the timing of the implementation plan as it does not have any emergency need items.

Legal security

The 2022 bonds are general obligations of the Town of Wilton, which pledges its full faith and credit to the payment of principal and interest on the bonds when due.

Debt structure

All debt is fixed rate and the ten year principal amortization is satisfactory at 77%. Debt service comprises 6.8% of fiscal 2022 operating expenditures.

Debt-related derivatives

The town is not party to any interest rate swaps or other derivative agreements.

Pensions and OPEB

Wilton is responsible for the administration of a single-employer defined benefit pension plan for substantially all employees, other than teachers and certain administrators who are covered under the state run plan. The town maintains a policy of funding in excess of the actuarially determined contribution (ADC) depending on the plan's funded ratio. Due to the town's aggressive funding of this liability, the plan's funded ratio has increased annually and was 96% as of the June 30, 2020 valuation date. In fiscal 2021 the town paid 105% of the ADC, which is more than our trend water indicator.

The town's Moody's adjusted three-year average net pension liability (ANPL), based on a 2.8% discount rate, is \$77.2 million representing a low 0.6 times operating revenues or 1.3% of full value.

The town maintains a trust for retiree healthcare (OPEB) and has historically contributed 100% of the annual OPEB cost, far more than most local governments across the country. Management's prudent funding policies for pensions and OPEB represent a strong commitment to maintaining superior funding levels for both liabilities.

Fixed costs for fiscal 2021, including debt service, required pension and OPEB contributions, totaled a low 7.2% of operating revenues.

ESG considerations

Environmental

Environmental factors represent a limited risk to Wilton's credit profile. Wilton is exposed to increasing risk of hurricanes and sea level rise, which can damage infrastructure and affect property values. These exposures are mitigated by the town's revenue and capital

raising capacity and federal government support for disaster recovery costs. The town also faces risk of water stress, which could affect economic growth. Water supply issues are mitigated by state and regional water supply initiatives.

Social

Social considerations are key influencers of all local economies, financial and leverage trends and governance stability. Social factors are incorporated into the town's rating by way of wealth (full value per capita) and income (median family income) metrics. The town is proactive in taking steps to prevent and mitigate the impact of cyber events

Governance

The county's sound financial position is supported by strong management and comprehensive fiscal policies, healthy fund balance levels, well-managed operations and unusually proactive funding of long-term pension and OPEB liabilities.

Connecticut cities have an institutional framework score ¹ of "Aa," or strong. Revenues are highly predictable and stable, due to a large reliance on property taxes. Cities additionally benefit from high revenue-raising ability due to the absence of a state-wide property tax cap. Expenditures primarily consist of personnel costs as well as education costs for those cities that manage school operations, and are highly predictable due to state-mandated school spending guidelines and employee contracts that dictate costs. Expenditure reduction ability is moderate as it is somewhat constrained by union presence.

Rating methodology and scorecard factors

The US Local Government General Obligation Debt methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 2

Wilton (Town of) CT

Rating Factors	Measure	Score
Economy/Tax Base (30%)[1]		
Tax Base Size: Full Value (in 000s)	\$6,123,094	Aa
Full Value Per Capita	\$332,686	Aaa
Median Family Income (% of US Median)	290.8%	Aaa
Finances (30%)		
Fund Balance as a % of Revenues	18.9%	Aa
5-Year Dollar Change in Fund Balance as % of Revenues	1.6%	A
Cash Balance as a % of Revenues	21.8%	Aa
5-Year Dollar Change in Cash Balance as % of Revenues	-1.6%	Baa
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	1.2%	Aa
Net Direct Debt / Operating Revenues (x)	0.5x	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	1.3%	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	0.6x	Aa
Notching Factors:[2]		
Other Analyst Adjustment to Debt and Pensions Factor (specify): Contingent risk associated with state pension support		
	Scorecard-Indicated Outcome	Aa1
	Assigned Rating	Aaa

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication.

