

# TOWN OF WINDSOR, CONNECTICUT

## Special Meeting Notice



**AGENCY:** Finance Committee  
**DATE:** February 28, 2019  
**TIME:** 6:30 PM  
**PLACE:** Town Hall – Ludlow Room

### AGENDA

1. Call to Order
2. Public Comment
3. \*Review of FY 18 Annual Financial Audit
4. \*Review of second quarter FY 19 financials
5. Update on FY 20 budget preparation
6. Staff Reports
7. Approval of Minutes
  - a) \*November 26, 2018
8. Adjournment

\*Backup materials

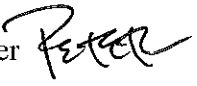
Public Act 75-312 requires notice of Special Meetings to be posted in the Town Clerk's Office not less than 24 hours prior to the time of such meeting. No other business shall be considered at this meeting than that listed on this Agenda.

## Agenda Item Summary

Date: February 28, 2019

To: Members of the Finance Committee

From: Jim Bourke, Finance Director

Reviewed By: Peter Souza, Town Manager 

Subject: Presentation and Discussion of the FY18 Audit Report and Federal and State Compliance Report

Representatives of the town's independent auditor, RSM US LLP, will present the results of the town's FY 2018 audit to the Finance Committee. There were no significant deficiencies or material weaknesses identified by the audit firm during the course of, or as a result of, the annual audit.

### Highlights:

General Fund expenditures came in under budget by \$1,111,243, or 1.0%. Revenues, on a budgetary basis, exceeded budget by \$1,889,051, for a total budgetary surplus of \$3,000,294. Uses of General Fund reserves included an appropriation of \$322,500 for the Elementary School LED Lighting project and an appropriation of \$375,000 as partial funding towards the Mill Brook open space property acquisition. Total FY 18 appropriations from General Fund reserves totaled \$1,597,500 which included \$900,000 in opening cash; however, the overall revenue surplus was sufficient enough so that the use of opening cash was not required.

On a GAAP basis, the General Fund unassigned fund balance as of June 30, 2018 is \$22,868,466, which is an increase of \$2,537,984. The town's General Fund unassigned fund balance policy calls for an unassigned fund balance of between 15% and 20% of the following year's adopted budgeted expenditures. The \$22.9M in unassigned fund balance is 19.8% of the FY 19 adopted budgeted expenditures of \$115,219,930.

The town invested approximately \$9.7M in new capital assets in FY 18 through pay-as-you go cash, bonding and grants. These investments consisted of a \$2.1M land purchase, \$1.4M for buildings and improvements, \$3.7M for new machinery and equipment, and \$2.5M in new infrastructure. When taking into account depreciation on existing and new assets, total capital assets of the town increased by approximately \$4.2M to \$108.5M at the end of FY 18. Major additions during the year included, but were not limited to, Poquonock School window replacements, Oliver Ellsworth School HVAC improvements, Clover Street School partial roof replacement, Animal Shelter relocation and construction, Kennedy Road pavement rehabilitation and the Millbrook Open Space property acquisition.

The town's total bonded debt increased by \$800,000 during FY 18 and stands at \$39,105,000 as of June 30, 2018. Debt service payments made in FY 18 totaled \$6,927,469, which is 6.3% of budgeted operating expenditures and within the town's policy guidelines of 6.0% to 8.0%.


The FY 2018 Comprehensive Annual Financial Report, Federal & State Compliance reports were previously distributed to the council members in hard copy and digital form.

## Agenda Item Summary

Date: February 28, 2019

To: Members of the Finance Committee

Prepared By: Jim Bourke, Finance Director

Reviewed By: Peter Souza, Town Manager 

Subject: General Fund Budget Report – Through 12/31/18

### Background

Attached is the General Fund budget report as of December 31, 2018. This report is being provided to the Finance Committee for discussion purposes.

