



**TOWN OF WINDSOR
FINANCE COMMITTEE
FEBRUARY 12, 2024
SPECIAL HYBRID MEETING**

APPROVED MINUTES

1. CALL TO ORDER

Councilor Ojala Naeem called the meeting to order at 7:00 p.m. with Councilor Ronald Eleveld and Councilor Leroy Smith present.

Staff Present: Peter Souza, Town Manager; Jim Bourke, Finance Director; Scott Colby, Assistant Town Manager

2. PUBLIC COMMENT - None

3. PRESENTATION OF FY 23 AUDIT

Jim Bourke, Finance Director, stated representatives from CliftonLarsonAllen LLP (CLA) will present the results of the town's FY 2023 audit to the Finance Committee at tonight's meeting.

Jessica Aniskoff and Brandon Cathcart gave an overview of the presentation.

Revenues on a budgetary basis exceeded the budget by \$7.2 million, mostly due to property tax collections, building permit revenues, state grants, and interest income. Expenditures came in under budget by \$881,000 mostly due to savings from position vacancies, employees on workers compensation and disability leave, and storm control overtime cost savings. Uses of General Fund reserves included an appropriation of \$380,000 for Windsor Emergency Medical Services, \$310,000 for design of the multi-use riverfront trail, \$140,000 for the Sage Park Middle School slab moisture mitigation, \$88,000 for the Wilson Firehouse generator, \$75,000 for new building permit software and \$65,000 for Goslee Pool bath house renovations. Total FY 23 appropriations from General Fund reserves were \$2,858,000 which included \$1,800,000 in opening cash; however, the overall operating surplus was sufficient enough so that the use of opening cash was not required. The combined revenue surplus, expenditure savings resulted in a total budgetary surplus of \$5.2 million.

The General Fund Unassigned Fund balance as of June 30, 2023 was \$40,162,577, which is an increase of \$7,148,467.

The town recognized approximately \$19.8 million in new capital asset investments in FY 23. These consisted of \$16.4 million for buildings and improvements and \$3.9 million for new machinery and equipment.

The town's total bonded debt increased by \$2.0 million during FY 23 and stands at \$69.3 million as of June 30, 2023. Debt service payments made in FY 23 totaled \$9,066,228, which is 7.0% of FY 23 budgeted operating expenditures, and is within the town's policy guidelines of 6.0% to 8.0%.

Councilor Smith asked about balances in the escrow accounts that need to be cleaned up. What is the total amount? Can you give a sense of which program has those balances? Linda Collins, Assistant Finance Director, stated it's \$30,000 and it's actually one escrow account called Landfill Escrow and it was inherited 16 years ago. At that time, we dug through every single record we could find in the town. We can't find any information on it. So we're not really sure why that account was established. However, we are considering closing it and putting the money in the General Fund.

Councilor Eleveld asked Ms. Collins why she would put the money in the General Fund if it was intended to be dedicated to the landfill. Ms. Collins said she was not 100% sure that the money was intended for the landfill and that the designation was only created internally in their accounting system.

Councilor Naeem asked if the Board of Education has already gone through the recommendations. Ms. Aniskoff clarified that they have received the same letter. Councilor Naeem asked if, from a disaster recovery perspective, does the town manage services separately from the Board of Education. Town Manager Souza confirmed that this is his understanding. Sheri Davis, Board of Education District Accounting Manager, added that most of the services are hosted within other companies. Their agreement stipulates how data is restored and recovered in the disaster recovery plan. Documents kept with the Board of Education are to be stored in the Google Workspace for an education platform.

Councilor Naeem indicated that she read in the management letter that there is no cloud backup. Ms. Davis directed Councilor Naeem to other bullet points in the letter expanding on this topic. Ms. Aniskoff stated that she could seek clarification on this point. Councilor Naeem reiterated questions she asked last year about the Town's data backup centers and cloud storage. She would like to have more information on the situation in the Board of Education. She also asked if the management letter could be updated if the statement is not true. Ms. Aniskoff indicated she could do so but typically does not. The recommendations are internal and are not recorded in the official federal or state audits.

