



Town of Simsbury

933 Hopmeadow Street Simsbury, Connecticut 06070

Board of Finance Agenda Submission

March 7, 2019

Ericka Butler
Town Clerk
Simsbury, CT 06070

Dear Ms. Butler:

A **Regular Meeting** of the Board of Finance will be held at **5:45 PM** on **Tuesday, March 12, 2019**, in the Board of Education Conference Room of Simsbury Town Hall, 933 Hopmeadow Street, Simsbury, Connecticut.

The Agenda is as follows:

1. Call to Order
2. Pledge of Allegiance
3. Approval of Minutes:
 - February 19, 2019
4. FY 19/20 Budget Development
 - Board of Education 2019/2020 Budget Presentation
 - Health Insurance Fund (Internal Service Fund) Update
 - Debt Service and Capital Update
5. Adjourn

Yours Truly,

Robert Pomeroy
Chairman

Present: Rob Pomeroy, Chairman; Lisa Heavner; Derek Peterson; Linda Schofield; Moira Wertheimer and Kevin Prell. *Also Present:* Maria Capriola, Town Manager; Burke LaClair, Simsbury Schools Business Manager; Amy Meriwether, Director of Finance/Treasurer.

1. Call to Order

The meeting was called to order at 5:47 p.m. by Mr. Pomeroy, Chairman, in the Main Meeting Room of Simsbury Town Hall, 933 Hopmeadow Street.

2. Pledge of Allegiance

All present stood for the Pledge of Allegiance.

3. Approval of Minutes

Mr. Prell made a motion to approve the January 15, 2019 Regular Meeting Minutes. Mr. Peterson seconded the motion. All were in favor. The motion passed. The minutes will be put on record.

4. Finance Director's Report

Ms. Meriwether referenced her distributed report to update the board about grants and donations, including the education cost sharing grant. She also spoke about holding a Simsbury Tax Sale on May 18, 2019, to help recover outstanding property taxes. To date \$300K has already been collected.

5. School Business Manager's Report

Mr. LaClair referenced his distributed report titled, "Financial Report / Quarterly Budget Analysis," to update the board about BoE revenues and expenditures. Revenues: There was an increase in 2018-19 awards by a little more than \$900. The department is still awaiting final numbers for state and federal grants. Expenditures: Bottom line spending has been very close to last year in the second quarter. Enrollment and staff numbers have not changed since the first quarter. Utility costs have been higher, especially for electricity. As information on state and federal grant figures come in, Ms. Heavner requested that the BoF be notified in case a meeting may need to be called earlier. Per Mr. Pomeroy's request, Mr. LaClair agreed to send the results of the annual kindergarten class size survey to board members.

6. Proposed CNR Structure Discussion

In preparing for an upcoming audit, Ms. Meriwether discovered that several funds were earmarked for Capital Non-Recurring, including the "CNR – Assessor" Fund, which was reserve money to keep the CNR solvent for revaluation costs. She also discovered that new CNR funds were being created for each budget year. To simplify, she is recommending the establishment of a CNR Fund that would unify all current CNR-related monies into one fund with line items. Ms. Schofield made a motion, effective February 19, 2019, to approve the creation of a "CNR Fund," to transfer \$1.9M from the "CNR – Assessor" Fund into the CNR Fund, and to utilize the newly created CNR Fund for all future CNR project appropriations. Ms. Wertheimer seconded the motion. All were in favor. The motion passed.

7. Proposed Revised Capital and CNR Policy

Ms. Meriwether discussed the most current edits made to the "Capital and CNR Policy," through the presentation of a 4-page report titled, "Town of Simsbury: Capital Planning and Financing Policy Statement." Ms. Schofield made two more small changes to the document. After further discussion, Mr. Peterson made a motion, effective February 19, 2019, to adopt the revisions made to the proposed "Capital and CNR Fund Policy," thereby replacing the existing version of the "Capital and CNR Fund Policy." Ms. Schofield seconded the motion. All were in favor. The motion passed.

