

**GLASTONBURY BOARD OF FINANCE
SPECIAL MEETING MINUTES
THURSDAY, FEBRUARY 21, 2019**

The Glastonbury Board of Finance with Finance Director, Julie Twilley, and Town Manager, Richard J. Johnson, in attendance, held a special meeting at 3:00 p.m. in Meeting Room A, 2155 Main Street, Glastonbury, Connecticut. Also present were Assessor Nicole Lintereur and Controller Nina Cousins.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman
Mr. Jared Soper, Vice Chairman
Mr. James McIntosh
Mr. Walter Cusson
Ms. Jennifer Sanford
Mr. James Zeller

The meeting began with a Budget discussion and the preparation by the Board of Finance of its proposed annual town budget for submission to the Town Council for consideration.

A. Public Comment Session

None

B. Communication: Presentation of Grand List Report

Ms. Nicole Lintereur reviewed the 2018 Grand List Report. Mr. McIntosh asked if the Center Village in town is taxable. Ms. Lintereur said no. Mr. McIntosh also inquired about the increase in revenue from motor vehicle sales. Ms. Lintereur explained that though people are buying fewer vehicles, they are paying more since the price per unit has gone up. Mr. Soper asked about CL&P representing about 10% of the grand list increase, and if the town anticipates that continuing in future years. Ms. Lintereur stated that this increase is atypical. Mr. Zeller asked about the increase in the net assessment of personal property. Ms. Lintereur explained that those are estimated assessments and quite a number of them are grouped together, thereby increasing the median.

C. Communication: Potential for Any Unfinished Business—FY 19/20 Budget

Mr. Johnson reviewed the data on the Governor’s Proposed Budget. Both Mr. Zeller and Mr. Cusson asked about the Tension’s Pension—New Expense, which is budgeted at \$500,000. Mr. Johnson replied that the town’s contribution is made up of the normal contribution and the unfunded liability. He added that this is 25% of the normal cost, not the unfunded liability. Mr. Cusson asked about the management of this fund. The Town Manager explained that the state will continue to manage this fund in its entirety. Mr. McIntosh asked how the money flows. Mr. Johnson replied that the town makes a payment to the state.

Mr. Constantine inquired about the unfunded liability, to which the Town Manager responded that the state re-amortized their unfunded liability to smooth the cost of \$5 million that was proposed in last year's Governor's Budget. The state then took the investment assumption rate to 6.9%, so their current focus is on the normal cost. Mr. Soper inquired about the legality of this decision and whether local school districts should have some say in future pension costs, since they determine local wages. Mr. McIntosh commented that though the town is in good economic shape, the state is not, which can lead to problems down the road where the town is asked to increasingly pick up the tab for the state.

Mr. Soper asked if the Town Budget proposed at the annual meeting included the field house and if so, if it was included within Debt and Transfers. Mr. Johnson replied that the original plan was to phase out the funding for the field house over two years, but because the opportunity for a state grant arose, the town had to adjust the funding to just one year. Since the field house proved ineligible for state grant money, the town decided to return to funding it over two years. The Town Manager explained that the Capital Reserve budget is proposed at \$6.25 million and never dips below the \$1 million required in that fund. The Town Council rejected the \$2.6 million requested by the BOE for the field house, settling on \$2 million. Mr. Soper clarified that the budget is paying for \$600,000 and \$1.4 million will be removed from the capital reserve fund over the next several years. Mr. Johnson agreed, saying that he considered borrowing from the capital reserve fund rather than the general fund for this, though he acknowledged that the Board may feel differently about this approach. He reiterated that the plan is to fund it over 2 years, with \$1 million from CIP this coming year, and \$1 million next year. Mr. McIntosh asked what will happen if the project costs more than \$2 million. Mr. Johnson said if it comes to that, the town will address it next year.

Mr. Cusson asked if bundling and bonding over the next few years would decrease the transfer to the capital reserve fund by \$1 million. Mr. Johnson explained that \$5 million at 3.7% over 20 years would potentially reduce it by \$437,500. So, if one were to borrow \$10 million, it would add \$1 million to the debt service, which the Town Manager does not recommend. The Board discussed the potential merits of borrowing from the general fund and then paying it back, instead of drawing from the capital reserve fund. Mr. Johnson noted that the Board historically has preferred a pay-as-you-go approach, like with the air conditioning, but cautioned that in the event that funds are not approved, one would still have to find a way to carry out their project(s).

Before proposing action on Items D through I, the Board discussed final thoughts on said items.

Ms. Sanford summarized her thoughts by stating that she is in favor of maintaining the current mill rate of 36 but the proposed budget increases will drive it up. She welcomed the 2018 grand list but pointed out that commercial businesses are doing the heavy lifting of the mill rate, which will pose serious problems for Glastonbury's revenue growth rate in the future, should these businesses decide to move elsewhere. Ms. Sanford raised the concern that the Town's population has remained level in 10 years, but a rising mill rate and aging population is not a fair ask of our taxpayers today. She instead urged to look into the debt services, whose costs have fallen by \$1.3 million this year, to fund the mill rate.

