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Cc:

BOARD OF FINANCE
APRIL 14, 2009
REGULAR MEETING

1. CALL TO ORDER

The Regular Meeting of the Board of Finance was called to order at 6:00 P.M. in Conference Room D172 at Simsbury High School. 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, First Selectman Mary Glassman, Tax Collector Colleen O'Connor, Superintendent of Schools, Diane Ullman, Board of Education Business Manager David Holden and other interested parties.

Mr. Mason made a motion to address Item 2 on the agenda first. Ms. Fitzpatrick seconded the motion and it passed unanimously.

2. ACTION ON THE PROPOSED 2009/10 OPERATING BUDGETS

Mr. Henault noted that the Board of Finance needs to take action on the operating budgets for the Board of Selectmen, Debt Retirement, Board of Education, and Non-Public Schools and move them on to Town Meeting and referendum. The Board also usually has discussions regarding the revenue side of the budgets as well as projecting the resulting mill rate. In the past, there has either been a firm idea as to how the Board will proceed or there has been a range taken to the Town Meeting.

Mr. Kane displayed his interactive Excel worksheet that calculates the effects of various components of the budget on the projected mill rate. Mr. Henault stated that the budgets as presented to the Board of Finance consist of the Board of Selectmen's budget with a 3.05% reduction from last year's budget, the Debt Retirement budget with a 2.31% reduction from last year, the Board of Education budget with a 1.25% increase over last year and the Non-Public Schools budget with a 1.25% increase over last year.

Mr. Kane stated that the grand list has not changed substantially since prior projections; it is slightly higher (\$100,000-\$125,000), but that would only result in a \$3,600 impact on taxes. He added that investment income is at .25% for the month of February and, if he were asked to use that rate for purposes of projecting investment income, he would estimate it at \$75,000 rather than the \$300,000 figure that is currently being used. He advised the Board to not increase their estimate of investment income any higher than \$300,000 and, if anything, to consider reducing it. Mr. Askham asked the Board of Education members that were present for an update on the status of ECS funding and they had no new information.

Mr. Henault stated that, if the budgets were to be adopted as is and no reserves were used, it would result in a 1.69% tax increase (or .5 mill). If \$500,000 of reserves were to be used, there would be a 1.01% tax increase (or .3 mill). It would involve the use of over \$1 million in reserves to get to a 0% tax increase using the current budgets. Mr. Kane stated that there were reserves of \$7.6 million at the end of the last fiscal year. He projected that the reserve level will drop to \$7-\$7.3 million at the end of the current fiscal year. He added that, if the Governor reduces the State budget, the number could drop even further and the Board could potentially be faced with a 3.3% tax increase going into the budget cycle for the subsequent year before even dealing with any budget increases.

Ms. Mielert asked the Tax Collector about the current collection rate. Ms. O'Connor stated that it is currently at 98.92%. She added that reminder notices were sent out today and that there are some large accounts that are making partial payments that she is somewhat concerned about.

Ms. Glassman joined the meeting at 6:20 PM.

Mr. North stated that he thought that any action taken by the Board should be made in the context of the anticipated mill rate increase so that taxpayers are aware of the impact of the budgets when they vote. He added that this is not a one-year problem. Therefore, he felt that it was premature to use reserves at this point due to the uncertainty surrounding ECS funding and anticipated pension shortfalls in the subsequent year. He noted that a .5 mill increase compares favorably with projections currently being made in other towns. He felt that the prudent thing to do would be to hold off on the use of reserves until next year and have the voters

react to the budgets on a “pure” basis without being buffered by the use of reserves.

Mr. Askham noted that speakers at the recent Public Hearing stated a desire for a 0% tax increase and that the Board of Finance had asked the respective boards to come forward with budgets with increases in a 0%-1.25% range. The Board of Selectmen submitted a budget with a decrease and he was somewhat disappointed that the Board of Education had come in at the upper end of the range provided. He said that reserves are there to be used. He also understood this to be a long-term problem and that there may be tough increases in the next few years. He thought, however, that the 0% grand list growth this year might be a short-term trend. He noted that the bond rating agencies do not want the Town’s reserves to go lower than a 5-7% level and that it is currently at 9%. He proposed a step level use of reserves to get to a 0% tax increase.

Mr. Mason stated that he agreed with both points. However, he was concerned that using the reserves could be a short-term fix if the State were to withdraw funding in September. Therefore, he was not in favor of using reserves at this time.

Ms. Fitzpatrick stated that she was very concerned about State revenue and noted that the State is currently in the best financial situation that it is going to be for at least the next two years. It appears that aid to the Town will decrease this year, next year or the year after. If the Board were to use reserves to lower a minimal tax increase, she feared that, if ECS funds are cut, then the reserves would be hit twice and there would be nothing left for the next year. She stated that she would like to “test the waters” and see if the public would approve a tax increase without the use of reserves. If not, then the Board would have to decide on how to proceed.

Ms. Mielert stated that she was concerned about spending, but felt that the reserves are there for “rainy days” like the present. She proposed the use of \$500,000 of reserves to see if a 1% tax increase was palatable to the voters.

Mr. Henault noted that most towns will be making their best efforts to accomplish 0% tax increases and may be using reserves in order to do so.

Ms. Fitzpatrick asked about the actual dollar impact to the average homeowner. Mr. Kane stated that, using an averaged assessed value of

\$244,000, a 1.69% increase would equate to an additional \$122 in taxes per year and a 1% increase would result in an additional \$70 in taxes per year.

