



Town of Simsbury

933 Hopmeadow Street Simsbury, Connecticut 06070

Board of Finance Agenda Submission

March 12, 2020

Ericka Butler
Town Clerk
Simsbury, CT 06070

Dear Ms. Butler:

A **Regular Meeting** of the Board of Finance will be held at **5:45 PM** on **Tuesday, March 17, 2020**, in the Main Meeting Room of the Simsbury Town Hall, 933 Hopmeadow Street, Simsbury, Connecticut.

The Agenda is as follows:

1. Call to Order
2. Pledge of Allegiance
3. Presentation: Board of Selectmen 2020/2021 Budget
4. Referral of Board of Selectmen, Board of Education & Capital Budgets to Public Hearing (Hearing to be held April 7, 2020 at 6:00 – Simsbury Public Library)
5. Capital Reserve and Fund Balance Discussion
6. Finance Director's Report
7. Approval of Minutes:
 - March 10, 2020
8. Adjourn

Yours Truly,
Robert Pomeroy
Chairman

Board of Finance Regular Meeting Schedule:

4/7/20, 4/21/20, 5/19/20, 6/16/20, 7/21/20, 8/18/20, 9/15/20, 10/20/20, 11/17/20, 12/15/20, 1/19/21



Town of Simsbury

933 Hopmeadow Street Simsbury, Connecticut 06070

Board of Finance Agenda Item Submission Form

1. **Title of Submission:** Referral of BOS, BOE & Capital Budgets to Public Hearing

2. **Date of Board Meeting:** March 17, 2020

3. **Individual or Entity Making the Submission:**
Amy Meriwether, Finance Director; Maria Capriola, Town Manager

4. **Action Requested of the Board of Finance:**
If the Board of Finance supports moving forward with the FY20/21 Board of Education, Board of Selectmen and Capital Budgets as presented, the following motion is in order:

Move, effective March 17, 2020 to refer the FY20/21 Board of Education, Board of Selectmen and Capital Budgets as presented to Public Hearing (pursuant to Section 808 of the Town Charter – Hearing to be held Tuesday, April 7, 2020 at 6:00pm – Simsbury Public Library)

5. **Summary of Submission:**
Pursuant to Section 808 of the Town Charter, a public hearing must be held for the Town budget no later than April 10th. The Board of Education and Board of Selectmen have made their presentations to the Board of Finance. Staff is requesting the Board of Finance make a formal motion to move forward in the budgeting process and refer the Board of Education, Board of Selectmen and Capital Budgets to public hearing.

6. **Financial Impact:**
None

7. **Description of Documents Included with Submission:**
None



Town of Simsbury

933 Hopmeadow Street Simsbury, Connecticut 06070

Board of Finance Agenda Item Submission Form

1. **Title of Submission:** Capital Reserve and Fund Balance Discussion

2. **Date of Board Meeting:** March 17, 2020

3. **Individual or Entity Making the Submission:**
Amy Meriwether, Finance Director; Maria Capriola, Town Manager

4. **Action Requested of the Board of Finance:**
If the Board of Finance supports designated the \$907,777 balance in the Capital Reserve Fund to offset future debt payments, the following motion is in order:

Move, effective March 17, 2020, move \$907,777 from unassigned to assigned fund balance within the Capital Reserve Fund to offset future debt payments.

5. **Summary of Submission:**

Capital Reserve

On February 19, 2019, the Board of Finance adopted their Capital and Capital Non-Recurring Fund Policy. Included within this policy is the establishment of the Capital Reserve Fund. It was identified that the target funding level should be an amount sufficient to fund the capital fund budget routine needs plus \$50,000. As of present, management is anticipating this balance to be about \$2,050,000. We are still waiting complete studies or conduct more analysis on the remaining capital routine needs for parks and open space, building maintenance, police equipment and technology replacement. As these studies are completed over the next couple of years, we will better be able to refine this value.

Management is requesting the Board of Finance take a position on their commitment to fund this reserve as we look into the financial planning of the Town within the next 5 – 10 years. This will give staff the guidance they need to put together appropriate forecasting models.

As of today, there is a balance of \$907,777 in the Capital Reserve Fund. Management would like to request that the Board of Finance designate these funds to offset future debt payments as the majority of this balance relates to the FY19 bond premium.

