

**GLASTONBURY BOARD OF FINANCE
SPECIAL MEETING MINUTES
MONDAY, FEBRUARY 13, 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
Mr. Jared Soper, Vice Chairman
Mr. James Zeller
Mr. Robert Lynn {participated via Zoom video conferencing}
Ms. Susan Karp
Mr. Kevin Graff

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

2. Budget Reviews

Mr. Johnson showed what the tax rate could be for a \$250,000 home that increased 25% in assessment. Assuming two motor vehicles, he ran through various scenarios using different mill rate pairs for real estate/personal property (RE/PP) and motor vehicles (MV). The scenario that makes the most sense to him is a single mill rate of 31.15, for both RE/PP and MV. This would result in a tax increase of 4.03%, in that scenario. He noted that some properties in town will see their taxes go down. Ms. Karp asked what the breakeven point was. Mr. Johnson replied, at about an 18-19% increase.

Mr. Constantine asked what going from the old RE/PP mill rate of 37.3 to the normalized rate of 37.7 equates to dollar-wise. Mr. Johnson stated that, for a \$250,000 assessment, the tax bill would go up a little over 1%, so \$100. That \$100 is absorbed in all this, and then the change in the property value takes over. Mr. Johnson explained that they updated the ECS grant by about \$275,000 but did not update the MV grant, which was about \$398,000 higher than they assumed.

General Fund - Potential policy update and allocation of unassigned fund balance

Mr. Johnson reviewed the General Fund - Fund Balance. The net sale of assets is \$8.3 million. Mr. Soper asked what the collection rate was. Mr. Johnson replied, 99.2% for RE and 98.5% for MV, so a combined total of 99.15%. Mr. Johnson explained that, in any given year, there can be

transfers out of the Fund Balance and reimbursed through the Capital Reserve Fund, with revenues exceeding and expenditures below. FY22 was a good year, with a \$3 million gain. Mr. Soper asked if, in the three fiscal years of FY20, 21, and 22, there were disbursements out of the Unassigned Fund Balance. Ms. Rowley referred him to the highlights of the packet, which provides a good summary.

Mr. Johnson explained the one-time revenue sources and funds from operations which comprise the Unassigned Fund Balance. He then reviewed projections for FY23-27, assuming a \$1 million annual gain on operations, a \$100,000 annual decrease to the Transfer-in, a 3% annual budget increase, and for FY23, the \$730,000 MRSA grant. With these assumption, Fund Balance decreases from 18.7% this year to 17.4% in FY27. However, these assumptions could be changed.

Mr. Johnson iterated that the Town Policy is to keep Fund Balance at 12% of the General Fund, but this is not tied to any indices. S&P requires 15% while GFOA calls for two months of reserves, which for Glastonbury equates to 16.7%. Ms. Karp asked what that looks like in dollar amounts. Mr. Johnson stated that every \$1.8 million is about 1%, so 16.7% equates to about \$3.6 million. Mr. Graff stated that there is an assumption of a 3% increase in the bottom line, but they know that over the course of the years, there will be additional dollars freed up, beyond that 3%. Mr. Johnson stated yes, but at the same time, they do not know what the ADC will do for July 1, which is why they looked at it in broad strokes. Mr. Johnson's opinion is that it is better to have a fund balance policy that is linked to an index.

Mr. Johnson reviewed potential uses for the Unassigned Fund Balance above the percentage threshold: the Capital Reserve Fund, investment income, land acquisition, and/or the pension. When reviewing the FY24 budget, the Board should also look at the FY25 budget, keeping in mind the following factors: the motor vehicle grant, investment income, and the pension ADC. Regarding the pension, Mr. Zeller asked if what they put in this year would still mitigate an increase, as opposed to doing nothing. Mr. Johnson explained that it is worth \$110,000 on the expenditure side of the budget. When they did the budget proposal, they assumed 3.7% for the investment income. Mr. Zeller has been a proponent of moving money to the pension. The 11% is forever versus the 4.5% that they receive in cash which could change in a year or two years.

Ms. Karp suggested the Board decide if they would like to recommend to the Council an amendment to the reserve policy, and at what level that would be. From there, they can recommend where that money should go. Mr. Soper agreed. Mr. Johnson will provide some scenarios at the Board's next meeting.

Mr. Johnson reviewed the General Fund Pending/Potential One-Time Revenue Sources, which includes two properties (280 Western Boulevard and 232 Eastern Boulevard), and a pending tax

matter, totaling \$4.10 million. He cautioned that the land sales might not happen. All these revenues would be deposited to the General Fund.

