



**TOWN OF WINDSOR
FINANCE COMMITTEE
MARCH 15, 2023
HYBRID MEETING**

APPROVED MINUTES

1. CALL TO ORDER

Councilor Ojala Naeem called the meeting to order at 6:00 p.m. with Councilor Ken Smith and Deputy Mayor Lisa Rampulla-Bress present.

Staff Present: Peter Souza, Town Manager; Jim Bourke, Finance Director; Linda Collins, Assistant Finance Director; and Patrick McMahon, Economic Development Director, Danielle Batchelder, Director of Business Services & Human Resources

Other: Scott Bassett, RSM; Mr. Kevin Gremse and Mr. John Gerber from NDC

2. PUBLIC COMMENT

None.

3. REVIEW OF FY 22 AUDIT

Scott Bassett from RSM US LLP gave an overview of the FY 22 Audit. He explained the responsibilities that the firm held to during the audit and went on to talk about the financial highlights as follows:

- On a government-wide basis, the assets and deferred outflows of resources of the town exceeded its liabilities and deferred inflows of resources resulting in a total net position at the close of the fiscal year of \$60.9 million. The total net position for Governmental activities at fiscal year-end was \$57.2 million, which was \$4.2 million higher than the FY 21 restated net position. Total net position for Business-type activities was \$3.7 million, which was a decrease of \$196,000 as compared to FY 21.
- Government-wide expenses were \$148.3 million, which is an increase of \$8.9 million as compared to FY 21. Government-wide revenues were \$152.4 million, which is a decrease of \$7.1 million as compared to FY 21.
- At the close of the year, the town's governmental funds reported, on a current financial resources basis, combined ending fund balances of \$61.4 million, a decrease of \$6.7 million from the prior fiscal year.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$38.0 million, an increase of \$1.3 million from the prior fiscal year. Of the total fund balance as of June 30, 2022, \$33.0 million represents the unassigned fund balance.

The unassigned fund balance at year-end represents 24.0% of total FY 22 General Fund expenditures and transfers out and 25.4% of FY 23 adopted budgeted expenditures. FY 22 expenditures include the state teachers' retirement and Other Post-Employment Benefits (OPEB) payment of \$9.8 million made by the State Department of Education on behalf of the town.

Mr. Bassett also went through the notes of the Annual Comprehensive Financial Report and talked about how a material weakness in internal controls was identified that occurred in the FY 21 financial statements. This was based on the town staff recognizing the receipt of American Rescue Plan funds as revenue, prior to eligible expenditures being incurred. The proper accounting treatment should have been to recognize the receipt of those funds as deferred revenue. The July 1, 2021 beginning net position of the governmental activities was restated to correct this error related to revenue recognition.

Councilor Naeem asked if the misstatement meant that the monies were recorded before they were spent. Mr. Bassett said that it was just a matter of the monies being recorded as revenue instead of deferred revenue since they were not spent as of June 30th. He confirmed that cash was recorded appropriately.

Deputy Mayor Bress asked if the misstatement had any impact on anything besides the accounting entry. Mr. Bassett said there is no impact on anything else.

Deputy Mayor Bress asked if the changes to the contribution made by the State to the teachers retirement plan had to do with the number of retirements. Mr. Bassett replied that is not the case. The change has to do with actuarial assumptions, such as investment performance and multi-year smoothing of investment gains and losses.

Councilor Naeem asked what the industry average is for the rate of how much a pension is funded by the town. Mr. Bassett stated that there is no industry average per se, and the town's rating is considered healthy. He indicated that town staff have been very disciplined in making the actuarially recommended contribution every year.

4. REVIEW OF TAX INCREMENT FINANCING CREDIT ENHANCEMENT AGREEMENT FOR PROPOSED MIXED USE DEVELOPMENT AT 144-152 BROAD STREET

Patrick McMahon, Economic Development Director, stated this item was referred to the Finance Committee by the Mayor at the last Town Council meeting.

GRAVA is proposing a two-phase development that would provide a total of 106 new rental housing units (studios and one-bedrooms), with 11,600 SF of commercial space. GRAVA is proposing that 20% of the units be affordable at 80% area median income. The first phase entails a three-story structure along Broad Street containing 40 apartments with first floor commercial. The first phase also includes the creation of 30 apartments in a three-story structure next to enhanced spaces for current tenants Peking Kitchen, Mofongo and Blue Dragonfly. The intention is to relocate tenants located in 152 Broad Street (aka the Giovanni's building) into the new commercial space along Broad Street. Once the relocation

has been completed, then the developer would demolish 152 Broad Street and initiate construction of Phase II which includes 36 additional units in three three-story buildings. The estimated project cost of the redevelopment is \$29,842,022 (based on a pro-forma previously submitted for review by the developer).

Under the Windsor Center TIF District Master Plan, Credit Enhancement Agreements may be negotiated with developers of properties listed on the Town's Priority Redevelopment Properties List. Financial incentives provided to individual owners/developers of these respective properties may be funded solely from the incremental tax revenues generated from their private investments. Furthermore, it must be demonstrated that investment would otherwise be inhibited but for the financial incentive.