If the Board is supportive of making a commitment to fund the capital reserve, management would recommend that General Fund fund balance in excess of the Board of Finance's target percentage be re-allocated to the Capital Reserve Fund. In addition, any capital projects closed at the end of the year that ended in a surplus position be transferred to the Capital Reserve Fund as well. (Assuming the initial funding source allows for this)

General Fund Fund Balance

Management is requesting the Board of Finance take a position on a target general fund fund balance percent of expenditures as we look into the financial planning of the Town within the next 5 – 10 years. Again, this will give staff guidance they need to put together appropriate forecasting models.

Management is recommending a General Fund fund balance equivalent to that of other AAA bond rated communities. At present, that percentage is 15.5%.

6. Financial Impact:

None

7. Description of Documents Included with Submission:

None



Town of Simsbury

933 HOPMEADOW STREET ~ SIMSBURY, CONNECTICUT 06070

To: Board of Finance
From: Amy Meriwether, Finance Director/Treasurer
CC: Maria Capriola, Town Manager
Date: March 17, 2020
Re: Finance Director's Report

Grants and Donations

Below is a listing of grant applications approved by the Board of Selectmen from February 24, 2020 thru March 11, 2020:

- Hartford Federal Credit Union Donation - \$2,000 to support our food programs that support Simsbury's residents in need.

Defined Contribution and Deferred Compensation Pension Plans RFQ Update

At the regular meeting of the Board of Finance on September 17, 2019, members unanimously voted to have Fiduciary Investment Advisors (FIA) conduct an RFQ for recordkeeping services for the Town and Board of Education defined contribution and deferred compensation pension plans. FIA has prepared the contract for signature which has been reviewed by the Town Attorney. Based on the review and recommendation of the Town Attorney, the contract was returned to FIA on November 11, 2019 for two additional updates to the contract including a specified contract end date and conflict of interest language as required by Town Charter. The draft RFQ was distributed to the Board of Finance at their regular meeting on November 19, 2019 for review by their next special meeting on December 3, 2019. All comments were reviewed with FIA. The RFQ was subsequently posted for bid on December 13, 2019. All responses to the RFQ have been received as of the January 8, 2020 deadline. FIA is in the process of putting together the bid results for review. They are scheduled to present to the Town on March 23, 2020.

Pension Investments Update

Per the request of the Board of Finance, Fiduciary Investment Advisors (FIA) has provided an update on our pension investments from the period January 2020 thru present. Attached are the updated financial reports provided by FIA as of 3/11/20.

Pension Determination for New Employees

Per the request of the Board of Finance at their last regular meeting on March 10, 2020, management was tasked with reviewing the Board of Finance's role related to allowing participants into the Town's defined benefit pension plan. The Board of Selectmen is the ratifying body for the town for collective bargaining agreements and the body responsible for setting personnel policies and rules of the town. It is their responsibility to determine pension benefits offered, pension plan design etc. The Board of Selectmen and Town Manager have discussed pension benefits for employees in regards to strategy and negotiations with respect to collective bargaining. If the Board of

Finance chooses, they can make a recommendation to the Board of Selectmen to review current pension benefits being offered for possible restructure.

Clean Water Loan Bond Refunding

On March 12, 2020, management received notification from the Town's financial advisors, Phoenix Advisors, that the municipal market is under severe stress and we will have to postpone the proposed clean water loan bond refunding as recently approved by the Board of Finance on March 10, 2020. See attached correspondence. Management will keep the Board apprised of further developments.