Town Capital Projects

Mr. Johnson reviewed a pro forma listing nine capital projects to be funded from FY24-26, which total about \$13.7 million. He added on 20% for escalation, scope, and contingency, and subtracted out the grants, which totaled \$13.7 million net to borrow. Mr. Soper asked when the high school roofs could be accomplished if that project were to be bonded. Mr. Johnson stated that it is up to the Council, but if they chose to bond it, that would be scheduled for referendum in the fall. The project is on the list for FY26, so it would have to go for design and bidding.

Mr. Johnson showed projected annual payments with a \$14 million bond issue at 20 years, showing how debt service would change. He also increased the Capital Transfer by 3% every couple years to sustain buying power. Mr. Soper noted that some of these are definite projects and others are wish list projects. If some projects were to be cut, what would their obligations be over the next three years? If they did not bond, would they need to raise the CIP to \$9 million per year?

Mr. Johnson stated that there may be projects within the next year or two that the Town will not pursue, but there will also be unanticipated projects that come up. Mr. Soper summarized that there are significant dollar obligations over the next few years that the Town either needs to bond for or increase CIP by at least \$2-3 million per year. Ms. Karp commented that, however this plan ends up, she wants to ensure that they build the CIP Transfer responsibly to avoid gaps. Mr. Zeller believes that, philosophically, the CIP has been stretched beyond what it was meant to do. He would cut some projects and bond others to take out those cliffs.

Mr. Soper asked where the revenues come from in the special funds and how that money is invested. Mr. Johnson explained that the Sewer Operating Fund used to be part of the General Fund budget and there was ongoing revenue from Sewer Operating Revenues. The decision was made to put it on its own. The sewer operating revenues are funded/managed like any other account. The Recreation Fund used to be through the General Fund as a program account. It is managed the way it would be through the General Fund, but more streamlined and effective this way. Mr. Zeller finds that these two pages should be included in the main budget document.

Any Other Remaining Items

Ms. Karp asked if there is a benefit to taking the less dramatic step first, in going from 12% to 15% for the Unassigned Fund Balance minimum and letting the Council have that discussion. Mr. Lynn stated that S&P rates the Town, so he finds it a more accountable index to follow than

the government's GFOA. Therefore, he supports the 15% number. Mr. Johnson pointed out that Moody's likes a higher fund balance. In that case, Mr. Soper would prefer to go above the 15%, as they should strive to be above the minimum. Mr. Graff asked about recommending the range of 15-16.7% to the Council. Mr. Zeller noted that the Council has that option anyway. Ms. Karp stated that it might be important to read why the GFOA recommends their 16.7% rate. Mr. Zeller finds that 16% is a nice solid number. The Board agreed to recommend 16%.

Motion by: Ms. Karp

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance considered the S&P and the GFOA indices' best practices for a minimum Unassigned Fund Balance and recommends a minimum Unassigned Fund Balance of 16%.

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

The Board then discussed whether they would like to vote on recommending a single mill rate of 31.15, as the Town Manager recommended, or a bifurcated mill rate. Ms. Karp finds it premature to recommend a mill rate just yet. They should see what the budget is first. Mr. Soper countered that they are just coming up with a consensus on one mill rate or two mill rates. The Board agreed to wait on this.

The Board then discussed funding options for CIP projects. Ms. Karp would prefer to see some scenarios first. Mr. Graff understands bundling the roofs, boilers, and chillers into one category to bond. However, he cannot rationalize bundling projects that must be done with projects that are not priorities. Mr. Soper does not find the projects to necessarily be in his decision-making authority. He is looking more at the dollars.

Mr. Johnson explained that the \$17 million gap in the pro forma will drop because a couple additional revenues must be built into it. He asked the Board to assume that the CIP cost is actually \$14 million, and of that \$14 million, perhaps \$10 million are for the must-have infrastructure projects that Mr. Graff mentioned. In that case, then, that leaves a gap of \$4 million. Ms. Karp likes the idea of a \$10 million recommendation to bond, comprised of projects that need to move forward. That makes more sense to her than a \$14 million referendum. Mr. Lynn agreed. Mr. Zeller finds \$10 million to be the breakpoint for keeping CIP from surging up constantly.

Mr. Graff asked for a joint public session between the BOF and the Council to discuss this. The Board agreed to finalize this item at their next meeting. Mr. Johnson explained that a good Q&A should be done for the public early on, to explain this proposal. The Council will hold public hearings before taking a vote on the referendum.

Motion by: Ms. Karp

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby cancels their meeting of Wednesday, February 15, 2023. The next BOF meeting will held be on February 21, at 3:30 p.m.

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

3. Adjournment

Motion by: Ms. Karp

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of February 13, 2023, at 5:38 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.