Mr. Cusson agreed that we should try to avoid increasing the mill rate ever closer to 40 and reiterated that the Education Budget request is untenable. Mr. Zeller stated that we have a spending problem, not a revenue problem, and also expressed concern at the increasing mill rate, noting that the Town has only ever gone above 37 once. He also stressed looking at the Education Budget, and hopes that in the future, instead of measuring the yearly increase, the BOE measures the yearly expenditure increase, which can be done by measuring the student per pupil expenditure.

Mr. McIntosh stated that the town is in a good position and could afford both budgets as presented but taking into account affordability over a longer period of time, conditions are going to worsen. Mr. Soper stated that he looks at affordability a little differently, and he believes that the Board has reached a point where they have to be concerned about affordability. He pointed out that CL&P represented 10% of the increase in the grand list, which will not happen in future years, so the grand list will slow in growth. He also noted that the trend of the mill rate is very important and if it is pushed too much higher, the Town could lose business. Mr. Soper commended the town for their progress on attaining a sustainable budget in recent years but reiterated Ms. Sanford's point that 17% of the town's residents are senior citizens, with most on fixed income, so this will place a significant burden on them.

Mr. Cusson noted that the Board consistently meets with the Town Manager to check in on how the town allocates and utilizes their budget throughout the year, but the same is not true for the BOE. Ms. Sanford asked how many numerous projects came to the Board throughout the year to be approved that were not part of the budget process. Mr. Soper commented that Glastonbury is on the low end of what is required of our reserves to maintain Moody's Triple A rating. Mr. McIntosh agreed that, short of a dire emergency, the Town should never use reserves for operating expenses.

The Board then explored what each budget would like, using 36 mills, 36.25 mills, and 36.125 mills respectively. Mr. Soper asks what 1/10 of a mill is. Mr. Johnson said \$400,000; in round numbers, 1/8 of a mill is \$500,000. Using a mill rate of 36, the budget would need to be reduced by \$2.217 million. If the Town went up to a mill rate of 36.25, the budget would need to be reduced by \$1.217 million. Mr. Zeller expressed discomfort at a ¼ mill increase. Mr. Cusson asked the Town Manager what the potential mill rate is, specifying that in the memo, it states 36.78. Mr. Johnson stated 36.65. Mr. Zeller mentioned that a lower mill rate poses benefits, such as readjustments for state refunds, that would not be possible if starting out with a higher mill rate. Mr. Constantine stated that whatever budget is sent to the Council, they likely will not reduce it further, so it is safer to err on the side of reduction. Mr. McIntosh agreed.

Mr. Cusson noted that if the Board were to bond \$3.2 million and spread it out over 20 years, it would cost less money per year. If the debt service portion of the budget were increased by \$280,000 and the Recommended Capital Transfer were decreased by \$250,000, it would be a wash. Mr. Johnson stated that it all depends on how much the Board will reduce the Capital Transfer by. Ms. Sanford expressed concern at borrowing again. Mr. Constantine commented that the maximum mill rate should be 37. Mr. Zeller stated that last year, the Board recommended that the Town Council look into borrowing. Mr. Constantine said that going to a referendum might be hard. Mr. Zeller and Mr. Cusson disagreed, arguing that if that is what has

to be done, it will be presented that way. Mr. Johnson stated that the Board could put together a public Q&A. The Board settled on a mill rate increase of ¼, bringing the new mill rate up to 36.25.

RESOLUTION FOR THE GENERAL FUND 2019/2020 BUDGET

- D. BE IT RESOLVED, that the Board of Finance proposes that the Glastonbury Town Council approves an appropriation of \$42,868,633 for the 2019/2020 **Town Operating Budget**.

Motion by: Mr. Zeller

Seconded by: Mr. Cusson

Result: Motion passes unanimously (6-0-0).

- E. BE IT RESOLVED, that the Board of Finance proposes that the Glastonbury Town Council approves an appropriation of \$108,008,402 for the 2019/2020 **Education Budget**.

Motion by: Mr. Zeller

Seconded by: Mr. Cusson

Result: Motion passes unanimously (6-0-0).

- F. BE IT RESOLVED, that the Board of Finance proposes that the Glastonbury Town Council approves an appropriation of \$13,973,755 for the 2019/2020 **Debt & Transfers Budget**.

Motion by: Mr. Zeller

Seconded by: Mr. Cusson

Result: Motion passes unanimously (6-0-0).

Mr. Cusson vocalized a general comment on Items D, E, and F. He noted that, as a whole, things just cost more from year to year, so he felt that the Board should have a discussion on not keeping the mill rate flat. Mr. Cusson stated that raising it ¼ of a mill was a good compromise.

- G. BE IT RESOLVED, that the Board of Finance proposes that the Glastonbury Town Council approves 2019/2020 **General Fund Revenues and Transfers Budget** in the amount of \$164,850,790.

Motion by: Mr. Zeller

Seconded by: Mr. Cusson

Result: Motion passes unanimously (6-0-0).