Sources: US Census Bureau, {OrgName}'s financial statements and Moody's Investors Service

Endnotes

- 1 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 \(July 2020\)](#) methodology report for more details.

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Rating Action: Moody's assigns Aaa to Wilton, CT's GO Bonds Issue of 2022

26 May 2022

New York, May 26, 2022 -- Moody's Investors Service has assigned a Aaa rating to the Town of Wilton, CT's General Obligation Bonds, Issue of 2022. The bonds have an expected par value of \$4.4 million. Moody's also maintains a Aaa rating on the town's other outstanding general obligation bonds. The outlook is stable.

RATINGS RATIONALE

The Aaa rating reflects the town's solidly sized tax base with very strong resident wealth and income indicators, stable financial position and modest long-term liabilities. We anticipate that these characteristics will remain key credit strengths for the town. The rating also reflects the town's dependency on stable property tax revenues and low fixed costs, which afford significant operating flexibility.

RATING OUTLOOK

The stable outlook reflects the expectation that the town's financial position will remain sound given reliance on property tax revenues and proactive management of long-term liabilities.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- N/A

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Tax base deterioration or weakened income or wealth metrics
- Trend of structural imbalance leading to narrowed reserves
- Significant increase in debt or capital needs

LEGAL SECURITY

The 2022 bonds are general obligations of the Town of Wilton, which pledges its full faith and credit to the payment of principal and interest on the bonds when due.

USE OF PROCEEDS

Proceeds of the sale will be used fund various general purpose and school projects.

PROFILE

Wilton is located in Connecticut's Fairfield County, approximately 55 miles northeast of New York City. The town provides municipal services, including primary and secondary education, to approximately 18,400 residents.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2021 and available at <https://ratings.moody.com/api/rmc-documents/70015>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

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- **Over the last five approved budgets, annual debt service declined from \$11.8 million to \$9 million, helping to minimize mill rate increases.**
- **Beginning with FY2024, that trend will reverse.**
- **The goals of this presentation are**
 - To provide information related to anticipated debt referendums and debt service amounts.
 - To provide information related to grand list growth relative to debt service growth.
 - To request the Board of Finance provide FY2024 budget targets, either in October or November 2023.

BOF Meeting-July 12, 2022

- **\$19.4 million of bonded projects were approved at the May 2022 ATM.**
- **\$25 million of additional bonded projects are expected to be requested over the next three years.**
 - *As included in the 5-year plan, plus a third turf field, WHS and MB renovations and Ambler Farm Yellow House renovations.*
 - *Timing for WHS, MB and AFYH is based on schedule debt retirement in FY2025.*

	2023	2024	2025	2026
2023-2027 5-year Capital Plan	\$ 19,460,137	\$ 8,842,150	\$ 5,550,555	\$ 3,846,306
Turf Field		\$ 2,000,000		
Town Hall Elec & HVAC		\$ (1,500,000)	\$ 1,500,000	
WHS and MB Renovations			\$ 4,000,000	
Ambler Farm Yellow House			\$ 800,000	
Total	\$ 19,460,137	\$ 9,342,150	\$ 11,850,555	\$ 3,846,306

- **During this same period, approximately \$25 million of additional bonding has been avoided because the Town secured state and federal grants for those projects. Securing grants in lieu of bonding or operating expenses continues as an area of focus for town departments.**

- **Debt service with a 3.5% interest rate is expected to increase by approximately**
 - *\$680,000 in FY2024*
 - *\$1,100,000 in FY2025*
 - *\$670,000 in FY2026*
- **BOS and BOE operating costs at a 2% annual increase would increase by**
 - *\$2,412,000 in FY2024*
 - *\$2,460,000 in FY2025*
 - *\$2,510,000 in FY2026*

Can Incremental Grand List Growth Absorb the Increase in Debt Service?

