



CITY OF NORWALK, DEPARTMENT OF FINANCE
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Harry Rilling, Mayor
Members of the Common Council
Members of the Board of Estimate and Taxation
Members of the Planning Commission

Transmitted herewith is my recommendation for the financing of total FYE 2022 Capital Appropriations, together with a comprehensive list of FYE 2022 capital projects approved by the Common Council on April 13, 2021.

This year's financing plan is impacted by prior period authorizations in addition to the Common Council's approved FYE 2022 total capital appropriation. The total value of authorized but not bonded projects has significantly increased in the last four years as the Norwalk Public Schools implement their long-term building renovation plan.

Credit Rating Agencies and their Evaluation of the City's Debt

Similar to consumer debt and corporate debt, municipal governments' creditworthiness is evaluated by Credit Rating Agencies: the more creditworthy, the higher the "credit rating" and the lower the interest rate investors demand (charge us or force us to pay) when we borrow funds.

The City's credit ratings are the highest possible: AAA with Standard & Poor's and Fitch, and Aaa with Moody's. The City feels it is important to maintain these credit ratings, however this necessitates certain constraints on our financial operations.

One of the most important factors the Rating Agencies consider is our level of debt. Our Financial Advisor and I have determined that it would be highly unlikely for the City to maintain our AAA rating with a debt level in excess of \$400MM.

A second critical ratio they consider is the percentage our Annual Debt Service is of our total Operating Budget. The City has to ensure that proper funding is made to **all** areas of the city – not just the schools but also the roads, law enforcement and fire departments, parks, safety and compliance with regulations, maintenance of our many buildings, water pollution control, economic development, community services, transportation and parking, etc. The City must also balance short-term immediate needs with longer-term investments.

The link connecting short-term to long-term is the Debt Service. It's analogous to a 30-year mortgage or a 5-year loan on a car – these are major purchases and if we couldn't pay for homes or vehicles in 360 or 60 installments, respectively, many of us might find these assets unaffordable. However one must ensure that they can afford the monthly payments to maintain their credit rating.

So the City balances the operational needs of all the departments, short-term and long-term, against the limits we have on our tax rates, how much we can borrow, and how much of our Operating Budget we can devote to paying Debt Service to repay our bonds.

Based on the FY2022 Tentative Operating Budget recently approved by both the Board of Estimate and Taxation and The Common Council, our ratio of Annual Debt Service to Operating Budget is currently 9.31% (\$36.93MM debt service to \$396.64MM total operating expenditures). AAA credits normally bear Debt Service Ratios below 10%.

A third key factor the Rating Agencies consider is the City's level of Unassigned Unrestricted General Fund Reserves ("Rainy Day Fund") both in absolute terms and as a percentage of our total operating expenditures. This factor tends to be more heavily weighted than the other two factors.

As of our audited June 30, 2020 financial statements, our Unassigned Unrestricted Rainy Day Fund in our General Fund was \$58.4MM or 16.0% of our FY2020 General Fund expenditures of \$364.6MM.

The Rating Agencies had expressed concern that in recent years the City had been budgeting reductions to our Rainy Day Fund to pay for Current Operating Expenditures. While this is considered acceptable to them for certain extraordinary events (such as replacing revenues lost or higher-than-expected-expenditures due to COVID-19), these drawdowns are normally frowned upon. They will be pleased to learn that our FY2022 Tentative Operating Budget includes no drawdowns of our Rainy Day Fund.

FYE 2022 CAPITAL BUDGET

The schedule below summarizes the FYE 2022 capital project budget. City capital projects total gross \$26,676,232 with an expected revenue offset of \$6,156,800 for a net capital project cost of \$20,519,432. Board of Education capital projects total gross \$4,740,740 with an expected revenue offset of \$240,740 for a net capital project cost of \$4,500,000.

In total, City and Board of Education gross appropriations for FYE 2022 are \$31,416,972 with expected offsetting revenues of \$6,397,540. This results in a total net bonding requirement of \$25,019,432. The detailed list of FYE 2022 appropriated projects is attached to this letter as Exhibit A.

FY2022 Approved Capital Budget	GROSS APPROPRIATIONS	EXPECTED REVENUE	NET APPROPRIATIONS
City of Norwalk	\$26,676,232	(\$6,156,800)	\$20,519,432
Board of Ed/ Norwalk Public Schools	\$ 4,740,740	(\$ 240,740)	\$ 4,500,000
	\$31,416,972	(\$6,397,540)	\$25,019,432

IMPACT OF ADDITIONAL BORROWING ON DEBT CAPACITY

As previously discussed, the City's Financial Advisor and I have determined that the City's total indebtedness limit before jeopardizing our AAA bond rating is about \$400MM. Current bonds outstanding are approximately \$285MM leaving an additional new borrowing capacity of about \$115MM. With this available new capacity the City will be able to borrow a total of \$20MM in each of the next four years.