### Discussion/Analysis

Overall revenues reflect 89.0% collected for first six months of FY 19 vs. 87.6% for the same time period last year. Significant changes in revenues received between the two fiscal years are as follows:

- Licenses and Permits reflect 151.3% collected for the first six months of FY 19 versus 64.8% collected in FY 18. The difference is due to increased building permit revenues between the two fiscal years. Approximately \$529,000 more was collected in FY19 than FY18 during the same time period. Two projects in particular, Great Pond Village and Verizon expansion, brought in approximately \$585,000 in permit fees combined.
- Revenues From Use Of Assets category reflects collections of 82.8% for the six months ended 12/31/18 vs. 71.7% in the previous fiscal year. This is attributable to increased interest earnings due to favorable rates.
- State Grants in Lieu of Taxes are at 32.1% collected versus 18.3% last year as a result of receiving unexpected payments under the Airport Development Zone program and state-owned property PILOT category. In addition, a larger amount was received from the Municipal Revenue Sharing grant as compared to the same period last year.
- The revenue category Charges For Current Services, reflects 77.5% collections for the first six months of FY 19 vs. 48.0% in the previous fiscal year. The difference is attributable to increased conveyance fees as a result of corporate sales and increased Town Planning and Zoning fee revenue due primarily to Great Pond Village development.

FY 19 expenditures are comparable to the first six months of FY 18 with a 0.2% difference between the two fiscal years (46.1% spent for FY 19 versus 45.9% for FY 18). Most of the differences relate to the timing of expenditures and purchase orders and when they are entered into the accounting system. Notable changes in expenditures between the two fiscal years are as follows:

- General Government reflects 68.8% expended for the first six months of the fiscal year versus 58.4% spent for the same time period last year. The increase in FY 19 both in dollars and percent is due in part to the Elections section of the General Government budget. A state

primary and state election were held in the first quarter of FY 19 as opposed to FY 18 in which those events did not occur. In addition, the increase for General Government is attributable to the timing of Community Service contribution payments between the fiscal years.

- General Services reflects 58.1% expended for the first half of FY 19 versus 60.4% for the same time period last year. This is due to the timing and increased costs of payments/transfers for capital projects, debt service, OPEB, etc.

Other Board Action

None

Recommendations

None

Attachment

FY 19 Second Quarter General Fund Budget Report

**TOWN OF WINDSOR  
GENERAL FUND BUDGET REPORT  
SECOND QUARTER - FY 2019  
July 1, 2018 - December 31, 2018**

|                                  | FY 2018 - through December |                   |                  | FY 2019 - through December |                    |                  |
|----------------------------------|----------------------------|-------------------|------------------|----------------------------|--------------------|------------------|
|                                  | Approved Budget            | YTD Actual        | Percent Received | Adopted Budget             | YTD Actual         | Percent Received |
| <b>REVENUE</b>                   |                            |                   |                  |                            |                    |                  |
| 910 GENERAL PROPERTY TAX         | 93,218,970                 | 92,163,275        | 98.9%            | 97,360,030                 | 96,386,476         | 99.0%            |
| 915 LICENSES AND PERMITS         | 628,260                    | 407,202           | 64.8%            | 625,960                    | 947,264            | 151.3%           |
| 920 FINES AND PENALTIES          | 37,000                     | 13,573            | 36.7%            | 36,000                     | 9,182              | 25.5%            |
| 925 REVENUES FROM USE OF ASSETS  | 776,540                    | 556,997           | 71.7%            | 1,048,830                  | 868,359            | 82.8%            |
| 930 STATE SCHOOL AID             | 12,764,540                 | 2,886,916         | 22.6%            | 13,010,540                 | 2,886,916          | 22.2%            |
| 935 STATE GRANTS IN LIEU         | 1,734,740                  | 317,964           | 18.3%            | 1,488,740                  | 477,607            | 32.1%            |
| 940 OTHER STATE GRANTS           | 39,220                     | -                 | 0.0%             | 37,460                     | -                  | 0.0%             |
| 950 REVENUES FROM OTHER AGENCIES | 88,370                     | -                 | 0.0%             | 108,370                    | -                  | 0.0%             |
| 955 CHARGES FOR CURRENT SERVICES | 649,850                    | 311,730           | 48.0%            | 583,500                    | 451,952            | 77.5%            |
| 960 OTHER REVENUES               | 25,500                     | 8,393             | 32.9%            | 20,500                     | 19,731             | 96.2%            |
| 965 OPENING CASH                 | 900,000                    | 450,000           | 50.0%            | 900,000                    | 450,000            | 50.0%            |
| <b>TOTAL REVENUES</b>            | <b>110,862,990</b>         | <b>97,116,050</b> | <b>87.6%</b>     | <b>115,219,930</b>         | <b>102,497,487</b> | <b>89.0%</b>     |

