



**TOWN OF WINDSOR
FINANCE COMMITTEE
MARCH 23, 2020**

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 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

2. PUBLIC COMMENT

None.

3. UPDATE ON FISCAL YEAR 2021 BUDGET PREPARATION

Town Manager Peter Souza reported that the pre-COVID-19 goal was to get the Town Council the full budget document by March 27. He said that the new target date is by Friday April 3, or sooner if possible.

Town Manager Peter Souza gave an overview of the item as follows:

Revenues

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.

Deputy Mayor McAuliffe asked when the state typically announces the bonding. Town Manager said that usually occurs approximately around the same time as when the Governor's proposed budget is announced. However, it was delayed this year due to the General Assembly discussions on the transportation bill and highway tolls.

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.

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 Road, 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.

Councilor Bress asked about the Alliance portions of the ECS sharing grant, and if the grant expenditures are reflected in the Board of Education budget. Town Manager Souza stated that they do.

Councilor Bress asked how are funds distributed in investments and are CD's effected in the same way as other investments. Finance Director Jim Bourke said that based on the town's policy the idle cash can only be invested in certain investments that are low-risk. CD's are as far as we can go with risk. The town's bank typically will decrease their rates consistent with that of the Fed guidance. We anticipate that in FY 21 our CD's will not renew at the same rate as they are earning now, based on trend and a conservative estimate.

Councilor Bress asked if some of the non-tax revenues such as recreation fees and rental of town properties are going to be affected by what is happening as a result of the COVID virus. Town Manager Souza said no. He added that most recreation program fees go into a special revenue funds versus the general fund.

Deputy Mayor McAuliffe asked if there are any anticipated revenue losses or increased expenditures resulting from the COVID virus. Town Manager Souza said that we do not anticipate any significant reductions in the short term in revenues. He also stated that recovery of households and businesses may impact future program fees. He added that he does not anticipate any significant costs based on the COVID virus and that the town is accommodating employees needs over the next 45 days.

Pension

One of the primary expenditure drivers are costs related to the Town's various retirement plans. 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.

Councilor Bress asked how many employees are on the defined benefit plan versus the defined contribution plan. Town Manager Peter Souza said that there are more on the defined benefit plan and this plan has been closed to new employees since 2011. He stated that there are approximately 45 employees on the defined benefit plan. Mr. Bourke added that there are approximately 180 general government employees on the defined benefit plan. The Board of Education non-certified employees are on the defined benefit plan and it is closed to their new employees as well. The police and the BOE certified employees are on state plans.

Councilor Bress asked if life expectancy is really rising, because she hears differently. She referenced the younger generations, such as millennials. Town Manager Souza said that the town's actuary, Milliman, is implementing new mortality tables that are used on an industry-wide level. He also stated that most of the defined benefit participants are generally older, and this is the population that is projected to have greater longevity.

Councilor Bress asked if we found ourselves with a need to tighten the budget this upcoming year, could we phase the impact of the assumptions in more slowly over several years. Town Manager Souza did ask Milliman for a couple scenarios, none went beyond two years. Taking the full impact all at once is based on best practices with what they've seen with municipalities and private businesses.

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. 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.

Deputy Mayor McAuliffe asked how the bids would work to go out for an RFP for Analytical Services related to WVA operations. Would it still be a budget line item for the town? Town Manager Souza said South Windsor has a minimal amount they contribute and Avon has the same model. He went on to say that he has started researching this but his attention had to turn towards dealing with the ramifications of the COVID virus. He added that staff would be looking at the services provided in the other towns from a citizen's stand point, and that we may want to test the waters during the first half of the fiscal year which would give time for Council and staff to evaluate the options.

Councilor Bress asked what appropriation might be needed to go beyond the minimum service level. Town Manager Souza said it could be as high as \$350,000 to staff another ambulance and bring on additional staff. Terrence Greaves, the Windsor Volunteer Ambulance's President, added that they are in the process of up staffing, 2 full time ambulance staff during the day, 3rd shift is staffed by part timers and EMTs. At night there is one scheduled. They would move resources around and the budget submitted has enough funding to do so.

Councilor Bress asked if staffing is needed quickly due to the COVID pandemic, can it be done? Town Manager Souza said it depends on what the market is for staff, and the needs of an additional ambulance. Terrence Greaves added that they are making it work right now and they are not anticipating a significant increase in calls for transports.

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.

Based on overall projected expenditures and revenues (including an assumption General Fund State Aid will be essentially level-funded with FY 20) the current mill rate of 32.38 mills would increase approximately 2.96%. The budget generally maintains the same level of services, but also includes some part time monies for unregistered vehicle disposal. Monies are also included for taking on additional utilities and maintenance costs for the new Public Safety complex. If the additional state aid is budgeted, the proposed mill rate would change by 2.6% over FY 20's mill rate.

Councilor Jepsen asked if it is a one time bond issue that will cause a larger gap in the future. Town Manager Souza said that he does not have a good sense for that yet.

Councilor Jepsen asked what Governor Lamont's executive order entails. Town Manager Souza said that it changes the ways a municipality adopts a budget, but it's still a local decision. It requires opportunity for public comment and input but no vote, and also allows for extensions on deadlines.

Deputy Mayor McAuliffe asked what the monetary impact is of keeping the taxes level and at the same time maintaining the same level of services.

Town Manager Souza said we would have to reduce the expenditures by about \$2.5M.

4. STAFF REPORTS

Town Manager Souza mentioned that the municipal bond market is somewhat unstable right now. The market place may settle down by June when the town anticipates to issue bonds.

He indicated that time is needed ahead of the bond sale to prepare the Official Statement and rating agency materials.

5. APPROVAL OF MINUTES

MOVED by Councilor Bress, seconded by Councilor Jepsen to approve the unapproved minutes of the January 27, 2020 meeting as presented.

Motion Passed 3-0-0

6. ADJOURNMENT

MOVED by Councilor Bress, seconded by Councilor Jepsen to adjourn the meeting at 6:42 p.m.

Motion Passed 3-0-0

Respectfully submitted by,

Linda Collins
Assistant Finance Director