

## TOWN MANAGER'S REPORT

TO: Honorable Town Council Members

FROM: Karl F. Kilduff, Town Manager

DATE: January 22, 2020

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Please find my report concerning various items of interest to the Town Council and community.

### 1. Council Business:

- a) Bond Sale: In advance of the Town's bond sale, Standard & Poor's affirmed the Town's bond rating of AA+ for its long-term bonds with a stable outlook. The bond sale will take place on the morning of Wednesday, January 22. I will be able to give you a verbal update on the results of the sale at the Town Council meeting.
- b) Natural Hazards Mitigation Plan Update: The Town is working with the River COG and their consultant Dewberry to complete an update to the Natural Hazards Mitigation Plan. The Plan needs to be updated every 5 years and is essential to receive grant funding to address pre-disaster mitigation efforts which could reduce the risks the Town may face in the event of natural disasters. It is also required to receive FEMA assistance after a disaster. This will be an ongoing activity through the summer.
- c) Social Media: The Town has launched an official Facebook page ("The Town of Clinton, Connecticut") to educate the public and increase awareness of town activities. It will serve as a bridge to the Town's website too by connecting directly to content on the website as appropriate. Navigation of the website is the next project to be evaluated to make it easier for the public to access content on the site.
- d) FY2020-21 Budget Preparation: I have spent a significant amount of my time reviewing departmental budget requests for the upcoming fiscal year in advance of the budget being presented to the Council in February. The Town Manager's Recommended Budget will be a merged document including Town expenses, Debt Service, Capital and Education.

### 2. Upcoming Events:

- a) January 21, 2020 Capital Expenditure Committee (5:30 p.m.)
- b) January 23, 2020 Town Manager Budget Hearings with Departments and Boards and Commissions (2:00 p.m.)
- c) January 23, 2020 Capital Expenditure Committee (5:30 p.m.)
- d) January 27, 2020 Town Manager Budget Hearings with Departments and Boards and Commissions (2:00 p.m.)
- e) January 27, 2020 Annual Joint Meeting of Boards and Commissions (6:00 p.m.)
- f) February 3, 2020 Planning & Zoning Commission Public Hearing (7:00 p.m.)
- g) February 5, 2020 Regular Town Council Meeting (8:00 a.m.)
- h) February 11, 2020 Special Town Council Meeting to Receive the Town Manager's Recommended Budget



**3. Connecticut Conference of Municipalities:**

- a) No report. The next Legislative Committee meeting is in February.

**4. River COG:**

- a) The River COG meeting is on the morning of Wednesday, January 22. The agenda is attached.

**5. Miscellaneous:**

- a) Union Negotiations: Letters have been received by unions representing the Supervisors, Police and Dispatchers requesting negotiations for a successor contract. Efforts to reach new collective bargaining agreements will now move forward.
- b) Risk Management Award: At the end of this month, the Clinton Police Department will receive an award from the Connecticut Interlocal Risk Management Agency (CIRMA) for their efforts to reduce Workers' Compensation exposures. CIRMA is our insurance carrier for Workers' Compensation. The recent efforts of the Police Department help protect our employees and control insurance costs going forward.

**6. Attachments and Information Sharing:**

- a) Standard & Poor's Bond Rating Report
- b) River COG Agenda



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## Summary:

# Clinton Town, Connecticut; General Obligation; Note

### Primary Credit Analyst:

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## Summary:

# Clinton Town, Connecticut; General Obligation; Note

### Credit Profile

US\$5.71 mil GO		
<i>Long Term Rating</i>	AA+/Stable	New
US\$3.15 mil GO BANs		
<i>Short Term Rating</i>	SP-1+	New
Clinton Twn GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Clinton Twn GO BANs		
<i>Short Term Rating</i>	SP-1+	Affirmed

## Rationale

S&P Global Ratings assigned its 'AA+' long-term rating to Clinton Town, Conn.'s series 2019 general obligation (GO) refunding bonds. At the same time, S&P Global Ratings assigned its 'SP-1+' short-term rating to the town's 2020 bond anticipation notes (BANs). Additionally, we have affirmed our 'AA+' long-term rating on the town's bonds outstanding. The outlook is stable.