|                                  | FY 2018 - through December |                   |                  | FY 2019 - through December |                   |                  |
|----------------------------------|----------------------------|-------------------|------------------|----------------------------|-------------------|------------------|
|                                  | Approved Budget            | YTD Actual        | Percent Expended | Adopted Budget             | YTD Actual        | Percent Expended |
| <b>EXPENDITURES</b>              |                            |                   |                  |                            |                   |                  |
| 10 INFORMATION SERVICES          | 473,250                    | 285,944           | 60.4%            | 491,270                    | 269,778           | 54.9%            |
| 11 ADMINISTRATIVE SERVICES       | 2,239,710                  | 1,146,385         | 51.2%            | 2,313,740                  | 1,205,980         | 52.1%            |
| 12 DEVELOPMENT SERVICES          | 1,275,240                  | 621,465           | 48.7%            | 1,318,030                  | 628,910           | 47.7%            |
| 13 GENERAL GOVERNMENT            | 978,780                    | 571,515           | 58.4%            | 1,015,240                  | 698,591           | 68.8%            |
| 18 COMMUNITY DEVELOPMENT         | 114,870                    | 46,930            | 40.9%            | 103,800                    | 51,900            | 50.0%            |
| 20 RECREATION & LEISURE SERVICES | 1,491,640                  | 927,861           | 62.2%            | 1,538,390                  | 1,020,250         | 66.3%            |
| 25 LIBRARY SERVICES              | 1,644,510                  | 801,228           | 48.7%            | 1,678,840                  | 789,948           | 47.1%            |
| 35 HUMAN SERVICES                | 831,900                    | 380,285           | 45.7%            | 865,940                    | 408,514           | 47.2%            |
| 38 HEALTH SERVICES               | 479,600                    | 242,286           | 50.5%            | 494,800                    | 247,782           | 50.1%            |
| 40 PUBLIC WORKS                  | 6,046,010                  | 3,051,622         | 50.5%            | 6,260,520                  | 3,353,191         | 53.6%            |
| 50 TOWN SUPPORT FOR EDUCATION    | 5,136,710                  | 2,321,842         | 45.2%            | 5,229,500                  | 2,304,142         | 44.1%            |
| 52 BOARD OF EDUCATION            | 67,471,330                 | 28,336,774        | 42.0%            | 69,068,800                 | 28,943,214        | 41.9%            |
| 60 SAFETY SERVICES               | 10,162,620                 | 4,613,830         | 45.4%            | 10,346,090                 | 4,815,361         | 46.5%            |
| 90 GENERAL SERVICES              | 12,516,820                 | 7,565,616         | 60.4%            | 14,494,970                 | 8,426,834         | 58.1%            |
| <b>TOTAL EXPENDITURES</b>        | <b>110,862,990</b>         | <b>50,913,583</b> | <b>45.9%</b>     | <b>115,219,930</b>         | <b>53,164,395</b> | <b>46.1%</b>     |

**TOWN OF WINDSOR  
FINANCE COMMITTEE  
November 26, 2018  
TOWN HALL – ROGER LUDLOW ROOM**

**UNAPPROVED MINUTES**

**1. CALL TO ORDER**

Deputy Mayor Jody Terranova, Chair of the Finance Committee, called the meeting to order at 6:30 p.m. with Councilor Joseph McAuliffe and Councilor Donald Jepsen present.

Staff Present: Town Manager, Peter Souza; Finance Director, Jim Bourke; Assistant Finance Director, Linda Collins; Town Assessor, Larry Labarbera; Management Analyst, Kelly Barrett; Accountant, Jennifer Mighty.

**2. PUBLIC COMMENT**

None.

**3. REVIEW AND DISCUSSION OF MDC INTEGRATED PLAN**

Timothy Fitzgerald, MDC Commissioner, was present for this agenda item.

Town Manager Souza explained that the Metropolitan District Commission (MDC) has presented the Clean Water Act (CWA) integrated planning concept to all 8 member towns. They would like municipalities to provide a resolution approving or not approving Town support of the plan which will be submitted to the Department of Energy and Environmental Protection (DEEP).