Updated Balances - Town of Simsbury

As of 3/11/2020

	Town Pension Plan			BOE Plan			Police Plan			Target (%)
	Market Value as of 12/31/2019 (\$)	Market Value as of 3/11/2020 (\$)	Allocation (%)	Market Value as of 12/31/2019 (\$)	Market Value as of 3/11/2020 (\$)	Allocation (%)	Market Value as of 12/31/2019 (\$)	Market Value as of 3/11/2020 (\$)	Allocation (%)	
Short Term Liquidity										
Wells Fargo Gov't Money Market I	571,152	113,286	0.5%	420,213	98,844	0.4%	330,151	108,025	0.6%	0.0%
Fixed Income										
Metropolitan Total Return Bond Pl	2,556,786	2,643,909	11.3%	2,474,940	2,559,274	11.3%	1,825,505	1,887,709	11.2%	10.0%
Western Asset Core Plus Bond IS	2,579,870	2,580,429	11.1%	2,499,639	2,500,181	11.0%	1,848,728	1,849,129	11.0%	10.0%
BlackRock Strategic Income Opportunities K	1,883,325	1,869,337	8.0%	1,883,313	1,869,325	8.2%	1,344,160	1,334,176	7.9%	7.5%
Templeton Global Bond R6	<u>1,169,717</u>	<u>1,152,815</u>	<u>4.9%</u>	<u>1,209,268</u>	<u>1,191,794</u>	<u>5.2%</u>	<u>827,283</u>	<u>815,329</u>	<u>4.9%</u>	<u>5.0%</u>
Total Fixed Income	8,189,698	8,246,490	35.3%	8,067,161	8,120,574	35.8%	5,845,676	5,886,343	35.0%	32.5%
Domestic Equity										
Vanguard Institutional Index I	5,411,600	4,608,707	19.7%	5,357,730	4,562,830	20.1%	3,901,415	3,322,581	19.8%	20.5%
Neuberger Berman Genesis R6	<u>2,441,252</u>	<u>2,012,926</u>	<u>8.6%</u>	<u>2,464,696</u>	<u>2,032,256</u>	<u>8.9%</u>	<u>1,720,916</u>	<u>1,418,975</u>	<u>8.4%</u>	<u>9.5%</u>
Total Domestic Equity	7,852,852	6,621,633	28.4%	7,822,426	6,595,086	29.0%	5,622,331	4,741,556	28.2%	30.0%
International Equity										
Hartford International Opportunities R6	4,357,587	3,656,628	15.7%	4,273,375	3,585,962	15.8%	3,143,925	2,638,195	15.7%	16.5%
Templeton Instl Foreign Smaller Co Ser Adv	1,552,098	1,184,381	5.1%	1,566,552	1,195,411	5.3%	1,113,461	849,665	5.1%	6.0%
Vanguard Emerging Markets Stock Index Adm	<u>1,255,697</u>	<u>1,061,310</u>	<u>4.5%</u>	<u>1,296,720</u>	<u>1,095,983</u>	<u>4.8%</u>	<u>874,503</u>	<u>739,127</u>	<u>4.4%</u>	<u>5.0%</u>
Total International Equity	7,165,382	5,902,319	25.3%	7,136,647	5,877,356	25.9%	5,131,890	4,226,987	25.2%	27.5%
Real Estate										
Barings Core Property Fund	<u>1,468,371</u>	<u>1,468,371</u>	<u>6.3%</u>	<u>1,223,642</u>	<u>1,223,642</u>	<u>5.4%</u>	<u>1,142,066</u>	<u>1,142,066</u>	<u>6.8%</u>	<u>5.0%</u>
Total Real Estate	1,468,371	1,468,371	6.3%	1,223,642	1,223,642	5.4%	1,142,066	1,142,066	6.8%	5.0%
Inflation Protection										
Vanguard Short-Term Infl-Prot Sec Adm	431,399	429,302	1.8%	350,003	348,302	1.5%	302,465	300,995	1.8%	1.7%
Credit Suisse Commodity Return Strategy I	401,279	341,606	1.5%	325,969	277,495	1.2%	280,100	238,448	1.4%	1.7%
VanEck Global Hard Assets I	<u>346,931</u>	<u>226,941</u>	<u>1.0%</u>	<u>263,837</u>	<u>172,586</u>	<u>0.8%</u>	<u>244,783</u>	<u>160,123</u>	<u>1.0%</u>	<u>1.7%</u>
Total Inflation Protection	1,179,609	997,849	4.3%	939,809	798,383	3.5%	827,348	699,566	4.2%	5.0%
Total Portfolio	26,427,064	23,349,948	100.0%	25,609,898	22,713,885	100.0%	18,899,462	16,804,543	100.0%	100.0%
*Barings Core Property Fund (12/31/2019)										
Source: Wells Fargo, Barings										
The Balance information has been compiled solely by Fiduciary Investment Advisors, LLC, and has not been independently verified. In preparing this report, Fiduciary Investment Advisors, LLC has relied upon information provided by investment managers and the custodian.										