Councilor Smith asked if the Board of Education is still using QuickBooks rather than Munis. Ms. Aniskoff stated it was simply a recommendation as auditors do not like QuickBooks due to the openness of the system. As the town is storing their financial information in Munis, the Board of Education information should be stored there as well. She noted that other towns do occasionally utilize QuickBooks in conjunction with Munis. However, in these scenarios, towns would reconcile the information regularly to make sure the information is getting into the primary system. This process would be acceptable for Windsor as well. Ms. Davis noted that the Board of Education is in the implementation stage to get funds from QuickBooks into Munis. There are

five meetings scheduled through May to begin the process and, hopefully, it will be completed by the end of the year. Councilor Smith asked if this was a prior audit observation in other fiscal years. Ms. Collins indicated that it was last brought up approximately 12 years ago.

Councilor Naeem thanked the representatives for coming down to talk. She asked about any advice to help the process next year. Ms. Aniskoff said that it would go much more smoothly next year. She thanked the Finance Department and Board of Education for their help in the process. She clarified that in the first year, they build up their document pool. The next year, they are able to update the documents rather than having to track them down. Town Manager Souza added that the process helped to dust off things that hadn't been touched in a few years. Ms. Collins thanked the consultants for their thorough work and the guidance they provided.

Councilor Smith asked if they would go over the federal and state assistance schedules. Ms. Aniskoff pointed to a slide which goes over this information at a high level. The first letter for the federal single audit is the report on the programs that were tested. That document is a clean opinion. There is then a schedule that lists out all the federal expenditures for the year that the town had. The second letter is where the material weakness on financial reporting is going to be noted. The last couple of pages are a summary. This shows the programs that were tested in detail and in overview. The state is a similar layout. The first letter is an opinion on major programs, then the schedule, then the letter for material weakness, then the summary. The same finding is repeated in both reports.

Councilor Smith asked if the federal programs that opt into earning program income, is that tested as program income or does the cumulative program income exceed \$750,000. Ms. Aniskoff said that they do a risk analysis for a federal grant over \$750,000 or state grant over \$200,000. If it hasn't been tested in three years, it must be tested. If the federal government deems a grant high-risk, they must test it. The consultants complete a risk assessment to determine the programs they are going to test. The compliance supplement shows requirements for a specific grant, which they then abide by as it applies to each grant.

4. REVIEW OF FY 24 ENTERPRISE FUNDS SECOND QUARTER FINANCIALS

Landfill Enterprise Fund

Residential Transfer Station

Mark Goossens, Solid Waste Manager, stated for Total Revenue, the Transfer Station Enterprise Fund received \$204,048 during the first half of fiscal year 2024.

These revenues were generated primarily from fees for bulky waste materials, yard wastes, and residential permit fees. These and other revenues for the fiscal year are shown in the column entitled: "YTD Results."

Year-to-date Total Expenses of \$165,836 are shown in the same column. The largest budgeted expenses are for the transfer and disposal of wastes delivered to the Transfer Station by residents.

The most notable variances on the attached report are explained as follows:

- C&D Revenues and Expenses: Revenues are under target by \$13,694 – due to a tonnage intake level that was lower than budgeted, likely due to the wetter-than-normal Fall. Savings in the disposal costs for these materials were realized as well.

The Annual Operating Income earned by the Transfer Station Enterprise Fund was \$38,212 for the first half of fiscal year 2024. Adding this to the retained earnings at the start of the fiscal year, yields a total of \$545,499 in retained earnings at the midpoint of FY 2024.

Landfill

For Total Revenue, the Landfill Enterprise Fund has received \$497,981 at the midpoint of the fiscal year. This revenue is comprised mostly of interest income. A portion of these revenues (\$100,000) are related to the sale of landfill equipment that was no longer utilized at the site. The Town expects to submit reimbursement request(s) to the DEEP for some of the remaining \$723,663 grant balance during the second half of this fiscal year as presented in the approved FY 24 budget.

