

**GLASTONBURY BOARD OF FINANCE
SPECIAL MEETING MINUTES
FRIDAY, FEBRUARY 14, 2020**

The Glastonbury Board of Finance with Finance Director, Julie Twilley, and Town Manager, Richard J. Johnson, in attendance, held a special meeting at 8:00 a.m. in Meeting Room A, 2155 Main Street, Glastonbury, Connecticut. Also present were Nicole Lintereur, Assessor, and Narae McManus, Controller.

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

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 (sign in sheet provided) – Comments pertaining to the call. *None*

B. Communication: Presentation of Grand List Report

Ms. Lintereur reviewed the 2019 Grand List Report. Mr. Johnson noted that though the overall increase is 1.28, they used 1.18 as an internal number, but it is the same thing. Ms. Sanford asked for the reason behind the motor vehicle increase. Ms. Lintereur stated that there were a lot of used cars purchased. Mr. Zeller was puzzled by the large increase from that factor. Ms. Lintereur stated that it could be that residents bought more valuable used cars.

C. Communication: Potential for Any Unfinished Business – FY20/21 Budget *None*

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

The Board elected to take a more holistic approach to the budget, voting to discuss the General Fund Revenues and Transfers before each individual budget. Mr. Zeller explained that looking at the impact on the mill rate is more important than the year-over-year increase, as it certainly is for people looking to move to town. Ms. Sanford expressed that looking at the mill rate is great for fiscal responsibility and sustainability. They need to define what is spending within their means. Mr. Zeller suggested that it is reasonable to raise the mill rate just 1% (what it was raised this year), though he understands that the pension mortality tables have increased costs. Mr. Zeller then presented his proposed numbers for all three budgets to the Board and they discussed.

Ms. Sanford stated that there has been a greater appetite to take some of this funding gap and see if there is opportunity to bond some of these projects instead of paying out cash this year. She would embrace moving in that direction. Mr. Cusson stated that they could do that, but it would have ramifications, such as the mill rate going up in the long run. He stated that they live in a 2% world, so it is unrealistic to expect taxpayers to only increase 1% and kick the can in the future. Mr. Cusson stated that the 2.26% proposed by the Town for the mill rate seems high but Mr. Zeller's 1% seems low. He suggested something closer to around a 2% increase in the mill rate.

Ms. Sanford pointed out that a 2% increase could easily move the Town to a mill rate of 40 in future years. While Mr. Cusson acknowledged that as a concern, he clarified that he is only talking about this year's budget. Ms. Sanford noted that this budget is also taking from savings to address their pension liability, so that is not sustainable going forward. Mr. Johnson reminded the Board that the way the hybrid pension plan is proposed, it steps down. There continues to be a DB component, both for the BOE and Town pension plans, though it is relatively small. There will also be a DC component. Ms. Sanford stated that she doesn't find it responsible to extend the amortization by another one or two years, as was discussed at the Town Council, because they are already doing things to smooth it over. She also doesn't understand enrollment: per pupil expenditures for the BOE budget is going up almost 5%, so she is not comfortable with the charts and math that were shown. It is not apples to apples for her.

Mr. Cusson asked what the past mill rate increases have been, in terms of the percentage. Mr. Johnson stated that over the past five years, they have had an over 2% increase twice. Taking out the pension and sans the mortality tables, it would be a 1.5% increase. Ms. Sanford stated that, in the past, the assumed rate of return was wrong, and they could be in that situation today. The assumed rate of return of 6.5% is too high, in her opinion. Mr. Zeller stated that it seems like pension should be a fourth line in their budget somewhere. He would prefer to see it clarified that way. He also expressed an issue with the idea of raising the collection rate from 99.1% to 99.2%.

