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Cc:

BOARD OF FINANCE  
JANUARY 19, 2010  
REGULAR MEETING

1. CALL TO ORDER

The Regular Meeting of the Board of Finance was called to order at 6:00 P.M. in the Main Meeting Room of the Simsbury Town Offices. The following members were present: Paul Henault, Peter Askham, Candace Fitzpatrick, Nicholas Mason, Anita Mielert and Kevin North. Also present were Director of Finance Kevin Kane, Board of Education Business Manager David Holden, Superintendent of Schools Diane Ullman, Board of Education Chairman Jack Sennott, Director of Public Works Thomas Roy and other interested parties.

2. MINUTES

Mr. Askham made a motion to approve the minutes of the December 15, 2009 Regular Meeting. Ms. Mielert seconded the motion.

Corrections were noted on pages 3 and 5.

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

3. 2010/11 OPERATING BUDGETS/CAPITAL PROJECTS

Mr. Henault stated that the 2009/2010 budget focused on expenses and revenues from both boards. At the time, it was recognized that the issues faced would probably span multiple years and the upcoming year will pose many of the same challenges. During the current year, the Board has hosted various discussions with the Board of Selectmen, the Board of Education, our State Representative and State Senator, and the Town's actuary, who discussed the Town's pension estimates. Mr. Henault said the driving factors influencing the 2010/2011 budget revolve around revenue and expenses. On the revenue side, investment income, State aid, conveyance

tax and the tax collection rate are all concerns as well as other factors affecting Town residents, such as Social Security increases, inflation and unemployment. On the expense side, the major categories are employee costs (health costs, wage settlements, pension obligations) and capital.

#### Board of Education

Mr. Sennott indicated that the Board of Education is just starting its budget process and the preliminary estimate is that it will involve an increase of 3.65% and will contain some staffing reductions, no new programs and only cost increases that are mandated by contract or known, such as the additional funding for OPEB, pension and insurance increases. It also contains negotiated wage increases of 4.75% for teachers and 3.95% for administrators.

Mr. Sennott stated that an attempt was made in last year's budget to keep any cuts as far away from the classroom as possible, such as technology, textbooks, maintenance or paraprofessionals. He stated that the same approach would be taken in arriving at this year's budget. He stated that the Board feared that if any guidelines or cap set by the Board of Finance are too restrictive such that the mandated salary increases are not attainable, then there will be serious harm done to the school system.

Dr. Ullman noted that there was \$2 million cut out of last year's budget, including \$500,000 in technology, cutting 8 teaching positions, cutting \$100,000 worth of paraprofessionals and increased pay for play. The non-personnel accounts were all taken away from last year and can not be used again for cuts. This year, the proposed 3.65% increase has 46 of the 76 accounts at 0% increase and the only ones with increases are those over which the Board has no control, such as contracts or rates that must be paid for fuel or utilities. Also included is the reduction of 4.5 elementary teachers due to declining enrollment. In light of the current economic conditions, she said that the administrators have been looking at the impact of having a budget increase that is less than 3.65%. Anything between 0% and 3.65% would involve people, with a 0% increase resulting in 50 positions being cut and a very different school system. Any level below the 3.65% will result in program cuts and job eliminations.

#### Board of Selectmen

Mr. Kane stated that the budgets were presented to the First Selectman and that he recently did a presentation to the Board of Selectmen. At that time, he projected that the budgets presented would result in a projected overall increase of approximately 4.2%. Health costs are projected to increase at 10%. Mr. Kane felt it was also important to note that every Town employee took a 0% wage increase in the current year. All the

contracts relative to wages will expire as of

June 30, 2010. The Town's pension funding will increase by approximately 30% and there will be a small increase in OPEB funding.

Mr. Henault asked Dr. Ullman about "Race to the Top" federal funds, noting that Simsbury had applied for these funds, and wondered if, in so doing, the school district had to commit to certain things and asked if the BOE budget contemplated any of those potential commitments. Dr. Ullman stated that they have agreed to be a partner of the State as opposed to applying as a school system. She stated that the "Race to the Top" programs come in four categories: standards and assessments, teacher quality, data systems and failing schools (which would not apply to Simsbury). Simsbury is looking at three of those initiative categories, half of which are required and are already in the State plan for improving education anyway. Therefore, the school system has not been committed to any additional expenses as a result of "Race to the Top", but, rather, has indicated that they will participate in sharing any of the money that may come to the State. If the State is successful, the Town would receive about \$40,000 and beyond that would have the ability to participate in any of the initiatives that the State generated and offered, such as professional development or opportunities to join a consortium. Further, a district can withdraw at any time, particularly should any unfunded mandates surface.

