

**GLASTONBURY BOARD OF FINANCE
SPECIAL MEETING MINUTES
TUESDAY, FEBRUARY 21, 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.

Also present was Narae McManus, Controller.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman
Mr. Jared Soper, Vice Chairman
Mr. James Zeller
Mr. Robert Lynn {arrived at 5:18 p.m.}
Ms. Susan Karp
Mr. Kevin Graff

1. Public Comment Session: Comments pertaining to the call *None*
2. Communication:
 - a. Minutes of January 19, 2023 – BOF Regular Meeting

Minutes accepted as presented

- b. Minutes of February 8, 2023 – Town Operating Budget Special Meeting & Public Hearing

Minutes accepted as presented

3. Communication: Pension Report – December 2022 and Flash Report (January 2023)

Ms. Rowley reviewed the report, dated January 24, 2023. Regarding the flash report, Mr. Soper is pleased with the legacy plan outperforming the benchmark. However, the hybrid plan states that it is outperforming the benchmark by a little less than 1%, but it is solely invested in benchmark funds, so that is not possible. While the return is a decent relative, to their objective, it is confusing. He cautioned against looking solely at the benchmark, explaining that they must also look at absolute returns. Mr. Johnson will provide an updated version of the flash report.

4. Communication: Month End Investments – December 2022

Ms. McManus reviewed the report, dated January 13, 2023. Since this report, the Town has purchased a \$5 million four-month CD at 4.6% and another \$10 million treasury bill at 4.8%. As of the end January, there is a realized investment earnings of over \$1 million. Total investment

earnings for this fiscal year are projected to be \$1.75 million or more. Ms. Karp asked what they had budgeted for investment income this year. Ms. McManus replied, \$620,000.

5. Communication: Financial Summary (Revenues & Expenditures) for 5 months - January 2023

Ms. Rowley reviewed the report dated February 15, 2023. Human resources, voter registration, and town clerk accounts have checked in at a little higher than expected. She explained that there was a retirement in the Town Clerk account, which triggered a corresponding accrual payment that was unbudgeted. However, once that position is filled, they anticipate savings. Voter registration ran high because of the election but will level out as they approach the second half of the fiscal year. This is also the first year of the HR information system. There are savings in the physical services, community development, and finance admin accounts.

6. Communication: Capital Projects – January 2023

Ms. Rowley reviewed the report dated February 15, 2023.

7. Communication: Self Insurance Reserve Fund – January 2023

Ms. Rowley reviewed the report dated February 8, 2023. There have been 7 large claims, of which two from the BOE hit the stop loss limit of \$200,000. Claims are about \$500,000 more this year than they were last year. The reserve increased by a small amount: the Town increased 2% and the BOE decreased 1%.

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

- a. \$1,500 Property Assessment - Vision & Quality Data cost increase
- b. \$1,000 Financial Administration - Laptop purchase for Purchasing Agent

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

- a. \$140,000 Debt Service Transfer for principal payment on March 2022 bond issuance of \$2.375M

Mr. Johnson explained that this is a bond issue for land acquisitions which was unanticipated when the budget was originally prepared. This action is to simply move line items within debt service.

Motion by: Ms. Karp

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance hereby transfers \$140,000 from Debt Temporary Notes to Debt Service General, as presented without changes.

Result: Motion passes unanimously {5-0-0}.

10. Communication: Audit Review Meeting (review of February 15, 2023 meeting)

Ms. Rowley stated that the audit review went over the following topics: the Town's financial status; the new lease standard, which caused a lot of additional work for the Town and RSM; and the financial statement highlights. Mr. Soper asked if there were specific changes that the Board should be aware of. Ms. Rowley explained that the new standard made them recognize all the leases that the Town had. Town staff and RSM went through and read all the leases. Going

forward, she does not anticipate that it will take a lot of time. Mr. Constantine added that the outcome was that there were no discrepancies in the operation.

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

Mr. Constantine stated that PBC has not yet met.

The balance of the meeting will include Budgetary Topics:

Mr. Zeller asked if the Board's transmittal letter should make a recommendation to the Council to bond certain capital projects. Mr. Graff stated that it interplays closely with how the use of fund balance will be determined. He would like to bundle the capital projects that are need-to items, such as the roofs and boilers, but they are not listed on the pro forma until FY26. Therefore, he does not feel pressured to recommend bonding at this time. Mr. Soper countered that, even when discounting the pro forma numbers by 20%, the Town would still need an additional \$11 million or so in the next three years to fund capital projects. It is incumbent upon the BOF to look out over the next few years. He recommends increasing the CIP budget by \$3 million this year.