Total Operating Expenses of \$814,811 were primarily related to closure and capping of the landfill. The major components of this expense are Supplies (\$98,764), Personnel (\$196,788), Contractual Services expenses (\$163,290), and Capital Expenses (\$268,646).

Some of the notable variances on the attached report are as follows:

- Interest Income – was over budget again for the 2nd quarter, due to continued high interest environment.
- Contractual Services – were under budget due largely to the timing of the work related to the project to improve the aesthetic issues within the wetlands. The estimated expense for this work included in the FY 24 budget is \$400,000. This work is expected to take place during the upcoming 2024 spring/summer timeframe. As such, much of the contractual expenses will be realized during the second half of FY 24.
- Supplies – were under budget due to lower than anticipated heavy equipment rental expenses, and costs for materials including topsoil, stone, and road materials.

The Retained Earnings of the Landfill Enterprise Fund at the beginning of FY 24 was \$19,376,279 as shown on the bottom, left side of the report. With an operating loss of \$316,830 during the first half of FY 24, the balance of the Retained Earnings of the enterprise fund at the end of the year becomes \$19,059,449 at the end of the 2nd quarter, as shown at the bottom, right side of the report. This amount will continue to be used for landfill closure and capping expenses, as well as on-going post-closure expenses at the site.

Town Manager Souza stated that one of the driving factors to keep an eye out for in regards to the Transfer Station is the increasing cost of disposing of waste. Mark Goossens, Solid Waste Manager, added that they are at the whim of the market. Town Manager Souza added that Windsor Sanitation is facing similar issues with repeated increases in solid waste disposal. Mr. Goossens indicated that everyone is in for the ride of the solid waste disposal regional crisis. He noted that there are a few regional landfills, one in New Hampshire, one in Pennsylvania. Most are relatively distant. Councilor Naeem clarified that the increased distance of disposal raises costs all around.

Councilor Eleveld asked how the waste was transported to disposal sites. Mr. Goossens said that he believes they use tractor trailers, similar to private disposal. Councilor Eleveld felt it would be less pricey to transport the waste by rail.

Councilor Eleveld said the DEEP reimbursement noted on the report and asked if that reimbursement is still being received. Mr. Goossens responded they are still expecting to put in for some reimbursement by the end of the fiscal year. They should hit roughly \$300,000 in either 2023 or 2024. Town Manager Souza noted that the balance will be in the first six months of fiscal year 25.

Councilor Eleveld asked about the \$100,000. Mr. Goossens clarified that number was due to the sale of a trash compactor to a local contractor. Town Manager Souza reminded councilors that there will be long-term post-closure maintenance requirements which will utilize the balance and retained earnings of \$350,000-\$400,000 per year. There will be a minimum of 30 years of fiscal assurances on post-closure maintenance. It is from the point that the closure is certified, although this might change.

Councilor Naeem asked what would happen if they fell below a threshold of 30 years of financial guarantees. Town Manager Souza indicated that the owner who still has some liability associated with it would still be responsible for it. He wants to ensure that the Council doesn't utilize the funds for other purposes as they are necessary to cover landfill costs.

Councilor Smith asked if fees charged to customers are regulated by the state or by Windsor. Mr. Goossens responded that an RFP is put out annually to discover the cost of disposals. They then make some assumptions about waste disposed of and number of families. They then determine fees that should be incurred by users. The vast majority of fees are set locally.

Caring Connection

Cheryl Rosenbaum, Caring Connection Manager, stated

The first six months of FY 24 revenues were \$184,000. Revenues are trending approximately \$63,000 higher than the same time period last year.

The Caring Connection expenditures for the first six months of FY 24 are \$236,430 which are increased due to the increase in census and an adjustment to salaries to market value. Current projections for overall FY 24 expenditures are expected to come in \$44,240 over budget.

The 2nd quarter census increased from an average daily census of 16 to 17. Our online presence and digital media advertising efforts continue to drive this increase.

We project an end of fiscal year loss of \$101,320. That would be \$77,480 less than the \$178,800 loss projected in the FY 24 adopted budget.

