

TOWN OF WINDSOR, CONNECTICUT

Special Meeting Notice



AGENCY: Finance Committee

DATE: March 22, 2021

TIME: 5:30 PM

PLACE: Virtual meeting

Dialing in by Phone Only:

1. Please call: 646 558 8656
2. When prompted for participant or meeting ID enter: 870 8924 3154 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:

Please go to the following link: <https://us02web.zoom.us/j/87089243154>

When prompted for participant or meeting ID enter: 870 8924 3154

1. 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 2022 Budget Preparation
4. Staff Reports
5. Approval of Minutes
 - a) *January 25, 2021
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 22, 2021

To: Members of the Finance Committee

Prepared By: Peter Souza, Town Manager 

Subject: Update on Fiscal Year 2022 Budget Preparation

Background

The preparation of the proposed FY 2022 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 2022 budget. Outlined below is an overview of the grand list, revenues and state aid levels based on the governor's budget proposal and key expense drivers for FY 2022.

Discussion/Analysis

Grand List

The October 2020 net grand list increased in value by 1.85% as compared to October 2019. This increase in assessed value is largely the result of the new Amazon facility on Kennedy Road, new construction at Great Pond and the Verizon facility on Pigeon Hill Rd, as well as incremental real estate value increases for Amazon on Day Hill Rd. and the Windsor Station apartments. Cigna, Aetna, Walgreens and Talcott Life all made significant reinvestments in personal property. After accounting for other adjustments, such as elderly exemptions and tax appeals to the Board of Assessment Appeals and the State of Connecticut Superior Court, the net change in taxable value used to calculate the mill rate is increasing 1.96% as compared to FY 21.

Revenues

Overall, FY 22 non-tax revenues are forecasted to be essentially level with the FY 21 adopted budget. Below is a table that compares major General Fund municipal aid categories between the adopted FY 21 budget and the Governor's FY 22 budget proposal. Education Cost Sharing is net of the Alliance District grant and the federal funds known as ESSR II, which are distributed directly to the Board of Education and not part of General Fund revenues. Airport Development Zone funds are included in the FY 22 budget, as we received payments in the current fiscal year and we are anticipating that this program will be funded by the State for FY 22. There are no other substantial increases or decreases proposed for state aid at this time.

State Aid

	FY21 Adopted Budget	FY22 Governor's Proposed	Difference
Education Cost Sharing	\$11,547,660	\$11,547,660	\$0
Grants for Municipal Projects	\$1,711,000	\$1,711,000	\$0
Special Ed. - Excess Costs	\$1,300,000	\$1,300,000	\$0
Municipal Stabilization Grant	\$357,940	\$357,940	\$0
Airport Development Zone	\$0	\$150,000	\$150,000
PILOT - State Owned Property	\$27,300	\$27,300	\$0
Veterans Tax Exemption	\$17,000	\$17,000	\$0
Totally Disabled Exemption	\$3,000	\$3,000	\$0
Total	\$14,963,900	\$15,113,900	\$150,000

Interest rates continue to be low, and we are anticipating interest rate of approximately 0.25% for FY 22. Other non-tax revenues such as interim motor vehicle tax collections, cell tower leases, and conveyance fees are forecasted to see modest increases over this year's budget, but these gains are off-set in part by decreases in categories such as interest income and recreation fees.

Expenditures

Below is a table showing the main expenditure drivers for the FY 22 budget.

Key Drivers - FY 22 Budget	\$ Change	% Change
* Pension	556,850	12.4%
Liability & Work Comp Insurance	154,420	6.8%
OPEB	25,000	3.4%
Salaries	527,770	3.2%
Debt Service	228,520	3.0%
Utilities	47,070	2.7%
BOE	1,814,590	2.5%
Health Insurance	66,890	2.1%
MDC	(258,500)	-5.4%

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

Pension

One of the primary cost drivers is related to various retirement plans. As shown in the table above, we are projecting an overall increase of \$556,850 for these plans. Of that amount, \$158,000 is due to a contribution increase for CMERS and just over \$355,000 is related to the Town's defined benefit plan. We are in the second year of a two-year phase-in of new mortality tables for the town plan, and are also incrementally decreasing the rate of return assumption on plan assets to stay aligned with actuarial best practices.

Worker's Compensation Insurance

We are increasing our budgeted premium for excess worker's compensation insurance by \$38,000. This is an insurance industry-wide premium adjustment related in part to address increased risk exposure for certain categories of emergency and public safety employees brought on by the Covid-19 pandemic.