Approximately \$20MM of our current outstanding debt matures and is retired annually. These bonds may be replaced with new borrowings without increasing the City's total indebtedness.

Consequently in each of the next four years we can issue about \$40MM in new bonds -- \$20MM will replace currently maturing bonds and \$20MM will utilize our remaining \$115MM new bond capacity before jeopardizing our AAA rating.

Net Approved Unbonded Capital Projects as of Dec. 31, 2020

As of December 31, 2020 the City had about \$181MM (net of expected revenues) of Capital Project Expenditures approved in prior years' Capital Budgets but not yet bonded. These unbonded expenditures are expected to be spent in FYE 2022 and beyond. As of March 31, 2021 the City had about \$49MM on hand in cash of unexpended bond funds from prior issuances, but these were being reserved for capital project expenditures expected to be paid by the end of FY2021.

**City of Norwalk, CT (including NPS)
Approved Capital Expenditure NOT Yet Bonded
(Expected to be Spent in FYE 2022 and Beyond)
As of December 31, 2020
(In Millions of US Dollars)**

Approved Unbonded Projects	GROSS Future Expenditures	EXPECTED REVENUE	NET Future Expenditures
City of Norwalk	\$ 80.2	(\$ 7.8)	\$ 72.4
Board of Ed/ NPS	\$369.3	(\$260.7)	\$108.6
	\$449.5	(\$268.5)	\$181.0

CONCLUSION

Given the exhaustive historical use of future borrowing capacity, the City will need to examine all authorizations past and current to set bonding priorities. The alternative to delaying projects or reducing project scopes would be to forego the City's AAA bond rating.

The administration is working closely with its Chiefs and Department Heads as well as with the Board of Education/Norwalk Public Schools to ensure that funds are available when needed for capital project expenditures while maintaining the City's AAA bond rating.

I would like to thank the departments and agencies for their cooperation and assistance in compiling this capital budget, and commend my staff, especially Director of Management & Budgets Angela Fogel, for their work in preparing this document. I look forward to implementing a workable, financially sound capital plan.

Respectfully Submitted,

A handwritten signature in black ink that reads "Henry M. Dachowitz". The signature is written in a cursive style with a large, stylized initial "H".

Henry M. Dachowitz
Chief Financial Officer

**EXHIBIT A
2021-2021 CAPITAL BUDGET
APPROPRIATIONS**

POLICE		
NEW	FIRINING RANGE	\$ 150,000
C0665	CARS AND VANS	\$ 549,852
	Police Subtotal	\$ 699,852
FIRE		
C0486	VEHICLES	\$ 70,450
NEW	AFFF FOAM	\$ 19,100
NEW	HIGH PRESSURE RESCUE BAGS	\$ 20,000
C0641	SECURITY CAMERAS & INTERCOM SYSTEM	\$ 20,000
NEW	STATION 5 MEADOW STREET NEW ROOF	\$ 100,000
	Fire Subtotal	\$ 229,550
OPERATIONS & PUBLIC WORKS		
C0315	BRIDGE REPAIRS	\$ 500,000
C0617	STRUCTURAL INSPECTIONS & REPAIR	\$ 35,000
C0642	WEST CEDAR BRIDGE	\$ 1,800,000
C0021	PAVEMENT MANAGEMENT PROGRAM	\$ 5,000,000
C0318	SIDEWALKS & CURBS	\$ 2,000,000
C0503	FOOTPATH REPLACEMENT	\$ 100,000
C0302	GENERAL DRAINAGE	\$ 500,000
C0440	WATERCOURSE MAINTENANCE	\$ 500,000
C0643	NORWALK RIVER FLOOD CONTROL	\$ 100,000
C0233	TREE PLANTING-DPW	\$ 65,000
C0471	EAST AVE RECONSTRUCTION	\$ 2,000,000
C0234	TEA21 LOCAL MATCH	\$ 1,991,800
NEW	STATE PROJECTS NON-PARTICIPATING CITY STANDARD AMENITIES	\$ 200,000
NEW	TRUCK SCALE REPLACEMENT	\$ 250,000
C0313	FLEET REPLACEMENT	\$ 540,000
C0364	SCHOOL & PARK PLAYGROUNDS	\$ 120,000
C0365	CALF PASTURE BEACH	\$ 700,000
C0659	TURF SOFTBALL	\$ 620,000
C0366	CRANBURY PARK	\$ 225,000
C0321	BASKETBALL & TENNIS COURTS	\$ 300,000
C0367	VETERANS MEMORIAL PARK	\$ 750,000
C0486	VEHICLES	\$ 90,000
NEW	BEN FRANKLIN GYMNASIUM	\$ 200,000
C0131	BACKSTOPS AND FENCING	\$ 25,000
C0588	PAVING SIDEWALK PROJECTS PARKS	\$ 50,000
C0370	TREE PLANTING	\$ 50,000
C0372	OPEN SPACE FUND	\$ 50,000
C0771	ATHLETIC FIELDS	\$ 50,000
C0439	CITY HALL REPAIRS & IMPROVEMENTS	\$ 200,000
C0476	VARIOUS CITY BLDGS REPAIRS	\$ 50,000
C0137	POLICE FACILITIES	\$ 460,000
C0266	NATHANIEL ELY - VARIOUS REPAIRS	\$ 275,000
C0327	VARIOUS BLDGS-ENERGY CONSERVATION	\$ 25,000
C0644	BRANCH LIBRARY IMPROVEMENTS	\$ 65,000
C0361	COLLECTION SYSTEM REHABILITATION	\$ 1,000,000
C0360	PUMP STATION UPGRADE/REPLACEMENT	\$ 1,000,000
	Operations & Public Works Subtotal	\$ 21,886,800

