

TOWN OF WINDSOR, CONNECTICUT

Special Meeting Notice



AGENCY: Finance Committee

DATE: March 23, 2020

TIME: 5:30 PM

PLACE: Virtual meeting

Dialing in by Phone Only:

1. Please call: 1-646-558-8656
2. When prompted for participant or meeting ID enter: 585-119-137 then press #
3. You will then enter the meeting muted. During Public Comment if you wish to speak press *9 to raise your hand.

Joining in by Computer:

1. Please go to the following link: <https://zoom.us/j/585119137>
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3. Only if your computer has a microphone for two way communication then during Public Comment if you wish to speak press **Raise Hand** in the webinar control. If you do not have a microphone you will need to call in on a phone in order to speak.

AGENDA

1. Call to Order
2. Public Comment
3. *Update on Fiscal Year 2021 Budget Preparation
4. Staff Reports
5. Approval of Minutes
 - a) *January 27, 2020
6. 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: March 23, 2020

To: Members of the Finance Committee

Prepared By: Peter Souza, Town Manager 

Subject: Update on Fiscal Year 2021 Budget Preparation

Background

The preparation of the proposed FY 21 operating budget is nearing the final stages of completion prior to being transmitted to the Town Council in April. The purpose of this agenda item is to provide a high level overview of the draft FY 21 budget. Outlined below is an overview of revenues, potential state aid levels based on the governor's budget proposal, the 10/1/2019 Grand List, and key expense drivers for FY 2021.

Discussion/Analysis

Revenues

Below is a table that compares major General Fund municipal aid categories between our adopted FY 20 budget and the Governor's FY 21 budget proposal. Education Cost Sharing is net of the Alliance District grant that is distributed directly to the Board of Education and not part of General Fund revenues. As you can see in the table, we are not seeing any substantial increase in state aid at this time.

	FY20 Adopted Budget	FY21 Governor's Proposed	Difference
Education Cost Sharing	\$11,547,660	\$11,547,660	\$0
Grants for Municipal Projects	\$1,321,000	\$1,321,000	\$0
Special Ed. - Excess Costs	\$1,300,000	\$1,300,000	\$0
Municipal Stabilization Grant	\$357,940	\$357,940	\$0
Airport Development Zone	\$0	\$0	\$0
State-Owned Property PILOT	\$27,300	\$27,300	\$0
Veterans Tax Exemption	\$19,000	\$17,000	(\$2,000)
Totally Disabled Exemption	\$3,000	\$3,000	\$0
Total	\$14,575,900	\$14,573,900	(\$2,000)

There is a possibility that the Grants for Municipal Projects category could be higher than the Governor's proposed amount by approximately \$390,000 as the bond package recently approved by the General Assembly includes additional funds for this municipal aid grant. At this time, the State Bond Commission has not given final approval. There is a possibility they will make that decision in April. Given the degree of uncertainty as to the timing and likelihood of Bond Commission approval, the additional dollars are not included in the General Fund revenue projections for FY 21. As we proceed through the budget process, I'm hopeful more clarity on this item will become available.

Interest Income

We are proposing to decrease interest earnings by \$800,000 from the FY 20 adopted budget of \$1,100,000. This is due to current, and potential future interest rate decreases with our primary banking relationships resulting from the recent Federal Reserve federal funds rate reduction. We are anticipating to achieve a blended interest rate of approximately 0.50% for FY 21 as compared to 2.00% in the adopted FY 20 budget.

Other non-tax revenues such as building permits, interim motor vehicle tax collections and cell tower leases are forecasted to see modest increases over this year's budget, but these gains are being off-set in part by decreases in categories such as recreation fees and rental of town property.

Grand List

The October 2019 net grand list increased in value by 1.46% as compared to October 2018. This increase in assessed value is largely the result of new construction at Great Pond and the Verizon facility on Pigeon Hill Rd, as well as incremental increases in Amazon and Windsor Station real estate values. Cigna, Aetna and Eversource all made significant reinvestments in personal property. After accounting for other adjustments, such as elderly exemptions, tax appeals to Board of Assessment Appeals and CT Superior Court, the net change in taxable value used to calculate the mill rate is up 1.4% as compared to FY 20.