Councilor Naeem asked what has changed between the first and second half of the fiscal year to bump up the monthly projections by \$7,000 per month. Cheryl Rosenbaum, Caring Connection Manager, said the census increased the first half of the year. She anticipates a similar increase for the second half of the year. State reimbursement is also increasing. There should be a monthly increase in reimbursements starting this month.

Councilor Naeem said the projections for January through June seem really high in comparison to the July through December. She noted that there would need to be an increase in enrollment going forward on top of the reimbursements. The first quarter had an average census of 14 with the second quarter showing an average of 17 daily attendees.

Council Eleveld asked what the numbers were for the same time last year. Ms. Rosenbaum said there were between 9 and 12 individuals at a given time last year. Councilor Naeem asked if these were re-projections separate from the projections made in the FY 24 budget. Ms. Rosenbaum indicated that those initial projections were made in December of the previous year. October had 23 client days in comparison to less client days in November due to the holidays.

Child Care/Montessori School

Laura Casey, Early Childhood Manager, stated during the first six months of fiscal year 2024, total revenues equaled \$712,025. The FY 23 second-quarter revenues totaled \$595,054. Therefore revenues are trending \$116,971 higher than the same period last year. We anticipate at this point to be under our budgeted revenue projections by \$45,120.

This loss is due to vacancies in the new classroom for the first half of the year. We are optimistic we will be able to reduce the vacancies from 5 to 2 before the third-quarter ends.

The Child Enterprise Fund operating expenditures are \$664,435 for the first six months of FY 24. This is 7.7% higher than the same period last year due largely to expenses for the additional classroom.

At this time, we project an end of fiscal year loss of \$19,730 for FY 24 versus a budgeted loss of \$5,350. The projected loss would leave the Child Enterprise Fund with a positive unrestricted

net position of \$334,613 at the end of FY 24. The additional loss is due to the vacancies in the added class.

In the first half of the year, the school had anywhere from three to five student vacancies. There is also an unfilled part time position which has a candidate in the pipelines at the moment. A new student is starting full-time at the end of the month. There is a total of 106 students on the waiting list from infancy through primary. Most of the primary students available to fill the vacancies are not developmentally ready or the correct age. They anticipate being full September 1st due to the kindergarten entrance age changing. They cannot take new students in the infant and toddler classrooms until July of 2025 due to sibling preference.

There are only vacancies in 3, 4, and 5 year old classrooms. There are a number of students who will move up to other classrooms or will leave/graduate out of the program. Councilor Eleveld asked if the work from home situation has impacted Laura's ability to attract students. She indicated that it is no longer an issue

Councilor Naeem asked about staffing challenges due to competitive rates of pay. She asked if there are any state opportunities to help with it. She indicated there is a push this year for early childhood development. Laura Casey, Discovery Center & Montessori School Director, noted that they are working on a salary study and the use of the OEC grant they received. They hope to use the funding for salaries specifically. She is looking at the salary scale to increase for this year and next year. She clarified that they do take Care for Kids.

Councilor Naeem asked if the subsidy revenue would be covered in the revenue in the budget. Ms. Casey confirmed this. She also noted that they receive an additional subsidy for an incentive as a NAEYC (National Association for the Education of Young Children) accredited facility.

Councilor Smith asked for clarification about salary issues in attracting teachers. He noted that there is a supply and demand situation going on. Ms. Casey is hopeful that salary changes would help but also is worried that the pool of applicants is lower than in the past as well. Councilor Smith asked about benefits employees receive. Ms. Casey stated they are considered town employees and receive all the same benefits.

5. REVIEW OF FY 24 GENERAL FUND SECOND QUARTER FINANCIALS

Jim Bourke, Finance Director, stated Revenues are 90% collected as compared to 90% for the same time period last year. Notable changes in revenues received between the two fiscal years are as follows:

- Licenses and Permits is 143% collected as compared to 360% for the same period last year.
- Fines and Penalties is 52% collected as compared to 66% for the same period last year.
- Revenues from Use of Assets is 92% collected as compared to 101% for the same period last year.