Mr. McIntosh stated that his analysis is completely out of step with that of his fellow Board members. There has been an analytical approach based on affordability and the mill rate, but he does not believe that to be the correct analysis. The mill rate represents a form of taxation on one element of wealth, and they have to face the fact that this community is wealthy. Ms. Sanford countered that they are not that wealthy of a community, because they have committed liabilities that they are drawing out of their savings. Mr. McIntosh stated that, to him, those are political judgments. Ms. Sanford remarked that the pension should never be political. Mr. McIntosh clarified that they should be discussing their capacity as a community. The willingness to do it is the question of the Council.

Mr. McIntosh stated that the discussion, thus far today, is one that he would have expected to hear at the Town Council, not the BOF. The BOF's discussion should be, are there elements of the Town operating budget which are unreasonable in their cost and reflect a disinclination by the Town administration to follow good operating procedures? Mr. McIntosh remarked that, on the whole, the Town budget is a reasonable expenditure for the level of service the Council feels is appropriate for the community. While the BOE suggested that they apply affordability as their test, Mr. McIntosh believes that affordability is simply one of the tests that the BOF should apply. There are other tests, such as their tax collection rate, which is over 99%; their tax liens

and foreclosures, which show no evidence to be increasing; and their bond ratings, which are consistently high, and he does not anticipate that they would receive any warnings with this budget.

He summarized that if affordability is the test for both the Town Operating Budget and the BOE budget, then they both pass that test, but he does not feel that it is the sole test; it is just the threshold. Mr. McIntosh also noted that the Town Charter shows that the BOF's inquiries go beyond the question of affordability to address the question of expenditures and receipts, which suggest that the BOF should take a much more active role in reviewing budgets to determine what is appropriate, in terms of the reasonableness of the expenditures and the receipts.

Mr. Constantine expressed a concern about the field house, arguing that they should either just bond it and take it out of CIP, in order to satisfy Title 9, or just tear it down. Mr. Zeller noted that the problem with the latter option is that they cannot host certain events without the field house. Ms. Sanford also pointed out that \$2 million is too small to go to bond. Mr. Johnson added that they would typically have an anticipation note until they reached a critical mass because it costs money to go to the market. Mr. McIntosh reiterated that, though he disagrees with the analysis, if they have decided that they cannot afford it, what they cannot afford is the level of expenditures for the BOE, not the Town Operating Budget. Making future years more difficult is contrary to the analysis that the future is not going to be very easy. Mr. McIntosh expressed that, generally, he is in favor of bonding, but they should keep in mind that bonding things now will probably make it more difficult to bond in the future, especially with infrastructure projects that will come up.

RESOLUTION FOR THE GENERAL FUND 2020/2021 BUDGET

- D. BE IT RESOLVED, that the Board of Finance proposes that the Glastonbury Town Council approves an appropriation of \$45,070,304 for the 2020/2021 **Town Operating Budget**.

Motion by: Mr. Lynn

Seconded by: Mr. Cusson

Disc: Mr. McIntosh noted that the Council has asked the BOF to send them a representative to explain any significant changes to the Town budget, but there is no obligation for them to explain what they have done, according to the Charter. It is a matter of courtesy. However, the Charter does stipulate that the Council has to explain why they made changes to the BOF's proposed budget, with a written description of the variations of the budget. He concluded that it seems to require a specificity for deviations of what the BOF has recommended.

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 \$111,429,046 for the 2020/2021 **Education Budget**.

Motion by: Mr. Zeller

Seconded by: Mr. Cusson

Disc: Mr. Zeller stated that he has a concern with the financing of the STEAM initiative, which is a private-public initiative. He recalled the previous fundraising issue with the GHS lights, and expressed hesitancy in putting up \$300k of the Town's dollars before seeing what is raised through public funding. Mr. Zeller noted that while the BOE has argued that their budget percentage increases must be the high 2's/low 3's, increases over the past 5 years have averaged 2.3%. He does not know if somewhat lower increases would result in adverse results. Mr. Zeller asked the Board to take a long and hard look at the revenues imposed.

