

GLASTONBURY BOARD OF FINANCE
Amended REGULAR MEETING MINUTES (see page 7)
WEDNESDAY, FEBRUARY 16, 2022

The Glastonbury Board of Finance, along with Finance Director, Julie Twilley, and Town Manager, Richard J. Johnson, held a regular meeting at 4:00 p.m. in the Council Chambers of Town Hall at 2155 Main Street with the option for Zoom video conferencing. The video was broadcast in real time and via a live video stream.

Also present were Narae McManus, Controller, and Nicole Lintereur, Assessor.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman
Ms. Jennifer Sanford, Vice Chairman
Mr. James McIntosh
Ms. Susan Karp
Mr. Robert Lynn {participated via Zoom video conferencing}
Mr. James Zeller

The Board’s normal monthly topics:

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

2.Communication:

a. Minutes of January 24, 2022 – Special BOF Meeting
Minutes accepted as presented.

b. Minutes of February 1, 2022 – Town Operating & CIP Special Meeting
Minutes accepted as presented.

c. Minutes of February 2, 2022 – BOE Budget Special Meeting

Mr. McIntosh noted that the first “BOE” listed on page 4 should read “BOF” instead.
Minutes accepted as amended.

3. Communication: Pension Report (December 2021) and Flash Report (January 2022)

Ms. Twilley reviewed the report dated December 31, 2021. Despite current market volatility, she stated that Mr. Kachmar does not recommend any allocation changes at this time. Ms. Sanford finds the underperformance of Jackson Square and Vanguard International increasingly concerning.

4. Communication: Month End Investments – December 2021

Ms. McManus reviewed the report dated January 28, 2022.

5. Communication: Financial Summary (Expenditures) for 7 months - January 2022

Ms. Twilley reviewed the report dated February 8, 2022. She noted that a new automated payroll will soon be linked up to the ledger.

6. Communication: Capital Projects – January 2022

Ms. Twilley reviewed the report dated February 8, 2022. Mr. McIntosh noted that there is a major deficiency in the field house. He asked where they stand on funding this. Mr. Johnson explained that that unanticipated challenges came up during excavation. He went on to state that the multi-school locker replacement was completed below budget, so those monies will likely be transitioned into the field house project. Ms. Sanford asked what the driver was for the multi-school savings. Mr. Johnson explained that they received bids below the estimate. Ms. Karp asked when the field house and library projects will be completed. Mr. Johnson stated that the library project will be completed in about 4-6 weeks. The field house is nearly completed.

7. Communication: Self Insurance Reserve Fund – January 2022

Ms. Twilley reviewed the report dated February 3, 2022. There were 6 large stop loss claims: 5 from the BOE, 1 from the Town. None have exceeded the individual stop loss limit.

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

- a. \$3,000 Town Council for Annual Audit Fees

Mr. McIntosh asked why there was an additional charge of \$3,000. Mr. Johnson explained that there were a variety of charges on the line item for professional services.

9. **Action:** Transfers over \$5,000

- a. \$30,000 Sewer Operating Fund – for locations on Addison Road

Motion by: Mr. McIntosh

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby recommends to the Town Council the transfer of \$30,000 from the Sewer Sinking Fund - Unassigned Fund Balance to the Sewer Operating Fund - SOP Expenditures - Road/Sewer Projects for locations on Addison Road as presented, without changes.

Result: Motion passed unanimously {6-0-0}.

- b. \$45,000 Sewer Operating Fund – for Stallion Ridge Subdivision

Motion by: Mr. Zeller

Seconded by: Mr. McIntosh

BE IT RESOLVED, that the Glastonbury Board of Finance hereby recommends to the Town Council the transfer of \$45,000 from the Sewer Sinking Fund - Unassigned Fund Balance to the Sewer Operating Fund - SOP Expenditures - Road/Sewer Projects for the Stallion Ridge Subdivision as presented, without changes.

Result: Motion passed unanimously {6-0-0}.

The Board moved to add to the agenda Item 9C: \$29,000 transfer for fire code and related upgrades to the Riverfront Boathouse.

Motion by: Mr. Zeller

Seconded by: Mr. McIntosh

Result: Motion to add Item 9C to the agenda passed unanimously {6-0-0}.

c. \$29,000 for Fire Code and related upgrades to the Riverfront Boathouse

Motion by: Mr. McIntosh

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby recommends to the Town Council the transfer of \$29,000 from the Unassigned Fund Balance for Fire Code and related upgrades to the Riverfront Boathouse as presented, without changes.

