

**Board of Finance
TOWN OF SIMSBURY, CONNECTICUT
REGULAR MEETING MINUTES
Tuesday, October 18, 2022, at 5:45 P.M.
In Person Meeting /Simsbury Community Media Live Stream**

PRESENT:

Lisa Heavner, Arthur House, Mike Doyle, Robert Helfand, and Linda Schofield.

ALSO PRESENT:

Amy Meriwether, Director of Finance/Treasurer; Maria Capriola, Town Manager; Wendy Mackstutis, First Selectman; Chris Kachmar, Fiducient Advisors; Tyler Polk, Fiducient Advisors

1. Call to Order - Establish Quorum

Ms. Heavner called the meeting to order at 5:45 P.M.

2. Pledge of Allegiance

All present stood for the Pledge of Allegiance.

3. Executive Session

Ms. Heavner indicated that the executive session was no longer necessary.

4. Presentation: Fiducient Advisors

Ms. Heavner noted that, per the Charter Section 808, the Board of Finance is tasked with supervising and maintaining the Town pension and other post-employment benefits for the Town and Education. The Board is required to consult with the Boards of Selectmen and Education in the course of this duty and does so through the Retirement Subcommittee which reviews and recommends actions to this board.

The full Board receives two formal presentations from Fiducient each year as part of this duty and members may and do attend the Retirement Sub-committee. Ms. Heavner noted this is a long report and confirmed with all members that they have read the report.

Mr. Kachmar reviewed the DB & OPEB July Portfolio Updates section. He stated it has been difficult in the capital markets calendar year to date due to high inflation. It has been a pretty challenging environment for the seven months ending in July but the peaks and valleys seen in the July numbers indicated that the fed was starting to get their arms around the inflation data, and the strong month of July gave some comfort to investors. August has been unfortunately more of the same in terms of the downdraft and they're down a bit in capital markets anywhere between 2-4%. All three of the pension plans, Town, Board of Education and Police were up just a little bit shy of 5% in July about in line with the broad markets. From an allocation perspective, using the Town plan as the proxy, the allocations are essentially in line with target weightings.

Ms. Schofield noted that it appeared the town was spending more than it was bringing in in fees and investments. Mr. Kachmar indicated that this was not unusual with mature plans. Ms. Heavner noted that the Experience Study would give the town updated information about the funding health of the plans.

Chris Kachmar advised he would present the Retirement Subcommittee with ratings of Simsbury investments for Environmental, Sustainability and Governance (ESG) scores and for Diversity, Equity and Inclusion scores (DEI). Ms. Heavner confirmed with Mr. Kachmar that there would be no charge for this information.

5. Proposed Defined Benefit Plans Investment Policy

Ms. Heavner explained that on September 6, 2022 the Retirement Plan Sub-Committee updated and approved for recommendation to the Board of Finance the Defined Benefit Plan Investment Policy after review by the Town's pension plan investment manager, Fiducient. Ms. Heavner noted the recommended changes are highlighted in red. She also noted the Amended Date and Adopted date need to be changed to "Adopted by the Board of Finance on October 18, 2022"

MOTION: Mr. House made a motion, effective October 18, 2022 to adopt the Defined Benefit Plan Investment Policy as presented, adding, "Adopted by the Board of Finance on October 18, 2022" to the title and striking "Amended on September 12, 2018 and striking, "Adopted by the Board of Finance on July 30, 2019." Ms. Schofield seconded the motion. All were in favor and the motion passed unanimously.

6. Proposed Other Post-Employment (OPEB) Investment Policy Update

On September 6, 2022 the Retirement Sub-Committee updated and approved for recommendation to the Board of Finance, the Other Post-Employment Policy after review by the Town's pension plan investment manager, Fiducient. The plan was last updated several years ago and Ms. Meriwether confirmed there were no recommended changes other than the date of approval.

MOTION: Mr. House made a motion, effective October 18, 2022 to adopt the Other Post-Employment (OPEB) Investment as presented, changing the title page to "Adopted by the Board of Finance on October 18, 2022." The motion was seconded by Linda Schofield. All were in favor and the motion passed unanimously.

7. Pension Plan Fiduciary Duties Legal Opinion Request

Mr. Helfand explained that at the Town of Simsbury Retirement Subcommittee meeting on September 6, 2022, Fiducient advised that it has the capacity to review a town's investments for consistency with Environment, Social and Corporate Governance (ESG) and Diversity, Equity and Inclusion (DEI) goals, and that Fiducient has conducted such reviews for several peer municipalities. The Subcommittee recommended that Fiducient conduct such a review of Simsbury's current investments.

