

From: SimsburyCT Postings March 5, 2012 10:06:43 AM
Subject: Board of Finance Minutes 02/28/2012-Special Meeting
To: SimsburyCT_FinanceMin
Cc:

BOARD OF FINANCE
SPECIAL MEETING - 6:00 PM
FEBRUARY 28 2012

CALL TO ORDER

Paul Henault, Chairman, called the special meeting of the Board of Finance to order on Tuesday, February 28th, at 6:00 p.m., in the Simsbury Public Library Project Room, 725 Hopmeadow Street, Simsbury, CT. The following members were also present: Nicolas Mason, Peter Askham, Kevin North, Jeff Blumenthal, and Barbara Petitjean. Also present were Mary Glassman, First Selectman, Mary Ann Harris, Finance Director/Treasurer, Diane Ullman, Superintendent of Schools, Burke LaClair, Board of Education Business, Debra Sweeney, Finance Department, Leslie Faraci, Clerk and other interested parties.

1. APPROVE MINUTES - January 17, 2012 (Regular Meeting)

Ms. Petitjean made a motion to approve the minutes of the January 17, 2012 Regular meeting with changes presented. The motion was seconded by Mr. North and was unanimously passed.

Ms. Petitjean commented on the outstanding request for the policies, pursuant to the Jan 17, 2012 minutes. Ms. Harris said the policies, that they were able to pull, were in the packets distributed for tonight's meeting. There were two (2) available, but Ms. Harris said she had to search archives to find the older policies.

2. SIX-YEAR CAPITAL IMPROVEMENT PLAN

Mr. Henault said before the presentation from the Boards on the Capital Improvement Plan, he would like the Board to have a discussion with Ms. Harris about what they can actually afford. Mr. Henault referenced a memo from 2.16.11 regarding affordability and said that is a good starting point from which to move forward. Ms. Harris said she provided the Board with a Debt Schedule. Ms. Harris then began with the previously authorized debt to be issued, for Simsbury Farms Complex, Squadron Line Generator and Latimer

Lane Roof, totaling \$3,981,000. She said those are the projects that have to be bonded. Then she referenced the "proposed list" totaling over \$8MM. Ms. Harris said there were grants and other funding that would offset this number for an actual bonding amount of approximately \$5.8MM. She referenced the Straight Line Theory that she used for the purposes of this exercise. Ms. Harris said the numbers for the Henry James Project, originally for FY '13 in the amount of \$5,060,000, have since been revised. Ms. Petitjean commented there is currently a lot of debt on the books, primarily due to the High School, and Ms. Harris is showing a schedule saying for FY '13 we are going to have an additional borrowing amount of \$4MM, already approved by the voters. Ms. Petitjean continued by asking how much will the debt service go up as a result of that additional \$4MM. Ms. Harris referenced one of her handouts, "Future Debt Known" illustrating the future debt service. Mr. Henault reviewed that sheet and asked Ms. Harris to confirm that the \$5.8MM, shown for FY '13, did not include the Henry James and Squadron Line projects, which have been authorized by the voters. She said no, that number did not include those projects. Ms. Harris said she anticipated bonding later in the year of 2013. Ms. Harris and Ms. Petitjean discussed the advantages of borrowing now, during the low interest rate environment, as opposed to pushing off, and Ms. Petitjean said that discussion should be revisited. Ms. Petitjean then asked, in 2014, considering our debt policy of 7%, if we only borrow what has already been approved by the voters, we are at 6.88%, so how many dollars of Capital Projects can be approved to remain under 7%. Ms. Harris said they can approve almost everything, or as much as they would like tonight, as it is financed over 10 years. Then Ms. Petitjean asked how much they could borrow in bonding next year, using her assumptions, to stay under that 7% threshold. There was some confusion between the two over the question that was being asked and the answer given, but ultimately, Ms. Harris gave a number of approximately \$300,000. Ms. Petitjean said this was an affordability question, because the Board of Finance needed to know how much can be borrowed to remain under that 7% number. Ms. Harris said again, that the number could be multiplied by 10x, as the amount is paid over a period of 10 years. Mr. North suggested to Ms. Harris that the memo might be clearer if she used Debt Service Limit as opposed to Debt Limit. He said they want to know how their existing obligations compare to capacity if they spent 7% of the total Town Budget on Debt Service. Ms. Harris said if they look after 2015, there are old bonds that retire. Ms. Harris then referenced two (2) projects that need to go to referendum, The District Network Infrastructure and Ethel Walker Phase II.

Mr. Henault asked again for the dollar amount beyond the 6.88% that would keep them under 7% and Ms. Harris said there is excess capacity for the coming year of \$376,643. She said the excess capacity increases in the out years, but '13, '14 and '15 are tight years because they are still paying off the debt for the High School.

