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BOARD OF FINANCE

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May 16, 2023

Jeff Curtis, President
Board of Representatives
City of Stamford
888 Washington Boulevard, 4th Floor
Stamford, CT 06904

Re: Consideration of \$15 million reserve for capital non-recurring expenses

Dear President Curtis:

Pursuant to Charter Sec. C8-30-10 and C.G.S. Sec. 7-361, the Board of Finance (BOF) voted unanimously at our annual mill rate meeting on May 15, 2023, to recommend levying an additional tax, in addition to the tax needed to fund the operating budget, to fund a \$15 million reserve to be used only for capital and non-recurring expenses. Funding of a reserve for capital and non-recurring expenses via the tax rate is authorized under C.G.S. Sec. 7-361 “upon the recommendation of the budget-making authority and approval by the legislative body”. Therefore, I request that approval of this additional tax be scheduled for consideration by the Board of Representatives (BOR) prior to May 25, 2023, the date by which the charter requires the tax rate to be fixed.

Background

As discussed last year, our local funding needs for the Long Term Facilities (LTF) plan of the Board of Education are large and have grown in the last twelve months. Since the May 2022 approval of a \$20 million reserve, the boards have approved \$132 million in LTF authorizations: \$86 million for a new K-8 Roxbury School plus \$46 million in LTF projects at seven schools in the 2023-24 capital budget. In addition to that, the cost of reconstructing Westhill has been revised from \$257 million to \$301 million, reflecting an anticipated increase in construction costs, and a \$160 million capital authorization request for the new South School is expected shortly. While all of these projects receive reimbursement from the State, the reimbursement percentages vary and our local share is still substantial.

The principal rationale discussed last year for funding a capital reserve - to save on interest costs - is even more relevant as the interest rate the city pays on its bonds has risen from 2.5% last year to an anticipated 4% this year. Furthermore, as the Board of Finance has continued to examine the city’s school capital funding needs in special meetings over the last year, our need for float during construction has arisen as a pressing need; that is, the cash required to pay construction bills in full prior to receiving reimbursement

from the state several months later. Under IRS regulations, bonding proceeds cannot be used to pay expenses that will be reimbursed, leaving the school construction reserve as the main source of float. Our float requirement once construction on Westhill begins will be about \$50 million and increase once construction begins on Roxbury and other LTF projects.

Decision of the Board of Representatives

As stated, the \$15 million capital reserve increment of the mill rate requires approval of the BOR; the base mill rate excluding the capital reserve does not. The mill rates to be considered by the BOR, and comparison rates, are as follows:

District	2022-23 Mill Rate	2023-24 Mill Rate excluding Capital Reserve	2023-24 Mill Rate including Capital Reserve	Capital Reserve Increment in mills
A	27.17	24.55	25.24	.69
B	26.68	24.07	24.76	.69
C	26.33	23.78	24.46	.68
CS	26.74	24.18	24.86	.68

The last two columns of rates are those to be considered by the BOR. Also, please note that the BOR’s decision will not change the motor vehicle or personal property mill rates, which the BOF fixed at 27.25 and 27.17 respectively, both unchanged from last year.

The vote of the Board of Representatives is for consideration of a capital reserve for the upcoming fiscal year only. An affirmative vote would apply to FY 2023-24 only and make no commitments beyond the coming fiscal year. Should a capital reserve be considered in any future year, it would have to be reviewed for that year specifically, as it is being reviewed now and was last year, by both the Board of Finance and the Board of Representatives.

Finally, an approval only funds the reserve. Any disbursement from the reserve would require a capital appropriation voted on by the Planning Board, BOF and BOR. Thank you.

Richard Freedman

Richard Freedman, Chair
Board of Finance

cc: Mayor Caroline Simmons
Board of Finance