Ms. Karp does not oppose making a statement to the Council that the BOF believes there will be a need for a referendum. However, the specifics right now are too nebulous. More conversations will occur later about how a referendum ties to the CIP transfer. Mr. Graff stated that the letter should convey the need to strike a balance between available excess reserves in the fund balance with the need to borrow, as well as the fact that it should be a multi-year analysis. The possible referendum may require a longer timeline than what is even listed on the pro forma. Mr. Johnson will include all of this in the transmittal letter.

Mr. Zeller would also like to move \$1 million into the pension this year. He believes that an 11% return in perpetuity is better than a 4-5% (investment income) return for 4-6 months which could disappear. While he understands that it will not move the needle much on the unfunded pension obligation, it would provide some tax relief to the public and would not place the Town below the 16% threshold that the Board is recommending for the Unassigned Fund Balance.

Ms. Karp does not agree with that recommendation. She supports making a recommendation to the Council that there is money in fund balance which could be well-utilized. Mr. Johnson has stipulated some of the areas, one of which is the pension. However, she is uncomfortable with stipulating just one use of that money. She agrees with the guideline of 16% for the Unassigned Fund Balance, as opposed to the current 18.7%. Mr. Graff would like joint work sessions between the BOF, the BOE, and the Council on multi-year projections for the fund balance. Mr. Zeller explained that the Council must be careful if they decide to use the fund balance for other things because it will create cliffs. Putting that money towards the pension will not do that, and it will provide relief to taxpayers.

Mr. Soper agreed that the pension is their biggest liability, so it is a big focus. If one were to use money from the General Fund, the first place to look is at liabilities; and the second place is current infrastructure, not future infrastructure. Ms. Karp clarified that the Town has always met the ADC on the pension and brought down the ROR to a more realistic level over the last few years. She does not want to leave the community with the impression that it is not being

responsibility managed. Mr. Soper agreed, adding that it is still a big issue. There was no consensus from the Board on including this matter in the transmittal letter.

Mr. Zeller asked if the \$1.2 million for the weight training facility is included in the budget. Mr. Johnson explained that he provided two options. In the document that will be approved today, the weight training facility is not included. Ms. Karp asked, if that project were to be pursued, would the \$1 million from the General Fund have a tax impact. Mr. Johnson replied, no. The only thing that would have a tax impact is if the Capital Reserve Transfer of \$5.85 million is changed. Mr. Soper contended that any money that is spent has an impact on taxes. It may not impact taxes next year, but there will be an impact in future years. Ms. Karp agreed but noted that the Town has money in the General Fund. If the BOF is recommending that 16% is the minimum level for the Unassigned Fund Balance, then she expects that at some point the Council will find it necessary to fund some expenditures.

Mr. Zeller commented that the budget would be better if they knew what the BOE approved in previous years. The BOF sees a lot of information from the town on a month-to-month basis, but not from the BOE. Even if the BOF does not see the written documentation, he would like the BOE to see it. He would also like the BOE to place the emphasis of their budget on evaluating per pupil expenses. He does not believe that showing the year-over-year change in the budget is as reflective or worthwhile for education as it is for the Town, which has a stable population. The BOE is showing 4.4% increases year over year, but per pupil jumps 10.25%. If 14 years is too long, he suggested looking at the last couple years.

Ms. Karp stated that boiling education down to a number is not easy or effective. With the challenges that the school system has seen in the last few years, it is even less emblematic of what has been happening in the schools. In her experience, the BOE looks at how the money is used and transferred. She believes that the BOE brings forward the best information to the BOF. Mr. Zeller clarified that he was suggesting this for the BOE, not so much for the BOF.

Mr. Soper explained that the Town is looking at a \$3.8 million increase in revenues before increasing taxes on residents. He would like to look at that. He is uncomfortable with the transfer-in of \$875,000 going down to \$775,000 next year. He supports returning it to \$575,000, where it was for years. The opening balance should reflect the difference between what the collection rate is and what they will collect (so between 99.15% and 99.4%, which would represent about \$400,000). That would reduce the revenue by about \$200,000. He is also uncomfortable with the 4% increase to residents which would bring in \$1.6 million. He is comfortable with a much lower number. His approach is that one must look at the revenues side to get to the expenses side.

Ms. Karp remarked that it is important to consider this in the context of a revaluation year. Most of that increase comes from the revaluation, not expenses. If this were a normal year, with no revaluation, the Town's mill rate would have increased from 37.3 to 37.7 mills, which is a tax increase of just a little over 1%. That 4% that Mr. Soper cited is particular to some residents, but not all residents. Some residents will see a tax reduction. While Mr. Soper finds that to be a fair analysis, he disagreed with it because the average resident will see an average increase of 4%. His guess is that the median is going to be relatively close to that, and that number is too high.

