



Town of Simsbury

933 HOPMEADOW STREET ~ SIMSBURY, CONNECTICUT 06070

Maria E. Capriola - Town Manager

February 27, 2023

Members of the Board of Selectmen
Simsbury Town Hall
933 Hopmeadow Street
Simsbury, CT 06070

Re: FY 23/24 Manager's Proposed Operating and Capital Budgets

Dear Board of Selectmen Members:

Attached please find the Manager's proposed operating and capital budgets for the Town of Simsbury, for FY 23/24. When developing the budgets, I had the following objectives in mind:

- Maintain current services and programs
- Advance Board of Selectmen initiatives and priorities in areas of Financial Management and Capital Planning; Health, Safety and Well-Being of our Community; Economic Development; and an Engaged, High Quality Workforce
- Maintain and invest in existing assets and infrastructure with a focus on cash for ongoing and routine capital needs
- Strengthen our long-term financial stability by maintaining or increasing Fund Balance, maintaining our Health Insurance Fund reserve at a healthy level, and maintaining our commitment to funding OPEB and pension liabilities
- Review operating and capital needs that would be good candidates for use of ARPA dollars, keeping in spirit with the intended uses for pandemic recovery and BOS Policy

The proposed operating and capital budgets including debt service, Town and Board of Education as presented, are \$122,074,432, an increase of \$7,113,160 or 6.19%. Based on revenue projections, a mill rate of 31.05 mills (excluding Fire District) would be needed to fund the proposed budgets. This reflects a mill rate decrease of 6.36 mills (from 37.41 mills), or a tax decrease of 17.00%, or \$656 for the year for a median valued single-family home.

The grand list has grown by 26.85% or \$719,464,885 in value, generating approximately \$22.3M in additional revenue. Due in part to revaluation, which is required by law once every five years, real estate increased by 31.56% or \$710,124,540. Motor vehicle increased by 4.07% or \$11,136,360. Personal property decreased by 1.15% or \$1,796,015. Without revaluation, the grand list increased by 2.34% or \$62,662,769, generating approximately \$2.3M in new revenue. Real estate increased by 2.25% or \$50,614,093. These numbers are preliminary and are based on the most recent information available. The grand list will be completed on February 28, 2023. Estimates are also subject to change based upon the outcome of assessment appeals.

Telephone (860) 658-3230
Facsimile (860) 658-9467

townmanager@simsbury-ct.gov
www.simsbury-ct.gov

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We have utilized the Governor's proposed budget for estimating state revenues. Most existing state revenues for Simsbury remain flat with the exception of ECS and the motor vehicle mill rate reimbursement. Under the Governor's proposed budget our ECS revenue increases by \$222,479 from \$7,000,416 (22/23 actual) to \$7,222,895 (23/24). Under the Governor's proposed budget our motor vehicle mill rate reimbursement increases by \$373,907 from \$1,180,975 (22/23 actual) to \$1,554,882 (23/24).

The proposed operating budget is a \$1,453,584 (5.65%) increase to Town Government and does not include any service improvements. There are a number of service improvement considerations that I have prioritized for your review during budget development should the Board have a desire to enhance services. They are as follows:

- Increased hours for the Deputy Building Official position
- Shared fleet management services with the Board of Education
- Parks Maintainer staffing restoration
- Increased hours for the Recreation Coordinator position (no General Fund impact)
- Building the teen materials collection at the Library
- Summer literacy and outreach program
- Additional funding for community events (Simsbury Celebrates, Juneteenth)

If all of the above service improvements were funded, an additional 0.06 mills, or a mill rate of 31.11 mills (excluding Fire District) would be needed to fund the proposed budgets. This equates to a tax impact of \$16 for the year for a median valued home, with an overall tax decrease of \$640.

Some key expenditure budget drivers to the municipal budget are: debt service increase - \$2,005,691; anticipated general wage and step increases - \$358,403; impact of the minimum wage increase for staff - \$32,904; increases to utilities - \$113,819; increases to the cost of fleet vehicles - \$67,962; increases to building/cleaning/agricultural/parts supplies - \$38,612; contingency funds for same day voting - \$25,000. Areas such as utilities and cleaning supplies are some of the operating budget expenses that are being impacted by recent inflation.

The budget maintains our interest rate assumption for our pension plan and OPEB Trust at 6.5%. Of note is that our Board of Education and general government employees OPEB plans have reached fully funded status. The budget maintains our actuarial recommended contributions to our pension plans and police OPEB plan.

After a challenging year in FY 20/21 that required the town to reset health insurance "premiums" at an appropriate level to cover expected claims and to rebuild the internal service fund balance, our Health Insurance Fund is now in a stable position. The Health Insurance Fund reserve is projected to be at \$3,513,183 or 21% of expected claims in FY 23/24. This is slightly below the desired 25-33% range of expected claims. I am recommending that any unallocated ARPA funds be earmarked in the event a one-time contribution to the health insurance reserve is needed or desired; if the Town Manager's recommended uses of remaining ARPA funds are approved, the placeholder for the Health Insurance Fund reserve would be \$611,048. If those funds are not ultimately needed at year-end, they could be repurposed for other needs.