Updated Balances - Town of Simsbury

As of 3/11/2020

TOWN OF SIMSBURY OPEB TRUST				
	Market Value (\$)	Market Value (\$)	Allocation (%)	Target (%)
Short Term Liquidity				
Raymond James Bank Deposit Program	289,280	56,103	0.3%	0.0%
Fixed Income				
iShares TIPS Bond ETF	3,047,373	3,084,356	19.0%	17.5%
iShares Core US Aggregate Bond ETF	3,035,563	3,214,454	19.8%	<u>17.5%</u>
Total Fixed Income	6,082,936	6,298,810	38.7%	35.0%
Domestic Equity				
iShares Core S&P 500 ETF	4,821,448	4,108,911	25.3%	26.0%
iShares Russell Mid-Cap ETF	1,062,190	858,731	5.3%	6.0%
iShares Russell 2000 ETF	518,216	393,753	2.4%	<u>3.0%</u>
Total Domestic Equity	6,401,854	5,361,395	33.0%	35.0%
International Equity				
iShares MSCI EAFE ETF	3,496,373	2,822,174	17.4%	19.0%
iShares MSCI Emerging Markets ETF	1,095,591	914,661	5.6%	<u>6.0%</u>
Total International Equity	4,591,964	3,736,835	23.0%	25.0%
Real Estate				
iShares Cohen & Steers REIT ETF	439,180	405,341	2.5%	2.5%
iShares International Developed Property ETF	438,828	397,302	2.4%	<u>2.5%</u>
Total Real Estate	878,008	802,643	4.9%	5.0%
Total Portfolio	18,244,042	16,255,786	100.0%	100.0%
<i>Source: Simsbury Bank</i>				
<i>The balance information has been compiled solely by Fiduciary Investment Advisors, LLC, and has not been independently verified. In preparing this report, Fiduciary Investment Advisors, LLC has relied upon information provided by the investment managers and by the custodian.</i>				

From: Barry Bernabe <bbernabe@muniadvisors.com>
Sent: Thursday, March 12, 2020 12:57 PM
To: Meriwether Amy
Cc: Capriola Maria E.; Appleby Melissa; Judith Blank (jablank@daypitney.com)
Subject: Severe Volatility in the Municipal Market

Amy - the entire municipal market is exhibiting signs of severe stress. See article below from today's Bond Buyer newspaper. We may need to postpone the proposed CWF refinancing

Market News

2

Yields Skyrocket and Deals are Pulled Amid

The municipal market was hammered Wednesday by the rapidly spreading COVID-19 global pandemic with a more than quarter point correction in AAA benchmarks, issuers pulling deals off the shelves and more reports of pricing and evaluation confusion in an already complicated market.

High-yield was being hit hard in the secondary market while several issuers put their new-issues on the day-to-day calendar amid what some are calling an "irrational" market.

Three large negotiated deals that were scheduled to price Wednesday were pulled as muni yields skyrocketed up 28 basis points on the MMD AAA and other benchmarks were not far from those figures.

A New York trader at a large Wall Street firm said the market was "imploding" as retail and institutional investors tried to sell paper into a challenging climate.

"There are forced sellers, MMD is play-

ing catch-up, the volatility in the market, and the virus uncertainty — there are so many overlaps against the market right now and there is an awful lot of pressure and lost money," he said Wednesday morning.

"Probably after a day like today and after evaluations come in they have to sell even more," he said of the large institutional funds that continue to shred bonds.

He said the market dynamic is the same as it has been in other crisis moments, such as the 2009 financial crisis.

"There is limited liquidity, people trying to get out of the same door, and bids



BY CHRISTINE ALBANO & AARON WEITZMAN

cheapening," he said, adding that even cover buy might be limited in the current market due to overall low-yield rates.

"It's a disorderly, liquid market where people are trying to sell bonds

they can't," he said, noting that the billion California GO sale on Tuesday ended up finding a home for the balance after the pricing, but "at decidedly cheap prices," which he said are indicative of current market climate.

