

**GLASTONBURY BOARD OF FINANCE
SPECIAL MEETING MINUTES
WEDNESDAY, SEPTEMBER 13, 2023**

The Glastonbury Board of Finance, along with Finance Director, Keri Rowley, and Town Manager, Jonathan Luiz, held a special meeting at 9:00 a.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 in attendance was Chris Liebel, Town Controller.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman
Mr. Jared Soper, Vice Chairman {arrived at 9:11am}
Mr. James Zeller
Mr. Robert Lynn
Ms. Susan Karp
Mr. Kevin Graff

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

Mr. Lynn noted that on Item #3, paragraph #5, the “\$110,000 per year” should be changed to “\$110,000 **per million** per year.”

Minutes accepted as amended.

3. Discussion and possible action on Unassigned Fund Balance including the potential use to call 2012 General Obligation Refunding Bonds

Ms. Rowley explained that the rating agency likes a higher fund balance but it does not like to see budgeting that heavily relies on fund balance or the use of the fund balance in the middle of the year. Mr. Zeller asked how underfunded West Hartford’s pension was, which resulted in a lowered bond rating. Ms. Rowley does not know. Mr. Luiz stated that \$8.937 million is the amount that is above the 16% minimum policy threshold for the unassigned fund balance. Mr. Lynn agreed with Ms. Karp that they should not touch the threshold, but their pension obligations must be met. Putting money into the pension fund would yield a return of 11% on the ADC, which is better than about 2.85% from paying down bonds. Mr. Luiz noted that they have to look at the percentages. They do not know what the bond rate will be for the third year. Mr. Soper asked when the bonds were issued. Ms. Rowley said, in 2012 for 20 years, and were refinanced a couple years later at a lower interest rate. The ones proposed tonight are up in 2026.

Mr. Zeller asked about the capital reserve fund. Ms. Rowley explained that, as of FY23, that fund is in a deficit of \$3 million. They expect to receive two large grant payments to offset that,

but there was also a deficit of about \$813,000 for FY24. Inflation is very high, which has affected some capital projects and will continue to do so in the future. Because of the fund's policy of a \$1 million minimum threshold, there is a \$1.8 million deficit. Ms. Karp proposed adding more to the capital reserve fund because to just look at the \$1 million does not do justice to all their demands in capital projects and infrastructure, whose cost continue to rise every year. Mr. Lynn supports putting the money into the pension fund because a reduction of \$110,000 on the actuarial contribution per million dollars in perpetuity amounts to \$770,000 a year, in perpetuity. Mr. Soper asked how much the surplus is from last year's balance. Ms. Rowley stated, without the transfers, about \$5.8 million. The anticipated increase in the unassigned fund balance, from FY23, is about \$3.8 million. If the Board proceeds with the proposed transfers, then the unassigned fund balance would increase from \$33.2 million to \$37.16 million.

Mr. Soper noted that if they do nothing, then the balance would go to the unassigned fund balance. He agrees with examining the depreciation of assets for capital projects. The Board had proposed either increasing the amount of money on an annual basis or bonding. The Council chose to approve the infrastructure while also choosing a lower spending. He finds that the majority should be dealt with within the budget process. This is savings which should be part of a longer term plan. Mr. Zeller does not see any urgency in putting money into capital projects. If need be, the money could still be transferred out of the unassigned Fund Balance in a two-step, rather than one-step, process. He does not support paying off bonds that earn up to (or less than) 5% versus earning 11% return from the pension fund.

Mr. Lynn recommends keeping the money in the unassigned fund balance at 18% to provide a small cushion, while also adding some into the capital reserve fund, and then putting the rest into the pension fund. Mr. Graff remarked that, in their past meeting, they recommended a 16% minimum threshold for the unassigned fund balance, and now, they are saying 18%. The BOF's job is to encourage the Council to invest the excess savings into particular areas. Mr. Soper disagreed, stating that the BOF should make specific recommendations as to what to do with the current money. Ms. Rowley pointed out that an 18% threshold is an excess of about \$5.25 million. In FY24, there will be no surplus or gain, as it will drop down to 17.1%. Mr. Luiz added that the 18% is great if it will be used to reduce an existing liability or pay off debt early, but not to build another maintenance cost.

Mr. Soper asked if the bond must be paid off in full or could certain years be paid off. Ms. Rowley will inquire and report back. Ms. Karp asked how deficit the capital reserve fund would still be, after making the \$629,000 transfer in. Ms. Rowley replied, \$1.2 million, to hit the \$1 million threshold. Ms. Karp asked how much the Town would save if they called the \$2.73 million bond. Ms. Rowley replied, about \$900,000 per year for three budget years. She pointed out that the municipal grant for car taxes will not be renewed in FY 24-25. This would leave the Town with a revenue shortfall of \$2.7 million. The short-term savings from the bond could help offset some of that. Mr. Luiz added that his focus now is on next year's budget and trying to get ahead of those holes. Calling the bonds could help. Mr. Soper stated that they have had over \$1 million in expenditure savings over the last three years, so he finds a longer-term solution to have a higher benefit.

Motion by: Mr. Soper

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance recommends that, of the \$3.8 million anticipated increase in the unassigned fund balance, \$2 million move into the pension fund, \$1 million move into the capital reserve fund to help maintain the minimum balance, and the balance move into the unassigned fund balance.

Disc: Mr. Graff asked where this would leave the percentage on the unassigned fund balance. Ms. Rowley replied, 19.2%. Mr. Graff finds that this is moving backwards. Ms. Karp also cannot support the motion. She recommends presenting a guideline to the Council on how to administer the excess savings. She also does not support ignoring the call for a bond, which was a worthwhile suggestion by Town staff.

Result: Motion failed {3-3-0}, with Ms. Karp, Mr. Graff, and Mr. Constantine voting against.

Should the Board choose to put more money into OPEC or the pension, Mr. Luiz suggested waiting until next year, but calling the bonds should be done before the end of this budget season. Mr. Zeller had assumed that putting money into the pension would lower the ADC. He asked if that is the case. Ms. Rowley explained that if the contribution were made in the last half of the fiscal year, then the lowered ADC should be reflected in FY25. Mr. Soper stated that next year's budget is already seeing a debt service reduction by \$1 million versus this year's budget, so there is less of a cliff than he otherwise thought. Ms. Karp pointed out that, while debt service is going down, that does not mean that something else in the budget is not going up. If the motor vehicle tax explodes, they will need to make up for that somewhere else in the budget. Mr. Graff agreed. To pass a motion without including calling the bonds sends a wrong message to the Council. Mr. Soper contended that calling the bonds cleans up the budget for next year and maybe the year after that, which is relatively short sighted.

Mr. Soper suggested allocating \$2.73 to pay off the bond and \$2.5 million towards the pension, with a note that the principal savings in this current fiscal year from the bond (approximately \$900,000) be allocated to the capital reserve fund later on. Mr. Luiz noted that there is also an unspent \$132,000 in the FY22-23 line item for pension which could be allocated towards the pension. He recommends waiting to receive the final numbers before making a motion because the \$629,000 additional contribution could become problematic. Ms. Rowley noted that the bond would have to be called sometime between November and December to save the interest payment due in May. The \$629,000 will be reviewed at next week's meeting, along with Agenda Items 4 and 5.

4. Discussion on Preliminary FY 2023 results with possible action on:
 - a. \$629,000 Transfer Out – Capital Reserve **Tabled**
5. Consideration and possible action on allocation of \$220 thousand in ARPA funding for proposed Farmer Assistance Program **Tabled**

6. Adjournment

Motion by: Mr. Zeller

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby adjourns at 10:41 a.m.

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.