After carefully reviewing the “Capital and CNR Fund Policy,” Ms. Heavner and Mr. Pomeroy discovered that its language was inconsistent with the current “Capital Asset Policy.” Ms. Meriwether recommended that the Capital Asset Policy be updated to agree with the “Capital and CNR Policy,” which has a \$10,000 capital asset threshold for equipment. An edited and revised 3-page “Capital Asset Policy” report was distributed. Ms. Schofield made a motion, effective February 19, 2019, to adopt the revisions made to the proposed “Capital Asset Policy” as presented. Ms. Wertheimer seconded the motion. All were in favor. The motion passed.

8. Retirement Plan Subcommittee

A three-page draft copy titled “Memorandum of Understanding between the Town of Simsbury Board of Selectman, Board of Education and Board of Finance: Regarding the Retirement Plan Subcommittee” was distributed. Ms. Heavner made several corrections to the document—highlighted in yellow or written in red text—to make it consistent with the town charter. After much discussion, further changes were recommended. Mr. Prell made a motion to approve the proposed “Memorandum of Understanding” as presented, pending approval by the town’s lawyer and review by the Boards of Selectmen and Education with these suggested edits: 1. At the end of the first sentence of the first paragraphs in items 2a, b and c, to add the phrase “or their designees, if they are unable to attend a particular meeting;” 2. Rewriting the first sentence in section 2d to read, “Two community members at-large, who are electors of the town, recommended by the Board of Selectmen and approved by the Board of Finance,” and 3. Deleting section 4f. Ms. Schofield seconded the motion. Ms. Wertheimer abstained because she was not present at the time of the vote. However, a quorum was met. The motion passed. Ms. Heaver requested that all BoF members be given information and materials about a week before each Retirement Plan Subcommittee meeting. This would allow the BoF time to review and have questions asked and answered ahead of its own meeting.

Quarterly Oral Report. Mr. Prell reported that while the market in the fourth quarter was challenging, there was a rebound in January. Mr. Prell made a motion to ratify the recommendation from the Retirement Plan Subcommittee to remove Aberdeen Investments and replace it with Vanguard Investments in the town’s international fund portfolio. Mr. Peterson seconded the motion. All were in favor. The motion passed.

9. Communications

Proposed Revised Debt Policy. A 10-page draft report dated February 6, 2019 and titled, “Town of Simsbury Debt Management Policy” was distributed to the board for review. Ms. Meriwether will continue to research. She is asking board members to email her any further changes or suggestions.

Tax Abatement for Volunteer Firefighters and Ambulance Personnel Communication from Kevin Kowalski. Ms. Meriwether reported that during the last revision to the “Tax Abatement for Volunteer Firefighters and Ambulance Personnel Ordinance,” the critical fourth paragraph was unintentionally deleted. Mr. Kowalski, Chief Administrator for the Simsbury Fire District is requesting that the fourth paragraph be added back to the ordinance; that an amendment be added to Section D, and that a clarification be made to section 141-21. No action was required by the board.

10. Adjourn

Ms. Schofield made a motion to adjourn the meeting. Mr. Peterson seconded the motion. All were in favor. The meeting adjourned at 7:04 p.m.

Respectfully submitted,

Lorrie McElligott
Commission Clerk



Town of Simsbury

933 Hopmeadow Street Simsbury, Connecticut 06070

Board of Finance Agenda Item Submission Form

- Title of Submission:** FY19/20 Budget Development
- Date of Board Meeting:** March 12, 2019
- Individual or Entity Making the Submission:**
Amy Meriwether, Finance Director/Treasurer
- Action Requested of the Board of Finance:**
If the Board of Finance supports the FY19/20 Board of Education budget as presented, the following motion is in order:

Move, effective March 12, 2019 to approve the FY19/20 Board of Education budget as presented and move it forward to the public hearing stage of the budget process.

- Summary of Submission:**

Board of Education 2019/2020 Budget Presentation

Pursuant to Section 806 of the Town Charter, the Board of Education is required to present its budget to the Board of Finance by March 15th.

Health Insurance Fund (Internal Service Fund)

Recently, a thorough analysis of the Health Insurance Fund was performed. This analysis identified that the Town's Health Insurance Fund has not been solvent since at least FY13/14. Attached is the fund history for your reference.