ECONOMIC & COMMUNITY DEVELOPMENT		
C0773	SMALL BUSINESS/MAIN ST. PROGRAM	\$ 150,000
C0581	PROJECTED CROSSWALKS / WARNINGS	\$ 30,000
C0441	SAFE ROUTES TO SCHOOL	\$ 225,000
C0649	NEW SIDEWALK CONSTRUCTION	\$ 100,000
C0774	ROWAYTON AVENUE SIDEWALK	\$ 100,000
C0777	NORWALK RIVER VALLEY TRAIL	\$ 50,000
C0232	TRAFFIC SIGNALS EQUIPMENT	\$ 500,000
C0528	TRAFFIC SYSTEM ENHANCEMENTS	\$ 50,000
NEW	WEST/BELTON/MOTT INTERSECTION	\$ 350,000
NEW	FIELD CARD SCANNING	\$ 150,000
NEW	ARTS AND CULTURE PROGRAM	\$ 50,000
NEW	ENTREPRENEURSHIP MICROGRANT PROGRAM	\$ 100,000
C0430	SMITH STREET BUILDINGS	\$ 25,000
C0186	L-M MANSION CODE & REPAIRS	\$ 180,000
C0521	ADA ACCESS MILL HILL	\$ 50,000
NEW	ARTS IN PUBLIC PLACES PROGRAM	\$ 25,000
NEW	GATEWAY SIGN REPLACEMENT	\$ 30,000
NEW	STREETSCAPE IMPROVEMENTS	\$ 150,000
C0465	REVENUE CONTROL EQUIPMENT	\$ 200,000
C0783	PARKING WAYFINDING SIGNAGE	\$ 250,000
	Subtotal Economic & Community Development	\$ 2,765,000
COMMUNITY SERVICES		
C0548	NORWALK NEWSPAPER DIGITIZATION	\$ 38,000
C0785	AUDITORIUM REFRESH	\$ 75,000
	Subtotal Community Services	\$ 113,000
BOARD OF EDUCATION		
C0609	CURRICULUM MATERIALS & TEXTBOOKS	\$ 250,000
C0652	AIR CONDITIONING PROGRAM	\$ 500,000
C0595	BOE ASBESTOS ABATEMENT PROGRAM	\$ 740,740
NEW	BATHROOM RENOVATIONS	\$ 1,462,000
C0587	CAPITAL REPAIRS & REPLACE BOE	\$ 100,000
C0516	SCHOOL DISTRICT PAVING & CONCRETE	\$ 150,000
C0790	SILVERMINE DRIVEWAY IMPROVEMENTS	\$ 1,500,000
	Board of Education Subtotal	\$ 4,702,740
REDEVELOPMENT		
C0288	AFFORDABLE HOUSING	\$ 250,000
C0591	FACADE IMPROVEMENTS REDEVELOP	\$ 125,000
	Redevelopment Subtotal	\$ 375,000
INFORMATION TECHNOLOGY		
C0375	CITY TECHNOLOGY	\$ 645,030
GRAND TOTAL		\$ 31,416,972