

From: SimsburyCT Postings December 23, 2010 2:18:45 PM
Subject: Board of Finance Minutes 12/22/2010-SPECIAL MEETING
To: SimsburyCT_FinanceMin
Cc:

BOARD OF FINANCE
DECEMBER 22, 2010
SPECIAL MEETING

1. CALL TO ORDER

The Special Meeting of the Board of Finance was called to order at 6:00 P.M. in the Main Meeting Room in the Simsbury Town Offices. The following members were present: Paul Henault, Peter Askham, Nicholas Mason, Anita Mielert, Kevin North and Barbara Petitjean. Also present were Director of Finance Kevin Kane, Board of Education Assistant Business Manager Burke LaClair, Director of Planning Hiram Peck, Town Engineer Richard Sawitzke, Board of Education Chairman Jack Sennott and other interested parties.

2. MINUTES

Mr. Askham made a motion to approve the minutes of the November 16, 2010 Regular Meeting. Ms. Petitjean seconded the motion.

Mr. Mason noted a correction on page 2.

The motion to approve the minutes as amended passed 5-0 (Mr. North abstained).

Ms. Petitjean made a motion to approve the minutes of the November 16, 2010 Special Meeting. Mr. Askham seconded the motion and it passed 5-0 (Mr. North abstained).

3. JUNE 30, 2010 CAFR

Vanessa Rossitto of Blum Shapiro reviewed the June 30, 2010 Comprehensive Annual Financial Report with the Board. Ms. Rossitto stated that the auditors have issued the Town an unqualified (or clean) opinion, which is the highest form of an opinion that can be received. She noted that the

Management's Discussion and Analysis section summarizes what has happened financially with the different funds and activities in the Town during the past year.

Ms. Rossitto noted that, as of June 30, 2010, the Town had \$106 million in net assets, \$83.6 million of which is invested in capital assets net of related debt. There has been almost a \$7 million increase in net assets from the prior year.

The General Fund had an unassigned fund balance of \$8.6 million, which is about 9.7% of General Fund expenditures and which Ms. Rossitto characterized as a very healthy fund balance. The General Fund balance increased by \$787,133 in the past year. All revenue accounts were greater than budgeted, with the exception of investment income. Ms. Rossitto also noted that the presentation of the Town's fund balances has changed due to its early implementation of GASB 54.

The Pension Fund had a \$34.8 million balance and increased \$4.2 million from the prior year. The OPEB Fund increased from \$1.7 million to \$2.7 million. All actuarial pension contributions were made and there are no net premium obligations

Mr. Henault referred to auditor comments that were made in a management letter relative to several internal control suggestions and fraud risk assessment. Ms. Rossitto characterized the comments as more in the nature of recommendations to strengthen the good controls that the Town already has in place and stated that they did not represent a major concern or weakness. Mr. Henault asked both Mr. Kane and Mr. Holden to have their responses to these comments for the next Board meeting.

Mr. Askham made a motion to amend the agenda to address Item 5 next. Mr. Mason seconded the motion and it passed unanimously.

4. WPCA STRATEGIC PLAN/FUND BALANCE

Mr. Sawitzke provided the Board with a 10-year projection of revenues and expenditures for the Water Pollution Control Authority Fund. The Board questioned why reserves were being kept at such a high level. Mr. Sawitzke stated that the intent is for periodic capital items to be added by paying cash and not bonding. Ms. Petitjean stated that she was still not comfortable with the fund balance being kept as high as it is as customer fees are, in essence, being held for a long period of time and reserves are not being used to keep rate hikes in check. Mr. Henault expressed similar concerns particularly with regards to the impact on commercial customers. He indicated that the Board may have additional questions further into the budget process.

5. REQUEST TO SET UP SPECIAL REVENUE FUND

Mr. Peck stated that the request to set up the special revenue fund is the final component of establishing a form-based code for the Town Center. This particular final aspect will set the design guidelines and standards that will be plugged into the code later on. He indicated that \$30,000-\$40,000 is needed for consultant fees and is not in the budget for the charrette. He stated that there are grant opportunities and gifts from a private individual and the Main Street Partnership have already been received. Establishment of the fund is needed in order to accept the funds and was approved by all the land use boards as well as the Board of Selectmen. Mr. Kane stated that, if contributions are being collected from the outside, then a special revenue fund would be appropriate. However, his only concern would be what happens to the funds if the total goal is not ultimately achieved or the funds do not get expended timely. Mr. Peck stated that he would be very surprised if the funds were not all collected and expended within the current year.

Mr. North made a motion to establish a Special Revenue Fund for the purposes of receiving grants and donations for establishment of a form-based zoning code. Ms. Mielert seconded the motion and it passed unanimously.

Mr. Mason made a motion to amend the agenda to address Item 9 next. Ms. Petitjean seconded the motion and it passed unanimously.

6. 2011/2010 OPERATING AND CAPITAL BUDGET

Mr. Henault stated that, when considering the upcoming budget, it will be taking into consideration the following factors:

- Unemployment in Simsbury is 6.2% vs. 9.3% statewide and 9.5% nationally
- The COLA adjustment is 0%.
- Inflation remains low.
- Interest rates remain low, which is good for bonding, but bad for interest income.
- Grand list growth is anticipated to be 0% or slightly higher.

