

From: SimsburyCT Postings February 29, 2012 4:46:34 PM
Subject: Board of Finance Minutes 01/17/2012
To: SimsburyCT_FinanceMin
Cc:

BOARD OF FINANCE
REGULAR MEETING - 6:00 PM
JANUARY 17, 2012

CALL TO ORDER

Peter Askham, called the regular meeting of the Board of Finance to order on Thursday, January 17th, at 6:00 p.m., in the Main Meeting Room at the Town Offices. The following members were also present: Nicolas Mason, Kevin North, Jeff Blumenthal, Barbara Petitjean and Paul Henault arriving later in the meeting. Also present were Mary Glassman, First Selectman, Mary Ann Harris, Finance Director/Treasurer, Burke LaClair, Board of Education Business Manager, Colleen O'Connor, Tax Collector, Debra Sweeney, Finance Department, Leslie Faraci, Clerk and other interested parties.

1. APPROVE MINUTES - December 20, 2011

Mr. Mason made a motion to move the approval of the minutes to later in the meeting. The motion was seconded by Mr. North and was unanimously passed.

2. BUDGET UPDATE - Second Quarter

Board of Education - Mr. LaClair walked through his Quarterly Budget Analysis worksheet, which was distributed to the Board members. Mr. LaClair said they were projecting a small budget deficit, in the amount of \$9,750, due to the additional need for temporary building services staffing (\$20,000 deficit) but on the positive side, they are now starting to see the benefits from a more energy efficient gas boiler at Henry James. Mr. LaClair also highlighted some changes in the Federal Education Jobs Fund Grant. When asked if they should be concerned about the deficit, Mr. LaClair said no, after taking time to look at it, he sees them as right on track in most areas and does not plan to be operating on a deficit. Electricity rates were discussed, and Mr. LaClair said they are on a multi-year contract and does not expect to see much fluctuation in their rate. Enrollment and staffing numbers were then discussed, with Mr. LaClair saying that changes will be mostly due to demographic trends. Enrollment projections were briefly discussed and the potential resulting effects on Mr. LaClair's budget. The Simsbury Reading Intervention Program was

discussed and the certified teachers in connection with the program. Mr. Mason asked Mr. LaClair about the modular classrooms and their shelf-life. Mr. LaClair said, as a district, they have made improvements in order to keep them up and it is continually being examined/addressed. Ms. Petitjean said the Task Force has had some consultants in, one of which just did a facilities analysis, and there has been a lot of good data produced and the Board should be provided with that data so they can look at the information.

Town - Ms. Harris distributed a quarterly report to the Board and said that basically, they are on target. Ms. Harris highlighted a couple revenue increases (Interest Income & increase in licensing and permits). Ms. Harris mentioned there will be some savings due to the reduction in Employee Medical Insurance. Ms. Harris discussed some of the details of the budget. Mr. Askham asked Ms. Harris how they were doing with regards to property taxes. Ms. Harris said we are doing very well and we are at a collection rate of over 98% (above what was budgeted). The property revaluation process, which as already started, was discussed. Ms. Glassman discussed how the information, regarding the revaluation process, is being disseminated. The FEMA application process, with regards to reimbursement for Irene and Alfred were discussed. The reimbursement payment process was also talked about between the Board, Ms. Harris and Ms. Glassman, along with paying incoming bills in connection with debris clean up.

3. CAPITAL PROJECTS - DEBT SERVICE

Mr. Askham said this discussion is regarding our Debt Service policy (7%) and what was available. Ms. Harris spoke about scheduling our debt and this was discussed between she and Mr. Askham. Mr. Askham asked for a projected schedule regarding future Debt Service. Mr. Mason asked Ms. Harris to use the 7% number as a guideline as opposed to a cap.

4. ANNUAL AUDIT FY'11 RESULTS

Mr. Askham started by asking Ms. Harris if we got a clean Audit Report, to which she answered, yes, we did. Mr. Askham had questions for Ms. Harris regarding Relevant Financial Policies (p. VI in report). Ms. Harris said it was time to go back and review all of our Policies. Mr. Askham mentioned their previous plan to make a Reserve Policy, but Ms. Harris said she does not think it was ever formally adopted as policy. Mr. Mason asked about reviewing policies on an annual basis. Ms. Harris responded by saying they are overdue with regards to looking at and updating the current policies. Mr. Mason specifically referenced the Pension Investment Policy as a candidate to be reviewed/revised. It was decided they should be reviewing the policies on an annual basis. Mr. Askham said there are quite a few informal guidelines that should be looked at to make as policy. Ms. Petitjean said she would like to get the policies to the Board members so they have time to review them and also put it on the agenda for the next