"If we get some direction and information on the virus, things might around," he said. "Right now, the market doesn't like uncertainty and the uncertainty has morphed into irrationality to a degree."

Others agreed that the extreme circumstances occurring was affecting liquidity and evaluations.

"Vendors can't keep up, they're essentially getting crushed and not responding to price challenges, aren't correcting enough," a New York strategist said. models that may have worked in low

A Lack of Economic Data Reflecting COVID-19 Makes Forecasts Difficult

Prices of consumer goods rose more than expected last month, according to data released Wednesday.

The consumer price index for all urban consumers (CPI-U) rose a seasonally ad-



ary, after rising 0.2% in January. The energy index declined 2.0% in February after falling 0.7% in January. The index for all items less food and energy increased 0.2% in February. The index for all

Muni bond funds

**Simsbury Board of Finance
TOWN OF SIMSBURY
REGULAR MEETING MINUTES
Tuesday, March 10, 2020 at 5:45 P.M.
Simsbury Town Hall - Main Meeting Room
933 Hopmeadow Street, Simsbury, Connecticut**

PRESENT: Lisa Heavner, Arthur House, Robert Pomeroy, Linda Schofield

ALSO PRESENT: Sean Askham, BOS; Jennifer Batchelar, BOE; Jackie Battos, BOS; Todd Burrick, BOE; Maria Capriola, Town Manager; Jason Casey, BOE Director of Systems Technology; Matthew Curtis, Superintendent of Schools; Representative John Hampton; Amy Meriwether, Director of Finance/Treasurer; Chris Peterson, BOS; Susan Salina, BOE; Kyra Sheehan, BOE Accountant; Neil Sullivan, BOE Director of Personnel; Lydia Tedone, BOE; Jeff Tindall, BOE; Sharon Thomas, BOE; Eric Wellman, First Selectman; Tara Willerup, BOE; Senator Kevin Witkos and other interested parties

1. Call to Order - Establish Quorum

Mr. Pomeroy called the meeting to order at 5:52 P.M.

2. Pledge of Allegiance

All present stood for the Pledge of Allegiance.

3. Presentation: State Budget Updates

Representative Hampton and Senator Witkos provided updates on the State Budget. Representative Hampton began by noting that the Governor declared a public state of emergency today due to the Coronavirus and that the Legislature will be closed Thursday and Friday. He referenced handouts regarding the current budget status for the Town of Simsbury. He noted they are keeping an eye on Bill 5433, which could impact high-performing districts relative to special education. As requested, he provided a chart showing the last ten years of State aid and income taxes paid, and an update on tolls. Lastly, he added that the bonding package will be completed tomorrow and that they are watching any legislation that could do any harm to the economy and towns. Senator Witkos reported the dollars in the handouts can be counted on, noting the formula has not changed for the ECS. The LOTCIP and Town Aid Road will not be released until the Bond Commission meets at the end of the month. He reported Governor Lamont is focused on transit-oriented development projects, housing and infrastructure. He noted the budget will remain the same and that the Governor is looking at a \$34M revenue increase in this year's budget, much of which is attributable to the 10% corporate surcharge tax, an additional increase on vaping e-cigarettes and about \$7.5M anticipated from a captive reinsurance market. Further, he provided an update on the Coronavirus at the state level. Discussion and questions followed on the STEAP Grant, public transit, and Coronavirus preparations and issues as they relate to the Town.

4. Presentation: Board of Education 2020/2021 Budget

Mr. Curtis introduced BOE Accountant Kyra Sheehan and provided a slide presentation on the BOE 2020-21 Budget. He began by going through the budget development process from