Questions arose as to whether the fiduciary obligations of the Retirement Subcommittee and the Board of Finance permit them to consider ESG and DEI issues in connection with decision about the management of fund assets. A legal opinion is being requested to clarify the Boards' fiduciary obligations, generally, and specifically, the propriety of its consideration of ESG and DEI.

Ms. Schofield made the point that the Board is not indicating that it is advisable to consider ESG or DEI ratings, but merely seeking a legal opinion about fiduciary duties.

MOTION: Mr. House made a motion, effective October 18, 2022 to request a legal opinion on the fiduciary duties owned by the Retirement Subcommittee and the Board of Finance in connection with their management of assets of funds for Simsbury's Retirement plans and Other Post Employment Plans (OPEB), including categories of information – such as Environment, Social and Corporate Governance (ESG) and Diversity, Equity and Inclusion (DEI) factors – these boards may consider when making investment decisions. Additionally, to request counsel clarify who would be responsible for adopting and approving a Town ESG or DEI policy on investments and what process should the town follow in doing so if the town decides to pursue this. Ms. Schofield seconded the motion. All were in favor and the motion passed unanimously.

8. Fiscal Year 2021/2022 Year-End Financial Results

Ms. Meriwether reviewed FY 2021/2022 Year-End Financial Results. On the expenditure side, the Town came in \$1,003,600 under budget due primarily to savings from staff turnover. The Board of Education exceeded its operating budget by \$654,959 due primarily to special education services, social emotional support services and evaluations and increased transportation costs associated with driver shortages.

On the revenue side, the town exceeded revenue projections by over \$2,002,104, due in part to the tax collection assumption rate utilized by the town, unanticipated investment income, conveyance taxes and recording fees, an additional Education Cost Sharing Grant payment from the State, a FEMA grant reimbursement and a higher insurance refund reimbursement.

The Simsbury Farms Funded ended the year with a healthy fund balance of \$639,237 and the Health Insurance Fund ended the year with reserves at 33% of claims. The Sewer Use Fund ended the year with a fund balance of \$7,304,684.

Ms. Meriwether summarized Supplemental Appropriations made during the year.

Ms. Heavner requested that staff draft fund balance policies for the Simsbury Farms Fund and the Sewer Use Fund. Ms. Heavner noted that the Sewer Use Fund balance is greater than their annual budget. Ms. Heavner requested the Board of Finance receive a presentation on the Sewer Fund prior to budget discussions so the Board can better understand their finance needs.

Ms. Schofield inquired as to why the Try-Athlon Fund hasn't been closed and what had been spent during the fiscal year from that fund. Ms. Meriwether indicated she would follow up on what had been spent and make a recommendation about what to do with the balance.

9. Proposed Fiscal Year 2021/2022 General Fund and Capital Transfers

Ms. Heavner summarized, FY 2021/22 GF ended with a net increase to fund balance of \$2,940,704 due to excess revenues and expenditure savings. Staff is requesting year end transfers, carryovers, FY 2023 supplemental appropriations, and assignments as outlined in Board of Finance packets. Ms. Heavner noted the requests fall into categories for consideration:

- New, unanticipated projects that cannot be delayed to the next budget cycle (\$155,000)
- New, unanticipated temporary staffing needs from medical leaves for FY 2023 (\$30,500) that were not known during the budget

- Transfers to savings (CRF) of \$765,000
- Retroactive Wage Settlement using FY 2022 savings and previously assigned GF balance – savings from prior years in anticipation of this settlement – (\$798,665)
- Year- end encumbrances – essentially carryovers due to timing of receipt of goods & services ordered in FY 22, but received in FY 23 (\$280,096)
- Two operating carryovers that were appropriated in FY 2022, but weren't spent in that fiscal year (\$122,056)
- And GF assignments for anticipated, but as yet unknown expenditures for (\$130,000). Ms. Heavner noted the assignments will come back to the Board at a later time for an appropriation when costs are known.