Town Manager Souza talked about how the proposed cost increases. These are mostly due to the increase in debt service associated with the planned annual \$35 million capital outlay for the capital improvement program. The ad valorem sewer assessment is anticipated to increase by approximately \$720,000 for the town's FY 20 budget, which is the largest increase to the budget, excluding the Board of Education.

Town Manager Souza discussed the timing of MDC's requirement to submit their plan by mid-December to the DEEP. The Town Council has two meetings in December when they can adopt a resolution that would be sent to DEEP. It cannot be brought forward during the January meeting, as it would be too late to meet the deadline.

Councilor Jepsen asked if we are free to write the resolution. Town Manager Souza offered a version of the resolution, which was a page and a half in length. This shorter version meets the objectives of the current plan, but in a more concise manner.

Deputy Mayor Terranova asked about the pros of the plan. Town Manager Souza stated that ad valorem stabilization and infrastructure improvements happening sooner are the biggest benefits.

Deputy Mayor Terranova asked what the blue border on page 17 represents. Town Manager Souza answered it indicates where existing sewers would be replaced. In Windsor most of the capital project entails relining existing pipes.

Councilor Jepsen asked where the storm water goes. Mr. Fitzgerald, MDC board member, said it now goes to the river. MDC has to build infrastructure for Hartford to capture it.

Deputy Mayor Terranova asked if the tunnel is the only option. Mr. Fitzgerald stated that as you build the system up to where it needs to be, the tunnel will be needed less and less. Once that happens, this will result in having a tunnel there for nothing.

Councilor McAuliffe asked if the Town Council agrees to the plan, could the DEEP still go ahead and reject it. Mr. Fitzgerald answered yes, that could happen.

Deputy Mayor Terranova asked what the cons are relative to us agreeing to this plan. Town Manager Souza responded that water rates will increase greatly because of the clean water surcharge. Also, the increased charges could last longer because the debt schedule would be pushed out and the unit price goes up because consumption may go down.

Councilor Jepsen asked how the increased charges will be split between the ad valorem and sewer surcharges. Town Manager Souza responded that the \$35 million in capital costs would be paid from the sewer user charge and the ad valorem expense would go towards MDC operating costs.

Councilor McAuliffe asked if the DEEP is in favor of scenario #2. Mr. Fitzgerald said that the DEEP is cautiously sharing their thoughts with no specific information one way or the other. It is hard to tell how they will ultimately respond.

Councilor McAuliffe recognized that something has to get done and that there is probably no avoiding the cost.

Town Manager Souza added that putting off the project further into the future just adds to the deferred maintenance. The average age of the infrastructure is over 40 years old.

Deputy Mayor Terranova asked if the EPA has to approve the plan separate from the DEEP doing so and is this something done throughout the country. Mr. Fitzgerald stated that the EPA is delegating the decision-making to the DEEP. This project and the process is similar to how it is done throughout the rest of the country. The DEEP will need to sign off on the consent order with MDC.

Councilor McAuliffe asked if there is a cap on the sewer surcharge increases. Mr. Fitzgerald said there is a water bureau meeting coming up and he will find out how they calculate the cap. Town Manager Souza stated that the \$3 fee is going to \$6 and that they could potentially shift it there.

Deputy Mayor Terranova asked if there could be additional increases shifted to the ad valorem fees. Mr. Fitzgerald stated that could be a possibility.

Councilor Jepsen asked if the CWA \$3 charge was just on sewer usage bills or on water bills too? Deputy Mayor Terranova checked her bill and did not see it on it.

Town Manager Souza asked if there are particular questions that he can ask the MDC and get back to Town Council with.

Town Manager Souza added that he would bring the answers to the following three questions to the full Town Council at the December 17<sup>th</sup> meeting. Mr. Fitzgerald will also follow up after the next MDC meeting.

1. Median household income threshold
2. Sewer service charge
3. Clean water project cap as compared to original plan i.e. \$5.35 under current plan or \$6.35 under integrated plan.

Town Manager Souza mentioned that the MDC fire hydrant maintenance charges are also increasing up by 25%.