- Charges for Current Services is 138% collected as compared to 59% for the same time period last year.

Expenditures are 51% spent half way through FY 24, and were 50% expended at this same time period last year. Notable changes in expenditures between the two fiscal years are as follows:

- Community Development reflects 87% expended this year as compared to 35% for the same time period last year.
- Town Support for Education reflects 47% expended this year as compared to 41% for the same time period last year.
- General Services reflects 67% expended this year as compared to 63% for the same time period last year.

Councilor Naeem asked if we are obligated to cover the full cost of private school nurses. Linda Collins, Assistant Finance Director, indicated that they are mandated to provide the same nursing services provided to public school students to private school students. It is state mandated.

Councilor Eleveld asked if the adjustment for CRCOG on Groton Road was approved at the last meeting. It was clarified that it was. He continued by asking if that would affect the sharing agreement. Town Manager Souza indicated it has minimal effect but would be adjusted into the mix.

6. UPDATE OF FY 24 CAPITAL PROJECT FUNDING

Town Manager Souza gave an overview of FY 24 Capital project funding. The adopted FY 2024 CIP outlined borrowing \$15.38M this spring. This number does not include projects requiring voter approval via a referendum, for which none are planned at this time.

As approved in the annual operating budget, the annual debt service obligations are funded through a General Fund appropriation as well as use of the Debt Service Fund. In line with approved budget parameters and past Town Council practice, the FY 25 General Fund appropriation for debt service has been forecasted to be \$8.57M which is \$250,000 or 3% higher than the FY 24 level.

Based on previous Town Council actions this fiscal year and recommended upcoming requests, there are multiple projects being funded with either General Fund Unassigned Fund Balance, American Rescue Funds or short-term notes in anticipation of receiving grant reimbursement. Based on current cost estimates, approximately \$15.75M in projects are outlined for FY 24. The suggested funding sources include \$6.8M in long-term borrowing, \$1.5M through a 1 year note, \$3.7M in General Fund Unassigned fund Balance, and \$3.7M in American Rescue Funds. Of the \$15.75M in projects, General Government related projects total \$6.24M and school related projects comprise \$9.51M or 60%.

Previously issued debt plus \$6.8M in new borrowing and the one year note in the amount of \$1.48M requires \$8.49M in total principal and interest payments in FY 25 (assumes a 15 year term at an average interest of 5% and the 1 year note at 4%.) This results in the FY 25 General

Fund debt service appropriation being \$85,000 less than the planned 3% increase as set forth in the FY 25 approved budget parameters.

A potential option staff will be reviewing during the budget preparation process is to utilize the Debt Service Fund to provide all or a portion of the remaining balance of the planned 3% general fund increase.

By using a combination of General Fund Unassigned Fund Balance and American Rescue Funds instead of borrowing \$7.4M, approximately \$2.96M in interest costs are avoided over a 15 year period. This approach also provides flexibility and capacity for future capital borrowing plans as approximately \$8.6M in planned borrowing would not take place this spring.

Councilor Naeem asked what the fall off on debt would be for FY 2025. Town Manager Souza clarified it would be \$1.2 million in actual payments.

Council Naeem suggested calling attention to this during his report to the Council during a meeting. This makes it clear the bonding versus cash situation the town is currently in. Town Manager Souza said they might be able to refinance down the line, although likely not in the next three to five years.

Councilor Eleveld asked for Town Manager Souza's thoughts on the International Drive project. Town Manager Souza responded that they should continue to borrow for that. He is comfortable with having a general obligation of approximately \$7 million, with \$1.8 million from International Drive. He noted that the debt service over the past few years has been funded by the General Fund and also an appropriation from the Debt Service Fund. The balance in the fund is \$2.8 - \$2.9 million. They are using \$525,000 from the fund this year with a total debt service for the year of just under \$9 million. The budget parameter was a \$250,000 increase. If we borrowed roughly \$7 million dollars, we would only need a \$165,000 increase.