- *October 1, 2021 and 2020 assessed grand list increased as follows:*

In Millions	October 1 2021	October 1 2020
Real Estate	\$ 5.3	\$ 24.6
Personal Property	\$ 2.4	\$ 14.2
Vehicles	\$ 53.8	\$ 5.7
Total	\$ 61.5	\$ 44.5

- *Activity plummeted during the pandemic, but is picking up as evidenced by building permit activity, but*
 - A \$680,000 debt service increase currently requires \$24 million of incremental assessed growth, or \$34 incremental market growth.
 - A \$1,100,000 debt service increase currently requires \$39 million of incremental assessed growth or \$55 incremental market growth.

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FY2021 and FY2022 Permit Activity

- Permits include, among others, 200 Danbury Road, ASML, Hartford Healthcare, 40/60 parking garage expansion, Ipark parking garage, Hollyhock retail/residential conversion and Cannonwoods residential subdivision.
- Some of those projects were reflected fully or partially in the October 1, 2021 grand list.

Building Permits Issued-Construction Full Value				
	2021	Still Open	2022	Still Open
Residential, New	\$ 5,545,555	\$ 3,713,000	\$ 11,990,665	\$ 11,319,000
Residential, Alterations	\$ 14,182,838	\$ 7,480,000	\$ 13,180,992	\$ 12,040,000
Residential, Swimming Pool	\$ 2,681,059	\$ 1,490,000	\$ 2,440,700	\$ 2,370,000
Residential Solar	\$ 1,410,643	\$ 186,000	\$ 2,161,732	\$ 826,000
Commercial, New	\$ 625,000	\$ 625,000	\$ 8,142,880	\$ 8,142,880
Commercial, Alterations	\$ 16,563,500	\$ 1,602,000	\$ 17,911,318	\$ 14,135,000
Minor, Residential & Commercial	\$ 6,077,602.5	\$ 2,596,000	\$ 7,930,458	\$ 5,914,000
Total	\$ 47,086,197	\$ 17,692,000	\$ 63,758,744	\$ 54,746,880

- Note: not all permitted projects will be started.
- Note: not all permitted projects will result in an increase in assessment.

Can Incremental Grand List Growth Absorb the Increase in Debt Service, cont?

- ***New constructions projects include or may include:***
 - 200 Danbury Road, apartments and retail-+/- \$160,000.
 - FY2023 and FY2024 budgets-October 2021 and 2022 grand lists.
 - Near completion.
 - 141 Danbury Road, apartments-\$900,000.
 - FY2025 and FY2026 budgets-October 2022 and 2024 grand lists.
 - Site demolition occurred, new permits expected this month.
 - 12 Godfrey Place-+/- \$140,000.
 - Completed pre-app process, application expected this year.
 - SSND property-\$1.2 to \$1.9 million.
 - A buyer has not been confirmed, expected this year.

Note: the above amounts were not prepared by the Assessor and should not be considered as reflective of any future assessment.

BOF Meeting-July 12, 2022

Examples of commercial real estate assessments and taxes

Address	Property Type	Approx Assessment	Approximate Taxes before exemptions
20 Westport Road	office	\$ 40,900,000	\$ 1,154,566
25 River Road	TH apartments	\$ 30,592,000	\$ 863,582
10 Westport Road	office	\$ 22,771,000	\$ 642,803
116 Danbury Road	TH apartments	\$ 21,316,000	\$ 601,729
50 Danbury Road	office	\$ 21,137,000	\$ 596,676
435 Danbury Road	retirement facility	\$ 16,228,000	\$ 458,100
5 River Road	retail/restaurants	\$ 16,792,000	\$ 474,021
15 River Road	retail/office	\$ 14,315,000	\$ 404,098
21 River Road	office	\$ 14,708,000	\$ 415,192
211 Danbury Road	retirement facility	\$ 14,272,000	\$ 402,884
249 Danbury Road	medical	\$ 8,017,000	\$ 226,312
31 Old Danbury Road	apartments	\$ 4,704,000	\$ 132,789
151 Old Ridgefield Road	retail/restaurants	\$ 2,740,290	\$ 77,356