meeting to discuss. She then said it might be best to split up the policies between subgroups within the Board in order to make it a more efficient and effective process. Mr. Askham then had a question regarding Sewer Use Fund and Sewer Assessment Fund within the Balance Sheet (p. 16). He said under Assigned Fund Balances was the Sewer Use and Sewer Assessment totaling \$6.7MM. Mr. Askham said that is a lot of money sitting there, for which we do not get credit. Mr. Askham suggested the Board look into taking some of the money and restricting it for Sewer debt service. Mr. Askham said that money should be managed and not just sitting there. Ms. Petitjean asked if last year, during budget process, they mentioned they would be using the full amount of funds for Capitol coming up. Mr. Mason said these were potential plans that would go out years and years, and possibly not even happening. Mr. Askham said a valid long-term plan needs to be looked at. He then said if some of these funds were restricted for Sewer Debt Service only (maybe \$3.3MM), it may force them to come back with a more thought-out plan justifying why they may need all of those funds for Capitol Projects. Mr. Blumenthal asked if we had received a long-term Capitol Improvements plan, and Ms. Harris said yes, we have a 6-year plan from them. Sewer Connectivity Fees were discussed. Mr. Askham then mentioned Town Fund Balance of \$9.5MM, which is an increased amount from last year, and puts us over the 10% guideline. The over-expenditure of two, non-major budgets, were discussed, one of which was Simsbury Farms.

Mr. Henault arrived at 7:05PM.

Mr. Askham asked about closing out older projects within the Construction Commitments. Ms. Harris said yes, some of these projects are closed-out and some will be closed-out shortly. Mr. Askham said we should be closing out projects as soon as possible and maybe this issue should be looked at when the policies are reviewed.

Mr. Askham said he had a series of questions regarding the Pensions (p. 50 & p.58) specific to the Funded Ratio and how it is negatively trending. It was discussed that the valuation date was from 2009, the worst period in the market, and now it is showing up in our report. Ms. Harris said that everyone was trending down during that period and for 2011, the numbers are trending up. Mr. Askham said he was worried about the rating agencies looking at this number and seeing a red-flag. Mr. Henault asked if they should be looking at increasing the contribution number. Ms. Glassman said that was brought up at the joint meeting with the advisors and they felt comfortable with this number. Mr. Askham asked if they took some money and distributed it throughout the accounts, would this help make things look better. Ms. Glassman said it is worth asking our Pension Fund Advisor. Ms. Harris said, back in August, Moody's did inform us that we are a solid AAA credit and we were not on the "danger" list.

The increased tax collection rate was discussed (increased from 99.2% to 99.7%) and Mr. Henault mentioned that the high collection rate allows us to build reserves and use reserves when emergencies come up, like they did with Storm Alfred.

Mr. Blumenthal asked about the Positive Pay System Recommendation, and whether it is offered free through our banking channels. Ms. Harris said she has seen it used before, but they are still in the preliminary stages of looking into the system. Ms. Harris said it involves a software program we would need to get and there is a fee.

5. FY 2013 BUDGET DISCUSSION (including CNR) & POSSIBLE ACTION

Mr. Henault reviewed the Projected Mill Rate worksheet for the Board and audience. He then said that usually, at this point in the process, they have a discussion and, depending on the current market conditions, set a cap or operate on a guideline. Mr. Henault said he pulled some statistics on some of the usual items taken into consideration at this point. He said for Social Security the COLA (Cost of Living Adjustment) for 2012 is 3.6%. Mr. Henault quoted unemployment statistics for Simsbury (approximately 6.6%), in relation to the State (between 7.9% - 8.4%, depending on source). Mr. Henault asked to hear from the Board Members, Ms. Harris and Mr. LaClair at this point regarding 2013 Budgeting. Mr. Askham asked Mr. LaClair if there had been a preliminary budget brought forth and he said the Superintendent's preview is on January 24th. When Mr. Blumenthal asked if he was expecting a relatively flat budget, Mr. LaClair said it is not a zero budget, there will be some increase. Fuel costs and Health Insurance costs were briefly discussed. Mr. Henault expressed his concern around the Governor's comments regarding the adjustments in Educational Cost Sharing Formulas. He said all three boards have to look at what if the Educational Cost Sharing is changed. Mr. Askham said there is a Commission looking at the formula, and a possible change, that will not report back until at least September, so we should be safe for this current year.