MOTION: Mr. House made a motion, to approve FY 2022 Transfers from the General Fund to the Capital and Non-Recurring Fund for the following projects:

- | | |
|-------------------------|----------|
| • Ice Rink Chiller | \$60,000 |
| • Eno Chiller | \$20,000 |
| • IT Equipment Switches | \$15,000 |
| • Demolition 56 Wolcott | \$40,000 |
| • Town Farm Cleanup | \$20,000 |

The motion was seconded by Ms. Schofield. All voted in favor and the motion passed unanimously.

MOTION: Mr. House made a motion, to approve FY 2022 transfers from the General Fund to the Capital Reserve Fund to reimburse the Capital Reserve Fund for prior appropriations for the Meadowood Barn Demolition Project (\$40,000) and Simsbury Community Media Renovations (\$45,000), for a total transfer to Capital Reserves of \$85,000. Ms. Schofield seconded the motion. All voted in favor and the motion passed unanimously.

MOTION: Mr. House made a motion, to approve a FY 2022 transfer of \$680,000 from the General Fund to the Capital Reserve Fund. Ms. Schofield seconded the motion. All voted in favor and motion passed unanimously.

MOTION: Mr. House made a motion, to approve FY 2022 Assignments in the General Fund for the following:

- | | |
|--------------------------------------|----------|
| • Parks and Recreation Medical Leave | \$10,000 |
| • Finance Temp. Position | \$12,500 |
| • Social Services Temp. Staffing | \$8,000 |

Ms. Schofield seconded the motion. All were in favor and the motion passed unanimously.

MOTION: Mr. House made a motion, to approve FY 2023 Supplemental Appropriations from General Fund Assigned Fund Balance for the following:

- Parks and Recreation Medical Leave \$10,000
- Finance Temp. Position \$12,500
- Social Services Temp. Staffing \$8,000

Ms. Schofield seconded the motion. All were in favor and the motion passed unanimously.

MOTION: Mr. House made a motion, to approve a FY 2022 General Fund assignment of \$798,665 for Retroactive Wage and Benefit increases for CSEA union settlement. Ms. Schofield seconded the motion. All were in favor and the motion passed unanimously.

MOTION: Mr. House made a motion, to approve a FY 2023 Supplemental Appropriation from the General Fund Assigned Fund Balance in the amount of \$798,665 for Retroactive Wage and Benefit increases for CSEA. Ms. Schofield seconded the motion. All were in favor and the motion passed unanimously.

MOTION: Mr. House made a motion, to approve a FY 2022 Assignment in the General Fund for encumbrances in the amount of \$280,096. Ms. Schofield seconded the motion. All were in favor and the motion passed unanimously.

MOTION: Mr. House made a motion, to carry forward encumbrances totaling \$280,096 and to approve a FY 2023 supplemental appropriation for encumbrances totaling \$280,096 from the General Fund Assigned Fund Balance Ms. Schofield seconded the motion. All were in favor and the motion passed unanimously.

Ms. Meriwether noted that she would get the list of items being encumbered to Board members after the meeting.

MOTION: The following motion was made by Mr. House regarding the Board of Education operating budget: Whereas, on June 21, 2022, the Board of Finance approved a motion that authorized the use of the Board of Education Non-Lapsing Fund up to the amount of \$641,308; and Whereas, the Board of Finance has now reviewed the Fiscal Year 2022 year-end financial results; Now, therefore, based on its review of the Fiscal Year 2022 results, the Board of Finance considers it to be in the best interest of the Town to Amend the June 21, 2022 Motion as follows:

To amend the Board of Education FY 2021/2022 supplemental appropriation of \$651,308 from the Education Non-Lapsing Fund, to a FY 2022 Supplemental Appropriation of \$654,959 from the General Fund to cover expenditure overages.

The motion was seconded by Ms. Schofield. All were in favor and the motion passed unanimously.

Ms. Meriwether noted that FY 2022 savings of \$1,003,600 on the Town side will cover the Board of Education overage, keeping the total Town and Education spending below what the voters approved at referendum.

Ms. Heavner noted that, for Capital transfers, Ms. Meriwether provided an excel spread sheet which was forwarded to Board members earlier in the day with explanations of the transfers that are found on page 192 of the Board packet.

These transfers show \$1,184,465 in savings returned to the Capital Reserve Fund, which includes the previously approved transfer to the Capital Reserve Fund of \$765,000 and additional savings from projects listed totaling \$419,465.

Ms. Meriwether confirmed the board is not approving an additional transfer of \$765,000 to the Capital Reserve Fund. It is listed as a redundancy which was approved in an earlier motion. Ms. Heavner requested the excel sheet be included in the minutes.