Deputy Mayor Terranova asked about the hydrant fee. Town Manager Souza said the fee is for annual flushing out of the water lines, routine repairs and emergency response for damage. Mr. Fitzgerald added that the fee increase was based on a study that attempted to determine the true cost of hydrant maintenance. Town Manager Souza stated the town has approximately 1,100 hydrants.

#### **4. OVERVIEW OF PROPERTY REVALUATION RESULTS**

Larry Labarbera, Town Assessor, provided an overview of the results of the October 2018 property revaluation as follows:

- Residential Property values – the overall percentage change is +4.8%.
- Residential Condominium values – the overall percentage change is +11.3%
- Apartment values – the overall percentage change is +9.0%
- Non-Residential values – the overall percentage change is +9.0%
- The overall percentage change from the 2017 grand list is +6.8%

The valuation notices to all taxpayers were mailed on November 16. Informal hearing appointments will begin December 3 and run through December 28 for any questions/concerns regarding the new valuations.

A few notable items.

Residential:

- Multi-family homes have increased the most since the 2013 revaluation.
- Split-levels increased more than the average. There are 36 sales (nearly 6%) to support this increase.



Condominiums:

- River's Bend Condominiums consist of 432 units. 373 units are owned by one entity and sold in December 2016 for \$44,500,000. The average value was \$119,300 per unit. It is operated as an apartment complex and the income supports this value. As a comparison, Windsor Station's new market value is \$133,600 per unit for 130 units.
- Chateau Woods (High Path Road) has increased by nearly 30% and has enough sales and asking prices to support the increase.
- Delamere Woods has increased by nearly 60%. This is a little misleading since the average value is currently \$35,500. 15 of the 52 units have sold in the last two years.
- The "Over 55" complexes decreased by 2% overall.

Commercial/Industrial:

- Office building totals remained relatively unchanged. A few did decrease by a large percentage but several others increased or remained the same (see attached spreadsheet.) The Hartford, Griffin Road North and Waterside Crossing have all been reviewed by tax representatives and they are satisfied with the values. Dan Ferraina and the Griffin Land group have reviewed their values and accepted them.
- Hotels have increased by nearly 32%. These have all been reviewed by an independent appraiser and he supports the values.
- Distribution/Warehouses increased approximately 15% except for Amazon. This increase is supported by the 2016 sale price of \$105.5 million.

Informal Hearings:

- 2018 Revaluation. To date there are 45 residential and 13 commercial hearings scheduled.
- 2013 Revaluation. Total appointments were 103. 53 residential and 50 commercial.

Councilor Jepsen asked if the condos and houses on the chart on page 3 are separated. Mr. Labarbera answered yes, they are.

Mr. Labarbera went explained that he also performed an unsold property test. The results were validated as the unsold value increases went up at the same rate as the properties that were sold.

Councilor Jepsen asked if the unsold properties refer to ones with 'for sale' signs on them. Mr. Labarbera said 'unsold' means it has not sold recently. He added that he had also completed a multiple listing check to verify his results.

Town Manager Souza stated there are vacant leased properties but that doesn't mean that the income value is worth less. A revenue estimate was used to calculate the value. There are also some properties in major distress such as 200 Great Pond. While these properties saw a decreased value, others are increasing as a result of improvements or expansions.

Councilor Jepsen asked about the third leg of the tripod and where that fell. Mr. Labarbera said they are almost done and have remained about the same at \$8 or \$10 million less. Motor vehicle values will most likely stay about the same as well.

Town Manager Souza added that some level of appeals are factored into the grand list that are used for the budget process since the appeal process is from January to March.

Town Manager Souza confirmed with Deputy Mayor Terranova the revaluation results will be shared with the full Council through council communications.

## **5. REVIEW OF FY 2020 BUDGET PARAMETERS**

Jim Bourke, Finance Director, provided an overview of the early assumptions being used for the FY 2020 budget process. The assumptions are based on feedback from vendors and guidance from the State of Connecticut's Office of Policy Management (OPM) and other agencies.

Councilor McAuliffe asked when Office of Policy Management will have information. Town Manager Souza stated that this information will be available once the Governor introduces his budget in February.

Town Manager Souza gave a recap of the budget impact on taxpayers as follows:

- 3.3% expenditure budget increase for Board of Education (BOE) and Town
- 2.5% expenditure budget increase for just the BOE
- Equates to a 3.4% overall tax increase
  - As an example, a home with a \$200,000 fair market value will pay \$160 more in taxes (\$126 for budgetary increase and \$34 for revaluation)

Councilor Jepsen asked if there is a slight shift to commercial property. Town Manager Souza said there is no significant shift anticipated.