Mr. Henault asked for Ms. Glassman's thoughts regarding the 2013 Budget. She said they know all of their fixed costs are going up and, while they have asked department heads to keep their budgets flat, they have seen an increase in all of the departments' budgets. Mr. Henault asked Ms. Glassman and Mr. Burke if it would help to receive a guideline, from the Board of Finance, in terms of an acceptable increase percentage. Ms. Glassman said it would be helpful, although there are still some unknown factors that they haven't heard on yet. She said they can always hold the line, but there have been sacrifices and would have to be more in order to do that. Mr. Blumenthal asked about when the current Labor Union negotiations would take effect and Ms. Glassman answered, this year. Mr. Henault said, while we continue to have challenges, both the Board of Selectmen and the Board of Education did a good job trying to respect the Budget guidelines given.

Ms. Glassman said that in the prior couple years, they had some vacancies that they were able to just not fill, but they are coming to the point where they are understaffed in some areas. Mr. Henault said it is going to have to be below a "3% year" in order for the Board of Finance to sell this Budget to the voters.

CNR - Mr. Askham asked about the Board of Education's CNR funds. Mr. Mason said he was surprised to see the 35% increase in funds for last year, as he does not remember having a discussion about it. He asked to revisit the total CNR budget. Ms. Harris said it was her understanding it should be about 1% of the total budget. She then said she has not looked at the department head's CNR budgets yet, as she just received them. Mr. Henault said he would not use that 1% number as the guide, as that is not what was used in the past. Mr. Henault suggested updating the CNR policy, which had been discussed earlier.

6. CORRESPONDENCE

Mr. Henault referenced a memo, distributed to the Board members, by the Marianne O'Neil, Chairman of the SImsbury Library Board of Trustees, regarding the request to reinstate the six (6) hours of operation at the Library that were previously cut. Mr. Henault asked the Board to respond to the letter. Mr. Blumenthal said he thinks this case acts as evidence of the conundrum of continued cuts and keeping budgets to minimal increases. He noted that the staff are working hard and operating on more limited resources. He noted the self-check-in and check-out as a way they have run in a more streamlined fashion. He then said he welcomed the letter and thought it was very useful as an example of what our broader services are experiencing. Ms. Harris said the number they were presenting did not include the benefits, so it will be significantly higher than the \$46,000 they are quoting. The financials were discussed between the Board members and Ms. Susan Bullock. Ms. Bullock said they are proposing to regain what they lost in FY 2011, six (6) hours of operation, at a lower cost at which they were previously operating. She said they will be filling holes with part-time employees to add to the savings. Mr. Henault said the Board of Selectmen is currently going through their Budget Workshops and he would recommend they continue the discussion process with the Board of Selectmen. Then the Board of Selectmen will bring their budget in front of the Board of Finance in March. He said he appreciates their efforts. Ms. Bullock then introduced the other members of the Library Board in attendance; Joy Himmelfarb, Diana Fiske, Charmaine Glew, Diane Madigan and Marianne O'Neil.

APPROVE MINUTES - December 20, 2011

Ms. Petitjean made a motion to approve the minutes of the December 20, 2011 Regular meeting with changes presented. The motion was seconded by Mr. Askham and was unanimously passed, with one abstention. (Mr. North abstained, as he was not present at that meeting)

7. OTHER BUSINESS

Ms. Harris said the February meeting is to be held on Tuesday, February 28th at 6PM at the Simsbury Public Library in Program Room #1. Mr. Henault said he and Ms. Petitjean recently attended a Elderly Tax Relief Committee meeting and gave a brief overview of the discussions from the meeting. He said no consensus was reached and whatever is ultimately decided has to come to the Board of Finance before it moves on to the Board of Selectmen. Ms. Petitjean said everyone on the Board is welcome to come to the next meeting to provide thoughts/opinions. She then said the more of a consensus the Board can have, prior to it coming back in front of the Board of Finance, the better off they will be.

ADJOURNMENT

Ms. Petitjean made a motion to adjourn the meeting at 8:20PM. The motion was seconded by Mr. Mason and was passed unanimously.

Respectfully submitted,

Peter Askham, Board of Finance
Commissions Clerk

Leslie U. Faraci,