Mr. Askham wondered what the Board would propose to do should the budget be voted down. Ms. Fitzpatrick said that the Board would have to have a discussion at that time, but that she would first like to test the public using a budget that does not involve the use of reserves. Ms. Mielert stated that, if the budgeted is defeated, the use of reserves would not come under discussion as the public would want cuts in the budget. Mr. Henault concurred, but Ms. Fitzpatrick disagreed as she thought that the public cares primarily about tax increases and not how they are mitigated.

Mr. Mason thought that, if the tax collection rate were to hold, then reserves could potentially be replenished. Mr. North stated that any potential gain would be more than offset by the anticipated pension contribution of \$800,000 in the following year. Mr. North stated that the Board of Finance gave both boards instructions to prepare budgets ranging from a 0% increase to a 1.25% increase; while the Board of Selectmen far exceeded their request by coming in with an actual budget decrease, the Board of Education came in at the high range. If the budget were to be defeated and, even if the Board of Education budget were to be dropped to a 0% increase, there still would be an additional \$300,000 required in reserves or additional cuts would be needed to arrive at a 0% tax increase.

Mr. Mason reiterated his fears that ECS funding would be \$500,000 to \$1 million less in September. Mr. Henault stated that they would then have to go back to the Board of Education to adjust their expenditures. He said that a 0%-1% range for projected tax increase is the lowest in recent memory. He stated that, if all reserves are used this year, the result would then be huge increases in the subsequent years.

Mr. North thought that there was a pretty high probability that the voters would support a .5 mill increase without the use of reserves. Ms. Fitzpatrick agreed and suggested that the Board make presentations on SCTV explaining how these numbers have been arrived at and the sacrifices that the Town employees have made and promoting why it feels that it is the best option for the Town.

Ms. Mielert expressed her concern about the capital improvement plan, particularly the huge number of projects that are targeted for a year from now, which could begin adversely affecting the Town's bond rating. She was afraid that some projects are being used as placeholders and that a more thorough cash benefit analysis should be required before projects get on to the list in the first place as it was becoming more of a "wish list" than a plan. Mr. Henault agreed and suggested that the three boards meet during

the summer to discuss and revamp the list. Ms. Glassman indicated that the Board of Selectmen has already begun work in this area.

Mr. Askham also thought that the Board should begin planning some scenarios for the following year's budget and Mr. Henault asked Mr. Kane to pro forma some scenarios using various assumptions. Ms. Fitzpatrick noted that there are many tools available for capital improvement planning that help objectify and quantify the process.

Mr. North made a motion to put forward the four budgets as they were submitted on the appropriations side with a resulting projected tax increase and no additional changes to reserves or the collection rate for purposes of moving them on to referendum and Town meeting. Ms. Fitzpatrick seconded the motion.

Mr. Henault asked Mr. North to clarify the intent of his motion as to whether he was trying to preclude the Board from taking further action when it comes time to set the mill rate. Mr. North stated that, if the appropriations were approved by the voters, then the Board should take no further action at its meeting after the referendum. Only if the budgets were turned down would the Board make any changes or consider other options such as the use of reserves or adjusting the collection rate. Mr. Askham stated that he was in favor of the use of reserves now as not doing so would result in a 1.69% tax increase and that he would not be in support of the use of reserves at the meeting to set the mill rate. Mr. North stated that the reality is that, when voters enter the booth, they are voting on an acceptable tax increase, not the actual expenditures.

The motion passed 4-2 (Mr. Askham and Ms. Mielert voted "no").

3. MINUTES

Mr. North made a motion to approve the minutes of the February 24, 2009 Regular Meeting. Ms. Fitzpatrick seconded the motion.

Mr. North asked that the clerk include additional details relative to his questioning of Mr. Holden as described on page 4 as well as clarification of the intent of his subsequent motion.

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

Mr. North made a motion to approve the minutes of the March 9, 2009 Regular Meeting. Ms. Fitzpatrick seconded the motion.

Ms. Fitzpatrick asked that the phrase "employee benefits" be changed to

“employee benefit costs” on page 2 for clarification. Ms. Mielert asked that “exceeded” be changed to “exceeded the expectations of” on page 1 for clarification.

The motion to approve the minutes as amended passed 4-0 (Ms. Mielert and Ms. Fitzpatrick abstained.)

Mr. Mason made a motion to approve the minutes of the March 12, 2009 Regular Meeting. Ms. Mielert seconded the motion and it passed unanimously.

Ms. Mielert made a motion to approve the minutes of the March 12, 2009 Public Hearing. Ms. Fitzpatrick seconded the motion and it passed 5-0 (Ms. Fitzpatrick abstained).

Ms. Fitzpatrick made a motion to approve the minutes of the March 12, 2009 Special Meeting. Ms. Mielert seconded the motion.

Ms. Fitzpatrick asked that Mr. Holden’s response on page 3 be edited for clarity as the response did not answer the question asked and the amounts in his response did not add up. Mr. Holden clarified that the response should have been that the components of the \$180,000 were “core switches, gateway security and Tootin Hills School fiber optic connectivity”.

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

4. OTHER BUSINESS

None.

5. ADJOURNMENT

Mr. Askham made a motion to adjourn the meeting at 7:15 P.M. Ms. Fitzpatrick seconded the motion and it passed unanimously.

Paul Henault, Chairman
Clerk

Debra L. Sweeney,