Mr. Henault referred to recent news coverage about how other towns are replacing current defined benefit pension plans with defined contribution plans for their new employees. He asked if this proposal would be raised in upcoming negotiations. Mr. Sennott replied that they will be considering all relevant proposals, but did not think that it was appropriate to be stating what they will be saying other than to those they are actually negotiating with. Mr. Kane pointed out that, even if such a change were to be eventually made, any potential savings that might be realized would not be immediate as the actuarial calculation relative to the required contribution will not change as it pertains to existing conditions as of June 30th of this year. If there were to be new employees, funding would increase slightly in the next year, but could potentially decrease over time. He stated that the news article regarding the recent change made in West Hartford may have sounded great, but the magnitude of the change was very small initially.

Mr. Henault asked about projected school enrollment. Mr. Holden stated that enrollment is projected to decline by 108 students next year and will continue to decline by 85 students per year on average. He noted that these projections could be affected should there be a mandate requiring Simsbury to take in additional Open Choice students.

Mr. Mason noted that public comment expressed at last year's Town Meeting revolved around concerns over too much overhead at the school and too many administrators. Mr. Sennott stated that, based on benchmarking with like size districts and standards regarding curriculum development and workload, they feel that they have the right level of resources. Mr. Askham stated that, in facing a 5% enrollment drop from their peak of 5018, the Board should be taking a serious look at its overhead, including administration and facilities in developing its budget.

Mr. Askham asked what typical contract settlements would be if negotiated now. Mr. Holden stated that information being gathered from other districts indicates that it would be a range of 0% to a very small general wage increase. Mr. Askham asked, if the teachers and administrator contractual rates were to be decreased to current market, what the proposed budget increase would be and Mr. Holden replied that it would very little or 0%. There would just be the 10% medical insurance increase and the OPEB and pension increases that would require funding.

Mr. Mason asked what the increase would be if the pension, health and energy-related increases were removed from the proposed 3.65% increase. Mr. Holden replied that it would be 2%. Dr. Ullman stated that the two-year ARRA grant (federal money that is earmarked for special education) that was received (approximately \$500,000 per year) allowed them to fund items that were not in the budget, such as assisted technology and specialized learning programs. That money will disappear after next year, but has allowed them to restore half of the paraprofessionals that were cut last year.

Mr. Askham noted that the Town budget last year represented a decrease of approximately 3%, but this year's shows a 4.2% increase. Mr. Kane stated that there was a decrease made in last year's budget of approximately \$532,000. A 4.2% increase this year represents approximately \$750,000 and, if you net both those numbers out, it results in a net increase of \$230,000 over a two-year period. The pension increase alone is about \$275,000 in the Board of Selectmen's budget. In essence, the budget is just going back to where it was two years ago. Employees gave up their increases last year, so it is costs driving the numbers up. Mr. North asked if the employee concessions were the principal source of those savings. Mr. Kane stated that they represented about 70% of the total savings.

Mr. Henault asked Assessor David Gardner about the impact of the conveyance tax on the recent sale of The Hartford. Of the \$460,000 collected,

\$115,000 will go to the Town. It is expected that conveyance tax revenue will come in very close to the budgeted amount and that the sale will not result in any change in assessment by the Town.

Ms. Mielert acknowledged the presence of a number of Town employees at the meeting who were present to show their continuing concern about their jobs and the budget process. She asked what dollar amount represented the 4.75% increase for teachers and 3.95% increase for administrators. Mr. Holden indicated that it was approximately \$65,000 for the administrators and \$1.2 million for the teachers, offset by 14 teacher retirements and reduction of 4.5 teachers, to \$600,000.

Mr. Kane displayed the mill rate projection worksheet that the Board has used in the past for the budgeting process and they explored the tax impact of various scenarios. Assuming a .25% drop in the grand list (currently being projected by the Assessor), a 98% tax collection rate and the current \$8.2 million level of State aid remaining constant, with a 4.25% increase in the Board of Selectmen budget, a 0% increase in the debt service budget, and a 3.65% increase in the Board of Education and Non-Public Schools budgets, the resulting tax increase would be 4.32%. If the tax collection rate was increased to 99%, the resulting tax increase would be 2.99%. Adding \$500,000 from reserves did not impact the tax increase. Mr. Henault thought that it would take reserves in the neighborhood of \$1 million to have a significant impact.