- H. BE IT RESOLVED, that the Board of Finance proposes that the Glastonbury Town Council approves the 2019/2020 **Capital Improvement Program Budget** in the amount of \$10,168,216. Funding will be provided as follows:

Capital Reserve Fund	\$9,707,000**
Town Aid Road	\$461,216

Mr. Soper had a general comment about Item H, stating that he is not a fan of borrowing but to balance out the Capital Reserve distributions over a number of years, he suggested combining both the field house and the kitchen to have them funded over a 4-year period. Mr. Johnson explained that he and Ms. Twilley ran a model during the course of the meeting, which he presented to the Board.

Motion by: Mr. Zeller

Seconded by: Mr. Cusson

Result: Motion passes unanimously (6-0-0).

RESOLUTION FOR SPECIAL REVENUE FUND APPROPRIATIONS

- I. BE IT RESOLVED, that the Board of Finance proposes that the Glastonbury Town Council approves **Special Revenue Fund Appropriations and Transfers and Special Revenue Fund Revenues and Transfers** for 2019-2020 as follows:

a. Sewer Operating Fund	\$3,170,642
b. Recreation Activities Fund	\$1,487,716
c. Police Private Duty Fund	\$400,000
d. Riverfront Park Fund	\$253,200

Motion by: Mr. Zeller

Seconded by: Mr. Cusson

Result: Motion passes unanimously (6-0-0).

Mr. Constantine departed the meeting at 6:00 p.m., so Mr. Soper assumed the role of Chairman. The balance of the meeting included discussion of the Board’s normal monthly topics, including:

1. Action: Remove from Table and Approve Minutes as Amended of December 12, 2018

Motion by: Mr. Cusson

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance moves to approve the amended minutes of the meeting of December 12, 2018.

Result: Motion passes unanimously (5-0-0).

2. Communication

- a. Minutes of January 17, 2019 – Regular BOF Meeting and CIP Meeting
Accepted as presented
- b. Minutes of January 24, 2019 – Annual Town Meeting

Accepted as presented

c. Minutes of January 29, 2019 – Town Operating Budget Meeting

Accepted as presented

d. Minutes of January 31, 2019 – CIP and Other Items Meeting

Accepted as presented

e. Minutes of February 5, 2019 – BOE Budget Meeting

Mr. McIntosh added the following corrections: the second line of the last paragraph on the third page to read "...is related to this **unused** space"; the second line on the first full paragraph on page 4 to read "...if they lease their iPads for **the approximately 6,000 students in** all of their grades"; the last line of the last full paragraph on page five to read "...rather than demolition of **the existing structure.**"

Accepted as amended

3. Communication: Pension Report – December 2018

Ms. Twilley reviewed the report dated February 5, 2019.

4. Communication: Month End Investments – December 2018

Ms. Cousins reviewed the report dated January 31, 2019.

5. Communication: Financial Summary for 7 months - January 2019

Ms. Twilley reviewed the report dated February 13, 2019.

6. Communication: Education Reconciliation – December 2018

Ms. Cousins stated that the report is up to date and no problems have been reported.

7. Communication: Capital Projects – January 2019

Ms. Twilley reviewed the report dated February 13, 2019.

8. Communication: Self Insurance Reserve Fund – January 2019

Ms. Twilley reviewed the report dated February 4, 2019. Mr. Cusson commented that over the last few meetings, there has been discussion about how this fund is viewed—as either two separate funds or one single fund--and urged the Board to have a discussion at a later date about how to go forward addressing this. Mr. Johnson stated that the Town is speaking with a consulting firm next Tuesday.

9. Communication: Transfers Approved by Town Manager Since Last Meeting

Mr. McIntosh asked a question about the boat house, as listed on Item #9c, and how that fits into the three accounts listed. Mr. Johnson explained that the Town is part of the Connecticut Sustainability Group and hosted one of their training programs on the boat. Mr. McIntosh also asked who the passport clerk is, as listed on Item #9e. Mr. Johnson explained that the passport revenue was transitioned to the Town, which trains staff who each take turns processing it.

10. Action: Transfers over \$5,000 (none)

11. Board of Finance Committee Reports – Public Building Commission

Mr. Constantine was not present to provide an update. Mr. Soper asked if there is any reason to look at the reports and discuss them at a future meeting. Ms. Twilley stated that Mr. Constantine and Mr. Soper would be tuning in to the Audit Committee meeting on Monday; other than that, there is no need. Mr. McIntosh suggested that, if appropriate, one person from the Board should approach the Town Council to explain the Board's reasoning behind the Budget approval. He nominated Ms. Sanford. Mr. Soper seconded.

12. Adjournment

Motion by: Mr. Cusson

Seconded by: Mr. McIntosh

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of February 21, 2019, at 6:15 p.m.

Result: Motion passes unanimously (5-0-0).

Respectfully submitted,

Lilly Torosyan

**Lilly Torosyan
Recording Clerk**

For anyone seeking more information about this meeting, a video on demand is available at www.glastonbury-ct.gov/video; click on Public Broadcast Video On Demand, and an audio recording is available in the Finance and Administrative Services Office.