Mr. Zeller commented that whether it comes from expenditures or revaluation, one must pay it, so 4% is 4%. What they can do something about, however, is how much they spend. Glastonbury's mill rate in comparison to the towns that the BOE compares them to in the DRG is

higher than the average, so a 2% tax increase is more in line with what is appropriate. This means that they would have to reduce the budget by about \$800,000. Mr. Soper is looking to reduce it by \$1 million: \$200,000 from the Town and \$800,000 from the BOE.

The Board took a brief recess, resuming at 5:01 p.m.

Ms. Karp stated that one-tenth of a mill is \$530,000. She proposed that the reductions to the operating budgets total \$530,000. This will give the Council the ability to lessen the tax burden on those seeing a large increase because of revaluation, while not leaving a hole in the budget to meet the needs for next year. Mr. Zeller asked if the proposed mill rate would go from 31.15 to 31.05 mills. Mr. Johnson replied, yes. Mr. Zeller proposed taking it down to 31 mills, which is \$790,000. Ms. Karp pointed out that the difference to the taxpayer is less than \$46, so she is comfortable with the \$530,000, which is linked to one-tenth of a mill. Mr. Graff supports Ms. Karp's suggestion. Mr. Soper still supports a \$1 million reduction. Mr. Zeller thinks that \$790,000 is a reasonable number.

Mr. Lynn arrived at 5:18 p.m. The Board recessed, resuming at 5:27 p.m.

Mr. Soper, Mr. Zeller, and Mr. Lynn support a reduction of \$790,000. Mr. Lynn pointed out that when the Unassigned Fund Balance minimum drops to 16% of the General Fund, several million dollars will become available. He hopes that the Council will not use it to purchase more land or capital projects that are nice to have, but instead, will use the excess monies for the budget and the pension. Mr. Soper does not support increasing operating cash for operating expenses. If they pursue the reduction of \$790,000, he will support leaving \$775,000 for opening cash. However, he finds it inappropriate to use savings or the General Fund for annual operations.

Ms. Karp pointed out that the \$775,000 proposed from opening cash is \$100,000 down from last year. She has always looked at opening cash as a way to directly impact the mill rate. She does not have a problem with this because, in addition to a gain on operations, they have had a huge gain on investment income (\$1 million), and an unanticipated state grant (\$730,000). That is \$1.7 million that they were not expecting. Her concern is more that the Council's goal was not to increase opening cash. Residents will see larger tax increases because of revaluation. Only 1% out of the 4% increase comes from an increase in expenditures. She does not wish to penalize operating budgets that have not unreasonably increased, to catch up with the impact of the revaluation.

Mr. Zeller noted that the actual collection rate is in the realm of 99.8%, which is better than the projections. Mr. Johnson stated that each one-tenth of a percentage is about \$150,000. This year, they are using 99.15%. Mr. Soper asked if prior year taxes go to the fund balance. Mr. Johnson stated that is correct. They do not get picked up in any other line item. Mr. Zeller asked if they should increase the collection rate to 99.2%. Ms. Karp asked what a good estimate is. Mr. Johnson tends to be more conservative. If one overachieves on the fund balance, that is how to support the transfer in, which is a revenue that supports the budget. Mr. Soper supports leaving the collection rate as is because, as Ms. Karp stated, there is more interest income this year than anticipated.

Mr. Constantine suggested compromising at \$660,000: \$460,000 from the BOE and \$200,000 from the Town. Mr. Karp would increase the CIP with an additional transfer from the General Fund that does not have a tax impact. She finds that the weight room is a project that needs to be done and forgoes an opportunity cost for signing a new higher lease which would come out of

the BOE operating budget. Mr. Johnson stated that a \$660,000 reduction equals a mill rate of 31.01, which is all on the expenditures side. It does not include any changes in revenue, so under that scenario, the transfer-in stays where it is.

Mr. Zeller cannot agree to take out money to fund the weight room when they could not agree to put in money for the pension. Mr. Constantine stated that they do not have to take that action today. Mr. Zeller will support a \$660,000 reduction, but all from the BOE, none from the Town. The Town's surplus goes to the General Fund, whereas the surpluses that the BOE runs are substantial. Some get carried into the 1% fund, but not all. The BOF and Council have done a better job of determining what is needed for education, dollar-wise, than the BOE has. If there is a reduction, he believes that the BOE will make it work.

