

September 24, 2014

The Stonington Board of Selectmen held a regular meeting on this date at the Stonington Police Station at 7:00 p.m. Present were First Selectman Edward Haberek, Selectman George Crouse and Selectman Rob Simmons. Also present were members of the public and press.

(1) **Call to Order**

Mr. Haberek called the meeting to order at 7:00 p.m.

(2) **Approval of the Minutes**

A motion was made by Mr. Haberek and seconded by Mr. Crouse to approve the September 10, 2014 Board of Selectmen special meeting minutes. Mr. Simmons asked if the word Richmond could be added after Edythe K. in Paragraph 7. The minutes were unanimously approved as amended.

(3) **Comments from the Public**

None

(4) **Commendation**

(5) **Executive Session**

Discussion of Pending Litigation -- Bond Matter

The Board of Selectmen did not go into executive session.

- Attorney Joseph Selinger, bond counsel for the Town of Stonington, updated the Selectmen on a federal program that the town may consider participating in. He stated the following: In part this came out of the fact that the town sold bonds at the end of July for the purpose of funding its sewers and roads. The bonds are an IOU of the town, a promise of the town to repay the amounts it is borrowing from the public. The town sells its bonds to underwriters or investment banks such as Merrill Lynch and Bank of America. They buy the bonds from the town and then they promote the bonds to their clients and the public at large and sell them in order to obtain the lowest possible interest rate. During this process the town puts together something generally called an official statement. It essentially tells the story of the town and its finances and its form of government and its overall financial condition and suitability to sell the bonds and repay the bonds. Bonds of municipalities have been historically a very safe investment. The SEC somewhere in the mid 1990's figured out a way to get its fingers into the regulation of municipal bonds issued by towns and cities. The SEC adopted a rule called 15c2-12 because they couldn't really directly regulate the town's finances and the issuance of bonds but it could regulate the investment banks that sell these bonds. The rule stated that underwriters cannot sell bonds for the towns unless the towns agree to provide ongoing continuing disclosure about their finances on an annual basis. The Continuing Disclosure Agreement basically requires the town to file annual information with a website that is overseen by the SEC. All towns that issue bonds are filing annual information on EMMA. The SEC told the underwriters not only that you have to confirm that the town has a CDA in place before you sell the bonds but they cannot

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take the word of the town you have to review the town's CDA filings on EMMA and confirm that the town has been performing its CDA. The SEC thinks that this annual financial information is a good discipline on the part of towns. The SEC found that while the vast majority of towns are substantially complying with this rule there were certain towns that had not paid any attention to the rule or to their CDA. There are some notable cases where the town in their official statement said they were complying with their annual information filings but in fact were not filing anything. That is not the case for Stonington. As a result of the SEC's concern, the SEC has put out what's called a municipal continuing disclosure compliance program (MCDC program). It gave underwriters the opportunity to go back and view the bonds that they had sold and determine whether the towns to which they had sold bonds have been making their annual filings. If an underwriter has not done that the SEC could prohibit the underwriter from selling bonds of any town for a period of time as one of the penalties for not having met its obligations. All of the underwriters that have sold municipal bonds have been going back on every deal they sold for every town to determine if they met all of its annual filings to comply with its Continuing Disclosure Agreement. The underwriters had a deadline of September 10, 2014 to make their filing with SEC. If a town missed a filing or made an incomplete filing the underwriters were inclined to report it to the SEC. The SEC said if they report these deficiencies they were not going to penalize them. They will fine up to an aggregate of \$500,000.00. The underwriters have made their filings with the SEC. The SEC is evaluating those filings and in the meantime, towns also have the ability to say that they did not meet their own obligation. The towns have the ability to go back and tell the SEC they missed a filing in 1998 and missed a filing in 2004. This is further complicated because up until 2009 there were other websites on which the annual information filings were made. Those websites no longer exist. Stonington's financial advisor who has the responsibility of putting together the official statement has received statements from four underwriters that they did not report the Town of Stonington to the SEC. Everything was fine. The financial advisor is trying to get information from a fifth underwriter. That's the status where things stand. We are waiting to see the final result from the other underwriter. The SEC itself has indicated that it's probably going to provide what it considers to be a serious deficiency and what it doesn't consider to be a serious deficiency.

- Mr. Haberek stated he requested that the attorneys meet with the Board of Finance also to discuss this as a transparent and proactive way of looking at this.
- Attorney Selinger stated that this has been a non-event in the public finance world. It has not affected the sale of bonds.
- Mr. Crouse asked if all of these statistical reports are able to be processed and filled. He also asked if all of the omissions were asked for prior to now or is this something for some reason the accountant and business manager seem to think were not necessary in the report at the time.

- Attorney Selinger said it's not really clear yet. He said because the town issues bonds quite regularly, much of the information was being contained in the official statements that were filed on EMMA and it may be that the town was relying on the official statement as many other towns did. He further stated that technically there should have been a cross reference to the page of the official statement.
- Mr. Simmons stated that for the students from Citizens in Action to be exposed to a discussion of Stonington's bond filings it is really cruel and unusual punishment. He stated he highlighted on the chart where the filings were not filed or cross referenced or maybe they were posted on the town's web page but it hasn't met the federal standard as we understand it. Mr. Simmons asked if that was correct.
- Attorney Selinger stated that is certainly the question. He further stated that right now Government Finance Office is essentially asking the SEC for guidance on whether the failure to cross reference is a material deficiency.
- Mr. Glenn Frishman stated that as soon as you get a Finance Director in house it will be a big help. He stated that this appears to be bookkeeping entries that were misplaced with these other websites when they out of business. Mr. Frishman stated that our bond rating is presently AA1 and asked if this will affect our bond rating.
- Attorney Selinger stated that it would not.

(6) **Correspondence**

Mr. Haberek took in correspondence from Van Riley, Superintendent, to the Department of Finance regarding the Board of Education Requests to the Board of Finance.

(7) **Appointment**

**K-12 School Building Committee**

A motion was made by Mr. Crouse and seconded by Mr. Simmons to appoint Robert Sundman to the K-12 School Building Committee. Discussion: Mr. Simmons stated that he would abstain. Mr. Simmons stated that he had not seen this until just now and without prejudice to Mr. Sundman he has not had a chance to review his qualifications. The vote was 2 in favor of appointing Mr. Sundman and one abstention.

(8) **Field Fees Discussion**

Mr. Haberek recommended having a public hearing at the next meeting so we can send it to town meeting and the other Selectmen agreed with Mr. Haberek's recommendation.

(9) **Comments from the Public**

None

(10) **Comments from the Selectman**

The Selectman discussed the Commendation for Mrs. McAnanly that was to be presented to Mr. McAnanly in Mrs. McAnanly's absence. It was decided to put it off until the next meeting when Mr. McAnanly could be present. Mr. Simmons thanked Mr. Crouse for his nomination and Mr. Haberek for his second at the last meeting. Mr. Simmons stated it wasn't the first time that he's had a democrat nominate him and a democrat second him. Mr. Simmons

stated that he looks forward to working together with them for the future benefit of the Town of Stonington.

- (11) **Adjourn**  
There being no further business to come before this Board, the meeting was adjourned at 7:35 p.m.

Respectfully submitted,

Kristine Bell  
Recording Secretary

DRAFT