Disc: Mr. Johnson explained that they finally received two or three bids yesterday. There has also been a challenge to provide protective fencing to prevent young people from accessing the roof.

Result: Motion passed unanimously {6-0-0}.

10. Communication: Audit Review Meeting

Ms. Twilley explained that the Audit Review Meeting was held on February 9. No issues came up. Mr. Lynn asked that, for next year's meeting, the auditors review how funds are committed in the balance sheet.

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

None

The balance of the meeting will include Budgetary Topics:

12. Communication: Presentation of Grand List Report

Ms. Lintereur reviewed the Grand List Report as of October 1, 2021, which increased 3.4% over the previous list. The overall increase in a non-revaluation year reflects the lack of normalcy in the current market conditions. On the real estate side, growth in residential sales increased by 26% while average sale price increased by 10.5%. Local commercial projects remain steady. The personal property sector held steady, and there is continued investment in the community. The motor vehicle list increased by 32%. While it is a stark number, this increase is reflected on the national level, not just in Glastonbury. Mr. McIntosh asked if they anticipate the motor vehicle increase to go down next year. Ms. Lintereur stated no, it will still be tight for a while.

13. Potential for Any Unfinished Business: FY 2022/2023 Budget

Mr. Johnson presented a summary of the collection rates over the past 15 years. Ms. Karp finds it encouraging that the collection rate has not declined amid the pandemic. Mr. Johnson noted that they were concerned about a potential drop-off, but it has not happened. He then reviewed the residential and motor vehicle taxes based on the 2021 and 2020 grand list, factoring in the Governor's proposed bifurcated mill rate. Mr. Zeller stated that the state has done this before. He asked if the motor vehicle cap of 29 mills will be carried forward into the future. Mr. Johnson

explained that there will likely be a bifurcated mill rate and a change in the way that cars are assessed. Ms. Sanford stated that if they receive a state grant of \$3.064 million, that leaves a gap of \$500,000. Mr. Johnson explained that the only way to make the math work regarding how the State calculated the MV grant is by using the mill rate from FY 2018/19. There is a gap, which the Town has dealt with by raising the mill rate on residential properties to 37.36. Ms. Karp had asked to see the confidence level from state legislators, who told her that they are hopeful.

To keep the mill rate flat at 37.32, Mr. Johnson explained that the budget would have to be reduced by \$160,000. Mr. McIntosh asked if they are legally restrained from increasing the mill rate once it is set. Mr. Johnson stated that, if the state changes this, they would provide notwithstanding language to allow towns to make an adjustment as applicable. Most towns would prefer to reduce the mill rate. They recognize that a lot of towns would have already set their mill rates. He does not see the Council taking an action that would increase the mill rate that is enacted. Ms. Karp pointed out that they should know the state's decision by the first or second week of May. Mr. Johnson stated that is correct.

Mr. Johnson compared the Town's Unassigned Fund Balance with other towns in the Greater Hartford area that are similar to Glastonbury, such as Simsbury and Avon. Mr. Lynn asked what Moody's and S&P consider for fund balance. Mr. Johnson stated that, for a Double A town, they look for 15 to 30%, but he could not find guidance for a Triple A town. Mr. Lynn asked how much of the pension funding general obligations goes into the weighting by credit rating agencies. Mr. Johnson stated that there is a formula, which he can try to get for the Board, but that the rating agencies may not make this information available. Mr. Lynn believes that the Triple A rating is not financially relevant unless they go out to bond. Ms. Karp disagreed. It was difficult to get the Triple A bond rating, and she does not feel comfortable saying that they will not need to borrow money in the next 10 years. Mr. Johnson stated that they assume the Unassigned Fund Balance will go from \$875,000 to \$575,000 by FY 2025. Ms. Sanford expressed concern about the increasing growth in the operating budget. She would like to look at spending from a long-term strategic standpoint.

Mr. McIntosh remarked that setting the collection rate below the anticipated amount raises a surplus. Mr. Zeller stated that they are at 15.3% in FY 2025 of the Unassigned Fund Balance as a percentage of subsequent year revenue or expenditure. Mr. Johnson showed the financial projections of the bifurcated mill rate. Ms. Twilley explained that it takes the Town Manager's budget as proposed for FY 2023, and in future years, it is projected to grow at 2.5%. However, they can use whatever assumptions the Board would like. Ms. Sanford is still uncomfortable with subsidizing the motor vehicle mill rate by raising the residential mill rate. Mr. Johnson reiterated that a reduction of \$160,000 to the budget would keep the real estate and personal property mill rate flat.