Councilor Smith recapped saying that there is a potential of using the debt service fund to pay off debt. Town Manager Souza said they have been doing that for a good number of years, primarily because there was a large amount of premium received from the Public Safety Complex project. The only concern is that if the financing market changes and they do not receive annual premiums, they may have become too dependent upon use of the debt service fund.

Councilor Smith asked for an explanation of how borrowing debt factors into the bond rating. Town Manager Souza clarified that a key metric is the amount of debt service as a percentage of the operating budget. They aim for the debt service ratio to be between six and eight percent. They have consistently met this goal. The other factor is how fast they are paying off the debt. We pay 75% of debt in ten years. They take a look at debt per capita, which has climbed up in

Windsor. This is less of a factor than in the past. There are also factors outside of debt-related components.

Councilor Smith asked if projects discussed at the Town Improvements Committee for the next year are set in stone or if they can be delayed. Town Manager Souza noted that some projects can be delayed and have flexibility while others may be more difficult to delay. There are two projects coming in at a higher cost than expected. These projects might need to be phased. He indicated that if there are bigger projects funded through general obligation bonds, they are a bigger planning effort that takes a great deal of time to fit it into the CIP.

Councilor Eleveld said there will be higher pressure to use cash to fund these projects. He feels this would have a longer term impact on our ability to use debt service to fund projects as it will lead to a bigger increase in taxes. Town Manager Souza stated they are using \$7.5 million in cash, which is significantly more than was expected a year back. Councilor Naeem added that it may not feel like we're using cash on a project-by-project basis. However, in the bigger picture it is clear that cash is being utilized. Town Manager Souza noted that in the budget process from FY 25-27, it will be useful to have flexibility through the use of General Fund unassigned dollars. He also wants to save cash for the future for smaller infrastructure projects that are very suitable for the use of cash rather than debt service.

Councilor Eleveld stated we are spending almost \$9.5 million on Board of Education related projects. Consistently, the bulk of expenditures are on education-related projects. While educational infrastructure is old, it is not due to lack of spending. Town Manager Souza said he is trying to follow Council advice to use American Rescue Fund money on more tangible expenditures.

7. STAFF REPORTS

There will be a budget informational meeting on Thursday evening. This meeting will also include information on the revaluation process. They will also discuss how a phase-in works to incorporate changes in assessed value due to revaluation and how this affects the mill rate.

Councilor Naeem stated there will be a shift in residential vs. commercial over the five year period. She noted that the loss of value on some commercial properties would also be factored in over time. There could also be appeals on the commercial side as well.

Councilor Eleveld elaborated on why cash reserves cannot simply be used to cover budgetary increases.

Councilor Smith asked why it is not possible to have a 0% increase in the budget year over year. He speculated that it could be due to inflation and salary. Councilor Naeem asked that Town Manager Souza discuss a scenario with 0% increase in expenditures and a scenario with a 0% increase in taxes paid. Town Manager Souza noted that on the expense side, there are inflationary pressures. The only way to have 0% increase is to reduce expenditures somewhere

else. Liability insurance is going to go up 10-12% alone, for example. This would likely mean cutting positions. They have achieved a 0% expenditure increase by reducing services to get there. On the tax side, there could be a 0% increase in expenses but the taxes for residents would still go up because of revaluation. Assessed values of residential properties have gone up. Councillor Naeem asked that this be demonstrated during the informational meeting on Thursday. Councillor Smith noted that there is always a natural increase in costs.

Ms. Collins introduced Jaclyn Roccapiore, the new Budget Manager/Senior Accountant. Tristen Dodd, previous Budget Manager/Senior Accountant, has relocated to Alaska.

8. APPROVAL OF MINUTES

MOVED by Councillor Eleveld, seconded by Councillor Smith, to approve the unapproved minutes of the December 13, 2023 meeting as presented.

Motion Passed 3-0-0

9. ADJOURNMENT

MOVED by Councillor Eleveld, seconded by Councillor Smith, to adjourn the meeting at 5:56 p.m.

Motion Passed 3-0-0

Respectfully submitted by,

Rachel Boward
Recording Secretary