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To: SimsburyCT_FinanceMin
Cc:

BOARD OF FINANCE
AUGUST 18, 2009
SPECIAL MEETING

1. CALL TO ORDER

A Special Meeting of the Board of Finance was called to order at 5:00 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, and Anita Mielert. Board of Education members present were: Chris Kelly, Jack Sennott, Susan Salina and Tara Willerup. Board of Selectmen members present were: John Hampton, Robert Hensley, and Michael Long. Also present were First Selectman Mary Glassman, Superintendent of Schools Diane Ullman, Director of Finance Kevin Kane, Board of Education Business Manager David Holden and other interested parties.

2. MINUTES

Ms. Fitzpatrick made a motion to approve the minutes of the July 21, 2009 Regular Meeting. Mr. Askham seconded the motion.

Mr. Mason asked that his comments on page 3 be edited for clarification.

The motion to approve the minutes as amended passed 5-0.

3. DISCUSSION ON SIX-YEAR CAPITAL IMPROVEMENT PLAN

Ms. Glassman stated that, once the details of the Federal Stimulus package were known, the Boards of Selectmen and Education each started a dialogue about paring down the list of projects that were on their six-year capital plans. Mr. Henault noted that the plan originally had projects totaling \$48 million and has now been pared down to \$23 million over a six-year period, but added that the timing of the projects could be an issue. He did not feel that it was the Board of Finance's intent to review individual projects or their validity, but rather to determine the overall amount that can be spent and the timing as to when they might be done.

Ms. Glassman gave an overview of the Board of Selectmen's efforts to date, noting that historically this is the earliest that such discussions have begun in the annual budget process and demonstrates the intent of all the boards to be proactive in dealing with current budget constraints. She stated that the Board of Selectmen wished to honor the Board of Finance's 7% debt policy and initially asked Town staff to review the plan by focusing on needed maintenance projects (such as roof replacements), rather than new projects or "wish list" items. The Board of Selectmen also wanted to honor legal commitments that have been made relative to Phases 2A and 2B of the Ethel Walker land purchases, in which the Town has already put down \$1 million on deposit. The resulting list was \$12 million of Town projects and \$3.2 million in open space land purchases for the two remaining phases of the Ethel Walker project.

Ms. Glassman stated that the Town projects, which have not yet been prioritized, include: paving projects in order to maintain the roads (noting that there will most likely be less money flowing from the State in the near future for such projects), renovations to the main building at Simsbury Farms (which is currently not ADA compliant), pool repairs and improvements at Memorial Park (to prevent closure of the park), completion of energy controls and air conditioning projects at Eno Hall, renovations to the Apple Barn structure, replacement of the older sections of the Greenway trail (which do not yet have a regular maintenance schedule established and are now 20 years old and in disrepair), fiber communications connecting the Town buildings so as to provide better service to residents, golf course improvements and various park improvements to structures and river access.

Ms. Glassman reviewed a tentative timetable for the projects:

2010: paving management would be the only bonded project

2011: a decision as to whether to close or improve Memorial Park

2012: Ethel Walker Phase 2A payment must be made, if voter approved

2013: no projects, due to the Ethel Walker obligation in 2012 exceeding the allowable debt load

2014: Simsbury Farms main building improvements
Ethel Walker Phase 2B payment must be made, if voter approved

2015: Eno Hall air conditioning and energy controls
Apple Barn renovations

Ms. Glassman stated that the timetable is merely a guideline for moving forward and that there will be future dialogue about intended uses of structures, the possibility of scaling projects back and finalized cost estimates. Mr. Askham noted that the challenge will be how to fund the projects so that the debt policy is smooth. Mr. Kane stated that, in the above plan, currently the dollar numbers fit, but the timing does not and some projects may have to be pushed off in order to meet the 7% debt policy.

Mr. Kelly stated that the Board of Education has undertaken a similar exercise and also did so with the underlying intent of honoring the 7% debt guideline and focusing on maintenance and critical projects. Future discussions will have to be had relative to funding and timing. He noted that the Board established a set of priorities in their review of the projects: safety, maintenance, standards, savings generated from the project, revenue or potential payback, ratings from a maintenance point of view, environmental impact (climate or health) and an equality of structures between schools.

Seven projects were removed from their six-year plan and the remaining projects include: Latimer Lane and Central School roof replacements, modifications to the Latimer Lane main office, media center and art area, the Henry James main office and media center and the Squadron Line main office.

Mr. Holden stated that the roofs are typically replaced when they are 20 years old. He added that window replacements and district network infrastructure enhancements would also be part of the renovation projects.

Mr. Kelly presented a similar tentative timetable for the Board of Education projects:

2010: Latimer Lane roof replacement
Window replacement – Latimer Lane/Squadron Line
District network infrastructure
Latimer Lane main office/media center
Art/Modular classroom replacement

2011: Central School roof replacement
Squadron Line main office project

2012: District network infrastructure

2013: None

2014: District network infrastructure

2015: None

Mr. Sennott asked the Board to state what role they wanted to play in planning for capital projects as currently there seems to be a lot of confusion about that. He asked if the Board felt that their role was to establish an acceptable debt load or to pass judgment on various projects that are presented to them. Personally, he felt that the primary role of the Board of Finance was to set the debt load, but has been confused by past actions of the Board when they passed judgment on individual projects. He thought that it might be helpful for Board of Finance members to walk the buildings so that they can fully understand the scope of the projects being proposed.