Deputy Mayor Terranova asked how much of the \$160 is due to MDC cost increases. Town Manager Souza said that we do not have that number calculated for tonight's meeting.

Town Manager Souza went on to explain that the overall increase is going to be different across the board because each property in town will have a different change in value.

Councilor Jepsen asked if the tax increase would be lower if we end up receiving the same percent increase in non-tax state aide revenues as the expenditure increase. Town Manager Souza said it doesn't work that way because non-tax revenues are only 16% of total revenues.

Councilor Jepsen asked if interest revenues are going up based on increased interest rates, are interest costs related to debt service going up as well. Mr. Bourke said yes and that we are using a series of gradually increasing bond interest rate projections provided by our financial analyst from IBIC to model the new debt incurred by the current Capital Improvement Program (CIP). These vary by the length of the bond issue, by the year the bonds are issued, as well as how they pertain to general obligation bonds or one-year notes.

Councilor Jepsen asked if the Other Post-Employment Benefits (OPEB) trust fund is invested in anything such as T-bills.

Town Manager Souza answered yes, the funds are invested in a variety of mutual funds such as equities and fixed income funds.

Councilor Jepsen asked if we are withdrawing funds from the OPEB trust to pay for benefits. Town Manager Souza said no we are not at this time.

Deputy Mayor Terranova asked how much we need to have in the OPEB trust before we can start to withdraw from it. Town Manager Souza said this is something that would have to be determined by the actuary and we are not anticipating doing that any time soon.

Deputy Mayor Terranova asked if we can shift costs someday from the pay-go method to withdrawing from the fund. Town Manager Souza said we will eventually get there, but currently, the annual contribution and the liability are out of reach.

Town Manager Souza mentioned the contribution to the Caring Connection for this year is \$60,000 but really needs to be more like \$80,000. However, the Caring Connection will use their retained earnings to cover that for this year.

MOVED by Councilor Jepsen, seconded by Councilor McAuliffe, that the Finance Committee recommend to the Town Council that the FY 2020 budget assumptions and parameters be approved as presented.

Motion Passed 3-0-0

## **6. REVIEW OF FY 2020 BUDGET CALENDAR**

Town Manager Souza gave a brief overview of the key dates on the budget calendar.

MOVED by Councilor McAuliffe, seconded by Councilor Jepsen, that the Finance Committee recommend to the Town Council that the FY 2020 budget calendar be approved as presented.

Motion Passed 3-0-0

## **7. REVIEW OF FY 2020 BUDGET FORMAT**

Deputy Mayor Terranova asked the other councilors if they had suggested changes.

Councilor Jepsen discussed the perception of the numbers on the product and service pages and conveyed that it might be better to not have them there.

The committee was in agreement that no changes to the current format are needed.

MOVED by Councilor McAuliffe, seconded by Councilor Jepsen that the Finance Committee recommend to the Town Council that the FY 2020 budget format remain the same as the format utilized for FY 2019.

Motion Passed 3-0-0

**8. STAFF REPORTS**

Town Manager Souza said that bond ordinances for new projects will be brought to the Town Council in mid-January.

Councilor Jepsen asked if the safety complex and radio system will be bonded in the spring issue. Mr. Bourke stated that we are planning on financing 8-9 projects in the spring from the FY19-FY24 Capital Improvements Program through general obligation bonds. We plan on issuing notes to fund the town-wide radio system project and the design and first phase of construction associated with the new public safety complex at 100 Addison Road.

Councilor Jepsen asked if they will be one year notes and Mr. Bourke responded that they will be.

**9. APPROVAL OF MINUTES**

MOVED by Councilor McAuliffe, seconded by Councilor Jepsen to approve the unapproved minutes of October 8, 2018 as presented.

Motion Passed 3-0-0

**10. ADJOURNMENT**

MOVED by Councilor McAuliffe, seconded by Councilor Jepsen to adjourn the meeting at 7:50 p.m.

Motion Passed 3-0-0

Respectfully submitted by,

Linda Collins  
Assistant Finance Director