Since FY13/14 losses in the Health Insurance Fund have ranged from about \$100,000/year to over a \$1,000,000/year with the exception of FY15/16 which is showing a surplus of \$491,708. However, this surplus was only achieved via a transfer into the fund from another fund. Without this transfer, revenues did not exceed expenditures and a loss of \$408,695 would have resulted. FY16/17 shows a similar scenario where if there was no transfer in from another fund, a loss of \$1,086,002 would have resulted. Based on the fact that routine revenues are not exceeding expenditures year over year, the fund is considered insolvent.

Staff has been working closely with the consulting firm, Lockton, to rectify the situation. Four scenarios have been developed for possible resolve. These scenarios are being brought forth to the Board of Selectmen at their March 11th regular meeting to discuss the FY19/20 budget impact. Attached you will find the health insurance fund projections for reference which includes the four scenarios.

Debt Service and Capital

During the development of the FY19/20 Town Manager's Proposed Budget, a capital and debt model was prepared utilizing source documents such as the existing debt policy and most recent audit. This debt model included all Town debt, which is General Fund and Sewer Fund debt. Subsequently, staff learned that in the past, our Sewer Fund debt has not been included in the debt service modeling.

Bond counsel confirmed that the sewer debt is in fact Town debt and impacts the Town's bond rating. This means that if the Sewer Enterprise Fund was ever unable to make its debt service payments, the General Fund would have to make those payments. Management has reviewed the health of the Sewer Enterprise Fund and is comfortable, that as of present, it is financially sound. Therefore, management is comfortable with utilizing past debt service modeling practices which does not include the Sewer Fund debt. However, it would be beneficial for the Board of Finance to see the debt modeling inclusive of the sewer debt at least on an annual basis for informational and monitoring purposes. This debt modeling chart has been included in this packet.

Also included in this packet is the debt modeling chart excluding the sewer debt, which as mentioned above, is consistent with the prior year modeling. Without the sewer debt, we are within the 6.7% target line for most years of the capital plan but this still does not include a cash contribution for our baseline capital needs. Staff has included an additional chart, without sewer debt, but with projected baseline capital needs set at \$2.5M (very rough projection at this point). Major categories we are working to quantify for baseline capital needs are: paving, sidewalks, bike trails, town buildings, school buildings, parks/open space and our fleet. Some of this analysis is complete, while other studies are underway or soon to be underway.

Each modeling scenario is being provided for informational purposes as we move through the budget process and considerations are made for how we want the Town's capital financing plan to look.

6. Financial Impact:

If the Board of Finance approves the proposed Board of Education FY19/20 budget as presented, this will increase the Town's education budget by 2.5%.