MOTION: Mr. House made a motion to approve transfers as recommended in the attached excel spreadsheet. Ms. Schofield seconded the motion. All were in favor and the motion passed unanimously.

10. Town and Education Savings Initiatives

As background, Ms. Heavner noted, the Board of Finance annually requests the Town and Education to update the public on initiatives that will achieve efficiencies and savings for the short and long term. It is a priority of the Boards of Finance, Selectmen and Education to use tax dollars in the most cost-effective manner and this review is an opportunity for the public to see what is being done and to brainstorm or explore other initiatives.

Ms. Meriwether provided the Board with an updated submission that will be added to the agenda.

11. Budget Discussion – Tri-Board Prep

Ms. Heavner indicated that the Tri-Board on Latimer will be held on November 10. Ms. Meriwether indicated that she would have preliminary information from the Experience Study ready for the meeting. Board members requested that a return-on-investment analysis and total cost analysis be provided if energy upgrades are being considered in above what was approved at the last referendum. Ms. Heavner reminded the public that the Board of Finance had previously assigned \$1.3 million in Capital Reserves in anticipation of this request.

Ms. Meriwether indicated that the Assessor would attend the Board of Finance meeting in November with preliminary results from the revaluation and grand list projections.

12. Finance Director's Report

Ms. Meriwether reviewed grants received and applied for by the Town and updated the board on the Experience Study being worked on by Milliman. Ms. Meriwether indicated she would have information for the board by the November 10 meeting. Ms. Meriwether advised the Board on the tax appeal settlement with DWW Solar II, LLC. Finally, Ms. Meriwether updated the Board on the calendar dates for the Latimer referendum question.

13. Approval of Minutes

MOTION: Mr. House made a motion to approve the August 16, 2022, Board of Finance Regular meeting minutes. Mr. Schofield seconded the motion. All were in favor and the motion passed unanimously.

12. Adjourn

MOTION: Mr. House made a motion to adjourn the meeting at 8:45 P.M. Ms. Schofield seconded the motion. All were in favor and the motion passed unanimously.

Respectfully submitted,
Marion Lynott
Commission Clerk

**Town of Simsbury
General Fund
Close Out Transfer Requests
For the Year Ended June 30, 2022**

Transfers from General Fund

Transfer to CNR Fund - Ice Rink Chiller	Previously approved CNR project; supply chain and construction inflation have impacted project cost. Project on hold due to insufficient funds.	\$	60,000
Transfer to CNR Fund - Eno Chiller	Unexpected equipment failure. This was budgeted as part of a larger scale Eno HVAC project in an out year of the capital plan. Funds would allow the repair of this portion of the system prior to the air conditioning season.		20,000
Transfer to CNR Fund - IT Equipment - Switches	Unexpected equipment (IT switches) failure at Eno. Replacement of back-up switches needed as a result.		15,000
Transfer to CNR Fund - Demolish Home at 56 Wolcott Road	Need previously reviewed with BOF and BOS		40,000
Transfer to CNR Fund - Town Farm Facility Clean Up & Junk Removal	Staff assessment of current conditions		20,000
Transfer to Capital Reserve Fund - Meadowood Barn Demolition	BOF request when supplemental appropriation occurred		40,000
Transfer to Capital Reserve Fund - Simsbury Community Media Studio Improvements	BOF request when supplemental appropriation occurred		45,000
Transfer to Capital Reserve Fund			680,000
Total Transfers from General Fund		\$	920,000

Transfers to General Fund Assigned Fund Balance

Parks & Recreation Temp Staffing	Medical Leave Coverage	\$	10,000
Finance Temp Staffing	Additional help to get the department caught up on various reconciliations and postings from staffing deficit due to medical leave		12,500
Social Services Temp Staffing	Medical Leave Coverage		8,000
Retroactive Wage Increases	Settled union contracts/agreements with CSEA - \$502,288 included in assigned fund balance/contingency in prior year/current year		798,665
Year End Encumbrances			280,096
Energy/Utility Costs (i.e. fuel/diesel)	Unexpected market condition increase; unforeseen during budget prep season.		100,000
Farmington Valley Health District	Supplemental Appropriation approved at the end of FY22, actual payment occurred in FY23		100,056
Anticipated Tax Appeals	Legal, appraisal(s), witness(es)/subject matter experts		30,000
Diversity Equity & Inclusion Council Data Project	Carryforward from previous year. RFQ for project has been issued.		22,000
Total Transfers to Assigned Fund Balance		\$	1,361,317

