

**Town of Simsbury Board of Finance
REGULAR MEETING MINUTES
Tuesday, April 19, 2016 at 6:15PM
Simsbury Board of Education – Conference Room
933 Hopmeadow Street, Simsbury, Connecticut**

PRESENT: Barbara Petitjean, Jeff Blumenthal, Robert Pomeroy, Jr., and Linda Schofield (via phone).

ABSENT: Kevin Prell and Moira Wertheimer.

ALSO PRESENT: First Selectman Lisa Heavner, Selectmen Elaine Lange, Cheryl Cook and Mike Paine; Interim Finance Director Sean Kimball; Board of Education Chairman Tara Willerup, Board of Education members Tom Doran, Tom Frank, Lydia Tedone, and Todd Burrick; Superintendent of Schools Matt Curtis, Business Manager Burke LaClair, Town Engineer Jeff Shea, Director of Planning and Community Development Jamie Rabbit, Police Chief Peter Ingvertsen, Police Commission Chairman Mike Long, Recreation Director Gerry Toner

1. CALL TO ORDER:

Chairman Barbara Petitjean called the meeting to order at 5:56PM.

2. PLEDGE OF ALLEGIANCE:

Noting that the group had just pledged allegiance during the public hearing less than fifteen minutes earlier, the pledge did not occur again.

3. APPROVAL OF MINUTES – PUBLIC HEARING OF APRIL 6, 2016 & REGULAR MEETING OF APRIL 6, 2016:

The April 6, 2016 Public Hearing Minutes should be amended as follows:

On Page 2, Twelfth line, that reads, "*.... Ms. Petitjean reported that in order for the town to stay with the 7% debt ratio, the capital projects will have to get up to \$7M but noted that only the current year's appropriations are voted on in a given year.*" should instead read, "*...Ms. Petitjean reported that in order for the town to stay with the 7% debt ratio, future capital projects will have to be reduced by \$7M but noted that only the current year's appropriations are voted on in a given year.*"

MOTION: Mr. Blumenthal, Mr. Pomeroy second, **to approve the April 6, 2016 Public Hearing Minutes as amended; unanimously approved.**

The April 6, 2016 Regular Meeting Minutes should be amended as follows:

On Page 2, Third line, that reads, "*...It was noted that \$6K would be needed in year two of the purchase for the body cameras for licensing and while this fee may increase through time no other incremental operating costs have been identified with the program.*", should instead read, "*...It was noted that \$6K would be needed in year two of the purchase for the body cameras for licensing and while this fee may increase through time, the other incremental operating costs have not been identified with the program.*"

MOTION: Mr. Pomeroy, Mr. Blumenthal second, **to approve the April 6, 2016 Regular Meeting Minutes as amended; unanimously approved.**

4. APPROVAL OF TAX COLLECTOR SOSPENSE LIST:

Tax Collector Collen O'Connor appeared before the Board and explained that this year's Suspense List is \$3k less than last year. She explained that the accounts on this list are still collectible for fifteen years, noting the business accounts are already out for collection.

MOTION: Mr. Blumenthal, Mr. Pomeroy second, **to approve the Suspense List in the amount of \$63,320.26; unanimously approved.**

5. DISCUSSION AND POSSIBLE ACTION REGARDING OPERATING AND CAPITAL BUDGETS:

Ms. Petitjean noted that the Board needs to discuss the capital as well as the timing, noting that a referendum had been tentatively scheduled for May 10, 2016. She explained inquiry had been made regarding whether more time could be allowed to allow for clarity into what will be actually adopted at the state level, noting the hope is that a decision will be made by the end of the legislative session. Ms. Petitjean explained that no one knows what the legislature's response will be but that the governor's proposal has impacted Simsbury's budget by \$1M. She suggested that the Board consider moving the referendum which will also require that they hold a third hearing to be in compliance with the timing dictates of the Town Ordinance. Mr. Kimball explained that the latest the referendum could be scheduled is June 7, 2016 in order to still allow the Town to get tax bills sent. He also noted that the latest the Board of Finance could meet, pass and file a budget, is May 23, 2016. It was decided that a public hearing would be held on May 18, 2016.

Mr. Pomeroy opined that it seems more likely that the municipal share of sales tax revenue would be cut before the ECS (Educational Cost Sharing). It was noted that this figure is \$648K and the Board should consider what to do if this amount is cut. Mr. Pomeroy opined that it might make sense to absorb half of this figure in increased taxes, whereas the other half should possibly come from cuts from both the Board of Education and Board of Selectmen.

Discussion ensued regarding how to make up for this \$648K shortfall should it occur. Using \$600K as a round number for discussion purposes, Mr. Pomeroy suggested that \$200K be absorbed through tax increases, \$200K to come out of the two Boards' budgets proportionately with a 75/25 split, and \$200K from the debt service. Mr. Blumenthal opined that a mill rate increase only exacerbates the problem in terms of the capped car tax going forward.

Ms. Petitjean then suggested that debt service be considered by the Board. She explained to those present that the Board has worked with bond consultants to take a look at next year's debt service as next year's is substantially up and would not stay within the 7% target. Ms. Petitjean explained that they had done cash flow projections for each of the projects and then worked with bond counsel to review when they would actually go and borrow the money to determine when they would have to begin paying it back. She noted that a six-year capital plan is created annually and that the Board already realizes that they will be unable to afford all of next year's projects and still stay within that 7% target.