Mr. North thought that it was very important to consider any pending capital requests before contemplating the use of reserves for operating expenses. He wanted to know if either board had projects that could not be put off that they would be bringing forward, since reserves have traditionally been the method used for funding capital needs that must be addressed immediately. Mr. Sennott stated that a capital plan was moved forward to the Board of Selectmen last week that was within the guideline of complying with the Board of Finance's 7% debt policy and that Town and school buildings should be looked at collectively and provided for work that needed to be done over the next six years. The result should be a combined capital improvement plan that allocates both boards projects together such that projects that need to get done will get done while staying within the 7% debt policy. Mr. North thought that such a plan would mean no capital projects in the next year. Mr. Kane thought that there would be some basic maintenance projects.

Mr. North stated that he was not in favor of using any reserves to offset the operating budget until all capital needs are known. Mr. Askham added that State revenue is at risk and could also require the use of reserves.

The Board then considered the scenario of 1.25% budget increases (last

year's guideline) for both boards. The result would be a 1.66% tax increase.

Mr. Mason asked Mr. Holden and Mr. Sennott if they could provide scenarios of what budget increases ranging from 0% to 2.5% would produce. Mr. Sennott stated that, since most of the budget costs are people-driven, a 3.65% budget increase would result in a staff reduction of 4.5, a 2% budget increase would result in 26 less people and a 0% budget increase would result in 47.5 less people. Mr. North asked what percentage of headcount that would represent and Mr. Holden felt it was about 6%.

Mr. Henault noted that tax increases in the range of 4.32% have been approved by the voters in the past (driven primarily by inflationary pressures or enrollment increase) and asked if both boards felt they would be willing to put a tax increase of this magnitude out to the voters. Selectman Bob Hensley stated that it is very early in the budget process and that he would not personally feel comfortable going to the voters with a 4.3% increase. But, he felt that there was a very special effort made last year that can not be repeated this year, which makes it even more challenging this year to arrive at reasonable numbers. Selectman Lisa Heavner asked Mr. Kane to translate a 4.3% tax increase to dollars for an average taxpayer paying \$7,500 in taxes. Mr. Kane stated that a 2% to 4% increase would translate into a \$150-\$300 tax increase. Mr. Sennott noted that the budget numbers still need fine tuning, but is in favor of presenting the increase to the voters. He asked that the Board not set a cap as he felt that it pre-empts the process before the numbers can be fine tuned.

Mr. North noted that it is also important to take into account other economic influences currently impacting the taxpayers. He stated that he was not comfortable backing off on last year's efforts to limit tax increases, noting that Simsbury's mill rate is higher than that of neighboring towns. Mr. Mason agreed, but added that there were certain offsetting resources that are not available this year and a 0% tax increase will result in cutting positions, which will be very difficult to do and he is concerned about it.

Mr. Henault felt that there was no consensus to go much above last year's guideline. It was noted that, if the grand list assumption was changed to be 0% and the budget increases were held to 1.5%, the resulting tax increase would be 1.99%. Mr. North suggested the possibility of contract re-openers today in exchange for a three-year contract that meets the community's needs and avoids lay-offs. Mr. Sennott stated that that proposal had been put forward last year and will be re-visited again. Ms. Fitzpatrick reiterated Ms. Mielert's comments regarding the efforts already put forth in that regard by the Town employees in the current year.

Mr. Mason made a motion to set a guideline for the operating budgets of both boards to not exceed 1.5%. Ms. Fitzpatrick seconded the motion.

Mr. Askham thought that 1.5% was too high, given all the other unknowns in revenue, such as decreases in grand list and State aid, as it could result in too high a tax increase. Ms. Mielert agreed, adding that it is very difficult to pinpoint an acceptable range with so many unknown variables in the revenue. Mr. Mason added that even the current year budget is an unknown due to the uncertainty regarding State aid. Mr. Mason asked Mr. Kane what dollar effect a 1.25% increase would have on the Board of Selectmen's current budget. Mr. Kane stated that it would involve a reduction of approximately \$500,000.

The motion failed 3-3 (Mr. Askham, Mr. North and Ms. Fitzpatrick voted "no").

Ms. Mielert made a motion to set a guideline for the operating budgets of both boards not to exceed 1.33% and to provide scenarios ranging from 0% to 1.33%. Ms. Fitzpatrick seconded the motion.