Mr. Blumenthal asked about the assumptions being made going into this. He asked why all the debt is structured over a 10 year period, besides the High School, which was structured on a 15 year period. Mr. Blumenthal mentioned the Ethel Walker Phase II item, which is something that will benefit the citizens for generations, and asked why are we looking to bond that over just 10 years. He said he was concerned they were over-taxing current taxpayers to pay for uses that will last for generations. He wanted to know how we compare to other AAA rated Towns in this respect. He said it is great that we are conservative, but asked shouldn't we look at other potential tools. Mr. Henault responded saying when there is a significant project, like the High School, there is a discussion about the debt policy, and whether a 10, 15 or 20 year bond is most appropriate. Mr. Henault said that while they do look at other Towns, he is not too concerned where we are in comparison, because in order to maintain our AAA Rating, he feels they need to continue to be conservative with their bonding. Mr. Henault also said, if voters approve a project, they should be here to pay for it as well. He then said, knowing the political system, if we go to 20 year bonds, we would then rather quickly, load up on additional projects that would be expensive to maintain with future operating expenses. Mr. Blumenthal then said he is not questioning the 7% number, just how we get to the number. Ms. Harris mentioned she had suggested a 20 year bonding on the Ethel Walker land because it is land and that is forever, but some other projects, should maybe have 5 year bonding. Ms. Harris also said that with one of the best ratings in the State, we need to continue to be careful with issuing debt.

Mr. Mason then came back to the extra capacity number would support borrowing of over \$3.1MM of bonding, Mr. Blumenthal said it would be \$3.76MM. There was some discussion about this number and future borrowing capacity.

At this point, Mr. Henault said the Boards will need their direction on what can be brought back to the Board of Finance, so they need to know capacity and what can be authorized, which is still unclear. Ms. Harris said they can authorize what they want, it is just a matter of how they want to finance it. She said the three (3) big projects right now are the The District Network Infrastructure, Fire Suppression and Ethel Walker Phase II. She said they might want to consider paying cash for the emergency generator. Ms. Petitjean again asked, using our policy of 7% with 10 year bonds, how much is available to borrow, above what has already been approved by the Town. Ms. Harris said \$1.1MM in year '13. Mr. Henault said, if all we can authorize is \$1.1MM for bonding, then they are going to have to go back to the drawing board to find out what can be pushed out/ reworked. Mr. Askham asked if they approve \$1.1MM, when would Ms. Harris anticipate bonding. Ms. Harris said 2013. It was cleared up that this

\$1.1MM number is net of the three (3) projects; Latimer Lane, Squadron Line Generator and Simsbury Farms.

Ms. Glassman said it would be helpful for them if they could provide numbers for the next five (5) years so they can plan accordingly. Ms. Petitjean said, in her opinion, they really need to look forward and prioritize projects within the context of what can be afforded. Then if there is a prioritized six (6) year plan, along with a wish list, they can see what might be falling off or overlooked, but that the starting point has to be what can they afford while still following the current policies. And at that point, maybe the current policies will be looked at with alternatives. Mr. Blumenthal added he thinks alternative borrowing policies should be examined in order to not overtax citizens now. Mr. North said the discipline on the Town will be to identify the highest priorities and then arrange those projects over the six (6) years in order to keep within the 7% policy.

Mr. Henault then said the Board of Selectmen and Board of Education were here to go over some projects. Board of Selectmen - Ms. Glassman then said they are prioritizing Town projects and they are working closely with the Board of Education. She said if they have the dollar amount that can be funded, they can then go back and decide which projects can be funded and which cannot. She then said that they cannot work within the debt plan of \$1.1MM because Ethel Walker alone does not fit and that is one (1) project. She said it is a waste of time to go back with that \$1.1MM, because nothing fits within that amount.

Board of Education - Dr. Ullman joined in the conversation saying they have two (2) major projects that they are prepared to talk about tonight, one being the District Network Infrastructure. Dr. Ullman said the Town is seriously at risk of not being able to maintain the technology infrastructure that has been previously invested in. She said this is a one-time investment with a long-term savings, but it is necessary in order to save the infrastructure that has been invested in over the last 7-8 years. She said it is the absolute first priority. Secondly, Dr. Ullman continued, is the Henry James Project, as 70% of the building does not have the proper sprinkler system. Dr. Ullman said the Henry James Project has been on the Capital Plan for years, but the sprinkler issue is new. Mr. LaClair said they had hoped to start with the science classrooms, but after meeting with the architect, it was determined the sprinklers needed to be done, and nothing else could be done prior. Mr. LaClair expanded on the District Network Infrastructure project, in response to a question from Mr. Askham, saying about half of the desktops and laptops have processors that are over 10 years old. He said this plan is the best long-term plan that will allow the Town to upgrade in the future at a significantly reduced cost, but it is a bigger cost up-front.

