

**GLASTONBURY BOARD OF FINANCE
SPECIAL MEETING MINUTES
WEDNESDAY, FEBRUARY 8, 2023**

The Glastonbury Board of Finance, along with Finance Director, Keri Rowley, and Town Manager, Richard J. Johnson, held a special meeting at 3:30 p.m. in the Council Chambers of Town Hall at 2155 Main Street with an option for Zoom video conferencing. The video was broadcast in real time and via a live video stream.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman {arrived at 3:42 p.m.}
Mr. Jared Soper, Vice Chairman
Mr. James Zeller
Mr. Robert Lynn {participated via Zoom video conferencing}
Ms. Susan Karp
Mr. Kevin Graff

Mr. Soper called the meeting to order, as Mr. Constantine was running late. Ms. Karp welcomed Mr. Graff to the BOF.

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

2. **Budget Reviews**

Overview of 2023/24 Town Manager Recommended Budget

Mr. Johnson summarized that the FY23-24 Proposed Budget consists of a 2.8% increase in Town Operations, a 1.9% increase in Debt and Transfers, and a 3.2% increase in Education, totaling a combined increase of 3.0%. He reviewed the Town Operations budget. The original proposal was for a 4.67% increase. He adjusted it to 2.79%. One of the major factors for the increase has been the pandemic, which prompted the hiring of new IT staff. There have also been upward cost pressures for fuel, electricity, and contractual services. Cyber security continues to be at the forefront, with an ongoing 24-hour cyber security system. The employment market is a challenge, both with hiring new members and in remaining competitive. Post-pandemic, the request for clinical services at schools is at an all-time high.

Mr. Johnson reviewed the 8 primary budget factors, which total the 2.8% increase. The first is wages. In the current year, they were not able to sustain what they had over the past three years. The proposed aggregate increase is 3.17% (representing 1.6 out of the 2.8 points). The budget includes funding for two new clinical counseling staff, police officers, inspections in field work, an electrician for wastewater/facilities, human resources, senior services, and IT/zoom positions.

Mr. Soper asked who the two clinical counseling hires will service. Mr. Johnson explained that they would largely be in the elementary schools. He then noted that, in 2014, the Town's full-time headcount was 240. This year, that number was unchanged. In the coming year, there is a net increase of four people. Ten years prior to 2014, the head count was 261, so they have done a good job of keeping the headcount fairly flat.

Mr. Johnson then reviewed insurances, which account for -0.4 out of the 2.8 points. About 5% of the reserve balance has been allocated to health insurance costs. In the past couple years, the premium has been flat. They seek ways to balance the reserve without creating a cliff down the road. Ms. Karp asked what the 5.5% reduction in the benefit premium translates to, in dollar amounts. Mr. Johnson replied, about \$234,000. The premiums would largely be flat going into the next year, so they wanted to be conservative with the 5.5% reduction.

Mr. Johnson reviewed the pension, which accounts for 0.2 out of the 2.8 points. The market has changed considerably since last year's discussion. Next year, the ADC might return to a significant increase. Mr. Zeller stated that the nearly 4% interest from investments is great compared to the 2/10 of a percent they were earning before. Mr. Soper would like to get through the presentation before having a discussion on the General Fund. The Board agreed. Mr. Soper asked what percentage the Unassigned Fund Balance is of the General Fund, once one-time additions are subtracted. Mr. Johnson stated that he can calculate and report back.

Mr. Johnson then reviewed Data Processing & Technology, which accounts for 0.3 out of the 2.8 points. Contractual services are an upward cost pressure, accounting for 0.2 points. This includes services like trash and recycling at parks and school grounds, as well as portable toilets. Utilities and fleet make up 0.5 points. The cost of diesel has not moved down enough to lock in the price. Utilities are primarily driven by electric rates, which have almost doubled. Even though usage is well below the 2008 figure, the exponential unit cost increase is having an effect. Capital outlay has remained relatively flat, accounting for 0.1 point. The Town tries to keep vehicles longer than industry standards. All other accounts in the budget total 0.3 points, which is very favorable.

Mr. Johnson noted that there has been a 1.9% change to Debt & Transfers, which is comprised of Debt Service, the Capital Reserve Transfer, and OPEB. Debt Service is projected to decrease by \$3.89 million from FY24 to FY28. Ms. Karp asked for the dollar amount of the step downs. Mr. Johnson will calculate and report back. The Capital Reserve Transfer, which was \$6 million in FY20 and was reduced to \$5.25 million in FY22, then increased last year to \$5.65 million. The proposed amount for FY2024 is \$5.85 million. Mr. Zeller asked if the \$5.75 million would have been sufficient if some of the larger projects (such as the field house and Naubuc School renovations) were bonded instead of funded on a cash basis. Mr. Johnson stated yes, but they also must consider what the annual debt service was, so it would have been \$5.75 million plus the principal interest on that bond issue. Ms. Karp requested holding that discussion for next

week's meeting on the General Fund.

Mr. Soper noted that, in the past, they looked at what the discounted or maintenance value of the Town's various properties were and came up with a specific number. Mr. Johnson explained that they looked at the annual depreciation, which was about \$7 million annually. Mr. Soper asked for an update on that. Mr. Johnson agreed to provide it. He iterated that the Town is in a very positive position regarding debt service and the General Fund. Mr. Soper asked how ARPA monies factor in. Mr. Johnson explained that the ARPA funds relieved some of the pressure from the Capital Reserve Fund, which has been underfunded for years. Without ARPA, several capital projects could not have been funded on a cash basis.