Mr. Henault noted that a 1.33% budget increase would result in a 1.66% tax increase, which was almost the same rate as last year. Ms. Fitzpatrick stated that it is only a guideline being set for expense increases and, once the Board is further into the budget process, they may have to adjust the guideline up or down as the unknown numbers become more firm.

The motion passed 4-2 (Mr. North and Ms. Fitzpatrick voted "no").

Ms. Mielert made a motion to adjourn the meeting until 7:35 PM. Mr. Mason seconded the motion and it passed unanimously.

Mr. North made a motion to resume the meeting at 7:35 PM. Mr. Askham seconded the motion and it passed unanimously.

#### 4. TRANSFER REQUESTS FROM RESERVES

Mr. Henault referred to a request received for a \$70,000 transfer from reserves to pay for an easement on the Hall property so that the Town can then collect an \$185,000 open space grant, which has been outstanding for a number of years. Mr. Henault stated that he was troubled by the fact that the State is asking the Town to spend \$70,000 for an easement when no mention was made of this requirement at the time of application for the grant. Mr. North had similar concerns.

Ms. Mielert stated that the grant was one of the first open space purchase

grants that was filed for and the State changed rules midstream in the process, noting that the difference between an open space purchase and an agricultural purchase for development rights was not recognized by the State ten years ago.

Town Attorney Bob DeCrescenzo explained that State Representative Linda Schofield has been working with the State on this issue and has not gotten anywhere. Mr. Henault asked Attorney DeCrescenzo if the word "easement" was ever even mentioned in the original contract. Attorney DeCrescenzo stated that it was not, but the original grant of development rights was found to be insufficient by the DEP to meet the requirements of the statute which authorizes the grant. In section 2.2 of the grant, the Hall's originally agreed to the following:

Grantor grants to the Town herein development rights for the benefit of the general public, including the right to view the property as seen from public roads and any other public areas as it exists on the date of the grant or as it may exist in the future as a result of uses consistent with the rights reserved herein by the grantor and its successors in interest in perpetuity.

DeCrescenzo stated that, in buying development rights, you do not buy the right of access to the property. Further, adjacent to this property is a 20-foot wide walking path. Originally, the Town was told that this would be sufficient to satisfy the requirement for "public access". He added that various options have been presented to the State over the years and he cited an e-mail that was received from the DEP dated 9-26-03 indicating that the easement plan was adequate. However, a response sent to the grantor dated 12-8-03 stated that it was not acceptable. Town Engineer Richard Sawitzke stated that it became apparent that the State wants the access to be through the property and, therefore the walking path abutting the property, was deemed inadequate.

DeCrescenzo stated that the Hall's feel that additional rights are being asked for regarding access that was never addressed by the original agreement. The grant can not be received unless an agreement is signed with the Hall's and the First Selectman can not sign the agreement until it is approved by the Board of Selectmen and the Board of Finance. If the boards can not agree to the purchase of the easement, the \$185,000 grant will not be received. Mr. North noted that, in essence, the net proceeds from the grant will be reduced by \$70,000 to \$115,000. Mr. Askham clarified that the transfer is for \$60,000 in easement costs plus the additional construction of a fence. Attorney DeCrescenzo stated that the Town is at the end of the line relative to this grant and, if not finalized by January 31st, it will be gone.



Town Engineer Richard Sawitzke stated that this grant was one of the first grants applied for in the State to preserve agricultural property and added that, in any grant application, there has to be an approved appropriation involved somewhere in the process. He explained that there are basically three types of grants: formula grants, problematic/competitive grants and eligibility grants, in which a project is first accepted and then you can apply for the grant. Attorney DeCrescenzo stated that all grants are handled differently now and there is no closing until all the paperwork has been signed off by the Attorney General.

Mr. Henault asked if there had been any independent appraisal as to whether this was a fair market price for the easement. DeCrescenzo stated that it was a negotiated settlement made under time constraints and felt that it was fair. Mr. Askham stated that the pricing is irrelevant as spending the \$70,000 will result in receiving a net \$115,000 from an \$185,000 grant that is not in hand, but was concerned that the \$185,000 would never materialize after the \$70,000 is spent. DeCrescenzo stated that the \$70,000 will not be expended until the \$185,000 grant is in hand.

Mr. North made a motion to authorize a \$70,000 appropriation from reserves for the additional easement and fence at the Hall property and to direct counsel to obtain a reimbursement for those costs up to the full amount from the State, if at all possible. Ms. Fitzpatrick seconded the motion.