Dr. Ullman referenced the sustainable savings that would be a result of this investment. The cost and timing of the Henry James project was discussed. Mr. Blumenthal asked if there was any opportunity to share the capacity of the virtual infrastructure with other Towns or the Town of Simsbury in order share the cost. Jason Casey, Director of Systems Technology, responded saying there have been discussions, but he is not sure if that is a possibility. Mr. Casey said there are so many moving parts in terms of vitalization, and there are serious concerns about security and outages. Mr. Henault said that even if there were savings in sharing, there would be additional insurance costs that would offset any potential savings along with increased risk.

Mr. LaClair then expanded on the details of the Henry James Project in response to a question from Mr. Mason. Then Mr. Mason asked if doing all of the work at once would save money. Mr. LaClair said they were trying to minimize the disruption by completing all at once, and even if it was done all at once, it would span two (2) summers and throughout some of the school year. Mr. Sawitzke added that sprinkler system extension would need to be done all at once because it would be quite disruptive. Also, he commented, there were a couple structural issues that need to be addressed and we need to move walls to accommodate increased class sizes. Mr. LaClair added that they really wanted to stay within a certain number for budgeting purposes, so they split up projects that wouldn't normally be split up. The cost and timing were discussed further. Mr. North asked about pushing back the timing of the project and if there would be a code issue with regards to the sprinkler and Mr. Sawitzke said, no there was not.

Mr. Henault asked if the District Network Infrastructure was their first priority for the Board of Education and Dr. Ullman said yes, it is. He then asked if he was correct in saying the number one priority of the Board of Selectmen is Ethel Walker. In Ms. Glassman's absence (as she left the room for another meeting) members of the Board of Selectmen in attendance said they have not had that discussion yet.

Ms. Petitjean then asked Mr. Roy if other towns have a truck wash and if so, could we pay them to use it instead of investing in our own Wash Bay. Mr. Roy said there are considerable liability issues with our staff using another town's wash bay to wash our equipment. Plus, it is not practical to get large equipment, like a front-end loader, over to Granby in order to wash it. Mr. Roy said this has been in the budget since before he arrived to the Town.

Mr. North said he does not feel comfortable taking any action tonight, and he would prefer to add a meeting or two onto the schedule in order to contemplate their actions in the context of the current debt policies and to give the two Boards time to come up with their prioritized lists. Mr.

North then said he was opposed to the Ethel Walker purchase in the first place and the Town is not obligated to buy the land and although the \$1MM deposit would be lost, the Town wouldn't be spending \$2MM more. Mr. North said these projects have to be prioritized in order to make sure the most important projects are the ones that get funded. Mr. Askham asked if there is any chance to renegotiate the Ethel Walker deal. Mr. Hampton, Board of Selectmen, said he believes that Ms. Glassman has had some preliminary discussions on this matter, but cannot be discussed further, as they are ongoing negotiations. Mr. Henault said that while he did originally approve the Ethel Walker deal, he does recognize that times have changed and other things need to be taken into consideration. He continued that if the Board of Selectmen comes back saying Ethel Walker is their number one priority, then he would support that.

Mr. Mason said he thinks there should be a capital budgeting workshop. Mr. Blumenthal said he agrees on the capital budget workshop, but going into that, he would like to see current interest rates to more accurately pinpoint those rates and costs. He continued to say, with regards to Ethel Walker, they should consider getting creative and think about alternative solutions so the Town does not lose the money at stake. He said it would be good to get options on the table and maybe we could bond at 15 years or possibly pay cash. The debt limit, debt service limit and bonding timing was again discussed by the Board members Ms. Harris and Ms. Haase.

Mr. Henault concluded that no action would be taken tonight, and that he would get together with Ms. Harris, Dr. Ullman, and Ms. Glassman for a workshop. He then closed out discussion on Item 2, Six-Year Capital Improvement Plan.