Prior to passing the budget, Mr. Zeller would like to see an option showing bonding for some of the big capital projects, such as the roofs at the high school. Mr. Johnson can provide that. Ms. Karp noted that to bond an item requires going to a referendum, where the public will decide whether to approve it. This must be conveyed very clearly to voters because if they decide against it, the Town must have a Plan B for funding. Mr. Soper stated that it is the BOF's job to recommend the best way they think that projects should be financed. Mr. Johnson stated that an educational flier will be sent to the community.

Mr. Johnson reviewed the proposed intergovernmental revenues. ECS was proposed to decrease but has held steady at \$5.4 million over the past few years. Since he does not know whether there will be a change, he left the amount as is. The MRSA and Motor Vehicle grants are funded through state sales tax. MRSA is lower on the priority list for the state, to be funded after ECS and motor vehicle grants are disbursed. \$730,000 was received in the current year for MRSA. However, it is not built into the budget because this funding is not known or consistent. The motor vehicle grant is about \$1.7 million in the current year. The state's grant is a year behind because they do not have next year's grand list numbers. He is unsure whether the Governor has changed the mill rate cap and asked to be mindful of the motor vehicle grant in the outyears. Mr. Johnson then reviewed investment income, which jumped from 0.13% last year to 4.5% this year, resulting in a \$880,000 increase. He assumed an increase of 3.7% for the coming year.

Mr. Johnson reviewed the General Fund - Use of Fund Balance. He explained that the new mortality tables (PUB 2010) were incorporated in 2021, so the fund increased from \$575,000 in FY20 to \$975,000 in FY21. In FY24, it is proposed at \$775,000. Mr. Soper was historically comfortable with \$575,000 because it was closer to the difference between the Town's assumed versus actual collection rate. Any number above \$575,000 means that they are using savings to augment current spending, which he finds inappropriate. He understands raising it on a one-time basis but does not think that it should be continued. Mr. Johnson opined that the 12% minimum Unassigned Fund Balance should be adjusted upwards because it is not linked to any indices. S&P's is 15% and the best practices from GFOA amounts to 16.7% for Glastonbury.

The Grand List was projected to grow at 1.22%, resulting in an estimated \$2.03 million in new tax revenue. However, because it is a revaluation year, it grew about 1.57%, resulting in \$2.6 million in new tax revenue. Mr. Soper asked when the actual composition of the new grand list will be presented. Mr. Johnson replied, at the Council's next meeting. Mr. Johnson stated that, in the current year, the mill rate is 37.3 for real estate and personal property (RE/PP) and 31 for motor vehicles (MV). Combined, that is 36.68 mills. At the Annual Town Meeting, they presented the following rates for FY 2024: 31 mills for the MV rate and 38 mills for RE/PP, for a combined rate of 37.1 mills.

He showed an illustrative tax scenario, with an average home assessment of \$250,000 at the current mill rate (37.3), without a revaluation, would have resulted in a 1.07% tax increase. With a 25% assumed revaluation increase, the new assessment would be \$312,000. He reviewed various scenarios of what the tax rate would be with different mill rates and showed that the breakeven point is at about 18%, when the influence of the property revaluation will largely go away.

Mr. Soper noted that residential property is the largest contributor to taxes. Revenues are increasing 3%, the overall tax rate is increasing less than the 3%, but the average homeowner increase will be almost 5%. He does not understand why that is higher than either the expenditures or the proposed tax increases. Mr. Johnson will verify and report back at Friday's meeting. Mr. Soper asked if the Town could pursue having two mill rates as opposed to one. Mr. Zeller would like to see that information, as well. Mr. Johnson explained that CCM will provide information tonight. He will walk through the scenarios in a workshop with the BOF soon.

Town Capital Projects

Mr. Johnson explained the Town's ongoing projects. The Reserve for Land Acquisition and Preservation provides for an annual appropriation to the reserve. Years ago, there was a capital project account. The available balance in the Land Acquisition account is \$8,000 because it was not funded for a couple years. He figured that at least \$100,000 should be funded this year, to restore the account for small acquisitions. The current year budget allocates \$150,000 through the Capital Reserve Fund and \$1.25 million in ARPA monies to restore the Williams Memorial Academy to provide another large meeting room for the town. Mr. Zeller asked if that would pull the buildings together. Mr. Johnson explained that the two buildings do not line up because they are on different levels, so they are looking at a variety of options.

Mr. Johnson reviewed the Town's new projects. A \$500,000 STEAP grant has already been approved for livable communities, but they need an appropriation to allocate the monies. They also expect 90% grant funding to add EV charging stations at several town facilities. He also

recommended \$50,000 for a design analysis for a synthetic turf field at the high school. He did not feel that the BOE's requested \$1.5 million to move ahead on the project was the right approach. Ms. Karp asked about the weight room location. Mr. Johnson explained that the BOE has a preliminary design and cost estimate.

Mr. Zeller reiterated that if these large projects were bonded instead, it would allow the CIP budget to remain flat, though more debt service would have to be assumed. This is something to contemplate. Mr. Soper stated that in FY24-25, they are looking at \$13.96 million in spending, so there is the potential for a cliff in FY24-25 and FY25-26. The capital program has to look out over a couple years because items such as a roof at the high school must be addressed. Mr. Johnson stated that the point is to show that not every project will move forward, but the items that are identified far exceed the capital transfer.

Any Other Remaining Items *None*

3. Adjournment

Motion by: Mr. Zeller

Seconded by: Ms. Karp

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of February 8, 2023, at 5:34 p.m.

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

Respectfully submitted,

Lilly Torosyan
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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.