Expenditures

Key Drivers - FY 20 Budget	\$ Change	% Change
Pension *	669,770	17.5%
MDC Sewer Assessment	368,350	8.3%
OPEB	25,000	3.4%
Debt Service	221,870	3.0%
Board of Education	1,768,440	2.5%
Capital Projects	55,000	2.3%
Health Insurance	58,400	1.9%
Salaries	225,530	1.4%

* Includes Defined Benefit, Defined Contribution and CMERS State Retirement System (Police)

Pension

One of the primary drivers are costs related to the Town's various retirement plans. As shown in the table above, we are projecting an overall increase of \$669,770 for these plans. Of that amount, just over \$540,000 is attributable to the Town's defined benefit plan. The defined benefit plan was originally anticipated to increase approximately \$180,000, however, we will be implementing new mortality tables for FY 21 and this increases the actuarially required contribution considerably. The implementation of the new mortality table is consistent with actuarial standards of best practice for defined benefit retirement plans and is recommended by the town's actuary.

Teachers Retirement Contribution

The Governor's proposed FY 21 budget does not call for cities and towns to pay a portion of the teacher retirement liability. However, this is still a very large expense for the State and is expected to grow annually and the town needs to continue to be cognizant of the possibility of the State shifting a portion of the liability to cities and towns in the future.

Windsor Volunteer Ambulance

At this time, the draft budget does not include an increase in the contribution to Windsor Volunteer Ambulance (WVA). It is staff's recommendation that an increase in the contribution for WVA be considered as a future supplemental appropriation from the General Fund Unassigned Fund Balance.

Asset management

With a wide variety of assets ranging from fire apparatus to buildings to roads, it is important to continue to reinvest through 'pay as you go' funding as well as in long-term financing. The FY 21 proposed budget will continue our reinvestment levels via 'pay as you go' funding with emphasis on areas such as:

- Pavement Management (road reconstruction, mill & paving overlays, preventive maintenance)
- Sidewalks (replacement and repairs)
- Technology (school and general government)
- Fleet & Equipment Replacement (public works & general government)
- Public Safety Facilities and Equipment (roof replacement, fire apparatus & police cruiser replacement)

Projected Mill Rate

Based on overall projected expenditures and revenues (including an assumption General Fund State Aid will be level funded with FY 20) the current mill rate of 32.38 mills would increase approximately 2.96%.

If the additional state aid is budgeted, the proposed mill rate would change by 2.6% over FY 20's rate.

Recommendations

There is no specific action requested as the purpose of this agenda item is to provide a high level overview of the soon to be proposed FY 21 budget.

Attachments

None



**TOWN OF WINDSOR
FINANCE COMMITTEE
January 27, 2020
TOWN HALL – ROGER LUDLOW ROOM**

UNAPPROVED MINUTES

1. CALL TO ORDER

Deputy Mayor Joseph McAuliffe, Chair of the Finance Committee, called the meeting to order at 5:30 p.m. with Councilor Lisa Rampulla Bress and Councilor Donald Jepsen present.

Staff Present: Peter Souza, Town Manager; Scott Colby, Assistant Town Manager; Jim Bourke, Finance Director; Linda Collins, Assistant Finance Director; Tristen Dodd, Accountant; Terrance Greaves, President of Windsor Volunteer Ambulance

Guests: Scott Bassett, RSM US LLP; Paul Sabetta, RSM US LLP

2. PUBLIC COMMENT - None

3. REVIEW OF FY 19 ANNUAL FINANCIAL AUDIT

RSM US LLP partner Scott Bassett and Assurance Manager Paul Sabetta gave an overview of the financial audit as follows:

Mr. Bassett explained the scope of the audit and stated that 600 – 700 man hours are put into the Town of Windsor's audit. He also spoke about the major liabilities and how certain assumptions effect the numbers on the financial statements. Some of these liabilities include Other Post-Employment Benefits (OPEB), Landfill Closure and Post-Closure, and Risk Management.

Mr. Bassett mentioned that there were no difficulties encountered in performing the audit, no disagreements with management, no uncorrected misstatements, and there were no material weaknesses. Town management prepares the financial statements and the auditors audit them and express opinions.

The Landfill was discussed. Its closure activities are going along as planned.

Councilor Jepsen asked about the Landfill fund and what is in the Landfill equity. He asked if there will be \$10M in the fund after the 30 years. Town Manager Souza explained that future earnings should offset future liabilities. Our assumptions outline that the closure work will be completed by a 3rd party, which is more expensive, but will actually be completed by Town staff and will not cost as much as what is assumed in the liability.

Town Manager Souza went on to explain that our pension liability will be impacted in FY 21 by factors such as updated mortality assumptions and rate of return projections on plan assets.