3. SENIOR TAX RELIEF - COMMITTEE REPORT AND RECOMMENDATIONS

Mr. Henault began this discussion by saying the last time they touched Senior Tax Relief was 2006 but it came up again this year and the goal was to basically take the existing program and making some tweaks to it. Mr. Henault introduced Ms. Wertheimer, Ms. Haase, Mr. Hampton and Mr. Askham who were on the subcommittee and attended the meetings and also said Ms. Petitjean did a lot the financial work on the subcommittee. Ms. Wertheimer said that when they started the program in 2006/2007 they were not exactly sure what the participation level would be, so they wanted to reevaluate at this point. Ms. Wertheimer thanked Ms. Petitjean for her work on the financials and then said they wanted to look at the need within the current program to see what could be tweaked in order to make the program better. Ms. Petitjean explained the options the subcommittee looked at and stated that Simsbury is already one of the more generous programs already out there, although the level of taxes in Simsbury is higher than in other communities. She then said there are 276 seniors currently participating in the program, which is 16% of the estimated senior population, so the team

identified the need to do more advertising around the program and to investigate the reason to why the participation level is so low. She said the application period is right now and the income threshold is \$49,500, which will go up to \$50,000 next year, so any seniors with an annual income below that benchmark, should apply now. Ms. Petitjean said that the confidential information is treated with extreme care and the only person who will see that information is the processor of the application. Ms. Petitjean then explained the options that the subcommittee came up with, outlined in the memo distributed, as well as the cost to individual tax payers. The first was to approve an increase benefits in the different existing brackets. The second was to add an extra \$5,000 bracket, above the highest existing bracket, opening the program up to a lot of additional people. This would provide individuals in that newly added bracket a benefit of \$500, as they would be above the State level and are not eligible for State Aid. Ms. Petitjean wanted to make everyone aware that there is a similar tax relief program for Veterans. It was discussed that every dollar added into this program would be put on the backs of Simsbury tax payers. Mr. North asked if they had considered the demographics of the Town when thinking about adding another bracket. He wanted to know how many people in Town make \$54,500 as a HHI, and are not eligible, who would now be paying more for this new Senior Tax Relief bracket, all while we already have a generous program. He also made the point that they were working hard to keep costs down for the budgets across the Boards and this program cost was increasing by 60%. He said he finds both options problematic with the current challenging economic environment. Ms. Petitjean said they did look at census data, but it was not specific enough to know how many non-eligible people exist within that income level.

These two options were discussed further by the Board members. Ms. Petitjean clarified the numbers for each bracket for the members.

Mr. Blumenthal made a motion to refer the proposed changes to the Simsbury Senior Tax Relief Program, as outlined in Barbara Petitjean's 2/9/12 memorandum, Alternative 2 Option, to the Board of Selectmen. The motion was seconded by Mr. Mason. The motion passed by a vote of four (5) to one (1), with Mr. North as the opposing vote.

Mr. Mason made a motion for the referral to the Board of Selectmen, the option of raising the income limit in the program by \$5,000 (income level between \$49,500 - \$54,500), creating a new bracket for eligibility to the existing program. This motion was seconded by Mr. Blumenthal. The motion was not passed by a vote of one (1) to three (3) with two (2) abstentions. Mr. Mason voted to pass the motion, Mr. North, Mr. Askham, Mr. Henault voted against and Mr. Blumenthal and Ms. Petitjean abstained from the vote.

4. LEGISLATIVE UPDATE

Mr. Henault said he got an update from State Senator, Kevin Witkos, and his

thoughts are that the Education Cost Share Funds will probably stay the same as they are for the current year. Mr. Henault said this is a wildcard until end of general session. Ms. Harris said from what she got from the office of Policy Management, there would be an increase, but not much, so basically flat.

5. PENSION SUB-COMMITTEE UPDATE

Mr. Henault said the Board of Selectmen did approve a subcommittee with general oversight of the Town's pension plan. Mr. Henault, as Chairman of the Board of Finance, will be on the subcommittee, and Nick Mason was also appointed by Board of Selectmen. Mr. Henault said there was an issue raised regarding whether there should be a subcommittee and whether they should report to the Board of Selectmen. He also said, he does not necessarily see the need for the subcommittee, but in absence of clear direction from Charter, he agreed to have a subcommittee that will report to Board of Finance. The investment returns were discussed briefly.

6. OPERATING BUDGETS - UPDATE

Mr. Henault said the operating budget presentation was moved to March 13th from March 20th.

7. CALENDAR UPDATE FOR MARCH

Mr. Henault said this will be delayed because there will have to be a workshop added, perhaps two and a special meeting.

8. CORRESPONDENCE

Ms. Harris referenced a letter from Mr. Roy, regarding FEMA reimbursement, which will not be reimbursed until July. Mr. Askham asked about our ultimate cost after reimbursement, and Ms. Harris said she will have to talk with Mr. Roy and back out potential income from Federal Highway Funds. Mr. Askham asked to get that number for the next meeting in order to determine any impact on Reserves. Mr. North said it might be helpful at a future meeting to get the number that has been authorized for expenditure out of Reserves over the last few years.

Mr. Henault adjourned the Special Meeting of the Board of Finance at 8:29PM.

Respectfully submitted,

Paul Henault, Chairman
Commissions Clerk

Leslie U. Faraci,