GRAVA meets the threshold criteria to be considered for a CEA under the TIF Policy. A Credit Enhancement Agreement will be considered only if all of the requirements are met. Applicants for a Credit Enhancement Agreement should demonstrate that the Town of Windsor's participation is economically necessary, and that participation is needed to undertake the project.

The Town Council adopted the Windsor Center TIF District Master plan on October 17, 2022. Under this action, 75% of the taxes generated by increased assessment in the District will be sequestered for projects within the District, and 25% of those taxes will go to the General Fund.

Tax increment revenues allocated for reimbursement to the developer or business as articulated in CEAs may not exceed 100% of the incremental tax revenue from any individual parcel, and the term of the agreement shall not exceed the number of years remaining in the life of the district.

A 10 year rebate is proposed for the Council's consideration based on the following schedule: Years 1-4 - 100%; Year 5 - 90%; Year 6 - 80%; Year 7 - 70%; Year 8 - 60%; Year 9 - 50%; and Year 10 - 40%. The schedule would commence after the completion of Phase I.

The Credit Enhancement Agreement requires annual taxes to be paid to the Town and then the Town will rebate to the developer, as reimbursement for project costs, a percentage of the increase in tax payments per the above schedule.

Deputy Mayor Bress asked how long the affordable rents will remain in place. Mr. McMahon stated that they will be there for 30 years.

Deputy Mayor Bress stated the slide presentation shows that the plan meets two qualifications in the town's TIF policy, but she feels it meets more. Mr. McMahon explained that the presentation was a more condensed version than what the EDC was presented, and that in fact it does meet more qualifications and he will include those in the next presentation.

Councilor Naeem asked what the impact on existing leases is, including ones that have been there a long time. Mr. Gremse said that the rents will be lower, but the space will be smaller as well.

Councilor Naeem asked if existing businesses were excited about the plan or is there push-back. Mr. Gremse stated that the businesses want this and went to the Town Council to show their support. He said they prefer that the businesses are closer to the road instead of being in the back of the parking lot.

MOVED by Councilor Naeem, seconded by Deputy Mayor Bress to recommend that the Credit Enhancement agreement item be brought back to the Town Council for discussion.

Motion Passed 3-0-0

5. DISCUSS SCHEDULE FOR AUDITOR INTERVIEWS

Jim Bourke, Finance Director, stated in 2018 the Town Council approved the firm of RSM US, LLP to perform the annual financial audit of the town for fiscal years 2018, 2019 and 2020, with an option for two one-year extensions. This appointment was the result of a Request for Proposals process for audit services that was conducted in January of 2018.

On December 21, 2020, the Town Council approved the appointment of RSM US, LLP to carry out the financial audit for fiscal years 2021 and 2022, and authorized the Town Manager to negotiate and finalize a two-year extension agreement with the firm.

On December 13, 2022, the Finance Committee considered either recommending to the Town Council that another two-year extension be negotiated, or a request for proposals be issued. The consensus of the committee was that an RFP should be issued.

The request for proposals was issued on January 3, 2023. Respondents were given until January 24, 2023 to submit a proposal. Two proposals were received; the incumbent RSM US LLP and Clifton Larson Allen LLP (CLA). The term of the engagement as outlined in the RFP is a three year term with optional annual extensions for two additional years. This would cover the audits for fiscal years 2023 through 2027.

Deputy Mayor Bress stated that the RFP was not done because of the quality of services provided by RSM, it was more due to pricing.

The committee agreed to have a meeting on Wednesday, March 29th at 6:00 p.m. to interview each firm and to discuss a future audit engagement that would be recommended to the Town Council for their approval at the following Town Council meeting.

6. STAFF REPORTS

Town Manager Souza discussed two items going into the Town Council packets on Thursday. The first one was about getting a Council resolution to spend grant proceeds on a redevelopment project. The second one is about funding sources for the project for Baker



Hollow Road. The total amount of the project will be about \$2.9 million of which approximately \$2.1 million will be debt financed and the remaining \$800,000 will come from use of ARF monies. Using the ARF funding instead of borrowing the \$800,000 will save the town approximately \$325,000 in interest.

Town Manager Souza also stated that the town did not receive the grant for the Wilson Gateway project, but Riverfront Recapture did receive some funding for the River Trail project, to connect the Windsor section to the Hartford section.

Deputy Mayor Bress asked if decisions for the funding for the Wilson Gateway project was affected by the deadlines to spend the ARF monies. Town Manager Souza stated that the funds need to be committed or contracted by December 2024 and expended by 2026.

7. APPROVAL OF MINUTES

MOVED by Deputy Mayor Bress, seconded by Councilor Smith, to approve the unapproved minutes of the February 13, 2023 meeting as presented.

Motion Passed 2-0-1 (Councilor Naeem abstained)

8. ADJOURNMENT

MOVED by Deputy Mayor Bress, seconded by Councilor Smith, to adjourn the meeting at 7:39 p.m.

Motion Passed 3-0-0

Respectfully submitted by,

Linda Collins
Assistant Finance Director