Mr. McIntosh stated that the decrease to the proposed appropriation is not conducted via an appropriate justification. While he thinks that they can afford it, they should not spend the money that way. The Town's proposed budget is detailed and quantified, specifying reasonable, objective goals. He does not feel that the BOE budget contains those elements. He will support the resolution but on totally different grounds than the other members of this board. Ms. Sanford asked what the percentage increase is for the education budget. Ms. Twilley replied that this would be a 2.51% increase to last year's budget.

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 \$13,836,177 for the 2020/2021 **Debt & Transfers Budget**.

Motion by: Mr. Cusson

Seconded by: Mr. Lynn

Disc: None

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

- G. BE IT RESOLVED, that the Board of Finance proposes that the Glastonbury Town Council approves 2020/2021 **General Fund Revenues and Transfers Budget** in the amount of \$170,335,527.

Motion by: Mr. Cusson

Seconded by: Mr. Lynn

Disc: None

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

- H. BE IT RESOLVED, that the Board of Finance proposes that the Glastonbury Town Council approves the 2020/2021 **Capital Improvement Program Budget** in the amount of \$8,736,217. Funding will be provided as follows:

Capital Reserve Fund	\$8,275,000
Town Aid Road	\$461,217

Motion by: Mr. Zeller

Seconded by: Mr. Lynn

Disc: None

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

RESOLUTION FOR SPECIAL REVENUE FUND APPROPRIATIONS

- I. BE IT RESOLVED, that the Board of Finance recommends that the Glastonbury Town Council approves Special Revenue Fund Appropriations and Transfers and Special Revenue Fund Revenues and Transfers for 2020/2021 as follows:
- | | |
|-------------------------------|-------------|
| a. Sewer Operating Fund | \$3,266,442 |
| b. Recreation Activities Fund | \$1,572,546 |
| c. Police Private Duty | \$450,000 |
| d. Riverfront Park Fund | \$300,673 |

Motion by: Mr. Cusson

Seconded by: Mr. Lynn

Disc: None

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

The balance of the meeting included discussion of the Board's normal monthly topics:

1. Communication: FIA Report and Firm Update

Ms. Twilley stated that she has received the report and will schedule out a date, after the budget, possibly in late March/early April.

2. Communication:

a. Minutes of January 16, 2020 – Regular BOF Meeting

Minutes accepted as presented.

b. Minutes of January 23, 2020 – CIP Meeting

Minutes accepted as presented.

c. Minutes of January 28, 2020 – Annual Town Meeting

Minutes accepted as presented.

d. Minutes of January 29, 2020 – Town Operating Budget and CIP Meeting

Minutes accepted as presented.

e. Minutes of February 5, 2020 – BOE Budget Meeting (minutes to be provided at meeting)

Ms. Sanford noted an error on the bottom of page 2. The comparison should read “apples to apples,” not “apples to oranges.”

The minutes were accepted as amended.

3. Communication: Pension Report – December 2019

Ms. Twilley reviewed the report dated January 28, 2020.

4. Communication: Month End Investments – December 2019

Ms. McManus reviewed the report dated January 22, 2020.

5. Communication: Financial Summary for 7 months - January 2020

Ms. Twilley reviewed the report dated February 3, 2020.

6. Communication: Education Reconciliation – December 2019

Ms. McManus reviewed the report dated February 3, 2020.

7. Communication: Capital Projects – January 2020

Ms. Twilley reviewed the report dated February 3, 2020.

8. Communication: Self Insurance Reserve Fund – January 2020

Ms. Twilley reviewed the report dated February 4, 2020.

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

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

11. Communication: General Obligation Refunding Bonds (material to be provided at meeting)

Ms. Twilley reviewed the report dated February 13, 2020.

12. Communication: Moody's and S&P Ratings Reports

Ms. Twilley reviewed the ratings reports, which she stated are very favorable.

13. Communication: Follow-Up Items from Prior Meetings

14. Board of Finance Committee Reports, comments and remarks (no action to be taken)

Mr. Constantine stated that PBC has not met, so he has no update.

15. Adjournment

Motion by: Mr. Zeller

Seconded by: Mr. Cusson

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of February 14, 2020, at 10:25 a.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.