### Security and use of proceeds

The town's full-faith-and-credit pledge secures the bonds. The short-term rating on the notes reflects our criteria for evaluating and rating BANs. In our view, Clinton maintains a very strong capacity to pay principal and interest when the notes come due. We view the town's market risk profile as low, because it has strong legal authority to issue long-term debt to take out the notes, although no additional authority is required, and it is a frequent debt issuer that regularly provides ongoing disclosure to market participants. Officials plan to use series 2020 BANs and bond proceeds to fund capital expense.

### Credit overview

Clinton's conservative financial practices have led to consistent financial performance and improving reserves. We believe costs related to the town's long-term liabilities are low and manageable, and should not pose any immediate budgetary pressure. Furthermore, although economic growth has been slow, the town's location, near both New Haven and Hartford and along major highways, provides economic stability, which should support stable finances.

The rating also reflects our view of the town's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Adequate management, with standard financial policies and practices under our Financial Management Assessment (FMA) methodology;

- Strong budgetary performance, with a slight operating surplus in the general fund and an operating surplus at the total governmental fund level in fiscal 2019;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2019 of 17% of operating expenditures;
- Very strong liquidity, with total government available cash at 26.9% of total governmental fund expenditures and 3.3x governmental debt service, and access to external liquidity we consider strong;
- Adequate debt and contingent liability profile, with debt service carrying charges at 8.2% of expenditures and net direct debt that is 104.5% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value; and
- Strong institutional framework score.

### **Very strong economy**

We consider Clinton's economy to be very strong. The town, with an estimated population of 12,950, is located in Middlesex County in the Hartford-West Hartford-East Hartford, CT MSA, which we consider to be broad and diverse. The town has a projected per capita effective buying income of 116% of the national level and per capita market value of \$169,112. Overall, the town's market value was stable over the past year, at \$2.2 billion in 2019. The county unemployment rate was 3.5% in 2018.

Clinton encompasses about 17.2 square miles. It is 17 miles east of New Haven and 40 miles south of Hartford, and is traversed by Interstate 95, as well as Routes 1, 81, and 145. The town is primarily residential but does maintain a modest commercial presence, along with some industrial properties. Major employers include Clinton Crossing Premium Factory Outlet Center, the town, Stop & Shop, and Connecticut Water Co. There is no taxpayer concentration, as the 10 largest taxpayers account for less than 10% of the grand list. The town has developed and implemented projects to improve the infrastructure in its downtown area over the past few years, achieved through various federal and state grants. Officials believe this will enhance the town's ability to draw more private and commercial development. The site of the town's old Morgan High School is under contract with developers and is zoned for mixed-use residential and commercial, hotel, and chain restaurants. The Unilever building has been sold and is the midst of its own redevelopment.

Several residential and commercial developments will be completed in the near future. Once fully completed, officials expect the developments could provide more than \$10 million toward the grand list. Officials also indicate Clinton Crossing Premium Factory Outlet Center is operating at 100% occupancy. Therefore, we expect the town's economy to remain very strong.

### **Adequate management**

We view the town's management as adequate, with standard financial policies and practices under our FMA methodology, indicating the finance department maintains adequate policies in some, but not all, key areas.

Clinton's budgetary assumptions are conservative, and management uses a three-year historical trend analysis when developing the budget. The town also reports on budget-to-actual results to the board monthly. Clinton follows state guidelines in regard to investments. It does not have a formal long-term financial plan, but is working to formally adopt one. The town has a rolling capital plan that extends into 2028; however, the plan does not identify funding sources.

The town also has a formal reserve policy that maintains unassigned reserves at no less than 10% of expenditures. The town has adhered to this policy over the past three years.

### **Strong budgetary performance**

Clinton's budgetary performance is strong, in our opinion. The town had slight surplus operating results in the general fund of 0.5% of expenditures, and surplus results across all governmental funds of 6.7% in fiscal 2019.