Ms. Karp asked what the reasoning is behind moving the opening cash from \$975,000 to \$575,000 in one year. Mr. Zeller explained that moving \$1 million into the pension fund would generate \$100,000 next year. The ADC drops \$106,000. With other reductions, the \$575,000 would put them on track to build the General Fund in a more historic way. Mr. Johnson added that the idea was to move the opening cash up to take the sting out of the PUB 2010 mortality tables and then bring it back down again. One-time allocations are better than ongoing obligations because they do not create a cliff. Ms. Sanford stated that the \$575,000 is a number that the Board has always supported, but it is just subsidizing the actual budget. This year, she sees an opportunity to bring it back to normal by moving it down to \$575,000. Mr. Johnson

reviewed the FY2021 and FY2022 supplemental appropriations and a list of insurance coverages. Mr. Lynn would find it helpful to understand what the potential annual risk is on a claim basis. He asked if the \$750,000 potential investment in the reserve fund could be better served by looking into other investments that could yield greater return.

Ms. Karp sees a comparison between the Town's supplemental appropriations and the BOE's 1% Fund. Ms. Sanford believes that there is a distinction in transparency. When issues arise on the Town's end, it comes to the BOF and the taxpayers, whereas the 1% fund lacks that. Ms. Karp responded that all the discussions on the 1% fund are held at public meetings, so there is transparency. Mr. McIntosh pointed out that the BOE budget has \$290,000 under Special Projects for built-in unplanned expenditures. Ms. Karp stated that Special Projects funds are usually spent on maintaining school space. Mr. Zeller asked how much would go to the Town if \$1 million were moved into the pension fund and the ADC accordingly reduced by \$106,000. Mr. Johnson stated about 70%. Mr. Zeller asked to confirm that the terms "opening cash," "general fund transferring," and "use of fund balance" all mean the same thing. Mr. Johnson stated that is correct. Ms. Karp noted that all the pension factors are positive, and their experts have said as much. The recommendation she has heard is the use of a pension reserve fund, which is a hedging strategy for fluctuations in the ADC. While she is not averse to using money in the General Fund, she does not understand why they would move \$1 million from the General Fund to the Pension Fund.

Mr. Zeller proposed adding to the agenda Action Item 14 G: \$1 million transfer from the General Fund to the Pension Fund.

Motion by: Mr. Zeller

Seconded by: Ms. Karp

Result: Motion passed unanimously {6-0-0} to add item to agenda.

Mr. Zeller proposed moving Action Item G to prior to Action Item A.

Motion by: Mr. Zeller

Seconded by: Ms. Karp

Result: Motion passed unanimously {6-0-0}.

Motion by: Mr. Zeller

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Board of Finance submits to the Glastonbury Town Council the transfer of \$1 million from the General Fund Unassigned Fund Balance to the Pension Fund.

Disc: Mr. Zeller explained that the Unassigned Fund Balance currently earns two-tenths of a percent. Moving those funds to the pension fund would reduce the ADC by \$106,000, generating a 10% return. For years, the BOF has asked about alternatives to access better rates. The state said there was nothing they could do. Only recently did they hear about reserve funds, which earn about 2-5%, and they also carry serious risks. Therefore, he cannot support the option of a reserve fund for this budget cycle. He finds this the perfect time to move forward with the \$1 million transfer to the pension fund. He stated that the \$10 million received from ARPA funding could be moved into the General Fund, if need be. He doubts that the Town's bond ratings will be downgraded. The actuaries give their best information, but they have had different opinions

not long ago. The Board must make their best judgment. He asked Mr. Johnson to report back on when the Town received its Triple A rating.

Ms. Karp is concerned that once \$1 million is taken from the General Fund, then it is gone. She does not support making the transfer now during this budget process. Mr. McIntosh countered that the money is not gone. If they need the \$1 million back, they can contribute \$1 million less to the ADC next year. Ms. Karp wants to dispel the assumption that not making this \$1 million transfer will jeopardize their amortization schedule. Ms. Sanford pointed out that the basis of the general fund was for long-term assets, like land purchases. She believes that long-term assets should fund long-term liabilities. She has no literature on the reserve fund, so it would be irresponsible to consider it at this point. Ms. Sanford stated that pension as a percent of payroll has been growing over the last few years. The path to amortization is consistent, but they need to continue to lead. This year, this cash will give them an operating return, a relief to taxpayers, and will address the fact that the pension is moving towards a cash out position.

