

**GLASTONBURY BOARD OF FINANCE
SPECIAL MEETING MINUTES
WEDNESDAY, JANUARY 29, 2020**

The Glastonbury Board of Finance with Finance Director, Julie Twilley, and Town Manager, Richard J. Johnson, in attendance, held a special meeting at 3:30 p.m. in Meeting Room A, 2155 Main Street, Glastonbury, Connecticut.

Roll Call

Members

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

1. Public Comment Session – Comments pertaining to the call. **None**

2. Budget Reviews

Mr. Johnson presented his recommended 2020/2021 Town budget, explaining that he viewed it as two different budgets: the Town operations (which is proposed to increase by 2.25%) and the Pension Mortality Tables (which is based off of 2010 data from PUB-2010, and is proposed to increase by 2.08%). Mr. Johnson then reviewed the two major components of the budget (wages and insurance), which together account for about 87% of the 2.25% overall increase. For insurances, Mr. Johnson noted that there was a 6% increase in the premium equivalent and \$100k allocation to the reserve fund, which is the same that was done in the current year. He explained that they are in the proposal process and will go to the market to see if there are opportunities to consolidate. Mr. Lynn asked if they are fully funded or self-insured for workers’ compensation. Mr. Johnson replied that they belong to CIRMA and workers’ compensation falls under their purview.

For contractual services, Mr. Johnson noted that the change is almost flat at 0.06%. Mr. Zeller asked what the dollar amount is yearly, on the tip fees. Ms. Twilley replied that the refuse disposal is \$137k, noting that, in the current budget, it was around the same number. Data processing also had a relatively small increase, of 0.11%, due to the ongoing need to update IT systems for operational efficiencies and safety and security. Mr. Johnson also noted the relatively flat level of change in the utilities and fuel, due to the increased costs of maintaining fire hydrants and fleet, as well as rising fuel costs. He then noted the relatively flat level of change in the capital outlay, which includes equipment like plow trucks. Ms. Sanford asked what the prior

rate increase was on that. Mr. Johnson replied that, last year, it went up by \$138k, and it was relatively flat in the previous years. He then explained that all other costs amounted to just a 0.08% change in the budget. Altogether, the 2.25% increase is equal to \$975,000. Mr. Johnson pointed out that the CPI in the Northeast region for the year end, at December 2019, is 1.9%, and the Town's 2.25% is just a quarter of a percent more.

The Town Manager reviewed the pension with his proposed assumptions at an amortization of 13 years, and the possibility of extending amortization by either one or two years. Ms. Sanford asked if other municipalities are doing this. Mr. Johnson stated that West Hartford, for example, is also implementing the PUB-2010 in the coming year. He then explained that he did not like the optics on extending the amortization, and he posed the question whether phasing it in has a material influence on the mill rate. Mr. McIntosh remarked that this conflicts with the BOF's policy regarding use of the general fund, which is only for non-recurring expenses, because this is a recurring expense. Mr. Johnson explained that he took a different point of view on that: he regarded this as a one-time allocation of approximately \$1 million from the fund balance that is phased over 4 years. Mr. McIntosh conceded that the policy is general, so one could make exceptions to it, though he cautioned the Board to be aware of what they are doing. He explained that he finds it appropriate to take those phantom savings and apply them to an obligation which was incurred from past expenses.

Mr. Johnson reviewed the pension plan projections, showing the gradual phasing of all Town employees to the hybrid plan. He pointed out that a quarter of the wages of employees are pensions. Mr. Johnson then reviewed the debt and transfers, noting that while debt service was relatively flat overall, OPEB had a modest increase. Mr. Zeller stated that, at one point, the Council recommended that the Board look into bonding instead of borrowing, which they did, and he inquired about that update. Mr. Johnson stated that they may look into bonding in the near future, for example, with the school roofs project.

Mr. Johnson reviewed the revenues and transfers, explaining the history behind the ESC funding, which is being reduced. He stated that they budgeted \$5.3 million from ESC in 2021, and there is an estimated reduction of \$662k in investment income. Mr. Zeller expressed a concern about the mortality issue, and suggested the option of taking \$1.25 million from the general fund and putting it toward the pension, in order to address the one-time mortality hit. Mr. Johnson stated that doing that would make next year's budget \$1.25 million underfunded, and then either taxes would have to go up or the fund would continue to dip, and the rating agencies will not like that. Mr. Johnson then reviewed the general fund projections model, showing the assumed gain on operations of \$350k, with an inflow of one-time revenues to the general fund through potential land acquisitions, for example. Ms. Sanford stated that they are spending more than they are actually taking in, so this pushes the pension issue to the top of the discussion.