Fiscal 2019 results include adjustments for one-time capital expenditures paid for with bond proceeds and recurring transfers.

According to management, the fiscal 2019 positive performance was primarily the result of conservative budgeting for state revenue and expenses related to school costs, as well as the town's expenditures coming in lower than budgeted and higher-than-expected revenues. Clinton budgeted conservatively for intergovernmental, property tax, and charges for services revenue. Town departments also maintained good controls on expenditures, which netted cost savings. Property taxes account for 82% of fiscal 2019 general revenues, followed by intergovernmental revenues at 16%. Tax collections have averaged 99.3% over the past three years. The town budgets for collections at 98.8%, which has provided additional operating flexibility.

The fiscal 2020 budget totals \$55.1 million, which represents a 2.9% increase over the previous year. Officials indicate budget-to-actuals are currently on target, and they expect to end the year with at least break-even results, if not positive. Management indicates it will continue to budget conservatively for state revenue items in fiscal 2021 and beyond. The town is in the midst of the 2021 budget process. With the ongoing construction and subsequent fees, coupled with grand list growth, we expect the town's budgetary performance to remain strong.

### **Very strong budgetary flexibility**

Clinton's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2019 of 17% of operating expenditures, or \$9.5 million.

Clinton has consistently maintained strong budgetary flexibility over the past three years, with available reserves averaging 12% of expenditures. This supports the town's formal reserve policy of maintaining its unassigned fund balance at 10% of expenditures. In 2019, the available fund balance is again at a level we consider very strong. With an expected \$2.2 million payment from the high school sale, we believe the town will maintain balances higher than 15%. However, we expect that the town will spend the fund balance on various capital projects and other one-off expenses, although we do not expect budgetary flexibility to materially weaken.

### **Very strong liquidity**

In our opinion, Clinton's liquidity is very strong, with total government available cash at 26.9% of total governmental fund expenditures and 3.3x governmental debt service in 2019. In our view, the town has strong access to external liquidity, if necessary.

Clinton is a regular market participant that has issued debt frequently over the past several years, including GO bonds and short-term BANs. Clinton has no variable-rate or direct-purchase debt. We expect the town's liquidity profile to remain very strong.



### **Adequate debt and contingent liability profile**

In our view, Clinton's debt and contingent liability profile is adequate. Total governmental fund debt service is 8.2% of total governmental fund expenditures, and net direct debt is 104.5% of total governmental fund revenue. Overall net debt is low, at 2.9% of market value, which is in our view a positive credit factor.

Following this issuance, the town will have about \$58.6 million in total direct debt, including \$3.5 million in BANs. Officials have authorized, but unissued \$13.8 million in debt. The town has received \$25 million in state grants to offset construction of a new high school, and anticipates an additional \$3 million in grants.

### **Pensions and other post-employment benefits**

We do not view pension and other postemployment benefits (OPEB) liabilities as an immediate source of credit pressure for Clinton, despite lower funding levels and our expectation that costs will increase.

Under a special funding situation, the state is obligated to make pension contributions on behalf of Clinton for the Connecticut State Teachers' Retirement System (TRS), mitigating risks of escalating costs for the town, despite the poor plan funded level. Because the town's pension actuarially determined contribution is built from what we view as weak assumptions and methodologies, we believe it increases the risk of unexpected contribution escalations. However, we expect higher contributions will likely remain affordable, given the strength of the town's revenue base.

Although OPEB liabilities are funded on a pay-as-you-go basis, which, given claims volatility as well as medical cost and demographic trends, is likely to lead to escalating costs, the town has established a trust and is working toward a funding policy.

