

**TOWN OF WINDSOR
FINANCE COMMITTEE
February 28, 2019
TOWN HALL – ROGER LUDLOW ROOM**

APPROVED 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; Management Analyst, Kelly Barrett; Accountant, Jennifer Mighty.

Guests: Scott Bassett, RSM and Paul Sabetta, RSM

2. PUBLIC COMMENT

George Slate, 25 Ethan Drive expressed his surprise in that the audit received a clean opinion without an adopted FY 18 budget. He referenced section 9-1 of the *Town Charter* that states if a budget recommendation fails, the Council will make adjustments and resubmit to the voters, until approved by the voters. He said there are two solutions; pass a budget, or go to the general assembly and get enabling legislation that would allow for budget approval at the local level by 2/3 majority of the Town Council.

3. REVIEW OF FY 18 FINANCIAL AUDIT

Scott Bassett and Paul Sabetta from RSM presented the results of the FY 18 audit.

Mr. Bassett indicated that the audit was performed based on GAAP and received a clean, unmodified opinion. He said that the trial balances did not require any audit adjustments, which is not the case for many towns they work with. The information they were given was very accurate. He mentioned that town staff works hard to get the statements correct and they take a lot of ownership of the financials of the town. The audit went well. The goal was to have the audit done by the beginning of November, but certain reports from the state were late so that held up the process and that is why the audit was issued later than planned.

Mr. Sabetta reviewed key financial highlights and walked through several of the note disclosures. Our unassigned fund balance is \$23M or 19.8% of the FY 19 adopted budget. Property taxes had a good collection rate of 98.8%, which is high compared to other communities. There was a \$2.7M gain for the general fund and all other funds were straight forward and there were no surprises. The Landfill ended with a deficit of \$9.7M and the other enterprise funds reflect an \$848,000 net position. The insurance internal service fund saw a gain of \$1.5M.

Mr. Bassett explained that the town's defined benefit pension plan is funded at 83%, which goes back to the town having discipline running the plan. He compared the town's funded amount to the nationwide average, which is about 70%. He went on to explain new GASB pronouncements, and mentioned that the rest of the fund audits were status quo. He concluded by saying it was a clean audit and preparation by town staff was well done.

Councilor Jepsen asked if GASB 75 would hurt the town's bond rating. Mr. Bassett replied that the rating agencies have known about this pronouncement for a few years, that they are aware of the impact of it and that it would not be an issue for them.

4. REVIEW OF SECOND QUARTER FY 19 FINANCIALS

Finance Director, Jim Bourke, presented the 2nd quarter FY 19 financial information. Revenues are tracking close to where we were at the same point last year. Building permit revenue is coming in higher this year as compared to last year, as well as interest earnings. He indicated that we received unanticipated revenue from a filing correction for Airport Development Zone as well as the state-owned property PILOT revenue. He added that revenue collections for conveyance fees are higher as well as Town Planning & Zoning fees associated with Great Pond Village. Expenditures are trending consistently year over year. There was greater expenditure this year as compared to last year in the General Government service unit due to elections that occurred this fiscal year. Other expenditure variances are mostly due to timing of purchases and when purchase orders were established.

Councilor Jepsen asked if the PILOT funds were not budgeted because we weren't sure if we would really receive that. Town Manager Souza replied yes.

Deputy Mayor Terranova asked about the Great Pond fees and how that worked relative to the Great Pond Improvement District TIF. Peter explained how the inter-local agreement works. He stated that we retain the first \$78,000 in non-incremental revenue and then we split what we collect above that 50/50 with Great Pond Improvement District. Any revenue received from building permits and the Town Planning & Zoning fees are separate from the tax collection revenues. Car taxes are not currently included, only real estate and personal property. In FY 21 we should see an increase to the grand list due to the new construction on the site. The inter-local agreement states that the payments to the district need to be enough to pay debt services requirements. If the incremental revenues are not sufficient, then special assessments would be placed on each property owner to make up the difference.

Councilor Jepsen asked what percent is retained by the town from conveyance fees. Town Manager Souza stated the town keeps one quarter of one percent of the sale price, and the state receives three quarters of one percent.

Councilor Jepsen asked if we could use the capital project assigned fund balance to do the Clover Street school roof project. Town Manager Souza said that we are close to the policy threshold for using the assigned fund balance, but we could use existing residual funds from the previous Clover Street school project as well as General Fund reserves. He also said that staff was looking into state reimbursement for the project, and that we could be eligible for approximately 50% reimbursement from the state.

Councilor Jepsen asked if we should borrow for the project. Town Manager Souza said that he would not recommend doing that.

5. UPDATE ON FY 20 BUDGET PREPARATION

Town Manager Souza stated that we are reviewing departmental submittals and working through the Governor's budget proposal. He mentioned that state aid is approximately the same as the FY 19 adopted amount, and that we could end up approximately \$75,000 better. LOCIP funding is projected to be about \$30,000 less than what we received previously.

Town Manager Souza reviewed current key expense drivers relative to what was reported to the Finance Committee at the November 2018 meeting. Certain items are coming in less than originally anticipated, such as health insurance and the MDC sewer assessment. Other items are going up, such as the town's contributions to the State MERS pension for the town's police officers. The Governor is also proposing that towns contribute to the State teacher's retirement plan. The amount for Windsor for FY 20 is approximately \$191,000. He mentioned that the overall expenditure increase is estimated at just over 3%, that revaluation will impact everyone differently, and that we are projecting a small increase in non-tax revenues mostly due to interest rates going up. The budgetary tax impact is projected to be approximately 2.25%, and this includes the Board of Education at a 2.67% increase. He indicated that over the last ten years, our tax increase has averaged 1.32% and that over the last four years it was 1.9%. He discussed the tax calculator and the different levels of tax increases, or decreases, that citizens may see.

Councilor Jepsen asked if we included the \$191,000 TRB payment in the FY 20 budget, and Town Manager Souza said that it was.

6. STAFF REPORTS

None.

7. APPROVAL OF MINUTES

MOVED by Councilor McAuliffe, seconded by Councilor Jepsen to approve the unapproved minutes of November 26, 2018 as presented.

Motion Passed 3-0-0

8. ADJOURNMENT

MOVED by Councilor McAuliffe, seconded by Councilor Jepsen to adjourn the meeting at 7:45 p.m.

Motion Passed 3-0-0

Respectfully submitted by,

Linda Collins
Assistant Finance Director