Mr. Henault stated that there needs to be some preliminary direction given to both boards, noting that other towns are taking the approach of either starting from the point of a flat budget with no increase in programs, staff or budget or asking their boards to present various budgets at the 0%, 2% and (2%) levels. He asked Mr. Sennott and Mr. Kane for their input relative to any extraordinary factors that may be driving the budgets next

year. Mr. North noted that Mr. Kane has provided them with a mill rate projection worksheet that is showing the budget starting with a ¾% tax increase even with a 0% projected increase in expenditures due to a loss of Federal stimulus money.

Mr. Sennott noted that other assumptions in this projection include 0% grand list growth, a 98% collection rate and no use of reserves. He stated that people costs primarily drive the Board of Education budget. He projected that wage increases would net out at less than 1% and health insurance costs are currently projected to increase by 10%. The high school is trying to get to an 8-period day for increased graduation requirements. A recent audit provided some recommendations where some potential savings might be realized relative to special education costs. Enrollment is projected to decrease by 67 students (about 1.5%) next year. However, he added that a 1.5% decline in student population does not equate to a 1.5% decline in staffing on a year-by-year basis when spread over several school locations and grade levels, although some parity may be reached over a five-year period.

Mr. Kane stated that health insurance costs are projected to increase by 10% (approx. \$230,000) and noted that all employee contracts will expire on June 30, 2011, noting that these employees have already taken wage freezes and cutbacks in recent years. He added that there are no numbers available right now as it is still very early in the process. Budgets are not due into the First Selectman until January.

Ms. Mielert wondered if some of the portable classroom modular units currently in place could be reduced due to the drop in enrollment and thereby produce some savings. Mr. Sennott noted that often these units are the only air conditioned spaces and some are outfitted for special functions such as music or art instruction. Mr. North noted that there are no legal objective guidelines relative to class size and that the guidelines currently being used by the school system have been established as local recommendations. Mr. Sennott stated that there are external guidelines that discuss the impact of class size on quality of instruction and that there are huge parental concerns in this area.

7. REQUESTS FROM RESERVES

Central Connecticut Solid Waste Authority (CCSWA) - \$15,237

Mr. Henault referred to a request from Director of Administrative Services, Thomas Cooke, to transfer \$15,237 from reserves for Simsbury's portion of

participating in CRCOG's regional trash authority. The request was tabled as the Board felt it needed more information before taking action.

CRCOG Route 10 Corridor Study - \$20,000

Mr. Peck stated that the request is to fund a CRCOG study from the Avon town line up to Wolcott Road and will dovetail with information already gathered for the Town Center. The grant is for \$200,000 and the Town's share is \$20,000. The study will include a charrette to take place on February 7th through February 10th at the Library. Mr. Mason felt that, considering the high level of emotionally charged controversy regarding development in this area, such a study would be appropriate. Ms. Petitjean expressed concerns that the study was limited to just a portion of Route 10. Mr. Henault asked, if the \$20,000 is approved and the State does not fund the \$180,000 portion, would the Town then be liable for that amount. Mr. Peck stated that it would not and that the agreement with CRCOG is only for the \$20,000 portion. Mr. North stated his objection to the fact that it appears that the Town has entered into a financial obligation without prior authorization of funds.

Ms. Mielert made a motion to transfer \$20,000 from reserves to fund the CRCOG Route 10 Corridor Study. Mr. Mason seconded the motion and it passed 4-1 (Mr. North voted "no" and Ms. Petitjean abstained).

8. RETIREMENT BOARD

Mr. Henault stated that he has received a request from the First Selectman that representatives from the three boards meet to discuss the concerns raised by the Board of Finance relative to the pension funds. She noted that she is open as to whether this group would replace the Pension Subcommittee or its members would sit as additional members to the Pension Subcommittee. Mr. North felt that such structure should be addressed by the newly formed Charter Review Commission.

Mr. Henault noted that there have been four proposals received in response to the RFP for an Investment Consultant for the pension funds. He indicated that Jack Sennott and Mike Wade have been appointed as representatives from the Board of Education.

Mr. Askham made a motion that the Board appoint Ms. Petitjean and Mr. Henault as their representatives to the Retirement Board. Mr. Mason seconded the motion and it passed unanimously.

9. AUDITORS CONTRACT

Mr. Henault stated that Blum Shapiro has done the Town's audit for 10-12 years and that an RFP was last issued about six years ago and it might be time to do it again. Mr. North asked about Blum Shapiro's fee history and Mr. Kane stated that there have been modest increases (about 3%) over the past several years. He added that Simsbury pays one of the lowest fees of the towns they audit. Mr. Kane was asked to make a preliminary inquiry regarding their proposed fee for the upcoming year.

10. PROPOSED 2011 BOND ISSUE

Mr. Kane stated that there are about \$6 million in capital projects out there and, if there are no capital projects in May, then he will probably not do a bond issue in March 2012. He is considering increasing the March 2011 bond issue to \$4 million so as to smooth out and keep the debt service budget flat. Mr. Henault noted that the upcoming budget discussions will need to consider if there is any money available for capital projects. Mr. Kane stated that his analysis indicates that there may be approximately \$1.9 million available for this year.

11. ADJOURNMENT

Mr. Mason made a motion to adjourn the meeting at 8:15 P.M. Mr. North seconded the motion and it passed unanimously.

Paul Henault, Chairman

Debra L. Sweeney, Clerk