As of June 30, 2019, the town participates in:

- Clinton Police Pension Plan, a single-employer police retirement system (PERS), established and administered by the town, at 63.36% funded, with a \$7.9 million net pension liability;
- Clinton Board of Education Noncertified Personnel Pension Plan, a single-employer pension system, established and administered by the board to provide pension benefits to the noncertified employees of the Board of Education, at 80.36% funded, with a \$1.5 million net pension liability;
- Volunteer Firefighters' Plan, 0% funded, with a net pension liability of \$857,094;
- Connecticut Municipal Employees' Retirement System (MERS), 73.6% funded, with a proportionate share of the plan's net pension liability of \$4.3 million;
- Connecticut State Teachers' Retirement System (TRS), 55.93% funded; and
- Postemployment benefits for eligible school and town employees.

Clinton's combined required pension and actual OPEB contributions totaled 4.3% of total governmental fund expenditures in 2019. Of that amount, 3.5% represented required contributions to pension obligations and 0.8% represented OPEB payments. The town made its full annual required pension contribution in 2019.

Clinton also provides OPEB for eligible school and town employees. The town's plan has a total OPEB liability of \$2.7 million as of June 30, 2019, while the Board of Education plan's total OPEB liability is \$8.0 million. The fiduciary net position for the town's plan is 1.16%, while the board's plan fiduciary net position is .94%.

Management has created an OPEB trust fund with an initial contribution of \$100,000. The town is developing a funding policy for its trust fund. While the town's total pension and OPEB carrying charge as a percentage of expenditures has grown over the past year, we believe costs remain manageable; however, should costs significantly increase, we could revise our view of the town's pension and OPEB profile. We view the town's retirement costs and long-term liabilities as manageable.

### **Strong institutional framework**

The institutional framework score for Connecticut municipalities is strong.

## **Outlook**

The stable outlook reflects our opinion of the town's very strong economy and very strong budgetary flexibility, supported by balanced operations. Further supporting the rating is the town's very strong liquidity, its strong debt and contingent liability profile, and our expectation that management will continue to strengthen its financial management policies in the short term. Therefore, we do not expect to change the rating within the two-year outlook horizon.

### **Upside scenario**

Should the town's economic indicators improve to levels comparable with those of higher-rated peers, we could raise the rating.

### **Downside scenario**

If the town's budgetary flexibility were to weaken as a result of negative budgetary performance, we could lower the rating.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.



# Lower Connecticut River Valley Council of Governments

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## Agenda

### Lower Connecticut River Valley Council of Governments and Lower Connecticut River Valley Metropolitan Planning Organization

Wednesday, January 22, 2020, 9:00 a.m.

TPC at River Highlands (Clubhouse), 1 Golf Club Road, Cromwell, CT 06416

1. Roll Call, Introductions, and Public Speaking
  - a. Regional Election Monitor Report – Carol Conklin
2. Nominating Committee 2020 Officers and At-Large Executive Committee Members Report (motion)
  - a. RiverCOG 2020 Elections
3. Annual Meeting with Lower CT River Valley Legislators
  - a. 2020 RiverCOG Legislative Agenda (motion)
  - b. Discussion with Legislators
4. LCRVMPO Business
  - a. Approval of Minutes of the December 11, 2019 LCRVCOG and LCRVMPO Meeting (motion)
  - b. 2018 TIP amendment #36, replacement of traffic signals in District 2, project #0172-0496 (motion)
  - c. Other Transportation Updates
    - i. Update on Corridor & Transit Studies
5. LCRVCOG Business
  - a. RiverCOG Cyber Attack
  - b. Regional Performance Incentive Program Grant Applications
    - i. Endorsement Resolutions of RPIP Projects (motion)
    - ii. Authorization of WestCOG to work on RiverCOG's behalf on the Statewide Municipal Boundary Survey (motion)
  - c. RiverCOG FY 2021 Dues (same calculation as FY20) (motion)
  - d. New Household Hazardous Waste Vendor – Committee Report and Authorization (motion)
  - e. New RiverCOG Staff Member – Megan Joufflas
6. Chairman's and Executive Director's Reports
7. DEMHS Report
8. Other Business
9. Adjournment

Meeting called by  
Chairman Anthony Salvatore

# RiverCOG