Bar graphs depicting five different possibilities for handling debt service were projected onto a screen for all present to see as each was reviewed and considered.

The first graph provided for a situation wherein there is no cash assumption and by budgeting only debt service, the net result would be to require reduction in Appropriation Years FY17-FY19 of \$14M of project authorizations in order to meet the 7% target rate. The second graph provided for a situation where debt is increased/capital budget rises to 7% which requires a

reduction in Appropriation Years FY17-FY19 of \$7M of project authorizations. The third possibility shared assumed increasing debt/capital budget to 7% beginning in FY18 which requires a reduction in Appropriation Years FY17-FY19 of \$7.5M of project authorizations. A fourth possibility would require reduction in Appropriation Year FY17-FY19 of \$10.5M of project authorizations. Finally, a fifth graph reflected keeping debt/capital budget at 6.56%, which would require reduction in Appropriation Year FY17-FY19 of \$17.7M of project authorizations.

Ms. Petitjean asked the Board whether they are looking to cause a tax increase to make the debt service go back up to the 7% target or hold it flat for another year but reminded the Board that they will be facing difficulties next year in terms of the car tax mill rate cap undergoing a second cut, with a potential loss of \$500K and the challenges resulting from The Hartford property not generating taxes at the level that it is this year, with a potential loss of \$1.5M.

First Selectman Lisa Heavner then addressed the Board, cautioning that much of the planning is done on assumptions and that some of the assumptions, especially in terms of the CIP, are just part of a plan. She explained that the 7% target rate is a moving target and that as inflation goes up, that number will go up. She confirmed that the rate baked in was a 2% rate for inflation, noting that if inflation should go up by 3%, the 2% rate would likely need changing if assets and services were to remain the same. Other assumptions included are bond rates, cash flow, and projects, according to Ms. Heavner.

Ms. Heavner also noted that because interest rates are so low right now, building should occur while interest rates are low. She noted that while it might be counterintuitive, building is best when one is in a good position to do so financially, such as with a AAA bond rating, it would be a good time to borrow to build.

Ms. Heavner also noted that school projects are often paid for through a fifteen (15) year bond. Ms. Petitjean reported that the Board has reviewed that but did not want to present that because they are of the opinion that it makes more sense to try to manage it this way instead. She explained that in all the given possible scenarios that the numbers were run, the result was that next year's capital projects will have to be cut.

Simsbury Schools Superintendent Matt Curtis explained that the high school project was a fifteen (15) year bond.

As Board members contemplated whether or not to raise the mill rate to pay more on debt service this year, Ms. Schofield noted the difficulty in trying to make that decision without knowing what's going to happen with the state.

The different scenarios for the mill rate depending on what does actually finally get decided at the state level were then reviewed. It was noted that with no changes to what had been originally proposed by the state and also funding \$435K towards debt service would result in a .21 mill rate increase, or .6% increase in taxes. It was noted that if all of the governor's cuts were to indeed take hold and the Board still funded the \$465K towards debt service, the resulting mill rate increase would be .7 mill rate increase. Ms. Petitjean noted that if all of the governor's cuts were to occur, and no cuts were made by the Board of Education and Board of Selectman and no cash reserves were utilized, this would result in a .52 mill rate increase.

Consensus of the Board was that if the town does get a cut from State to the original projected budgeted numbers equal to or greater than the \$440K, there would be no increase in capital debt

service. It was also agreed that the Board has set this figure as the maximum increase that they find acceptable to add to this years' budget.

It was noted that the Board of Education should be prepared with a \$150K cut from their operating budget and that the Board of Selectman should be prepared with a \$50K cut from their operating budget so that the same may be shared at the final public hearing on May 18, 2016. Ms. Petitjean also requested that these two respective boards also reexamine their capital lists, and prioritize between this year and next year, explaining that the Board of Finance is seeking to do what can creatively be done but that there is an affordability issue with what has been put before them.

6. DISCUSSION AND POSSIBLE ACTION ON FUTURE MEETINGS/HEARINGS:

MOTION: Mr. Blumenthal, Mr. Pomeroy second, **to set the final public hearing for May 18, 2016 to begin at 5:45PM; unanimously approved.**

7. OTHER ITEMS:

Ms. Petitjean reported that the actuaries who analyze the funding had noted that their preference regarding the OPEB fund (7.5%) was for the Board to use the same interest rate assumption that is used on all the other pension funds (7.0%). She noted her agreement with this assumption. Mr. Pomeroy and Mr. Blumenthal agreed, too. Consensus was to reduce the rate from 7.5% to 7.0%.

Ms. Petitjean reported that the Board of Education has prioritized getting the turf field project done over the summer. Noting that since the Board is not questioning this project in any way at all and in an effort to allow them to move forward with it, she suggested that the Board of Finance commit to paying for this project out of cash reserves if for whatever reason the budget is not approved. She explained that this project will still be part of the budget process and that the Board is just granting permission to get the project started early. The Board unanimously agreed with this.

8. ADJOURN:

MOTION: Mr. Blumenthal, Mr. Pomeroy second, **to adjourn at 7:30PM; unanimously approved.**

Respectfully submitted,

Pamela A. Colombie
Commission Clerk