Mr. Basset explained that the Town's grant funds are reviewed as part of the audit, and that the internal controls in this area received an unqualified opinion. He mentioned the new GASB #87 pronouncement concerning leases and how it could come into play in FY 21 for such things as cell tower leases.

Mr. Sabetta gave an overview of the financial results for FY 19. The General Fund expenditures came in under budget by \$1,088,481, or 0.09%. Revenues, on a budgetary basis, exceeded the budget by \$3,503,740, for a total budgetary surplus of \$4,592,221. Sources of revenues that exceeded budgeted amounts mostly consisted of property tax collections from the delinquent property tax sale, building permits and conveyance fees. Uses of General Fund reserves included an appropriation of \$400,000 for the School Safety and Security Project, \$195,000 for the Clover Street School partial roof replacement and \$55,000 for improvements to the Mill Brook property. Total FY 19 appropriations from General Fund reserves were \$1,550,000. This amount included \$900,000 for opening cash, however the overall budgetary 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, 2019 is \$25,900,614, which is an increase of \$3,032,148. The \$25.9M in the unassigned fund balance is 21.8% of the FY 20 adopted budgeted expenditures of \$118,719,040.

The town invested approximately \$5.7M in new capital assets in FY 19 through pay-as-you go cash, bonding and grants. These investments consisted of \$4.1M for buildings and improvements and \$1.7M for new machinery and equipment. When taking into account depreciation on existing and new assets, total capital assets of the town increased by approximately \$5.0M to \$113.5M at the end of FY 19. Some of the major additions during the year included Kennedy and Ellsworth School HVAC Improvements, LED lighting at Elementary Schools and Fire Alarm and Security System Improvements at town facilities.

Councilor Jepsen asked about the school activity funds. Mr. Bassett said there were no issues with them for this audit.

4. REVIEW OF FY 20 SECOND QUARTER FINANCIALS

Jim Bourke, Finance Director reviewed the FY 20 second quarter General Fund financials as follows:

Revenues

Overall revenues reflect 88.1% collections as of the second quarter of the fiscal year vs. 89.0% for the same time period last year. Notable changes in revenues received between the two fiscal years are as follows:

- Licenses and Permits are 60.6% collected as of the second quarter of this year as compared to 151.3% collected for the same period last year. This is primarily due to more building permit revenues collected in FY 19. The Verizon project on Pigeon Hill Road brought in over \$290,000 in August of FY 19.

- Fines and Penalties are 31.4% collected for the second quarter of this year versus 25.5% collected for the same period last year. The difference is due to more court fine revenues collected so far this year.
- Revenues from Use of Assets are 61.9% collected for the second quarter of this year versus 82.8% collected for the same period last year. The difference is due to interest income, which is coming in over budget for the second quarter of the fiscal year at approximately 66% collected, but was over 100% collected for the same period last year. The FY20 approved budget increased the amount of expected interest income by \$460,000 compared to the FY19 budget.
- Other Revenues are 227.7% collected for the second quarter of FY 20 versus 95.7% collected in FY 19. The difference is due to a payment from the State of Connecticut for the acquisition of a portion of 45 Central St. and an easement related to the rail line improvements.

Expenditures

Overall expenditures for the second quarter of FY 20 are comparable to the second quarter of FY 19, with a 0.2% difference between the two fiscal years (49.7% spent for FY 20 versus 46.1% for FY 19). Most of the differences relate to the timing of when expenditures occur and when purchase orders are opened in the accounting system. Notable changes in expenditures between the two fiscal years are as follows:

- General Government reflects 58.5% expended for the second quarter of the fiscal year versus 68.9% spent for the same time period last year. This 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 20 in which those events did not occur.
- Board of Education reflects 47.6% expended through the second quarter of the fiscal year versus 41.9% for the same time period last year. The first payroll of January was posted in December due to the New Year's holiday.

There have been two appropriations from the General Fund unassigned fund balance so far this year – \$25,000 to fund an A-2 survey and hazardous materials testing at the former Roger Wolcott School and \$346,000 to fund the Sage Park Middle School LED lighting project.

Town Manager Souza gave a brief overview of the financials for the Adult and Child Day Care enterprise funds as of December 31, 2019. Councilor McAuliffe asked when the fees for the Discovery Center were last increased. Town Manager Souza indicated that the fees were increased this past June and it's been several years before that since they were increased.