Windsor Volunteer Ambulance

Windsor Volunteer Ambulance is projected to have an operating deficit that is being created by stagnate billing reimbursement rates as well as upward pressure on operating costs due to labor market costs. To help stabilize their revenue stream a \$50,000 increase in the annual contribution is being proposed.

Other Expenditures (OPEB, Debt Service, Recycling)

An additional \$25,000 is expected to be included in the proposed budget toward funding long-term other post-employment obligations (OPEB). This would bring the annual contribution to \$750,000. Debt service is proposed to increase 3%, and is consistent with our multi-year approach to address our planned debt-financed capital project investments. The ad-valorem sewer payment to the Metropolitan District Commission (MDC) is budgeted at a \$258,000 decrease, or 5.4%. The MDC has increased the use of reserve funds in their 2021 operating budget, which reduces the amount member towns are required to contribute

Curbside recycling is expected to increase by approximately \$75,000. This is largely due to significant alterations in the global recycling markets resulting in a per ton fee for recyclables being charged by material handling facilities.

Asset management

With a wide variety of assets ranging from fire apparatus to buildings to roads valued at well over \$100M, it is important to continue to reinvest through 'pay as you go' funding as well as long-term financing. The FY 22 proposed budget increases our reinvestment levels via 'pay as you go' funding by \$110,000 with emphasis on areas such as:

- Pavement Management (road reconstruction, mill & paving overlays, preventive maintenance)
- Sidewalks (replacement and repairs)
- Fleet & Equipment Replacement (public works & general government)
- School Facilities Improvements

Service Delivery

The FY 22 budget strives to maintain current services levels and to address several areas such as:

- Public safety communications
- Fire department rescue equipment
- Traffic safety and junk car enforcement
- Anti-littering awareness campaign
- Diversity, Equity and Inclusion
- Clean and Sustainable Energy
- Minimum wage increases

Projected Mill Rate

Based on overall projected expenditures and revenues (including an assumption General Fund State Aid will be level funded with FY 21) the current mill rate of 33.11 mills would increase approximately 1.80% .

Recommendations

There is no specific action requested as the purpose of this agenda item is to provide a high level overview of the FY 22 budget which will be formally presented to the Town Council by the end of March.

Attachments

None



**TOWN OF WINDSOR
FINANCE COMMITTEE
January 25, 2021
VIRTUAL MEETING**

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; Kelly Barrett, Budget Analyst; Laura Casey, Early Childhood Manager; Cheryl Rosenbaum, Caring Connection Manager; Enita Jubrey, Assistant to the Town Manager; Mark Goossens, Solid Waste Manager

Guests: Scott Bassett, RSM US LLP

2. PUBLIC COMMENT - None

3. REVIEW OF FY 20 ANNUAL FINANCIAL AUDIT

RSM US LLP partner Scott Bassett gave an overview of the financial audit. Mr. Bassett stated that the financials of the town are well managed and that there were no auditor journal entries needed or misstatements found. Items were all accurate and given in a timely manner. Some of the financial highlights that he discussed included:

On a government-wide basis, the assets and deferred outflows of the Town exceeded its liabilities and deferred inflows resulting in total net position at the close of the fiscal year of \$35.5 million.

Governmental Activities - had an increase in net position of \$1.9 million.

General Fund - The general fund reported a fund balance this year of \$32.1 million, an increase of \$1.3 million over prior year, with the unassigned fund balance at \$28 million which represents 20.8% of total FY 20 expenditures and transfers out and 23.0% of the FY 21 adopted budget.

Capital Project Fund – had a decrease in the fund balance of \$2.7 million, mainly due to the Bond Anticipation Note outstanding of \$12.5 million at year end.

Internal Service Fund - had an increase of \$1.5 million.

Trust Funds – had a net position of \$72.1 million, which was an increase of \$0.5 million from the prior year.

Mr. Bassett said there were no material weaknesses found in internal controls.

Councilor Rampulla Bress asked if there was a COVID -19 pandemic impact. Mr. Bassett said there was not a significant impact to the town's FY 20 financial statements, but that there could be a future increase in health insurance costs. Revenue and expenditures should stay consistent.

Mr. Bourke went on to explain that the pension liability was impacted by the implementation of the new mortality tables and a decrease in the rate of return assumptions used in the pension valuation, as well as the decrease in the market during the first half of FY 20.

Deputy Mayor McAuliffe asked if the COVID-19 pandemic is going to have an effect on mortality and future years' pension liability. Mr. Bourke and Mr. Bassett both responded that the new mortality tables are intended to provide a more realistic view of mortality over the long-term, and that the any effects on the liability relative to mortality as a result of COVID-19 will be minimal.