Result: Motion passed {4-2-0} with Mr. Constantine and Ms. Karp voting against.

14. Possible Action: The Board of Finance pursuant to Section 605 of the Town Charter submits to the Glastonbury Town Council the following proposals:

a. Action: Propose to Town Council FY22/23 Town Operating Budget

Motion by: Mr. Zeller

Seconded by: Mr. McIntosh

BE IT RESOLVED, that the Board of Finance submits to the Glastonbury Town Council the proposed appropriation of \$47,160,184 for the 2022/2023 Town Operating Budget.

Result: Motion passed unanimously {6-0-0}.

b. Action: Propose to Town Council FY22/23 Education Budget

Motion by: Ms. Karp

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Board of Finance submits to the Glastonbury Town Council the proposed appropriation of \$117,237,381 for the 2022/2023 Education Budget.

Disc: Mr. Zeller explained that they need to find another \$206,000. Ms. Karp suggested it could come from a higher collection rate assumption. Mr. Zeller would like to put some money back into the contingency fund so that it is close to what it was in 2017. He proposed amending the motion to reduce the education appropriation by \$300,000.

Amendment by: Mr. Zeller

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Board of Finance submits to the Glastonbury Town Council the proposed appropriation of \$116,937,381 for the 2022/2023 Education Budget.

Disc: Ms. Karp asked how much of this reduction will come from the change in the BOE's ADC. Ms. Twilley replied \$26,489. Mr. Zeller's reasoning for the reduction is that this is in line with what has happened the last few years. The BOE would get 99.75% of what they have requested from the BOF. While the proposed education increase may not be large, the per pupil expenditure is, which he finds concerning. Rising inflation with rising enrollment could lead to

sustained increases. He suggested that the BOE look at their healthcare reserve fund as one area that might help mitigate this. Ms. Karp noted that the BOE has made a statement that they will look at the healthcare reserve fund to not create cliffs. She questions the per pupil expenditure concerns. She also gives the BOE credit for the successes they have had. Ms. Sanford prefers a reduction greater than \$300,000. She has been tracking the education surpluses at year end for the past three or four years. She also raised an issue with the funding decisions the BOE has made. They chose to fund the STEAM lab outside of the budget process. She also disagreed with their decision to fund the mental health services out of the 1% fund. The BOE has always come in asking for more than inflation. Mr. McIntosh will support the motion, but not on the basis of what the Town can afford. The primary responsibility of the BOF is to balance the needs of town government with resources of the community to ensure fiscal stability and equity. He shares Ms. Sanford's concern that the BOE considers the Town's ability to pay, rather than how to meet educational needs in the most effective and efficient manner. The BOE asks what is best and not how to achieve it by spending the fewest resources. The BOF can provide a **minor reduction** as an incentive to the BOE to try to do things more efficiently and effectively.

Ms. Karp is concerned about how this is being portrayed. She does not see a transparency issue from the BOE. Their 1% fund was approved by the Council and all discussions regarding the fund are held via public meeting format. She also finds the comments about lack of effectiveness and efficiency to be an unfair characterization of the BOE. It is fair to focus on the ability of taxpayers to pay for these expenditures. There is nothing wrong with the way things are working. Mr. Lynn agreed with Ms. Karp on the 1% fund. His primary concern is that Connecticut is a failing state with a tax rate that is not growing. Therefore, municipalities will increasingly rely on taxpayers to meet their needs, so they need to bend the curve.

Mr. Zeller finds the problem to be a lack of oversight. Every month, the BOF is kept abreast of the Town budget with specific detail and clarity. The BOE lacks that level of detail. The BOF sees their budget only once a year, and when unanticipated expenditures come up, they are not kept informed. The 1% fund indicates that there are large surpluses every year. His frustration is that the BOF does not see those monies when they are supposed to. Ms. Sanford finds it very difficult to maneuver through the BOE budget every year. The BOF goes through the trouble of putting together a column which shows the excess money in their budget. She suggested the BOE add that column, so that they could easily look at the year over year. The issue of transparency is that it is very difficult to follow the money. Ms. Karp stated that the 8 elected BOE members see those numbers. It is their job to do so by statute, not charter. She clarified that there is no misuse of applicable funding or lack of transparency from the BOE.