November to this meeting. The BOE Budget is \$72,493,061, an increase of \$1,612,083 or 2.27%. Further, he noted factors impacting budget development, including enrollment shifting K-6, the guideline of 2.5% increase, Mill Rate under 40, program improvement, supporting strategic priorities/plan and a pension assumption rate of 6.5%. He noted the balancing of fiscal reality and a vision for continuous improvement. Per pupil expenditure in Simsbury versus area towns was provided, as well as enrollment projections prepared by Milone & MacBroom. A K-12 staffing and enrollment history chart was presented for 2008 to the present. He noted enrollment has stabilized and will remain stable for the next couple of years. Discussion followed regarding enrollment projections. Mr. Curtis noted a decline of 9.59 FTE over the last three budgets. Further, he noted student growth and success as compared to other districts. Questions and discussion followed on how success is measured, capstone requirements and the accountability index. He referenced the drivers of the budget including contractual obligations, program improvements, insurance and pension, and cost saving measures/operational efficiencies. He provided "Roll Forward" 2020-21 personnel drivers, including additions and reductions. Personnel budget themes including academic enhancements, student support and responsible reductions were referenced as well. He reported the projected and proposed use of the non-lapsing account, including a current non-lapsing balance of \$385,000, projected use of \$210,000 for 2019-20 to offset insurance costs and out-of-district placements, and proposed use of \$175,000 for 2020-21 to offset OPEB and pension costs. Lastly, Mr. Curtis noted the non-public school budget 2020-21 increase of 0.91% or \$4,951, totaling \$551,383. Discussion and questions followed. Ms. Sheehan took the board through her handout entitled, "Reserve for Un-Negotiated Contracts FY20 - FY21." Ms. Heavner asked that year-to-year comparisons be provided. Discussion and questions followed regarding the number of administrators relative to enrollment numbers, economies to be made, the growth in numbers of students with needs, shared services, and pensions. Ms. Heavner requested a comprehensive look at utility costs and Ms. Schofield asked for an individual report with class-by-class enrollment. Discussion on class sizes ensued. Mr. Pomeroy acknowledged and thanked the BOE for working hard to meet the guidance given.

Regarding BOE 20/21 capital projects, Mr. Curtis spoke about the significant priority of the Master Facilities Plan and introduced Jason Casey, who spoke about two projects for 2020-21, District Network Infrastructure (\$500,000) and SHS Stadium Bleachers and Press Box Replacement (\$850,000). Mr. Casey reported the district network infrastructure project is the replacement of the district's aging servers, which are now seven years old and require upgrading to Windows 10 as Windows 7 is no longer supported by Microsoft. The SHS stadium bleachers and press box project includes the replacement of the existing home side bleachers and press box which have exceeded their life expectancies. Replacement of the bleachers will also provide ADA compliancy. Questions and discussion followed about looking to other sources for funding the stadium project, safety, town server needs versus school server needs and economies of scale. Detail sheets on these capital projects were requested. Mr. Pomeroy noted two items need to be decided before the public hearing and referendum, including asking the BOE to put in the 6.5% pension plan and looking at the capital projects comprehensively.

At 7:35 P.M. there was a five-minute break. At 7:40 P.M. the meeting resumed.

5. Proposed Clean Water Bond Refunding

Ms. Meriwether referenced her submission in the meeting packet, noting the Town's financial advisors reached out to them about this. The Town may be able to refinance the 2% Clean Water Fund loan to an estimated 0.85% rate, providing an estimated total savings of \$260,000. As the loan is shared with Granby and Avon, Simsbury's portion would be \$175,760, which would go into the Sewer Use Fund.

MOTION: Ms. Schofield made a motion to approve this refunding. Ms. Heavner seconded the motion. All were in favor and the motion passed unanimously.

6. Finance Director's Report

Ms. Meriwether referenced her Finance Director's Report, noting FIA is scheduled to present to the Town on March 23, 2020 to go over responses to the RFQ for record keeping services. Regarding the Town Aid Road Grant, she reported it will be one to two months before funding is received.

Mr. Pomeroy spoke about the need to discuss defined contribution and defined benefit pension plans and whether a formal action against defined benefit is in the purview of the BOF. Ms. Capriola noted the BOS is the ratifying body for all collective bargaining agreements and employee benefits. Discussion followed. Mr. Pomeroy asked that research be done on what the BOF can and cannot do regarding this issue and that it be on the agenda. Further discussion followed.

7. Approval of Minutes - February 18, 2020

MOTION: Ms. Schofield made a motion to approve the February 18, 2020 Regular Meeting Minutes as presented. Ms. Heavner seconded the motion. All were in favor and the motion passed unanimously.

8. Adjourn

MOTION: Ms. Schofield, Mr. House second, to adjourn at 7:54 P.M.; unanimously approved

Respectfully submitted,

Karen Haberlin
Commission Clerk