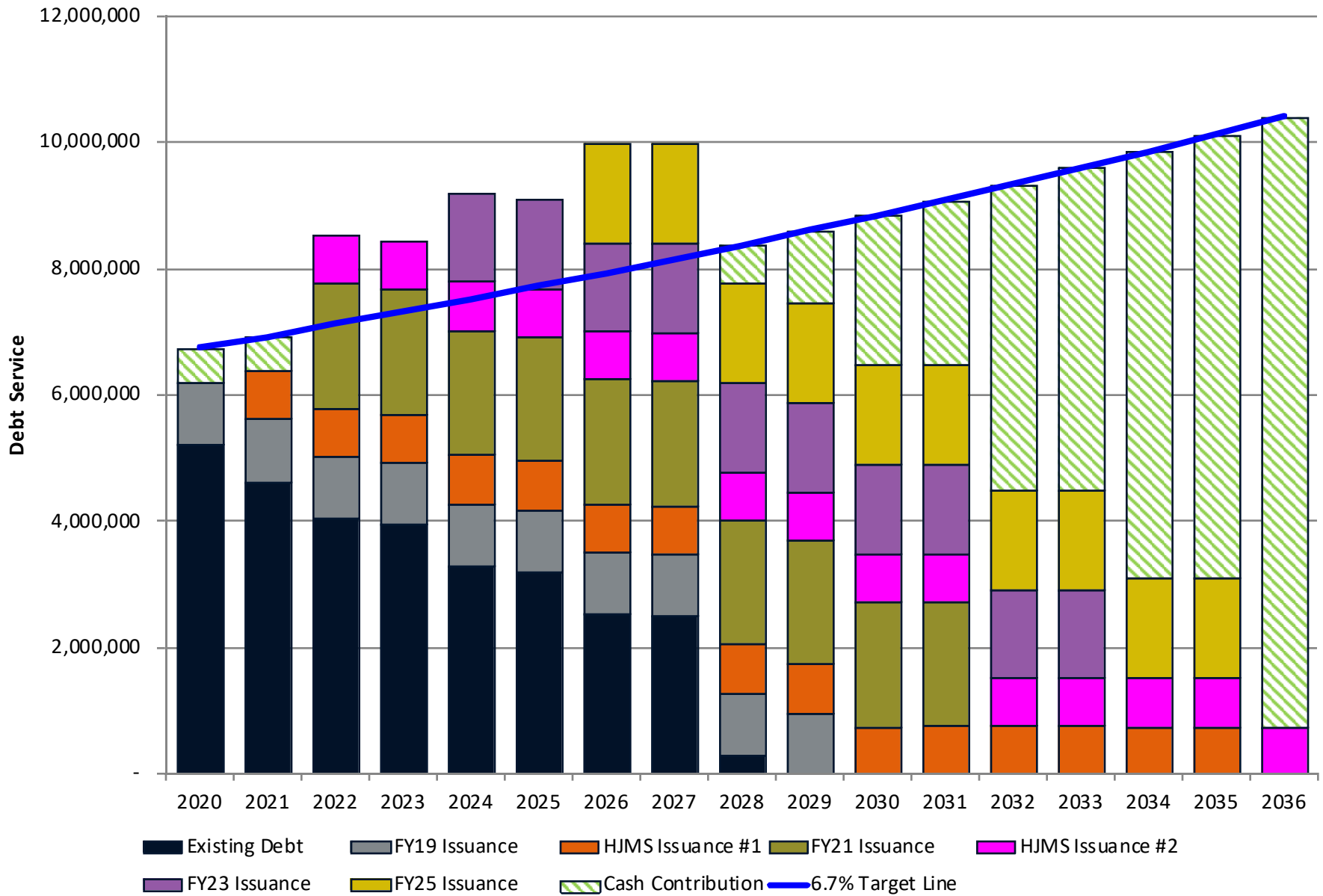
7. Description of Documents Included with Submission:

- Health Insurance Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Fund History
- Health Insurance Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Fund Projections
- Capital Budget Planning FY20 – FY25 – With Sewer Debt
- Capital Budget Planning FY20 – FY25 – Without Sewer Debt
- Capital Budget Planning FY20 – FY25 – With Baseline Needs – Without Sewer Debt