Mr. Henault asked if the Town has enlisted help from Linda Schofield in this issue. Attorney DeCrescenzo said that it has and that Representative Schofield has been very active in seeking remedy. He added that there is the statute that allows for a waiver of public access for extraordinary circumstances for agricultural land, which has been requested, but no response has been forthcoming. Mr. Henault asked about any requirement regarding the type of fence. Attorney DeCrescenzo stated that the fence is being asked for by the Hall's, not the State and that there is no stipulation as to type of fence. Ms. Mielert urged more discussions with the Hall family to ask them to reconsider the requirement of the fence as public use of the property is doubtful. Mr. North suggested that perhaps there could be an option to call for the fence in the future, if needed.

The motion passed unanimously.

Mr. Henault referred to a request received for a \$200,000 transfer from reserves for road improvements at Simsbury Farms in order to obtain a STEAP grant. He noted that the grant is a reimbursable grant that requires money upfront. Town Engineer Richard Sawitzke stated that the grant is a problematic/competitive grant that has been approved and, once there is authorization to spend, the expenses get reimbursed as you go. He stated that he can submit a request for funds and should receive them within 30

days.

Mr. Sawitzke stated that the bulk of the start-up work was performed by Simsbury Farms staff and that the only expenditure was a bulldozer rental. Mr. Henault wondered why this could not come out of the Simsbury Farms budget rather than the Town budget since the road was started without a request to the Board of Finance for any kind of funds. Mr. Kane stated that there has to be an appropriation first before any money can be spent. Ms. Fitzpatrick stated that she was disappointed that this capital expense circumvented the normal mechanisms that are in place and now the Town has a road that needs work that can not be managed within the operating budgets. But since there is a 1:1 reimbursement, she felt it would be foolish to turn down the grant. Mr. Mason was concerned that there could be a potential liability issue and that the road needs to be taken care of. He felt that there had been enough admonishment about the methods used and that the practical thing to do would be to finish the road.

Ms. Fitzpatrick made a motion to authorize an appropriation from reserves in the amount of \$200,000 for Simsbury Farms road improvements to be reimbursed by the STEAP grant. Mr. Mason seconded the motion.

Mr. Henault confirmed with Mr. Kane that all transactions will happen within the current year's budget.

The motion passed 5-1 (Mr. Henault voted "no".)

##### 5. SPECIAL REVENUE FUND FOR SCREENED SAND

Mr. Henault referred to a request from Director of Public Works Thomas Roy to establish a Special Revenue Fund to account for funds received from the sale of sand. Mr. Askham asked why there is a need to establish a Special Revenue Fund instead of just putting any revenue from sand sales into a Miscellaneous Revenue account. Mr. Roy explained that the sand, which is no longer being used for winter maintenance, was looked upon for many years as being "free", but does have a value to the Town. Sand has a value to the construction community and the intent is to sell the sand to offset the some of the increased costs associated with the treated salt which is currently being used. Sand has a volatile market price and Mr. Roy stated that he would like to be able to sell the sand off when the market dictates the best pricing and to keep it in a dedicated fund. In addition to the sand, the Public Works Dept. also occasionally has crushed recycled product which can also be sold as structural backfill.

Mr. Askham expressed his concern that this would allow for purchases outside of the normal budget process with a fund that is off to the side. In short, it would allow for unapproved initiatives to happen. Mr. Henault stated that the Board always has issues with Special Revenue Funds as they allow for things to be done outside the budget process. Mr. Henault stated that he preferred to table the request until next year and not establish a Special Revenue Fund at this time. Ms. Fitzpatrick explained to Mr. Roy that historically there were a lot of Special Revenue Funds and the Board went through some painful exercises in eliminating them. Mr. Roy stated that his primary intent was to look for ways in which to increase revenue so as to offset upcoming roadway improvement needs. Ms. Mielert stated that the Board's primary concern is that there would be no Board supervision over the expenditures with a Special Revenue Fund.

6. OTHER BUSINESS

Mr. Henault noted that the report of the third quarter results for the OPEB Fund was provided to the Board members in their packets.

7. ADJOURNMENT

Mr. North made a motion to adjourn the meeting at 8:40 P.M. Ms. Fitzpatrick seconded the motion and it passed unanimously.

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Paul Henault, Chairman

Debra L. Sweeney, Clerk