Result: Motion passed {5-1-0} as amended with Ms. Karp voting against.

c. Action: Propose to Town Council FY22/23 Debt & Transfers Budget

Motion by: Mr. McIntosh

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Board of Finance submits to the Glastonbury Town Council the proposed appropriation of \$13,457,486 for the 2022/2023 Debt & Transfers Budget.

Disc: Mr. Johnson explained that, until FY 2016, the Town had a contingency of \$175,000. When the budget was reduced by \$1 million, he eliminated the contingency. This year, he heeded the request and renewed the contingency account. While both contingencies and fund balances

require two-step approval, a contingency does not require a public hearing. Therefore, it is a more streamlined process. Ms. Karp does not see the need to make the \$67,511 allocation now because taxes will go up. Ms. Sanford stated that the new changes proposed by the state have posed a problem. She would like to give taxpayers a break in the mill rate. Mr. Johnson noted that raising the collection rate from 99.1 to 99.15 could help bridge the gap to get to the \$575,000 for opening cash. Another option is to reduce the transfer in by less than \$300,000. Ms. Karp prefers to reduce the transfer in by \$225,000 instead. Ms. Twilley calculated that the reduction would happen in the General Fund Revenues & Transfers Budget, not in Debt & Transfers.

Result: Motion passed unanimously {6-0-0}.

- d. Action: Propose to Town Council FY22/23 General Fund Revenues & Transfers Budget

Motion by: Mr. McIntosh

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Board of Finance submits to the Glastonbury Town Council the proposed 2022/2023 General Fund Revenues and Transfers in the amount of \$177,555,051.

Disc: Ms. Karp finds it counterintuitive to take away a subsidy for taxpayers to bring down the mill rate if the intention is to ease the burden on taxpayers. Mr. Johnson stated that the General Fund Transfer In is a way to give money back to taxpayers. There is no formula to the \$575,000 number. Mr. Zeller finds that keeping the mill rate lower has a better trajectory than the \$300,000. While acknowledging that the focus may have changed, Ms. Karp noted that when she was on the Council, they liked the idea of opening cash. Ms. Sanford remarked that this is a situation where cash is being used to fund ongoing operations. From her perspective, it is more effective to lower the mill rate, which would likely be achieved through reduced spending.

Result: Motion passed unanimously {6-0-0}.

- e. Action: Propose to Town Council FY22/23 Capital Improvement Program Budget, including Capital Reserve Fund, Town Aid Road, and Sewer Sinking Fund

Motion by: Mr. Zeller

Seconded by: Mr. McIntosh

BE IT RESOLVED, that the Board of Finance submits to the Glastonbury Town Council the proposed 2022/2023 Capital Improvement Program Budget in the amount of \$8,885,317.

Funding will be provided as follows:

- Capital Reserve Fund: \$8,119,100
- Town Aid Road: \$461,217
- Sewer Sinking Fund: \$305,000

Disc: Mr. Zeller will vote against this motion because the Naubuc Project is included in the CIP project list. While he believes that the facility will never be the equivalent of the other elementary schools in town, his vote is not about affordability. Rather, he believes that the project fails to accommodate a changing world. Every board and commission is expected to

incorporate DEI (Diversity, Equity, and Inclusion) considerations, but the Naubuc Project lacks that component. Mr. McIntosh clarified that the decision to fund projects is not made at this time. Mr. Johnson stated that is correct. This is a list of projects that will be reviewed for approval by the Council. With that in mind, Mr. McIntosh will support the motion. Ms. Karp asked if the project will be eligible for state reimbursement if ARPA monies are used. Mr. Johnson stated that they have not yet received an answer to that question. However, he will inform the Council that, within the projects recommended, this is how the \$700,000 could be reprogrammed so that the net does not change. Ms. Sanford is against the motion because she hopes that the ARPA monies will be used in part to fund the CIP.

Result: Motion passed {4-2-0} with Ms. Sanford and Mr. Zeller voting against.

f. Action: Propose to Town Council FY22/23 Sewer Operating Fund Budget
(Special Revenue Fund)

Motion by: Mr. Zeller

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Board of Finance submits to the Glastonbury Town Council the proposed Special Revenue Fund appropriations, revenues, and transfers of \$3,298,217 for the 2022/2023 Sewer Operating Fund.

Result: Motion passes unanimously {6-0-0}.

15. Adjournment

Motion by: Ms. Karp

Seconded by: Mr. McIntosh

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of February 16, 2022, at 7:35 p.m.

Result: Motion passes 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.