Mr. Askham replied that some projects, such as roofs, are easily identifiable as maintenance projects, but that others, when subjected to a 6% debt cap would disappear. Ms. Mielert thought that dividing the dollars 50/50 between the two boards was not practicable and that timing of the projects is the role of the Board of Finance.

Ms. Glassman responded that the goal is to bring a consensus to the voters, that the 7% guideline is a policy and agreed with Mr. Sennott that a tour of town facilities is necessary in order to get a full appreciation of the existing conditions before any projects get prioritized. Mr. Sennott stated that various board members have been elected to use their best judgment in presenting options or a plan to the voters. He suggested the establishment of a subcommittee containing representatives from all three boards that would focus on the capital assets of the Town and put forth a plan as to how those assets will be maintained, which then gets analyzed as to affordability and passed through the filter of the 7% guideline or affordability relative to the tax base. Mr. Mason thought that such a process should be started now rather than in January and was interested in projecting the operating budgets to future years, similar to what is now done for capital projects.

Mr. Long agreed with Mr. Sennott and thought that information regarding the Town buildings should be shared amongst all three boards. He felt that it was not the role of the Board of Finance to determine the priority of given projects, but rather its role is to determine how much money is available to spend responsibly.

Ms. Fitzpatrick noted that the Board of Finance has used the 5%-7% debt policy to determine how much the Town can afford and historically the other

two boards have been given annual guidelines as to how to divide the funding. The only time that the Board has had to prioritize individual projects is when they have asked the boards to prioritize by reducing their projects and they were unable to come to a decision. She did not feel that it was the responsibility of the individual Board members to tour buildings and determine maintenance needs. She stated that two major issues are that the Town has limited money and lots of capital assets. She, therefore, supported Mr. Sennott's idea of developing a master inventory of all the capital assets and their maintenance schedules.

Mr. Hensley also agreed with Mr. Sennott's comments, but noted that the Board of Finance has had to deny projects when more projects were submitted than available funds would allow. He felt that it is important that the two boards prioritize their projects before putting them forward to the Board of Finance.

Mr. Askham noted that pressures arise when unbudgeted items get forced into the budget process and that large expenditures that the Town wanted in the past are now putting pressures on the current budgets due to debt service. He added that the current financial crisis is not over and, if the State does something radical relative to its budget, shortfalls could arise at the town level. He noted that there is a pending increase in the pension obligation in the upcoming operating budget. Therefore, the capital plan may have to be backed off on as there is no longer flexibility to absorb all these extra strains.

Ms. Glassman agreed and noted that the current plans are not locked in and are just a starting point for future discussion. She added that not doing management projects can have an impact on the community and having an awareness of building conditions is important when making a decision to postpone maintenance.

Mr. Henault stated that the Board of Finance will have to determine the timing of some issues and choices regarding various projects will have to be made as to whether or not they warrant pushing the debt policy to 8% or 9%. Ms. Mielert warned that the current debt policy has been in place for almost 15 years and was originally established because the Town's debt load was in the 12% range and, if the debt policy is allowed to go unchecked, operating budgets can be destroyed. She felt that there is a narrow range between cutting into programs and maintaining quality of life, noting that, if the voters approve a project or budget, then that is what the Town wants. Mr. Sennott stated that, although economic issues are important, another option for consideration is that it might be more prudent to take on more debt in order to take advantage of lower costs in a time of lower interest rates and contractor rates.

Mr. Long noted that the 5%-7% range was originally determined by taking

into account bond rating agencies, other towns' experiences and the comfort levels of the various members of the Board. He added that, if unbudgeted large expenditures are presented that could jeopardize the Town's long-range plans, then the boards all have a responsibility to make a recommendation to the voters as to whether or not it is wise to go forward with them.

Mr. Henault summarized that the issues to be considered going forward include taking a longer view regarding operating budgets, budgeting for the maintenance of existing assets, determining an appropriate debt policy, and the feasibility of establishing a subcommittee.

Ms. Glassman suggested that the Board include this discussion in the agenda for the September meeting as there would most likely be an update on the State budget and any changes to the school reimbursement rate.

4. 2008/09 BUDGET TRANSFERS

Mr. Kane reviewed several additional budget transfers, totaling \$2,565, for the Sewer Use Fund to be added to transfers which were previously approved by the Board at their July 21st meeting.

Ms. Fitzpatrick made a motion to approve the transfer of \$2,565 from reserves for the Sewer Use Fund. Mr. Askham seconded the motion and it passed 5-0.

5. UPDATE ON 2008/09 FINANCIAL RESULTS

Mr. Holden stated that Board of Education revenues are on target and anticipates a \$2,300 surplus in expenditures for the non-public school budget and a \$10,500 surplus in expenditures for the public school budget. He added that the outstanding issue regarding the fuel pump at the high school has been resolved and that the Tariffville School project is on budget and should be ready for occupancy by August 31st.

Mr. Kane provided an update to his figures as presented at the Board's last meeting. He anticipated that there would be a surplus in expenditures of \$405,188 (transfers of reserves) and a slight surplus (\$43,000) in the fund balance, representing approximately 9%.

6. ADJOURNMENT

Ms. Fitzpatrick made a motion to adjourn the meeting at 6:30 P.M. Mr. Askham seconded the motion and it passed 5-0.

Paul Henault, Chairman
Clerk

Debra L. Sweeney,