Councilor Jepsen asked how the pension funds are invested, i.e. how much in stocks, how much in bonds, etc. Mr. Bourke replied that we have an asset allocation policy and that it is currently 60% equities, 35% fixed income and 5% in other investments. Town Manager Souza explained that we have a 3rd party consultant that manages the investments.

4. REVIEW OF FY 21 SECOND QUARTER FINANCIALS

Jim Bourke, Finance Director, reviewed the FY 21 second quarter General Fund financials as follows:

General Fund

Revenues

Revenues are 90.0% collected vs. 88.1% for the same time period last year.

Expenditures

Expenditures are 48.9% spent for FY 21 as opposed to 49.7% in FY 20. Most of the differences relate to the timing of when expenditures occur and when purchase orders are opened in the accounting system.

Town Manager Peter Souza added that the Recreation department will most likely need a general fund transfer to their special revenue funds that have taken a hit due to less program revenues received as a result of the COVID-19 pandemic. The Caring Connection and the Child Development Center would also need a general fund transfer for the same reasons.

Councilor Jepsen asked if the loss of investment income revenue due to lower interest rates would also means less interest paid on bonds. Town Manager Souza said that we budget for a 3% increase in debt service in the general fund, and lower interest costs would generally reduce the need to use as much from Debt Service reserves in the budget.

ENTERPRISE FUNDS

Discovery Center

Laura Casey reported on the status of the Discovery Center. Some of the highlights she mentioned included the program re-opening in June with a lower census. This gave staff time to adjust to the new procedures. The facility was also closed for a few weeks during the months of December and January. The decreased revenue impact from this will be seen in the next quarter. Maintaining staffing level needs is also getting difficult for various reasons.

Councilor Rampulla Bress asked if there are state grants available. Ms. Casey said that so far two grants have come in and more have been applied for. She also added that grants may be limited because the facility is linked to a municipal government.

Deputy Mayor McAuliffe said it must be difficult to manage the program under the circumstances and that he appreciates it.

Councilor Rampulla Bress also offered the same sentiment.

Town Manager Souza stated that at the end of the year, an appropriation for a transfer from the General Fund will be needed for this year and most likely for FY 22 as well.

Caring Connection

Cheryl Rosenbaum reported on the status of the Caring Connection. She mentioned that all of the Caring Connection staff have received the first round of the COVID-19 vaccine. She said the staff is very proud to be able to have served the community during the pandemic and in a safe way.

Deputy Mayor McAuliffe asked if any clients have gotten COVID. Ms. Rosenbaum said none have.

Councilor Rampulla Bress asked what remote services are being provided and what the lost revenues are as a result. Ms. Rosenbaum stated that the remote services entail meal delivery as well as health check-ins. She stated that full revenues are being received as if the clients were at the facility.

Transfer Station

Town Manager Souza gave a brief overview of activity at the Transfer Station. Mark Goossens, Solid Waste Manager, said that the facility has seen increased revenues and activity in the past several months. Deputy Mayor McAuliffe asked what that is attributable to. Town Manager Souza said it's due to the COVID-19 pandemic and everyone spending more time at home doing home projects.

Councilor Jepsen mentioned that the retained earnings are growing. Town Manager Souza said that they are earmarked for future needs.

Councilor Jepsen asked about the access to the compactor based on how the railing is placed. Mr. Goossens said that it is designed as a good balance between customer service needs and the potential for long-term savings.

Landfill

Mr. Goossens, Solid Waste Manager, reported on the status of the Landfill. He gave an overview of the continued capping efforts and the impact of the COVID-19 pandemic.

Councilor Jepsen asked when closure is expected. Mr. Goossens said everything is complete except for the south-east corner and the side slopes. Then ancillary work will need to be done. Closure would be January 1, 2023 and approved by the DEEP sometime after that.

5. APPROVAL OF MINUTES

Councilor Rampulla Bress asked that language be added to the draft December 14, 2020 minutes.

MOVED by Councilor Rampulla Bress, seconded by Councilor Jepsen to approve the unapproved minutes of December 14, 2020 meeting as amended.

Motion Passed 3-0-0

6. ADJOURNMENT

MOVED by Councilor Rampulla Bress, seconded by Councilor Jepsen to adjourn the meeting at 6:40 p.m.

Motion Passed 3-0-0

Respectfully submitted by,

Linda Collins
Assistant Finance Director