Fund Balance Summary

Net Increase to Fund Balance Before Transfers	\$	2,940,704
Transfers from General Fund		(920,000)
Net Decrease to Fund Balance After Transfers		<u>2,020,704</u>

Fund Balance Post Transfers

Fund Balance, July 1, 2021		17,329,488
Net Increase to Fund Balance After Transfers		<u>2,020,704</u>
Fund Balance, June 30, 2022		<u>19,350,192</u>

Fund Balance Breakdown Post Transfers

Non-Spendable Fund Balance	0.06%	69,409
Assigned Fund Balance	1.18%	1,361,317
Unassigned Fund Balance	15.59%	<u>17,919,466</u>
Total Fund Balance	<u>16.83%</u>	<u>\$ 19,350,192</u>

**Town of Simsbury
Capital Transfer Requests
For the Year Ended June 30, 2022**

Transfers to Sewer Use Fund

Capital Fund - Jet/Flush Truck	15,574
Total Transfers to Sewer Use Fund	\$ <u>15,574</u>

Transfers to Town Aid Road Fund

Capital Fund - Wing Plow Truck	11,728
Total Transfers to Town Aid Road Fund	\$ <u>11,728</u>

Transfers to the Golf Surcharge Account

CNR - Golf Utility Vehicle	480
Total Transfers to the Golf Surcharge Account	\$ <u>480</u>

Transfers to the Meadowood Acquisition Project

Capital Fund - Library Interior/Parking Renovations	152,277
Capital Fund - School Security Improvements	13,177
Capital Fund - District Network Infrastructure	11,934
Total Transfers to the Meadowood Acquisition Project	\$ <u>177,389</u>

Transfers to/from Capital Reserve

General Fund Reserve	765,000
Private Duty Fund Transfer	221,337
Capital Fund - Open Space Planning Improvements	43,439
Capital Fund - Meadowood	(6,527)
Capital Fund - Town Security Measures	24,691
CNR Fund - FY18	106,410
CNR Fund - Deep Water Wind	13,504
CNR - Police Cruisers	2,422
CNR - Security Cameras - Meadows, Bandshell	4,017
CNR - Eno Clock Repairs	(2,780)
CNR - PW Truck Replacement	720
CNR - PW Pickup Truck Replacement	4,873
CNR - Paddle Court Maintenance	2,460
CNR - PEGPETIA Tech Equipment	627
CNR - Mobile Data Terminals	(3,802)
CNR - SF Rink Fencing	1,550
CNR - Traffic Calming	(8,594)
CNR - Wood Chipper	(204)

CNR - Variable Message Sign Boards	488
CNR - Owens Brook Drainage	14,833
Total Transfers to Capital Reserve	<u>\$ 1,184,465</u>

Capital Reserve Summary

Capital Reserve @ 6/30/22 (Before YE Transfers)	\$ 4,333,298
Transfers to Capital Reserve	<u>1,184,465</u>
Capital Reserve @ 6/30/22 (After YE Transfers)	<u>5,517,763</u>

Capital Reserve Breakdown

Assigned - FY19 Bond Premium	646,601
Assigned - FY20 Bond Premium	715,676
Assigned - Gellert Funds - Senior Center	71,475
Assigned - Private Duty - Police	515,798
Assigned - Latimer Project	1,364,624
Restricted - Liquor Surcharge Funds	7,624
Unassigned	<u>2,195,965</u>
Total Capital Reserve	<u>\$ 5,517,763</u>

FY23 Capital Reserve Summary

Capital Reserve @ 7/1/22	\$ 5,517,763
FY23 Transfers/Appropriations	<u>(159,167)</u>
Estimated Capital Reserve @ 6/30/23	<u>5,358,596</u>

FY23 Capital Reserve Breakdown

Assigned - FY19 Bond Premium	472,201
Assigned - FY20 Bond Premium	559,359
Assigned - Gellert Funds - Senior Center	71,475
Assigned - Private Duty - Police	356,286
Assigned - Assessor's Office Study	150,000
Assigned - Non Profit Grant Program	150,000
Assigned - Latimer Project	1,364,624
Restricted - Liquor Surcharge Funds	7,624
Unassigned	<u>2,227,027</u>
Total Capital Reserve	<u>\$ 5,358,596</u>