Mr. Johnson reviewed the grand list, noting a 0.09% increase, or \$1.6 million, in new tax revenue. There will be a reevaluation in 2022. Mr. Zeller asked what one mill is. Mr. Johnson

explained that 1 mill equates to approximately \$4 million. He noted that the tax collection rate is proposed at 99.1%, though the actual average over the past decade has been about 99.5%. Mr. Zeller asked how they are raising so much in taxes with only a slight increase in the mill rate. Mr. Johnson replied that they included the growth in the grand list. Mr. Zeller then asked if the increase in the sanitation refuse disposal of \$121k is just tipping fees. Mr. Johnson said no, the primary influence there is that they had zero capital outlay last year, and this year, they have a water quality issue at the bulky waste facility, as well as an antiquated permitting system. Mr. Zeller pointed out that the Youth and Family Services line item also had a substantial increase. Mr. Johnson clarified that they reallocated some FT positions and moved them from one budget to another. Mr. Lynn noted that police staff went up by two in prior years. Mr. Johnson explained that when they took on East Hampton, they added 3 dispatchers, which are fully paid for by a state grant and by the town of East Hampton. Ms. Sanford asked about the Risk Manager position that the Town Manager had previously expressed an interest in creating. Mr. Johnson explained that the Town has never had that position, and though it would have been ideal, he did not find it appropriate at the time, considering the other staffing eliminations they made.

Mr. Zeller stated that the listed 2019/2020 adopted fund balance is not what the Board actually adopted. Ms. Twilley explained that, from an accounting standpoint, the \$975k, if adopted, must be recognized in the current year, because it is committed to be spent in the subsequent year. Mr. Johnson added that it is simply the adopted budget, with adjustments that were made over the course of the year. Mr. Zeller noted that the budget is listed as going up only 1.9%, but that is not right. Mr. Johnson stated that his notes indicated 2.9%, but he will take a look at that. Mr. McIntosh asked about the barns on Old Maids Lane and whether the anticipated new roofs are economical or not. Mr. Johnson explained that they are used for agricultural purposes on a leased basis. The reroofing is in process now, in order to preserve that part of the history of South Glastonbury. Mr. McIntosh countered that putting roofs on deteriorating barns does not seem feasible, and he hopes that the Council considers that. Mr. Zeller stated that, in the Town's comprehensive report, which lists the total number of employees in town, in education, only GHS is shown. Mr. Johnson stated that he will look into why all education employees were not counted.

Mr. McIntosh stated that they have remarked to the BOE on several occasions that while their cost per student has gone up, the cost per citizen has likely been falling. He stated that the Board is caught between those supplying the Town with services (such as the MDC) and a state government that is lowering their supply of funding to them. He asked where they stand on the spending cap of 2.5%. Mr. Johnson stated that, in the past few years, they have been within 2.5%. Mr. McIntosh asked what would happen if they go above 2.5%. Mr. Johnson replied, there is no penalty, adding that pension costs are exempt from the capital gains tax. Ms. Twilley then reviewed the projections, which show the adopted, proposed budgets with various assumptions. Ms. Sanford asked if they could also add in a lower assumption option, such as 2.25%, as well. Ms. Twilley agreed to do so. She then explained that they reviewed the big expenses, assuming a 5% increase in the grand list from the 2022 reevaluation and a 0.90% grand list growth in all of

the other years.

The Board recessed at 6:00 P.M. and resumed discussion at 6:08 P.M.

Mr. Johnson reviewed the CIP budget. In regard to the obsolescence of the public safety equipment, Mr. Johnson explained that if they knew what they do today back in 2006/7, they would have bonded for 10 years, not 20 years. He explained that the equipment is aging out to their 15-year life expectancies. Mr. Zeller suggested they look into the option of selling the equipment after 10 years to a town that could use it for the remaining 4 or 5 years. Mr. Zeller then asked if the Council is permitted to bond after they have already paid cash. Mr. Johnson stated that he will double check. Mr. Johnson informed the Board that he asked for an independent report to see what is causing the floor moisture issue at Smith Middle School. Ms. Sanford asked if the contractor went out of business and whether or not they have some leverage with the supplier. Mr. Johnson stated that he will check on that.

Ms. Twilley stated that there will be no BOF meeting on February 3, and the budget meeting will be held on February 14. The Regular Meeting of February 19 will be cancelled and added to the agenda of the February 14 meeting. The Board will next meet on February 5.

3. Adjournment

Motion by: Mr. Cusson

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of January 29, 2020, at 6:42 p.m.

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

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.