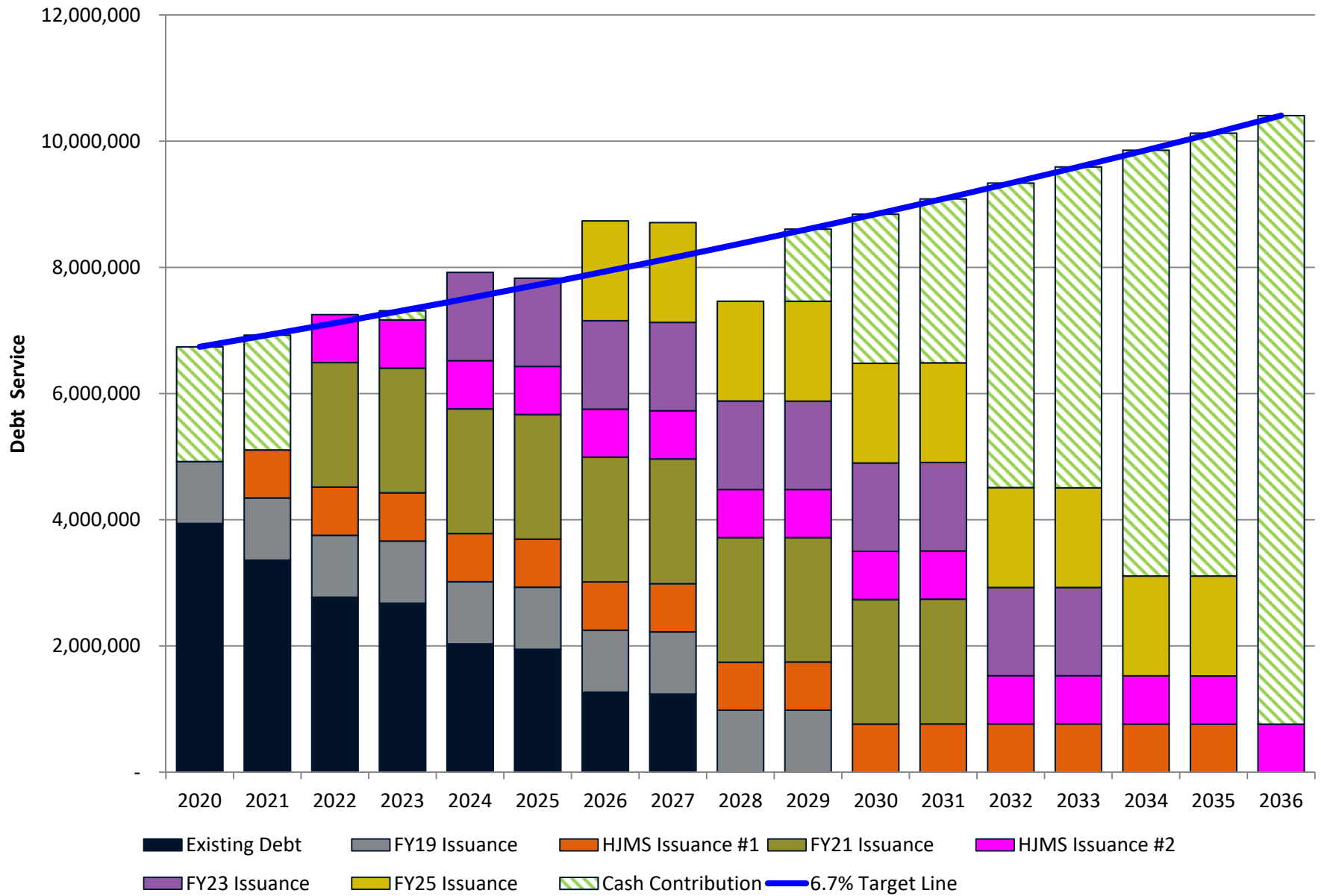
**Town of Simsbury
Health Insurance Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Fund History**

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Revenues					
Premiums	\$ 4,509,073	\$ 10,061,714	\$ 10,313,705	\$ 11,220,263	\$ 12,386,056
H.S.A Funding	-	-	-	-	475,201
Rx Reimbursement	-	-	282,068	392,310	350,491
Fees from General Fund	-	60	-	-	10,206
Insurance Refunds	361,104	263,277	3,401	240,437	34,401
Total Revenues	<u>4,870,177</u>	<u>10,325,051</u>	<u>10,599,175</u>	<u>11,853,010</u>	<u>13,256,355</u>
Expenditures					
Claims	4,741,926	10,423,552	10,226,551	12,027,761	12,773,634
H.S.A Funding	-	-	-	-	475,118
ASO Fees/Admin Fees	225,595	926,687	781,319	911,251	438,192
Stop Loss Insurance	-	-	-	-	420,494
Total Expenditures	<u>4,967,521</u>	<u>11,350,239</u>	<u>11,007,870</u>	<u>12,939,012</u>	<u>14,107,438</u>
Operating Transfers					
Transfer In	-	-	900,403	600,000	-
Total Operating Transfers	-	-	900,403	600,000	-
Net Change in Fund Balance	(97,344)	(1,025,189)	491,708	(486,002)	(851,083)
Fund Balance - 7/1	<u>1,845,216</u>	<u>1,747,872</u>	<u>722,682</u>	<u>1,214,390</u>	<u>728,388</u>
Fund Balance - 6/30	<u>\$ 1,747,872</u>	<u>\$ 722,683</u>	<u>\$ 1,214,390</u>	<u>\$ 728,388</u>	<u>\$ (122,695)</u>

Capital Budget Planning FY20 - FY25 - With Sewer Debt



Capital Budget Planning FY20 - FY25 - Without Sewer Debt



Capital Budget Planning FY20 - FY25 - With Baseline Needs - Without Sewer Debt