Ms. Karp does not support taking all of it from the BOE budget because relief should come from all sides. Many of the projects in the 1% fund meet the qualifications for CIP. These projects are necessities which are not seen in CIP because they are funded with BOE operating dollars. It is important to clarify why that money is carried over and what it is used for. She also does not believe that the BOF knows better than the BOE what it takes to educate students. She agrees that the BOE will make it work, but this is not the year to take all the money from the BOE. She supports the \$660,000 reduction, with \$460,000 from the BOE and \$200,000 from the Town, though she hopes that the Council will take a different approach.

Mr. Soper acknowledged that this is more of a Town Council issue but, from a numbers-standpoint, they must address the fact that Glastonbury is getting older. As this trend continues, more dollars will need to be allocated towards senior citizens and less towards the BOE. Mr. Graff's motivation to cut is not about whether the BOE spends too much money. His concern is the overall impact of the revaluation, the mill rate increase, and an impending recession. He asked to reconsider the idea of the entire cut coming from the BOE.

Mr. Zeller's concern is that the BOE spends all their surplus money outside of the budget process. If their projects should be in CIP, then that is where they should be. That way, the Council could look at them. The BOE constantly says that a reduction is not going to work, yet it does. The Town Manager does not have that kind of latitude. The BOE states that enrollment is going to start to go up. He wonders whether that will mean 5% or 6% education budget increases in the future. He asked where the overhead is and how they can squeeze it out. Mr. Lynn agreed that the BOE has flexibility that the Town does not have. He supports most of the cut coming from the BOE.

12. 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 FY23/24 Town Operating Budget

Motion by: Ms. Karp

Seconded by: Mr. Soper

BE IT RESOLVED, that the Board of Finance submit to the Glastonbury Town Council the proposed appropriation of \$48,604,244 for the 2023/2024 Town Operating Budget.

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

b. Action: Propose to Town Council FY23/24 Education Budget

Motion by: Ms. Karp

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Board of Finance submit to the Glastonbury Town Council the proposed appropriation of \$120,268,065 for the 2023/2024 Education Budget.

Result: Motion failed {3-3-0}, with Mr. Soper, Mr. Zeller, and Mr. Lynn voting against.

Ms. Karp asked her colleagues to reconsider their vote because they are deadlocked. Mr. Constantine stated that all members agreed that \$660,000 is a good number. Four members agreed that \$200,000 should come from the Council and \$460,000 from the BOE. Mr. Zeller believes that the split should be fair, to reflect the way the budget is split: 27% for the Town and 66% for the BOE. Otherwise, the Town is getting the short end of the stick. However, he agreed to vote for the motion, to send a budget to the Town Council.

The motion was proposed again:

Motion by: Ms. Karp

Seconded by: Mr. Graff

BE IT RESOLVED, that the Board of Finance submit to the Glastonbury Town Council the proposed appropriation of \$120,268,065 for the 2023/2024 Education Budget.

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

c. Action: Propose to Town Council FY23/24 Debt & Transfers Budget

Motion by: Ms. Karp

Seconded by: Mr. Soper

BE IT RESOLVED, that the Board of Finance submit to the Glastonbury Town Council the proposed appropriation of \$13,632,922 for the 2023/2024 Debt & Transfers Budget.

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

d. Action: Propose to Town Council FY23/24 General Fund Revenues & Transfers Budget

Motion by: Ms. Karp

Seconded by: Mr. Soper

BE IT RESOLVED, that the Board of Finance submit to the Glastonbury Town Council the proposed 2023/2024 General Fund Revenues & Transfers Budget in the amount of \$182,505,231.

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

e. Action: Propose to Town Council FY23/24 Capital Improvement Program Budget, including Capital Reserve Fund and Town Aid Road

Motion by: Ms. Karp

Seconded by: Mr. Soper

BE IT RESOLVED, that the Board of Finance submit to the Glastonbury Town Council the proposed 2023/2024 Capital Improvement Program Budget in the amount of \$9,346,217. Funding will be provided as follows:

Capital Reserve Transfer:	\$7,885,000
Town Aid Road:	\$461,217
American Rescue Plan Act (ARPA):	\$1,000,000

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

f. Action: Propose to Town Council FY23/24 Sewer Operating Fund Budget (Special Revenue Fund)

Motion by: Ms. Karp

Seconded by: Mr. Soper

BE IT RESOLVED, that the Board of Finance submit to the Glastonbury Town Council the proposed Special Revenue Fund appropriations, revenues, and transfers of \$3,404,662 for the 2023/2024 Sewer Operating Fund.

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

13. Adjournment

Motion by: Ms. Karp

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of February 21, 2023, at 6:11 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.