Board of Selectmen priorities helped frame budget development: Financial Management and Capital Planning; Health, Safety and Well-Being of our Community; Economic Development; and an Engaged, High Quality Workforce. Financial management and capital planning remain a high priority for the Board and staff. We continue to evaluate and implement shared services with Board of Education. Examples include continued implementation of financial management services and a proposed service improvement for shared fleet management services. Numerous capital and capital nonrecurring (CNR) projects support this goal such as a financial fraud risk assessment, Facilities Master Plan projects (i.e. elevators, Eno building

infrastructure), Parks and Open Space Master Plan projects (i.e. playgrounds, athletic field irrigation), expansion of our trail network, and funding for anticipated electric charging station grant(s).

Various CNR projects support the Health, Safety and Well-Being of our Community goal. Examples include Police Department needs (i.e. vehicles, body cameras), cross walk safety improvements, Metacom Drive safety improvements, and the Station Street 2-way reconfiguration.

Economic Development funds are included to maintain contributions to Simsbury Main Street Partnership, the Simsbury Chamber of Commerce, and the Business and Career Center, a tourism map project, and year one of a three-year project to develop and implement a Tariffville area plan.

In regards to professional development the budget includes funding for continuing education for maintenance of certifications, professional development and the annual leadership retreat, training dollars for larger “group” work and individualized training, tuition reimbursement for staff, executive coaching, and an employee engagement survey.

We have \$3,757,833 in remaining ARPA funds. I have recommended uses for this funding that are in accordance with Board’s adopted policy on this matter. There are several proposed capital projects, outside agency requests, a three-year summer literacy program for children, and a placeholder for the health insurance reserve should it be needed.

The capital and CNR budgets focus on maintaining our existing assets and infrastructure as opposed to expansion of that infrastructure. Many proposed items fund replacement items such as equipment or vehicles for the fleet, repairs to existing facilities, and repairs and maintenance of our bridges, sidewalks and roads. For CNR needs, the traditional payback method (cash), reserve funds, grants and other cash funds are the source of revenue. For special projects and initiatives that advance Board of Selectmen priorities, the capital reserve is largely the recommended funding source. I continue to recommend that we do not bond for smaller value and routine capital needs. This approach is to avoid a cycle of bonding for all capital needs and not being able to pay for baseline capital needs in cash, creating more expense to the Town in the long run. For this reason, and for emergency infrastructure needs, I continue to recommend building our capital reserve with funds from capital project close-outs and year-end savings when available. Paying for items in cash now, instead of borrowing, also helps to free up debt capacity in future years.

Bond rating agencies do not want to see transfers out of the General Fund for operating expenses or for “mill rate relief” to offset operating expenditures. However, transfers to capital, health insurance reserve, or for other purposes are more favorably looked upon than transfers for operating expenditures. Based on projections, with the transfer to capital and the anticipated contribution to fund balance, at fiscal year-end 23/24 fund balance would be about 16.86%, which is within the Fund Balance Policy range of 15-17%. The Fund Balance calculation is based on the difference between the budgeted tax collection rate of 98.5% and the anticipated tax collection rate of 99.5%.

During the Board’s budget deliberations, I have some suggested areas of further policy discussion. They are:

- Outside agency funding requests, including a new grant request from Simsbury Volunteer Ambulance Association (SVAA)¹
- Outside agency ARPA funding requests
- \$300,000 in cash for school buses (MBOE Operating)²
- Use of cash to reduce bonding in FY 23/24, to reduce debt service impact in FY 25/26 when the second Latimer Lane renovation debt issuance takes effect

¹ SVAA Request is \$150,000; .04 mill impact, \$11/yr on the median valued home

² .09 mill impact; \$24/yr on the median valued home

- Service improvements³

Additionally, I have some suggested future areas of focus related to budget. They are as follows:

- Continue to monitor state budget/intergovernmental revenue
- Evaluate our routine CNR needs, versus the traditional annual contribution of \$416,250
- Gradually build up the Town's contribution to the Parks and Recreation Special Revenue Fund

In summary, this budget funds current services and programs, invests in existing infrastructure and assets utilizing cash-for-capital for routine and ongoing needs, and advances Board of Selectmen initiatives. This budget and items flagged for policy consideration provide for continued investments in our community.

I want to thank Director of Finance Amy Meriwether, Deputy Town Manager Melissa Appleby, Management Specialist Tom Fitzgerald, and the Leadership Team for their outstanding and dedicated work in assisting with budget development.

Respectfully Submitted,



Maria E. Capriola, M.P.A.
Town Manager

³ If all recommendations fully funded, .06 mill impact; \$16/yr on the median valued home