Councilor Rampulla Bress asked how those fees compare to the other providers in the area for similar services. Town Manager Souza stated that we are in the top tier. Councilor Rampulla Bress asked if there are scholarships available. Town Manager Souza said that most of the tuition comes from private pay.

Town Manager Souza explained that the Adult Day Care census is still down and that expenses have been reduced. He mentioned that a part-time therapeutic recreation position has not been filled in spite of several efforts and that it will remain vacant for the remainder of this year. Instead, we will be using volunteers to keep those activities going. He went on to say that the Caring Connection is expected to realize a loss in FY 20, and that an appropriation will be needed to fund operations due to negative cash flow.

5. DISCUSSION OF WINDSOR VOLUNTEER AMBULANCE FINANCIALS

Terrance Greaves, President of the WVA was present for this item.

Town Manager Souza explained that the WVA has a cash flow challenge and that a structural imbalance exists due to reimbursement amounts not being enough to cover the cost of ambulance services. On a budgetary basis, WVA is expecting to have a loss for the year. Due to the loss and to the timing of certain reimbursements, they will need funds to help with February expenditures and possibly going forward.

Town Manager Souza said that WVA is a 501c3 non-profit, and that the town contributes approximately \$69,000 annually to them. Of that amount, \$25,000 is designated for the CMED payment and \$10,000 is for maintenance and repairs for the ambulance building, which is town-owned. There is about \$30,000 that goes to WVA, but more than half of that goes to fuel, so WVA gets approximately \$10,000 of the \$69,000 as unrestricted funds.

Councilor Jepsen asked if we charge them rent. Town Manager Souza said we do not.

Councilor Rampulla Bress asked how many employees there are. Mr. Greaves stated that there are 45 employees. 10 of these are full-time, 6 are volunteers and the rest are per diem staff.

Mr. Greaves spoke about sources of revenues. 70% comes from fixed amounts set by Medicare and Medicaid. For example, for a typical call costing \$1,200, Medicare pays about \$400 and Medicaid approximately \$278. 9% of revenues comes from private insurance, which can consist of high deductible plans. These payments are hard to collect and can take over 120 days. The rest of the insurance companies reimburse based on fixed amounts.

Mr. Greaves emphasized the imbalance between income and expenses. There can also be multiple calls at once and the day and evening staff is required to respond to those calls. He explained that they have added ambulances onto each shift, and that it's a challenge to staff the shifts. They use full time as well as per diem employees. He added that the call volumes are there, but they are giving away the calls to other providers and towns due to their staffing challenges. He said that if the staffing were increased, they could respond to more calls, and therefore generate more revenue.

Councilor Jepsen asked if other providers have the same cash flow/revenue problems. Mr. Greaves said that other providers pay less, but they get what they pay for. \$27-\$33 for paramedics and \$19-\$22 for EMS.

Councilor Jepsen asked if social clubs such as the Lions Club donates or helps to raise money. Mr. Greaves said that this is not so prevalent any more.

Town Manager Souza explained that WVA payroll is about \$23,000 per week and benefits are about \$12,000 for a month. There are also other expenses such as materials and supplies, and total expenditures are approximately \$115,000 per month. He went on to say that the shortfall for FY 20 could be as high as \$120,000, and that there are different options to be considered, such as increasing the town's annual support to WVA or establishing a loan or line of credit.

Mr. Greaves explained that more calls generates more cost, and that overtime becomes an issue because of the staff shortage.

Councilor Rampulla Bress asked if a full time employee is more economical than a per diem. Mr. Greaves explained that per diem is less expensive.

Councilor Rampulla Bress asked if the full time employees could be brought on to the town's insurance plan as opposed to appropriating additional funding. Town Manager Souza explained that 10 additional employees could be detrimental to the Town because we are self-funded for health insurance and we could experience more claims.

Councilor Jepsen said that if it takes \$120,000 to supplement them, then it's worth it.

Councilor Rampulla Bress added that the employees need to be incentivized to stay in order to solve the issue for the long term.

Town Manager Souza indicated that an authorization would be needed by the second meeting in February.

6. STAFF REPORTS - None

7. APPROVAL OF MINUTES

MOVED by Councilor Rampulla Bress, seconded by Councilor Jepsen to approve the unapproved minutes of December 9, 2019 meeting as presented.

Motion Passed 3-0-0

8. ADJOURNMENT

MOVED by Councilor Jepsen, seconded by Councilor Rampulla Bress to adjourn the meeting at 6:53 p.m.

Motion Passed 3-0-0

Respectfully submitted by,

Linda Collins
Assistant Finance Director